

JB Hi-Fi Limited

2017 Macquarie Australia Conference

Agenda

1. Trading and FY17 outlook
2. The Good Guys update
3. The strength of the JB HI-FI model
4. Investment checklist

1. Trading and FY17 Outlook

- As announced on 6th April 2017:
 - for the JB HI-FI business comparable sales growth for the March FY17 quarter was 8.2% and total sales growth was 10.8%; and
 - for The Good Guys business comparable sales growth for the March FY17 quarter was 1.2% and total sales growth was 2.6%
- The Company reaffirms its guidance that in FY17 it 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, an 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 on 28 November 2016

2. The Good Guys update

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 synergies¹



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

2. The Good Guys update

Update

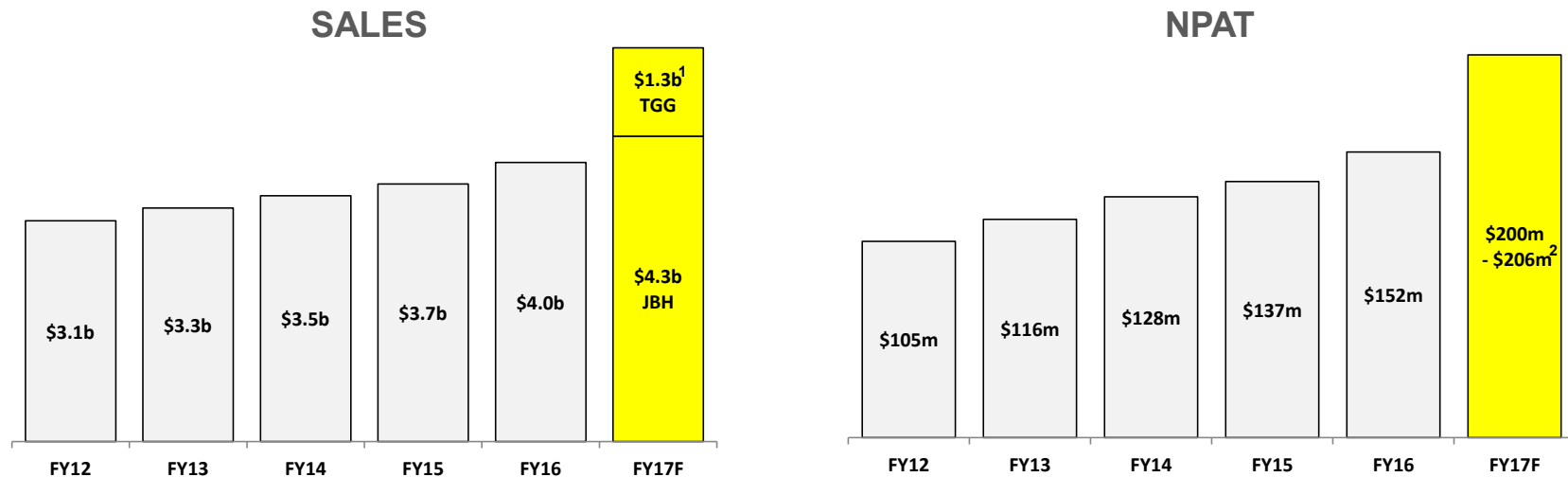
- Trading continues to perform in line with our expectations
- Terry Smart's appointment has been well received by staff and suppliers and having commenced on 18 April, Terry is already excited by the opportunity to work with the team and grow the business
- We continue to take a deliberate and considered approach to how we leverage the scale of the Group and are pleased with our progress to date
- 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

3. The strength of the JB HI-FI model

- JB HI-FI's continued sales momentum is pleasing given we have now cycled DSE's exit
- We are confident in the outlook for the business and accustomed to competing in an ever evolving market, new competitors will enter and some existing competitors will exit
- A high energy, engaging and unique retail offer that is loved by customers provides a distinct and lasting competitive advantage



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 on 28 November 2016

3. The strength of the JB HI-FI model

The fundamentals of the JB HI-FI model

- Unique brand personality – product plus experience
- Market position – value
- Low cost operating model
- Great people – motivated, passionate and knowledgeable
- Convenient and high quality store locations
- Supplier partnerships
- Multichannel capability
- Ability to constantly evolve

3. The strength of the JB HI-FI model

Unique brand personality - product plus experience



Product

plus

Experience

Price
Quality
Availability
Choice

Mood – *Sight, Sound, Touch*
Authenticity – *Character, Believability, Individuality*
Ease of Purchase – *Accessibility, Availability*
Staff – *Passionate, Knowledgeable, Motivated*

3. The strength of the JB HI-FI model

Market position – value

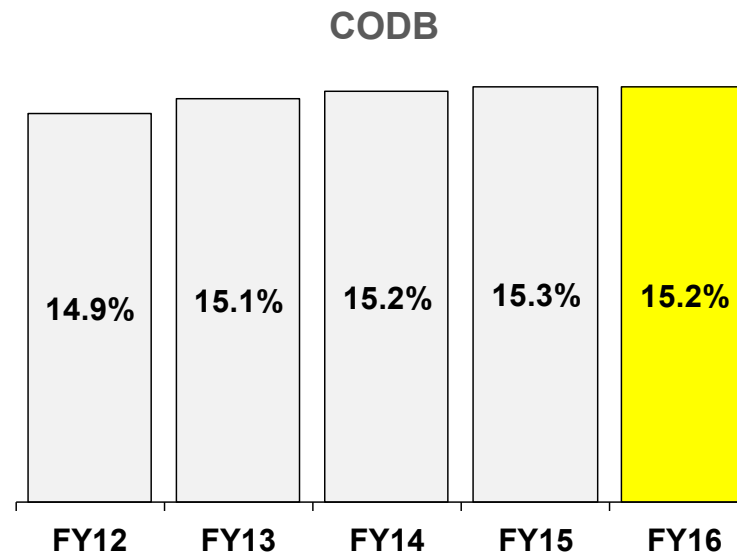
- Discount retail proposition across a wide range of product from entry level to aspirational / premium
- Value perception reinforced by brand positioning and merchandising and frequency of promotional activity
- Staff empowered to negotiate, discount and price match - always take the deal



3. The strength of the JB HI-FI model

Low cost operating model

- Lowest cost of doing business (~15.2%) of major Australian listed retailers and international consumer electronics retailers
- Obsession with not letting waste and inefficiency creep into our cost structure
- Low cost of doing business enables us to maintain low prices (gross margins of only ~22%) and compete effectively



3. The strength of the JB HI-FI model

Great people - motivated, passionate and knowledgeable

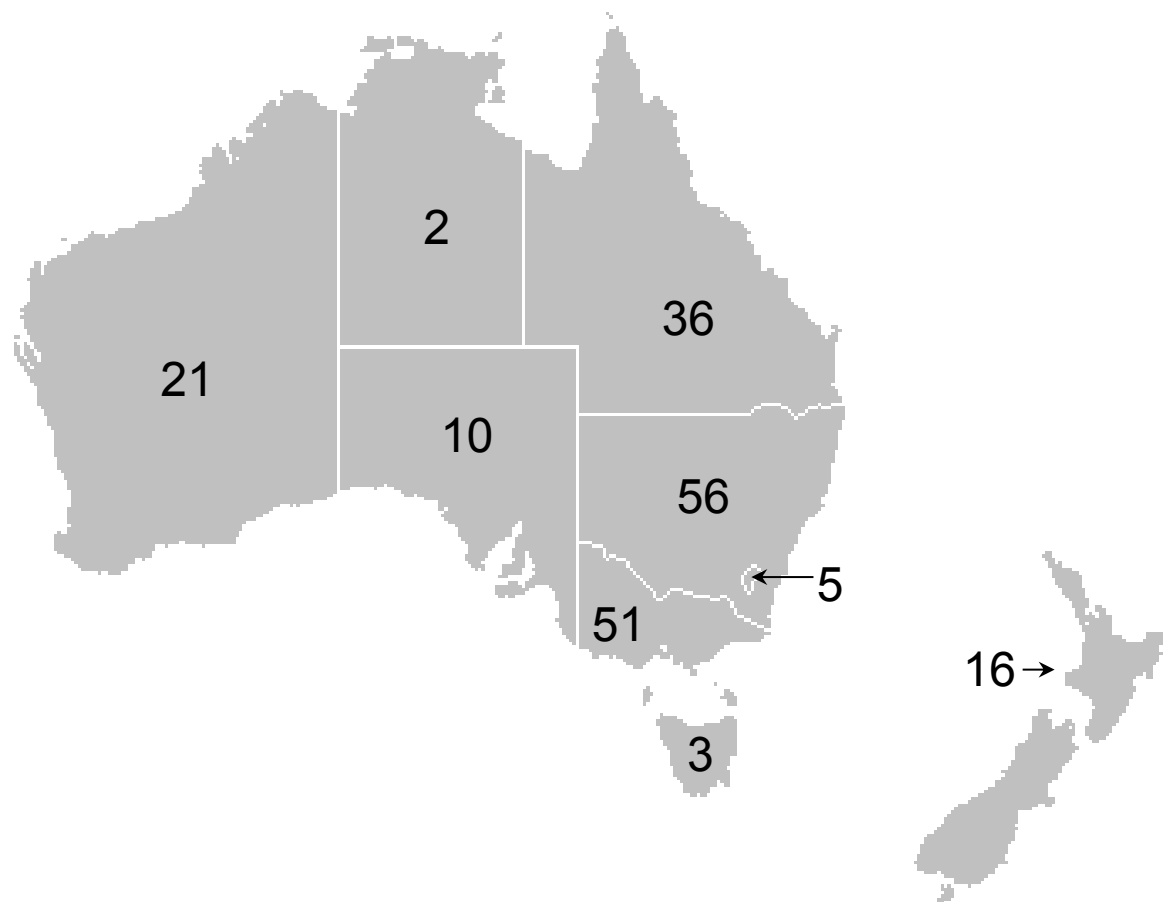
- Honest, authentic and trusted
- Approachable and not intimidating
- Passionate about the products - experts in each department
- Empowered and highly engaged



3. The strength of the JB HI-FI model

Convenient and high quality locations

- High grade shopping centre, CBD and homemaker store locations
- High foot traffic and easily accessible locations
- Compact store size
- Highly productive floor space and high sales per square metre



Note: expected JB HI-FI store numbers as at 30 June 2017 (200 stores)

3. The strength of the JB HI-FI model

Supplier partnerships

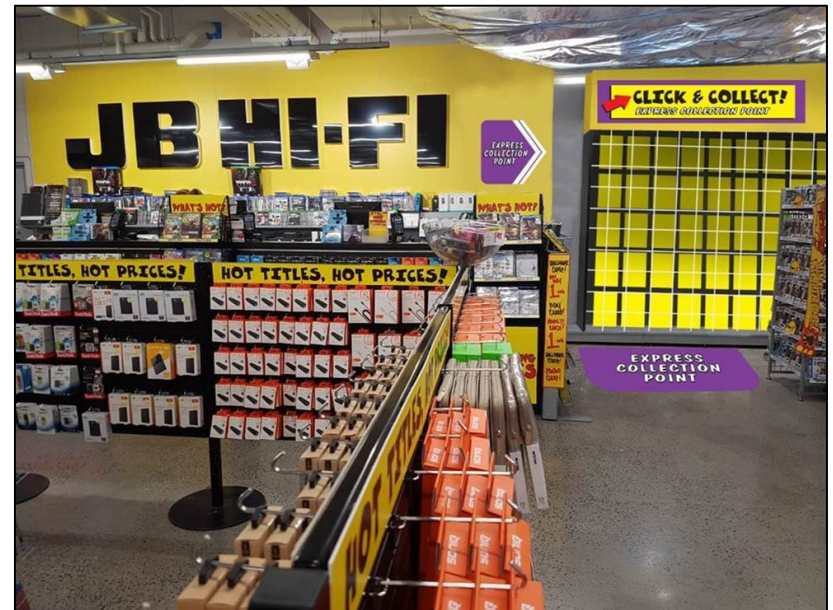
- Strong and lasting partnerships with all major suppliers
- High foot traffic store locations provide suppliers the ability to showcase their product
- Scale and market leadership gives us relevance with suppliers at a global level and buying power to compete



3. The strength of the JB HI-FI model

Multichannel capability

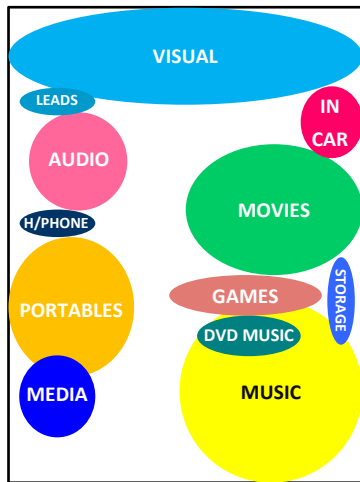
- Continued investment in online ensures we give consumers options on how to transact with JB HI-FI (i.e. in store, mobile or desktop)
- Integrated high quality in store and online offer is critical as retail continues to evolve
- Store network provides:
 - the ability to get goods to online customers quickly, via delivery from store or click and collect; and
 - online customers confidence in after sales service and support



3. The strength of the JB HI-FI model

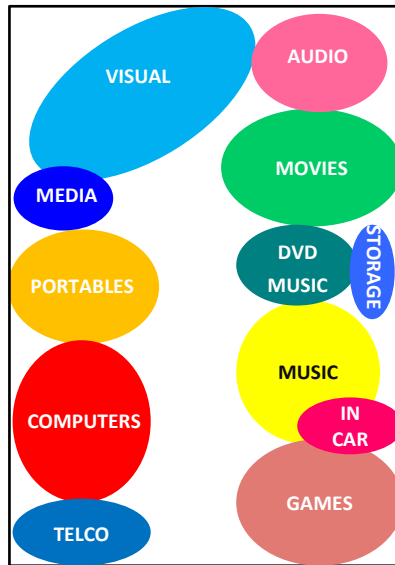
Ability to constantly evolve

- Constant evolution of the model, including the categories and products ranged, maintains our sales productivity and drives new and replacement sales



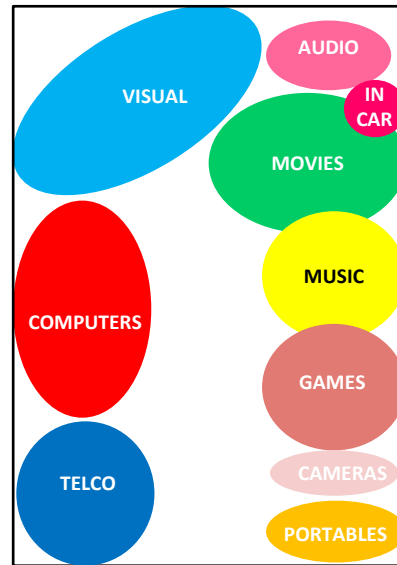
2004

Dominant Visual & Software categories



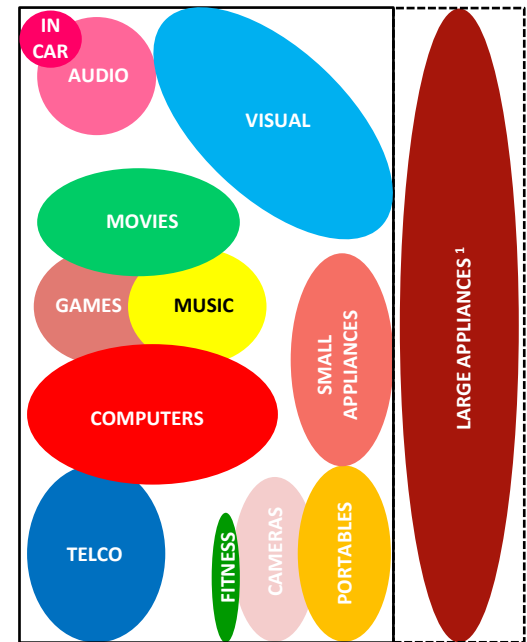
2007

Introduction of Computers & Telco
Development of Accessory eco-systems



2010

Convergence of Computers, Phone & Smart TV. Evolution of smart Accessory eco-systems



2016>

Convergence. Smart TV, Computers, Phone, Audio, Smart Acc's.
Introduction of Home Appliances


Note: diagrams not to scale

1. JB HI-FI HOME stores only

3. The strength of the JB Hi-Fi model

Ability to constantly evolve

- We have seen industry changes before, as evident in the below extract from the FY2012 results presentation, and remain confident we can continue to evolve and compete



7. CHALLENGES AHEAD...

There is no doubt that electrical retail faces some structural challenges however different models will be affected to varying degrees and we believe JB Hi-Fi is best positioned to face these challenges!

INDUSTRY CONCERNS	JB Hi-Fi Positioning / Response
<ul style="list-style-type: none"> ❑ Growth of online players 	<p style="margin: 0;">Ensure competitiveness and quality of our online offer, while leveraging the benefits of our B&M stores</p> <ul style="list-style-type: none"> ▪ Continued investment in online to ensure we give consumers options on how to transact with JB Hi-Fi (i.e. in store, online or mobile). ▪ Our market leadership drives significant buying power which enables us to compete successfully with online players. ▪ Low cost of doing business (~15%) enable us to maintain low price and therefore compete effectively. ▪ An integrated high quality in store and online offer is critical as retail continues to evolve. ▪ Benefit of the store network will provide confidence for after sales service and support to online purchasers.
<ul style="list-style-type: none"> ❑ Excess store fronts 	<p style="margin: 0;">Remain relevant to customers through price, service and convenient locations</p> <ul style="list-style-type: none"> ▪ Convenient high foot traffic locations will be favoured by consumers. ▪ B&M retailers need to maintain relevance with price, service and range. ▪ Store closures by competitors already started. While a long term benefit there is a potential for further short term impact to gross margin as they clear stock.

4. Investment checklist

- ✓ Unique and relevant brands
- ✓ Flexible business model – history of category growth and development
- ✓ Diversity of product categories across brands
- ✓ Low cost of doing business
- ✓ New store and online opportunities
- ✓ Meaningful synergies to be realised from The Good Guys acquisition
- ✓ Experienced management team
- ✓ High return on invested capital
- ✓ Shareholder return focused – through proactive capital management and dividend policies

QUESTIONS