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COMPANY ANNOUNCEMENT

29th October 2014

CEO's Address 2014 Annual General Meeting

Thank you Greg and good morning ladies and gentlemen.

Firstly, I would like to acknowledge the confidence that Greg and the Board have shown in me by appointing me as CEO earlier this year. JB HI-FI is an amazing organisation; we have a great brand, an experienced management team and passionate, knowledgeable and dedicated staff that provide our customers with a high level of genuine engagement. It is humbling to be chosen to lead this terrific group of people and I am really excited about the opportunities ahead.

I would particularly like to recognise the support and guidance that our recent CEOs, Terry Smart and Richard Uechtritz, have given me during my time at JB HI-FI. On behalf of the management team, support office and store staff, I wish Terry all the best for the next stage of his career.

JB HI-FI is, and has always been, a discount retailer supported by a low cost model which enables it to offer one of Australia and New Zealand's best value home entertainment, consumer electrical and home appliance product ranges. Our high energy, engaging and entertaining retail format ensures that we are the desired destination for our loyal customers. Our motivated, passionate and knowledgeable staff members continue to be our most important asset with a busy and enjoyable working environment ensuring that JB HI-FI continues to attract and retain high calibre staff.

FY14 was another good year for JB HI-FI. However, since May this year, retail trading conditions have been challenging, both in our sector and the broader economy. Week to week trading remains volatile, however it is pleasing to see a return to growth in sales in September and October, which we believe places us in a good position as we move into the key Christmas trading period. I will go into more detail on current trading later in my address.

In FY14 we achieved sales of \$3.48 billion, up 5.3% and comparable sales growth of 2.0%. We achieved strong sales growth in the first three quarters of FY14 however sales in the last quarter were impacted primarily by the market-wide decline in tablet sales and weaker consumer sentiment from May 2014.

Gross margin in FY14 improved 17 basis points to 21.7%. In Australia, the market remained very competitive. Our low cost of doing business continues to be a significant advantage and at 15.2% remains lower than our major listed competitors. Operating costs were in line with our expectations as we maintained our focus on productivity, while continuing to deliver the high standard of customer service that JB HI-FI is known for. Net profit after tax was up 10.3% to \$128.4m, earnings per share were up 9.1% and the full year dividend was up 16.7% or 12.0 cents per share on the prior year to 84.0 cents per share.

The balance sheet continues to grow in strength with relatively low financial and operating leverage, evidenced by our solid fixed charges cover of 3.3 times, gearing of 0.8 and interest cover of 21.6 times.

There were 182 stores (Australia: 147 JB HI-FI stores and 22 JB HI-FI HOME stores, NZ: 13 JB HI-FI stores) open as at 30 June 2014. During FY14, we opened seven new JB HI-FI stores and one new JB-HI-FI HOME store, all in Australia. The final Clive Anthonys store and two JB HI-FI stores were closed during FY14. We expect to open a total of eight new stores in FY15 (3 JB HI-FI stores and 5 JB HI-FI HOME stores) and maintain our target of 214 stores across Australia and New Zealand.

We continue to both review our existing store portfolio and to apply stringent store selection criteria to potential new sites to ensure that they offer JB HI-FI a high level of foot traffic and convenient access for customers. This considered approach to our existing and new store locations means stores should continue to deliver comfortably in excess of their cost of capital.

JB HI-FI HOME represents a significant growth opportunity as we leverage the strength and trust in the JB HI-FI brand. The home appliances market is circa \$4.6 billion, larger than many of the other categories JB HI-FI currently operates in. The JB HI-FI HOME expansion is one year ahead of our original expectations and we continue to build support from suppliers and engagement with our customers and staff. As consumers embrace the "connected home" experience and appliances become a fashion statement within the home JB HI-FI will be seen as the destination for expert advice from our passionate and knowledgeable staff.

We had 22 JB HI-FI HOME stores as at 30 June 2014, with one new JB HI-FI HOME store opened and 13 existing JB HI-FI stores converted to JB HI-FI HOME during FY14. In FY15, we anticipate opening five new JB HI-FI HOME stores and converting a further 26 existing JB HI-FI stores to the JB HI-FI HOME format, taking the total number of JB HI-FI HOME stores to 53 by the end of FY15. As previously announced, we see the potential for approximately 75 JB HI-FI HOME stores by the end of FY16, with the long term opportunity still to be fully quantified.

Online sales were up 13.9% in FY14, and represent approximately 2.2% of total sales. The popularity of JB HI-FI's websites continues to grow with unique visitors to the websites increasing by 9.9% over the previous 12 months to an average of 1.3 million per week.

On 1 July 2014, we launched a new website which offers an enhanced customer experience with improved search functionality, richer product information and responsive design. Our websites, including the JB HI-FI NOW digital offering, provide customers with a choice on how they wish to shop at JB HI-FI, for both physical goods and digital content. We are pleased with the performance of the new website to date, including the integration of JB HI-FI HOME, and look forward to continued strong sales growth from our online channel.

JB HI-FI's commercial division continued to see strong growth in FY14 and remains on track to deliver on our longer term aspirational sales target of \$500m per annum, through both organic growth and strategic acquisitions.

To support the expansion of JB HI-FI HOME and our ongoing growth in both commercial sales and large format TVs, we are developing a low cost, fit-for-purpose supply chain and logistics strategy with facilities recently opened in Melbourne, Sydney and Brisbane.

JB HI-FI's workplace giving program, established in 2008 and known as Helping Hands, enables JB HI-FI directors, management and employees to donate to ten registered charitable organisations in Australia and five in New Zealand. JB HI-FI matches dollar for dollar regular employee contributions through its payroll system, effectively doubling the financial benefit to our charity partners. Workplace giving programs have proved to be a very effective way for employers and employees to join together to support the community. Through the combined giving of JB HI-FI and its employees, we believe we make a real difference to the charities in the program. In FY14 almost \$1.5 million was raised and, since its inception, JB HI-FI and its employees are proud to have raised more than \$5.6 million.

The Helping Hands program has driven the placement of "Change for Change" boxes in all stores across Australia from September 2010 and in New Zealand since May 2012. All donations collected are shared evenly amongst JB HI-FI's charity partners. This year over \$88,000 has been collected and, since inception, the program has raised over \$380,000, showing the generosity of customers and employees.

The Board and Executive team recognises the importance of diversity and values the competitive advantage that is gained from a diverse workforce at all levels of the organisation. We believe that all Board appointments, employment and advancement decisions should be based on merit, qualifications and competence, and that employment opportunities shall not be influenced, affected or limited by discrimination.

In March 2012, the Board set objectives in relation to gender diversity and adopted a strategy to achieve these objectives. The objectives were primarily focused on improving the percentage of female to male commissioned sales staff, store managers, regional managers and senior managers.

As a Company we were aware at the time of setting the objectives that one of the challenges faced in terms of diversity was the relatively low level of turnover in positions such as regional and senior management

roles, with the vast majority of these positions being occupied by long serving male employees. Whilst our stable senior and regional management teams are one of the strengths of JB HI-FI, in the short term this poses challenges in achieving our diversity objectives. As a new CEO, together with the Board and Executive, we are taking this opportunity to review and if necessary refocus our action plans around achieving our gender diversity objectives.

This review will take place during FY15 with reporting on revised objectives, plans and progress towards achieving them to be included in the JB HI-FI 2015 Annual Report.

FY15 provides significant opportunities for JB HI-FI including the JB HI-FI HOME roll-out, the continuation of our new store roll-out program, expansion of our commercial division and the opportunities created both in store and out of store by our new website. These opportunities, combined with the maturation of the 21 stores opened over the past two years and an exciting new product outlook, will drive sales and earnings growth.

In FY15 we expect:

- to open eight new stores, with three opening in the first half; and
- to convert 26 existing stores to JB HI-FI HOME, including six relocations. 13 stores are expected to be converted in the first half.

We continue to invest in the store network, with capital expenditure in FY15 expected to be in the range of \$50m to \$55m, driven by the new, relocated and converted stores discussed above.

Recent trading:

- sales year to date¹ are up 0.5% in total with comparable sales down 2.1%.
- as highlighted at the time of our FY14 results announcement, sales in July and August this year were impacted by the market-wide decline in tablet sales and weaker consumer sentiment. Pleasingly we have returned to positive comparable sales growth in September and October which is a solid improvement on the first two months trading and places us in a good position as we move into the key Christmas trading period;
- recent product releases, including the launch of the new iPhones and Microsoft Surface 3, combined with improved stock availability of both the PS4 and Xbox One gaming consoles, have assisted us in returning to sales growth. These products will help to drive sales through the Christmas period;
- whilst we are cycling strong visual sales this time last year due to digital switch over, we remain confident growth in other departments should offset this challenge; and
- we maintain our guidance for FY15 total sales of circa \$3.6 billion and expect the market to remain competitive as retailers drive for market share.

The key success drivers of JB HI-FI continue to be having the biggest range and the lowest prices, supported by talented and enthusiastic staff.

I look forward to another successful year in FY15.

¹ to 26 October 2014.