JB HI-FI LIMITED
ABN: 80 093 220 136
www.jbhifi.com.au

COMPANY ANNOUNCEMENT **13 September 2016**

Acquisition of The Good Guys and Capital Raising

Highlights:

- Acquisition of 100% of The Good Guys for total cash consideration of $870 million representing 11.7x EV / FY16 pro forma normalised EBIT pre-synergies[1] (JB Hi-Fi trading on 13.2x EV / FY16 EBIT[2])
- The Good Guys and JB Hi-Fi have highly complementary customer bases and product offerings and the acquisition strengthens JB Hi-Fi's presence in the home appliances market
- Each brand will have the support of the businesses' combined best-in-class practices whilst maintaining independent go-to-market strategies
- Strong strategic fit expected to deliver net synergies of $15 - 20 million per annum to the combined business after a three year integration period, excluding one-off implementation costs
- Acquisition will be funded through a combination of a fully underwritten, pro-rata, accelerated, renounceable entitlement offer with retail entitlements trading of approximately $394 million and $500 million from new and existing debt facilities
- FY16 pro forma EPS accretion of approximately 11.6%, pre-synergies and before transaction and implementation costs[3]

Acquisition of The Good Guys

JB Hi-Fi Limited ("**JB Hi-Fi**") has entered into a binding agreement to acquire The Good Guys for total cash consideration of $870 million, subject to certain purchase price adjustments at completion (including for working capital) ("**Acquisition**"). The Acquisition will be funded through a 1 for 6.60 fully underwritten, pro-rata, accelerated, renounceable entitlement offer of approximately $394 million ("**Entitlement Offer**") with the balance funded through a combination of existing debt facilities plus a $450 million new multi-tranche acquisition debt facility. The Acquisition is subject to closing conditions appropriate for a transaction of this size and scale including obtaining certain consents in relation to leases of The Good Guys and is expected to complete in late 2016 or early 2017.

The Good Guys is a leading retailer of home appliances and consumer electronics to the Australian market. Founded in 1952 and originally operating as Mighty Muirs, the company has subsequently grown into a network of 101 stores across Australia[4]. For the 12 months ended 30 June 2016, The Good Guys generated $2.09 billion in revenue and $74.2 million in pro forma normalised EBIT[1].

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[1] FY16 EBIT for The Good Guys of $74.2 million based on The Good Guys audited special purpose accounts for the 12 months ended 30 June 2016, adjusted for certain pro forma adjustments and normalisations identified during JB Hi-Fi's due diligence. The Good Guys information has been prepared assuming all stores were 100% owned for the full FY16 year.
[2] Calculated using share price of $28.85 per share as at close 12 September 2016.
[3] Increase in EPS of JB Hi-Fi assuming the Good Guys acquisition had come into effect from 1 July 2015. In accordance with AASB 133, the JB Hi-Fi reported basic EPS for the year ended 30 June 2016 has been adjusted to reflect the bonus element in the Entitlement Offer.
[4] As at 30 June 2016.

The acquisition of The Good Guys creates a best-in-class retailing combination with a strong strategic rationale:

- Combination of Australia's leading consumer electronics and home appliance retailers
- 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
- Significant expansion of JB Hi-Fi's capability in the attractive home appliances market
- Opportunities for growth for the combined business, including through store roll-out and continued market share gains
- Attractive financial metrics with potential for meaningful synergies

The Good Guys enjoys a strong market position in the $4.6 billion home appliances category. The Good Guys and JB Hi-Fi also share close alignment in their customer value proposition by focusing on everyday low prices and an exciting customer experience.

The Acquisition will increase JB Hi-Fi's footprint to a total combined 295[5] stores in Australia and New Zealand and enhance JB Hi-Fi's growth platform through the opportunity to open new The Good Guys stores in currently underrepresented catchment areas. The acquisition will also provide JB Hi-Fi increased scale to optimise its supply chain and leverage the value from JB Hi-Fi and The Good Guys' combined investment in digital assets over time.

JB Hi-Fi CEO, Richard Murray, said "The Good Guys is a high quality Australian retailer with an excellent track record. We are very impressed by what the owners and management have achieved with the business since its establishment and the leading market position they have created."

"The acquisition is a very attractive strategic opportunity for JB Hi-Fi since The Good Guys is a highly complementary business which is aligned with our management philosophy and significantly enhances our offering in the $4.6 billion home appliances market."

"Importantly, Michael Ford, CEO of The Good Guys, has agreed to continue his leadership of The Good Guys under JB Hi-Fi ownership. We are very pleased to welcome Michael and his executive team and look forward to working together to create a market leading consumer electronics and home appliance retail group."

Each brand will have the support of the businesses' combined best-in-class practices whilst maintaining independent go-to-market strategies. As a result, each business will maintain independent support offices.

JB Hi-Fi management estimates that the Acquisition will deliver net synergies of $15 - 20 million per annum to the combined business after a three year integration period, excluding one-off implementation costs. These synergies are expected to be generated from a combination of buying synergies, logistics and supply chain efficiencies, procurement synergies and support function efficiencies.

Implementation costs are expected to be approximately $10 - 12 million primarily in the first 12 months post-completion, including one-off costs associated with the corporatisation of The Good Guys and Joint Venture Partners ("**JVP**s") transition process.

The Acquisition is estimated to be approximately 11.6% FY16 pro forma EPS accretive, pre synergies and before transaction and implementation costs.[3]

[5] As at 30 June 2016.

JB Hi-Fi sales update

August 2016 YTD consolidated total sales growth was +11.6% (August 2015 YTD: +7.4%) and consolidated comparable sales growth was +7.7% (August 2015 YTD: +5.7%).

The closure of DSE during the second half of FY16 has contributed positively to sales growth in the first two months of FY17. JB Hi-Fi anticipates this will continue to drive sales growth in the first half of FY17; however the impact will moderate as JB Hi-Fi cycles through DSE's decline and eventual market exit.

JB Hi-Fi reaffirms its FY17 JB Hi-Fi sales guidance of sales of circa $4.25 billion.

FY17 outlook

JB Hi-Fi notes The Good Guys is in the early stages of the JVP transition process. This transition, whilst critical to positioning the business for long term growth, is expected to result in The Good Guys FY17 sales and earnings being in line with FY16 results.

Consistent with previous years, JB Hi-Fi will provide FY17 earnings guidance in February 2017 post the important JB Hi-Fi Christmas trading period.

The Board expects to maintain the current dividend payout ratio of 65% of earnings.

Funding

The Acquisition will be funded through a combination of the proceeds of approximately $394 million raised from the Entitlement Offer, with the balance funded through a combination of existing debt facilities plus a $450 million new multi-tranche acquisition debt facility.

The funding strategy for the Acquisition reflects JB Hi-Fi's commitment to maintain a strong balance sheet and financial flexibility. After completion of the Acquisition, JB Hi-Fi expects to maintain a pro forma net debt / FY16 EBITDA ratio of 1.6x[6] and a pro forma FY16 FCCR of 2.9x[7].

Entitlement Offer

Under the Entitlement Offer, eligible shareholders are invited to subscribe for 1 new JB Hi-Fi share ("**New Shares**") for every 6.60 existing JB Hi-Fi shares ("**Entitlement**") held as at 7:00pm (AEST[8]) on Friday, 16 September 2016 ("**Record date**").

All shares offered under the Entitlement Offer will be issued at a price of $26.20 per New Share, which represents a:

- 9.2% discount to the last close price of $28.85 on Monday, 12 September 2016
- 8.1% discount to the theoretical ex-rights price ("**TERP**")[9] of $28.50

Approximately 15.0 million new JB Hi-Fi shares will be issued under the Entitlement Offer. Each New Share issued under the Entitlement Offer will rank equally with existing JB Hi-Fi shares on issue. JB Hi-Fi will, upon issue of the New Shares under the Entitlement Offer, seek quotation of the New Shares on the ASX.

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[6] Calculated as net debt post acquisition divided by FY16 pro forma EBITDA of the combined group pre-synergies and before transaction and implementation costs.

[7] Fixed Charge Cover Ratio calculated as FY16 pro forma EBITDA pre-synergies plus rent expense divided by rent expense plus gross interest expense.

[8] Australian Eastern Standard Time.

[9] The theoretical ex-rights price is the theoretical price at which JB Hi-Fi shares should trade immediately after the ex-date for the Entitlement Offer. The TERP is a theoretical calculation only and the actual price at which JB Hi-Fi shares trade immediately after the ex-date for the Entitlement Offer may vary from TERP. TERP is calculated by reference to JB Hi-Fi's closing price of $28.85 per share on Monday, 12 September 2016, being the last trading day prior to the announcement of the Entitlement Offer.

Institutional Entitlement Offer

Eligible institutional shareholders will be invited to participate in the institutional component of the Entitlement Offer ("**Institutional Entitlement Offer**") which is being conducted from Tuesday, 13 September 2016 to Wednesday, 14 September 2016.

Eligible institutional shareholders can choose to take up their Entitlement in whole, in part or not at all. Institutional Entitlements cannot be sold on the ASX. As the Entitlement Offer is renounceable, the New Shares that would have been issued in respect of Entitlements not taken up by eligible institutional shareholders by the close of the Institutional Entitlement Offer and the Entitlements of ineligible institutional shareholders (had such eligible institutional shareholders taken up their Entitlements and had such ineligible institutional shareholders been eligible and taken up their Entitlements) (**"Institutional Shortfall Shares"**) together with the right to subscribe for those Institutional Shortfall Shares, will be offered through an institutional shortfall bookbuild to be conducted on Thursday, 15 September 2016 ("**Institutional Shortfall Bookbuild**"). Any premium over the $26.20 per New Share offer price under the Entitlement Offer which is achieved from the offer of the Institutional Shortfall Shares (and the right to subscribe for those Institutional Shortfall Shares) through the Institutional Shortfall Bookbuild will be remitted proportionally to those institutional shareholders, less any applicable withholding tax. There is no guarantee that there will be any such premium remitted to those institutional shareholders as a result of the offer of the Institutional Shortfall Shares (and the right to subscribe for those Institutional Shortfall Shares) through the Institutional Shortfall Bookbuild.

JB Hi-Fi shares have been placed in a trading halt while the Institutional Entitlement Offer and Institutional Shortfall Bookbuild are undertaken.

Retail Entitlement Offer

Eligible retail shareholders with a registered address in Australia or New Zealand on the Record Date will be invited to participate in the Retail Entitlement Offer. The Retail Entitlement Offer will open on Wednesday, 21 September 2016 and close at 5.00pm (AEST) on Friday, 30 September 2016. Eligible retail shareholders will have the opportunity to participate at the same offer price and offer ratio as the Institutional Entitlement Offer.

Eligible retail shareholders will be allotted Entitlements ("**Retail Entitlements**") which can be traded on the ASX. If eligible retail shareholders do not wish to take up all or part of their Retail Entitlements they can seek to sell all or part of their Retail Entitlements on the ASX or by transferring them directly to another person to realise value for those Retail Entitlements ahead of the retail shortfall bookbuild (referred to below). Retail Entitlements can be traded on the ASX by certain eligible shareholders from Friday, 16 September 2016 to Friday, 23 September 2016.

The New Shares that would have been issued in respect of Retail Entitlements not taken up by eligible retail shareholders by the close of the Retail Entitlement Offer and the Entitlements of ineligible retail shareholders (had such eligible retail shareholders taken up their Entitlements, and had such ineligible retail shareholders been eligible and taken up their Entitlements) (**"Retail Shortfall Shares"**) together with the right to subscribe for the Retail Shortfall Shares, will be offered through a retail shortfall bookbuild to be conducted on Thursday, 6 October 2016 ("**Retail Shortfall Bookbuild**"). Any premium over the $26.20 per New Share offer price under the Entitlement Offer which is achieved from the offer of the Retail Shortfall Shares (and the right to subscribe for those Retail Shortfall Shares) through the Retail Shortfall Bookbuild will be remitted proportionally to those retail shareholders, less any applicable withholding tax. There is no guarantee that there will be any such premium remitted to those retail shareholders as a result of the offer of the Retail Shortfall Shares (and the right to subscribe for those Retail Shortfall Shares) through the Retail Shortfall Bookbuild.

Entitlements may only be exercised by eligible retail shareholders, being persons who have a registered address in Australia and New Zealand, and certain categories of institutional investors in other jurisdictions.

Key Dates*

Event	Date
Trading halt and announcement of Acquisition, Institutional Entitlement Offer opens	**Tuesday, 13 September 2016**
Institutional Entitlement Offer closes	Wednesday, 14 September 2016
Institutional Shortfall Bookbuild	Thursday, 15 September 2016
Trading halt lifted – shares recommence trading on the ASX on an "ex-entitlement" basis	Friday, 16 September 2016
Retail Entitlements commence trading on the ASX on a deferred settlement basis	Friday, 16 September 2016
Record Date for determining entitlement to subscribe for New Shares	7:00pm (AEST) Friday, 16 September 2016
Retail Entitlement Offer opens	9:00am (AEST) Wednesday, 21 September 2016
Retail Offer Booklet despatched and Retail Entitlements allotted	Wednesday, 21 September 2016
Retail Entitlements commence trading on the ASX on a normal settlement basis	Wednesday, 21 September 2016
Settlement of Institutional Entitlement Offer	Friday, 23 September 2016
Retail Entitlement trading on the ASX ends	Friday, 23 September 2016
Allotment and normal trading of New Shares under the Institutional Entitlement Offer	Monday, 26 September 2016
Retail Entitlement Offer closes	5:00pm (AEST) Friday, 30 September 2016
Retail Shortfall Bookbuild	Thursday, 6 October 2016
Settlement of Retail Shortfall Bookbuild	Monday, 10 October 2016
Allotment of New Shares under the Retail Entitlement Offer	Tuesday, 11 October 2016
Normal trading of New Shares issued under the Retail Entitlement Offer	Wednesday, 12 October 2016
Despatch of holding statements in respect of New Shares issued under the Retail Entitlement Offer	Thursday, 13 October 2016

* All dates and times are indicative only and subject to change. Unless otherwise specified, all times and dates refer to Australian Eastern Standard Time. JB Hi-Fi and the Underwriter reserve the right to amend any or all of these dates and times subject to the Corporations Act, the ASX Listing Rules and other applicable laws. In particular, JB Hi-Fi reserves the right to extend the closing date for the Retail Entitlement Offer, to accept late applications under the Retail Entitlement Offer without prior notice. Any extension of the closing date will have a consequential effect on the allotment date for New Shares under the Retail Entitlement Offer. Any changes to the timetable will be posted on JB Hi-Fi's website at www.jbhifi.com.au.

Cancellation of on-market share buy-back previously announced on 15 August 2016

On 15 August 2016, JB Hi-Fi announced an intention to undertake an on-market share buy-back of up to 429,371 ordinary shares, with the buy-back intended to take place no earlier than 12 September 2016 and no later than 31 March 2017. It was noted in JB Hi-Fi's announcement made on 15 August 2016 that JB Hi-Fi would only buy-back shares at such times and in such circumstances it considers beneficial to the efficient capital management of JB Hi-Fi, and the buy-back was therefore dependent upon market conditions, volumes and other relevant factors.

In light of the Entitlement Offer, JB Hi-Fi no longer intends undertaking the on-market share buy-back which it previously announced on 15 August 2016.

Further information

Further details of the Acquisition and the Entitlement Offer are set out in the Investor Presentation also provided to the ASX today. The Investor Presentation contains important information including key risks and foreign selling restrictions with respect to the Entitlement Offer.

Macquarie Capital (Australia) Limited is acting as exclusive financial adviser, sole lead manager, sole bookrunner and sole underwriter to JB Hi-Fi, KPMG is acting as transaction services and taxation adviser, PricewaterhouseCoopers is acting as legal adviser.

If you have any questions in relation to the Entitlement Offer, please contact the JB Hi-Fi Offer Information Line on 1300 302 417 (within Australia) or +61 3 9415 4136 (outside of Australia) between 8:30am and 5:30pm (AEST) Monday to Friday. For other questions, you should consult your broker, solicitor, accountant, financial adviser, or other professional adviser.

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Media and investors	Investors	Media
Richard Murray	Nick Wells	Miche Paterson
Chief Executive Officer	Chief Financial Officer	Partner, Newgate Communications
03 8530 7333	03 8530 7333	M +61 400 353 762

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Forward looking statements

This announcement contains forward looking statements, including statements of current intention, statements of opinion and predictions as to possible future events. Forward looking statements can generally be identified by the use of forward looking words such as “believe”, “expect”, “estimate”, “will”, “may”, “target”, “anticipate”, “likely”, “intend”, “should”, “could”, “predict”, “plan”, “propose”, “potential” and other similar expressions within the meaning of securities laws of applicable jurisdictions. Indications of, and guidance or outlook on, future earnings or financial position or performance are also forward looking statements. Such statements are not statements of fact and there can be no certainty of outcome in relation to the matters to which the statements relate. These forward looking statements involve known and unknown risks, uncertainties, assumptions and other important factors that could cause the actual outcomes to be materially different from the events or results expressed or implied by such statements. Those risks, uncertainties, assumptions and other important factors are not all within the control of JB Hi-Fi and cannot be predicted by JB Hi-Fi and include changes in circumstances or events that may cause objectives to change as well as risks, circumstances and events specific to the industry, countries and markets in which JB Hi-Fi operates. They also include general economic conditions, exchange rates, interest rates, competitive pressures, selling price, market demand and conditions in the financial markets which may cause objectives to change or may cause outcomes not to be realised.

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