



JB HI-FI LIMITED  
LEVEL 4, OFFICE TOWER 2  
1341 DANDENONG ROAD  
CHADSTONE VIC 3148  
ABN: 80 093 220 136  
[www.jbhifi.com.au](http://www.jbhifi.com.au)

COMPANY ANNOUNCEMENT

27 April 2012

## JB HI-FI TRADING UPDATE

JB Hi-Fi expects to achieve its previously announced FY12 sales target of circa \$3.1 billion with sales having improved progressively over the March quarter. Gross margin was very challenging during this quarter as a result of increased market-wide tactical activities. The Company believes that ongoing industry consolidation presents a good opportunity to grow its market share.

### Trading to 31 March 2012

Sales growth for the March quarter FY12 for JB Hi-Fi branded stores in Australia and New Zealand was 8.8% (7.5% including Clive Anthonys branded stores) and comparable store sales growth for JB Hi-Fi branded stores was +1.3%. Sales improved over the quarter with January 2012 comparable store sales growth being -5.5%, February +4.9% and March +5.2%.

Sales growth for JB Hi-Fi branded stores in Australia and New Zealand for the 9 months to 31 March 2012 was 7.3% (6.0% including Clive Anthonys branded stores) and comparable store sales growth for JB Hi-Fi branded stores was -1.3%, up from -2.2% at the half year.

Gross margin was down 200 bps for the March quarter compared to 30 bps down at the half year. This was driven by a number of factors, primarily market-wide discounting. JB Hi-Fi believes that the high level of discounting is the result of increased tactical activity as its competitors fight for market share, seek to clear excess and aged inventories and close stores, and is not sustainable.

JB Hi-Fi CEO, Terry Smart, said "The market remains very competitive but, with our core everyday low price (EDLP) message central to our customer proposition, we have maintained our market leading position. We anticipate that this level of discounting will continue over the next quarter but we do not believe that this is a long term structural change. While the impact on our earnings is clear, as a market leader with an everyday low price proposition, JB Hi-Fi will react aggressively to maintain our market leadership. Our low cost of doing business is one of our core competitive advantages and enables us to operate at healthy profit margins notwithstanding competitor activity. This is driven by high sales per square metre and an obsession with not letting waste and inefficiency creep into our cost structure. Over the March quarter we improved our cost of doing business percentage over the same period last year."

### Online & Digital

Online sales have been strong, up 76% on the prior period to 31 March 2012 as the Company continues to offer innovative services such as pick up in store, factory scoop and direct imports. With a high number of unique visitors to its websites (average of 965,000 per week) the Company is driving both in-store and out-of-store sales.

JB Hi-Fi NOW, JB Hi-Fi's digital content delivery platform, continues to gain traction with the launch in April of JB Hi-Fi's digital music streaming service mobile apps for both Apple iOS and Android devices with an app for Windows devices to follow shortly. JB Hi-Fi will continue to evolve the NOW platform to innovate and capture new markets. "We believe the combination of online and digital delivery will provide the most compelling out of store experience to match the success of our in-store program" said Mr Smart.

### FY12 Results

The Company expects to achieve its previously announced FY12 sales target of circa \$3.1 billion. As a result of the challenging gross margin environment, the Company expects NPAT for the 12 months to 30 June 2012 to be between \$100 million and \$105 million. This forecast assumes June quarter comparable store sales growth of -2.5% to flat and margin pressure in line with the March quarter.

For personal use only



**Industry Consolidation**

A number of industry participants have recently exited or are reducing their footprint in the market. Queensland based WOW Sight and Sound went into receivership in February 2012 and recently ceased operations. Last year WOW had reported sales of circa \$250 million from 15 stores; this represents a good opportunity for the Company to capture this market share in the Queensland and Northern Territory markets. JB Hi-Fi is currently negotiating on leases for two of the former WOW sites.

Dick Smith Electronics, with approximately \$1.5 billion in annual sales, is continuing to close stores as part of its previously announced exit of up to 100 stores prior to February 2014. Other players have significantly reduced or put on hold their expansion plans.

This consolidation, whilst impacting on gross margin in the short term, is yet to be reflected in the Company's sales to a positive degree, but presents the Company with a good opportunity to continue to grow its market share in the medium to longer term.

**Stores**

The Company's target of 214 JB Hi-Fi branded stores (currently 161 stores open) ensures that it will have solid growth over the next few years. The Company continues to apply stringent store selection criteria and the new sites offer JB Hi-Fi a high level of foot traffic and convenient access for customers which, combined with our unique and high energy retail format, gives JB Hi-Fi a customer proposition that its competitors cannot match. The new store opening program continues to perform well and the Company expects to open 16 new JB Hi-Fi stores in FY12 with 10 of these already open. Two stores are expected to open in May and four in June.

New stores continue to deliver comfortably in excess of their cost of capital and, in a market characterised by falling overall store numbers, allow JB Hi-Fi to capitalise on its superior business model with increasing market share.

The Company has recently closed two Clive Anthonys stores in Queensland, being those at Capalaba and Kedron (JB Hi-Fi Kedron relocated to the former Clive Anthony site).

**Outlook**

"April sales are anticipated to finish with negative comparable store sales growth. We feel this is predominantly the result of both cycling unusually high sales in April 2011 and the volatile trading environment as evidenced by the good sales growth we have experienced over the previous few months. However, we will be cycling softer prior year growth in May and June, with comparable store sales growth being -3.8% for those two months last year.

FY12 year to date has been a challenging year for the Company with the softer consumer environment resulting in challenging comparable store sales. However, as a testament to our model, our stores remain highly profitable. We are seeing some competitors exiting the market or reducing their store numbers. While this has put additional short-term pressure on both sales and gross margin we believe that it will lead to a good opportunity for JB Hi-Fi to expand and increase its market share in FY13 and beyond. The continued success of our recently opened stores combined with our growth online and expansion into digital services will see us continue to grow into the future" said Terry Smart, CEO JB Hi-Fi.

JB Hi-Fi will release its Full Year Results on 13 August 2012.

\*\*\*\*\*

Media & Investors:  
Terry Smart  
Chief Executive Officer  
03 8530 7333

Investors:  
Richard Murray  
Chief Financial Officer  
03 8530 7333

For personal use only