

BELL POTTER

JB Hi-Fi (JBH)

Strong Interim result

RESULTS	1H16	1H17	CHANGE	CONSENSUS	BELL POTTER ESTIMATES	COMMENTS
Total Sales (\$bn)	2.1	2.6	23.6%			
EBIT (\$m)	138.2	180.8	30.9%			group EBIT margin 6.9%
Net Profit (\$m)	95.2	125.4	31.7%		116.3	include Good Guys from Nov2016
Interim Dividend (cents)	63.0	72.0	14.3%			Fully franked. Ex 23 Feb, pay 10 Mar

- **JB Hi Fi standalone business:** oFor the JB Hi-Fi Australia standalone business, total 1H17 sales up 11.7% to \$2.2b, with SSS growth +8.7% (cycling +5.2%).oHardware and Services categories SSS +12.6% and software (13.3% of Aust. sales) SSS -9.4%. o SSS growth in New Zealand (NZ) was weak -4.9% (excluding sales impact of third party prepaid content cards). Note though, NZ is a small contributor to JBH.
- **Good Guys:** For December 2016, total sales were up +0.7%, with SSS down -0.7%; This is in line with management's expectations given JVP transition impacts.
- **Comments:** A strong 1H17 result driven by sales growth and margin expansion in the JB Hi Fi Australian business.Strong execution enabled JBH to take advantage of a number of market tailwinds. Market tailwinds that we believe have helped buoy sales include: market share gains following the exit of Dick Smith; the favourable housing market; and the conducive spending environment. Margins benefiting from sales mix (benefit to gross margin) and opex leverage (strong sales on well controlled CODB). Moving forward JBH will begin to cycle Dick Smith exit benefits as well as peak housing turnover tailwinds, pointing to a likely slowdown in sales growth. So far so good with The Good Guys (with an improved performance in January), but too early to dismiss a number of key risks. We continue to believe store-level staff and senior management instability remain as key risks. The Good Guys acquisition has also increased JBH's exposure to the housing cycle.

Outlook: JBH expects total group sales to be ~\$5.58b (with contribution from JB Hi-Fi business upgraded from ~\$4.25b to ~\$4.33b; The Good Guys to contribute \$1.25b)). New underlying NPAT guidance of \$200m - \$206m (vs consensus of \$195.8m and BPe of \$194.7m) was provided. FY17 NPAT guidance circa 3-5% ahead vs consensus/BPe.

Today's share price reaction: Up 5.0% to \$29.89 (10.12 am).

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