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COMPANY ANNOUNCEMENT

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JB Hi-Fi reports Sales for JB Hi-Fi branded stores up 6.7%, EPS in line with last year and an increased Dividend to 49.0 cps

Overview

JB Hi-Fi Limited today reported solid half year results for the six months ending 31 December 2011, in the most challenging period for retailers in many years.

Sales growth for JB Hi-Fi branded stores in Australia and New Zealand was 6.7% (5.5% including Clive Anthonys branded stores) and comparative store sales for JB Hi-Fi branded stores were -2.2% for the six months.

EBIT was in line with the Company's trading update released in December 2011, being down 4.9% to \$120.7 million (HY11: \$127.0 million) from \$1.775 billion sales for the half year.

NPAT was \$79.6m (HY11: \$87.9m) and was in line with EBIT movement before \$5.5m of funding costs associated with the Company's share buy-back in May 2011. Importantly the buy-back has enabled us to maintain our earnings per share at 80.7 cps.

Gross margin was 21.2% (HY11: 21.5%) and cost of doing business was 13.6% (HY11: 13.2%), resulting in an EBIT margin of 6.8% (HY11: 7.5%). This was a pleasing result considering the impact of negative comparative store sales on operating leverage. Cash flow from operations was \$215.9 million for the half year, which was consistent with the prior period.

The directors have declared a fully franked interim dividend for the half year of 49.0 cents per share (HY11: 48.0 cents per share), in line with the dividend policy of a payout ratio of 60% of HY12 NPAT. The interim dividend will be paid on 9 March 2012. The record date for determining the entitlement is 23 February 2012.

"We saw total sales growth for the Company, with JB Hi-Fi branded stores growing 6.7%, and market share gains in what has been a very challenging retail environment. We continue to evolve our model both in store and out of store, while maintaining our focus on those basic fundamentals which have and will continue to make us successful, being our unique brand personality, low cost of doing business and motivated and passionate staff" said CEO Terry Smart.

Store Roll-out Update

The Company opened 10 new JB Hi-Fi stores in HY12 (Australia: 10, New Zealand: 0) and plans to open a further 6 JB H-Fi stores in the second half, bringing the total number of new stores to 16 for FY12. One JB Hi-Fi store and one Clive Anthonys store were closed during the period. New stores have continued to perform to expectations. "The high return on investment generated by our new and established stores gives us the confidence to continue with our roll-out strategy. We believe we continue to offer customers a real point of difference and, together with our low operating cost model, this positions us to be a major beneficiary of any industry consolidation" said CEO Terry Smart.

At 31 December 2011, the Company had 165 stores (Australia: 152, NZ: 13), of which 161 were JB Hi-Fi branded stores. The Company is targeting 214 JB Hi-Fi branded stores and plans to open circa 13 to 15 stores per annum. With 53 JB Hi-Fi stores yet to open, the Company can look forward to many years of good organic growth.



Online and Digital

Online sales grew 87.7% over the half year with December sales up 109%.

With a high number of unique visitations (average of 1.4 million per week in December 2011 and 957,000 per week over HY12) the online site continued to be an important sales generator for both in store and online sales.

JB Hi-Fi has continued to refine its online presence as part of its multichannel strategy with the addition of both "Direct Import" cameras and "Factory Scoop".

JB Hi-Fi's digital music streaming service, JB HI-FI NOW, was "soft" launched in December 2011 and the Company is developing this evolving technology to deliver future growth. A key to the success of the JB HI-FI NOW platform will be the mobile service which we plan to launch in the next four weeks.

CEO Terry Smart said "Our online strategy, which has been evolving over the last 6 years, continues to deliver solid growth. The first stage of our digital strategy, our music subscription streaming service, JB HI-FI NOW, is gaining momentum and will accelerate in growth once we launch our mobile application in the next four weeks."

FY12 Outlook

The traditional three week post-Christmas sales period was challenging. In particular, this weakness was driven by the lower than anticipated sales in TV panels, a category in which sales are traditionally driven by heavy promotions in this period. Further weakness was also experienced in IT Accessories and Cameras which have continued to suffer from inventory supply shortages due to the Thailand floods.

As a result, January sales were soft, with JB Hi-Fi branded comparable store sales negative 5.5%.

While still early, we have seen an improvement in February sales which for the month to date for JB Hi-Fi branded stores grew 8.4% and on a comparable store basis sales grew 1.0%.

As a result, for the first six weeks of the second half, sales for JB Hi-Fi branded stores grew 3.3% and on a comparable store basis sales were negative 3.9%.

"While it has been a tough start to the year we expect sales to improve as we cycle out the heavy promotional period of post Christmas and New Year sales. In our view consumers were suffering from "promotional fatigue" and therefore have not reacted as well to our post Christmas promotional offers as in previous years. While the market will remain challenging, we will continue to focus on delivering customers a unique and engaging shopping experience both in store and online. Our continued focus on customer service through our passionate and knowledgeable staff, combined with our low cost operating model, will mean we can continue to offer best value and capture market share as the industry further consolidates" said CEO Terry Smart.

Assuming trading conditions in 2HY12 are comparable with the first half of FY12, the Company expects sales in FY12 to be circa \$3.1 billion, a 5% increase on the prior year.

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