



Final Transcript



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Corporate Participants

John Browett

Dixons – Chief Executive

Humphrey Singer

Dixons - Group Finance Director

Presentation

Operator

Thank you for standing by and welcome to the Dixons Retail PLC Analysts Trading Update call. At this time all participants are in a listen-only mode. There will be a presentation followed by a question and answer session at which time if you wish to ask a question, you will need to press star, one on your telephone. I must advise you that this conference is being recorded today, on Tuesday 17th January 2012. I would now like to hand the conference over to your speaker for today, John Browett. Please go ahead sir.

John Browett - Dixons – Chief Executive

Good morning ladies and gentlemen. Thank you for taking the time to call in this morning. I'm joined by Humphrey Singer and David Lloyd-Seed. The purpose of this call is to update you on the Group's trading performance over the third quarter; that is the 12 week period to 10th January 2012.

We've given a solid performance over the Christmas period and traded broadly as expected in our key markets with total sales down 3% against a tough backdrop in most of our markets. I'm particularly encouraged by the progress we are making with our multichannel offer for customers which I'll talk about more later. Group gross margins were flat year on year and stock turn improved further with overall stock levels down 7% year on year. While overall demand across

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Europe has been subdued in electricals, it is worth noting the trading performance in each category. White goods have broadly been flat, computing is slightly up driven largely by tablets and particularly iPads, smart phones are showing growth, whereas the weakness has really come in consumer electronics which are down significantly. In the UK, like for like sales were down 7% with a number of variables from last year. I will give you more detail on the underlying performance. With Christmas falling at the weekend we saw, as anticipated, strong sales in the last two weeks before Christmas. With great deals and good availability in iPads, laptops, kindles and SGA our sales in this two week period were, we believe, ahead of the competition and were flat year on year.

The VAT rise last year moved sales into the first week of the sales period of VAT year so we plan for a more evenly phase sales period this year. The period we're reporting on this morning covers only two weeks of the sale period up to the 7th January and only five days post the anniversary of that VAT rise. Indeed the sales in the two week period from the 1st to the 14th January were up 2% with sales in the period from the 4th January to 14th January up by 23%. However, we will have to trade a longer period before we can get a better indication of underlying demand.

Internet sales in the UK rose by 20% year on year and now represent 16% of total sales. Our analysis shows that customers see us very much as the go to offering for reserve and collect particularly in the final shopping days before Christmas. Reserve and collect sales were up 36% across the period and represent almost 40% of our online sales. Since the start of the quarter we've been making a number of improvements to our online offering, the benefits of which we saw increasingly through the period. For example, our online sales, which include direct and reserve and collect, were up 43% in the last four weeks of the period. During the year ahead we will make further improvements to the online offer, including search, making it better for customers and easier for colleagues particularly when customers engage with store.

Our customer analysis and database work meant that we had our strongest ever promotional campaign across the Christmas period. With less need to discount and stock tightly managed for the UK and Ireland business increased gross margins by 40 basis points over the 12 week period. KNOWHOW had a very strong Christmas peak with added value services sold in-store up 60% in the period with product set-ups and our Cloud service selling particularly well. We made a number of improvements to the services in terms of value for money and turnaround times. Customers are increasingly recognizing the convenience and benefits of the services KNOWHOW offers. So overall the UK and Ireland has delivered a good performance

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underpinned by the work we've done over the last three years to improve the business both operationally and for our customers.

Having driven marketshare aggressively during the first half of the year, Elkjøp in the Nordics consolidated its position further during the period while also reducing the level of gross margin investment. The gross margin is down 60 basis points in the period. Markets in Norway and Sweden were weaker but our operations in Denmark continue to deliver a strong like for like performance. With Electro World in Central Europe being managed as part of the Nordic business, we saw very strong sales growth in both Czech Republic and Slovakia as the invested gross margin to grow the scale and marketshare of the operations in both countries.

The markets in Italy and Greece remain subdued as the macroeconomic situation in each country is dictated by wider European issues and as austerity measures are being implemented in each market. However, both operations continue to enjoy support from the manufacturers and customers with significant marketshare gains for each brand in their respective markets. Unieuro has made good progress on cutting costs while continuing to transform its core offering. However, this has not been enough to offset the impact of the weaker trading environment. While we remain cautious on the outlook for Greece, it was interesting to see improving demand for laptops across the Christmas period.

Electro World in Turkey continues to grow strongly particularly as it expands its franchise and operations. Trade in PIXmania continues to be impacted by the availability of some consumer electronic products following the natural disasters in the Far East. It is however performing well relative to weak markets in its core Southern European countries. During the period PIXmania has made good progress in its strategy we set out at the time of our interim results; that is product diversification, developing its multichannel operations and extending the use of its award winning eMerchant platform. Having added furniture to its product category, PIXmania now have more than 30 product lines available on most of its websites in Europe. PIXmania opened three new shops, one in Madrid and two in Paris, bringing the total number of its stores to 19. We continue to see very satisfactory performance from these stores, clearly demonstrating the relevancy of the multichannel strategy. We've been encouraged by the Carrefour website launched in November although it is too early to draw any conclusions.

So overall this is a solid performance against a challenging backdrop. Our service led business model continues to win over customers in all our key markets. We've made significant progress with KNOWHOW and see further opportunities to develop our services offer. Our multichannel

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offer is going from strength to strength with customers appreciating the benefits of our reserve and collect model. Consumer confidence in many of our markets remains fragile and we'll maintain a cautious approach to the outlook for the year ahead. We've set our business accordingly and will continue with our self-help strategy to improve the offer for customers. Our renewal and transformation plan is continuing to make the business better, easier and cheaper to run and delivering an unbeatable combination of value choice and service for customers.

So ladies and gentlemen, that ends the formal part of this call and I would now like to open up for questions. So if I could hand back to the operator that would be great.

Questions and Answers

Operator

Thank you. We will now begin the question and answer session. If you wish to ask a question, please press star, one on your telephone keypad and wait for your name to be announced. If you wish to cancel your request, please press the hash key. Your first question comes from Assad Malic from Credit Suisse. Please ask your question.

Assad Malic – *Credit Suisse*

Morning guys; it's really a question around the UK gross margin and the fact that, you know, I think for some time now you're showing a much, sort of greater level of control over that. Could you maybe give a bit more colour as to how you're achieving that and also in terms of the movement between the front and the back margin?

John Browett - *Dixons* – *Chief Executive*

Yes. So pricing, our pricing investment remains, is maintained so we're very sharp on pricing and in fact we've actually moved against the marketplace progressively over the last three years and we've included that, increased that in this trading period. So we're not putting up prices for

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customers at all. We're getting three big benefits which are feeding through quite well to our business at the moment. We've been doing a lot of work on supply chain to improve the quality of the stock which we have in the business. That means, in simple terms it means that we've got more of what customers want to buy and we have less product which we have to mark down heavily. In fact our exit stock has reduced very dramatically year on year and that's helping our margins.

The second thing is that because we're now making KNOWHOW work well and we're selling more services in-store, that's mixing our margin up and it helps quite significantly during this trading period. And then the third thing is that because we manufacture our own services and we distribute our own product, as we have cost savings in those areas, that feeds through to gross margin. So what you will actually see is our pricing will be sharper relative to the market but we're able to then compensate with all the other things which we're doing in the company.

Assad Malic – *Credit Suisse*

Okay, and on KNOWHOW, I mean, are there any statistics you can give us in terms of penetration or, I know you gave a growth rate number but I wanted a bit more about...

John Browett - *Dixons – Chief Executive*

It's difficult for us to do that because that is very commercially sensitive. People would love to know how many of the computers we set up in the store etc, what's the scale of that business, which we really are loathe to do because it makes it a bit too easy to... Suffice it to say we are very pleased by the progress and we still think there's a lot more to be done. You know, if you just look at our best stores, our best stores are at very high rates and we've still got stores which are lagging so we know that just by executing better in the UK we'll get to higher numbers. We also know that some of the awareness of our services is low. So for example, from a standing start we're now doing circa 1,000 break-fix repairs for customers who didn't buy their product from us. And we see that as a huge market. I mean, it's one we've never really gone after aggressively and we can make that much, much bigger. So there are lots of potentials to make that work in the future.

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Assad Malic – *Credit Suisse*

Sure, okay. And just my final question; there seems to be a growing debate, I think, about the performance of branded electronics versus own brand. I was just wondering, it looks like the pricing differential starting has been narrowing and perhaps could carry on narrowing through 2012. I'm just wondering what the performance was like within, sort of, branded versus own brand within your mix.

John Browett - *Dixons – Chief Executive*

Yes, well we take a different approach to that probably than a lot of people in the marketplace. You're right; on TVs, laptops and a number of other areas, the manufacturer or supply base has narrowed the differential quite significantly. I think partly that's because obviously costs have been going up in China; there's been inflation and other things which has caused the very low prices which we saw probably three years ago starting to work out of the market. But it's also because the manufacturers have responded to that. What we're doing on own label is we're actually more focused on things like cables etc where we have very high scale relative to the UK market, where we've got scale, go directly to the factories in China. So we're actually doing less in what I would describe as the core product and more in the essentials and accessories around it and that's the approach which we're using. We're not seeing a change in OEM versus branded mix overall. We're seeing changes in where that's coming from.

Assad Malic – *Credit Suisse*

Okay, thank you.

Eithne O'Leary – *Oriel Securities*

Morning gentlemen; I'm just wondering in relation to the stock turn that you've talked about, whether that's mirrored in, of course, the other working capital categories and is there more to go for in terms of pushing the cash from operations.

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John Browett - *Dixons – Chief Executive*

No, our working capital improvement is primarily driven by the stock turn improvement. We're not seeing any material change in either creditor days or debtor days, so the other components of working caps.

Eithne O'Leary – *Oriel Securities*

Okay, thank you.

Karina Elias – *Barclays*

Good morning gentlemen; just a very quick question to follow up on the working capital. Could you provide us with an update on (unclear) under your RCF, and also how does that compare with that position last year?

John Browett - *Dixons – Chief Executive*

So, I mean, we, it's very difficult for us to know where we're going to end up on working capital at this stage. We've still got four months to run. We've got Easter, we've got a number of other things doing but compared to last year, we're in a much, much stronger stock position coming out of Christmas. We planned the stock more carefully the last year. We've come out with a lower level of stock and the quality of what we've got, particularly in the UK, is really high so that the, we're running that much, much better.

Coming into the RCF and everything else, I mean we're quite comfortable with where we are. I was asked on the call which I made to the journalists before this call, you know, do you have the money to repay the bond. We have the cash and the bank facility to do that at this stage. We don't see any fundamental issues. As you know, at some point during this year we're going to have to renegotiate our RCF, that's to be expected as the normal process, and we don't see any difficulty with that at this stage.

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Humphrey Singer - *Group Finance Director*

And bear in mind there was the 30 million headwinds that we've talked about before. So the underlying working capital is improving but we had two things, each about 15 million to do with this, the closure of Spain and also the timing of the public holidays at the end of last financial year but that's just a temporary phasing thing.

John Browett - *Dixons – Chief Executive*

Correct. But I think the key message for us is that from this trading update everything's on plan as far as we're concerned.

Karina Elias – *Barclays*

Thank you.

Chris Chaviaras – *Barclays Capital*

Good morning guys; two questions from me if I may please. The one in the Nordics region, how have you seen the competition pressure there? Has it now eased? And given that you're still running into negative gross margin and taking into account the presentation that we were given back in September, do you see the operating margin improving, ie the cost to sales; is the cost to sales maintained? That's the first question.

The second question is on Southern Europe. Last time you updated us in the first half you were saying that the market conditions have deteriorated there and you will address the cost base. Have you started doing that or could you please give some details in that sense?

John Browett - *Dixons – Chief Executive*

All right. Just taking the Nordic markets in general, I mean yes, I think there has been a change in the competitive environment there because across the whole of the Nordic markets the people

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operating the smaller stores have either closed those stores or they've gone out of business entirely. So the environment has moved in our direction and you see that in every single marketplace where, we've taken share everywhere in the Nordics. We don't see any change there at all. The market which people are most obviously interested in is Sweden where there's, you know, a real battle royal going on between ourselves and other competitors. I'd say we have really stamped our authority on that marketplace. People know, we essentially lead the market on pricing. You know, it's going to be hard for the foreseeable future because there are people who've got particular views about what their position in the marketplace should be but we're very pleased by how the business has performed year on year. You know, we are able to compensate within the overall cost structure for the investments which we've made. We run on very, very low cost to sales ratios there and so, you know, Elkjøp is a formidable competitor in those markets so we don't see any fundamental change in our view or how the business is traded.

In terms of Southern Europe, you're right; it's been a difficult environment in Italy and Greece. Turkey is a different thing entirely; that works as a growing economy, as an emerging economy. Greece, latterly we've seen the demand, sorry the reduction in the market moderate. The last few weeks look much better. Of course if there is a, you know, if they come out of the Euro, if Greece comes out of the Eurozone, there'll be a different period to get through but again, nothing we see as a problem. We have, both in Italy and Greece we did take the precaution over the summer of taking costs down which I think was the right decision. Thank goodness we did it. So that's helped us manage that but it is obviously going to be a difficult year or so for both operations. I think Greece is actually coming through it now and then I think Italy is going to have probably a difficult year ahead but nothing we can't manage in the other things we're doing in business.

Chris Chaviaras – *Barclays Capital*

Can I follow up from that please? In the Nordics, you said you have a low cost to sales ratio but would you say that the cost to sales ratio has improved, ie should we expect improvements in the operating margin there? And if you could please quantify maybe the cost initiatives that you've taken in Greece and Italy, ie in million pounds if possible.

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John Browett - *Dixons – Chief Executive*

So in terms of Nordics, it's a very efficient business. There will be some marginal improvements. I wouldn't at this stage give you any indication of that. We've still got to close out the yearend etc so I think, all I can say is that, you know, we've got enough flexibility in that business to manage what the market can throw at us, which I think this period of trading shows. In Southern Europe, yes, I mean it's meaningful numbers; it's millions of pounds or euros...

Humphrey Singer - *Group Finance Director*

Mid single digits I would say in both countries in cost savings.

John Browett - *Dixons – Chief Executive*

... in cost savings, so that's relative. But again, we don't want to go through endless detail on that because we don't give P&Ls by country.

Chris Chaviaras – *Barclays Capital*

Okay. Thank you, guys. Thanks a lot.

Rod Whitehead – *Deutsche Bank*

Hi there; a couple of questions if I may. Firstly, on the overall Group cost savings, you talked about 60 million but those would be biased towards the first half of the year already gone. So could you just give us an update on what that, sort of, split looks like? Secondly, given that the other international like for likes have moved from sort of minus five in the first half to minus ten in this period, clearly you flagged, Italy's got worse. Should one assume that both Turkey and Greece year on year, I mean relative to the first half, are weaker as well? And then thirdly, in terms of product categories, I'm particularly thinking about in the UK, could you just give us a little bit more detail? I'm interested in white goods and, you know, if you take the period as a whole up

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to the 14th January, whether those are still down year on year and whatever you can tell from white goods, so whether you think there is more catch-up from that VAT impact.

John Browett - *Dixons – Chief Executive*

All right. So Rod, that's quite a lot of, so let Humphrey do the costs first and then I'll give, sorry it will be quite a long answer to give you the visibility on both Southern Europe and then on the category information.

Humphrey Singer - *Group Finance Director*

So just quickly on cost, really no change, Rod, to the guidance there so we're still bang on to deliver our 60 million and it is still, we believe, front loaded, so 40/20 is what I talked about before and I'm still comfortable with that split.

John Browett - *Dixons – Chief Executive*

Right, now a quick explanation on Southern Europe, so Southern Europe, you're right, the main decline here is in Italy. That's where the big change has occurred from the first half. No surprise there given what's gone on in the economy. The issue there is around, Italian consumers have got plenty of money, household cash is good in Italy, there's no particular concern about that. The Italian consumers are telling us what they don't know is what their situation is going to be over the next year or so until it's clear what the Italian government have to do in order to get through the crisis. So this is a pattern we've seen in other markets. I think the debate in Italy is very similar to the one we saw in Ireland, funnily enough, two years ago and there will be a period of adjustment and then the economy will come back to a normal footing. The encouraging thing is when you talk to Italian consumers, they're taking an entirely pragmatic view about it which is we know we've got to repay the debt and we just want to know what our situation is. And I think certainty in Italy will eventually help that out.

In terms of the commentary on Greece, Greece has actually got better in the second half, ie less negative. The market is still slightly shrinking but it looks like we're now starting to bump along the bottom, so that's better. And then Turkey did slow. In the first half the numbers were

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extraordinary, exceptionally high like for likes, numbers which you can't, when you look at them weekly, you can hardly believe and now they've moderated to exceptionally high. So they've gone from extraordinary to just high and so they slowed but they're still, you know, many weeks they're still double digit, so no change there. But that's the net numbers which you see. Rod, does that makes sense? There's quite a lot going on there.

Rod Whitehead – *Deutsche Bank*

Yes, I mean it must mean the Italian, it must mean about 15% negative over the Christmas period really.

John Browett - *Dixons* – *Chief Executive*

Well, we don't want to go, we don't want to give you, it's not that bad but we don't want to give you, sort of, blow by blow on every market otherwise it gets difficult. Don't forget the Italian business is bigger than the other two combined.

Right, categories in the UK, so let me give you the full commentary in terms of what happened overall. So it's been a bit of a rollercoaster. I have to say in business we're happy to be through this time because trade has been very volatile. So you can imagine we had a very strong back to school which you saw in our interim numbers and we talked about that. October and November were poor, we think largely driven by the commentary and the press around the Euro crisis. People started getting worried about unemployment again and everything else so that was not good. In December household cashflow was very good because people hadn't spent any money. They then came to look at what they were going to get themselves for Christmas and our technology sales were very strong. In fact the two weeks into Christmas, as we said in the commentary, we were flat year on year which was good for us but ahead of what we had expected because we were worried about the bring forward for last year, and we had amazing sales of tablets, coffee machines, headphones, you name it. I mean there were lots of things which just went fantastically well. So we were really happy with that trade. And in fact on Christmas Eve, I went home to my family and had a nice Christmas on that basis.

We then knew we were going to have this very difficult week where we were lapping last year and it was slightly worse than we expected. But then since the 4th January we've then caught up

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largely a lot of that piece and in fact we think the business, the exit rates look good. We're very happy with where we are. We've got good quality stock in the business. We've got lots of people to buy and, you know, last year, the final quarter we were down 10% year on year and we, it looks like we're going to have a reasonable run into the final piece. So that's the overall view.

Within that, what I would say is that white goods have been remarkably stable all the way through this. That sale period up to the 3rd January was not great but we've, it's clear that overall we're going to do all right. I'd say the market there is flat and we're outperforming the market a bit. Computing has been very strong all the way through. In fact we're ahead of last year in total even with the VAT piece, so we're very happy about the computing business. I'd say in the computing business we've seen some share data on the number of processes because we get that data through Intel, and that would imply that we've taken marketshare, quite a lot of marketshare in computing during this period. And then the issue has been on brand goods, on consumer electronics. TV has been weak but the big thing is that small consumer electronics, particularly things like GPS, gaming, you know, etc, that small box consumer electronics has been very, very difficult indeed. Latterly our TV business has come back strongly. If you go into our stores you'll see that we have fantastic deals on good product, particularly LED product from Samsung, and that's selling very well. So you know, again, very, very volatile, very difficult trading period but overall doing fine. So we're seeing the second half shaping up pretty much as we expected; no change to our view in the market.

Sorry, that was a very long answer and I probably answered quite a lot of questions in that so Rod, is there anything to follow up on that?

Rod Whitehead – *Deutsche Bank*

No, that was it. Excellent. It was a long question. Thank you.

Tony Shiret – *RBS*

Hi guys. Sorry, I've slightly gone numb after that last Q&A bit. Sorry, it was all very interesting but, okay I'm going to ask an even longer question. No, just in terms of going back over some of the comments you made about the, your expectation for the sales mix in the UK over Christmas, at the interim you were talking about planning and expecting to get a better sales mix towards gifting

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in particular. I just wonder how, you know, the mix actually turned out versus your plan and what the gross margin would have been in the UK if you'd achieved your plan. That's the first question.

John Browett - *Dixons – Chief Executive*

I think just to answer that question, Tony, directly, Christmas worked out exactly how we thought it would do. So one of the reasons why the gross margin is the way it is is that we sold exactly what we expected to sell, therefore our forecasting was good, therefore our availability was good and our stock coming out of Christmas is good.

Tony Shiret – *RBS*

Well done. The second question is how significant is the terminal stock comment in terms of how we should be looking at gross margin across the balance of the year? Presumably you haven't accounted for that yet.

John Browett - *Dixons – Chief Executive*

No, we haven't. So it's difficult for us to tell at this stage. We've still got four periods to run. You know, we're only human so it's possible for us to get things wrong. But generally it's looking pretty good. You know, our availability is the best it's ever been coming out of peak. We've got good availability of the right products. Because the market has been soft, supply base has supported the people who are actually able to sell it and therefore we're getting good replenishment of what we would like so our recovery is looking very good. So yes, I think there are benefits to that but on the other side we are being very sharp on pricing and we've moved our price position versus the market and we expect to be in that state for quite a while because it's working for us.

Tony Shiret – *RBS*

Do you think the 40 BIPS will improve though across the balance as a half?

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John Browett - *Dixons – Chief Executive*

I couldn't warrant that at this stage. I mean, we're always very cautious in this business about warranting gross margin in the company mainly because, you know, it's, we always, we know that it's very dependent on what competitors do so, you know, one of the things which people, they will no doubt pick through our numbers. You know, I imagine there'll be some competitive response to what I've said today so we have to manage all of that. We always aim, you know, we're not aiming to make a whole load of extra money out of gross margin. We pretty much sort of set the business on, you know, gross margin is going to be flat, and the reason for doing that is it means that we then attend to our cost base properly and there isn't an easy out for the operators.

Tony Shiret – *RBS*

Okay, and one last smaller question; I appreciate that the vast majority of your sales... well, not a vast majority but a majority of your sales in the UK are now through stores that have been through renewal and transformation. Can you tell us how the stub stores, the ones that haven't been done, what the variants in performance was versus ones that have been done?

John Browett - *Dixons – Chief Executive*

They traded okay actually, funnily enough, through this period and the reason for that is that last year kindle, sorry we didn't have kindle, last year iPad was being distributed just through the winning new revenue stores largely. I mean there were some exceptions to that. This year we've actually got distribution on all stores and because iPad is such a huge part now of our overall sales, that actually has held up the sales in our legacy estate.

Tony Shiret – *RBS*

Okay, that's brilliant. Thanks for your help.

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Adam Cochrane – UBS

Hi, good morning. A question, a couple of bits really on the impact of FX on the hedge payment that you've got due in November; with the change in the pound/euro rate, can you remind me what that does with regards the eventual payment you'll have to make on that hedge? Secondly, the property losses, can you sort of remind us if you're still expecting, sort of, 15 million or so for the full year? And then finally, a more exciting one; I presume, John, you've just come back from Las Vegas. Can you give us any insights into exciting new technology we can expect over the coming period?

John Browett - Dixons – Chief Executive

On the hedge, just to begin with, so as we've guided before, a net outflow of 65 million, it's dependent on the euro/pound exchange rate and as you would imagine, we are beginning to close that out as we see some more attractive exchange rates appear. And we're just going to keep progressively doing that through, you know, through the remaining months. But I'm not going to change the guidance at this point on that outflow. Sorry, what was the second... 15 million for the year on property loss; we're not changing the guidance on that.

And then in terms of the consumer electronics show, I think there were three things which stood out there. The first one was the continued innovation within screen technology. Samsung and LG both showed 55 inch OLED TV sets. Those will come to the market in the second half and they look fantastic. I mean, because they, the benefit of a OLED is essentially you get the performance of the plasma screen in terms of motion flow – in fact it's probably even slightly better than the best plasma screens – and you get the amazing sharpness of an LED set. In fact actually the contrast ratios are even higher. So those screens are incredible. They are amazingly thin. They're very, very light indeed. They're only, I mean the 55 inch set, I think it was 1.5 kilos or something daft. I mean, it's really unbelievably light and it has no frame to it at all. You just get, it's all screen. So that was incredible to see. They'll be quite expensive but I'm sure, to start with but it will come down in price over the next year. So that's not going to have a big impact on trading but it's very exciting to see.

Also on TVs, I mean, LG had an 84 inch, sorry an 80, no an 84 inch TV set so that's four times as big as the standard TV set in the UK which is a 42 inch TV set, and was very nice with very, very good 3D on it. They have this technology which they call ultra high definition on that TV set and it

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was amazing. We think there may be a market for that, funnily enough, because there are people who have got media rooms etc and it negates the reason for having a projector. So that was just interesting.

But the big change for us and these will be the second two things which will have a meaningful impact on our business this year is ultra books have already been launched with us in our business. These are the new thinner, lighter, longer battery life laptops. We thought they were absolutely fantastic at the show. I saw lots of great product. The new Samsung laptops are wonderful in terms of their quality. So we think there's a big opportunity in that marketplace over the next year. We think that will cause a lot of people to upgrade their laptops because, you know, you can go to something which is much, much lighter and I'm sure all of you will end up with an ultra book at some point during this year. And then the second part of it which will have an impact on our business is convergence technology. Everybody has worked very, very hard to make Wi-Fi and the connect-ability of devices work much better. That's a trend which has been going on for the last four years but I really see great benefits for customers and we'll need to demonstrate those usage cases, the times when you use it, those times when it really makes a difference, in our stores over the next year. I think that should be great.

Tony Shiret – *RBS*

That's great. Thank you.

David Jeary – *Investec*

Yes, good morning gentlemen; two or three from me if that's okay please. One, could you actually quantify if you could, given the variable weightings of the sales period, either 1st to 3rd January year on year or even Boxing Day to 3rd January for us to give us a bit more of a clue as to how tough those comps were? Secondly, based on your comments, John, I'm assuming that there were no positive UK LFL weeks throughout the quarter in Q3, unlike Q2 with the back to school. And also, last question, on the RCF, I think at the interims you suggested you didn't anticipate having to dip into the RCF in Feb/March post peak. Are you still of that view given where we are now?

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John Browett - *Dixons – Chief Executive*

Okay. So gosh, sort of, you kind of want us to give a daily trading update. I'm just trying to think about how we answer the question on the first one. Yes, I mean it was, in that period we had days where we were double digit negative year on year, and given that is our biggest trading week of the year, that was quite tough so I think I'll leave it at that. I mean, I think we've given you enough numbers anyway to sort of make some estimates around that. It was very hard. We knew it was going to be hard and therefore, as I said, you know, at the starting point, we're pretty pleased to be through that. And you know, given the exit rates, we're quite comfortable as to where we are.

In terms of no positive like for like in Q3, no, clearly we did have weeks which were positive like for like, so the week before Christmas was strongly positive like for like even if you take account for the extra trading day. So taking out the extra trading day, that week before Christmas, we were strongly up year on year which we were very encouraged by because it was about technology and it was about customers coming into our stores for all the right reasons. And then on the RCF, do you want to say anything?

Humphrey Singer - *Group Finance Director*

Yes, I mean, on the RCF I think there is a possibility that we might draw briefly, towards the end of March at the time of the quarterly, rent payment but it will only be for a brief period of time. And to be honest, it's very hard to predict these things. They're very volatile and it sort of depends on how we trade in the next couple of weeks. And it will be a relatively small amount as well.

David Jeary – *Investec*

So one slightly cheeky last question if I may. At the interims, John, you were saying you've traded more strongly through peak year on year since 2007. Did 11 keep that trend going?

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John Browett - *Dixons – Chief Executive*

No, you know the answer to that. No. But still, I mean I think it was the strongest week before Christmas we've had for a long time. That was very encouraging. We were never going to be able to lap the numbers for that, for the VAT increase. We had a day called Magic Monday last year where we had, I think it was, as far as we can tell it was the biggest day in the history of Dixons, so you know, that was never going to be on. But still, I mean I think, you know, we're quite hopeful by the end of January we will look really good. So you know, touch wood – I shouldn't have said that probably but anyway – no, we're really pleased by how business is trading today and that of course means, you know, that's the biggest for going forward.

David Jeary – *Investec*

Thanks John.

Katie Ruci – *JP Morgan*

Hi guys, good morning; thank you for taking my question. I just wanted to see if we can get an update on the market in terms of marketshare in the UK. I know you make a comment on the press release about, you know, gaining marketshare and I would have assumed that that's the case but if we can get a little bit more colour as to what happened during Christmas with some of the independent retailers and how do you see that progressing? It would be very helpful, thank you.

John Browett - *Dixons – Chief Executive*

Well, again, it's hard for us to warrant these numbers, hard for us to be absolutely sure because we need another four weeks. This is true for all our trading updates. We get more data from the supply base etc sort of four weeks after I talk to you. Having said that, we know we had a very good Christmas on computing. We know that because Intel is able to give us the processor information, and therefore that's our biggest category in the UK. It is our strongest category and we got stronger so we took share in this period and that's good news. That of course, because it's so big in the overall part of Dixons in the UK that means that overall we would have taken share.

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Having said that, we know in white goods we're doing well and even though consumer electronics is down, we're not as bad as the market particularly in TV. So net, net, net, when you look at that, pretty much every category, everywhere we were gaining a good share. Now, it's always possible to find things where we didn't do quite so well but there's nothing material in that. So we're very pleased, especially in the core things which we sell which are white goods, TVs and computing.

Katie Ruci – *JP Morgan*

Yes, thank you very much. The reason I asked, I understand there's a few more weeks obviously; I ask only because if it's hard for you guys to get an idea who are in the business, you can only imagine, you know, how long we have to wait for any industry data. That's why.

John Browett - *Dixons – Chief Executive*

No, that's true and we will try at the full year when we, to give people a better sense of how the market went out. You made one point which I think is right. It looks like the independents, the smaller independents had a very tough time and the reason for that is that they're weighted heavily towards TV and consumer electronics and that was a very difficult market. So they were in a hard of the market; that declined and we think they lost share during this period.

Katie Ruci – *JP Morgan*

Yes, thank you very much. Good luck with the rest of it.

John Baillie – *Société Générale*

Morning gentlemen; just to follow on that, I mean the competitive landscape in the UK seems to be changing quite a lot in terms of, well it's Best Buy, [Exton], Comet (unclear) and Tesco. Are you actually seeing the evolution at the moment on what consumers are telling you or how they're behaving and how you're thinking of what's going to happen to competition going through the coming months?

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John Browett - *Dixons – Chief Executive*

What customers are telling us is that they like the offer which we have in place, so they like the services which we're selling, they like the service in-store, they like going to the stores, they like shopping online with us, so everything we're doing at the moment seems to be resonating with our customer base which is why we think we're doing well relative to a difficult market. What they're also telling us is that they're dissatisfied by the experience which they have with the mass merchants because they don't have the products which they want to sell, want to buy and they can't explain why they should buy the products. And that's a big part of the piece and that's why we think the mass merchants in particular – and this is not directed at any particular player; it's just across all the supermarkets and the mail order companies – they're all struggling to actually get traction in this marketplace.

And then the second thing which is happening is that customers now see our brilliant online experience etc, because it's much better than online Britain - that's probably a bit too strong – but our better online experience, and they love the fact that they can actually browse online and then come to our stores and then maybe do reserve and collect to make sure they've bought the right thing at the right time. So that looks like a multichannel service based offer is the winning combination. And I think we are much more, what's the word, lax about what we see in the overall market in terms of trend because we are now making good progress on the things which really matter to customers.

John Baillie – *Société Générale*

And does the change control at Comet, are consumers aware of that? Is that influencing their...

John Browett - *Dixons – Chief Executive*

They are. Unfortunately they are so they know, they read the newspapers and they want to buy products from somebody they know who's going to be there in a couple of years time, and that's the biggest problem which the new owners will face.

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John Baillie – *Société Générale*

I mean, do you think that when you look at the, I mean I think what you're saying is plus two like for likes in January; how much should we read into this last couple of weeks in the...

John Browett - *Dixons – Chief Executive*

Well, I mean, I think the only thing which we, look, we plan our business very cautiously so we're not making a forecast in terms of what's going to happen in the fourth quarter. We are cautious, we set our cost base cautiously, we are buying our stock cautiously etc. But you know, the reality is that, the reason why we gave you the numbers was that, to get people to understand that although this is a difficult trading period, we see potential for the business in the future.

John Baillie – *Société Générale*

Thank you.

Julien Martin – *Bank of America*

Hi, good morning gentlemen. Two questions please on your expectations maybe for underlying profit before tax for fiscal year end. I think the consistent range is around 60 to 75, whether you can comment on that and how (unclear). I guess you are because last year we've seen a big dip in trading over the, you know, few months following the Christmas update, so probably easy comp. And then the second question is on your negotiations with regard to the RCF, whether you've got any timing in mind with the banks for that. Will it be before yearend or after yearend or in the summer? Thanks.

Humphrey Singer - *Group Finance Director*

So just to clarify or confirm, yes, I think the range is 60 to 75 on underlying PBT and we're comfortable with that range. And then just on the third question I think it was, in terms of the

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negotiations with the bank, it will be, as we said before, sometime this year and we understand that we need to do that really before the interims in 2012, so October/November time. I think it's, you know, inappropriate to get too specific right now on the precise timing of those discussions but, you know, we are going through the budgeting process right now, so January and into February is our key budget and five year planning timetable and once we've got the output from that, that will obviously be an appropriate moment to start thinking about talking to banks.

John Browett - *Dixons – Chief Executive*

And we don't, we're not expecting a problem so, you know, I think it's, we're definitely on our normal plan etc. This is a relatively straight bit forward. It should be a relatively straightforward thing to do. Just in terms of comparatives in the fourth quarter, I don't want people to get carried away on the fourth quarter. We, you know, we're obviously very aware of the risks. You know we see that the euro crisis is not over. We see that there's still more to be done on that. You know, I don't, although household cash in the UK looks fine, I think people are going to be cautious so therefore, you know, it's down to us to come up with a brilliant offer for customers which will make them want to shop in our stores. And we're encouraged by their reaction to the latest technology; we're encouraged by their reaction to our pricing levels but, you know, it's not going to be an easy quarter.

Julien Martin – *Bank of America*

Thank you.

Dennis Akgul – *BH*

Hi, I just had a question; could you elaborate what the existing collateral package is for the RCF and the banks in general? And when you have discussions with them later on in the year, do you envisage them improving their security position to the extent they don't already have fixed or floating charges due, envision taking those charges or share pledges?

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Humphrey Singer - *Group Finance Director*

They don't have collateral.

Dennis Akgul – *BH*

So do you envisage them taking any collateral when they have these discussions?

Humphrey Singer - *Group Finance Director*

No, because it would, we just don't do that. We never have done. I mean, this has always been a source of a little bit of frustration for us in the credit markets. We've always kept the debt in the holding company away from the operating businesses and we've never given collateral to anybody over anything.

Dennis Akgul – *BH*

Okay, thank you.

Paul Rossington – *HSBC*

Good morning gents; I have just a very brief question. Did the, I haven't heard the question asked so I do apologise, it may be very simple but did the clearance activity at Best Buy during the period, in advance of their stores closing down, did that impact your trading at all during the period?

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John Browett - *Dixons – Chief Executive*

Well, it's only 11 locations and so therefore we could see it where we were head to head with them in those stores but it's nothing, it's not material. There'll be a small benefit as they come out of the market but nothing which we could count on unfortunately.

Paul Rossington – *HSBC*

That's good. Thanks very much.

Operator

There are no further questions.

John Browett - *Dixons – Chief Executive*

All right. Well, I think that's good. We're available all day today if you want to make further, or there are certain points, you want further questions answered, please give a call through to David Lloyd-Seed and that will be fine. Just to say we will, our next update for you on trading will be for full financial year on the 10th May. That's the next update. Cheers. Thank you.

Operator

That does conclude our conference for today. Thank you for participating. You may all disconnect.
