

Carphone Warehouse Group plc Interim Results

5th Nov 2010



Europe



Agenda

- H1 Highlights

Charles Dunstone

- Best Buy Europe:

Roger Taylor / Andrew Harrison / Andrew Brem

- CPW Europe

- Wireless World Strategy

- Best Buy UK

- Online launch

- Best Buy Mobile

- Virgin Mobile

Roger Taylor

- Financials

Nigel Langstaff



Highlights

Charles Dunstone, Chairman



Europe



A successful start to the year....

- **Highlights:**

- **CPW Europe:** H1 LFL 2.4% and 56% uplift in H1 EBIT to £44m

- Significant out-performance at **Best Buy Mobile**, with H1 profit share of £43m and full year guidance raised to £85-95m

- Additional investment planned in **Best Buy UK**, with full year EBIT loss now anticipated at £50-55m

- **Virgin:** strong generation of profit and cash

- Intending to move to regular **dividend policy**, targeting a final dividend for 2010-11 to be paid in August 2011



Best Buy Europe

Roger Taylor, CEO



Europe



Best Buy Europe

50%

THE **Carphone Warehouse**

+

BEST BUY *m(·)bile*

+

BEST BUY 'Big Box'

+



Virgin Mobile France

47.1%

+



Freehold and Cash

100%



=

Carphone Warehouse Group plc



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BEST BUY *m(·)bile*

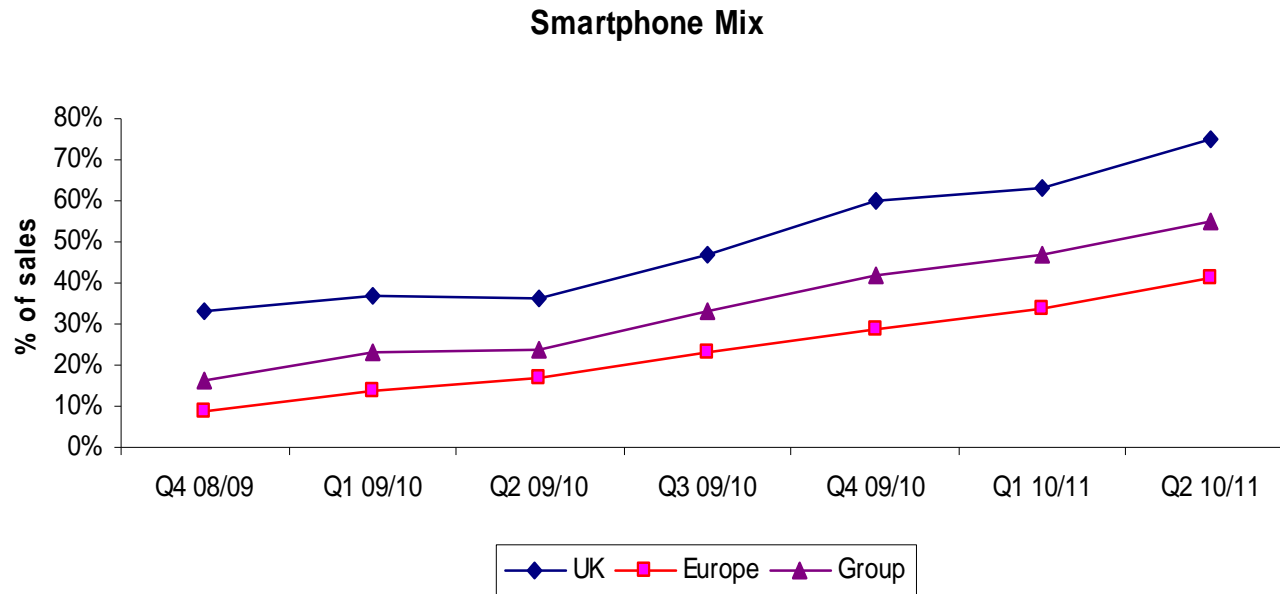
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Smartphones as % of CPW postpay business

>70% of UK postpay sales now from smartphones



- CPW Europe has grown its market share in smartphones in 2010



The home of smartphones



.....becoming the Smart home for the “Connected World”



Traditional Prepay

“Our pay as you go Christmas range from 99p”

2010 price range: £0.99 - £4.95

£0.99



£3.95



£4.95



£4.95



2009 price range: £9.95 - £19.95

New Smart Prepay

“Smartphone SALE from £59.95”

£59.95



£99.95



£89.95



£99.95












£149.95



£149.95



CPW across Europe

Market	Footfall from March 08	% Smartphone (postpay) Q2 10/11
	-5.3%	75%
	-14.9%	61%
	-22.7%	31%
	-28.9%	43%
	-1.3%	59%
	-5.7%	64%
	-17.7%	21%
	-16.9%	42%
	-22.6%	15%

Operational Developments in Progress across Europe

- Network commercials
- Remove sales commission
- European Wide 'Go To Market'
- Roll out of 'Wireless Stores' (by 31 March 2011):
 - UK 72
 - Spain 15
 - Ireland 1
 - France 8
 - Holland 6
 - Germany 5

Developed Strategy for 'Wireless World' Stores



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'Wireless World' Strategy

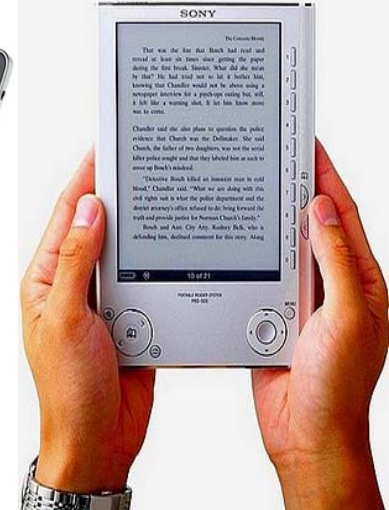
Andrew Harrison, COO, Best Buy Europe



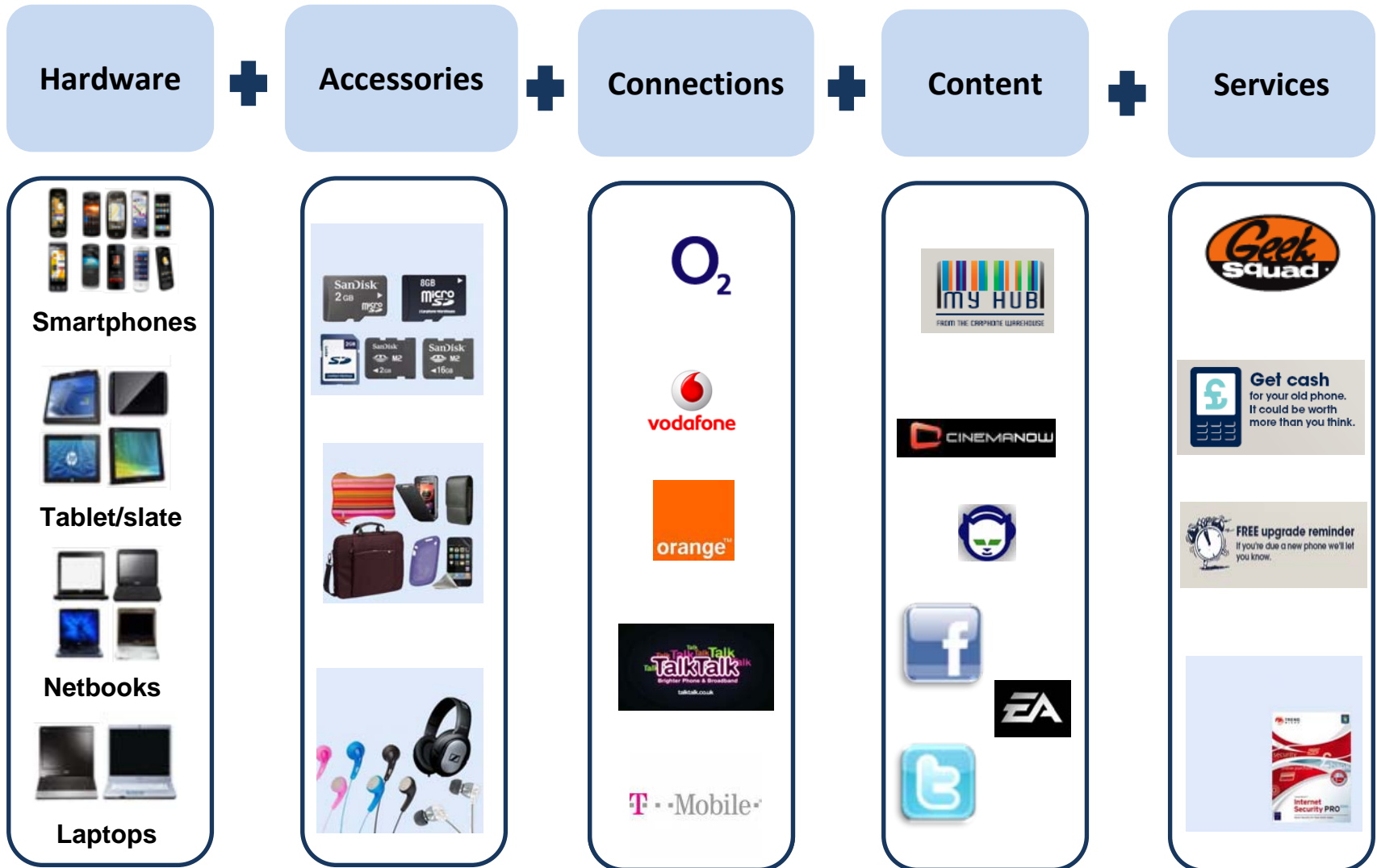
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The Connected World



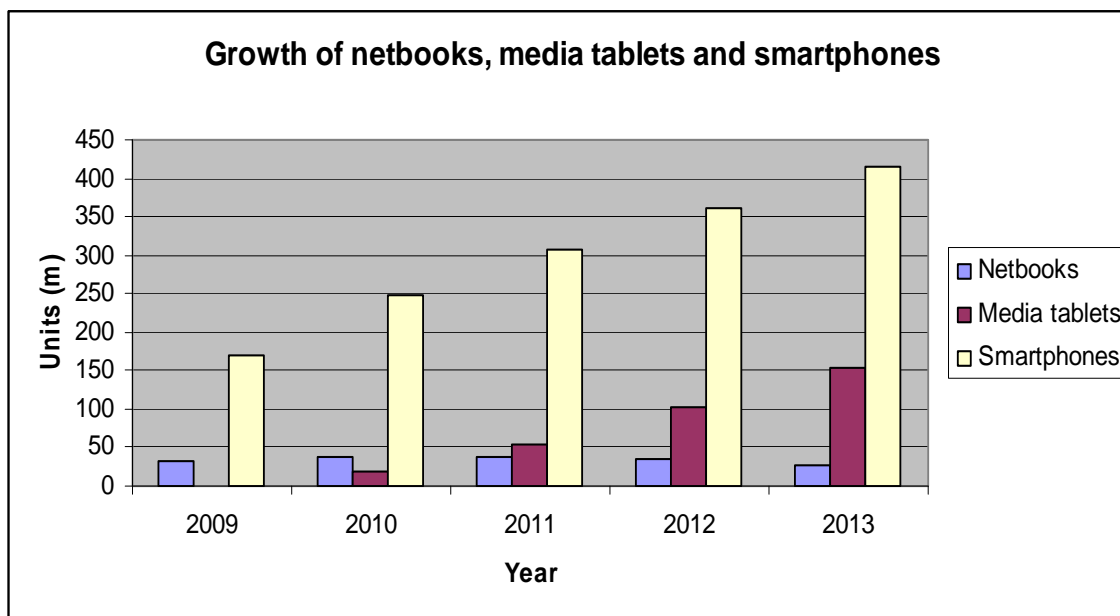
HACCS at the centre of our strategy



Our journey to a connected world



Media Tablets are likely to sell more volume than netbooks in 2011



- The market forecast from Gartner for 2011 now stands at 55m units worldwide (vs. 38m netbooks) rising to 154m units in 2013 and 208m in 2014
- 55m units would equate to 44% more volume than netbooks but less than 20% of the Smartphone market.



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Bringing the best of CPW and Best Buy together



Coming to life across our business: Wireless Store Format 3.0



Successfully launched across Europe: 'Wireless World' in Spain and Germany



A Proven Format



- Cost of a refit c.£0.1m
- Payback 1-2 yrs
- Footfall up c.15-20%
- Trading margin up +20%
- The Wireless format has delivered growth in all core categories



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Plan to transform the estate

- Number of 'wireless world' stores today
 - 43 UK
 - 14 Spain
 - 1 Germany
- 100 target by March 2011
- A further 300 across UK and Europe FY 2011/12 (taking the total to c.400 by March 2012)
- Exporting the best of the 'Wireless World' to even the smallest stores
- Key growth driver



CPW Europe: H1 Highlights

- Smartphones driving postpaid segment
- UK driving LFL performance
- New store strategy developed and launched
- 'Connected World' gathering pace
- Reiterating guidance of 15-20% EBIT growth



Best Buy UK 'Big Box'



Europe



Best Buy UK 'Big Box'



6 stores now open (selling area sq ft shown)

- Thurrock 44,000 sq ft, Southampton 29,000 sq ft, West Midlands 33,000 sq ft, Liverpool 36,000 sq ft, Croydon 26,000 sq ft, Derby 30,000 sq ft



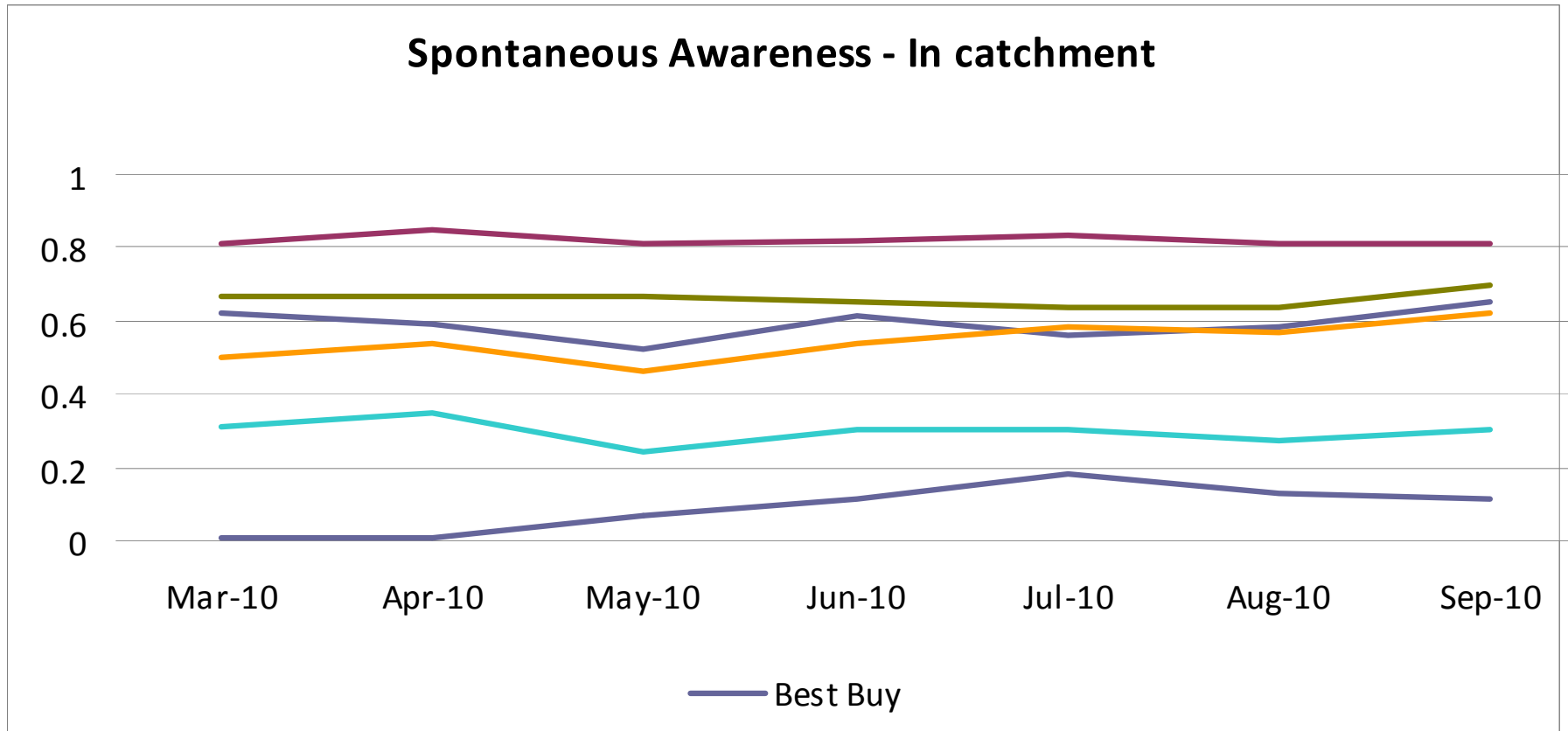
Best Buy UK : Technology store centred around the Connected World



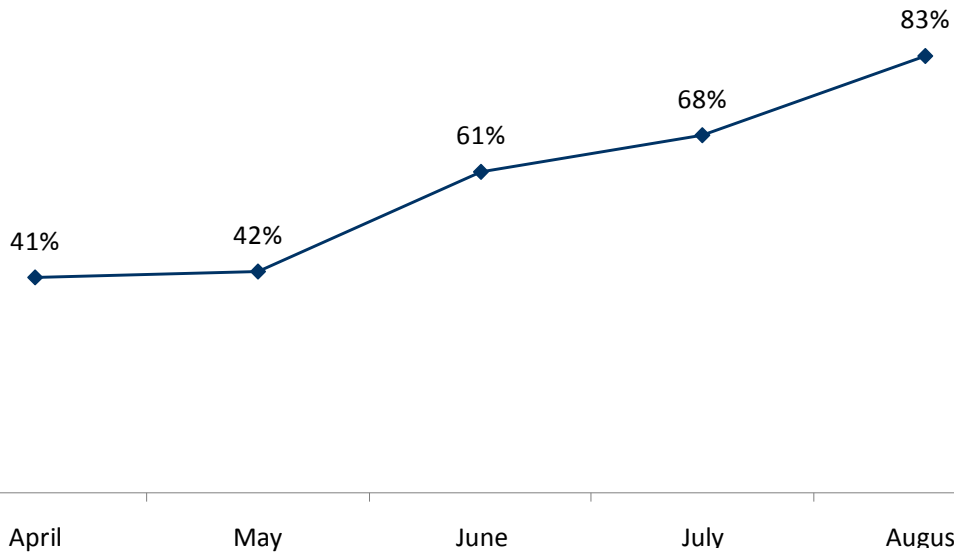
- Focus on customers: service and experience
- Performance to date encouraging
- Brand awareness key to success



Brand awareness is key



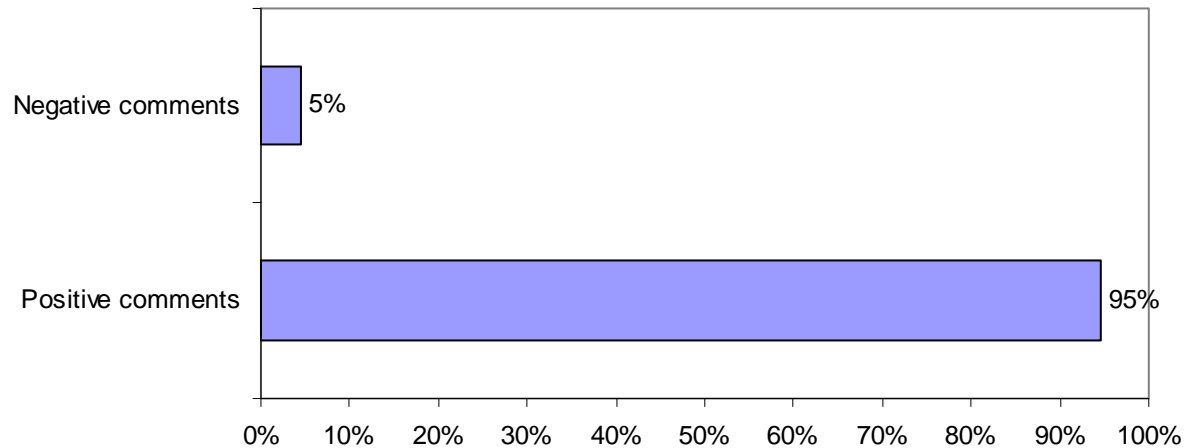
% of those aware of Best Buy who know what we sell



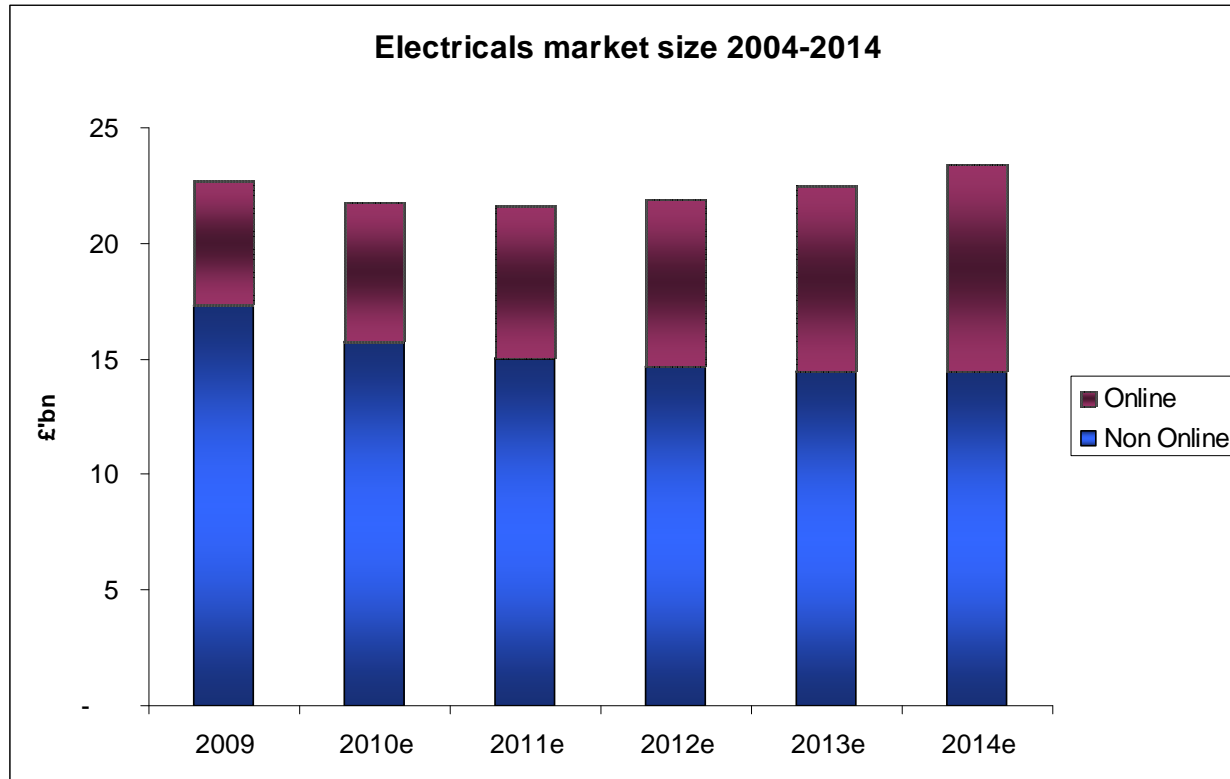
Knowledge of what Best Buy sells is improving month on month

In store perception is very positive

Verbatim comments in store



Online has launched: Best Buy is now an established retailer with national reach



Source: Verdict, datamonitor group

- Online share of electricals market was 24% in 2009 (online spend £5.5bn, market size £22.7bn)
- Forecast to grow to 38% by 2014 (online spend £9bn, market size £23.5bn)



Online Launch

Andrew Brem, Multichannel Director



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Call us on 0333 777 7777 > Find your nearest store

Welcome Andrew

> Not Andrew > My account > My Best Buy

Enter a keyword or product code



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Derby store grand opening

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Samsung Galaxy Tablet

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SAMSUNG

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- 7" screen & Adobe flash support
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Isis ISI-32-900-COBU 32" LCD HD Ready TV

Model: ISI-32-900-TVBU

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INTRODUCING BEST BUY'S TECHXPERT COMMUNITY

Get started

At Best Buy people's views count.

We want to hear about what our customers think about the technology they use and love.

We also want our customers to be able to access independent reviews of different products so they can be more informed and in control of their choices.

That's why we are creating a community of technology enthusiasts, or "TechXperts", where people can share their opinions and rate each other's product reviews.

If you love technology and want to share this with the world, here's how you can get involved: send us a video of you reviewing your fave gadgets. Our community then votes on what they think of it and, the best reviewers are chosen to join our TechXpert panel, with the latest product releases to test.

Send your video reviews to us at bestbuy.co.uk/techxpert



Video guided selling

Best Buy Video Guided Selling Tool fo...

Screen Size Type of Viewing Environment 3D Playback Internet Access Video Games Device Qty Freeview HD

What size of television do you require?

Up to 26 inches 26 to 42 inches 42 to 50 inches 50 inch and above

00:17 00:03

Question 1 of 8 Products 1-10 of 82

Best Buy UK 'Big Box': H1 Highlights

- Successful launch
- Customer experience excellent
- Brand awareness now c.15% in catchment areas
- Online launched
- Focus on 'Connected World' and technology in store
- Further investment in proposition and brand in 2010/11



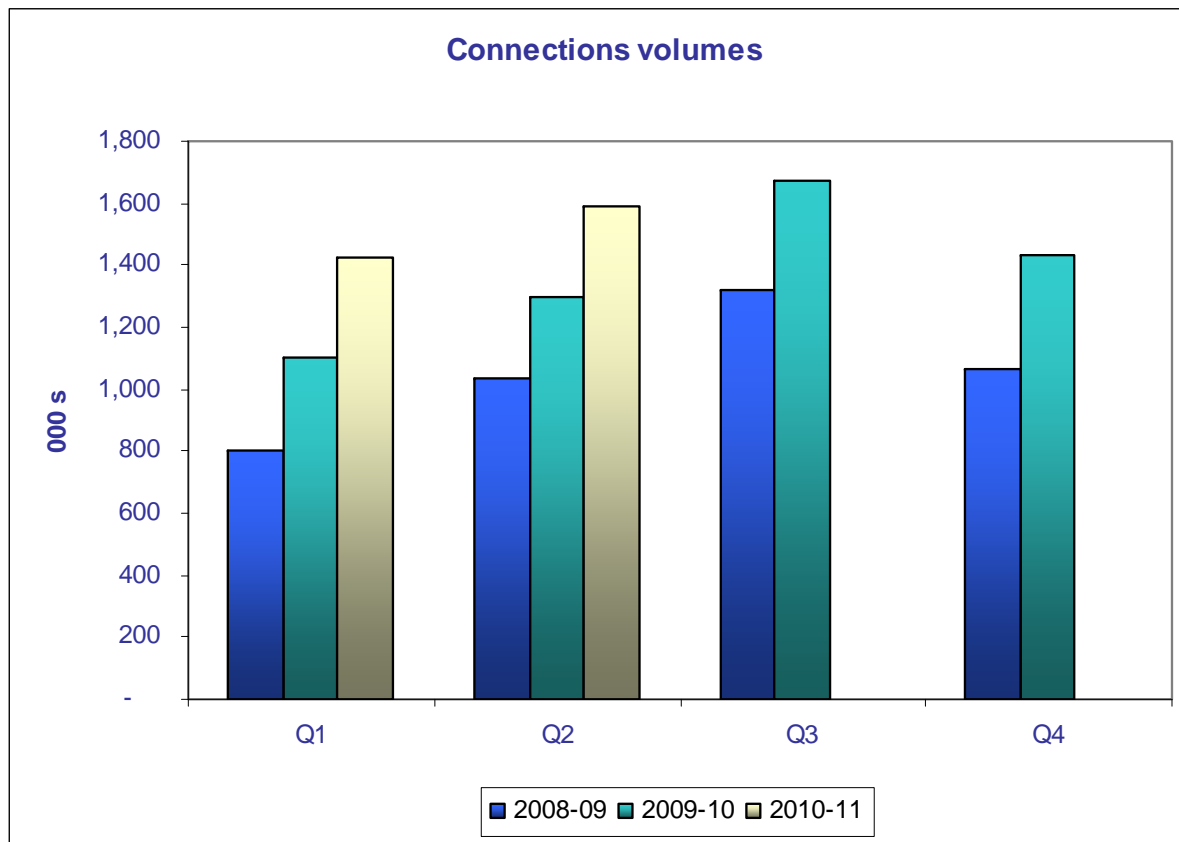
Best Buy Mobile



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Strong Performance: full year guidance raised to £85-£95m



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Best Buy Mobile Store-Within-A-Store (SWAS)

- In all Best Buy stores (1,093)
- Average space: 1,100 sq ft
- Primarily located in front of store



Current



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BBY Mobile SWAS expansion

Format of ~ 175 SWAS locations by Thanksgiving



- Approximate 25% increase to SWAS square footage:
 - Expanded accessory & prepay space
 - Showcasing smartphones & 7 inch tablets



Best Buy Mobile Standalone Stores (SAS)

- Store count
 - End of FY10: 77
 - End of fiscal 2nd quarter: 120
 - As of Thanksgiving: ~160
 - End of FY11: ~175
 - Further significant store growth
- Average store size of: ~1,500 sq ft
- Learning small box capability in the US
- Introducing the tablet (Samsung Galaxy, Huawei S7) and other 'Connected World' products

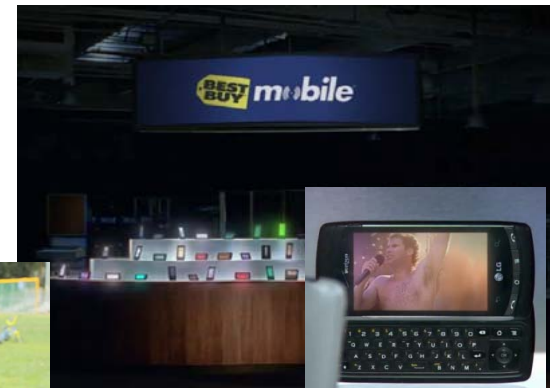


Best Buy Mobile Multichannel Capabilities

- **BestBuy.com/Mobile**
 - Fully transactional site
 - Recently rolled out “Instant Ship”
- **BestBuyMobile.com**
 - Branded as Best Buy Mobile Magazine
 - Content is sourced by Best Buy Mobile employees
 - Features include news and reviews, blogs, mobile phone ‘Tips and Tricks’ videos
- **Call Centre**
 - Staffed by employees who receive the same training given to all Best Buy Mobile store employees
 - Available to any customer with a mobile phone question – whether they purchased a phone at Best Buy or not



Marketing Investments helping unaided awareness



BBYM Unaided Awareness

	<u>DEC 2009</u>	<u>MAR 2010</u>	<u>JULY 2010</u>	<u>SEPT 2010</u>
Gen Pop	43%	46%	51%	59%



Tapping Best Buy Brand Assets

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Get a quality picture and great savings on these HDTVs and DIRECTV®

BEST BUY
Buyer be happy.™

FREE Samsung VHS Adapter with the purchase of this LED HDTV. SKU: 5291775

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OUR LOWEST ADVERTISED PRICE

BEST BUY EXCLUSIVE
OUR LOWEST ADVERTISED PRICE

46" Class LED HDTV 45.9" measured diagonally. (G9A6C9007F2X) SKU: 9832579. **SAVE \$800** **1499.99** After Savings

46" Class Plasma HDTV 46" measured diagonally. (TC P46C2) SKU: 9788853. **SAVE \$170** **529.99** After Savings

24" Class LCD HDTV 24" measured diagonally. (D1 24L50A11) SKU: 9848048. **SAVE \$50** **199.99** After Savings

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THE MOST SMART PHONES UNDER ONE ROOF

HTC EVO 4G see page 3 **199.99** After Savings

SAVE MONEY BY PAYING NO INTEREST ON ALL HOME THEATER PURCHASES TOTALING *799 & UP IF PAID IN FULL WITHIN 3 YEARS**
Interest will be charged to your account from the purchase date if the purchase balance is not paid in full within 3 years or if you make a late payment.

* Minimum total purchase of \$799 required. Required minimum payment is greater of 1% or 1% of balance, plus billed interest charges, plus any late fees, or it can also be 2.5% of balance if card issued by Chase. Offer valid at BestBuy.com and in Best Buy® stores. See inside back cover for details. ** See page 2 for details. † Internet connection required. ‡ Limited to warehouse quantities. No rainchecks. † See page 7 for details. ‡ Min. 10 per store. No rainchecks. ©2010 Best Buy

Starting in November, the 50m circ weekly insert will feature a special mobile call out... alerting core customers that the brand has the latest & greatest phones & plans

Buy your next phone at

BEST BUY mobile

verizon at&t Sprint Mobile

Not sure which phone is right for you? We'll help you find the right phone, plus no mail-in rebates so you save instantly.

20% OFF
an accessory with any phone purchase with contract

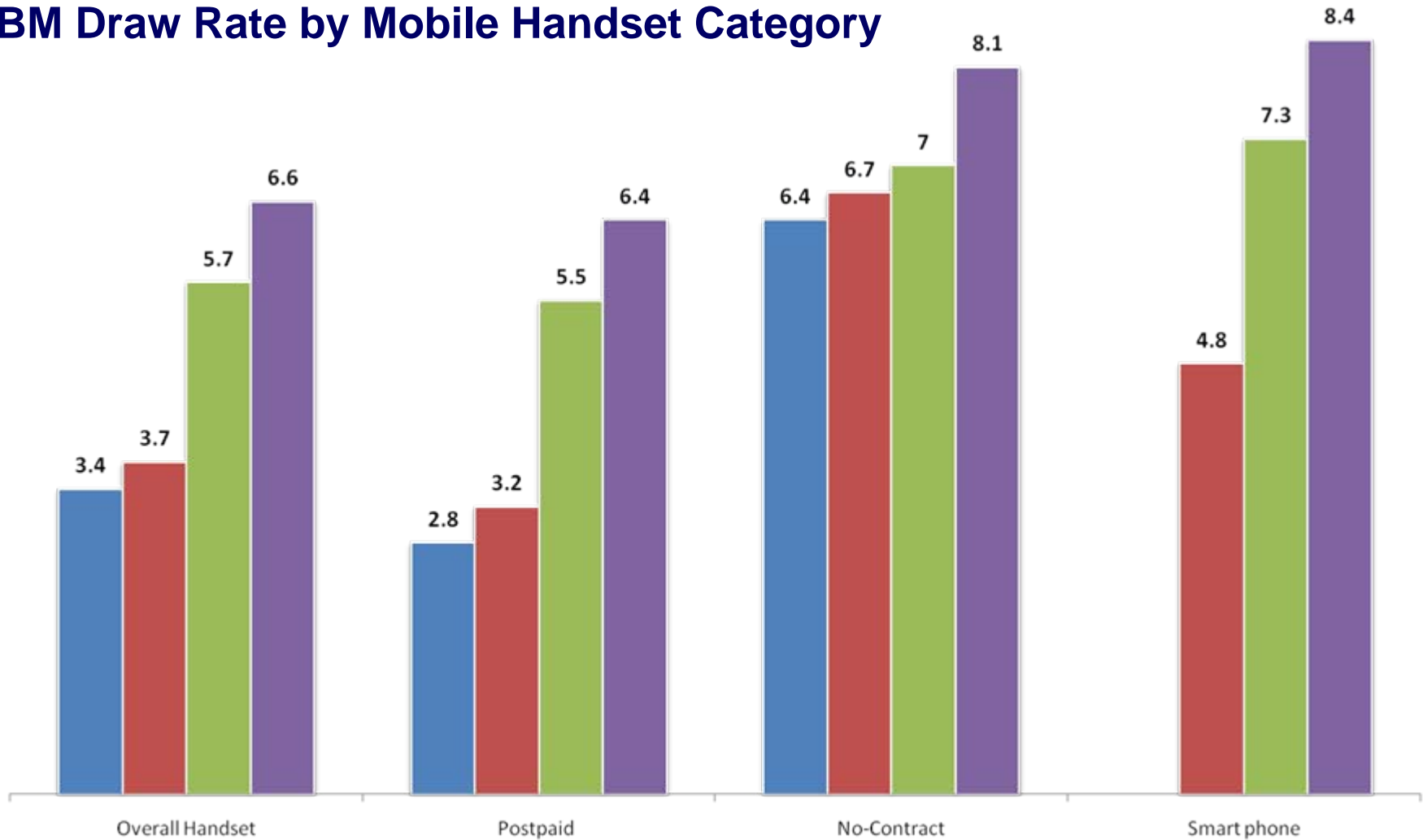
BEST BUY mobile

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This holiday, the 4m packages that BBY.com ships will feature a simple flyer inviting customers to consider BBY for their next phone - leveraging recent experience on the BBY.com/mobile site



BBM Draw Rate by Mobile Handset Category



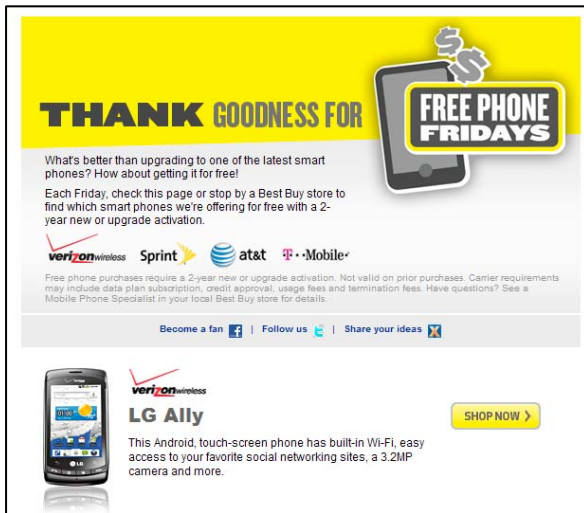
Definition: Draw rate is % of mobile phone purchasers who visited BBYM before making a purchase

■ 2007 ■ 2008 ■ 2009 ■ 2010



'Free Phone Friday'

Establish price leadership position heading into Thanksgiving by promoting smartphones on all major networks that have never been free in the US.



THANK GOODNESS FOR FREE PHONE FRIDAYS

What's better than upgrading to one of the latest smart phones? How about getting it for free!

Each Friday, check this page or stop by a Best Buy store to find which smart phones we're offering for free with a 2-year new or upgrade activation.

verizon wireless | Sprint | at&t | T-Mobile

Free phone purchases require a 2-year new or upgrade activation. Not valid on prior purchases. Carrier requirements may include data plan subscription, credit approval, usage fees and termination fees. Have questions? See a Mobile Phone Specialist in your local Best Buy store for details.

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LG Ally

This Android, touch-screen phone has built-in Wi-Fi, easy access to your favorite social networking sites, a 3.2MP camera and more.

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Business & Tech

It's Your Money

It's a Deal: Free Phones on Fridays at Best Buy

Posted by TIME.COM Friday, October 1, 2010 at 9:02 am

Submit a Comment • Related Topics: coupons & deals freebies, best buy, electronics, cell phones, phones, smartphones

Every Friday in October (starting today), Best Buy hosts Free Phones Fridays, when the retailer offers four different phones at no upfront cost. The catch? You have to sign a two-year service contract, but that's a fairly typical requirement when you get a subsidized phone.

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Best Buy Mobile US: H1 highlights

- Continued strong growth
- Further investment in SWAS and SAS
- Customer experience and retail execution very strong
- Significant uplift in H1 profit share
- Increasing guidance for the full year



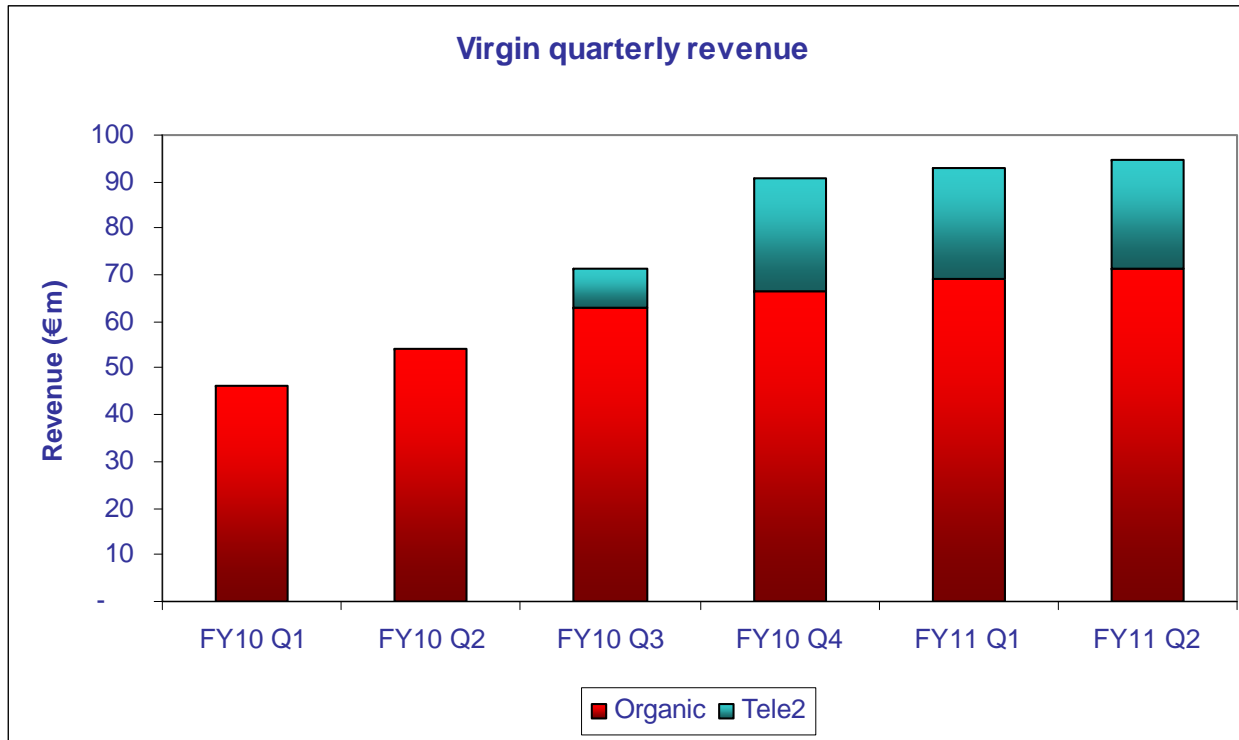
Virgin Mobile France



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Virgin Mobile France.....a game of two halves



H1:

- Continued revenue growth
- Strong cashflow
- Profit generation
- Tele2 integration
- Customer service focus



Virgin Mobile France.....a game of two halves



H2, renewed focus on customer growth:

- Customer recruitment
- Focus on ARPU
- Strong product range



Financial update and 2011 guidance

Nigel Langstaff, CFO



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Best Buy Europe financials - EBIT

Best Buy Europe EBIT			
£'m	H1 2010-11	H1 2009-10	YoY
Revenue	1,668	1,674	-0.4%
Gross margin	484	481	
GM %	29.0%	28.7%	30bp
Opex	(424)	(413)	
Best Buy Mobile US	43	11	
EBITDA	103	79	31%
D&A	(45)	(47)	
EBIT	58	32	81%
EBIT %	3.5%	1.9%	160bp



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Best Buy Europe financials - PAT

Best Buy Europe PAT			
£'m	H1 2010-11	H1 2009-10	YoY
CPW Europe	44	28	56%
Best Buy Mobile US	43	11	299%
Best Buy UK	(29)	(7)	
EBIT	58	32	81%
Interest	(7)	(6)	
Tax	(13)	3	
PAT	38	29	29%



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Best Buy Europe financials - cash flow

Best Buy Europe cash flow			
£'m	H1 2010-11	H1 2009-10	
EBITDA pre Best Buy UK	129	86	
Working capital	(80)	(91)	
Capex	(26)	(26)	
OFCF pre Best Buy UK	23	(31)	
Best Buy UK	(41)	(16)	
Other	(18)	(35)	
Net funds (debt) b/f	57	(47)	
Net funds (debt) c/f	21	(129)	



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Virgin Mobile France financials - PAT

Virgin Mobile France PAT			
£'m	H1 2010-11	H1 2009-10	YoY
Revenue	158	88	79%
EBITDA	22	(17)	
D&A	(2)	(2)	
EBIT	20	(19)	
EBIT %	12.6%	-21.0%	
Interest	(1)	(0)	
Tax	(5)	5	
PAT	13	(14)	



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Virgin Mobile France financials - cash flow

Virgin Mobile France cash flow			
£'m	H1 2010-11	H1 2009-10	
EBITDA	22	(17)	
Working capital	11	(3)	
Capex	(4)	(1)	
OFCF	29	(21)	
Other	8	1	
Net debt b/f	(88)	(29)	
Net debt c/f	(51)	(49)	
Funds ex-shareholder loans	29	-	



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Group financials - EPS

CPW plc financials - EPS			
£'m	H1 2010-11	H1 2009-10	
Revenue	3	3	
Opex	(4)	(3)	
Best Buy Europe	19	15	
Virgin Mobile France	6	(7)	
Interest and tax	1	(1)	
PAT	25	7	
EPS (pence)	5.5	1.5	267%



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Group financials - net funds

CPW plc financials - net funds			
£'m	H1 2010-11	H1 2009-10	
Net funds b/f	100	n/a	
VMF loan repayments	11	n/a	
Other	3	n/a	
Net funds c/f	114	n/a	
VMG loans receivable	39		
Net funds inc. loans	153		



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Dividend strategy

- **Expecting to commence regular dividend policy in 2011**
 - Final dividend in August 2011, subject to shareholder approval
 - Funded initially by Virgin Mobile France loan repayments and reduced commitments to Best Buy Europe
 - Minimum 3 x cover
- **Regular dividends may be supplemented by one-off returns**
 - For material changes in funding or asset disposals



Update on financial guidance - CPW Europe

CPW Europe			
	2010-11		2009-10
	April guidance (£'m)	Update	Actual (£'m)
EBIT	131 to 137	Maintained	114

CPW Europe				2010-11
	April guidance	H1 performance	Full year expectation	
Space	Up 0 to 1%	In line	As April	
LFL revenue	Up 0 to 3%	Up 2.4%	As April	
Connections	Down 0 to 5%	Down 2.3%	As April	
GM%	Strengthen YoY	On track	As April	
Opex	Annualised cost savings	On track	As April	
German SP	Revenue decline €100m to €150m	Revenue down €60m	As April	



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Update on financial guidance - Best Buy Mobile US

Best Buy Mobile US			
	2010-11		2009-10
	April guidance (£'m)	Update	Actual (£'m)
Profit share	53 to 55	85 to 95	46

Best Buy Mobile US			2010-11
Connections	April guidance Up 15 to 20%	H1 performance Up 25.7%	Full year expectation Similar trend



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Update on financial guidance - Best Buy UK

Best Buy UK			
	2010-11		2009-10
	April guidance (£'m)	Update	Actual (£'m)
EBIT	(40) to (45)	(50) to (55)	(21)
OFCF	(70) to (80)	Maintained	(44)



Update on financial guidance - Virgin Mobile France

Virgin Mobile France			
	2010-11		2009-10
	April guidance	Update	Actual
EBIT	€19m to €24m	Maintained	Loss €25m

Virgin Mobile France			2010-11
	April guidance	H1 performance	Full year expectation
Revenue	€385m to €400m	On track	As April
EBIT margin	5% to 6%	12.6%	As April
Net adds	Up 100,000 to 150,000	Down 33,000	Up 50,000 to 100,000
Capex	c.€10m	On track	As April



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Update on financial guidance - EPS

Earnings	2010-11	
	April guidance (£m)	Update
Best Buy Europe		
- CPW Europe	131 to 137	On track
- Best Buy Mobile US	53 to 55	85 to 95
- Best Buy UK	(40) to (45)	(50) to (55)
- Interest	(16)	On track
- Tax	24% to 25%	c.26%
Virgin Mobile France	€19m to €24m	Maintained
EPS	11.5p to 11.9p	13.5p to 14p



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Update on reporting timetable

Q3 trading

18 January 2011

Q4 trading

5 May 2011

Prelims and strategy day

8 June 2011



Q&A



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