

COMPANY ANNOUNCEMENT

13 February 2017

JB HI-FI Limited Half Year 2017 Results

HY17 Highlights

- Total sales up 23.6% to \$2.6 billion
- Underlying EBIT up 30.9% to \$180.8 million
- Underlying NPAT up 31.7% to \$125.4 million, statutory NPAT \$110.4 million
- Underlying EPS up 22.4% to 116.3 cps
- Interim dividend up 14.3% to 72 cps
- Successfully completed the \$870 million acquisition of The Good Guys on 28 November 2016

HY17 Trading Performance¹

JB Hi-Fi Limited ("Company") today reports net profit after tax (NPAT) up 31.7% to \$125.4 million (HY16: \$95.2 million) from \$2.6 billion of sales (HY16: \$2.1 billion) for the half year ended 31 December 2016 (HY17). Total sales growth for HY17 was 23.6%. Group EBIT was up 30.9% on the pcp to \$180.8 million and EPS was up 22.4% to 116.3 cps.

Group CEO, Richard Murray, said "we are pleased to have delivered record sales and earnings results for the half. It has been a particularly strong 12 months for the JB Hi-Fi business in Australia and we are pleased to have successfully completed our acquisition of The Good Guys."

JB HI-FI

Australia

Total sales grew by 11.7% to \$2.2 billion, with comparable sales up 8.7%. Key growth categories were the Communications, Audio, Cameras, Accessories, Computers and Home Appliance categories. In HY17 online sales grew 40.4% on the pcp to \$84.8 million or 3.8% of total sales, reflecting continuous improvement across many aspects of the Company's digital assets. JB HI-FI Solutions continued to grow and remains on track to deliver on its longer term aspirational sales target of approximately \$500m per annum, through both organic growth and strategic acquisitions.

Gross profit increased by 13.2% to \$496.5 million with gross margin up 30 bps at 22.2%, primarily driven by a change in sales mix.

CODB was 13.9%, down 26 bps on the pcp. Total operating costs were in line with management's expectations and store wages remained well controlled as the Company continued to deliver the high standard of customer service that JB HI-FI is known for. The Company's low CODB remains a competitive advantage and is maintained through continued focus on productivity and minimising indirect expenditure.

Strong growth in sales and gross profit, combined with operating cost leverage, drove strong EBIT growth. EBIT was up 21.5% on the pcp to \$165.6 million while EBIT margin was up 60 bps at 7.4%.

New Zealand

In New Zealand total sales were down 1.7% to NZ\$125.1 million, with comparable sales down 11.2%. Sales in the pcp were impacted by the elevated market wide demand for third party prepaid content cards. Excluding the sales impact of these cards (NZ\$8.4m), total sales growth in New Zealand was +5.2%, with comparable sales -4.9%. Gross margin was up 113 bps on the pcp to 19.2%, driven by a combination of underlying improvements in a number of categories and the dilutionary impact of third party prepaid content cards in the pcp. The overall performance in New Zealand is an ongoing focus for the management team.

¹ Unless otherwise stated, all results disclosed in this announcement are underlying results which exclude transaction fees and implementation costs totalling \$15.3m associated with the acquisition of The Good Guys on 28 November 2016 (The Good Guys results included from 28 November 2016 to 31 December 2016). Refer to the JB Hi-Fi Limited HY17 Results Presentation (Appendix I) for reconciliations of statutory and underlying results.

JB Hi-Fi Limited

The Good Guys

The Good Guys was acquired on 28 November 2016. For December 2016, total sales were up +0.7% on the pcp to \$263.1 million with comparable sales -0.7%. December 2016 earnings of \$14.3 million were pleasing and ahead of the pcp driven by improved sales mix and good cost control. Trading in the first five months of the financial year, prior to JB HI-FI ownership, was impacted by the JVP transition/corporatisation program and overall market declines in seasonal appliances (heating and cooling). Trading from December onwards has improved and this is expected to continue for the remainder of the second half. For the period under JB HI-FI ownership, 28 November 2016 to 30 June 2017, both sales and earnings for The Good Guys are expected to be in line with the pcp.

“As indicated at the time the acquisition was announced, given the proximity to the critical Christmas trading period for both JB HI-FI and The Good Guys, there would be limited integration undertaken in 2016. As we move into 2017, we are taking a deliberate and considered approach to how we integrate and leverage the scale of the Group. Our work to date has validated the rationale regarding the power of the combination and the strategic merits of the acquisition. We reconfirm our synergy assumptions of \$15 to \$20 million per year after a three year integration period and remain highly confident in our ability to realise these benefits” said Group CEO, Richard Murray.

Stores

The Company had a total of 302 stores in Australia and New Zealand as at 31 December 2016. In Australia, four new JB HI-FI HOME stores were opened and small appliances were introduced to a further 17 existing JB HI-FI stores in HY17. One new JB HI-FI store was opened and small appliances were introduced to one existing JB HI-FI store in New Zealand in HY17. Two new JB HI-FI stores are expected to be opened in Australia in the second half of FY17 and these stores will include small appliances.

Two new The Good Guys stores were opened in HY17² and one new The Good Guys store is expected to open in Australia in the second half of FY17.

The Company continues to review opportunities for new stores across Australia and New Zealand.

Capital Management

The Board has today declared an interim dividend of 72 cents per share fully franked, up 14.3% from the pcp, which represents 65% of underlying NPAT. The Board believes that the Company's dividend payout ratio of 65% appropriately balances the distribution of profit to shareholders and the reinvestment of earnings for future growth. The interim dividend will be paid on 10 March 2017. The record date for determining the entitlement is 24 February 2017.

As part of the acquisition of The Good Guys, the Company completed a 1 for 6.60 fully underwritten, pro-rata, accelerated, renounceable entitlement offer of approximately \$394 million on 6 October 2016. 15.0 million new shares were issued as part of the entitlement offer.

Outlook

January 2017 sales update:

- Total sales growth for JB HI-FI was 9.8% (January 2016: +10.2%) with comparable sales growth of 7.2% (January 2016: +6.5%).
- Total sales growth for The Good Guys was 5.0% with comparable sales growth of 3.5%.
- The sales result in January 2017 was pleasing given the strength in the pcp.

² These stores were opened before the acquisition. There were 103 The Good Guys stores open as at the acquisition date on 28 November 2016.

JB Hi-Fi Limited

FY17 Guidance:

- As previously highlighted, the closure of DSE during the second half of FY16 has contributed to an increase in JB HI-FI sales in the first half of FY17; however the impact will moderate as we cycle through their decline and eventual market exit.
- In FY17 the Company expects total Group sales to be circa \$5.58 billion (JB HI-FI \$4.33 billion and The Good Guys \$1.25 billion³), and Group underlying NPAT⁴ to be in the range of \$200 million to \$206 million, an increase of 31.4% to 35.4% on the pcp.

Group CEO, Richard Murray, said “we are pleased with the Group’s results for the half. Having successfully completed our acquisition of The Good Guys, the Group is well positioned to build on its solid momentum into the second half.”

Media & Investors:

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³ 28 November 2016 to 30 June 2017.

⁴ Underlying NPAT excludes transaction fees and implementation costs associated with the acquisition of The Good Guys in FY17.