

## COMPANY ANNOUNCEMENT

25 October 2018

### Chairman's Address 2018 Annual General Meeting

Good morning ladies and gentlemen. Welcome to the 15<sup>th</sup> Annual General Meeting of JB Hi-Fi Limited.

The financial year ended 30 June 2018 was another solid year for JB Hi-Fi Limited and its subsidiaries (the "Group") with sales, profits and dividends all up on the prior year. This result was driven by a combination of sales growth, a continued focus on growth in gross profit dollars and on our low cost of doing business, underpinned by our ongoing emphasis on customer service.

The Group comprises two leading retail brands: JB HI-FI, with a focus on Technology and Consumer Electronics; and The Good Guys, with a focus on Home Appliances and Consumer Electronics.

The value proposition for each brand centres around ranging the best brands at low prices supported by exceptional customer service across a network spanning: 311 stores (as at the end of FY18) in Australia and New Zealand; online; and our commercial channels, JB HI-FI Solutions and The Good Guys Commercial.

The dual branded retail approach is underpinned by five key enablers that provide the Group with a unique competitive advantage, being:

- scale;
- a low cost operating model evidenced by the Group's low CODB;
- quality store locations;
- strong supplier partnerships; and
- our multichannel capabilities.

An integral part of the Board's ongoing strategy is to encourage innovation and diversification through new products, technology, merchandising formats, advertising and property locations in a controlled and responsible manner to ensure that we remain current and relevant to our customers. We have a culture of embracing change, which is seen as a "natural" part of the business, and this approach provides opportunities to increase revenue, margin and productivity.

We have a high level of loyalty and trust from our customers. The JB HI-FI business has been consistently ranked among Australia's most reputable companies in the Corporate Reputation Index released by the Reputation Institute and AMR. In February 2018, The JB HI-FI business was also awarded the Roy Morgan Customer Satisfaction Award for Furniture/Electrical store of the year for 2017, whilst The Good Guys business won the same award five times over the previous six years. Additionally, The Good Guys business, in September 2018, won the Canstar Blue Most Satisfied Customers Electronic Retailers Award for the eighth consecutive year.

As at 30 June 2018, the Group employed approximately 12,200 full-time, part time and casual staff across Australia and New Zealand. Our motivated, passionate, knowledgeable and highly trained staff members continue to be our most important asset. We believe the Group is an employer of choice, with a busy, enjoyable and, most importantly, safe working environment that helps us to continue to attract and retain high calibre staff.

The Board regularly reviews both the quantum and structure of executive remuneration to ensure that it remains in line with market practice. We aim to appropriately reward and incentivise executives whilst, at the same time, ensure that they are aligned with shareholder interests. With this in mind we have made some improvements to the executive remuneration structure for FY19 as set out in the Remuneration Report.

The Board is focused on the governance, environmental and social matters that are relevant to the Group. The Board continually reviews and monitors developments in corporate governance and is committed to ensuring that the Group's business is conducted ethically and in accordance with high standards of corporate governance. To this end, the Group has a Code of Conduct that provides guidance on what the Group deems to be acceptable behaviour.

The Board recognises the importance of diversity and believes that the different perspectives arising from diversity encourage an innovative, responsive, productive and competitive business and create value for our customers and shareholders. The Group has a Diversity Policy and the Board has set objectives in relation to gender diversity. In FY18 we have introduced a number of additional initiatives to encourage gender diversity and assist in achieving our diversity objectives, including the introduction of a paid maternity leave scheme for employees.

We are proud of our workplace giving programs and the high level of participation amongst the Board, management and staff. Richard will expand on this further in his address.

The Group regularly reviews all aspects of its capital structure with a focus on maximising returns to shareholders. Continued solid earnings growth and prudent management of our balance sheet, including relatively low gearing, provides the ability for us to maintain and optimise our capital structure.

The Board remains focused on building long term shareholder value. For the record, since JB Hi-Fi Limited listed in October 2003:

- the share price compound annual growth rate was 19.4% to 23 October 2018, compared to 3.9% on the ASX 200 Accumulation Index over the same period;
- the earnings per share compound annual growth rate was 21.5%<sup>1</sup>; and
- the dividend per share (fully franked) compound annual growth rate was 23.1%.

More recently, over the past three years:

- the share price compound annual growth rate was 10.1% to 23 October 2018, compared to 3.0% on the ASX 200 Accumulation Index over the same period;
- the earnings per share compound annual growth rate was 14.2%<sup>1</sup>; and
- the dividend per share (fully franked) compound annual growth rate was 13.6%.

The Board believes that our current dividend payout ratio of 65% appropriately balances the distribution of profit to shareholders and the reinvestment of earnings for future growth. The total dividend paid relating to FY18 was 132 cents per share, up 14 cents per share on the prior year.

In closing, I would like to take this opportunity to thank my fellow directors, the executive and all the team for their unwavering commitment to the ongoing prosperity of your company and its shareholders.

I now invite Richard to address the meeting on the operational results.

<sup>1</sup> In accordance with AASB 133, the comparative earnings per share calculations have been restated to reflect the bonus element of the entitlement offer associated with the acquisition of The Good Guys in November 2016.