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JB Hi-Fi Limited

Consumer Cyclical

HOLD

JBH A\$49.05

TARGET PRICE A\$48.67

JB Hi-Fi Limited (JBH) is a specialty discount retailer of branded home entertainment products. The Group's products particularly focus on consumer electronics, software (including music, games and movies), whitegoods and appliances.

Company Data

Number of shares	114.9
Market Capitalisation	\$5,635.0
Free float (%)	98.8
12-month high/low	\$53.96/\$43.41
Average Daily Turnover (\$m)	13.518741
% S&P/ASX200	0.264
DDM Ranking	252
% All Ordinaries	0.229
GICS Industry Group	Specialty Retail

Source: FactSet, Barclay Pearce Capital

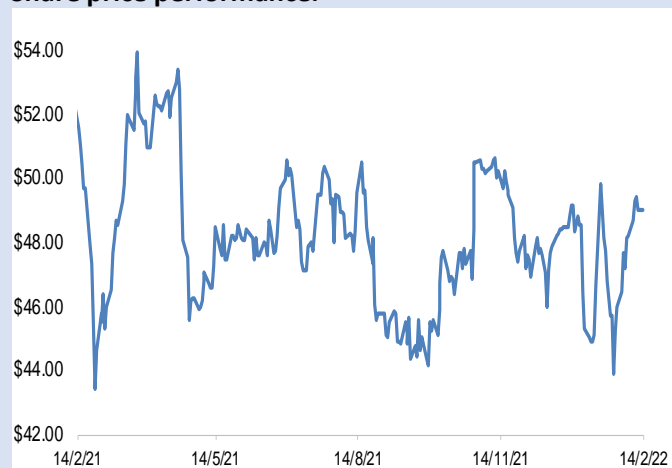
Earnings Summary (AUD)

Year end June	2021A	2022F	2023F	2024F
Revenue (\$M)	8,916.1	8,778.9	8,763.6	8,974.0
EBITDA (\$M)	962.0	922.2	853.3	855.2
Reported NPAT (\$M)	506.1	456.3	408.5	413.0
Adjusted NPAT (\$M)	506.1	465.0	407.7	409.4
Adjusted EPS (¢ - FD)	437.8	402.1	359.4	360.8
Adjusted EPS growth (%)	51.2	-13.2	-11.1	0.4
Adjusted P/E (x)	11.2	13.4	15.0	15.0
Dividend (¢/sh)	287.0	261.1	235.4	236.5
Gross yield (%)	8.4	7.6	6.9	6.9
Net yield (%)	5.9	5.3	4.8	4.8
ROIC (%)	48.3	25.7	27.3	27.2

Source: Barclay Pearce Capital

Barclay Pearce Capital contributes all company estimates to Thomson Reuters, FactSet, Nucleus 195 and Capital IQ.

Share price performance.



Source: FactSet, Barclay Pearce Capital

Half Year 2022 Results and Off-Market Buy Back

On 14th February 2022, JB Hi-Fi Limited (JBH) announced its HY2022 Results ending 31 December 2021 and an Off-Market Buy-Back with the following highlights:

Financial Highlights:

- Total sales \$4.86B, down 1.6% but up 21.7% over a two-year period;
- Online sales \$1.1B, up 62.6%;
- Revenue \$4.86B compared to \$4.94 last year;
- EBIT \$420.5M, down 9.1% but up 59.9% over a two-year period;
- Net profit after tax (NPAT) \$287.9M, down 9.4% but up 68.8% over a two-year period;
- EPS 250.6cps, down 9.4%, but up 68.8% over a two year period;
- Interim dividend \$1.63, fully franked – Record 24-Mar, Payable 11-Mar;
- Capital return announced today of up to \$250M to shareholders by way of an off-market buy-back;
- Up to \$437M to be returned to shareholders through the interim dividend and the off-market buy-back.

January 2022 Sales Update:

- JB Australia comp +3.6% and total +4.3%;
- JB NZ (NZD) comp (1.8%) and total (1.8%);
- Good Guys comp +1.9% and total +2.5%

FY22 Sales and Earnings Guidance:

- The group does not currently consider it appropriate to provide FY22 sales and earnings guidance; and
- In January, despite the disruption to our supply chain and operations as a result of Covid-19, the Group continued to see heightened customer demand and strong sales growth rates over a two-year period.

Group CEO, Terry Smart, said, "While it remains an uncertain retail environment, we will continue to stay focused on what we can control. Our highly engaging in-store and online shopping experiences delivered by our passionate and knowledgeable team members, and our continued focus on leveraging our scale to deliver great value will ensure we meet our customers' needs during these challenging times."

Terry added "I would again like to thank our over 13,000 team members whose unwavering focus on the customer has delivered another strong result."

Earnings changes

JBH has reported NPAT of \$287.9m for H1 FY22. This compares to market expectations of \$266.4m. Also, the \$250m buyback is another positive. Hence, we expect positive earnings revisions of 5% for FY22 and for future periods.

Valuation

We are updating our 12-month price target from \$45.63 to \$48.67 and retaining our HOLD recommendation. The price target is underpinned by our valuation.

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Barclay Pearce Capital provides research services to its client. Mr Wright is General Manager of Research and has over twenty (30) years' experience in the financial services industry, particularly in financial analysis and research report writing. Mr Wright joined the Barclay Pearce team in 2021 where he has been involved in the research and publication of reports. Prior to this Mr Wright worked at a number of entities where he held Director/Head of Research and General Manager of Research positions. Mr Wright holds a Bachelor of Mathematics (Honours) from Edinburgh University and has completed the SDIA Accreditation Program (RG146) through DeakinPrime.

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Buy – Describes stocks that we expect to provide a total return (price appreciation plus net yield) of 15% or more within a 12-month period.

Hold – Describes stocks that are neither a buy nor underperform.

Underperform – Describes stocks that we expect to provide a total return (price appreciation plus net yield) of less than minus 10% within a 12-month period.

NR – The investment rating and price target have been temporarily suspended. Such suspensions are in compliance with applicable regulations and/or Barclay Pearce Capital policies.

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Buy	36.6%	(0.0% of stocks with recommendations are Barclay Pearce clients)
Hold	31.6%	(0.0% of stocks with recommendations are Barclay Pearce clients)
Underperform	31.8%	(0.0% of stocks with recommendations are Barclay Pearce clients)