

# **CARPHONE WAREHOUSE** **GROUP PLC**

**Tuesday 21 January 2014**

**Embargoed until 7am**

**Carphone Warehouse Group plc**

**Interim Management Statement for the quarter ended 28 December 2013**

**Continued Group LFL momentum. Reiterating full year guidance**

- **CPW Group Q3 like-for-like revenue up 3.1%**
- **CPW UK Q3 like-for-like revenue up 5% (with 16% last year)**
- **Encouraging progress on 4G sales, with growing penetration and incremental ARPU**
- **Virgin Mobile France resilient with a stable postpay customer base in the quarter**
- **Reiterating Group Headline EPS guidance for the full year (17.0p-20.0p), with a pro forma Headline EBIT range of £140m-£160m for CPW**

**Andrew Harrison, CEO, said:**

“Today we are reporting our sixth consecutive quarter of like-for-like revenue growth, despite the continued double-digit decline in the prepay market and strong comparatives for the same period last year.

“As anticipated, postpay volumes remain subdued while the market transitions to 4G. Against this, our strong brand awareness and our excellent retail execution meant that Carphone Warehouse again increased its UK market share. Our new Pin Point selling tool has proved particularly effective in driving the penetration of 4G tariffs and increasing revenue per connection.

“We remain focused on our multi-channel customer journey, on driving 4G penetration and continuing to make good progress in our partnership relationships and our Connected World Services business. We are reiterating the full-year earnings guidance we gave in November.”

## **CPW**

Q3 Group like-for-like revenue growth was 3.1%, against strong comparatives, our sixth consecutive quarter of like-for-like growth. This was an impressive performance given the reduced marketplace activity ahead of the wider roll-out of 4G across Europe, the continued double-digit decline of the prepay market and continuing weak consumer sentiment. The prepay market volume decline was worse than expected in the UK (down an estimated 25-30%) and overall Q3 connections for the Group were consequently down 12.7%. Despite these challenges, postpay connections were broadly flat on a like-for-like basis and CPW outperformed the UK market, delivering like-for-like revenue growth of 5% and continuing to gain market share in both the prepay and postpay categories in the quarter. Overall revenues reflect reduced levels of activity within our

dealer channels, which operate at very low margins and therefore have a limited impact on earnings.

We are a true multi-channel retailer and had record numbers of visitors to our websites over the last quarter. Whilst the majority of mobile shoppers conduct their research online, retail channels remain the key part of the mobile phone purchase journey. Our in-store Pin Point selling tool has proved particularly effective in focusing on our service-led proposition and strong 4G offering. Its 'right-sell' approach guides customers through the vast number of products and services available to find the most suitable tariff and handset to meet their needs.

We continue to see encouraging customer demand for 4G services as coverage is progressively rolled out, and continue to see a pricing premium for these higher quality services.

In Europe we saw a creditable performance from a number of markets, particularly Spain and Ireland, and continue to make progress in Germany. The business remains focused on exporting the proven UK operational excellence to Europe and increasing our critical mass through partnerships.

### **Connected World Services**

Connected World Services (CWS) is a B2B business, which aims to leverage our expertise and systems to provide services to other businesses operating in the connected world. We have been extremely encouraged by the initial response from Tier 1 manufacturers, networks and retailers across the globe to the wide range of expertise and services that CPW can provide.

CWS has made good progress in the quarter and we expect to make further announcements in due course.

### **Virgin Mobile France (46% share, JV with Virgin Group)**

Virgin Mobile France continues to show resilience in a highly competitive market. Its postpay customer base remained stable in the quarter, at 1.33m customers. Revenue declined year-on-year by 15.6%, reflecting a lower customer base and reduced market ARPUs; the year-on-year decline is expected to reduce in Q4. The business remains committed to maintaining its high quality postpay base and will continue to focus on acquiring new postpay customers and retention of the existing base.

The migration of customers onto our Full MVNO platform is progressing well, enabling the business to participate more fully in customer revenue streams and to reduce its costs, as well as providing greater strategic flexibility. At the end of December 1.25m customers were on this platform, representing 74% of the customer base. The customer reach of the business will be further extended in the spring with the launch of a 4G proposition.

### **Outlook**

Our performance to date gives us confidence in reiterating the full-year guidance we gave at our interim results for CPW pro forma (as defined in our interim results) Headline EBIT (£140m-£160m) and for Group Headline EPS (17.0p-20.0p).

Whilst challenging market dynamics across Europe remain, we are very encouraged by the impact of 4G to date and expect its momentum to build as 4G network capacity is expanded across all of our European markets.

In addition we continue to see significant potential over time in our partnership strategy and in Connected World Services. With Virgin Mobile France, we maintain our priority to progress Full MVNO migration and to take advantage of market opportunities to drive the value of this business.

### **Conference call**

There will be a conference call for investors and analysts at 9.00 am this morning. The call will also be broadcast on our website, [www.cpwplc.com](http://www.cpwplc.com).

#### Dial-in details

Passcode: 7660896

UK/International: +44 (0) 203 427 1913

USA: +1 212 444 0895

A replay will be available until midnight, 28 January 2014

Passcode: 7660896

UK/International: +44 (0) 203 427 0598

USA: +1 347 366 9565

### **Next announcement**

The Group will publish its Q4 trading update on 29 April 2014.

### **For further information**

#### **For analyst and institutional enquiries**

Kate Ferry, IR Director

**+44 (0) 77 489 33206**

Kerry Becker, IR Manager

**+44 (0) 77 489 10861**

#### **For media enquiries**

Anthony Carlisle (Citigate Dewe Rogerson)

**+44 (0) 79 736 11888**

**+ 44 (0) 207 638 9571**

Elizabeth Holloway, Head of PR, CPW Group

**+44 (0) 74 435 81015**

**+44 (0) 208 617 2019**

## Further operating and financial information

### CPW (100% basis)

Revenue*	13 weeks to 28 December 2013			39 weeks to 28 December 2013		
	FY14	FY13	% change	FY14	FY13	% change
Total (£m)	922	990	(6.9%)	2,488	2,470	0.7%
LFL (constant currency)			3.1%			6.2%
<b>Connections*</b>						
Connections (000s)	2,360	2,705	(12.7%)	6,462	6,816	(5.2%)

\* Excludes Phone House France, which is in the process of closure, in both periods.

Store numbers*	At 28 December 2013		
	FY14	FY13	% change
Own stores	1,750	1,822	(4.0%)
Franchises	293	269	8.9%
Total stores	2,043	2,091	(2.3%)

\* Excludes Phone House France, which is in the process of closure, in both periods.

### Virgin Mobile France (100% basis)

Revenue*	3 months to 31 December 2013			9 months to 31 December 2013		
	FY14	FY13	% change	FY14	FY13	% change
Revenue (€m)	101	120	(15.6%)	307	359	(14.5%)

\* Revenue excludes contributions towards subscriber acquisition costs from network operators and customers, to simplify presentation.

Customer base (000s)	At 31 December 2013		
	FY14	FY13	% change
Postpay	1,333	1,400	(4.8%)
Prepay	357	401	(11.1%)
Total	1,690	1,801	(6.2%)