

JB Hi-Fi Limited

HY17 Results Presentation

Agenda

1. **Group Performance Overview**
2. **JB HI-FI**
3. **The Good Guys**
4. **Stores**
5. **Group Balance Sheet and Cash Flow**
6. **Outlook**

Richard Murray
Group CEO

Nick Wells
CFO

1. Group Performance Overview

Financial highlights

AUD	HY17 ¹	HY16	Growth	
			(\$m)	(%)
Total sales (\$m)	2,616.2	2,116.8	+499.4	+23.6% ▲
Underlying earnings before interest and tax (\$m)	180.8	138.2	+42.7	+30.9% ▲
Underlying net profit after tax (\$m)	125.4	95.2	+30.2	+31.7% ▲
Underlying earnings per share (basic ¢)	116.3	95.0 ²	+21 cps	+22.4% ▲
Dividend per share (¢)	72.0	63.0	+9 cps	+14.3% ▲

- Underlying NPAT of \$125.4 million, up 31.7% on the pcp. Statutory NPAT of \$110.4 million
- Successfully completed the \$870 million acquisition of The Good Guys on 28 November 2016
- Strong half year result across all metrics for JB HI-FI
- Challenging start to the financial year for The Good Guys, however performance improved throughout the year and into the second half
- Interim dividend of 72 cents per share fully franked, based on underlying NPAT and in line with the current Group dividend payout ratio of 65%

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

² In accordance with AASB 133, the comparative period (HY16) EPS has been restated to reflect the bonus element of the entitlement offer associated with the acquisition of The Good Guys in November 2016 (Unadjusted HY16 EPS: 96.1)

1. Group Performance Overview

Divisional performance

	HY17 ¹	HY16	Growth	
			(\$m)	%
Sales (\$m)				
- JB HI-FI Australia	2,234.2	2,000.9	+233.3	11.7% ▲
- JB HI-FI New Zealand (NZD)	125.1	127.3	(2.2)	(1.7%) ▼
- The Good Guys	263.1	n/a	+263.1	n/a
Total Sales (\$AUm)	2,616.2	2,116.8	+499.4	23.6% ▲
EBIT (\$m)				
- JB HI-FI Australia	165.6	136.4	+29.3	21.5% ▲
- JB HI-FI New Zealand (NZD)	1.0	2.0	(1.0)	(50.3%) ▼
- The Good Guys	14.3	n/a	+14.3	n/a
Total EBIT (\$AUm)	180.8	138.2	+42.7	30.9% ▲
EBIT Margin (%)				
- JB HI-FI Australia	7.41%	6.82%	+60 bps	▲
- JB HI-FI New Zealand	0.78%	1.55%	(76 bps)	▼
- The Good Guys	5.42%	n/a	n/a	
Total EBIT Margin (%)	6.91%	6.53%	+39 bps	▲

¹ Underlying results (refer to note 1 on page 3)

2. JB HI-FI

JB HI-FI Australia performance summary

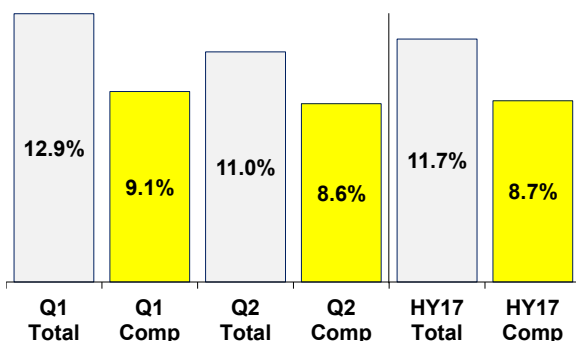


AUD	HY17 ¹	HY16	Growth
Sales (\$m)	2,234.2	2,000.9	11.7% ▲
Gross Profit (\$m)	496.5	438.6	13.2% ▲
Gross Margin (%)	22.22%	21.92%	+30 bps ▲
Cost of Doing Business (%)	13.93%	14.19%	(26 bps) ▼
EBIT (\$m)	165.6	136.4	21.5% ▲
EBIT Margin (%)	7.41%	6.82%	+60 bps ▲
Stores (#)	183	179 ²	+4 stores ▲

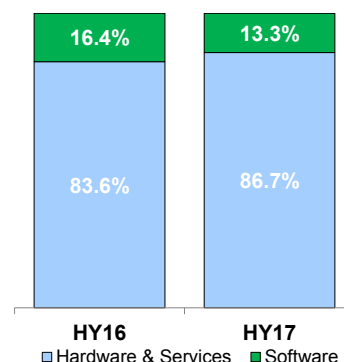
Sales

- Total sales grew by 11.7% to \$2.23 billion, with comparable sales up 8.7%
- Hardware and Services³ sales in HY17 were up 15.8%, with comparable sales up 12.6% driven by the Communications, Audio, Cameras, Accessories, Computers and Home Appliance categories
- Software sales were -9.4% and on a comparable basis were -11.0%
- Online sales for HY17 grew 40.4% on the pcp to \$84.8 million or 3.8% of total sales (HY16: 3.0%), reflecting continuous improvement across many aspects of our digital assets
- Our Solutions business continued to grow and remains on track to deliver on our longer term aspirational sales target of approximately \$500m per annum, through both organic growth and strategic acquisitions

Sales Growth



Sales Category Splits



¹ Underlying results (refer to note 1 on page 3)

² As at 30 June 2016

³ Hardware & Services is defined as all sales excluding the Music, Movies and Games Software categories

2. JB HI-FI

JB HI-FI Australia performance summary

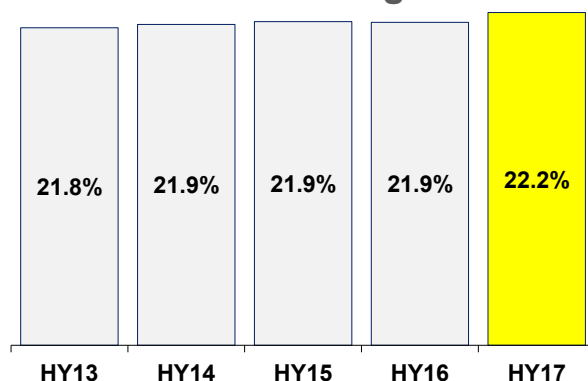
AUD	HY17 ¹	HY16	Growth
Sales (\$m)	2,234.2	2,000.9	11.7% ▲
Gross Profit (\$m)	496.5	438.6	13.2% ▲
Gross Margin (%)	22.22%	21.92%	+30 bps ▲
Cost of Doing Business (%)	13.93%	14.19%	(26 bps) ▼
EBIT (\$m)	165.6	136.4	21.5% ▲
EBIT Margin (%)	7.41%	6.82%	+60 bps ▲
Stores (#)	183	179 ²	+4 stores ▲

Gross Profit and Margin

- Gross profit increased by 13.2% to \$496.5 million
- Gross margin was 22.2%, a 30 bps increase on the pcp, primarily driven by sales mix
- We continue to focus on growing gross profit dollars, maintaining gross margin but not at the expense of sales



Gross Margin



¹ Underlying results (refer to note 1 on page 3)

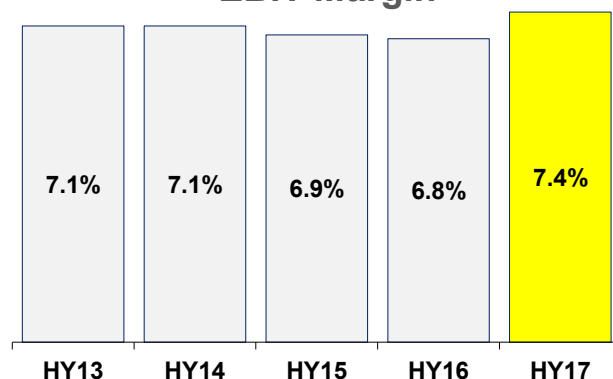
² As at 30 June 2016

2. JB HI-FI

JB HI-FI Australia performance summary

AUD	HY17 ¹	HY16	Growth
Sales (\$m)	2,234.2	2,000.9	11.7% ▲
Gross Profit (\$m)	496.5	438.6	13.2% ▲
Gross Margin (%)	22.22%	21.92%	+30 bps ▲
Cost of Doing Business (%)	13.93%	14.19%	(26 bps) ▼
EBIT (\$m)	165.6	136.4	21.5% ▲
EBIT Margin (%)	7.41%	6.82%	+60 bps ▲
Stores (#)	183	179²	+4 stores ▲

EBIT Margin



¹ Underlying results (refer to note 1 on page 3)

² As at 30 June 2016



CODB

- CODB was 13.9%, down 26 bps on the pcp
- CODB in absolute terms grew 9.7%
- Total operating costs were in line with expectations. Store wages remained well controlled as we continued to deliver the high standard of customer service that JB HI-FI is known for
- Our low CODB remains a competitive advantage and is maintained through continued focus on productivity and minimising indirect expenditure

EBIT

- 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%

2. JB HI-FI

JB HI-FI New Zealand performance summary

NZD	HY17	HY16	Growth
Sales (\$m)	125.1	127.3	(1.7%) ▼
Gross Profit (\$m)	24.0	23.0	4.4% ▲
Gross Margin (%)	19.20%	18.07%	+113 bps ▲
Cost of Doing Business (%)	17.11%	15.31%	+179 bps ▲
EBIT (\$m)	1.0	2.0	(50.3%) ▼
EBIT Margin (%)	0.78%	1.55%	(76 bps) ▼
Stores (#)	16	15 ¹	+1 store ▲



- Total sales were down 1.7% to NZ\$125.1 million, with comparable sales down 11.2%
- As highlighted in the pcp, HY16 sales were elevated by the market wide demand for third party prepaid content cards. Excluding the sales impact of these cards (NZ\$8.4m), total 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
- Overall performance in New Zealand is an ongoing focus for the management team

¹ As at 30 June 2016

3. The Good Guys

The Good Guys performance summary



AUD	HY17 ¹
Sales (\$m)	263.1
Gross Profit (\$m)	51.7
Gross Margin (%)	19.7%
Cost of Doing Business (%)	13.5%
EBIT (\$m)	14.3
EBIT Margin ³ (%)	5.4%
Stores (#)	103

¹28 November 2016 to 31 December 2016

- For December 2016², total sales were up +0.7% to \$263.1m, with comparable sales -0.7%
- December 2016 earnings of \$14.3m 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

² The Good Guys was acquired on 28 November 2016. The Good Guys underlying results (refer to note 1 on page 3) presented are for the period of ownership (28 November 2016 to 31 December 2016). This period is referred to as December 2016

³ December EBIT margins of 5.4% are due to the seasonality/operating leverage from the Christmas trading period. This is not reflective of full year EBIT margins

3. The Good Guys

Recap of acquisition strategic rationale

- Creates Australia's leading consumer electronics and home appliance retail group
- Aligned retailing philosophies and customer value propositions with a focus on great value everyday and exceptional customer service
- Complementary customer profiles, product offerings and store locations
- Significantly expands JB HI-FI's capability in the attractive home appliances market
- Opportunities for growth for the combined Group, including through store roll-out and continued market share gains
- Disciplined acquisition with meaningful synergies



Integration update

- 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 assumptions¹ and remain highly confident in our ability to realise these benefits

¹ \$15 million to \$20 million per annum to the Group after a three year integration period

4. Stores

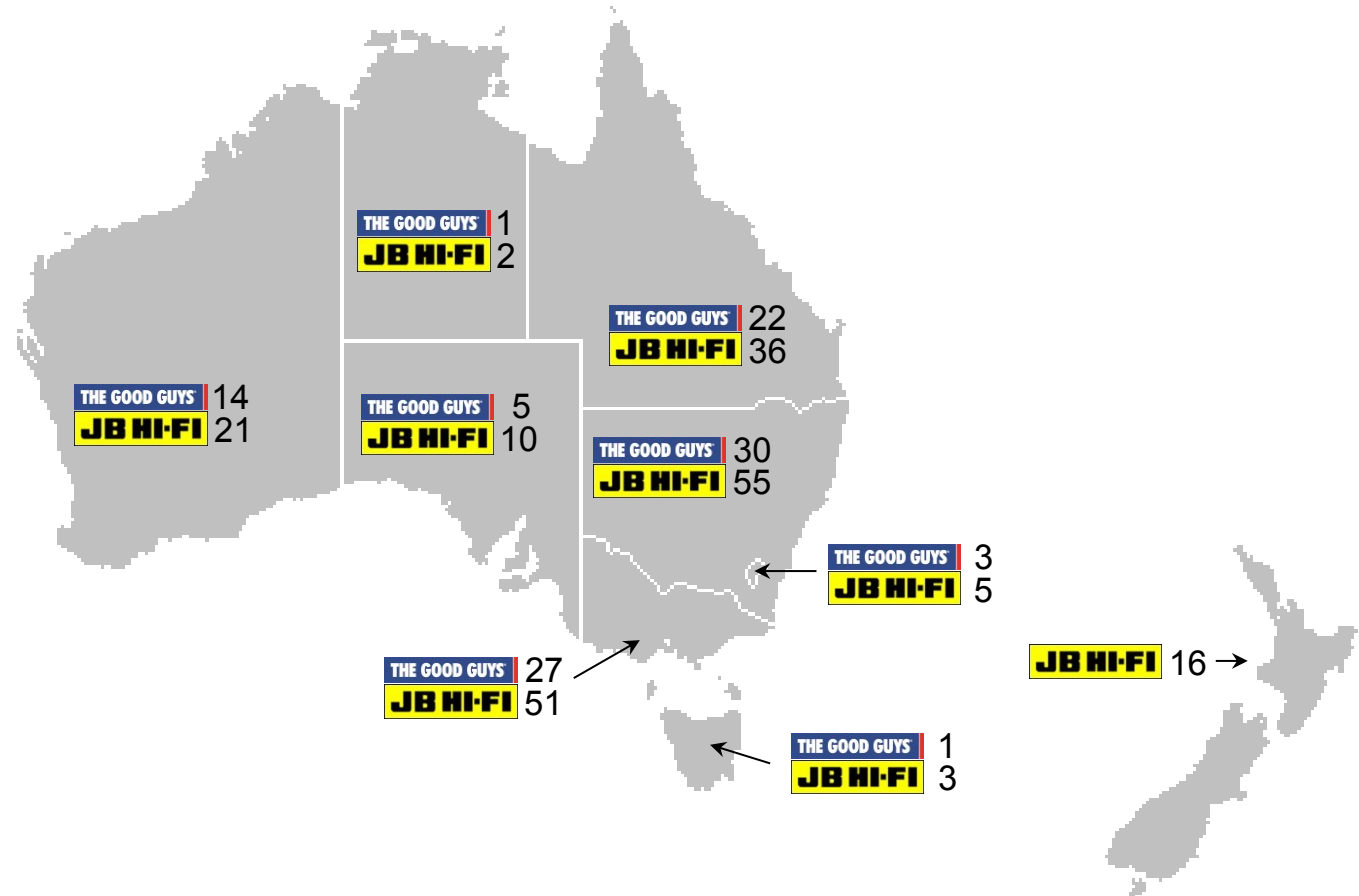
302 stores across Australia and New Zealand

JB HI-FI

- 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. These stores will include small appliances

The Good Guys

- Two new The Good Guys stores were opened in HY17¹
- One new The Good Guys store is expected to open in Australia in the second half of FY17



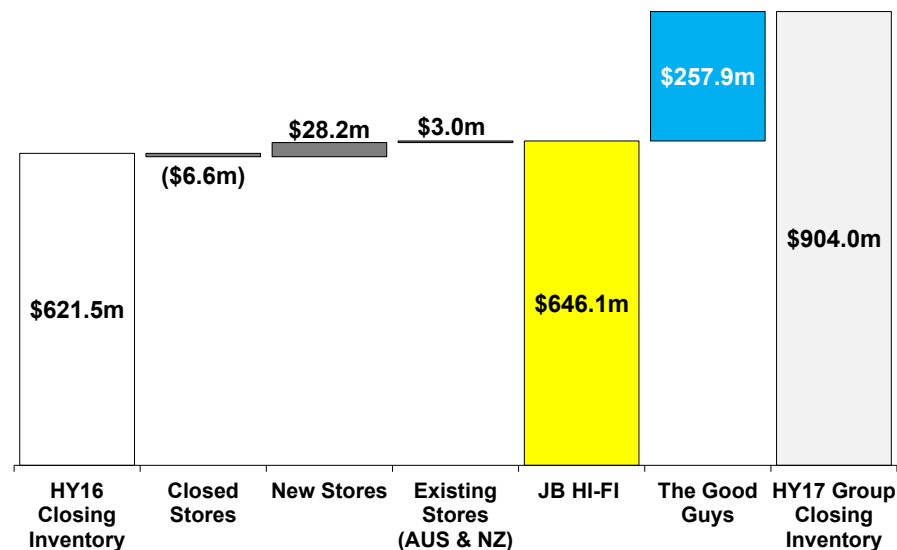
¹ These stores were opened before the acquisition. There were 103 The Good Guys stores open as at the acquisition date on 28 November 2016

5. Group Balance Sheet and Cash Flow

Group Balance Sheet

\$AUm	HY17	FY16	HY16
Cash	124.5	51.9	101.4
Receivables	331.8	98.0	146.1
Inventories	904.0	546.4	621.5
Other	46.3	6.1	9.7
Total Current Assets	1,406.6	702.4	878.7
Fixed Assets	215.7	183.6	185.5
Intangibles & Goodwill	981.5	85.6	85.3
Other	81.5	20.7	20.7
Total Non-Current Assets	1,278.7	289.9	291.5
Total Assets	2,685.3	992.3	1,170.2
Payables	994.3	339.9	604.9
Other	262.9	106.9	128.1
Total Current Liabilities	1,257.2	446.8	733.0
Borrowings	423.4	109.7	-
Other	131.9	31.1	31.4
Total Non-Current Liabilities	555.3	140.8	31.4
Total Liabilities	1,812.5	587.6	764.3
Net Assets	872.8	404.7	405.8
Net Debt / (Net Cash)	299.0	57.9	(101.4)

Inventory Bridge – HY16 to HY17



- The JB HI-FI inventory levels were pleasing, with inventory turnover in HY17 up on the pcp at 6.1x (pcp: 6.0x). The Good Guys inventory continues to be well managed and is in line with expectations
- Similar to prior half years, the 31 December payables and net debt / (net cash) positions are heavily influenced by the timing of Christmas inventory purchasing
- Approximately \$500m of term debt was drawn on 28 Nov 2016 to fund the acquisition of The Good Guys

5. Group Balance Sheet and Cash Flow

Group Cash Flow Statement

\$AUm	HY17	HY16
Statutory EBITDA	188.5	157.9
Change in Working Capital	117.0	134.4
Net Interest Paid	(0.1)	(1.7)
Income Tax Paid	(34.2)	(33.6)
Other	4.8	2.6
Net Cash Flow from Operations	276.1	259.6
Purchases of P&E (net)	(20.0)	(28.6)
Investments (net of cash acquired)	(846.5)	-
Net Cash Flow from Investing	(866.5)	(28.6)
Free Cash Flow¹	256.1	231.0
Proceeds / (Repayment) of borrowings	315.0	(140.0)
Proceeds from issue of equity	395.2	5.0
Share buy-back	-	(13.2)
Share issue costs	(9.0)	-
Dividends Paid	(36.7)	(30.9)
Other	(1.5)	0.1
Net Cash Flow from Financing	663.0	(179.0)
Net Change in Cash Position	72.6	52.0
Effect of exchange rates	(0.04)	0.3
Cash at the end of Period	124.5	101.4

¹ Free Cash Flow = Net Cash Flow from Operations less Purchases of P&E (net)

² Rolling 12 month underlying EBITDA (includes The Good Guys from 28 November 2016 to 31 December 2016)

Group Performance Indicators

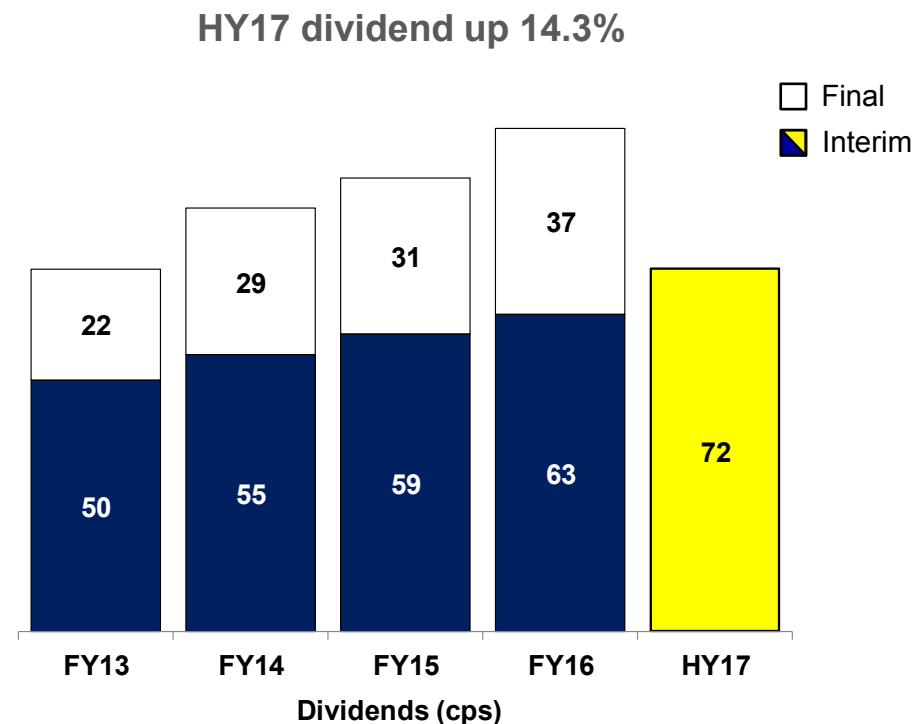
	HY17	HY16
Fixed Charge Ratio ²	3.6x	3.5x
Interest Cover	66.0x	69.6x
Gearing Ratio ²	1.4	0.0
Return on Invested Capital	15.4%	45.4%

- The group performance indicators are influenced by the timing of The Good Guys acquisition, with all ratios including earnings from The Good Guys from 28 November to 31 December 2016
- Operating cash conversion continues to be strong
- Capex remains well controlled as we continue to invest in the store portfolio
- Financing cash flows include the capital raising and borrowings in relation to The Good Guys acquisition

5. Group Balance Sheet and Cash Flow

Capital Management

- The Board regularly reviews its capital structure with a focus on maximising returns to shareholders and believes the current dividend payout ratio of 65% appropriately balances the distribution of profit to shareholders and the reinvestment of earnings for future growth
- The interim dividend of 72 cents per share (cps) fully franked, up 14.3% from the pcp, represents 65% of underlying NPAT. The record date for the interim dividend is 24 February 2017, with payment to be made on 10 March 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



6. Outlook

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%

FY17 Guidance:

- As we have 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 billion¹), and Group underlying NPAT² to be in the range of \$200 million to \$206 million, a increase of 31.4% to 35.4% on the pcp

¹ 28 November 2016 to 30 June 2017

² Underlying NPAT excludes transaction fees and implementation costs associated with the acquisition of The Good Guys in FY17

Appendix I

a) Group underlying EBIT reconciliation

\$AUm	HY17
Statutory EBIT	165.5
<i>Adjustments</i>	
- Transaction Fees	14.1
- Implementation Costs	1.2
<i>Total Adjustments</i>	15.3
Underlying EBIT	180.8

b) Group underlying NPAT reconciliation

\$AUm	HY17
Statutory NPAT	110.4
<i>Adjustments</i>	
- Transaction Fees	14.1
- Implementation Costs	1.2
<i>Total Adjustments</i>	15.3
- Tax impact	(0.4)
<i>Total After Tax Adjustments</i>	15.0
Underlying NPAT	125.4

c) Group underlying CODB reconciliation

\$AUm	HY17	HY16
Other income (ex interest received)	(0.1)	(0.004)
Sales and marketing expenses (App 4D)	249.3	202.8
Occupancy expenses (App 4D)	101.2	84.9
<i>less depreciation, amortisation & impairment</i>	(20.5)	(17.1)
Administration expenses (App 4D)	15.8	13.9
<i>less depreciation & impairment</i>	(2.6)	(2.6)
Other expenses (App 4D)	24.2	19.9
Underlying CODB	367.2	301.6
Sales	2,616.2	2,116.8
Underlying CODB (% of sales)	14.04%	14.25%

d) Group underlying EPS reconciliation

	HY17
Underlying NPAT (\$AUm)	125.4
Weighted average number of ordinary shares (m)	107.9
Underlying EPS	116.3

Appendix II

a) Store reconciliation

	FY16	HY17		
		Opened	Acquired	Total
Australia				
JB HI-FI	124	-	-	124
JB HI-FI HOME	55	4	-	59
	179	4	-	183
New Zealand				
JB HI-FI	11	1	-	12
JB HI-FI HOME	4	-	-	4
	15	1	-	16
JB HI-FI TOTAL	194	5	-	199
THE GOOD GUYS¹	-	-	103	103
TOTAL	194	5	103	302
Store type:				
JB HI-FI	135	1	-	136
JB HI-FI HOME	59	4	-	63
THE GOOD GUYS	-	-	103	103
	194	5	103	302
Store format:				
Shopping centre	110	3	2	115
Other	84	2	101	187
	194	5	103	302

¹ There were 103 The Good Guys stores open as at the acquisition date on 28 November 2016

Appendix III

a) Group Profit and Loss

\$AUm	HY17 ¹	HY16	HY15	HY14	HY13
Sales	2,616.2	2,116.8	1,965.1	1,939.9	1,816.2
Gross Profit	571.1	459.6	427.3	419.6	390.9
<i>Gross Margin</i>	<i>21.83%</i>	<i>21.71%</i>	<i>21.74%</i>	<i>21.63%</i>	<i>21.52%</i>
EBITDA	203.9	157.9	148.7	150.3	139.8
Depreciation & Amortisation	23.1	19.7	18.8	17.4	16.1
EBIT	180.8	138.2	130.0	132.9	123.7
<i>EBIT Margin</i>	<i>6.91%</i>	<i>6.53%</i>	<i>6.61%</i>	<i>6.85%</i>	<i>6.81%</i>
Net Interest	1.4	1.7	2.9	3.9	5.2
Profit before Tax	179.5	136.4	127.1	129.0	118.5
Tax Expense	54.1	41.2	38.5	38.6	36.4
NPAT	125.4	95.2	88.5	90.3	82.1
Headline Statistics:					
Dividends per share (¢)	72.0	63.0	59.0	55.0	50.0
Earnings per share (basic ¢)	116.3	95.0	89.4	90.5	83.0
Cost of doing business	14.04%	14.25%	14.17%	13.88%	13.82%

¹ Underlying results (refer to note 1 on page 3)

Appendix III

b) Group Profit and Loss - Breakdown

\$AUm	HY17 ¹				HY16			Growth
	JB HI-FI AUST	JB HI-FI NZ (NZD)	TGG	Group	JB HI-FI AUST	JB HI-FI NZ (NZD)	Group	
Sales	2,234.2	125.1	263.1	2,616.2	2,000.9	127.3	2,116.8	+23.6% ▲
Gross Profit	496.5	24.0	51.7	571.1	438.6	23.0	459.6	+24.3% ▲
<i>Gross Margin</i>	22.22%	19.20%	19.65%	21.83%	21.92%	18.07%	21.71%	+12 bps ▲
EBITDA	185.3	2.6	16.1	203.9	154.6	3.5	157.9	+29.1% ▲
Depreciation & Amortisation	19.6	1.6	1.9	23.1	18.3	1.5	19.7	+17.2% ▲
EBIT	165.6	1.0	14.3	180.8	136.4	2.0	138.2	+30.9% ▲
<i>EBIT Margin</i>	7.41%	0.78%	5.42%	6.91%	6.82%	1.55%	6.53%	+39 bps ▲
Net Interest				1.4			1.7	(21.5%) ▼
Profit before Tax				179.5			136.4	+31.6% ▲
Tax Expense				54.1			41.2	+31.2%
NPAT				125.4			95.2	+31.7% ▲
Headline Statistics:								
Dividends per share (¢)				72.0			63.0	+14.3% ▲
Earnings per share (basic ¢)				116.3			95.0	+22.4% ▲
Cost of doing business	13.93%	17.11%	13.52%	14.04%	14.19%	15.31%	14.25%	(21 bps) ▲
Stores	183	16	103	302	179 ²	15 ²	194 ²	+108 stores ▲

¹ Underlying results (refer to note 1 on page 3)

² As at 30 June 2016

Appendix III

c) Group Balance Sheet

\$AUm	HY17	HY16	HY15	HY14	HY13
Cash	124.5	101.4	68.1	44.9	54.3
Receivables	331.8	146.1	150.5	127.6	113.6
Inventories	904.0	621.5	572.6	588.1	529.8
Other	46.3	9.7	5.7	4.7	6.8
Total Current Assets	1,406.6	878.7	796.8	765.4	704.4
Fixed Assets	215.7	185.5	190.4	185.4	188.1
Intangibles & Goodwill	981.5	85.3	85.6	85.1	79.0
Other	81.5	20.7	17.1	17.0	17.4
Total Non-Current Assets	1,278.7	291.5	293.2	287.5	284.4
Total Assets	2,685.3	1,170.2	1,090.0	1,052.9	988.9
Payables	994.3	604.9	593.4	525.6	511.1
Other	262.9	128.1	108.6	110.7	97.0
Total Current Liabilities	1,257.2	733.0	702.0	636.3	608.1
Borrowings	423.4	-	-	49.5	90.0
Other	131.9	31.4	31.8	33.8	37.5
Total Non-Current Liabilities	555.3	31.4	31.8	83.3	127.5
Total Liabilities	1,812.5	764.3	733.8	719.6	735.6
Net Assets	872.8	405.8	356.2	333.3	253.2
Net Debt / (Net Cash)	299.0	(101.4)	(68.1)	4.5	35.7

Appendix III

d) Group Cash Flow

\$AUm	HY17	HY16	HY15	HY14	HY13
Statutory EBITDA	188.5	157.9	148.7	150.3	139.8
Change in Working Capital	117.0	134.4	146.6	(45.8)	(9.2)
Net Interest Paid	(0.1)	(1.7)	(2.7)	(3.7)	(4.9)
Income Tax Paid	(34.2)	(33.6)	(29.0)	(25.9)	(15.3)
Other	4.8	2.6	1.8	3.3	3.1
Net Cash Flow from Operations	276.1	259.6	265.5	78.3	113.5
Purchases of P&E (net)	(20.0)	(28.6)	(27.5)	(20.7)	(23.1)
Investments (net of cash acquired)	(846.5)	-	(2.4)	(3.0)	-
Net Cash Flow from Investing	(866.5)	(28.6)	(29.9)	(23.7)	(23.1)
Free Cash Flow	256.1	231.0	238.0	57.6	90.3
Borrowings / (Repayments)	315.0	(140.0)	(180.0)	(75.1)	(60.0)
Proceeds from issue of Equity	395.2	5.0	2.5	19.6	-
Share buy-back	-	(13.2)	(5.0)	-	-
Share issue costs	(9.0)	-	-	-	-
Dividends Paid	(36.7)	(30.9)	(28.8)	(22.0)	(15.8)
Other	(1.5)	0.1	-	-	-
Net Cash Flow from Financing	663.0	(179.0)	(211.3)	(77.4)	(75.8)
Net Change in Cash Position	72.6	52.0	24.3	(22.8)	14.5
Effect of exchange rates	(0.04)	0.3	0.3	0.4	0.1
Cash at the end of Period	124.5	101.4	68.1	44.9	54.3