



THE GAME GROUP PLC

# Preliminary Results

Year to 31st January 2011



Ian Shepherd

Chief Executive

**GAME**

THE GAME GROUP PLC

# Agenda

- ▶ Financial performance
- ▶ Market overview
- ▶ Strategy and Update
- ▶ Current Trading and Outlook
- ▶ Q&A

Ben White

Group Finance Director

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# Income Statement

Year ended 31 <sup>st</sup> January (£m)	2010/11	2009/10
Turnover	1,625.0	1,772.4
Gross margin %	26.3%	27.8%
Operating expenses before non-recurring costs	(384.2)	(397.9)
Operating profit before non-recurring costs	43.2	94.8
Non-recurring costs	(14.7)	(6.2)
Operating profit	28.5	88.6
Net interest payable	(5.4)	(4.4)
Profit before tax	23.1	84.2
Profit before tax and non-recurring costs	37.8	90.4
EPS	4.51p	17.45p
EPS before non-recurring	8.75p	19.24p

# Turnover Analysis - Geographic

Year ended 31 <sup>st</sup> January (£m)	2010/11	2009/10
UK	935.3	1,072.7
France	163.4	187.3
Iberia	300.8	288.4
Scandinavia	49.0	50.0
Australia	71.6	69.7
Czech Republic	9.8	7.2
Total - International	594.6	602.6
Online	95.1	97.1
<b>Group Total</b>	<b>1,625.0</b>	<b>1,772.4</b>

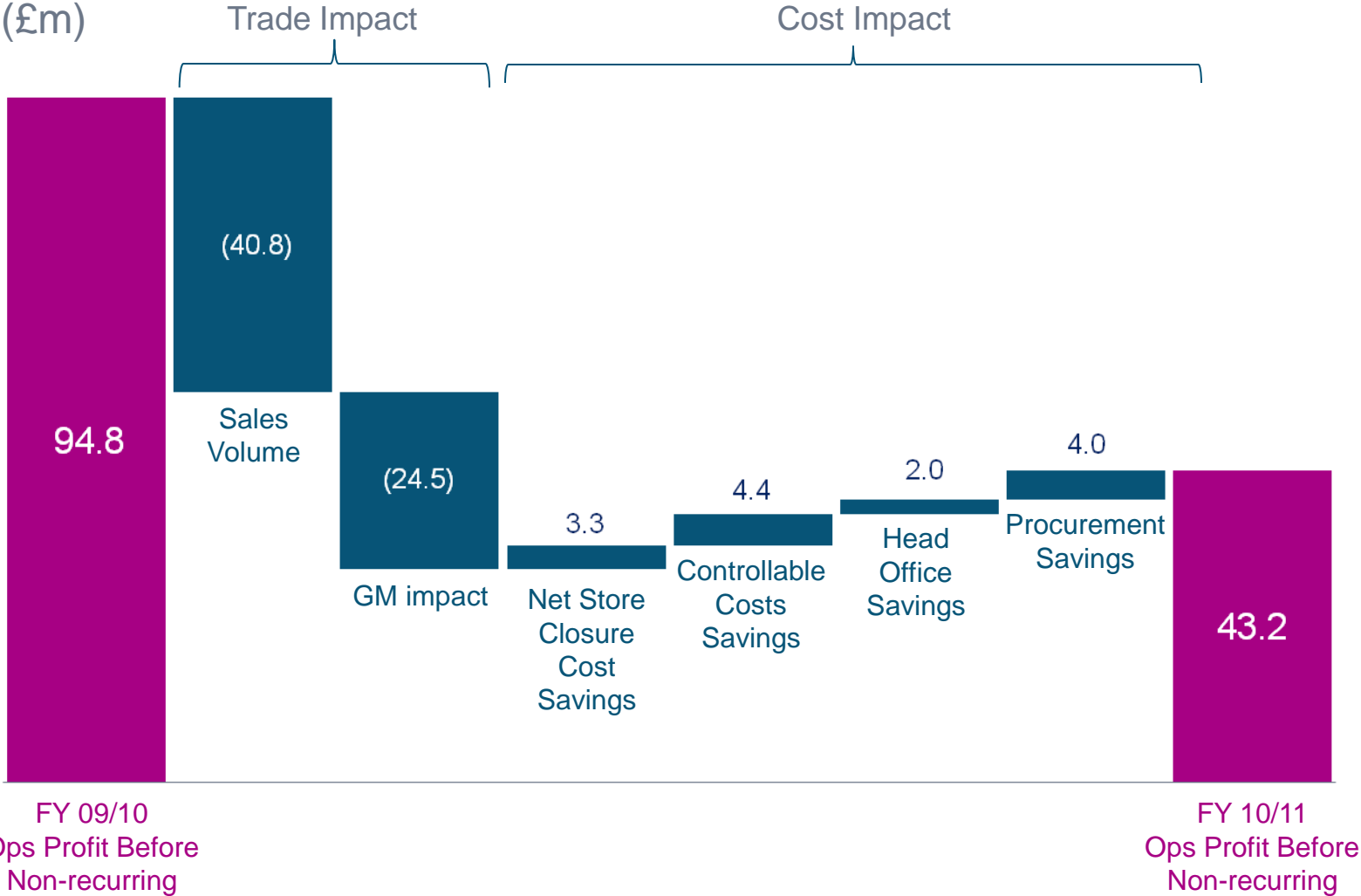
# Turnover and Margin Analysis - Product

Year ended 31 <sup>st</sup> January (£m)	2010/11		2009/10	
<b>Turnover</b>				
New hardware	330.4	20.3%	433.8	24.5%
New software	671.0	41.3%	730.8	41.2%
New hardware & software	1,001.4	61.6%	1,164.6	65.7%
Preowned	386.9	23.8%	374.5	21.1%
Peripheral and other	236.7	14.6%	233.3	13.2%
<b>Total</b>	<b>1,625.0</b>	<b>100.0%</b>	<b>1,772.4</b>	<b>100.0%</b>

## Gross Margin %

New hardware & software	19.9%	22.1%
Preowned	39.7%	41.7%
Peripheral and other	31.6%	34.0%
<b>Total</b>	<b>26.3%</b>	<b>27.8%</b>

# Operating Profit Bridge



# Income Statement Extract

Year ended 31 <sup>st</sup> January (£m)	2010/11	2009/10
Non-recurring costs	(14.7)	(6.2)
Net interest payable	(5.4)	(4.4)
Pre tax profit	23.1	84.2
Tax charge	(7.5)	(23.7)
Tax rate	32.3%	28.2%
Tax rate (underlying)	28.2%	28.2%
Dividend per share	5.78p	5.78p

# Balance Sheet

	As at 31 Jan 2011 £m	As at 31 Jan 2010 £m
Tangible fixed assets	109.1	128.6
Intangible fixed assets	209.9	212.7
Stock	149.9	176.0
Trade and other payables	(294.6)	(258.2)
Net cash and borrowing	119.8	44.9
Other	32.9	27.6
Net assets	327.0	331.6

# Cashflow

Year ended 31 <sup>st</sup> January (£m)	2010/11	2009/10
Cash inflow from operations	65.1	126.7
Working Capital Movements	66.3	(72.0)
Tax and interest	(20.0)	(41.6)
Cashflow generated from operations	111.4	13.1
Capital expenditure	(17.7)	(29.9)
Dividends paid	(20.1)	(19.4)
Other	(8.5)	(17.3)
Increase / (Decrease) in net cash	65.1	(53.5)
Average net debt	55.0	60.0

# New Treasury facilities

- ▶ £30m term loan and £130m RCF
- ▶ Three and a half year facility
- ▶ Syndicate of six banks, including existing lenders
- ▶ Cover working capital requirements
- ▶ Maintain financial flexibility for the future

# GAME Group stores

	31 Jan 2011	31 Jan 2010	Difference
UK	639	677	(38)
France	197	199	(2)
Iberia	287	283	4
Scandinavia	65	68	(3)
Czech Republic	31	29	2
Australia	93	118	(25)
Stores – total	1,312	1,374	(62)
Franchises	1	6	(5)
Total outlets	1,313	1,380	(67)

# Financial Summary

- ▶ Preowned, digital and own-label delivering good revenue performance
- ▶ Gross margin improvements in H2, particularly in preowned
- ▶ Operating cost and working capital disciplines
- ▶ Appropriate level of capital expenditure and investment
- ▶ Portfolio rationalisation delivering benefits
- ▶ Good cash generation and strong balance sheet

Ian Shepherd

Chief Executive



# Strengths we carry forward

- ▶ Strong balance sheet
- ▶ Growing preowned business
- ▶ Leading share on new product launches
- ▶ Ongoing digital growth

NINTENDO 3DS

Upplév 3D-effekter när som helst - var som helst!

3DS



Release mars

Anmäl ditt intresse\* redan idag!  
- skaffa GAME Bonuskort!



GAME NINTENDO 3DS

¡Reservalo ya!

25 Marzo 2011

Reserva Nintendo 3DS y tévete un Travel Pack de regalo  
Incluye: funda, Stylus, estuches, coscos, pinceles de pantalla y paño limpiador



Gratis

Protege de un golpe para Nintendo 3DS con funda en modo 2D  
Protege de rayos UV para Nintendo 3DS con pantalla en modo 3D  
Protege de rayos UV para Nintendo 3DS con pantalla en modo 3D  
Protege de rayos UV para Nintendo 3DS con pantalla en modo 3D

Reserva este producto y:  
- Participarás con él desde el primer día.  
- Evitarás la sorpresa de que se haya agotado.  
- No te preocuparás por su fecha de lanzamiento. Nosotros lo avisaremos.  
Las reservas se mantendrán hasta 5 días después de la fecha oficial de lanzamiento del producto

www.GAME.es  
GAME  
Tu especialidad en videojuegos

# MIDNIGHT LAUNCH!

Get yours from 00:01am TONIGHT at one of our Midnight stores!\*



PLAY IT IN-STORE NOW!

WIN YOUR NINTENDO 3DS!  
Come to one of our MIDNIGHT LAUNCHES and be in with a chance to walk away with your 3DS for FREE!

NINTENDO 3DS

only £114.99 WHEN YOU TRADE-IN A NINTENDO DSi XL\*  
PLUS EARN 3250XP WORTH £8.13 WHEN YOU TAKE UP THIS OFFER!

\*TO FIND YOUR NEAREST MIDNIGHT STORE GO TO WWW.GAMESTATION.CO.UK/3DS  
OVER 240 STORES NATIONWIDE 0871 594 0044  
gamestation

## Nintendo 3DS Bundle Deal



+



Also available in Cosmo Black

+

Choice of 1 Game



only \$399  
Save up to \$47.80



Out now

## Early Bird Trade-in offer



Half Price  
When you trade-in a Nintendo DSi XL + Any DS Mario Game



Released 25th March  
SRP £229.99

Trade-in console	You pay
Nintendo DSi XL	£124.99
Nintendo DSi	£154.99
Nintendo DS Lite	£189.99
Nintendo Wii (Black or Red)	£159.99
Nintendo Wii (White)	£179.99
PSP 3000	£179.99
PSP Slim & Lite	£184.99
PSP Base	£189.99
Xbox 360 Arcade	£179.99

Hurry! Trade-in prices guaranteed until 10th March when you pre-order a Nintendo 3DS

\*Proof of deposit is required for all trade-ins. All trade-ins must be completed by 10th March 2011.  
Trade-in value will be deducted from the trade-in order total you receive on your order. One can only trade-in any one console per trade-in. Trade-in must be working console and of satisfactory quality. Trade-in and cash prices are subject to change. Imported consoles/games are excluded from trade-in. In the event of a trade-in error, trade-in offer is open to members of the public only and GAME reserves the right to refuse any offer to anyone believed to be registering a trade-in. Terms and conditions apply.

NINTENDO 3DS

Découvrez la 3D sans lunettes



Du 25.03.11 au 12.04.11  
89.99€  
au lieu de 249.99€  
en revendant votre DSi XL + 2 jeux DS\*

PACK BIG BEN 4 ACCESSOIRES OFFERT !\*\*



Sortie le 25 mars 2011

En vente dans nos 200 magasins ou en ligne sur game.fr

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Jeux vidéo • Neuf & Occasion

# Group overview

## Lead markets

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- UK
  - Held market share
- Iberia
  - Strong stores
  - Lead partner for suppliers

## Smaller markets

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- Scandinavia
  - Right proposition
- Czech Republic
  - Operating well using minimum resources

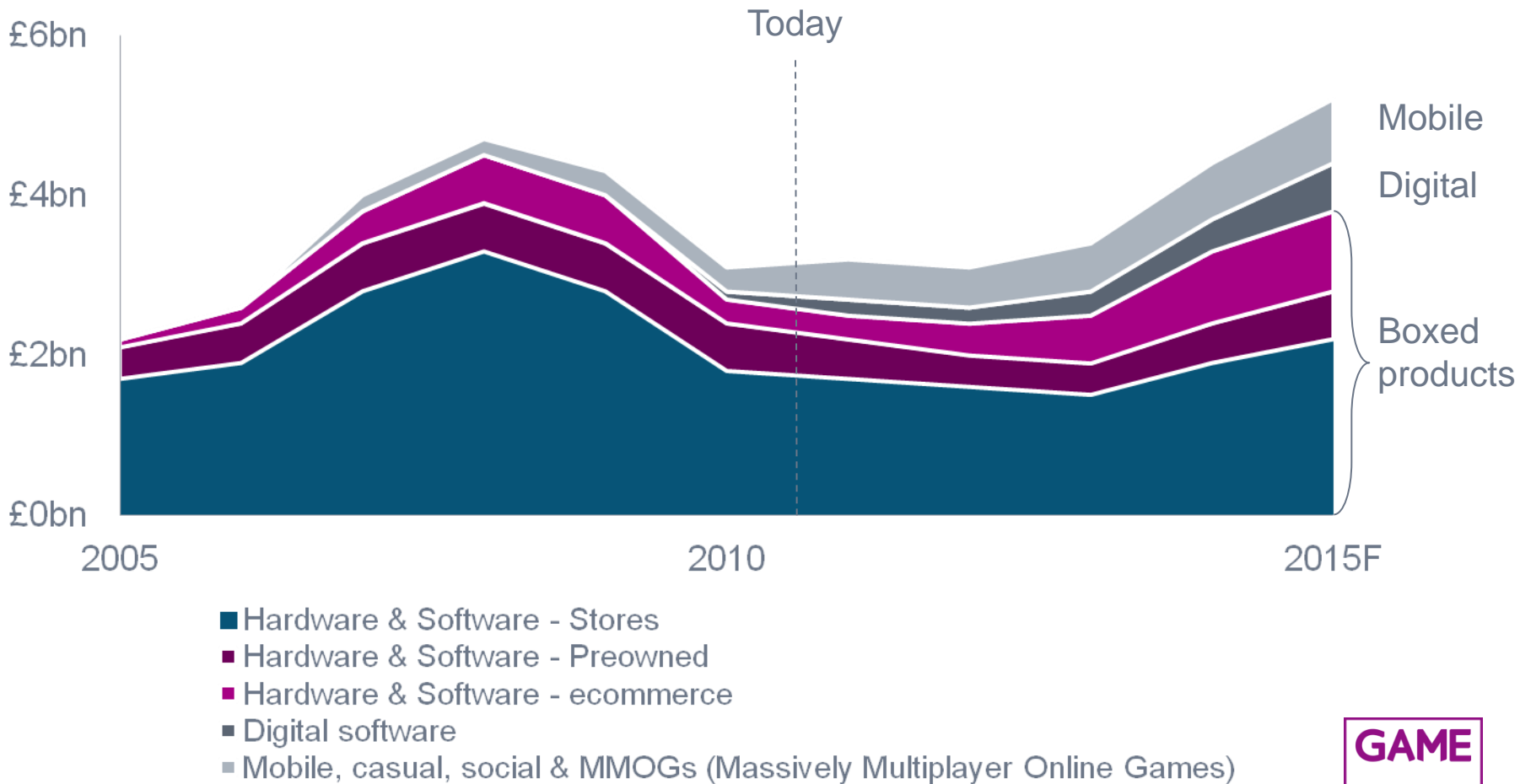
## Improving markets

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- France
  - Recognised need for change
- Australia
  - Achieved cash break-even
  - Key Group strengths an integral part of turnaround

# Overall market

## UK Market



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



# 'Dedicated to Gaming'

A multichannel specialist...

...with the right stores to enhance customers' experiences...

...selling a unique range of products...

...offering novel ways to buy...

...built around customer relationships.



# Multichannel specialist

Aim: To be gamers' first choice in all channels

How:

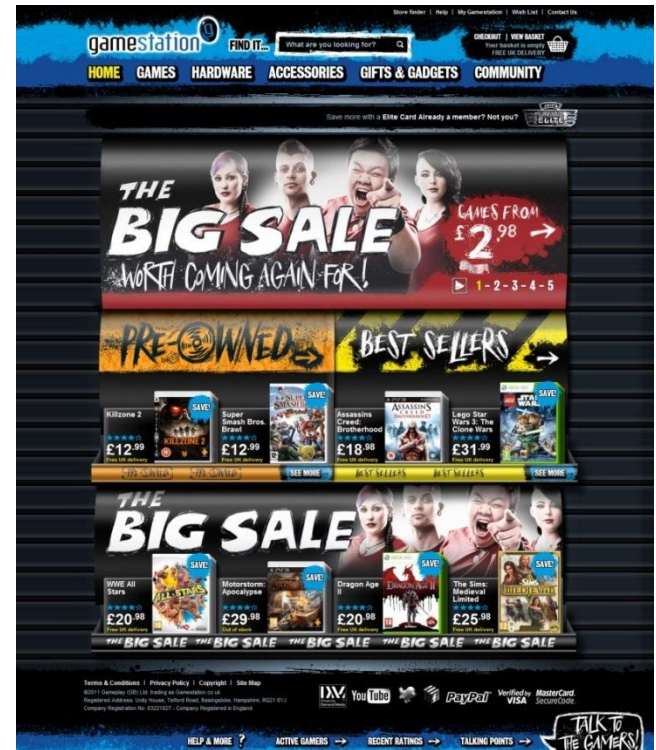
- ▶ Build the most compelling web offer
- ▶ Create a truly joined-up multichannel offer
- ▶ Invest in the mobile and digital future

Activity:

- ▶ New websites
- ▶ Strengthened web campaigns

Progress:

- ▶ UK online share since February: up 5% to 18%
- ▶ Q1 online revenues: Group lfl +2%



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# Right stores

Aim: **Use stores as the hub of our multichannel offer**

## How:

- ▶ Appropriate portfolio
- ▶ Invest in customer experience
- ▶ Use new technology to bring services to life

## Activities:

- ▶ Closed 67 stores in 2010/11
- ▶ New technology trial in 25 locations, including tablets
- ▶ Continued training and operational actions to drive conversion

## Progress:

- ▶ Portfolio: closed 15 UK stores in Q1 2011
- ▶ Footfall Conversion: continued strong performance



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# Unique product range

Aim: **Sell products customers can't buy elsewhere**

How:

- ▶ Drive own-label and licensed product business
- ▶ Increase Group and local market exclusives

Activities:

- ▶ Continued to have market leading exclusives
- ▶ Digital gaming offer in all territories
- ▶ Entire own-label range moved to direct import

Progress:

- ▶ Digital sales: +28%



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# New ways to buy

Aim: **New models of game ownership and payment**

How:

- ▶ Continue to expand preowned
- ▶ Loyalty points as currency

Activities:

- ▶ Preowned 23.8% of revenues for 2010/11
- ▶ Margins improving
- ▶ Ongoing initiatives to create new payment models

Progress:

- ▶ Preowned revenues: 29.1% of sales
- ▶ Preowned margin: 41.0%



# Strong customer relationships

Aim: **Have a direct relationship with every customer**

How:

- ▶ Expand our Reward & Elite Card user bases
- ▶ Create a step change in card usage
- ▶ Use tailored and personalised communications

Activities:

- ▶ Tailored communications increased by 230%
- ▶ Single view of customer across all channels
- ▶ GameFest scheduled for September 2011

Progress:

- ▶ Card members: up 180k in Q1 to 17 million

**Sign up & SAVE**

**GAME**  
START HERE

REWARD 0123 4567 8901 2

**What do you get?**

- Double your points when you purchase and play up any up-and-coming games
- Bonus Points promotions on selected titles to save and make so you can really rack up those points
- Will send you exclusive Reward Card mailings offering you extra points on games we know you'll be interested in
- Take advantage of our online click-and-collect service, exclusively available to REWARD members

**What you should do next...**

- 1 Sign up for a GAME Reward Card
- 2 Link your REWARD card online at [game.co.uk/reward](#)
- 3 Download our iPhone App

**What are points worth?**

**500 POINTS = £1.25 TO SPEND**

Value of Reward Card points may vary from other retailers.

Follow us on

**GAME**  
START HERE

**ENLIST FOR FREE TODAY**

**gamestation ELITE**

**WHO GAMES WINS**

**THE ULTIMATE GAMERS REWARD CARD!**

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# Current trading

- ▶ Group lfl: -12.1%
- ▶ UK lfl in stores: -12.4%
- ▶ International stores lfl: -14.2%
- ▶ Group online lfl: +2.1%

# Summary and Outlook

- ▶ Reaffirming guidance
- ▶ Tough market
  - Further news at E3
- ▶ Strong business
  - Market leading preowned offer
  - Strong customer relationships based on loyalty card
  - Focus on costs and cash
- ▶ Change is crucial
  - Strategy will drive greater market out-performance
  - More to do

# Appendix

# Turnover and Margin Analysis - Product

Year ended 31 <sup>st</sup> January (£m)	2011				2010			
	FY	FY	HY	HY	FY	FY	HY	HY
Turnover								
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Preowned	386.9	23.8%	171.5	27.5%	374.5	21.1%	177.3	25.7%
Peripheral and other	236.7	14.6%	88.1	14.1%	233.3	13.2%	84.0	12.2%
<b>Total</b>	<b>1,625.0</b>	<b>100.0%</b>	624.5	100.0	<b>1,772.4</b>	<b>100.0%</b>	690.8	100.0%

## Gross Margin %

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Peripheral and other	<b>31.6%</b>	28.6%	<b>34.0%</b>	29.6%
<b>Total</b>	<b>26.3%</b>	26.0%	<b>27.8%</b>	28.9%

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# 2011 New release schedule

Format	Title	Publisher	Release
XB360, PS3, PC	Brink	Zenimax	13-May-11
XB360, PS3, PC, Wii, 3DS, DS, PSP	Lego Pirates of the Caribbean	Disney	13-May-11
XB360, PS3	L. A. Noire	Take 2	20-May-11
XB360, PS3, PC	F.E.A.R.	Warner	27-May-11
XB360, PS3, PC	Red Faction: Armageddon	THQ	03-Jun-11
XB360, PS3, PC	Duke Nukem Forever	Take 2	10-Jun-11
PS3	Infamous 2	Sony	10-Jun-11
XB360, PS3, PC	Dungeon Siege 3	Square Enix	17-Jun-11
XB360, PS3, PC	Deus Ex: Human Revolution	Square Enix	26-Aug-11
XB360	Gears of War 3	Microsoft	20-Sep-11
XB360, PS3, PC	Dead Island	Koch	Sep-11
XB360, PS3, PC	Batman Arkham City	Warner	21-Oct-11
PS3	Uncharted 3: Drakes Deception	Sony	01-Nov-11
XB360, PS3, PC	The Elder Scrolls V: Skyrim	Zenimax	11-Nov-11