



The Carphone Warehouse Group PLC

Preliminary Results 2007

5 June 2007

The Carphone Warehouse

your phone, your way

Agenda



- Introduction
- Financial performance
- Outlook



Introduction

Charles Dunstone

THE Carphone Warehouse

your phone, your way

Financial headlines



- Revenue up 31.0% to £3,991.5m
- LFL Retail revenue up 6.6%, LFL gross profit up 5.0%
- Distribution EBIT up 22.4% to £141.4m
- Cash from operations up 30.5% to £256.3m
- Full year dividend up 30.0% to 3.25p

Operational headlines

- 10.0m connections, up 22.3%
- 366 net new stores opened
- 2.3m broadband customers
- 2.7m voice customers
- Best Buy Mobile and Geek Squad joint ventures launched





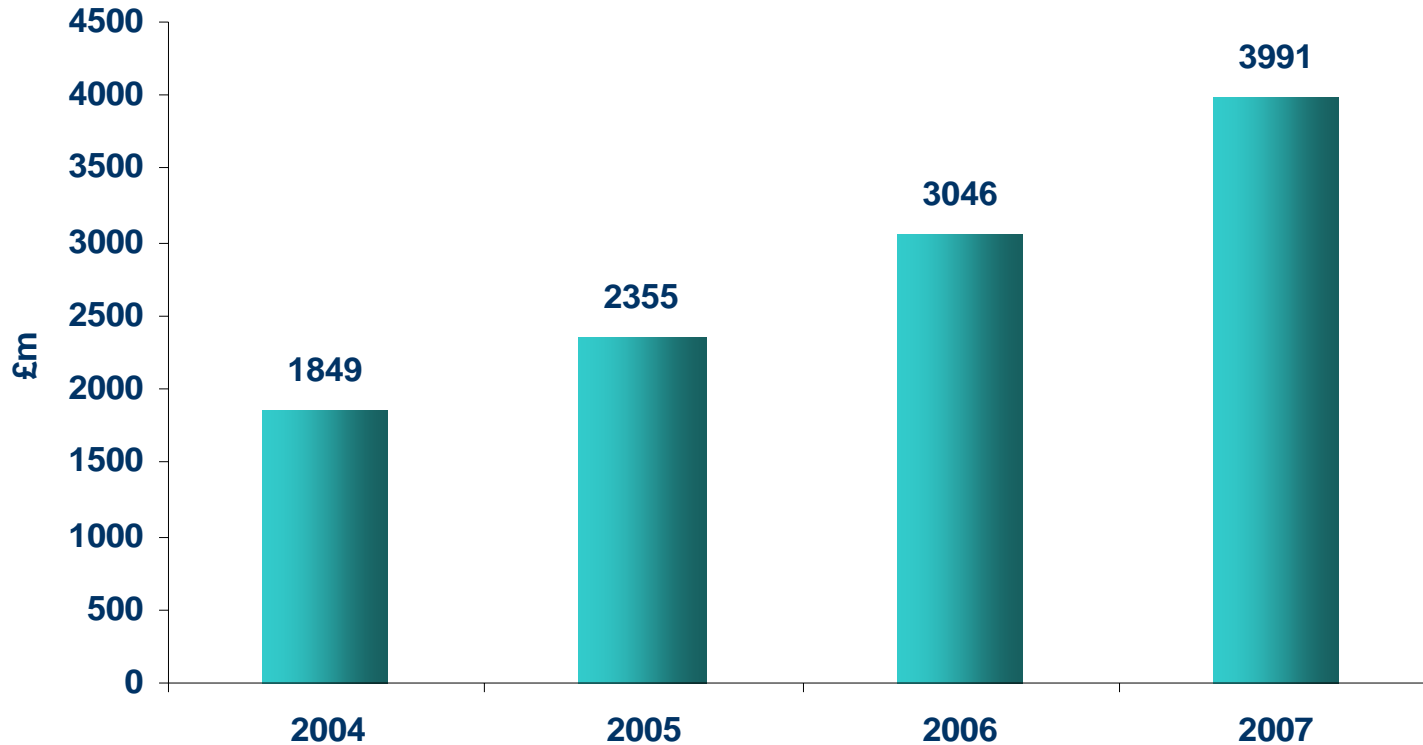
Financial performance

Roger Taylor, CFO

THE Carphone Warehouse

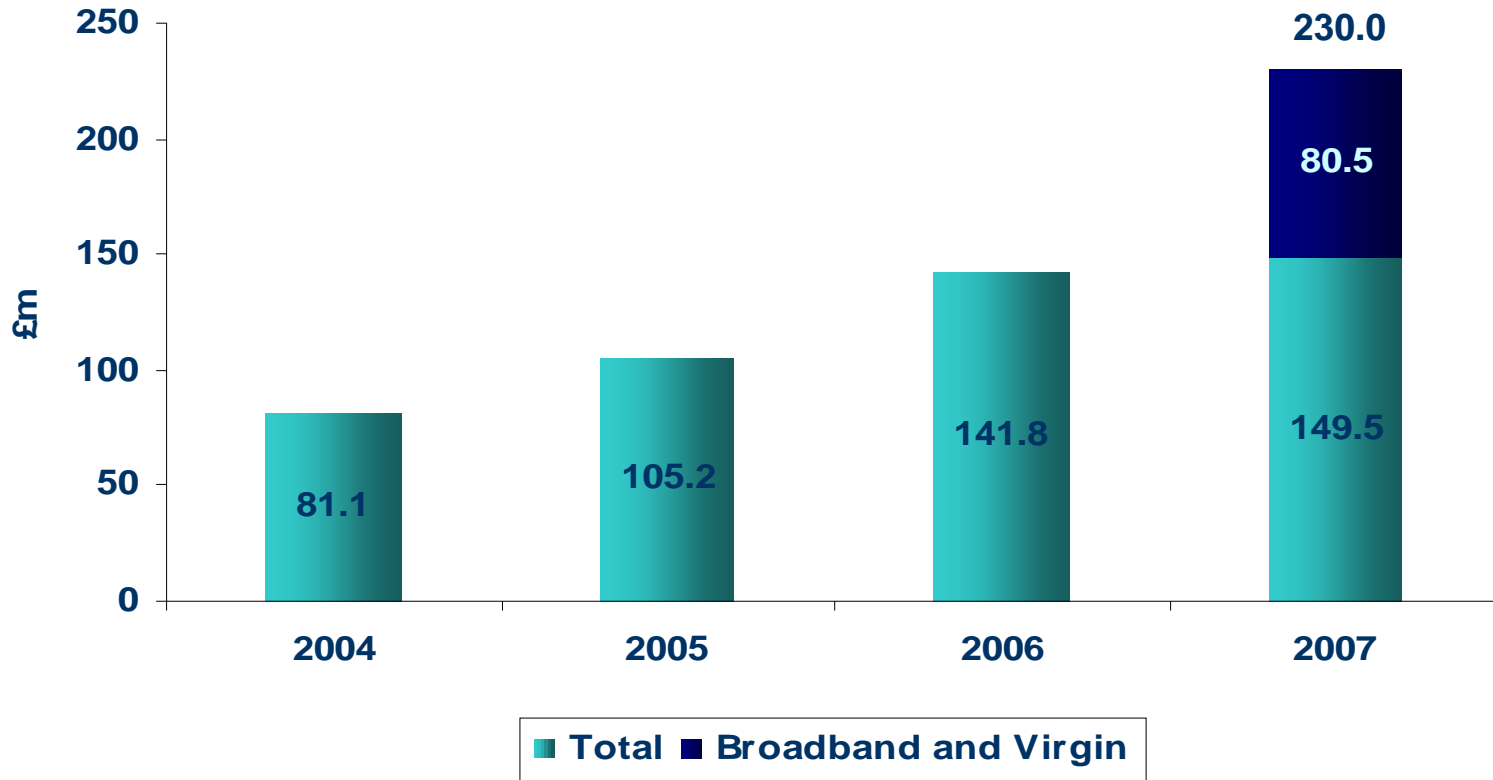
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Group revenues



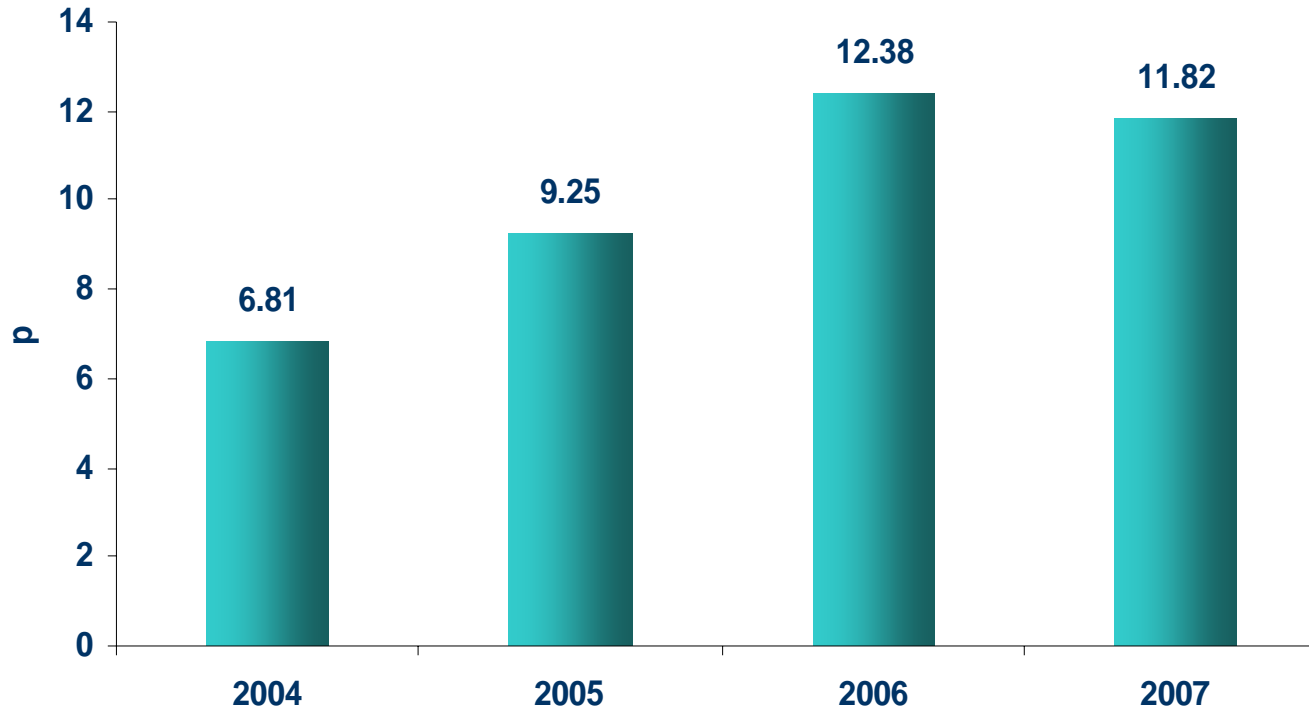
- Group revenues up 31.0%
- 3 year CAGR 29.2%

Headline EBIT



- EBIT up 62.1% before Free Broadband and Virgin Mobile France
- EBIT up 5.4% after all investments

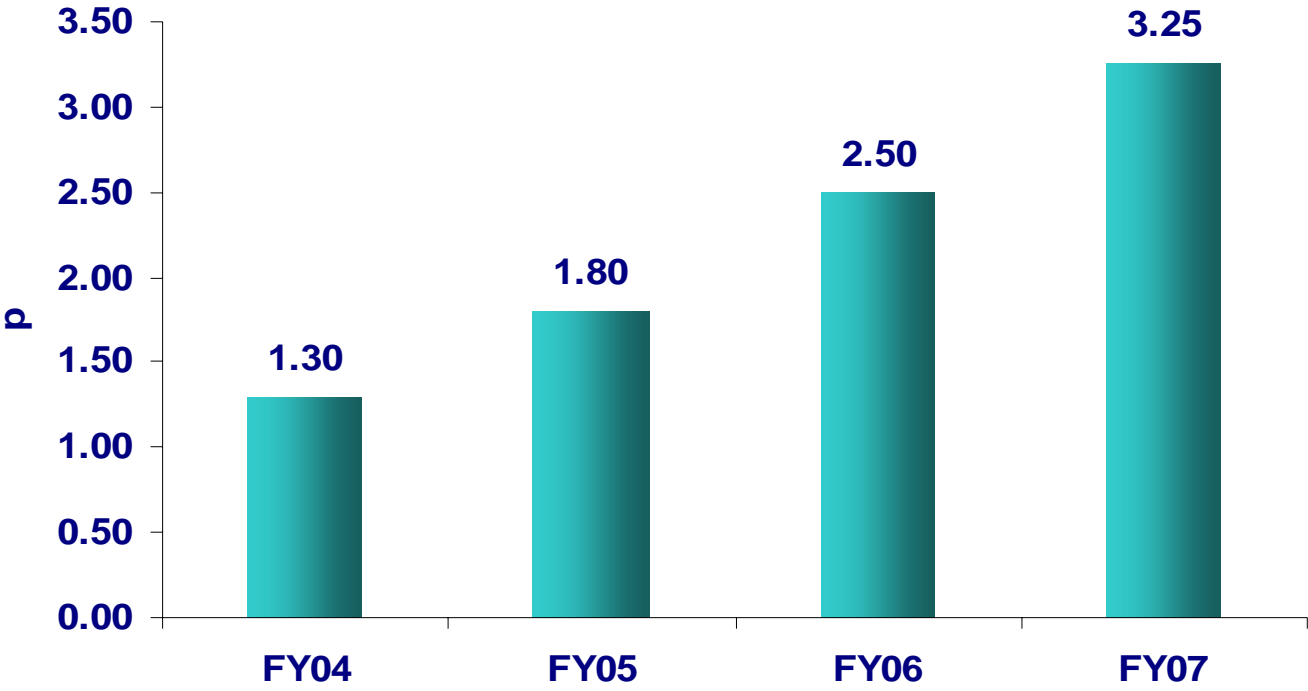
Headline EPS



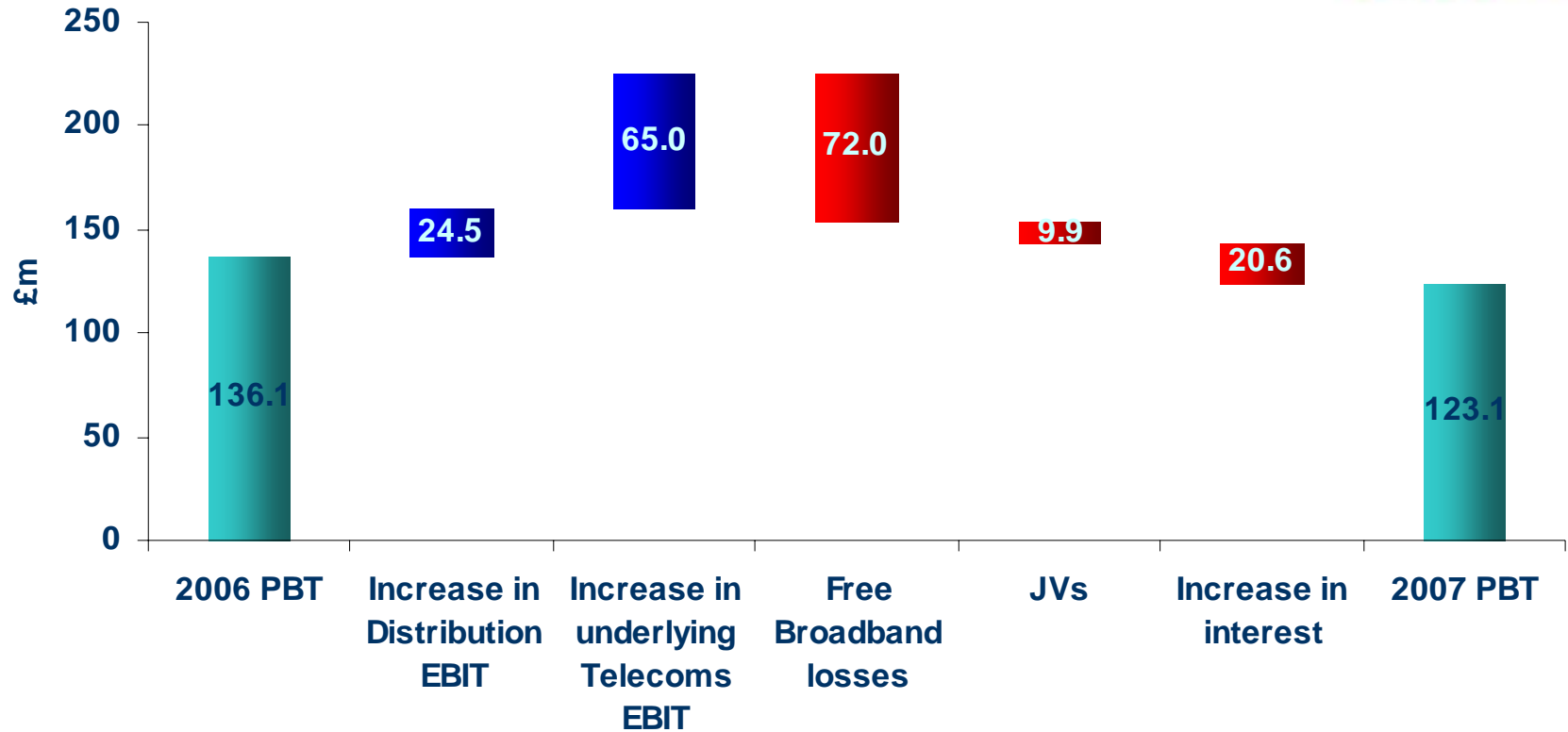
Note: 2004 figures under UK GAAP; subsequent years under IFRS

- **Headline EPS down 4.5% after all investment**
- **3 year CAGR still 20.2%**

Dividend reflects confidence in future performance

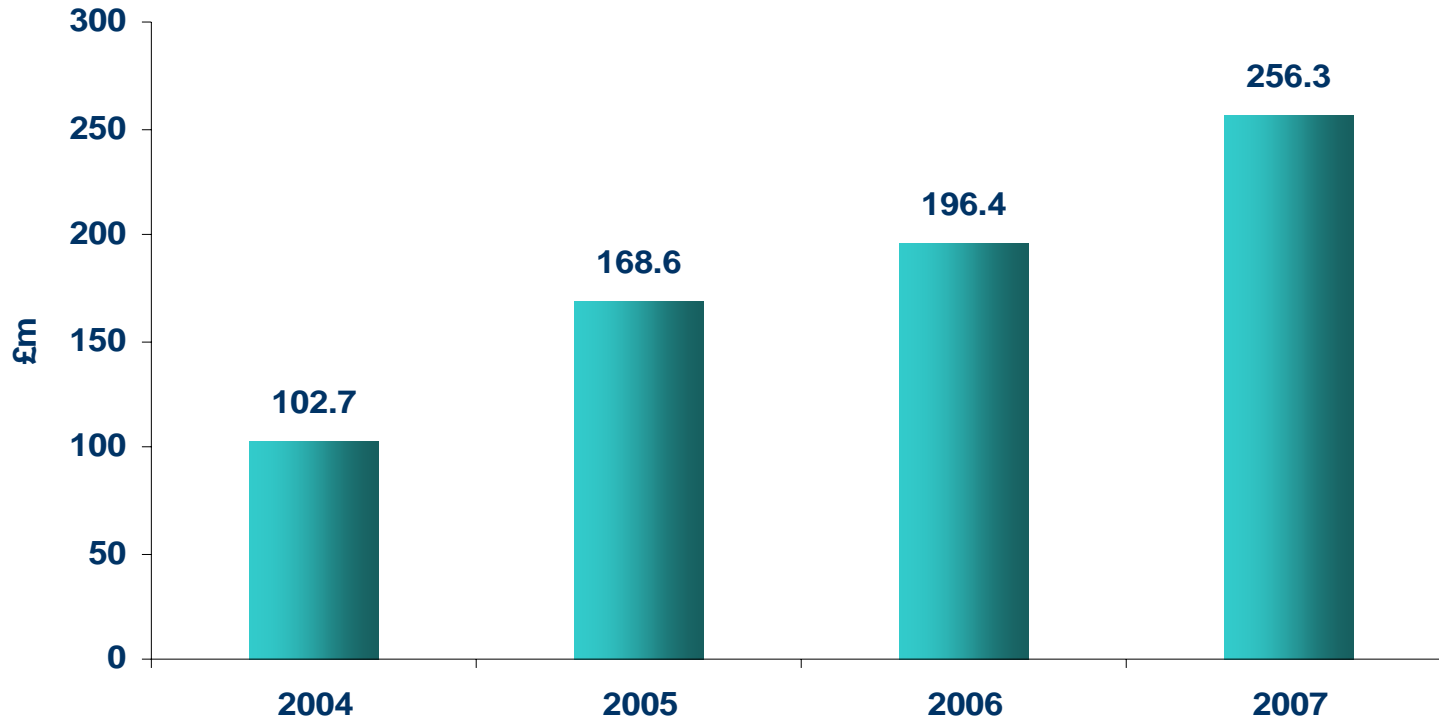


2007 PBT bridge



- Significant underlying growth from organic expansion and acquisitions

Cash flow from operations



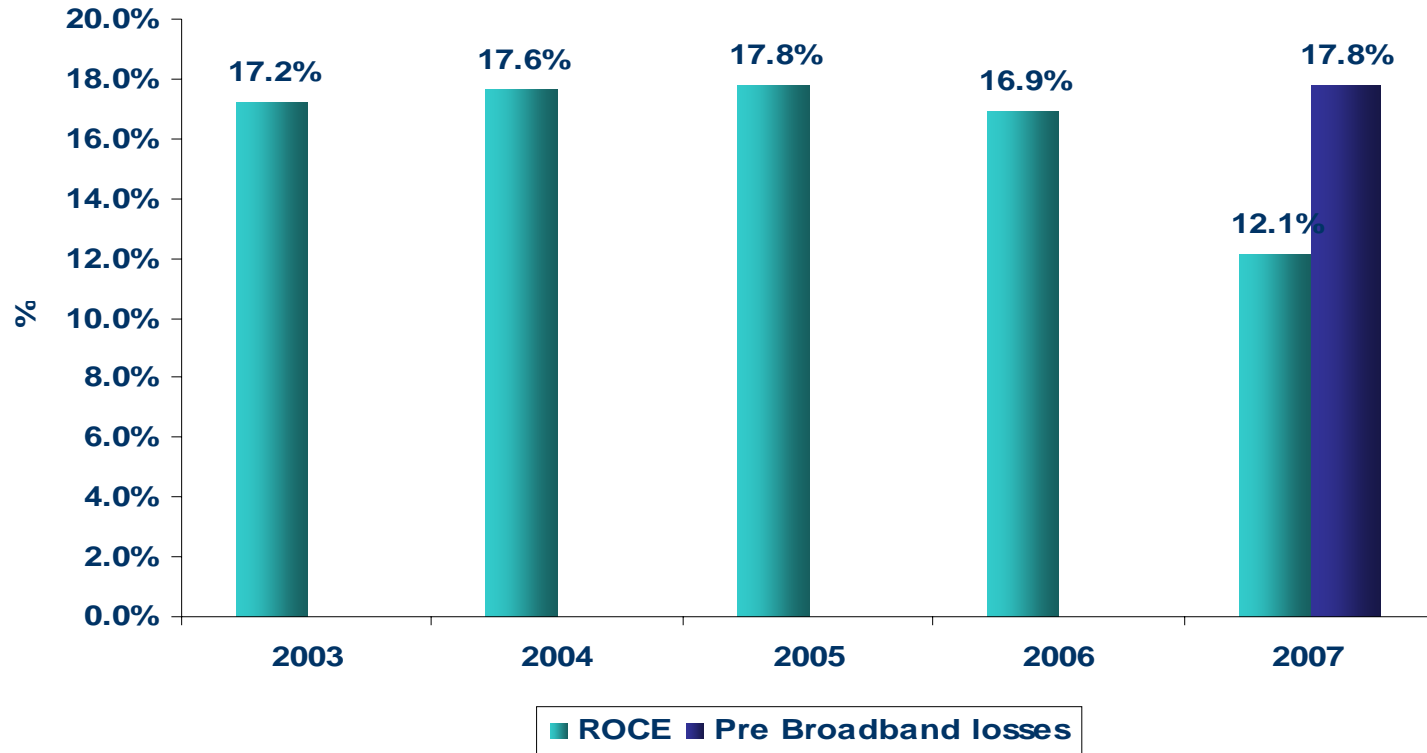
Note: 2004 figures under UK GAAP; subsequent figures under IFRS

- Underlying cash generation has improved markedly
- Trend set to continue with broadband moving into profitability

Carphone Warehouse

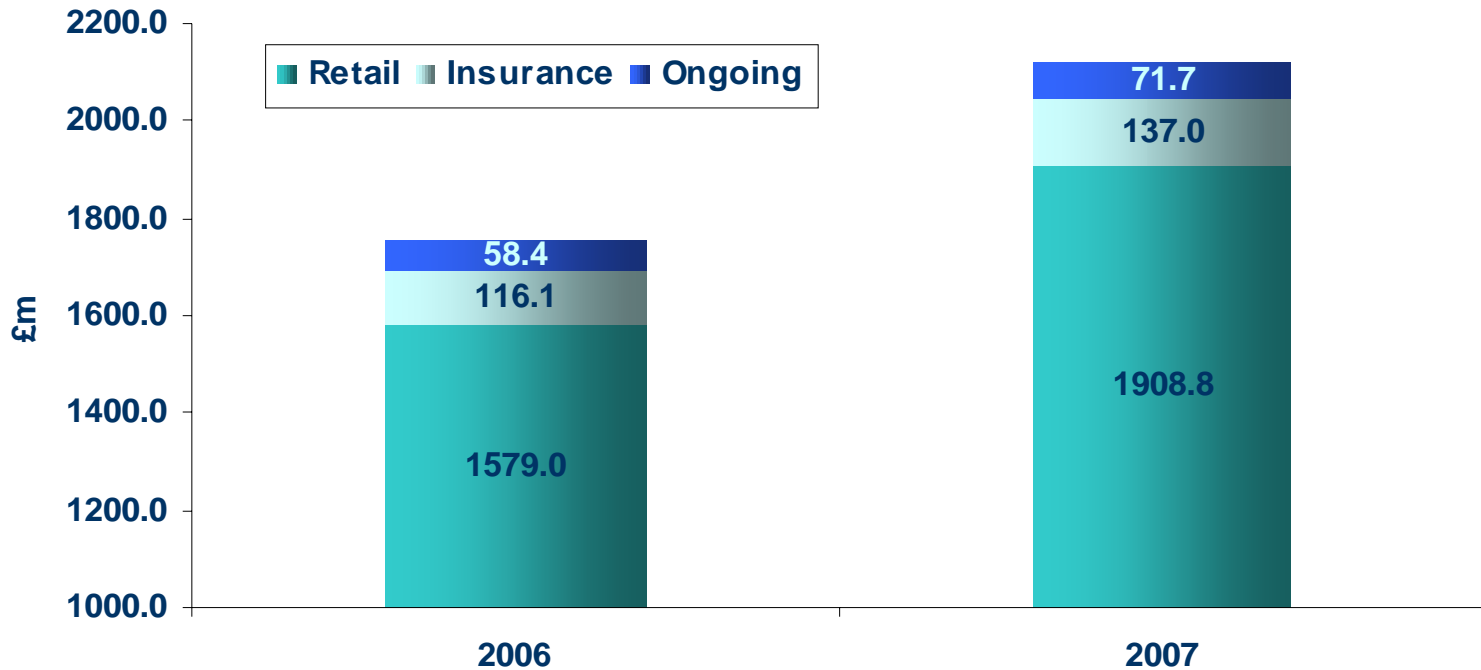
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Return on capital employed



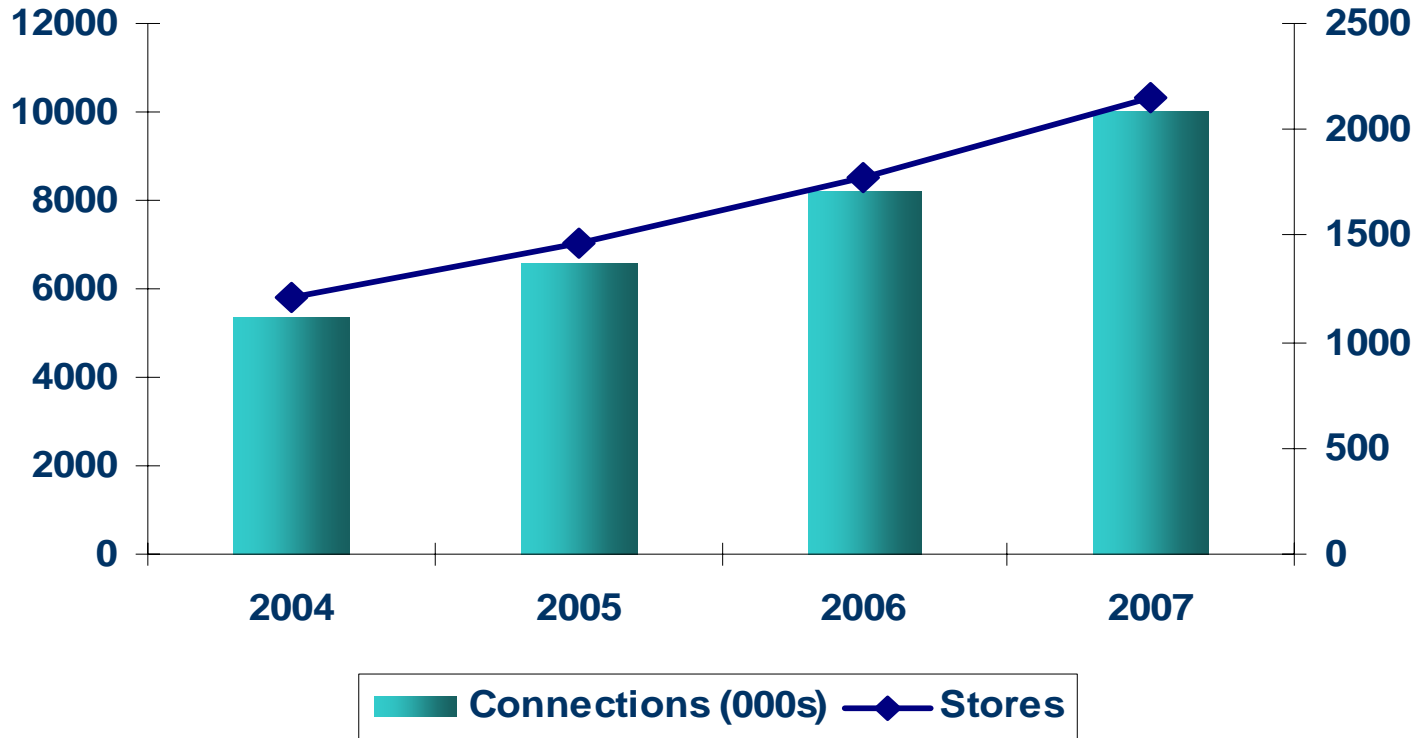
- Start-up losses and investment programme depressing ROCE
- Underlying trend very strong

Distribution revenues



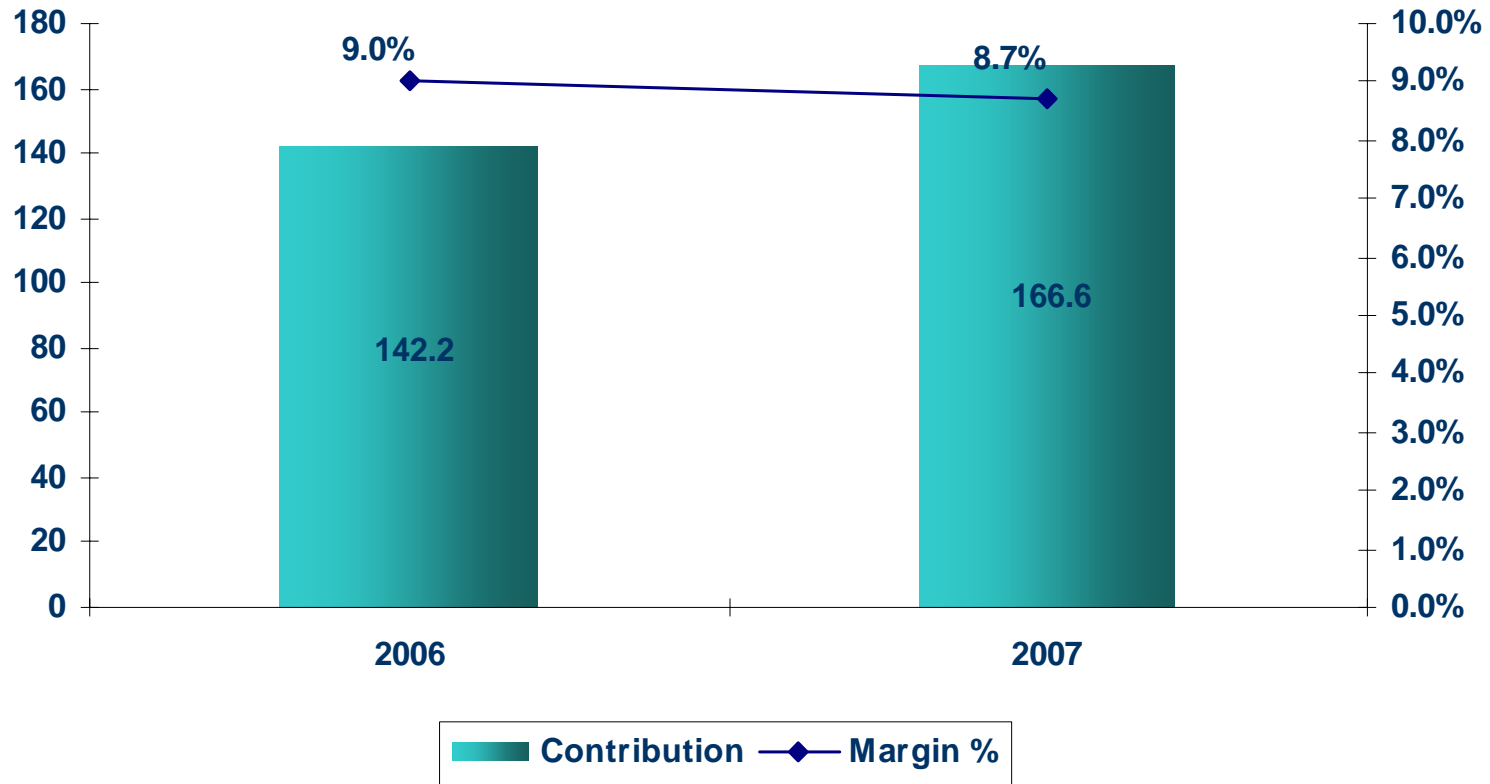
- Strong growth in point-of-sale and recurring revenue streams
- Retail revenue +6.6% LFL, gross profit +5.0% LFL

Stores and connections



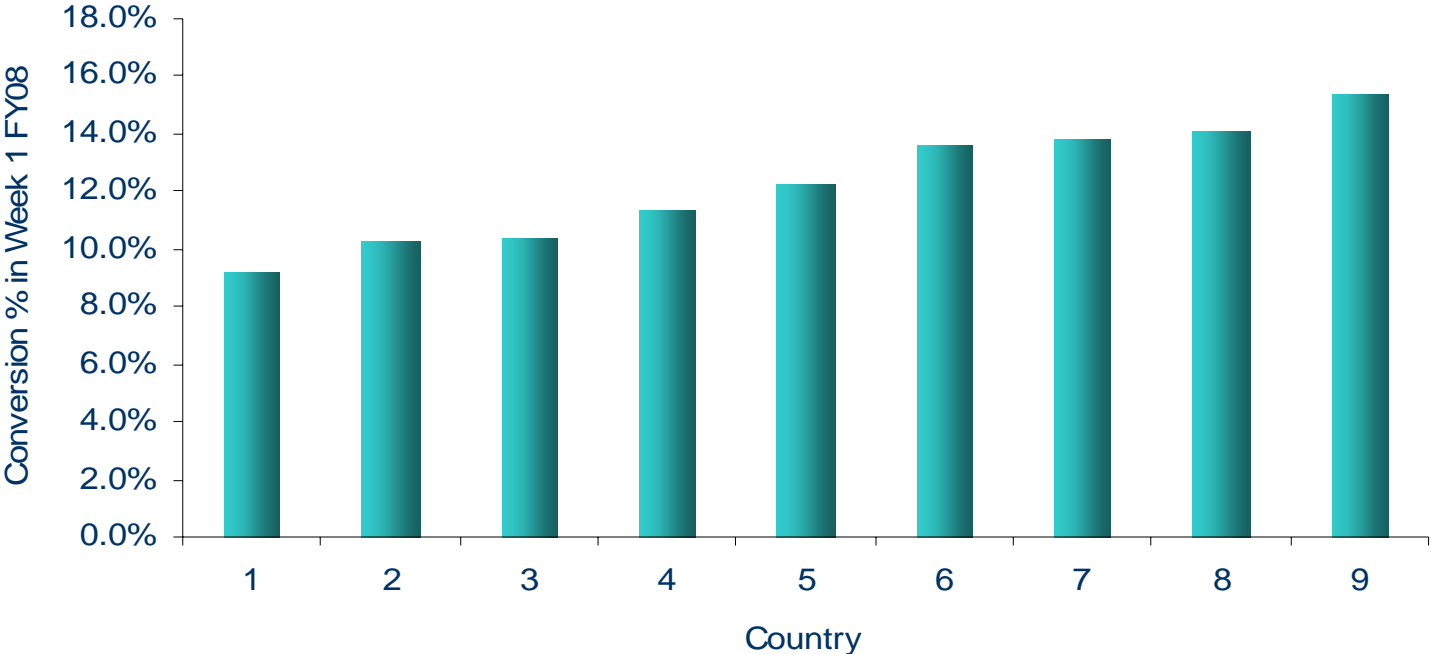
- 366 net new stores opened
- Connections per store up 3.5% to 4,671

Retail contribution



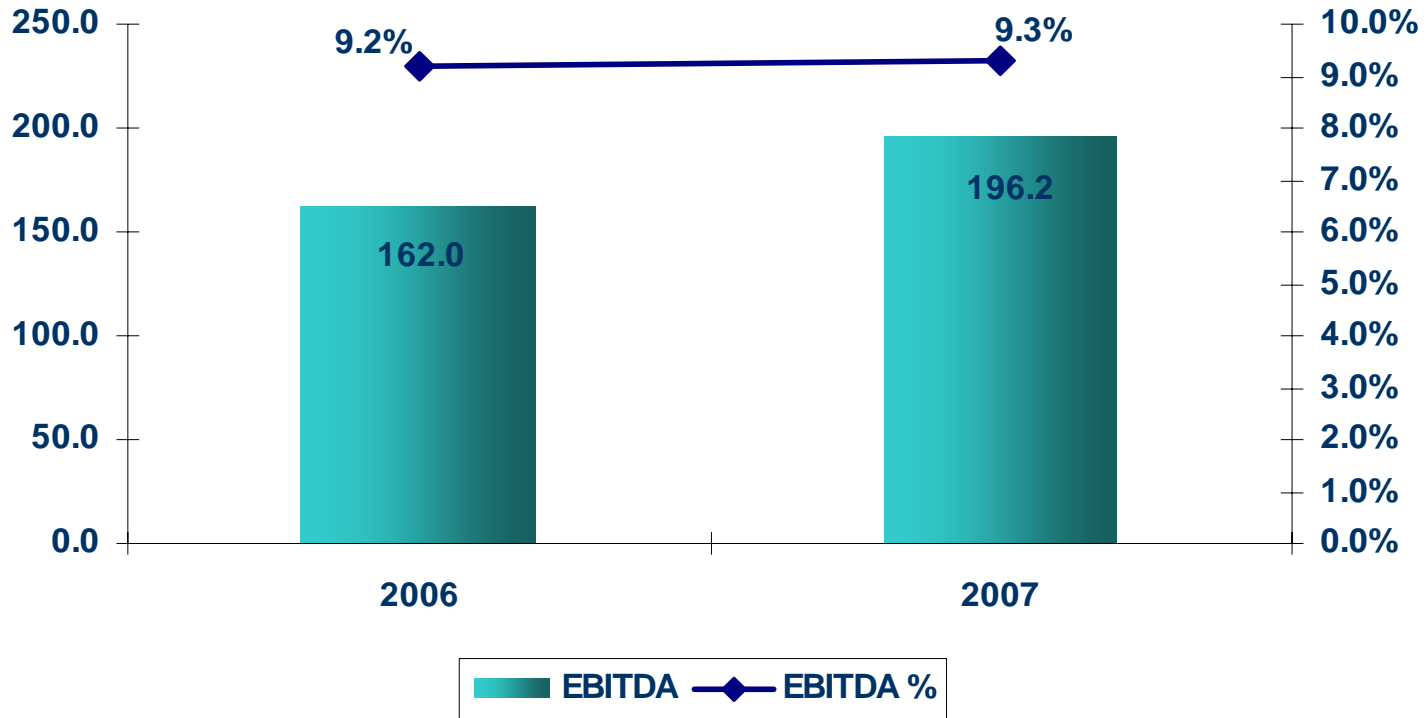
- Contribution up 17.2%
- Significant investment in proposition and stores

Retail productivity



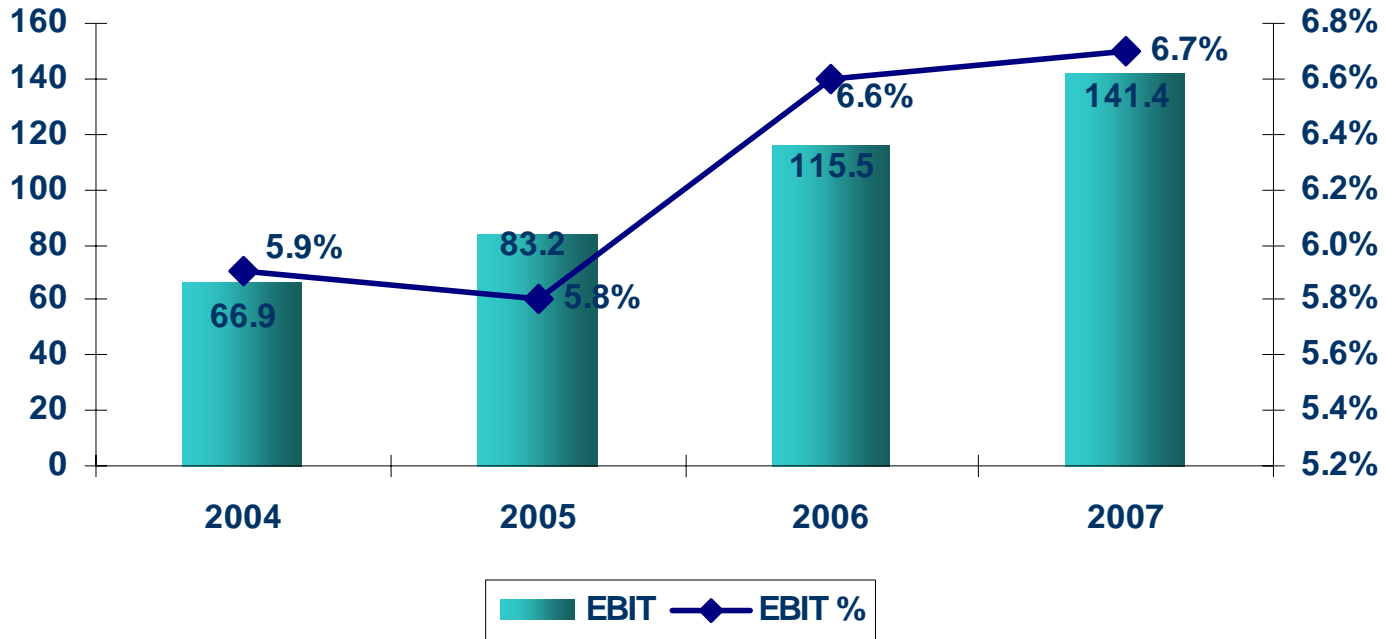
- Increasing productivity is a major opportunity

Distribution EBITDA



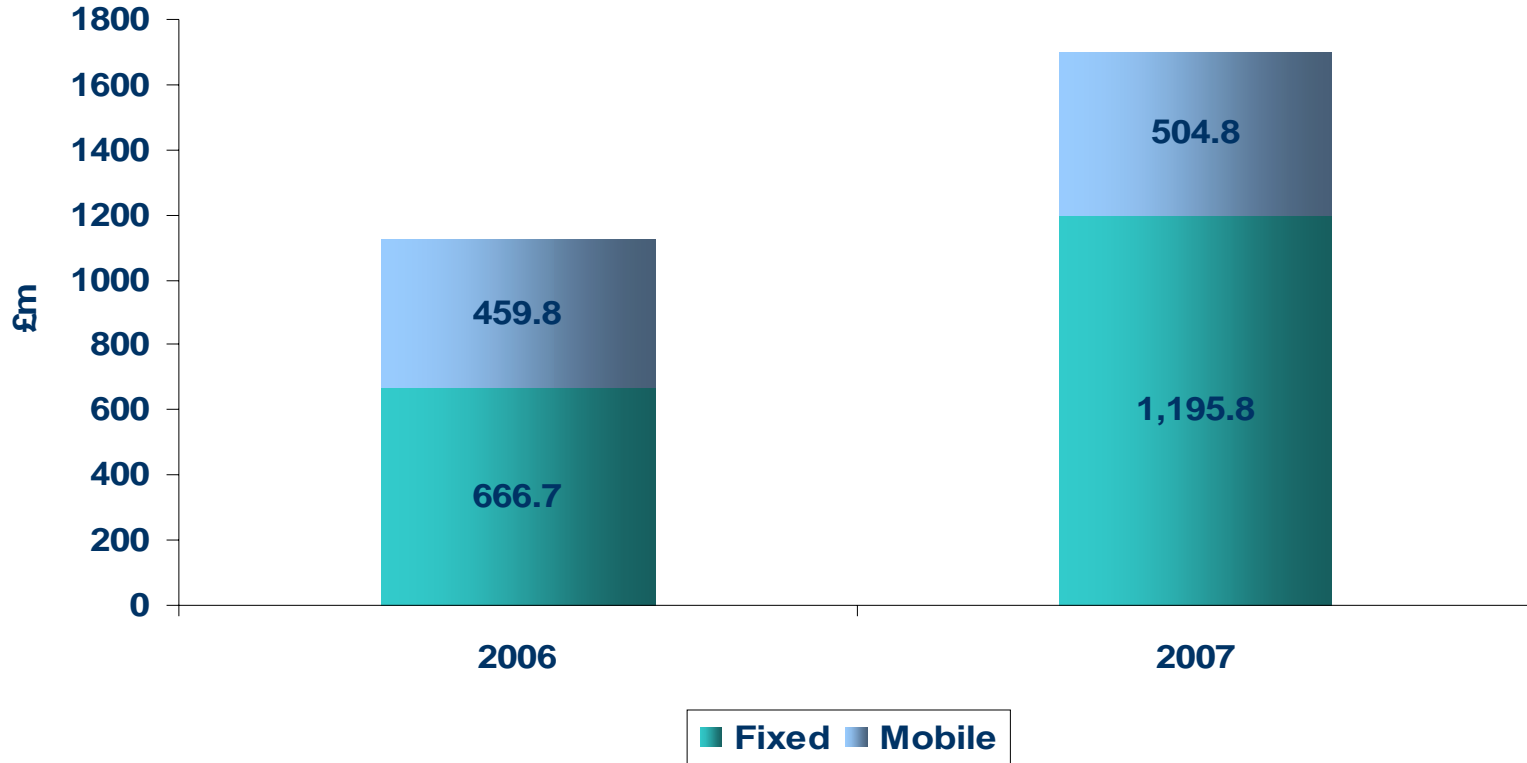
- Recurring revenue streams delivering improving divisional margins

Distribution EBIT margin



- Further progress driven by recurring revenue streams and leverage of local support costs

Telecoms revenues



- Telecoms revenues up 51.0% to £1,700.6m
- Driven by acquisitions and strong organic growth

TalkTalk UK CPS



£m	FY07	FY06
Customers (m)	1.9	2.6
Revenue	500.4	305.6
Contribution	92.1	24.3
Contribution %	18.4%	8.0%

- Significant profit contribution from voice base
- Successful integration of Onetel
- Important source of customers for broadband

TalkTalk Free Broadband



£m	H1 07	H2 07	FY07
Revenue	47.9	109.3	157.2
Customer operating loss	(7.7)	(2.2)	(9.9)
Written off SAC/marketing	(30.0)	(20.3)	(50.4)
Contribution	(37.7)	(22.6)	(60.3)
Depreciation and SAC amortisation	(2.0)	(9.7)	(11.7)
EBIT	(39.7)	(32.3)	(72.0)

- **655,000 customers**
- **375,000 already on LLU by March 2007**

AOL's customer base in the UK



£m	FY07
Broadband customers (000s)	1,535
Revenue	106.8
EBITDA	18.4
EBIT (underlying)	13.7
Allocated support costs	(2.2)
EBIT	<u>11.5</u>

- Three month EBIT in line with expectations
- Focus on integration over next 6 months
- Content deal
- Narrowband base

UK B2B



£m	FY07	FY06	% Change
Revenue	319.9	259.9	23.1%
Contribution	31.2	28.0	11.1%
Contribution %	9.7%	10.8%	

- **Good underlying growth plus benefit of acquisitions**
- **Reported contribution understated by absorption of all CPW Networks' personnel overhead**

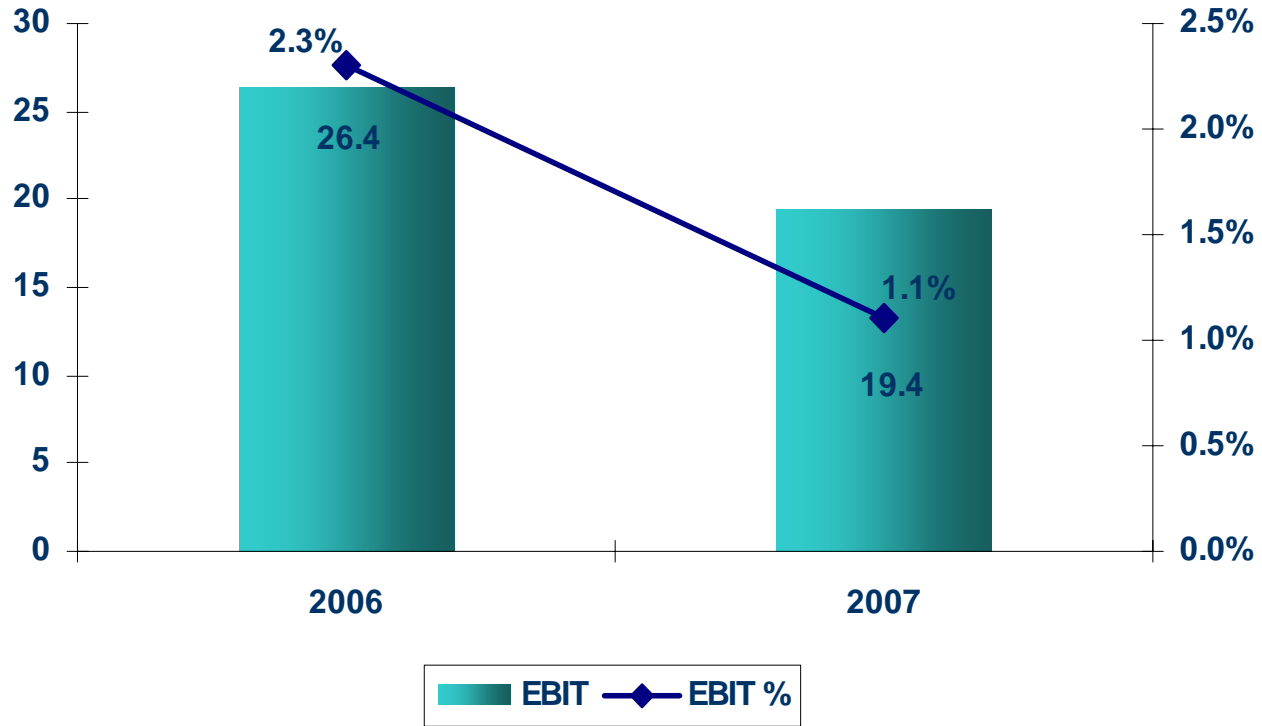
The Phone House Telecom



£m	FY07	FY06
Revenue	363.2	337.4
Contribution	52.7	49.8
Contribution %	14.5%	14.8%
SAC amortisation	(30.8)	(30.9)
Contribution - SAC	21.9	18.9
Net margin %	6.0%	5.6%

- **Continued good base growth with subscription customers up 12.5% to 926,000**
- **ARPU's beginning to stabilise**
- **Strong cash generation**

Telecoms EBIT



- Year of significant investment
- Platform for profitable growth

JVs and associates



- **Comprises Virgin Mobile, Best Buy Mobile and Geek Squad operations**
- **Total losses of £9.9m, mostly Virgin**
 - **Investment in customer acquisition and brand-building**
- **Expected losses of £15-20m overall in the coming year**

Depreciation and amortisation



£m	FY07	FY06
Depreciation	65.9	49.6
“Operational” intangibles amortisation	68.7	51.1
SAC	50.4	36.9
Internal software	15.6	12.4
Key money	2.7	1.8
Total	134.6	100.7

- **Depreciation growth reflects ongoing investment and acquisitions**
- **SAC growth driven by broadband launch**

Headline to statutory reconciliation



£m	FY07	FY06
Headline PBT	123.1	136.1
Exceptionals:	-	(35.2)
Onetel (cash)	-	(22.3)
Asset write-off (non-cash)	-	(12.9)
	<hr/>	<hr/>
	123.1	100.9
Goodwill and acquisition intangibles amortisation	(54.7)	(19.8)
	<hr/>	<hr/>
Statutory PBT	68.4	81.0
	<hr/>	<hr/>

- Amortisation of remaining Onetel intangibles in FY07
- AOL intangibles amortised over the next few years

Tax and dividend



- **Effective tax rate 14.3%**
 - Profits from low-tax domiciled businesses
 - Acquired losses now cleared for utilisation
 - Brought-forward trading losses
- **Dividend up 30.0% at 3.25p**
- **Dividend growth of 30% anticipated in FY08**

Cash flow



£m	FY07	FY06
Operating cash flow	256.3	196.4
Tax and interest	(32.9)	(19.4)
Capex (inc SAC)	(295.9)	(191.6)
Acquisitions (inc JVs)	(266.7)	(159.5)
Dividends	(24.2)	(17.4)
Net cash flow	(363.4)	(191.5)
Opening	(273.4)	(68.4)
Shares and FX	19.9	(13.4)
Closing	(616.9)	(273.4)

Capex analysis



£m	FY07	FY06
Capex	295.9	191.6
New stores	34.9	25.2
IT	65.6	56.4
SAC	71.8	51.6
Network	80.8	22.4
Other (freeholds, maintenance)	42.8	36.0

- **Capex per new store c. £90,000**
- **Capex per exchange c. £50,000**

Working capital



£m	FY07	FY06
Net absorption	(46.3)	(56.8)

- **Distribution business continues to absorb working capital**
- **Telecoms neutral**
- **Benefit from change to VAT rules going forward**

Summary



- **Robust and consistent growth in Distribution**
- **Focus on productivity as well as physical expansion**
- **Material investment in Broadband to create platform for significant future profitability**
- **Cash generation set to improve as telecoms earnings runrate improves and capex peaks**
- **Dividend growth underlines confidence in the outlook**



Outlook

Charles Dunstone

THE Carphone Warehouse

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Good handset line-up



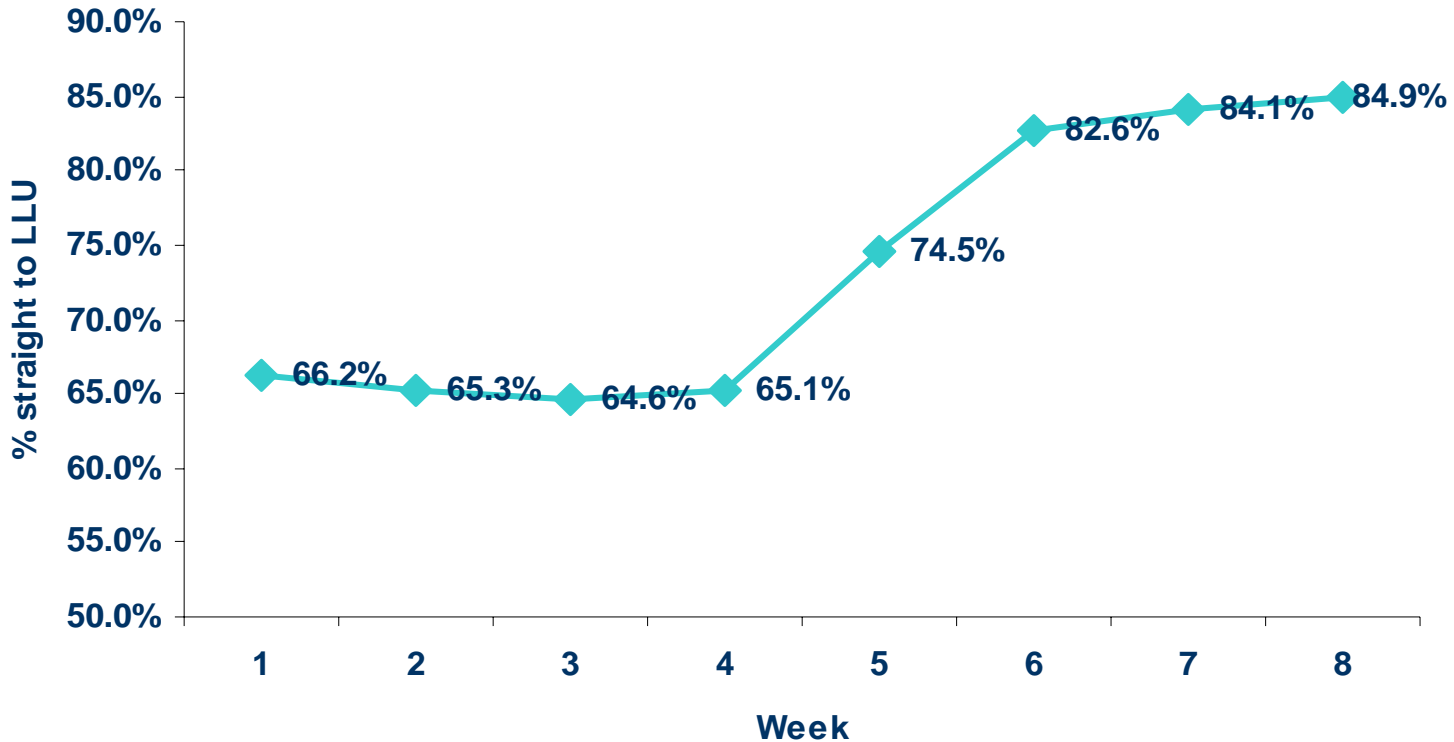
- Encouraging start to the year with good handset line-up

New store formats rolling out



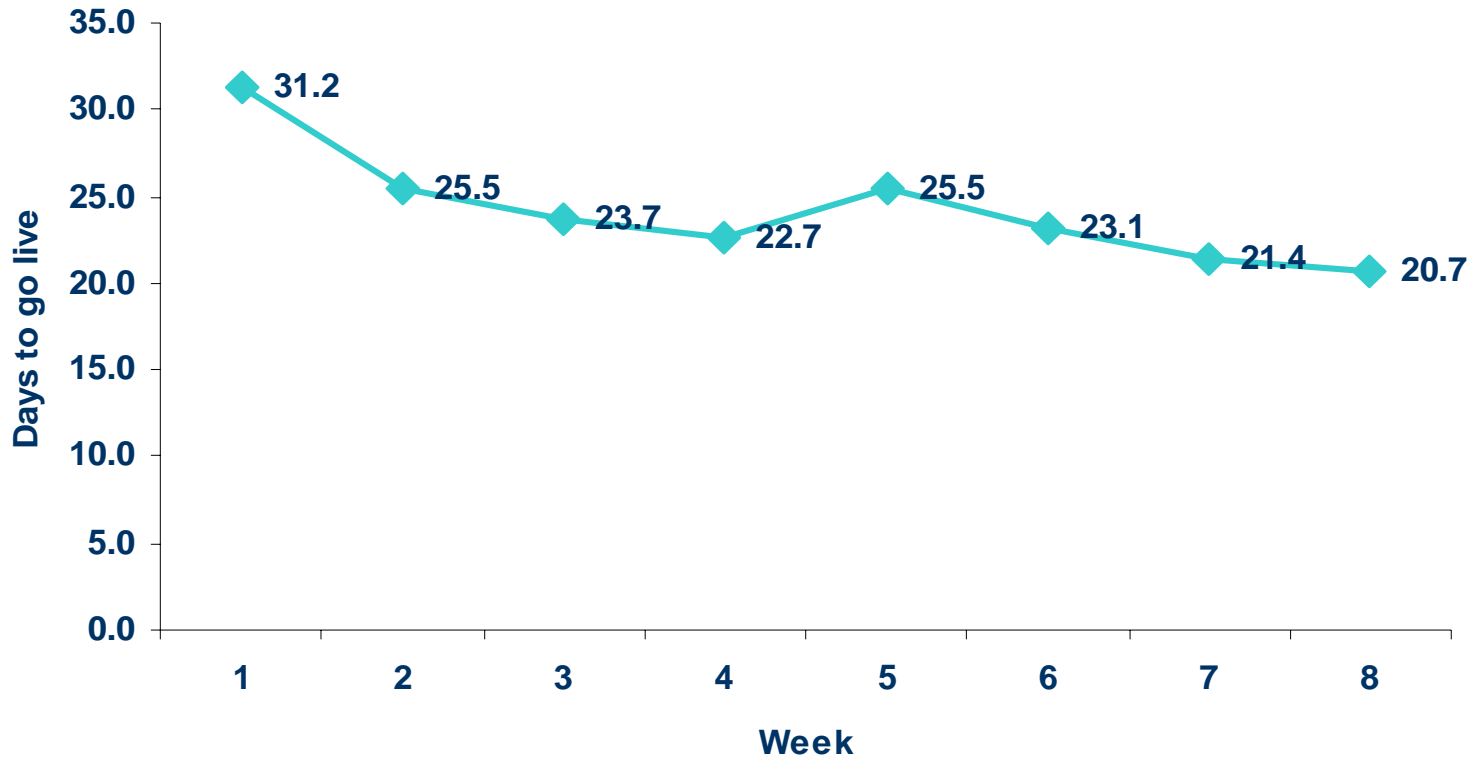
- Newcastle Northumberland St

Significant progress on unbundling



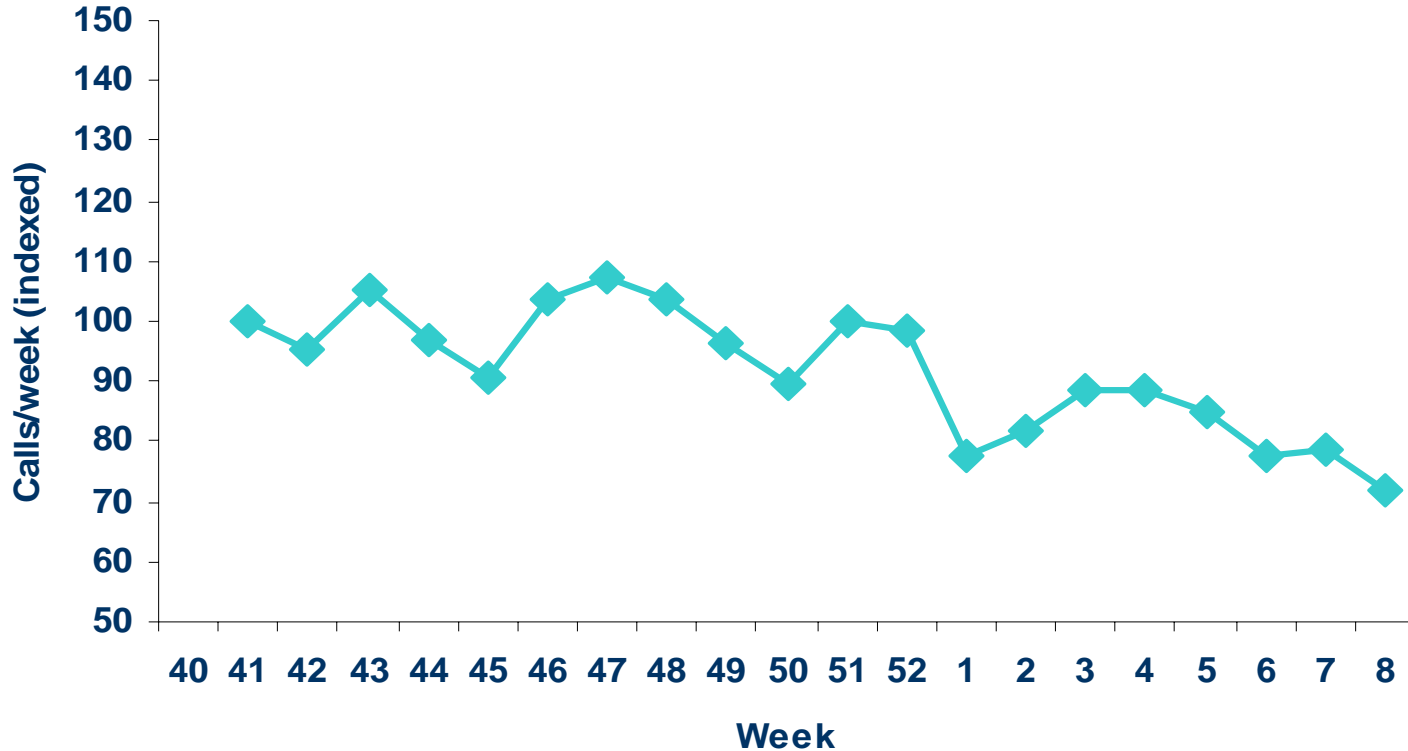
- Over 80% of new customers going straight to LLU

Significant progress on unbundling



- Straight to LLU means quicker go-live times
- Now less than 3 weeks on average

Contact rates on a downward trend

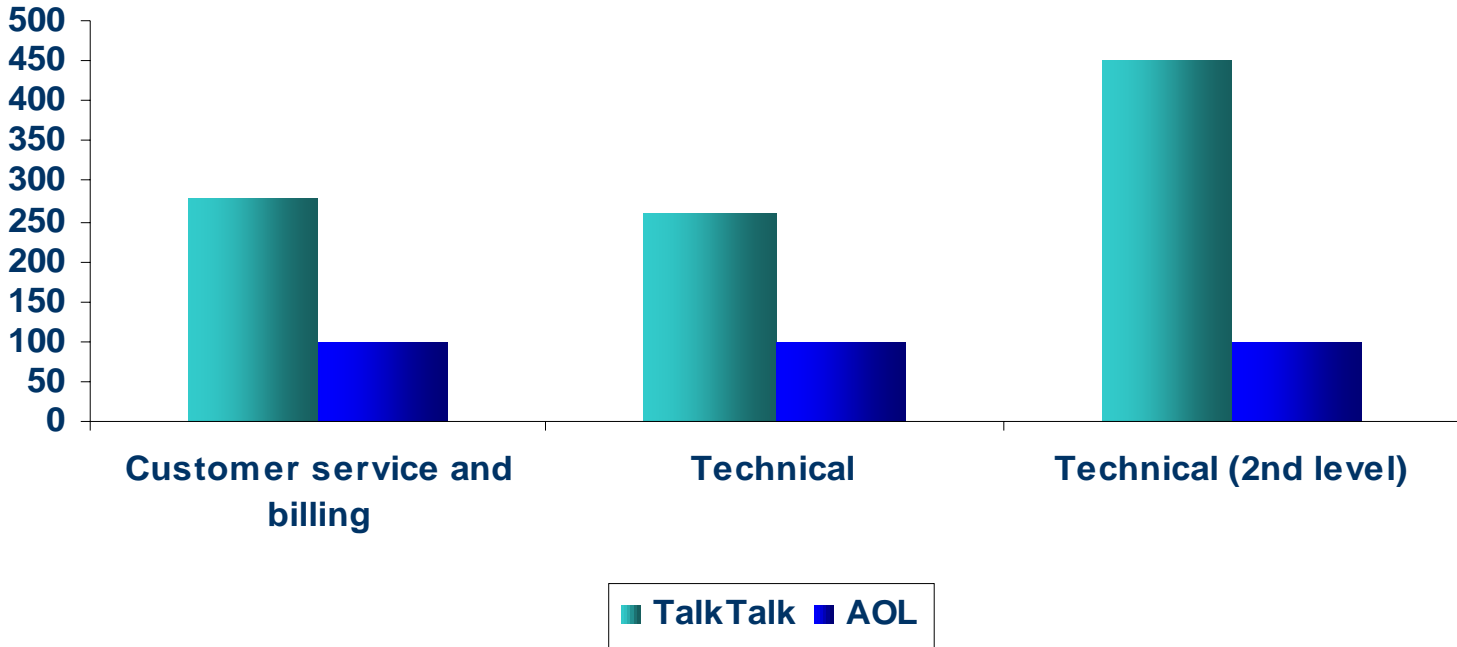


- Simplification of process
- More first time resolution
- Improving network quality

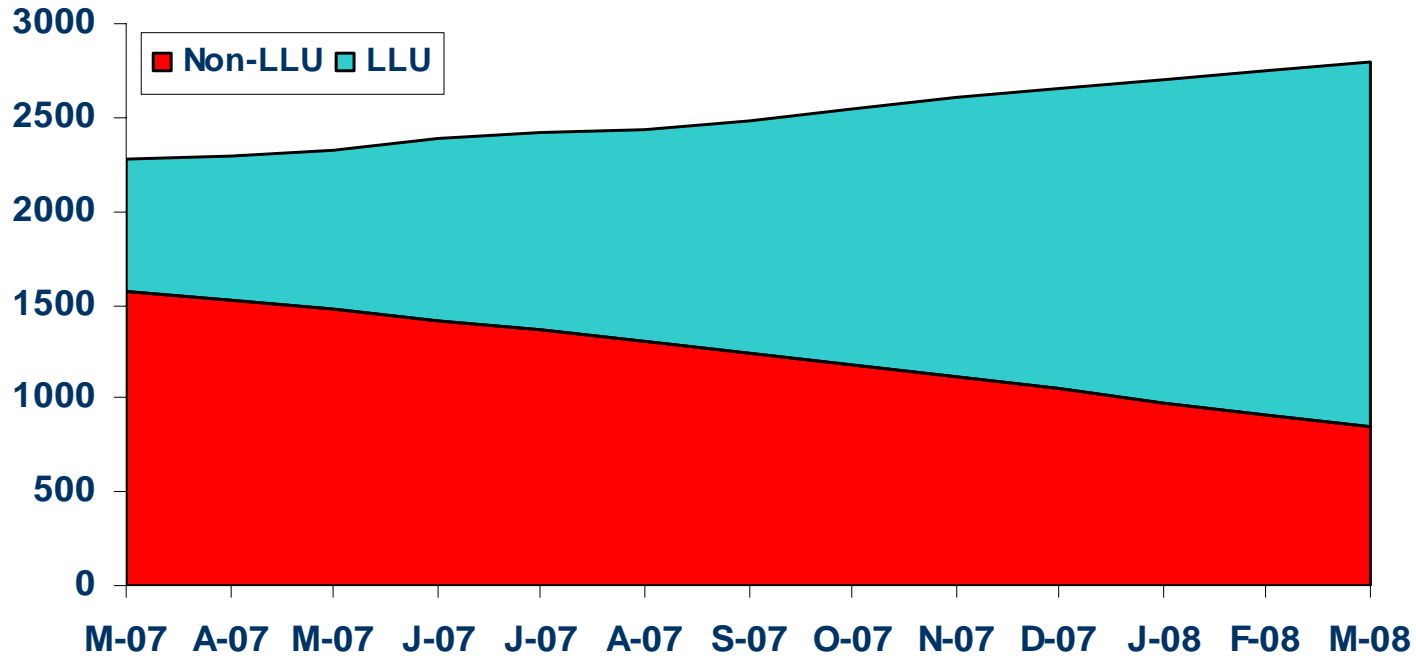
Still plenty of scope for improvement



Monthly contact rates (indexed)



On track to hit migration targets



- By March 2008, 70% of all our broadband customers will be on LLU
- Exit runrate of profitability gives good visibility for following year

TalkTalk voice price changes



	TalkTalk	BT
Standard line rental	10.50	11.00
Talk 2	3.39	3.45
Talk 3	7.49	7.95
Talk 2 International	5.89	8.45
Talk 3 International	9.99	12.95

- **Offering increasing value to non-bundle voice customers**
- **International bundle free for life for a promotional period**

Summary outlook



- **Retail**
 - Set for continued growth and market share gains
 - Evolution of model has begun with growing wireless opportunity
- **Telecoms**
 - Broadband metrics continue to improve
 - Profitability driven by LLU migration
 - Further growth from new customers and churners
- **New ventures**
 - Options on potentially very valuable market opportunities

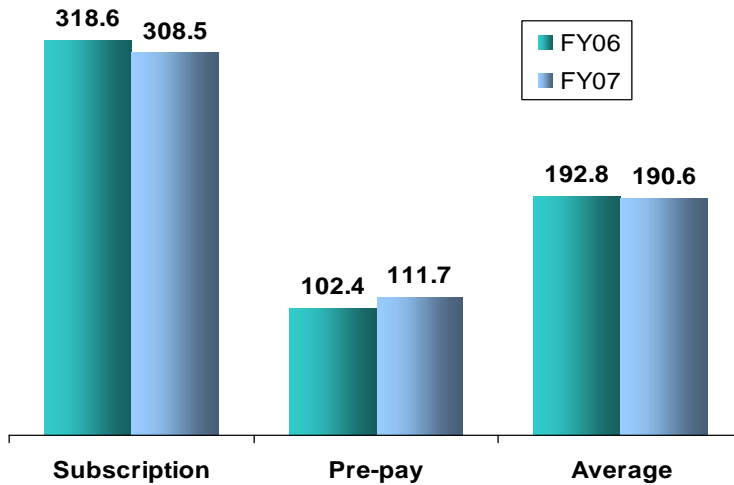


Appendix

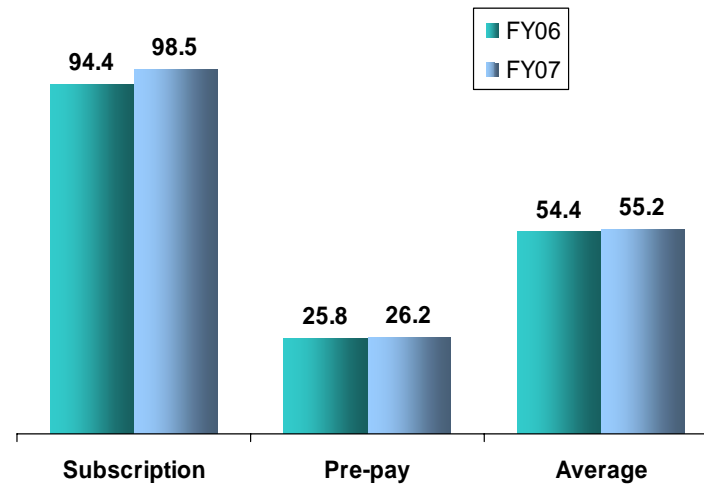
Retail (incl. online) revenue & gross profit per connection



Average Revenue per Connection



Average Gross Profit per Connection



Space



Excluding franchises



Including franchises



Store Portfolio



	March 2006	Opened	Closed / Sold	March 2007
UK	669	139	(39)	769
France	220	52	(2)	270
Spain	338	85	(15)	408
Netherlands	152	33	(2)	183
Germany	104	62	(6)	160
Sweden	77	13	(8)	82
Portugal	70	15	(1)	84
Belgium	58	13	(1)	70
Ireland	45	10	(1)	54
Switzerland	45	22	(3)	64
Total	1,778	444	(78)	2,144

Connections by country (000's)



	FY07 (52 wks)	FY06 (52 wks)	% Change (52 wks)
UK	5,383	4,425	21.6%
Spain	1,429	1,147	24.6%
France	921	793	16.1%
Netherlands	277	264	5.0%
Sweden	410	301	36.3%
Ireland	458	349	31.1%
Portugal	305	245	24.6%
Belgium	399	312	27.9%
Germany	286	205	39.6%
Switzerland	146	149	(1.8%)
Total	10,014	8,191	22.3%

ROCE



Methodology

Return: EBITA (pre-exceptionals) taxed at effective rate

Capital employed: Shareholders' funds plus net debt plus all previously amortised goodwill and acquisition intangibles, less unamortised portion of minority goodwill

Capital employed calculation (£m)

	FY07	FY06
Average shareholders' funds	654.5	583.5
Average net debt	445.3	171.0
Average cumulative acquisition goodwill/intangibles writeback	92.5	55.3
Less average unamortised minority goodwill	(135.0)	(135.0)
Capital employed	1,057.3	674.8