



JB HiFi Limited 2021 AGM Report

ASX Code	JBH
Meeting Time/Date	10am, Wednesday 28 October 2021
Type of Meeting	Virtual, https://web.lumiagm.com/312120576
Monitor	Mike Robey, assisted by Steve van Emmerik
Pre-AGM Meeting?	Yes, with Chair Stephen Goddard and Company Secretary Doug Smith

Closed stores, open web

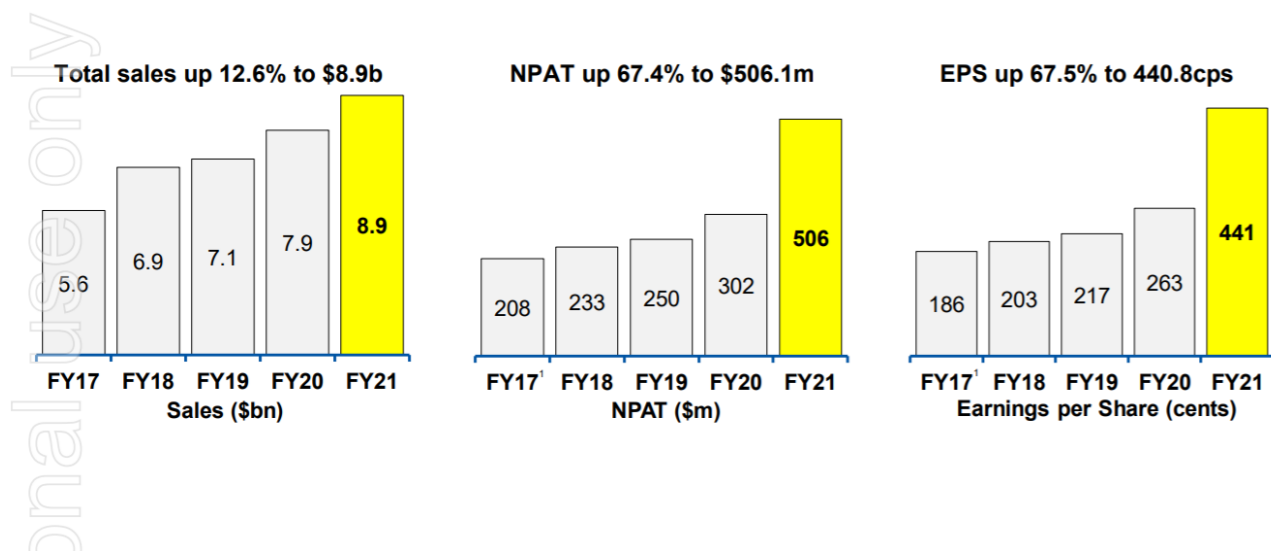
What the Company Does

JB HiFi is one of Australia's largest retailers, operating in both Australia and New Zealand. It has two divisions, the JB HiFi stores, which sell consumer electronics and software and The Good Guys, which sell whitegoods, household appliances and consumer electronics.

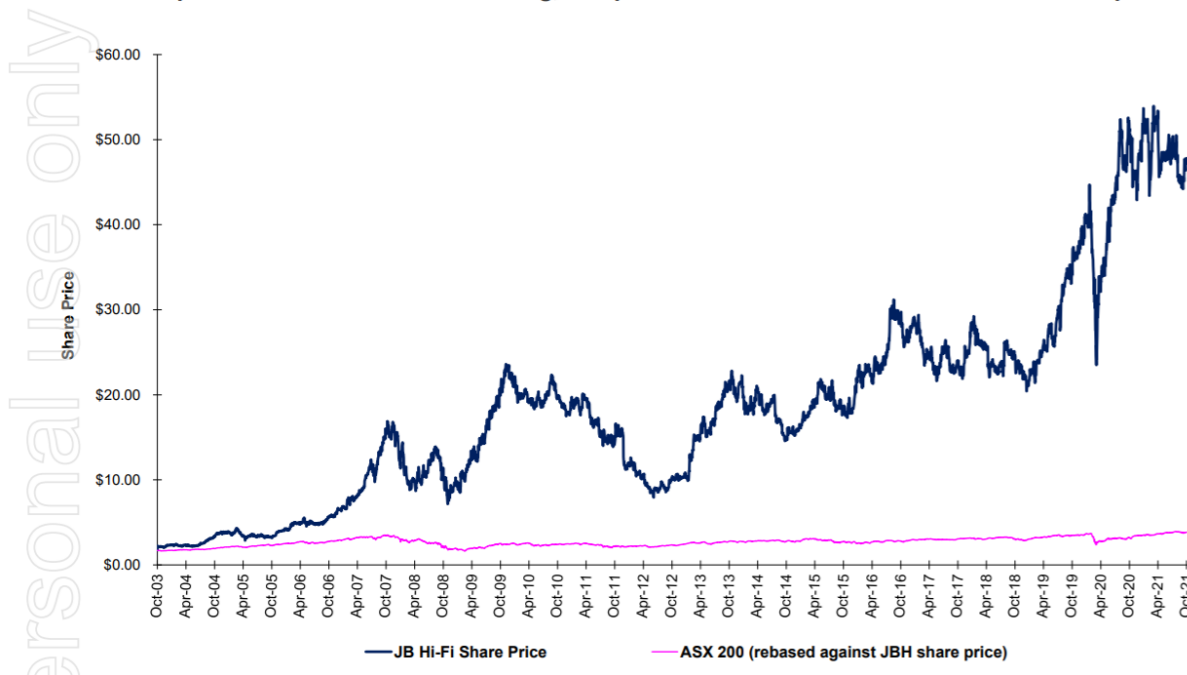
Developments in the Financial Year

The Chairman and CEO speeches are given [here](#) and the meeting presentation [here](#). A summary of the major business outcomes for the past 5 years is given in the bar charts below, where NPAT and EPS stand for net profit after tax and earnings per share, respectively. The share price history since listing in 2003 is in the lower chart, where CAGR stands for compound annual growth rate:

FY21 Group Results



JBH share price CAGR of 20.3% since listing, compared to 4.6% on the ASX 200 over the same period



The meeting format was similar to last year’s, with a frugal set-up and no live video. Proxy votes were published on the ASX site in advance of the meeting, as per the prior year. One change was the ability to ask voice questions on the Lumi platform, which was welcome and used by your ASA monitor.

JB’s changed CEO this year, to the former CEO of The Good Guys, My Terry Smart and this was also the first full year of a new Chairman Mr Stephen Goddard, after the retirement of long-term Chairman Greg Richards just prior to the start of FY2021. The reason for the CEO change was that Solomon Lew poached the former CEO and original CFO, Mr Richard Murray to head up Premier Investments Limited, a prominent retailer in a non-competing segment. Richard’s departure in August 2021 led to the forfeiting of his FY2021 restricted shares, and he has signed a 12 month non-compete and non-solicitation agreement (for critical JBH staff). The new Chairman and CEO have a long history with and a great understanding of JBH, as they were intimately involved with its development since IPO into a powerhouse retailer in Australia. The excellent financial results speak to the smoothness of these transitions.

Covid served an on-again, off-again problem for JBH with store closures announced at short notice for extended periods, which they handled well. Online sales in the category of consumer electronics and home appliances rose by 78% and amounted to 11.9% of all sales for the year, which represents an extraordinary, continued pivot online.

Summary of Historical ASA Issues with the Company

We have some objections to the VRP (variable remuneration plan) which JBH has used for the past three years. This is paid as cash 25% in year one (Y1) and 25% restricted shares released in each of years 2 to 4, calculated by volume weighted average price (VWAP) at date of issue. This is tested only once at the end of Y1. The financial hurdle is a (challenging) earnings per share (EPS) growth.

Our concerns are that it is insufficiently long term and we would prefer a 4 year hurdle on a mix of TSR and a suitable financial metric.

Debate and Voting at the AGM

Questions from shareholders, presented as text, covered JB's supply chain robustness (good, with provision for alternative suppliers), issues with the geo-political tension with China (no problems here yet) a localised one about a selection of a new, small footprint shopping centre, instead of a much larger vacant opportunity nearby (this is deliberate, since we are experimenting with smaller footprints in retail sites with high footfall, stocking just the fastest moving goods).

The ASA asked the only oral questions at the AGM and started with a request for an update on a sexual discrimination and harassment media report and confirmed by a subsequent union-funded staff survey of JBH staff. This was answered in some detail by the Chairman, stating that they see this as very important, and outlined a range of new and enhanced initiatives, including a rollout of new training, with regular reporting to the board on these issues. He stated that it is challenging to find consumer electronics expertise among women, but that they have programs to change that, in answer to the lack of women in middle and senior management. We remain unconvinced and will watch this space.

We raised our concerns with the variable award system, as pointed out above under historical issues but declared we would vote for this in the current year, owing to the unpredictability brought on by Covid, but we restated that they should consider moving to a more common STI/LTI or other longer-term arrangement used widely in the ASX100. This was batted back in the same way as in previous years (retail is different, changes fast, is less predictable, and share price is an adequate incentive).

Our last oral question concerned the appointment of the current CFO to the board, serving together with the CEO, which we saw as one too many Executive Directors. The answer was that he attends the meetings anyway, and this is part of his development plan. Substantial pay rises in the past two years for Mr Wells supports the view that JB's see him in more senior roles in the future.

The Chairman received a 9.7% against vote for his re-election, which was surprising, and the restricted rights for both Executive Directors received a substantial 17.2% against vote, presumably for the reasons we gave in the variable remuneration structure. All other resolutions comfortably passed, including the remuneration report and election of Mr Wells.

Outlook Statements from the Company

JB's gave a trading update below and added that their supply chains were in general holding well, but that the situation can change quickly. They have alternative suppliers in the event of a supply issue with one. They gave no specific sales guidance, due to Covid uncertainty. The share price was up +2.6% on the day when the ASX200 was down (0.6%) across all sectors.

FY22 Sales Update

For the period 1 July 2021 to 30 September 2021 (Q1 FY22):

Sales Growth Q1 FY22	Comparable		Total	
	vs FY21	vs FY20	vs FY21	vs FY20
JB HI-FI Australia	(7.9%)	17.3%	(7.5%)	17.3%
JB HI-FI New Zealand (NZD)	(6.4%)	(8.8%)	(6.4%)	(8.8%)
The Good Guys	(6.1%)	22.9%	(5.6%)	23.6%

In Q1 FY22, despite the disruption and variability to sales as a result of the various state based Covid-19 restrictions, the Group continued to see heightened customer demand and strong sales growth rates over a two-year period.

In October, the Group has seen sales momentum continue and has benefitted from the re-opening of stores in NSW (from 11 October) and changes to the timing of key product releases versus prior years.

Group CEO Terry Smart said "while the start to this year has been significantly impacted by Covid-19 restrictions and in some states extended periods of store closures, we have demonstrated our ability to adapt and respond to continue to meet the strong demand from our customers."

Meeting Statistics

Number of Holdings Represented by ASA	136
Number of Shares represented by ASA	166,793, 17 th largest shareholder
Value of Shares represented by ASA	\$8.0m
Number Attending Meeting	50 shareholders plus 35 visitors
Market capitalisation	\$5.4b
Were proxies voted?	Yes, on a poll