

Carphone Warehouse Group plc

Interim Results & Strategy Update
7th November 2011

Interim Results for the 6 months ended 30 September 2011



Agenda

- Strategic Highlights Charles Dunstone - Chairman
- Interim Results 2011-12 & Strategy Update Roger Taylor - CEO
- Financial Update Nigel Langstaff - CFO



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Strategic Highlights

Charles Dunstone
Chairman



Strategic Highlights

- Sale of interest in Best Buy Mobile (US & Canada)
- Closure of Best Buy UK 'Big Box'
- Launch of Global Connect
- Focus on CPW's connectivity strategy



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Interim Results 2011-12 & Strategy Update

Roger Taylor
CEO



Interim Results 2011-12

Continuing

- CPW Europe Headline EBIT £24.4m, pre £4.4m reorganisation charge (2010: £44.2m)
 - 18 to 24mth contracts (LFL -3.9%, connections -8.8%)
 - Slower prepay market
 - Product launch timing
- Virgin Mobile France Headline EBIT £8.0m (2010: £19.9m)
 - Strong revenue growth of 22.1%
 - Net adds of 88,000 (2010: net reduction of 33,000)
 - H1 focus on customer acquisitions, increased SAC

H1 in line with expectations

No change to full year guidance for continuing business

Other

- Best Buy Mobile US profit share up 5.4% to £45.0m (2010: £42.7m)
 - Weaker Q2 (product launch timing)
- Best Buy UK EBIT loss of £46.7m (2010: loss of £28.8m)



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New Prepay smartphones



**BlackBerry
9300**

£159.95



**Samsung
Galaxy Europa**

£49.95



**HTC
Wildfire S**

£129.95



**iPhone 4
(8gb)**

£419.00



**BlackBerry
Curve 8520**

£129.95



**Samsung
Galaxy Mini**

£69.95



**Nokia
C2-02**

£69.95



**Nokia
C3-00**

£69.95



**Samsung
Tocco Lite**

£49.95



**Alcatel
OT810**

£49.95

CPW exclusives*

YOUR CHRISTMAS NO.1

NOKIA PHONES WITH EXCLUSIVE ONE DIRECTION CONTENT

FROM £69.95
PLUS £10 TOP-UP REQUIRED

GREAT VALUE PAY AS YOU GO PHONES FOR UNDER £50

Samsung Tocco Lite Design Collection

From **£49.95**
Plus £10 top-up

[View deals >](#)

Alcatel OT-810

From **£49.95**
Plus £10 top-up

[Pre-order >](#)

*Exclusive features such as content, back cover or add on products



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Postpay propositions



HTC Sensation XL

Free from £31/mth



Nokia Lumia 800

Free from £31/mth



iPhone4S 16GB

Free from £41/mth



Blackberry Bold 9900

Free from £31/mth

Choose your FREE gift and FREE phone

Choose your FREE gift	Choose your phone®							
		Nokia 1800	Samsung Tocco Lite or Sony Ericsson TXT	Samsung Galaxy Y or Sony Ericsson X8	Nokia C3-01 or E5-00	BlackBerry® Curve™ 8520	BlackBerry® Curve™ 9300	Samsung Galaxy Ace or HTC WildFire S
	£200 Gift Card	£21	£26	£26	£31	£31	£31	£36
	FREE Xbox 360 4GB & Kinect controller	£26	£26	£31	£31	£36	£36	£41
	FREE Toshiba LCD HD 32" TV	£21	£26	£26	£31	£31	£36	£36
	FREE Motorola XOOM Wi-Fi Tablet	£26	£31	£36	£36	£36	£41	£41



Closure of Best Buy UK 'Big Box'

- Connectivity strategy prioritised: higher and proven rate of return
- Store closure expected by end of calendar year 2011 (losses through to closure £25m-£30m)
- Redeployment of Best Buy UK talent
- Exceptional cash costs of closure £65m-£75m
- Non-cash asset write-downs of £40m-£45m
- CPW's share of total net cash investment from inception to closure c.£100m

Focus on 'Connected World' with one brand



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'Connected World' - the next step

*'To INSPIRE & GUIDE in this connected world,
making people's lives better through technology'*

Extended "connected" product range

Higher profit pool categories

Further Geek Squad & services roll out

Multi-channel 'click & connect'

Extended customer touch points



WALK OUT WORKING

MAKING SURE YOU'RE READY TO GO FROM THE WORD GO

With our FREE Walk Out Working service, we'll talk you through your operating system, help download your first app and set up your email.



TRADE IN
AND
TRADE UP



Integrated web



PH/CPW
Stores

YouTube



EYEOPENERS
TECH TIPS AND ADVICE



M Commerce

simply tap

A refocused business that plays to our strengths



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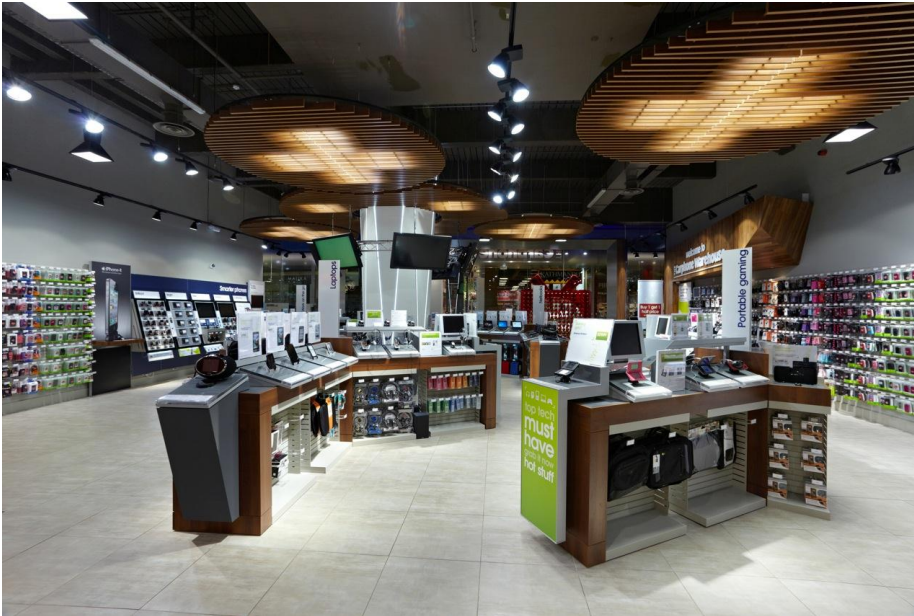


CPW Connected World

WIRELESS WORLD ++



CONNECTED
WORLD



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Your connected retailer

- Faster store conversion
- Increase in total sq ft: 15%-20% over next 3 to 5 years
- Expanding online proposition
- Compelling returns

Advice on smartphones, tablets, laptops
& all other technology that connects your world




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- 
- Launch of new JV with Best Buy Co., Inc.
 - Driving Connected World into new markets
 - Partnerships with major retailers in target markets
 - Capital-light
 - Sharing expertise, vendor relationships and best retail practice
 - Effective operational governance

Replicating partnership success across the globe



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Global Connect - China



- 1.3bn with 50% urban population
- 68% mobile penetration nationally
- Over 350m handset sales in 2011
- Best Buy - Five Star
 - National Chinese CE retailer
 - Revenue US\$1.7bn FY11
 - Jiangsu based
 - 210 stores in 6 regions by end FY12
 - Ambitious 5 year roll-out plan
 - Mobile SWAS & SAS proposition
- Launch Pilot early 2012



Source: Data Monitor, Euro Monitor; Strategy Analytics; Gartner



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Sale of interest in Best Buy Mobile (US & Canada)

- Enable our US partners to pursue 'Connect' strategy & market a wider range of products
- Consideration £838m for Best Buy Mobile (US & Canada)
 - Upfront cash payment of £813m (\$1,303m)
 - Ongoing consultancy fee of £5m pa for five years
- Intention to return upfront cash payment to shareholders
- No corporation tax expected to arise on upfront cash payment

Realising value for our shareholders



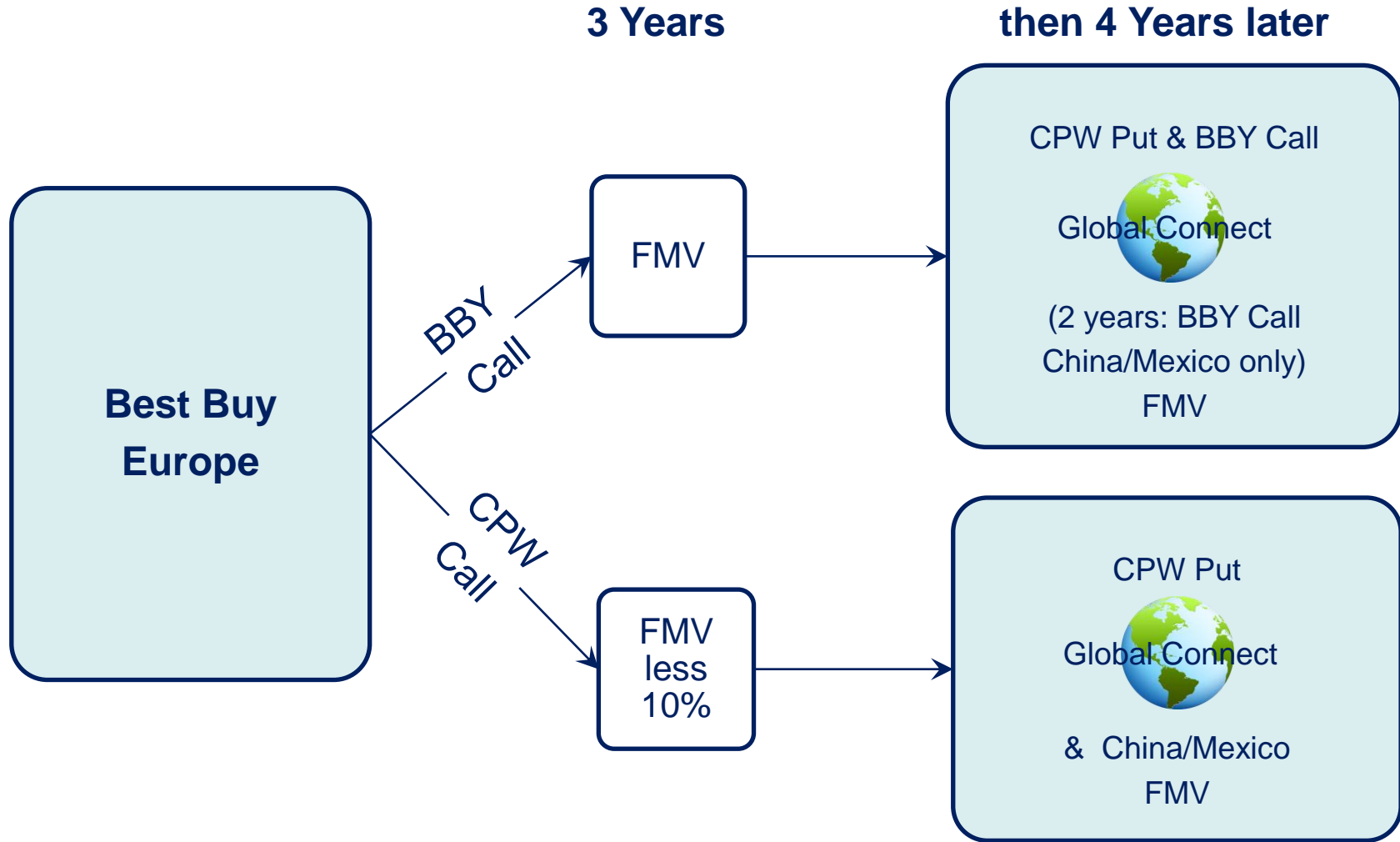
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Formalisation of long-term ownership



Delivering shareholder value

FMV - fair market value



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Other deal issues

- Up to 170p per share to be distributed to shareholders
- Global Connect agreement
- Governance
- Best Buy Europe dividend policy



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Proposed transactions with Best Buy Co., Inc.

Conditions

CPW shareholder approval

Anticipated timetable

7th November 2011 Announcement of sale of interest in Best Buy Mobile (US & Canada)

November/December Production of circular

January 2012

1st week Circular distributed to CPW shareholders

3rd week CPW shareholder meeting to approve

February 2012 Cash distribution via B Share Scheme

Effective over 2011/12 & 2012/13 tax years



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Revised Group Structure

Post distribution of up to £813m to shareholders



Financial Update

Nigel Langstaff
CFO



Summary H1 financials

Headline Group EPS			
£'m	H1 2011-12	H1 2010-11	YoY
<u>100%</u>			
CPW Europe	20	44	
Best Buy Mobile US	45	43	
Best Buy UK	(47)	(29)	
Tax and interest	(12)	(20)	
Best Buy Europe (50%)	3	19	-84%
Virgin Mobile France (47%)	2	6	-68%
Other	1	-	
Profit after tax	6	25	-78%
Basic EPS	1.2p	5.5p	-78%

- **CPW Europe** affected as anticipated by 24 month contracts in the UK and SP transition in Germany, including £4m reorganisation charge
- **Best Buy Mobile US** reflects strong prior year comparatives
- Unsustainable level of losses within **Best Buy UK**, resulting in decision to close
- Strong period of customer additions caused increased SAC at **Virgin Mobile France**
- **Interim dividend** of 1.75p, payable in December



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Best Buy Europe financials - EBIT

Best Buy Europe Headline EBIT			
£'m	H1 2011-12	H1 2010-11	YoY
Revenue	1,587	1,668	-5%
Gross margin	442	484	
GM%	27.8%	29.0%	-120bp
Opex	(423)	(425)	
Best Buy Mobile US	45	43	
EBITDA	64	102	-37%
D&A	(46)	(44)	
EBIT	18	58	-69%
EBIT%	1.2%	3.5%	

- **Revenue** in line with expectations, with LFL down 3.9% and c.£60m negative impact from Germany
- CPW Europe **GM%** held up well, but overall GM% suppressed by Best Buy UK
- **Opex** savings despite Best Buy UK and German reorganisation costs



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Virgin Mobile France financials - PAT

Virgin Mobile France Headline PAT			
£'m	H1 2011-12	H1 2010-11	YoY
Revenue	193	158	22%
EBITDA	10	22	-55%
D&A	(2)	(2)	
EBIT	8	20	-60%
EBIT%	4.1%	12.6%	
Interest	(2)	(1)	
Tax	(2)	(5)	
Profit after tax	4	13	-68%

- Strong **revenue** growth, with last year's customer base growth weighted to H2
- Net adds of 88,000 (net reduction of 33,000 last year) resulting in high **SAC**
- Underlying **EBIT** before increased net adds showing good progress



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Best Buy Europe financials - cash flow

Best Buy Europe cash flow			
£'m	H1 2011-12	H1 2010-11	YoY
EBITDA pre-Best Buy UK	108	129	
Working capital	(135)	(78)	
Capex	(44)	(26)	
OFCF pre-Best Buy UK	(71)	25	
Best Buy UK	(45)	(43)	
Other	(16)	(18)	
Net cash flow	(132)	(36)	
Closing net funds	-	21	

- **EBITDA** down YoY (24m contracts, Germany)
- YoY increase in **H1 working capital** outflow reflects higher stock levels and other short-term timing issues
- **Full year working capital** expectation in line with guidance
- **Capex** investment in Wireless World roll-out and IT platforms



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Update on full year guidance

Continuing	June guidance	Update
CPW Europe	EBIT flat to +10% (£135m - £150m)	As June; likely to be lower end given subdued prepay market
	Interest flat (£15m) Tax 23-24%	} As June
Virgin Mobile France	EBIT up 20-25%	As June
Basic EPS	Pending Best Buy UK	11.5p - 12.0p
Regular dividend	3 x cover	c.5p
Other		
Best Buy Mobile US		No profit share beyond H1
Best Buy UK		Losses to closure estimated at £25m-£30m
One-off distribution		
B share scheme	n/a	Up to £813m



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Estimated costs of Best Buy UK closure

Cash costs	£'m	
Property	c.40	Average annual rent c.£860k per store
People	10-15	Redeployment / redundancy
Other	15-20	Stock disposal, contract exit
65-75		

- All closure plans subject to **employee consultation**
- Significant investment in **redeployment** of people where possible
- Average **lease** length c.10 years

Non-cash charges	£'m	
Asset write-downs	40-45	Net of lease incentives
40-45		



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Q&A



Appendices



Best Buy Europe guidance update

CPW Europe	FY guidance	H1 actual	Comments
Space	Up 2-3%	Up 1%	H1 weighting to franchise stores
LFL revenue	+ / - 2%	Down 3.9%	H1 in line with expectations, with flat to low single digit positive LFLs expected in H2
Connections	Down 0 to 5%	Down 8.8%	Now expecting down 5-10% for FY (weaker prepay)
German SP	Revenue down c.£100m Earnings down c.£10m	Revenue down c.£60m Earnings down c.£10m	Impact weighted towards H1; full year guidance unchanged
EBIT %	Strengthen YoY	Down YoY	H1 expected, FY guidance unchanged
EBIT	Flat to +10% £25m down in H1	£24m down in H1	H1 expected, FY in line with guidance - likely to be at the lower end

Best Buy Europe	FY guidance	H1 actual	Comments
Interest	Flat	Up £3.1m	Write-off of legacy facility fees, following summer refinancing; FY guidance unchanged
Tax	23-24%	25%	FY guidance unchanged
OFCF (ex BBUK)	Similar	Down YoY	H1 OFCF affected by short-term issues; FY guidance for CPW Europe unchanged



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Virgin Mobile France financials - cash flow

Virgin Mobile France cash flow			
£'m	H1 2011-12	H1 2010-11	YoY
EBITDA	10	22	
Working capital	7	11	
Capex	(6)	(4)	
OFCF	11	29	
Other	0	8	
Net cash flow	11	37	
Closing debt	(52)	(51)	

- Strong cash generation despite investment in growth
- Capex investment in full MVNO development
- Other in prior year included Tele2 purchase price adjustment



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Virgin Mobile France guidance update

Virgin Mobile	FY guidance	H1 actual	Comments
Net adds	100,000 to 150,000	88,000	FY guidance unchanged
Revenue	Up 10-15%	Up 22%	FY guidance unchanged
EBIT margin	~7%	4.1%	Increased customer acquisition in H1; FY guidance unchanged
OFCF	Similar	Down YoY	Increased customer acquisition in H1; FY guidance unchanged



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Group financials - EPS

Headline Group EPS			
£'m	H1 2011-12	H1 2010-11	YoY
Revenue	3	3	
Opex	(3)	(4)	
Best Buy Europe	3	19	-84%
Virgin Mobile France	2	6	-68%
Net interest and tax	1	1	
Profit after tax	6	25	-78%
Basic EPS	1.2p	5.5p	-78%

- Expected seasonality in CPW Europe and increased losses in Best Buy UK suppressed YoY earnings from Best Buy Europe
- Virgin investment in growth again suppressed short-term earnings



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Group financials - cash and dividends

Group funds		
£'m	H1 2011-12	H1 2010-11
Net funds b/f	121	100
Dividends / own shares	(30)	(3)
Virgin Mobile France loan repayments	7	11
Other	(1)	6
Net funds c/f	97	114
VMF loans receivable	28	39
Net funds inc. loans	125	153

- Planned dividend of c.5p, with 1.75p interim
- No short-term plan for additional returns out of existing cash resources
- Other in prior year includes FX gains on hedges



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