

JB HI-FI LIMITED (JBH)

13 AUGUST 2018

| RESULTS | Full Year 2018 | Full Year 2017 | CHANGE |
|---------------------------------------|----------------|----------------|--------|
| Total Sales (\$m) | 6,854.3 | 5,628.0 | +21.8% |
| Bloomberg Consensus (\$m) | 6,848.0 | | |
| JB Hi-Fi Australia Online Sales (\$m) | 209.9 | 158.9 | +32.1% |
| EBIT (\$m) | 350.6 | 306.3 | +14.5% |
| Net Profit after Tax (NPAT) (\$m) | 233.2 | 207.7 | +12.3% |
| Bloomberg Consensus (\$m) | 230.5 | | |
| Final Dividend (\$) | 0.46 | 0.46 | n/a |

JB Hi-Fi (JBH) earnings lift on record sales across Australia stores

- **JB Hi-Fi (JBH)** posted improved annual earnings, handing down a 12.3% lift in net profit to \$233.2m over the 12 months to June 30, thanks to strong sales growth. The result was modestly above the company's own \$230m downwardly revised guidance provided in May and slightly ahead of forecasts surveyed by Bloomberg.
- The **result was driven** by a 21.8% lift in sales to a record \$6.85bn over the year, boosted most by its core local operations, together with 9 new stores opened in Australia. It was held back partly by an underwhelming second half for The Good Guys business and price deflation. **JB Hi-Fi Australia** recorded a 9.4% lift in sales to \$4.54bn over the year. According to the company, growth was best in Computers, Audio, Games Hardware, Communications and Drone categories. Online sales continue to become a more important part of its operations, lifting by 32.1% to \$209m and accounted for 4.6% of the group's total sales. Hardware & Services continue to grow in importance, now accounting for 90% of sales while its Software business went backwards due to a decline in the Movies category. **JB Hi-Fi New Zealand** posted lower sales, gross profit, margins and earnings. It also closed one store over the year.
- **Sales growth slowed in July** to 2.8% for JB Hi-Fi Australia, edged higher by 2.7% for The Good Guys and eased by 2.1% in New Zealand. According to CEO Richard Murray, the FIFA World Cup brought forward TV sales into June. **The Good Guys** (which JBH purchased in November 2016) contributed \$2.1bn to total sales however was impacted particularly in the second half of the year by a lift in competition. JBH said it "...remained focused on sales and market share" despite the challenges and the need for discounting.
- While the fully franked **final dividend** of \$0.46 per share matched the payment made 12 months earlier, the full year payment (interim plus final) rose by almost 12% to \$1.32 per share. JBH will trade ex-dividend (key date that determines eligibility) on 23 August 2018 and will be paid to investors on 7 September 2018. Over FY19, the group aims at opening five JB Hi-Fi Australia stores and two The Good Guys stores. JBH expects sales to be circa \$7.1bn over the year (in-line with Bloomberg consensus). While no earnings guidance was provided for 2019, analysts surveyed by Bloomberg are anticipating around \$240m in earnings, a near 3% lift on FY18. Shares in one of the most shorted stocks on the ASX rose following the result.

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