



Carpetright plc Interim results

Half year ended
26 October 2013

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- Introduction
Lord Harris
Executive Chairman
- Financial Review
Neil Page
Group Finance Director
- Group Overview
Lord Harris
Executive Chairman
- Questions & Answers

Neil Page

Group Finance Director

Group performance - highlights

£m	26 weeks to 26 Oct 2013	26 weeks to 27 Oct 2012	Change
Revenue	222.2	227.2	(2.2%)
Underlying operating profit ¹	4.1	5.4	(24.1%)
Net finance costs	(1.1)	(0.9)	(22.2%)
Underlying profit before tax ¹	3.0	4.5	(33.3%)
Exceptional items	(1.1)	(12.4)	
Statutory profit/(loss) before tax	1.9	(7.9)	
Net debt	(14.3)	(16.3)	Down £2.0m
Underlying EPS (pence) ¹	3.2p	3.8p	
Basic EPS (pence)	2.8p	(9.5p)	
Interim dividend per share (pence)	Nil	Nil	

1) 'Underlying' excludes exceptional items

£m	26 weeks to 26 Oct 2013	26 weeks to 27 Oct 2012	Change
Revenue	185.0	189.1	(2.2%)
Like-for-like sales ¹	(0.8%)	0.7%	
Gross profit	116.6	116.6	0.0%
Gross profit %	63.1%	61.7%	1.4ppts
Costs	(111.1)	(111.4)	0.3%
Underlying operating profit ²	5.5	5.2	5.8%
Underlying operating profit % ²	3.0%	2.7%	

“Growth in underlying operating profit supported by 140 basis point improvement in gross profit.”

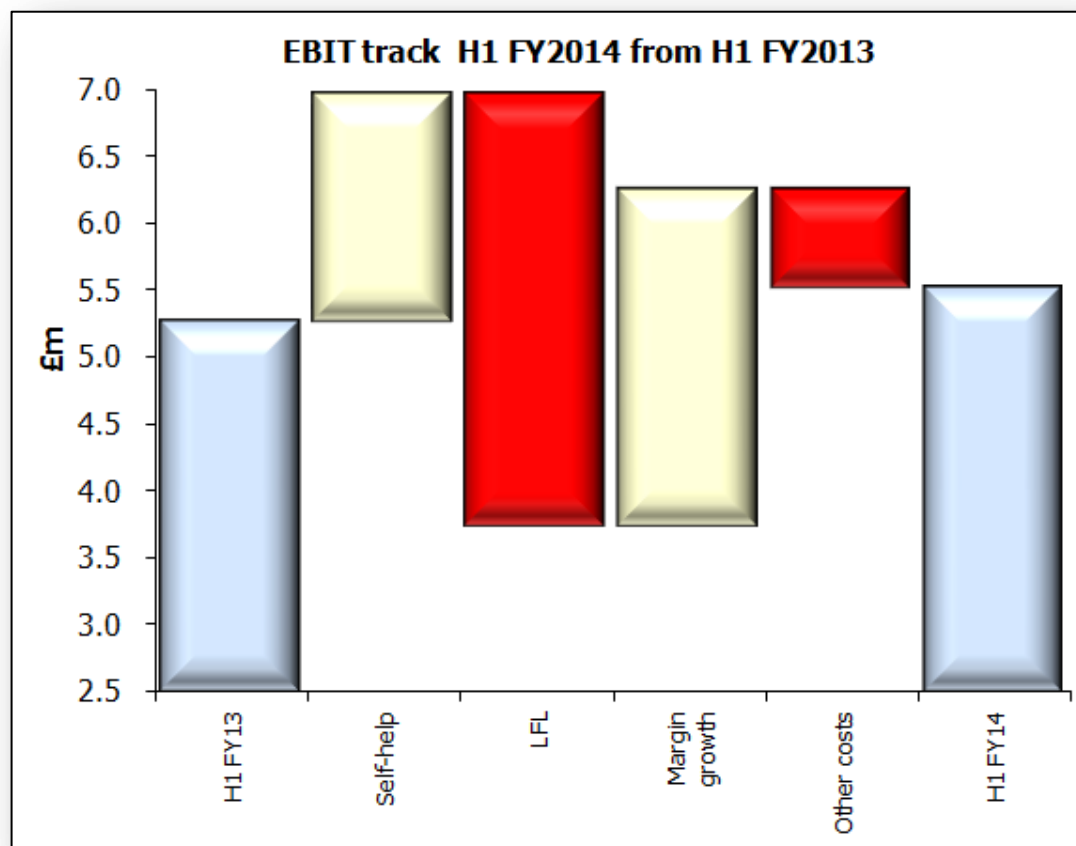
1) Like-for-like - calculated for all stores that are at least 12 months old at the beginning of the financial year. Stores closed during the year excluded from both years. No account taken of changes to store size or profile, or the introduction of third party concessions.

2) ‘Underlying’ excludes exceptional items

Year on year growth %	H1 2013	H2 2013	H1 2014
Core retail	0.7%	1.1%	(2.9%)
Self-help	2.3%	3.6%	2.9%
Retail like-for-like¹	3.0%	4.7%	0.0%
Wholesale ²	(2.3%)	(1.1%)	(0.8%)
Total like-for-like	0.7%	3.6%	(0.8%)
Non like-for-like estate	(2.3%)	(2.0%)	(1.4%)
Total sales growth	(1.6%)	1.6%	(2.2%)

“Self-help initiatives continuing to show growth against a backdrop of volatile trading conditions”

- 1) Like-for-like - calculated for all stores that are at least 12 months old at the beginning of the financial year. Stores closed during the year excluded from both years. No account taken of changes to store size or profile, or the introduction of third party concessions.
- 2) Wholesale comprises sales from both insurance replacement and house builders.



- Modernised stores, new ranges and beds have driven incremental sales
- Portfolio changes have reduced net costs
- Like-for-like impacted by weak underlying market
- 140 basis point improvement in gross profit rate a result of more structured promotional planning and improved sourcing

£m	26 weeks to 26 Oct 2013	26 weeks to 27 Oct 2012	Change (Reported)	Change (Local Currency)
Revenue	37.2	38.1	(2.4%)	(8.4%)
Like-for-like sales ¹	(8.6%)	(10.1%)		
Gross profit	21.5	21.7	(0.9%)	(7.0%)
Gross profit %	57.8%	57.0%	0.8ppts	
Costs	(22.9)	(21.5)	(6.5%)	(0.1%)
Underlying operating profit/(loss) ²	(1.4)	0.2		
Underlying operating profit/(loss) % ²	(3.8%)	0.5%		

“Key driver being weak trading conditions in the Netherlands”

1) Like-for-like - calculated for all stores that are at least 12 months old at the beginning of the financial year. Stores closed during the year excluded from both years. No account taken of changes to store size or profile, or the introduction of third party concessions.

2) ‘Underlying’ excludes exceptional items

Net finance charges

- Average net debt of £19.1m (H1 FY13: £25.8m)
- Underlying net finance charges £1.1m (H1 FY13: £0.9m)

Group taxation

- Effective tax rate 0.5% (Actual FY13: 29.3%)
- Fall largely a result of reduction in enacted tax rates reducing deferred tax liabilities
- Underlying rate is 28.8% (FY13 31.3%)

£m (Charge)/Gain	26 weeks to 26 Oct 2013	26 weeks to 27 Oct 2012
Loss on disposal of properties	(1.1)	(1.2)
Onerous lease charge	-	(6.5)
Impairment charge - Store assets	-	(0.4)
Impairment charge - Freehold properties	-	(4.3)
Total	(1.1)	(12.4)

“Loss on disposal of properties principally the result of surrender premiums paid to exit loss making locations”

£m	26 weeks to 26 Oct 2013	26 weeks to 27 Oct 2012
Capital expenditure - Refurbishments & Beds	(4.6)	(4.1)
Capital expenditure - New stores	-	(0.9)
Gross capital expenditure	(4.6)	(5.0)
Proceeds from freehold property disposals	0.4	4.0
Net capital expenditure	(4.2)	(1.0)

“Capex focused on refurbishment programme”

Group - Summary cash flow

£m	26 weeks to 26 Oct 2013	26 weeks to 27 Oct 2012
Underlying operating profit	4.1	5.4
Depreciation and other non-cash items	7.1	7.1
(Increase)/Decrease in stock	0.5	(2.0)
(Increase)/Decrease in working capital	(8.4)	(3.4)
Provisions paid	(1.8)	(1.5)
Post-employment benefits paid	(0.4)	(0.4)
Operating cash flow	1.1	5.2
Net interest paid	(0.8)	(0.9)
Corporation tax paid	(0.3)	(0.9)
Net capital expenditure	(4.2)	(1.0)
Free cash flow	(4.2)	2.4
Other movements, inc Fx	0.1	0.4
Movement in net debt	(4.1)	2.8
Opening net debt	(10.2)	(19.1)
Closing net debt	(14.3)	(16.3)

Group - Summary balance sheet

£m	26 Oct 2013	27 April 2013	Change
Freehold and long leasehold property	74.4	75.0	(0.6)
Other non current assets	117.3	118.0	(0.7)
Stock	37.1	37.6	(0.5)
Other working capital	27.8	19.8	8.0
Creditors <1 yr	(107.0)	(103.2)	(3.8)
Creditors >1 yr	(62.7)	(66.6)	3.9
Net debt	(14.3)	(10.2)	(4.1)
Pension deficit	(4.7)	(5.1)	0.4
Net Assets	67.9	65.3	2.6

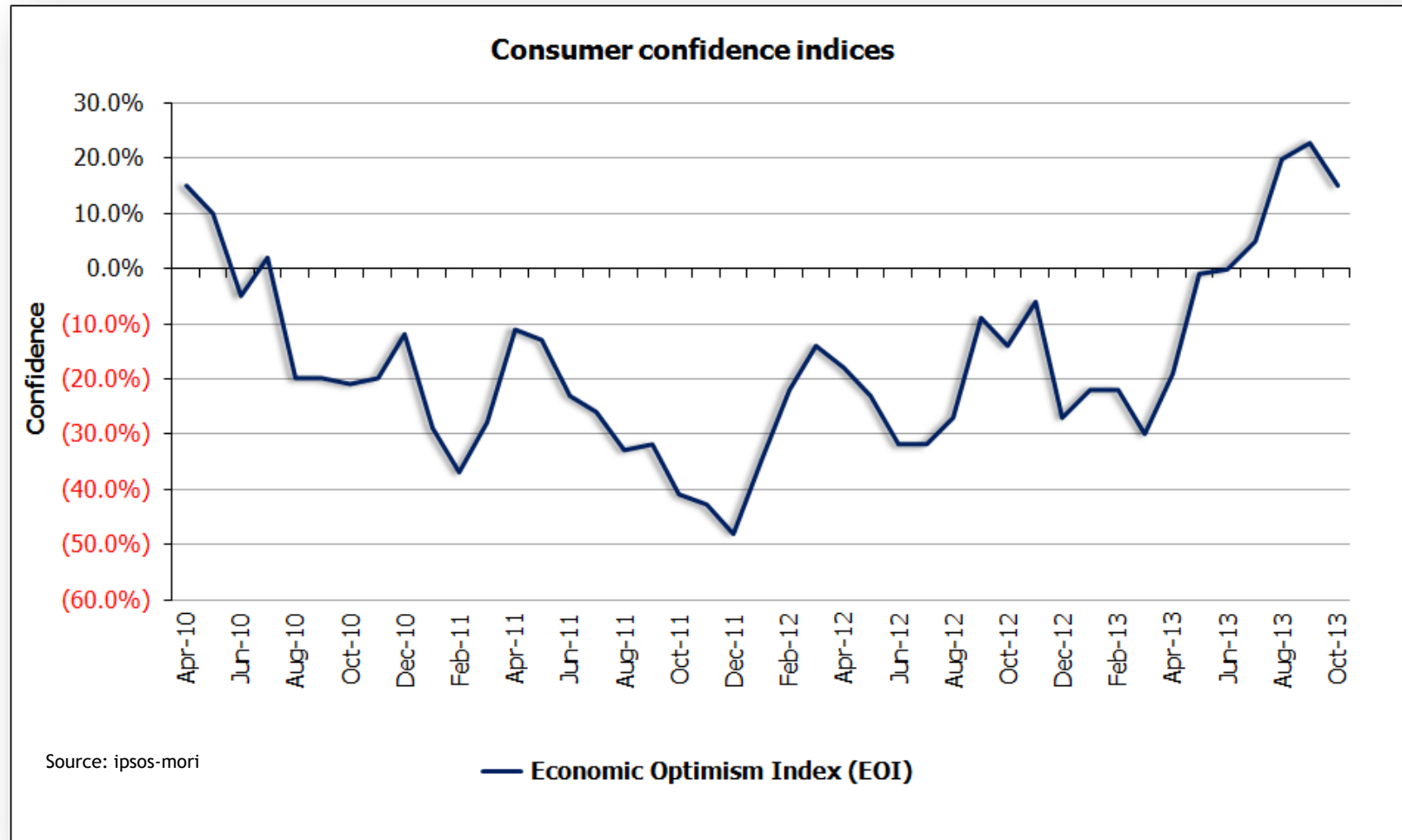
- Movement in Freehold and long leasehold property predominantly reflects disposal of one freehold
- The freehold portfolio is estimated to have a market value of £79.2m compared to a net book value of £74.4m
- Net debt of £14.3m, total facilities of £62.0m through to July 2015

UK

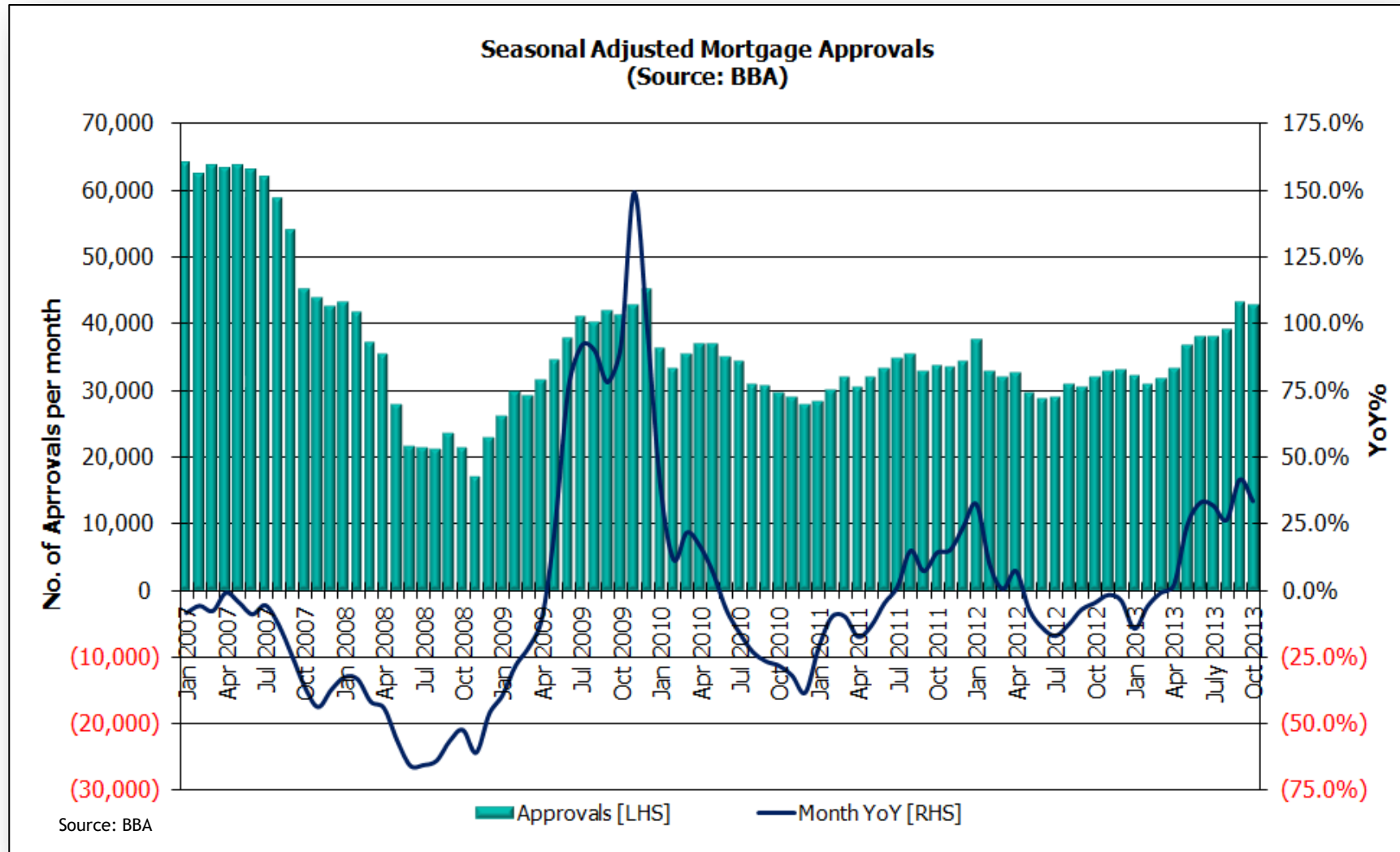
- Self-help measures continue to show growth against a backdrop of volatile trading conditions
- Improvement in UK profit achieved through margin growth and cost control
- Capital spend focused on refurbishments, delivering sales and profit growth

Europe

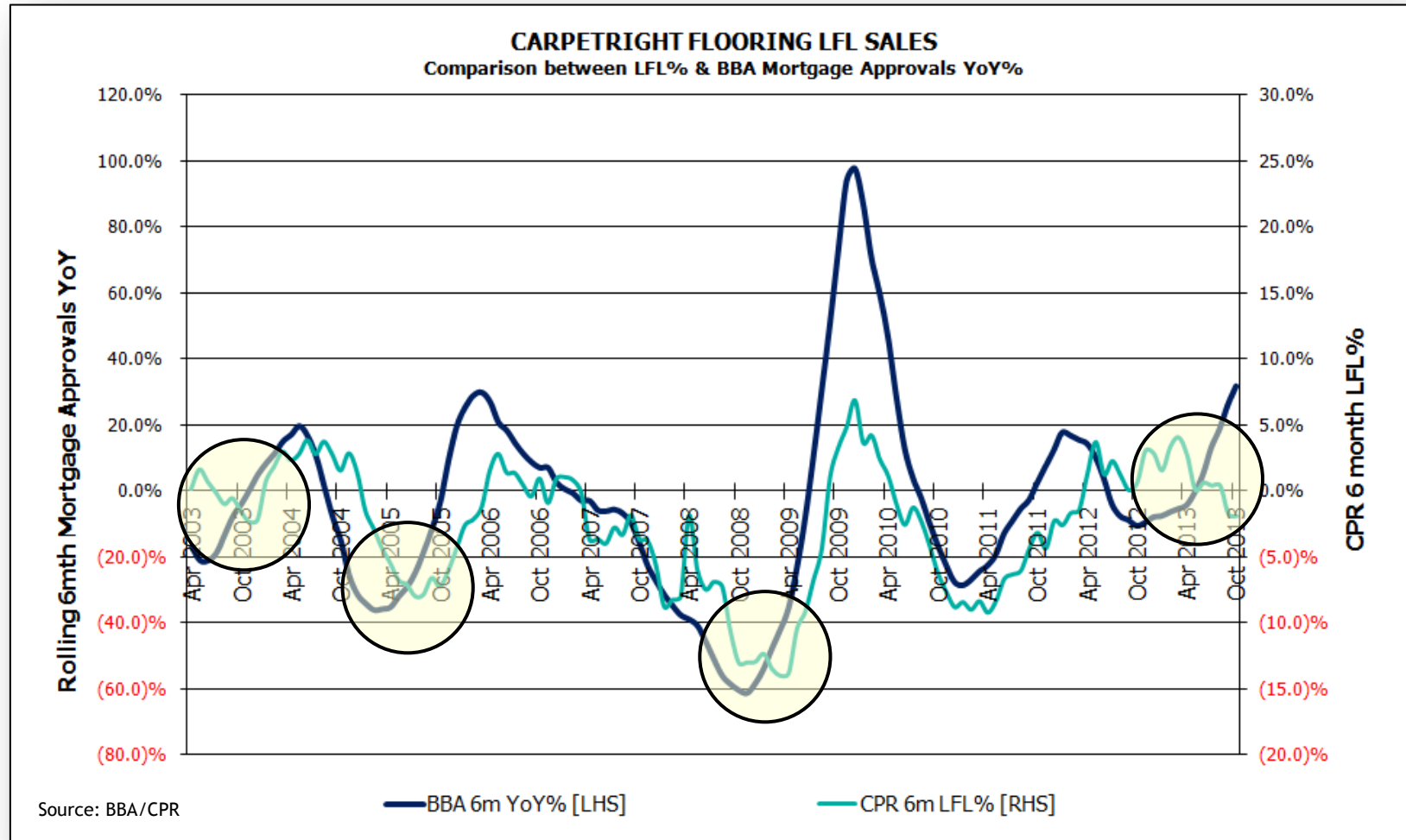
- Reduced losses in Republic of Ireland
- Weak demand in the Netherlands leads to losses in first half, but remains cash generative



- Consumer confidence index moves positive
- July 2013 first positive survey since July 2010



- Encouraging signs from low base



- Volatility in trading has disrupted the normal correlation between Carpetright flooring sales and mortgage approvals but follows historical patterns
- UK mortgage approvals continue to show encouraging signs of improvement

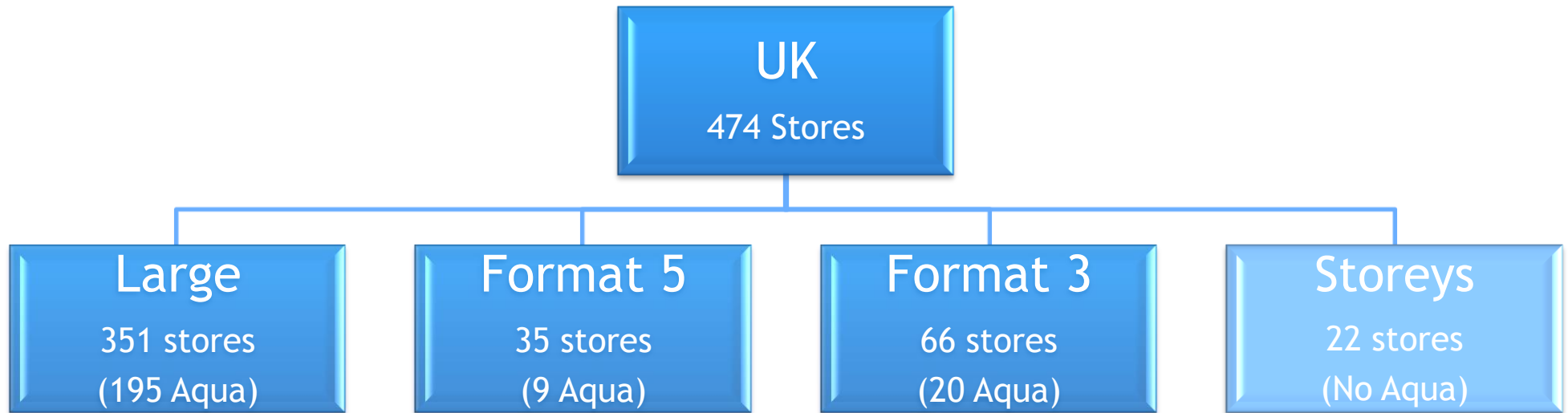
Lord Harris

Executive Chairman

- Adjusting the store portfolio
- Modernising the estate
- Developing our bed proposition
- Optimising digital as part of a multi-channel offering

UK	Stores	Sq ft 000s
Stores at 27 April 2013	478	4,154
New stores	7	63
Closures	(11)	(117)
Stores at 26 October 2013	474	4,100
<i>Stores at 27 October 2012</i>	<i>480</i>	<i>4,198</i>

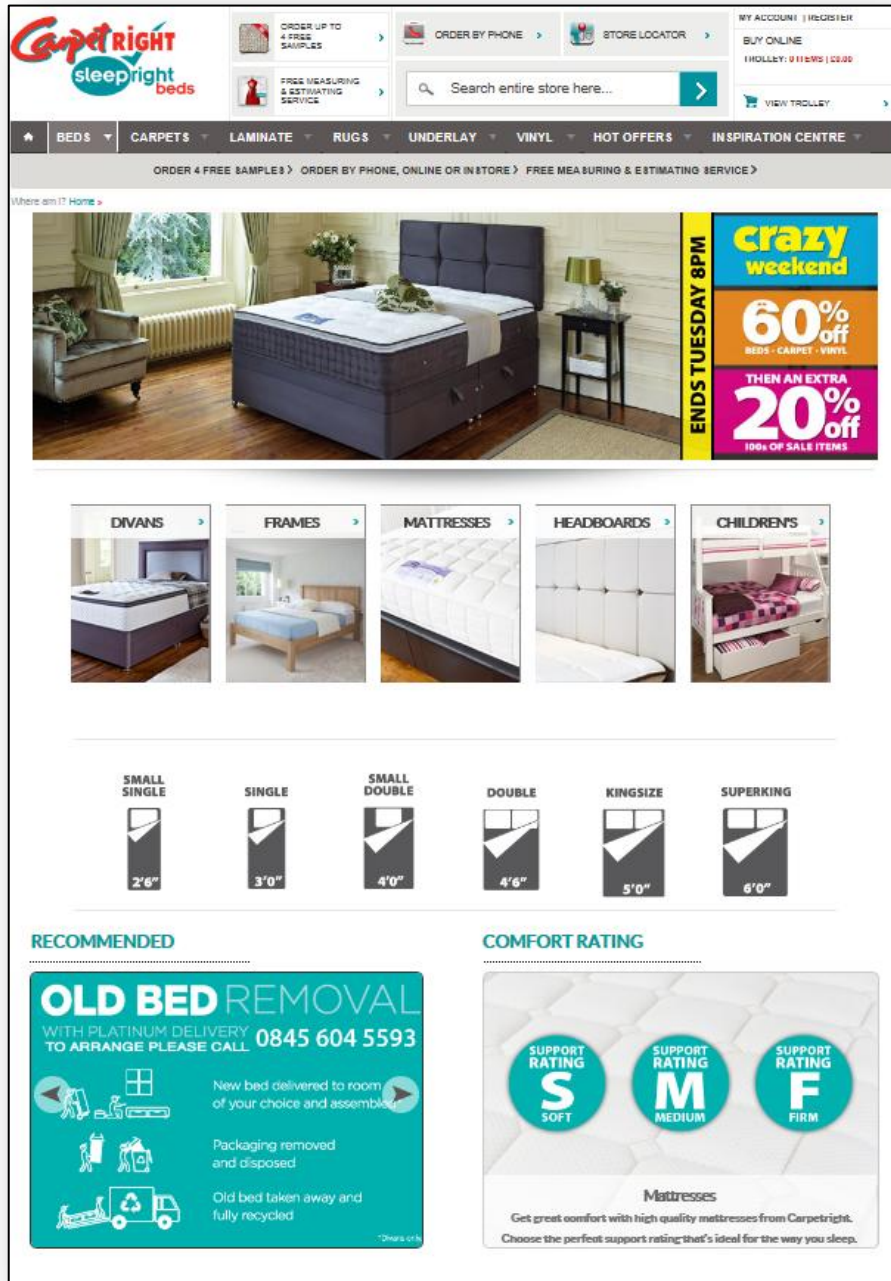
- Achieving average rent reductions of over 10% at lease renewal
- 20% lease renewals in next five years provides opportunity to reshape portfolio and reduce costs
- Consumer shift to 'Do it For Me' provides opportunity for smaller footprint stores
- Catchment analysis continues to support portfolio adjustments



- 47% of UK estate modernised to date
- 45 refurbishments planned for second half
- 57% of UK estate completed by year end

- Beds available in 263 stores in UK:
 - 7.1% of sales mix (H1 FY13: 6.6%)
 - 10.1% of sales in stores where available
- Building customer awareness
 - Improve look & feel in-store
 - More top brands
 - Investment in marketing





- UK website an important pre-purchase research tool
 - 98,000 unique visitors per week in H1
 - Sample requests growth over 20%
 - Appointments up 40% year on year
- Multi channel sales equivalent to top 20 store and growing strongly
- Upgraded bed site launched in September 2013



- Modernisation
 - Six locations in 'Aqua' format, positive initial results
 - 'Sample only' format in five locations, reducing property costs and stockholding
- Profit recovery
 - Improved product sourcing
 - Reduce store footprint and occupancy costs
 - Reduce overhead costs
 - Developing range
 - Trial of beds continues, now in six locations
 - Reduced stock holding
- New website
 - Launching January 2014
- Netherlands business unit remains cash generative

- Cautious optimism on UK economy as we move into a new calendar year
- Tough trading conditions continue in the Netherlands
- Expect that combination of self-help initiatives will underpin an improvement in Group performance in the second half
- Our expectations for the year as a whole remain unchanged

Questions & Answers

Calendar

- *Quarter 3 Interim Management Statement Tuesday 28 January 2014*
- *Second half pre-close announcement Tuesday 22 April 2014*
- *Year ends Saturday 26 April 2014*

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