



THE GAME GROUP PLC

Interim Results

26 weeks to 31st July 2011



Ian Shepherd

Chief Executive

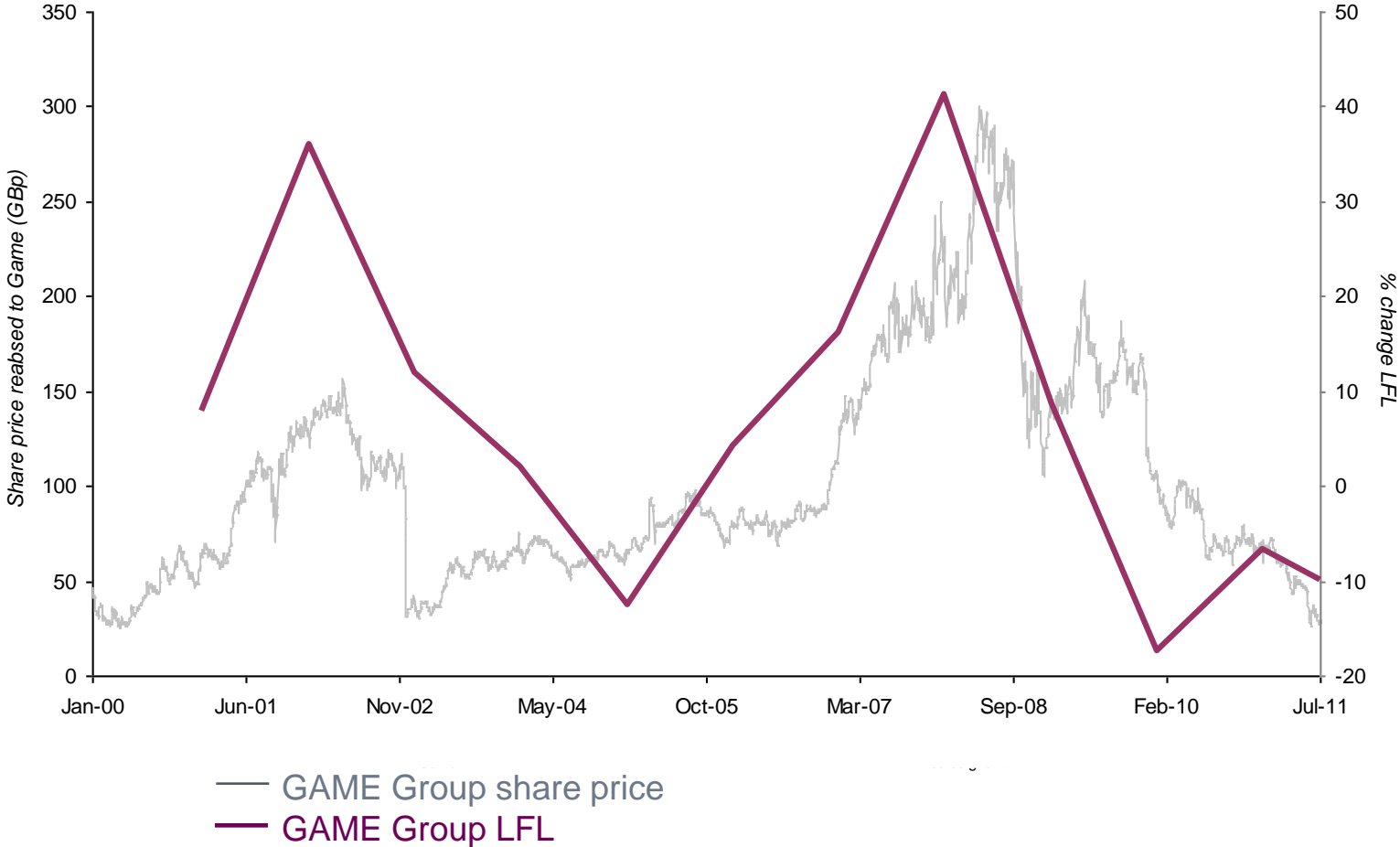
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Agenda

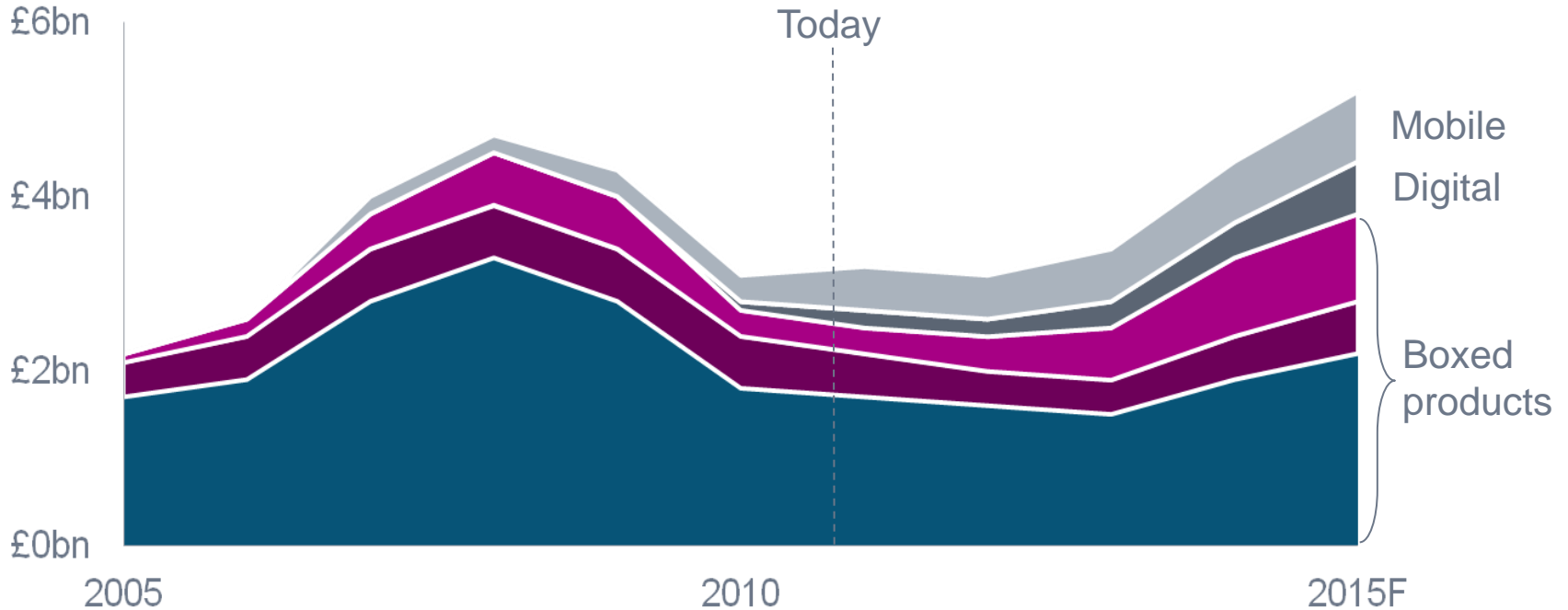
- ▶ Overview
- ▶ Financial performance
- ▶ Update and Strategy
- ▶ Current Trading and Outlook
- ▶ Summary
- ▶ Q&A

LFL and share price performance



Market forecast

UK Market



- Hardware & Software - Stores
- Hardware & Software - Preowned
- Hardware & Software - ecommerce
- Digital software
- Mobile, casual, social & MMOGs (Massively Multiplayer Online Games)

Source: GAME summary of industry forecasts including ChartTrack, Screen Digest, Nick Parker consulting, OC&C



H1 overview

▶ Financials

- Revenues: £558.8m (2010: £624.6m)
- Gross Margin: 24.3% (2010: 26.0%)
- Operating loss: £45.0m (2010: £16.1m)

▶ Strategy

- New digital partners
- New websites
- New CRM activities

▶ Operations

- Cost control
- Working capital

Ben White

Group Finance Director

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Income Statement

Half year ended 31 st July (£m)	2011/12	2010/11
Turnover	558.8	624.6
Gross margin %	24.3%	26.0%
Operating expenses before non-recurring costs	(181.0)	(178.2)
Operating loss before non-recurring costs	(45.0)	(16.1)
Non-recurring costs	(3.0)	(2.7)
Operating loss	(48.0)	(18.8)
Net interest payable	(3.4)	(2.7)
Loss before tax	(51.5)	(21.5)
Loss before tax and non-recurring costs	(48.5)	(18.8)

Turnover Analysis - Geographic

Half year ended 31 st July (£m)	2011/12	2010/11
UK	310.0	352.3
France	57.4	65.2
Iberia	109.0	115.1
Scandinavia	17.3	21.8
Australia	26.2	32.9
Czech Republic	4.2	3.4
Total - International	214.1	238.4
Online	34.7	33.9
Group Total	558.8	624.6

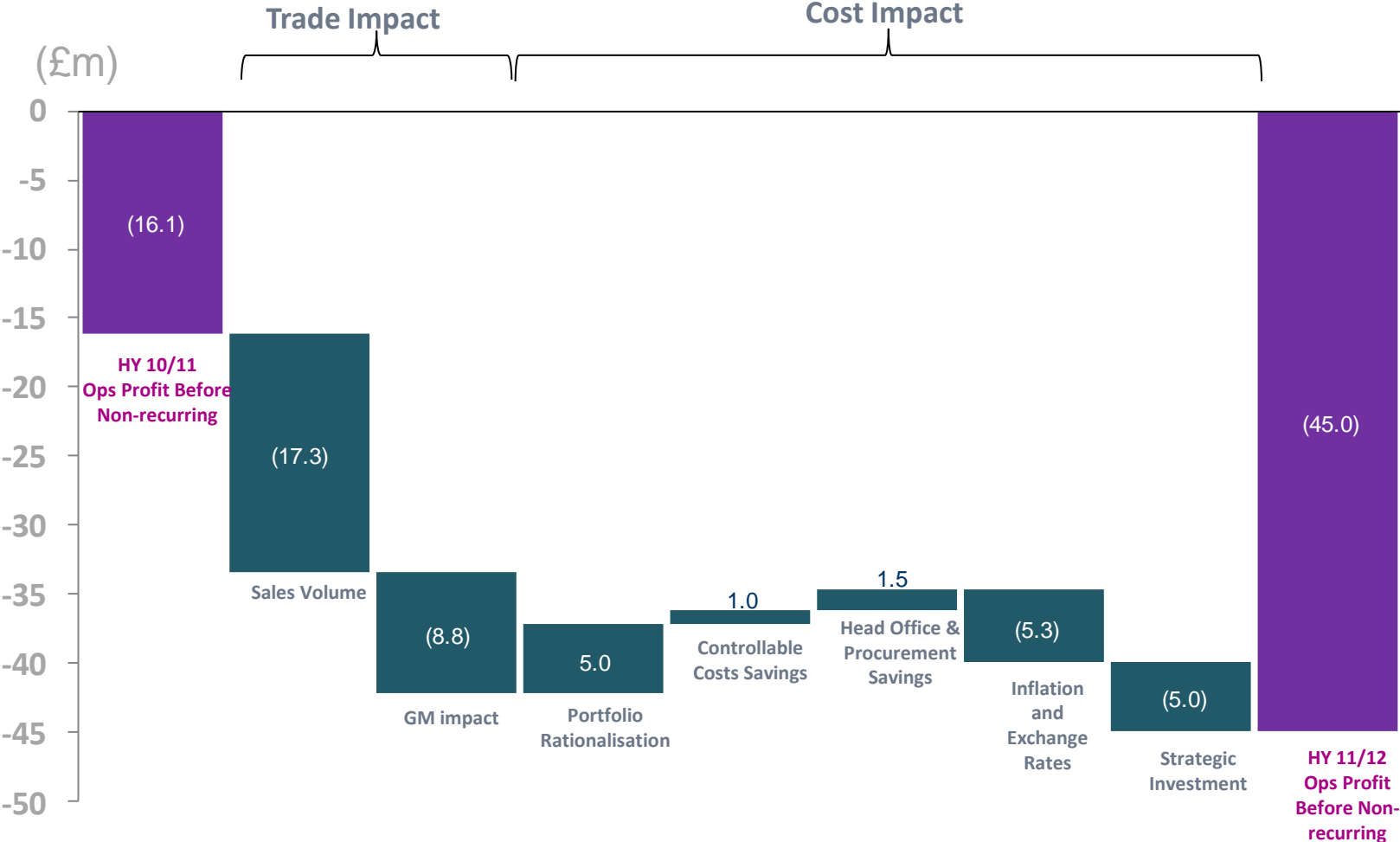
Turnover and Margin Analysis - Product

Half year ended 31 st July (£m)	2011/12		2010/11	
Turnover				
New hardware	98.5	17.6%	115.8	18.5%
New software	212.7	38.1%	249.1	39.9%
New hardware & software	311.2	55.7%	364.9	58.4%
Preowned	168.4	30.1%	171.5	27.5%
Peripheral and other	79.2	14.2%	88.2	14.1%
Total	558.8	100.0%	624.6	100.0%

Gross Margin %

New hardware & software	16.7%	19.4%
Preowned	39.8%	38.5%
Peripheral and other	21.5%	28.6%
Total	24.3%	26.0%

Operating Bridge



Income Statement Extract

Half year ended 31 st July (£m)	2011/12	2010/11
Non-recurring costs	(3.0)	(2.7)
Net interest payable	(3.4)	(2.7)
Pre tax loss	(51.5)	(21.5)
Tax charge	14.2	6.1
Tax rate	27.6%	28.3%
Dividend per share	1.88p	1.88p

Balance Sheet

	As at 31 July 2011 £m	As at 31 Jan 2011 £m
Tangible fixed assets	98.2	109.1
Intangible fixed assets	211.8	209.9
Stock	144.8	149.9
Trade and other payables	(133.6)	(294.6)
Net cash and borrowing	(91.0)	119.8
Other	49.2	32.9
Net assets	279.4	327.0

Cashflow

Half year ended 31 st July (£m)	2011/12	2010/11
Cash outflow from operations	(32.2)	(7.0)
Working Capital Movements	(153.8)	(66.6)
Tax and interest	(7.7)	(10.5)
Cashflow generated from operations	(193.7)	(84.2)
Capital expenditure	(4.9)	(10.8)
Dividends paid	(13.4)	(13.5)
Other	101.7	71.3
Decrease in net cash	(110.3)	(37.1)
Average net debt	69.0	69.8

GAME Group stores

	31 July 2011	31 Jan 2011	Difference
UK	615	639	(24)
International	671	673	(2)
Stores – total	1,286	1,312	(26)
Franchises	1	1	(0)
Total outlets	1,287	1,313	(26)

- 20-25 further store closures in 2011
- Average lease length: 4.6 years
- 55% of UK leases break or expire in next 3 years

Financial Summary

- ▶ Strategy working well, notably preowned and digital
- ▶ Operating cost and working capital disciplines
- ▶ Appropriate level of capital expenditure and investment
- ▶ Store rationalisation on target

Ian Shepherd

Chief Executive



H1 Summary

▶ Trading

- Focus on our customers with strong mint and preowned deals
- Focus on our market position

▶ Operational readiness

- Positioning for tough trading conditions
- Focus on costs

▶ Strategy

- Building for success

Trading and operations: UK & Online

- | | |
|--------------------------|---|
| ▶ Market | <ul style="list-style-type: none">– Took share in H1– Lead share on product launches– Competitive bundles and software promotions |
| ▶ Loyalty | <ul style="list-style-type: none">– Higher frequency of contacts– More instantaneous promotions– Cleaned data and made it more usable |
| ▶ Value | <ul style="list-style-type: none">– Trade-in deals on launches– Expansion of preowned online |
| ▶ Costs | <ul style="list-style-type: none">– Store closures– Focus on headcount and store hours– Lower discretionary spend |
| ▶ Working capital | <ul style="list-style-type: none">– Reduced stock cover in stores |

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Trading and operations: International

▶ Market	<ul style="list-style-type: none">– Held share in Spain– New footprint in France and Australia– Maintained profile in Scandinavia and Czech
▶ Loyalty	<ul style="list-style-type: none">– Excellent card usage in Spain: 71%– Building base in France– Scheme relaunched in Australia
▶ Value	<ul style="list-style-type: none">– Customer '<i>bons plan</i>' in France– Preowned focus in all markets
▶ Costs	<ul style="list-style-type: none">– Portfolio review– Supply chain efficiencies
▶ Working capital	<ul style="list-style-type: none">– Reduced stock cover in stores

Strategy: Building for success

	Success	KPI
▶ Multi channel	<ul style="list-style-type: none">– New websites launched– Multi channel users increasing	<ul style="list-style-type: none">– Market share: 19%
▶ Right stores	<ul style="list-style-type: none">– Ongoing portfolio reduction	<ul style="list-style-type: none">– 26 stores closed
▶ Unique product range	<ul style="list-style-type: none">– Accelerating digital sales– Record number of exclusive products	<ul style="list-style-type: none">– Sales + over 40%– 18 Christmas exclusives
▶ Novel ways to buy	<ul style="list-style-type: none">– Ongoing preowned strength	<ul style="list-style-type: none">– Preowned sales £168.4m– Preowned margin: 39.8%
▶ Customer loyalty	<ul style="list-style-type: none">– Usage frequency increasing– More frequent and personalised customer contacts	<ul style="list-style-type: none">– 42% to 53%– 1m new members

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Strategy: More to do

	Next steps	Aim
▶ Multi channel	<ul style="list-style-type: none">– Join up all channels– Further market share gains	<ul style="list-style-type: none">– Triple market share in 3 years
▶ Right stores	<ul style="list-style-type: none">– Focus on sales conversions– Restyle stores	<ul style="list-style-type: none">– Increase conversion by 1% each year
▶ Unique product range	<ul style="list-style-type: none">– Grow digital sales further– Drive own brand sales	<ul style="list-style-type: none">– Develop market leading digital business– Double own brand in 3 years
▶ Novel ways to buy	<ul style="list-style-type: none">– Develop new digital payment methods	<ul style="list-style-type: none">– Increase number of customers using preowned & trade-in
▶ Customer loyalty	<ul style="list-style-type: none">– More proactivity– Increase super users	<ul style="list-style-type: none">– Use CRM to generate £100m revenue by 2013

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Video

2011 AAA releases



GAME EXCLUSIVE EDITION

26.08.11



GAME EXCLUSIVE EDITION

09.09.11



GAME EXCLUSIVE EDITION

09.09.11



GAME EXCLUSIVE EDITION

20.09.11



GAME EXCLUSIVE EDITION

23.09.11



GAME EXCLUSIVE EDITION

30.09.11



GAME EXCLUSIVE EDITION

07.10.11



GAME EXCLUSIVE EDITION

11.10.11



GAME EXCLUSIVE EDITION

14.10.11



GAME EXCLUSIVE EDITION

21.10.11



GAME EXCLUSIVE EDITION

21.10.11



GAME EXCLUSIVE EDITION

28.10.11



GAME EXCLUSIVE EDITION

02.11.11



GAME EXCLUSIVE EDITION

08.11.11



GAME EXCLUSIVE EDITION

11.11.11



GAME EXCLUSIVE EDITION

15.11.11



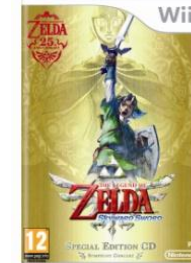
GAME EXCLUSIVE EDITION

18.11.11



GAME EXCLUSIVE EDITION

18.11.11



GAME EXCLUSIVE EDITION

18.11.11



GAME EXCLUSIVE EDITION

18.11.11



H2 Guidance and expectations

	Guidance	Expectation
▶ Revenues	0% to -3%	<ul style="list-style-type: none"> – AAA titles launch well – Customers return to High Street – GAME takes leading share using exclusives and trade-in promotions – Current trading: Group lfl -10.4%
▶ Gross Margins	-100bps	<ul style="list-style-type: none"> – Preowned, bundles and exclusives perform
▶ Costs	Down £6m to £9m	<ul style="list-style-type: none"> – Cost cutting initiatives are implemented
▶ Capex	£15m	<ul style="list-style-type: none"> – Capital expenditure control
▶ Strategy delivers	Strategic KPIs	<ul style="list-style-type: none"> – KPI's continue to improve

Summary and Outlook

- ▶ Positioned well for difficult market in H2
 - Hardware price cuts
 - Quality of software line-up
 - Strategic initiatives provide strength
 - Reduced costs

- ▶ Positioned well for longer term
 - Strategy delivering growth in key areas
 - Aggregation becoming increasingly important

Q&A

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