



# Preliminary results

52 Weeks to 1 May 2010

Investor & Analyst presentation 24 June 2010

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# John Browett

Chief Executive

**DSG international**

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# Overview

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- Underlying Group sales up 4%
- Group LfL sales up 2%, up 6% in second half
- Group gross margins flat
- Underlying PBT up 61% at £90.5million
- Profit improvement across the Group
  - UK & Ireland up 21%
  - Nordics up 28%
  - Losses significantly reduced in Italy & Spain

# Overview

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- Renewal & Transformation plan delivering benefits
  - Over 200 stores refurbished across the Group
  - Average gross profit uplifts of 20% and higher
  - Reduced stock and improved availability
  - Enhanced services for customers
  - 160 stores exited across the Group
  - Portfolio review completed
- Strong TV sales into the World Cup
- Group name to be amended to Dixons Retail plc

## UK & Ireland

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- UK & Ireland profit up 21% to £71.1m
  - Like for Likes +3% in second half
  - Gross margins up 80 bpts
- UK & Ireland Electricals
  - Profits up 81%
  - Strong second half performance with LfL's up 6%
  - Gaining market share across all major categories
- UK Computing
  - Performance impacted by very weak B2B market
  - Operating margins improved limiting profit impact
- Now operating as one integrated business
- First to market with 3D TVs and iPad



# Strong World Cup sales

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- Successful *Cash for Goals* promotion
- Increase in TV sales
  - 50% up in value year on year
  - 30% more units than 4 years ago
- Overweighting share in World Cup TV market
  - May TV sales up 40%

# Launch partner for iPad

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- Strong relationship with Apple
  - High growth in Macs
  - Largest seller of Apple products in the UK
- Refurbished stores give fantastic customer experience
- Enables us to launch great new product
  - 60 day deal ahead of market

# Uplifts remain very encouraging

- 164 stores transformed to date
  - 156 as at year end
- Average gross profit uplifts\* in total estate of 20%
  - Megastores and combined 2-in-1 stores continue to achieve 50% uplift
- Benefit to UK like for likes of approximately 3% across the year
- Second year performance remains strong

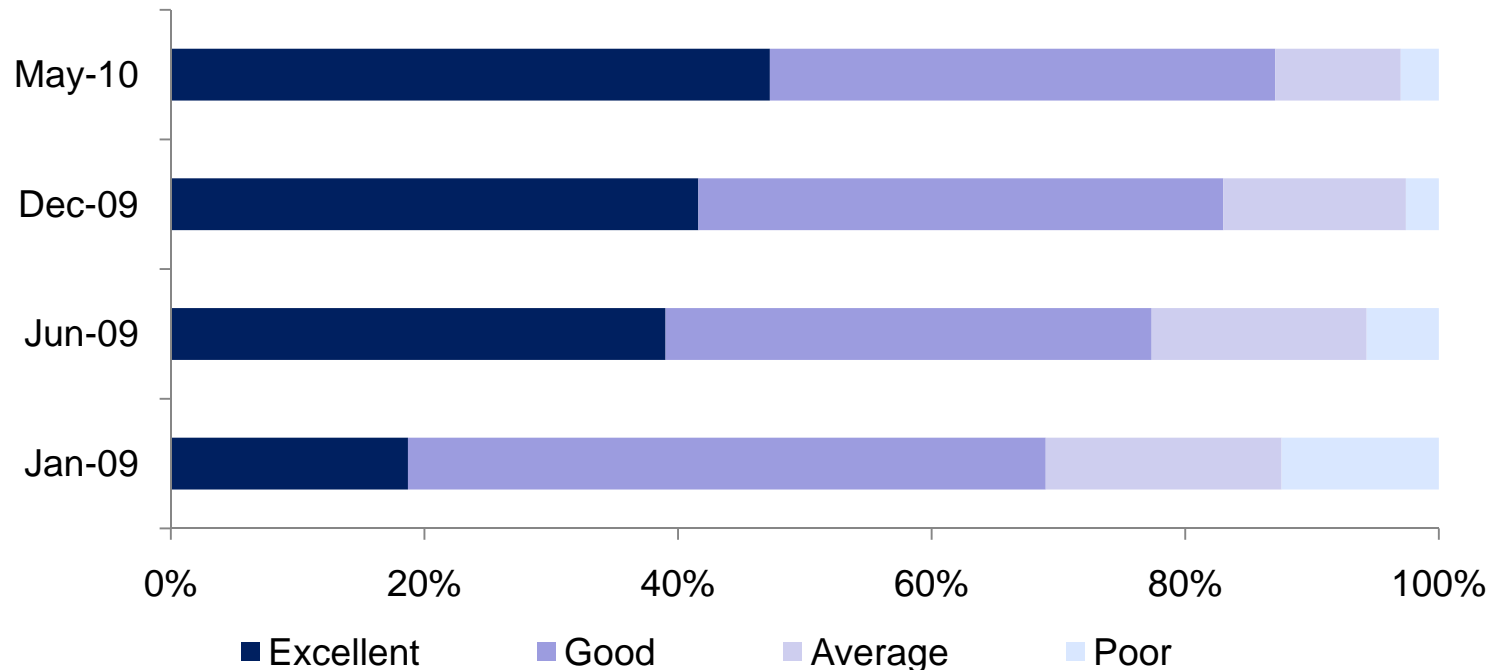
Brand	Completed as at 18 June 10	Planned for 2010/11 financial year
Megastores	12	21
PCW/Currrys 2-in-1	20	44
Currrys & PC World Superstores	113	3
High Street	19	12
<b>Total*</b>	<b>164</b>	<b>80</b>

# New 2-in1 branding

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# Improving satisfaction measures



- Improving advocacy to friends and family

- 87% of customers now “likely” or “very likely” to recommend
- 80% increase in customers stating “very likely” to recommend year on year
- As focus shifts increasingly to in-store experience and colleague quality, opportunity to improve this further

# Improving the service support for customers

- Market leading next day delivery
  - 97% Right first time delivery and improving
  - Single national network in place
  - 3 hour time slots 0700 to 2200 to free delivery options
  - Free recycling
  - Lowest cost operator in UK
- Enhanced range of services
  - Over 60 new services
  - Increasing number of TechGuys desks in stores
  - Follow up marketing
  - Improvements to call handling
  - Service centre training



# Improving the service support for customers

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**Short film on new TV and Laptop repair lab**

# Nordics

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- Strong sales performance
  - Total sales up 29%
  - Like for likes up 13%
- Gross margin investment to grow share
- Profits up 28% to £97.4m
  - EBIT margin of 4.6%
- Good performance in all countries, particularly Sweden & Denmark
- Efficient operating model, at scale
  - Centralised distribution and buying
  - High sales densities
  - Multichannel opportunity
- Rolling out Megastores across all four countries



## Other international

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### Italy

- Turnaround plan is working
  - Closed 51 underperforming stores
  - Implementing PC City in UniEuro
  - Better stock control
  - Cost reduction
  - Refurbishment of the estate
- New Megastore and refurbished stores ahead of plan
- Like for likes positive in second half
- Losses substantially reduced



## Other International

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### Greece

- Clear market leader and profitable
- Challenging market conditions
- Cost reduction programme in place to preserve profitability
- Opportunity to refurbish Megastores
- Market share growth



### Czech Republic and Slovakia

- Strong position in Czech with developing business in Slovakia
- Better second half performance
- Cost base now focused on two markets
- Now opening new stores and refurbishing the estate
- Well positioned for growth as the economies recover



# Other International

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## Spain

- Leading computing specialist
- Positive like for likes in H2
- Held market share despite closing 11 stores
- Now operating from 32 stores
- Losses lower than expected
- Increasing brand strength
- On track to break even in 18-24 months



## Turkey

- Successful launch with joint venture partner
- 12 stores open
- All trading strongly
- Opportunity through franchise model



# e-commerce

- Good sales growth, +14%
  - All online sales now 16% of Group sales
- PIXmania investing outside core markets
- PIXplace growing strongly
- Dixons.co.uk benefitting from e-merchant platform
- We can exploit our scale benefits
  - e-merchant platform
  - Lower cost of operation
  - Buying and sourcing benefits
  - Solution selling – higher attachments of accessories and essentials
  - Increased ranges online





# Nicholas Cadbury

Group Finance Director

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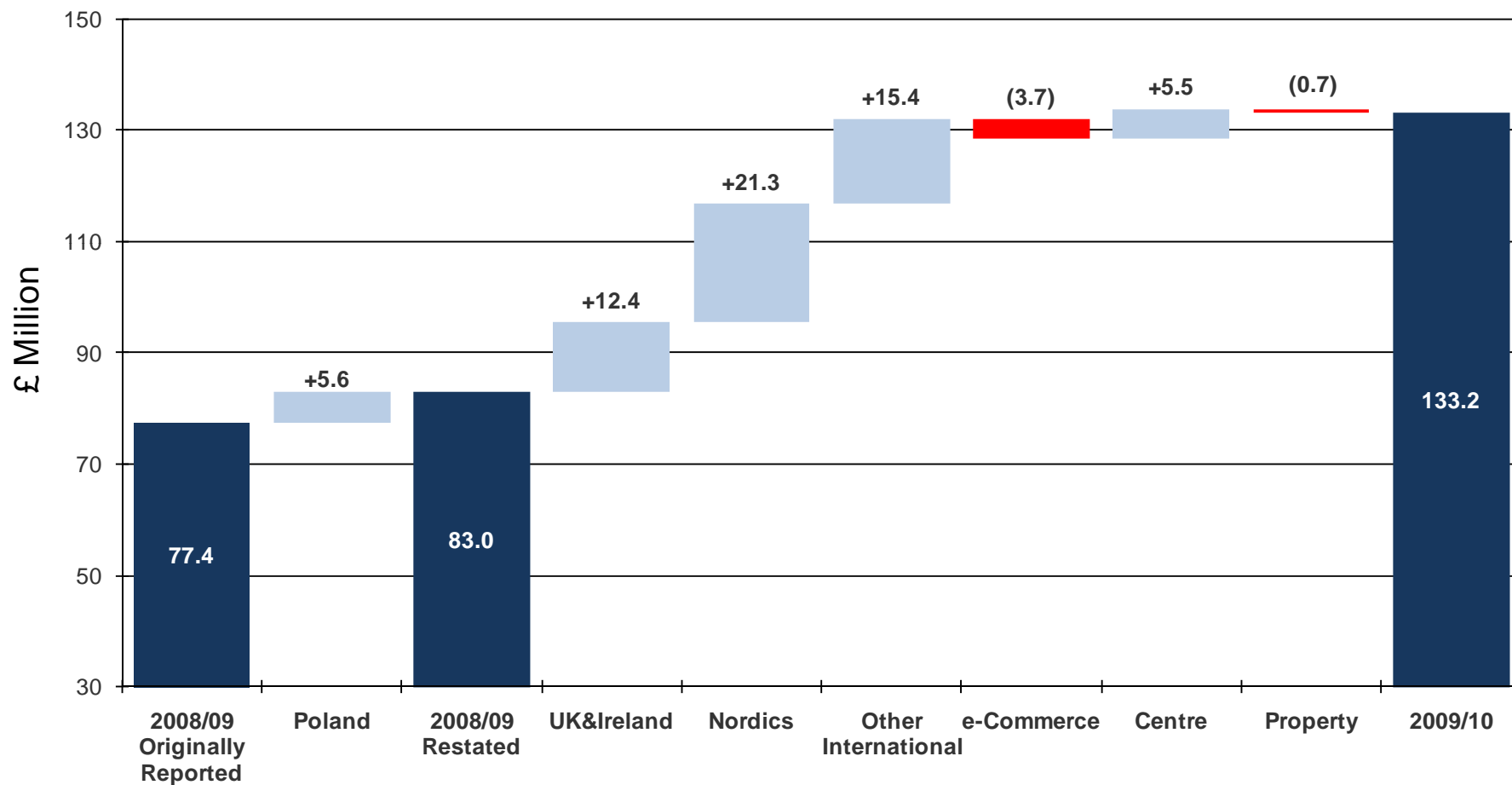
# Sales

- Sales up 4% to £8,531.6 million
- Like for like sales up 2%, and up 6% in the second half

£ million	09/10	08/09	YOY	LfL
UK & Ireland	4,013.5	4,228.6	(5%)	(3%)
Nordics	2,093.7	1,625.2	29%	13%
Other International	1,503.2	1,519.0	(1%)	0%
E-commerce	921.2	807.4	14%	11%
Total Group	<u>8,531.6</u>	<u>8,180.2</u>	<u>4%</u>	<u>2%</u>

52 weeks to 1 May 2010 vs. 52 weeks to 2 May 2009  
 For definitions see appendix

# Underlying Earnings before Interest and Tax



## Profit before tax

- Underlying profit before tax up 61%, to £90.5m
- Disposed of loss making businesses in Hungary & Poland

£ million	09/10	08/09
UK & Ireland	71.1	58.7
Nordics	97.4	76.1
Other International	(8.3)	(23.7)
E-Commerce	11.3	15.0
Central Costs	(19.5)	(25.0)
Property losses	(18.8)	(18.1)
<b>EBIT</b>	<b>133.2</b>	<b>83.0</b>
Underlying net finance cost	(42.7)	(26.9)
<b>Underlying profit before tax</b>	<b>90.5</b>	<b>56.1</b>
Non-Underlying items	22.2	(179.7)
<b>Statutory profit/ (loss) before tax</b>	<b>112.7</b>	<b>(123.6)</b>

52 weeks to 1 May 2010 vs. 52 weeks to 2 May 2009  
For definitions see appendix

## Underlying finance costs

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Increased to £42.7 million (2008/09 £26.9 million)

- Higher borrowing costs
  - Including amortisation of refinancing fees
- Higher net pension interest
  - No cash or covenant impact
- Foreign exchange losses
- Partly offset by interest on overpaid tax in prior years.

## Free cash flow

- Positive free cash flow before restructuring
- Improved working capital
- Investment in Renewal and Transformation programme

£ million	09/10	08/09
Underlying profit before tax	90.5	56.1
Closed businesses loss before tax	(0.2)	(14.1)
Depreciation & amortisation	128.6	134.7
Working capital	39.7	(285.4)
Taxation	(31.9)	(35.7)
Capital expenditure	(165.3)	(140.7)
Sales of freehold property	0.7	10.8
Other	(34.0)	(65.7)
Free Cash Flow before restructuring items	<u>28.1</u>	<u>(340.0)</u>
Net restructuring and impairment	(45.7)	(64.2)
Free Cash Flow	<u>(17.6)</u>	<u>(404.2)</u>

52 weeks to 1 May 2010 vs. 52 weeks to 2 May 2009  
For definitions see appendix.

## Funding - Net debt

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- Net debt reduced from £477.5 million to £220.6 million
- Proceeds from Equity Placing and Rights Issue

£ million	09/10
<b>Opening net debt</b>	<b>(477.5)</b>
Free Cash Flow	(17.6)
Equity Placing and Rights issue	291.3
Acquisitions & disposals	(7.0)
Discontinued operations	(8.6)
Special pension contribution	(12.0)
Other items	10.8
<b>Closing net debt</b>	<b><u>(220.6)</u></b>
Restricted Funds (included in net debt)	78.9

# Funding

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- New Revolving credit facility agreed
  - £360 million
  - Commences 15 August 2010 (latest)
  - Additional flexibility: maturity 2012, extendible to 2013 with £100m finance raise condition
  - Financial covenants substantially unchanged
  - Significant headroom
  
- £300m 6.125% Bonds due Nov 2012

## Pension fund

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- Defined Benefit scheme in UK closed to future accrual
  - Reduced deficit by £33.4m
- IFRS deficit as at 1 May of £263.5m driven by:
  - Lower discount rate due to lower corporate bond rates
  - Higher long term inflation assumption
  - Partially offset by higher asset values
- Current special cash contribution of £12m per annum
- Triennial valuation commenced in April 2010 with outcome expected mid 2011

## Summary

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- Good progress on profit journey
- Improved balance sheet and liquidity
- Additional flexibility in financing facilities
- Well resourced to deliver Renewal and Transformation programme



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# Renewal & Transformation plan

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- 1. Focus on the customer**
- 2. Focus the portfolio on winning positions**
- 3. Transform the business**
- 4. Win in the internet market**
- 5. Reduce costs**

**Target of 3-4% EBIT return on sales in the  
medium term**

# Opportunities for 2010/11

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- Continue to improve the shopping trip for customers
  - store reformatting
  - In-store and after sales services
  - Brand positioning
  - Deepen customer relationships
- Reduce complexity
  - Deliver cost reductions
  - Further improve stock turn and availability
- Realise scale benefits across multi-channel



## Summary

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- Renewal & Transformation plan is delivering benefits
- Cautious about consumer environment in 2010
- Roll out of new format stores continues
- Profit improvement on track
- Gaining market shares
- Strong technology cycle



# Appendices

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# Appendices

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1. Group LFL Sales Trends
2. Group Store Numbers and Space Trends
3. Shares in issue
4. Notes and definitions

# 1. Group like for like sales trend

	09/10	09/10	09/10	08/09	08/09	08/09	07/08	07/08	07/08
	FY	H2	H1	FY	H2	H1	FY	H2	H1
UK & Ireland Electricals	(1%)	6%	(9%)	(10%)	(12%)	(6%)	3%	0%	6%
UK Computing	(9%)	(5%)	(15%)	(13%)	(14%)	(11%)	(5%)	(9%)	2%
UK & Ireland	(3%)	3%	(11%)	(11%)	(13%)	(8%)	0%	(3%)	5%
Nordics*	13%	16%	11%	(7%)	(9%)	(5%)	2%	0%	4%
Other International	0%	4%	(5%)	(13%)	(15%)	(10%)	(8%)	(11%)	(4%)
e-commerce	11%	12%	9%	7%	6%	9%	27%	28%	26%
Total Group (Underlying)	2%	6%	(4%)	(9%)	(11%)	(7%)	1%	(1%)	5%

\* 07/08 Nordics like for like shown as previously reported, including PC City Sweden and Markantalo.

## 2. Group - stores & space total

Store numbers	09/10	09/10	08/09	08/09	07/08	07/08
	FY	H1	FY	H1	FY	H1
UK & Ireland	683	697	712	725	727	733
Nordics	269	259	253	247	238	221
Other International	323	315	345	353	349	307
Discontinued or closed	-	-	48	48	60	57
<b>Total Group</b>	<b>1,275</b>	<b>1,271</b>	<b>1,358</b>	<b>1,373</b>	<b>1,374</b>	<b>1,318</b>
Space 000 sq ft	09/10	09/10	08/09	08/09	07/08	07/08
	FY	H1	FY	H1	FY	H1
UK & Ireland	7,889	7,897	7,862	7,911	7,883	7,824
Nordics	4,061	3,821	3,675	3,671	3,492	3,225
Other International	4,719	4,698	5,091	5,353	5,286	4,867
Discontinued or closed	-	-	985	986	1,003	929
<b>Total Group</b>	<b>16,669</b>	<b>16,416</b>	<b>17,613</b>	<b>17,921</b>	<b>17,664</b>	<b>16,845</b>

### 3. Shares in issue

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#### Number of shares

	<u>09/10</u> <u>FY</u>	<u>08/09</u> <u>FY</u>	<u>07/08</u> <u>FY</u>
Number of shares in issue	3,609.9m	1,772.4m	1,772.4m
Weighted average number of shares for basic eps *	3,495.6m	2,148.7m	2,184.6m
Weighted average number of shares for diluted eps *	3,519.5m	2,151.8m	2,190.4m

\* The weighted average number of shares used in the calculation of loss per share for 2008/09 and the weighted average relating to the relevant weeks of 2009/10 prior to the rights issue have been multiplied by an adjustment factor to reflect the bonus element of the shares issued under the terms of the rights issue . The adjustment factor used was 1.2138.

## 4. Notes & Definitions

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1. Underlying results are defined as excluding trading results from closed businesses, the amortisation of acquired intangibles, net restructuring and business impairment charges and other one off items, profit on sale of investments, net fair value remeasurements of financial instruments and, where applicable, discontinued operations. Discontinued operations comprise Hungary and Poland. Closed businesses comprise the operations of PC City in Sweden and Markantalo in Finland.
2. Like for like sales are calculated based on stores that have been open for a full financial year both at the commencement and end of the financial period, and are calculated using constant exchange rates. Customer support agreement sales are excluded from all UK like for like calculations. Operations that are subject to closure have sales excluded as of the announcement date. Stores subject to a refurbishment are excluded during the period of refurbishment.
3. UK & Ireland Electricals comprises Currys, CurrysDigital and Dixons Travel as well as the operations in Ireland.
4. UK Computing comprises PC World, DSGi Business and The TechGuys. Like for like sales are for PC World only.
5. Nordics comprise the Elkjøp Group, and no longer include the results of PC City Sweden and Markantalo which are now classified as closed businesses within non-underlying items.
6. Other International comprises Greece (Kotsovolos and Electro World), Italy (UniEuro and PC City Italy), Spain (PC City Spain) and Electro World in Turkey, Czech Republic and Slovakia. The Discontinued Operations of Electro World Hungary and Poland are no longer included.
7. e-commerce division comprises PIXmania and Dixons.co.uk.