



Investor pack, October/November 2014

Home Retail Group stock tickers: HOME LN – HOME.L – HMRTY (ADRs)



Half-year results
26 weeks to 30 August 2014

22 October 2014



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Agenda

- ▶ **John Walden**
 - Introduction

- ▶ **Richard Ashton**
 - Group financial review

- ▶ **John Walden**
 - Update on Argos
 - Update on Homebase

- ▶ **Q&A**



Richard Ashton
Finance Director



Argos – financial performance

▶ Sales up 3.0% to £1,769m

- 2.9% LFL; growth in both electrical and seasonal products offset small declines in furniture, homewares and jewellery
- 0.1% net space; net 13 stores opened increasing the portfolio to 747

▶ Gross margin rate flat

- Adverse sales mix impact offset principally by a reduced level of promotional sales

▶ Total costs increased by 3% or £14m

- Sales increased by 3%
- Underlying cost inflation of 2%
- Cost productivity of 2%

▶ Operating profit up 57% to £12.0m



Homebase – financial performance

▶ Sales up 1.5% to £835m

- 4.1% LFL; seasonal products performed strongly, particularly in 1Q, benefitting from good weather; growth in sales of big ticket; sales across remaining categories were broadly flat
- (2.6%) net space; a net 7 store closures reducing the store portfolio to 316

▶ Gross margin rate down c.75 basis points

- Adverse sales mix impact
- Adverse impact of increased stock clearance relating to store closures

▶ Total costs unchanged

- Sales increased by 2%
- Underlying cost inflation of 1%
- Cost productivity of 3%

▶ Operating profit up 2% to £27.8m



Financial Services – financial performance

- ▶ Credit sales increased by 7% to £321m
- ▶ Delinquency rate (30+ days) reduced by 60bps
- ▶ Operating profit of £3.1m
- ▶ Loan book receivables increased by £46m to £516m since H1 last year
- ▶ Loan book asset fully funded from internal cash generation with no third party financing



Benchmark operating profit

FY 14	£m	H1 15	H1 14	Change
112.3	Argos	12.0	7.7	57%
18.9	Homebase	27.8	27.2	2%
6.0	Financial Services	3.1	3.1	0%
(24.2)	Central Activities	(13.0)	(11.6)	(12%)
113.0	Benchmark operating profit	29.9	26.4	13%
	% sales			
2.8%	Argos	0.7%	0.4%	
1.3%	Homebase	3.3%	3.3%	
2.0%	Total Home Retail Group	1.1%	1.0%	



Income statement

FY 14	£m	H1 15	H1 14	Change
5,663.0	Revenue	2,668.6	2,596.2	3%
(3,628.7)	Cost of goods	(1,687.9)	(1,634.1)	
2,034.3	Gross margin	980.7	962.1	2%
(1,921.3)	Operating and distribution costs	(950.8)	(935.7)	
113.0	Benchmark operating profit	29.9	26.4	13%
2.4	Net interest income	1.0	1.0	
115.4	Benchmark PBT	30.9	27.4	13%
% sales				
35.9%	Gross margin	36.7%	37.0%	
(33.9%)	Operating and distribution costs	(35.6%)	(36.0%)	
2.0%	Benchmark operating profit	1.1%	1.0%	



Income statement

FY 14	£m	H1 15	H1 14	Change
115.4	Benchmark PBT	30.9	27.4	13%
(1.8)	Amortisation of acquisition intangibles	(0.9)	(0.9)	
(1.9)	Retirement benefit scheme administration costs	(0.7)	(1.0)	
2.1	Adjustments in respect of store impairment and property provisions	0.7	5.4	
(41.4)	Exceptional items	(11.8)	(12.6)	
9.0	Financing fair value remeasurements	0.3	1.2	
(3.3)	Financing impact on retirement benefit obligations	(1.6)	(1.8)	
(6.9)	Discount unwind on non-benchmark items	(3.4)	(3.5)	
71.2	Profit before tax	13.5	14.2	
(32.5)	Taxation on benchmark PBT	(7.9)	(7.8)	(1%)
15.3	Other taxation	3.9	6.1	
54.0	Profit for the period	9.5	12.5	
28.2%	Benchmark PBT - tax rate	25.5%	28.5%	
10.4p	Basic benchmark EPS	3.0p	2.5p	20%
795.0m	Weighted average ordinary shares for basic EPS	773.1m	800.0m	
3.3p	Dividend per share	1.0p	1.0p	0%



Balance sheet

£m	30 Aug 2014	1 Mar 2014	31 Aug 2013	Change vs 1 Mar 14	Change vs 31 Aug 13
Goodwill	1,543.9	1,543.9	1,543.9	-	-
PPE & other intangibles	655.1	650.3	613.0	4.8	42.1
Inventories	930.1	902.4	965.3	27.7	(35.2)
Financial Services loan book	516.2	524.1	469.7	(7.9)	46.5
Other assets	187.4	199.7	197.1	(12.3)	(9.7)
Invested capital assets	3,832.7	3,820.4	3,789.0	12.3	43.7
Trade & other payables	(1,252.2)	(1,162.7)	(1,243.9)	(89.5)	(8.3)
Provisions	(227.6)	(236.1)	(213.6)	8.5	(14.0)
Invested capital liabilities	(1,479.8)	(1,398.8)	(1,457.5)	(81.0)	(22.3)
INVESTED CAPITAL	2,352.9	2,421.6	2,331.5	(68.7)	21.4
Retirement benefit obligations	(104.9)	(76.6)	(84.7)	(28.3)	(20.2)
Net tax assets	38.4	33.0	28.9	5.4	9.5
Forward foreign exchange contracts	(0.6)	(35.5)	(0.4)	34.9	(0.2)
Net cash	333.1	331.0	412.2	2.1	(79.1)
NET ASSETS	2,618.9	2,673.5	2,687.5	(54.6)	(68.6)
TOTAL LEASE COMMITMENTS	2,502	2,627	2,803	(125)	(301)



Cash flow statement

FY 14	£m	H1 15	H1 14
113.0	Benchmark operating profit	29.9	26.4
(41.4)	Exceptional items within operating profit	(11.8)	(12.6)
(1.9)	Retirement benefit scheme administration costs	(0.7)	(1.0)
(1.8)	Amortisation of acquisition intangibles	(0.9)	(0.9)
2.1	Adjustments in respect of store impairment and property provisions	0.7	5.4
70.0	Statutory operating profit	17.2	17.3
129.5	Depreciation and amortisation	66.8	65.7
18.4	Movement in trade working capital	69.8	42.8
(49.4)	Movement in Financial Services loan book	7.9	5.0
3.3	Financing costs charged to Financial Services	1.7	1.5
(28.2)	Cash flow impact of restructuring	(13.0)	(1.9)
(22.0)	Pension scheme deficit recovery payments	(11.0)	(11.0)
39.4	Other operating items	7.5	1.5
<u>161.0</u>	Cash flows from operating activities	<u>146.9</u>	<u>120.9</u>



Cash flow statement

FY 14	£m	HY 15	HY 14
161.0	Cash flows from operating activities	146.9	120.9
(173.1)	Net capital expenditure	(71.7)	(74.8)
(17.6)	Taxation	(6.0)	(11.1)
0.6	Net interest	0.3	0.5
25.2	Other investments	-	10.9
(3.9)	Cash inflow before financing activities	69.5	46.4
(23.9)	Dividends paid	(17.8)	(16.0)
(37.1)	Purchase of own shares for Employee Share Trust	(49.7)	(14.1)
(64.9)	Change in cash and cash equivalents	2.0	16.3
(0.1)	Effect of foreign exchange rate changes	0.1	(0.1)
(65.0)	Change in financing net cash	2.1	16.2
396.0	Opening financing net cash	331.0	396.0
331.0	Closing financing net cash	333.1	412.2



FY15 modelling assumptions – P&L

	Argos	Homebase
Net store number change	c.20	c.(30)
Net space change	c.0%	c.(3%)
Gross margin rate movement	c.0bps	c.(100bps)

- ▶ Absolute level of costs expected to increase by c.£20m (FY14: £13m increase)
- ▶ Effective tax rate on benchmark PBT estimated at c.26% (FY14: 28.2%)
- ▶ Exceptional costs in respect of the Argos Transformation plan over the three year period FY14 to FY16 are still expected to total c.£50m of which £19m was incurred in FY14. Remaining costs expected to be c.£20m in FY15 and c.£10m in FY16
- ▶ Exceptional cost of c.£12m in FY15 in respect of outsourcing the management of the Group's information systems infrastructure and associated services



FY15 modelling assumptions – cash flow

- ▶ Trade working capital expected to be a small inflow (FY14: £18m inflow)
- ▶ Financial Services loan book expected to be an outflow of c.£50m (FY14: £49m outflow)
- ▶ Capital expenditure of c.£200m (FY14: £173m)
- ▶ Other cash flow items:
 - Cash element of exceptional restructuring charges of c.£30m (FY14: £28m)
 - Pension scheme deficit recovery payment of £22m (FY14: £22m)
 - Purchase of own shares for employee share schemes of c.£50m (FY14: £37m)
- ▶ **Total cash outflow expected to be c.£75m (FY14: £65m outflow)**



John Walden
Chief Executive



Reinvent



as a digital retail leader



H1 FY15 trading performance

► **Good performance in H1 FY15**

- LFL of 2.9% driven by TVs, video gaming, white goods and seasonals
- Gross margin flat
- Operating profit of £12.0m, up 57%

► **Continued growth of digital sales**

- 43% of sales digitally-led
- Sales from mobile and tablet devices increased by 45%
- New Apple and Android based apps



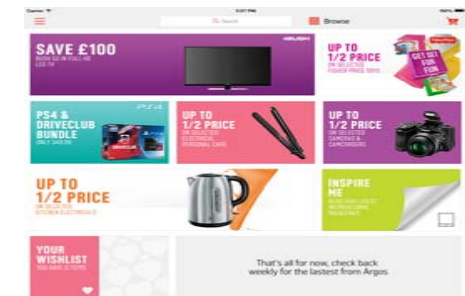
Transformation elements





Reposition channels for digital future – digital and catalogue

- ▶ **Enhanced website and new versions of apps**
 - Improved search tool and stock information
 - Online payment, stored credit cards, credit application
 - 1-click reserve, faster checkout
- ▶ **Innovative Christmas features – kids app, gift finder**
- ▶ **Catalogue development**
 - Trials of new 'mini' and bespoke catalogues
 - Enriched digital content via mobile scan
 - Digital inclusion workshops, 10,000 free tablets





Reposition channels for digital future – stores

- ▶ **Extended digital store trials, added 26 stores across 3 formats**
 - Converted 13 existing stores to digital
 - 9 new concessions within Homebase
 - 4 new small format digital stores
- ▶ **c.50 digital stores will be open in time for peak**
- ▶ **Digital stores include newest features**
 - ‘Hub & Spoke’
 - Streamlined customer journey, tablets
 - Fast Track collection





More choice available faster

- ▶ **Completed national rollout of 'hub & spoke' distribution model**
 - Provides customers in all stores same day access to c.20,000 products for collection
- ▶ **Voice pick implemented across store portfolio**
- ▶ **Trial of next day delivery on white goods, and 'hub-to-home' same day delivery**
- ▶ **eBay click & collect expanded**
 - c.700 stores with access to c.65,000 eBay sellers





Universal customer appeal

► Improved product ranges

- More premium brands and expanded choice
- Launched Heart of House, re-launched Chad Valley power brands

► New Argos positioning; marketing and advertising programme

► Improved customer data

- Customer registrations increased to 13m, facilitating improved analytics and personal marketing

RECARO



DENON



FY15 milestones

Reposition Channels for Digital Future

- ▶ Digital improvements including search, payment and checkout
- ▶ Trial Argos digital concessions within Homebase stores
- ▶ Trial small format digital stores
- ▶ Extend digital concept store pilot to a further c.25 stores
- ▶ Trial of 'mini' catalogue

More Choice Available Faster

- ▶ Hub & spoke national rollout
- ▶ Express large item delivery trial
- ▶ Fast Track collection/voice pick national rollout
- ▶ Hub-to-home express delivery trial

Universal Customer Appeal

- ▶ Add new premium brands
- ▶ Launch of two exclusive 'power' brands
- ▶ Further growth of registered customers
- ▶ Extend ranges with additional 15,000 lines



Homebase



H1 FY15 performance

- ▶ **Strong sales performance in H1 FY15**
 - LFL up 4.1%
 - Good seasonal performance
 - Growth in fitted kitchens & bathrooms
- ▶ **Operating profit of £27.8m, up 2%**
- ▶ **11 further store refits completed, with Habitat concessions**
- ▶ **Updated website, new mobile apps**
 - Mobile / Tablet visits +46%
 - Multi-channel sales growth +12%





Business review

► Group context

- Argos' Transformation Plan continues to be the Group's greatest potential source of medium-term value creation

► Root and branch review of Homebase, including:

- Market and competitive context
- Homebase customer experiences
- The store estate and store refit trials





Conclusions of business review

▶ **Markets and competition**

- Cyclical downturn for several years, recent improvement in economic indicators
- Structural challenges to Home Improvement market

▶ **Customer experiences**

- Strength in customer franchise, select categories and own brands
- Multi-channel progress, but opportunity requires more ambition
- Weakness in certain category propositions
- Challenges in key customer ratings – customer service and price perception

▶ **Store estate**

- Large estate, low sales densities challenge financial model
- Trials have demonstrated points of improvement



The future of Homebase

- ▶ **Homebase is a good business, and can create meaningful shareholder value over the long-term**
- ▶ **Higher capital investment in stores and digital channels can eventually drive higher growth, once a solid foundation is in place**
- ▶ **The cost and complexity of a Homebase plan must respect the importance of the Argos Transformation Plan**
- ▶ **To position Homebase for long-term investment and growth, an ambitious plan is required in the short-term – a three-year Productivity Plan**



Three-year Productivity Plan - stores

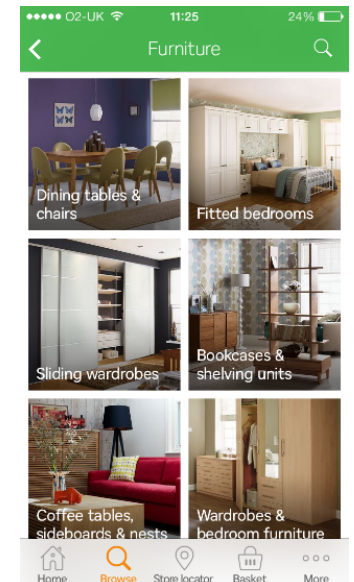
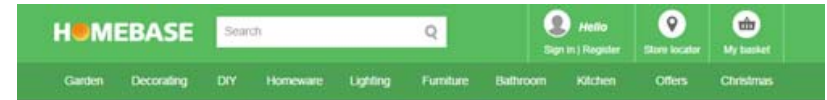
- ▶ **Improve store operations chain-wide**
 - Operating standards - stock availability, merchandising, signage
 - Store colleague engagement and customer service
- ▶ **Strengthen customer propositions**
 - More Argos and Habitat concessions
 - Improve promotional effectiveness and selectively invest in pricing
 - Further iterate refit trial stores
- ▶ **Right-size the store estate**
 - Target 25% reduction in stores within the Plan





Three-year Productivity Plan - digital

- ▶ **Argos is building strong digital credentials**
- ▶ **Homebase will accelerate its digital capabilities by leveraging Argos investments**
 - Multi-platform apps, features and functions
 - Upgraded Habitat digital platform
 - Shared central data – customers, content management
 - Agile development via Argos digital hub
- ▶ **Product fulfilment including nationwide click & collect through Argos estate**





Group summary

- ▶ **Successful trading through the first half of FY15**
- ▶ **Group benchmark PBT growth of 13%**
- ▶ **Good progress on Argos Transformation Plan, on track to achieve FY15 milestones**
- ▶ **Completed Homebase review, developed three-year Productivity Plan**
 - Positions Homebase as a smaller but stronger business, ready for future investment and growth
 - Best route to long-term shareholder value, starting from Homebase of today
- ▶ **Expect to deliver full-year benchmark PBT in line with current market expectations**



Q&A



Appendix



FY 15 modelling assumptions tracker – P&L

		FY14 Actual	FY15 April 14	FY15 Oct 14
▶ Net number of stores	: Argos	(3)	c.20	c.20
	: Homebase	(13)	c.(10)	c.(30)
▶ Net space sales change	: Argos	(0.3%)	c.0%	c.0%
	: Homebase	(1.8%)	c.(2%)	c.(3%)
▶ Gross margin rate change	: Argos	c.(50bps)	c.(25bps)	c.0bps
	: Homebase	c.(100bps)	c.(50bps)	c.(100bps)
▶ Absolute level of costs		(£13m)	c.(£20m)	c.(£20m)
▶ Effective tax rate on benchmark PBT		28%	c.26%	c.26%



FY15 modelling assumptions tracker – cash flow

	FY14 Actual	FY15 April 14	FY15 Oct 14
▶ Trade working capital	£18m	"neutral"	"small inflow"
▶ Financial Services loan book	(£49m)	"small outflow"	c.(£50m)
▶ Capital expenditure	(£173m)	c.(£200m)	c.(£200m)
▶ Cash element of exceptional costs	(£28m)	c.(£30m)	c.(£30m)
▶ Pension scheme deficit recovery payment	(£22m)	(£22m)	(£22m)
▶ Purchase of shares for incentives	(£37m)	c.(£40m)	c.(£50m)
▶ Group total cash flow	(£65m)	c.(£75m)	c.(£75m)



Cost productivity – HY

£m	Argos					Homebase					Group				
	H1 11	H1 12	H1 13	H1 14	H1 15	H1 11	H1 12	H1 13	H1 14	H1 15	H1 11	H1 12	H1 13	H1 14	H1 15
Total sales change	(20)	(45)	0	10	15	(5)	(5)	(20)	15	5	(30)	(50)	(20)	25	25
Add: underlying cost inflation	<u>5</u>	<u>15</u>	<u>10</u>	<u>10</u>	<u>10</u>	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>	<u>10</u>	<u>20</u>	<u>15</u>	<u>15</u>	<u>15</u>
Equals: potential total operating cost change	(15)	(30)	10	20	25	0	0	(15)	20	10	(20)	(30)	(5)	40	40
Versus: actual total operating cost change	<u>(25)</u>	<u>(10)</u>	<u>(5)</u>	<u>(5)</u>	<u>15</u>	<u>(10)</u>	<u>5</u>	<u>(5)</u>	<u>5</u>	<u>0</u>	<u>(40)</u>	<u>(5)</u>	<u>(10)</u>	<u>5</u>	<u>15</u>
Equals: cost productivity	<u>10</u>	<u>(20)</u>	<u>15</u>	<u>25</u>	<u>10</u>	<u>10</u>	<u>(5)</u>	<u>(10)</u>	<u>15</u>	<u>10</u>	<u>20</u>	<u>(25)</u>	<u>5</u>	<u>35</u>	<u>25</u>
Total sales change	(4%)	(8%)	0%	2%	3%	(1%)	(2%)	(6%)	4%	2%	(3%)	(6%)	(1%)	3%	3%
Add: underlying cost inflation	<u>1%</u>	<u>3%</u>	<u>2%</u>	<u>2%</u>	<u>2%</u>	<u>1%</u>	<u>2%</u>	<u>2%</u>	<u>2%</u>	<u>1%</u>	<u>1%</u>	<u>3%</u>	<u>1%</u>	<u>2%</u>	<u>2%</u>
Equals: potential total operating cost change	(3%)	(5%)	2%	4%	5%	0%	0%	(4%)	6%	3%	(2%)	(3%)	0%	5%	5%
Versus: actual total operating cost change	<u>(5%)</u>	<u>(2%)</u>	<u>(1%)</u>	<u>(1%)</u>	<u>3%</u>	<u>(3%)</u>	<u>2%</u>	<u>(2%)</u>	<u>2%</u>	<u>0%</u>	<u>(4%)</u>	<u>0%</u>	<u>(1%)</u>	<u>1%</u>	<u>2%</u>
Equals: cost productivity	<u>2%</u>	<u>(3%)</u>	<u>3%</u>	<u>5%</u>	<u>2%</u>	<u>3%</u>	<u>(2%)</u>	<u>(2%)</u>	<u>4%</u>	<u>3%</u>	<u>2%</u>	<u>(3%)</u>	<u>1%</u>	<u>4%</u>	<u>3%</u>

- All figures are approximates to the nearest whole percentage point or £5m and are based on total costs being the sum of operating costs and distribution costs
- Group represents the total of Argos, Homebase and all other operating areas. The sum of Argos and Homebase will not therefore necessarily equal the Group total.



Cost productivity - FY

£m

	Argos					Homebase					Group				
	FY 10	FY 11	FY 12	FY 13	FY 14	FY 10	FY 11	FY 12	FY 13	FY 14	FY 10	FY 11	FY 12	FY 13	FY 14
Total sales change	20	(40)	(90)	15	35	30	(10)	(20)	(40)	30	45	(50)	(120)	(10)	65
Add: underlying cost inflation	25	10	25	20	20	10	10	15	15	10	35	20	40	30	35
Equals: potential total operating cost change	45	(30)	(65)	35	55	40	0	(5)	(25)	40	80	(30)	(80)	20	100
Versus: actual total operating cost change	(15)	(45)	0	(10)	5	(40)	(15)	5	(15)	10	(55)	(60)	5	(20)	15
Equals: cost productivity	60	15	(65)	45	50	80	15	(10)	(10)	30	135	30	(85)	40	85
Total sales change	2%	(4%)	(8%)	1%	3%	4%	(1%)	(3%)	(5%)	4%	2%	(3%)	(6%)	(1%)	3%
Add: underlying cost inflation	2%	1%	2%	2%	2%	1%	1%	2%	2%	1%	2%	1%	2%	2%	2%
Equals: potential total operating cost change	4%	(3%)	(6%)	3%	5%	5%	0%	(1%)	(3%)	5%	4%	(2%)	(4%)	1%	5%
Versus: actual total operating cost change	(1%)	(4%)	0%	(1%)	1%	(5%)	(2%)	1%	(2%)	1%	(3%)	(3%)	0%	(1%)	1%
Equals: cost productivity	5%	1%	(6%)	4%	4%	10%	2%	(2%)	(1%)	4%	7%	1%	(4%)	2%	4%

- All figures are approximates to the nearest whole percentage point or £5m and are based on total costs being the sum of operating costs and distribution costs.
- Group represents the total of Argos, Homebase and all other operating areas. The sum of Argos and Homebase will not therefore necessarily equal the group total.



Net interest and Financial Services

FY 14	£m	H1 15	H1 14
2.4	Net interest within benchmark PBT	1.0	1.0
9.0	Financing fair value remeasurements	0.3	1.2
(3.3)	Financing impact on retirement benefit obligations	(1.6)	(1.8)
(6.9)	Discount unwind on non-benchmark items	(3.4)	(3.5)
1.2	Income statement net financing charge	(3.7)	(3.1)
Financial Services			
9.3	Benchmark operating profit before financing costs	4.8	4.6
(3.3)	Financing costs charged by Group	(1.7)	(1.5)
6.0	Benchmark operating profit	3.1	3.1



Balance sheet

£m	27 Feb 2010	26 Feb 2011	3 Mar 2012	2 Mar 2013	1 Mar 2014
Goodwill	1,541.0	1,541.0	1,543.9	1,543.9	1,543.9
PPE & intangibles	617.8	631.2	653.4	604.1	650.3
Inventories	935.4	1,016.8	933.2	941.8	902.4
Financial Services loan book	429.4	456.1	456.7	474.7	524.1
Other assets	178.1	181.7	167.4	198.8	199.7
Invested capital assets	<u>3,701.7</u>	<u>3,826.8</u>	<u>3,754.6</u>	<u>3,763.3</u>	<u>3,820.4</u>
Trade & other payables	(1,104.9)	(1,106.2)	(1,000.7)	(1,168.7)	(1,162.7)
Provisions	<u>(219.1)</u>	<u>(207.8)</u>	<u>(235.3)</u>	<u>(217.8)</u>	<u>(236.1)</u>
Invested capital liabilities	<u>(1,324.0)</u>	<u>(1,314.0)</u>	<u>(1,236.0)</u>	<u>(1,386.5)</u>	<u>(1,398.8)</u>
INVESTED CAPITAL	2,377.7	2,512.8	2,518.6	2,376.8	2,421.6
Retirement benefit obligations	(24.9)	(7.5)	(115.3)	(85.1)	(76.6)
Net tax assets	52.1	4.6	24.7	10.7	33.0
Forward foreign exchange contracts	47.7	(28.0)	3.1	34.1	(35.5)
Net cash	414.0	259.3	194.3	396.0	331.0
NET ASSETS	<u>2,866.6</u>	<u>2,741.2</u>	<u>2,625.4</u>	<u>2,732.5</u>	<u>2,673.5</u>



Cash flow – management reporting view

£m	FY 07	FY 08	FY 09	FY 10	FY 11	FY 12	FY 13	FY 14
Benchmark PBT	377	433	328	293	254	102	91	115
Depreciation	146	152	159	130	128	126	125	130
EBITDA	523	585	487	423	382	228	216	245
Working capital - trade	145	(33)	(18)	75	(63)	5	132	18
Working capital - loan book	(18)	(15)	8	(5)	(27)	(5)	(18)	(49)
Taxation	(102)	(95)	(75)	(107)	(11)	(27)	(26)	(18)
Restructuring costs	-	-	(3)	(17)	(7)	(4)	(9)	(28)
Pension deficit	-	-	-	(17)	(12)	(10)	(8)	(22)
Other	(28)	43	13	2	7	9	11	10
Operating cash flow	520	485	412	354	269	196	298	156
Capital expenditure	(159)	(208)	(153)	(89)	(143)	(131)	(79)	(173)
Dividends	(97)	(119)	(127)	(126)	(124)	(118)	(8)	(24)
(Acquisitions)/disposals	(4)	(44)	-	-	-	(25)	(9)	13
Share purchase - incentives	-	-	(22)	(9)	(7)	-	-	(37)
Share purchase - buyback	-	-	-	-	(150)	-	-	-
Week 53 - cash flow	-	-	-	-	-	13	-	-
Total cash flow	260	114	110	130	(155)	(65)	202	(65)
Opening net cash	(200)	60	174	284	414	259	194	396
Total cash flow	260	114	110	130	(155)	(65)	202	(65)
Closing net cash	60	174	284	414	259	194	396	331



Movement in working capital

£m	H1 10	H1 11	H1 12	H1 13	H1 14	H1 15
Inventories	(117.5)	(78.1)	5.1	(67.9)	(23.5)	(27.7)
Trade & other receivables	(12.8)	8.4	7.2	(13.6)	(7.2)	12.2
Trade & other payables	168.0	83.7	20.4	160.2	73.5	85.3
Total trade working capital	37.7	14.0	32.7	78.7	42.8	69.8
Financial Services loan book	19.1	22.0	29.1	19.6	5.0	7.9
Total working capital	56.8	36.0	61.8	98.3	47.8	77.7

£m	FY 10	FY 11	FY 12	FY 13	FY 14
Inventories	(5.1)	(81.4)	93.2	(8.6)	39.4
Trade & other receivables	16.4	(0.8)	16.9	(22.9)	(25.0)
Trade & other payables	63.2	19.0	(105.4)	163.4	4.0
Total trade working capital	74.5	(63.2)	4.7	131.9	18.4
Financial Services loan book	(4.9)	(26.7)	(4.7)	(18.0)	(49.4)
Total working capital	69.6	(89.9)	-	113.9	(31.0)



Financial Services loan book

£m	FY 10	FY 11	FY 12	FY 13	H1 14	FY 14	H1 15
Revolving gross loan book	277	289	277	281	288	299	308
Promotional gross loan book	220	241	258	266	252	295	276
Total gross loan book	497	530	535	547	540	594	584
Provision	(68)	(74)	(78)	(72)	(70)	(70)	(68)
Total net loan book	429	456	457	475	470	524	516
Provision % of gross loan book	13.6%	14.0%	14.7%	13.2%	12.9%	11.8%	11.7%
Delinquency (30+ days)	8.5%	7.0%	6.5%	6.2%	6.4%	5.7%	5.8%



Capital expenditure - FY

£m	FY 10	FY 11	FY 12	FY 13	FY 14
New stores	(25)	(10)	(12)	-	(3)
Store enhancement & refurbishment	(24)	(52)	(49)	(25)	(28)
Distribution & supply chain	(5)	(7)	(9)	(7)	(23)
Other	(35)	(56)	(65)	(49)	(121)
Gross capital expenditure	(89)	(125)	(135)	(81)	(175)
Purchase of central office freehold	-	(21)	-	-	-
Acquired brands – intangible assets	(2)	-	-	-	-
Total gross capital expenditure	(91)	(146)	(135)	(81)	(175)
Property, plant & equipment	(74)	(102)	(97)	(56)	(72)
Intangible assets	(17)	(44)	(38)	(25)	(103)
Total gross capital expenditure	(91)	(146)	(135)	(81)	(175)
Proceeds from disposals	2	3	4	2	2
Total net capital expenditure	(89)	(143)	(131)	(79)	(173)
Depreciation	(130)	(128)	(126)	(125)	(130)
Gross capital expenditure to depreciation ratio	0.7x	1.1x	1.1x	0.6x	1.3X



Store lease profile

	ARGOS			HOMEBASE			TOTAL		
	FY 12	FY 13	FY 14	FY 12	FY 13	FY 14	FY 12	FY 13	FY 14
FY 13	c.30	-	-	c.10	-	-	c.40	-	-
FY 14	c.40	c.35	-	c.20	c.20	-	c.60	c.55	-
FY 15	c.45	c.40	c.35	c.10	c.10	c.10	c.55	c.50	c.45
FY 16	c.55	c.55	c.55	c.20	c.20	c.20	c.75	c.75	c.75
FY 17	c.60	c.65	c.70	c.5	c.5	c.5	c.65	c.70	c.75
FY 18	-	c.80	c.80	-	c.15	c.15	-	c.95	c.95
FY 19	-	-	c.90	-	-	c.15	-	-	c.105
Total expiries & breaks	c.230	c.275	c.330	c.65	c.70	c.65	c.295	c.345	c.395
Total store portfolio	748	737	734	341	336	323	1,089	1,073	1,057
Total of store portfolio	31%	37%	45%	19%	21%	20%	27%	32%	37%
Average remaining years	7.1	6.3	5.5	10.0	9.3	8.9			



Capital structure metrics

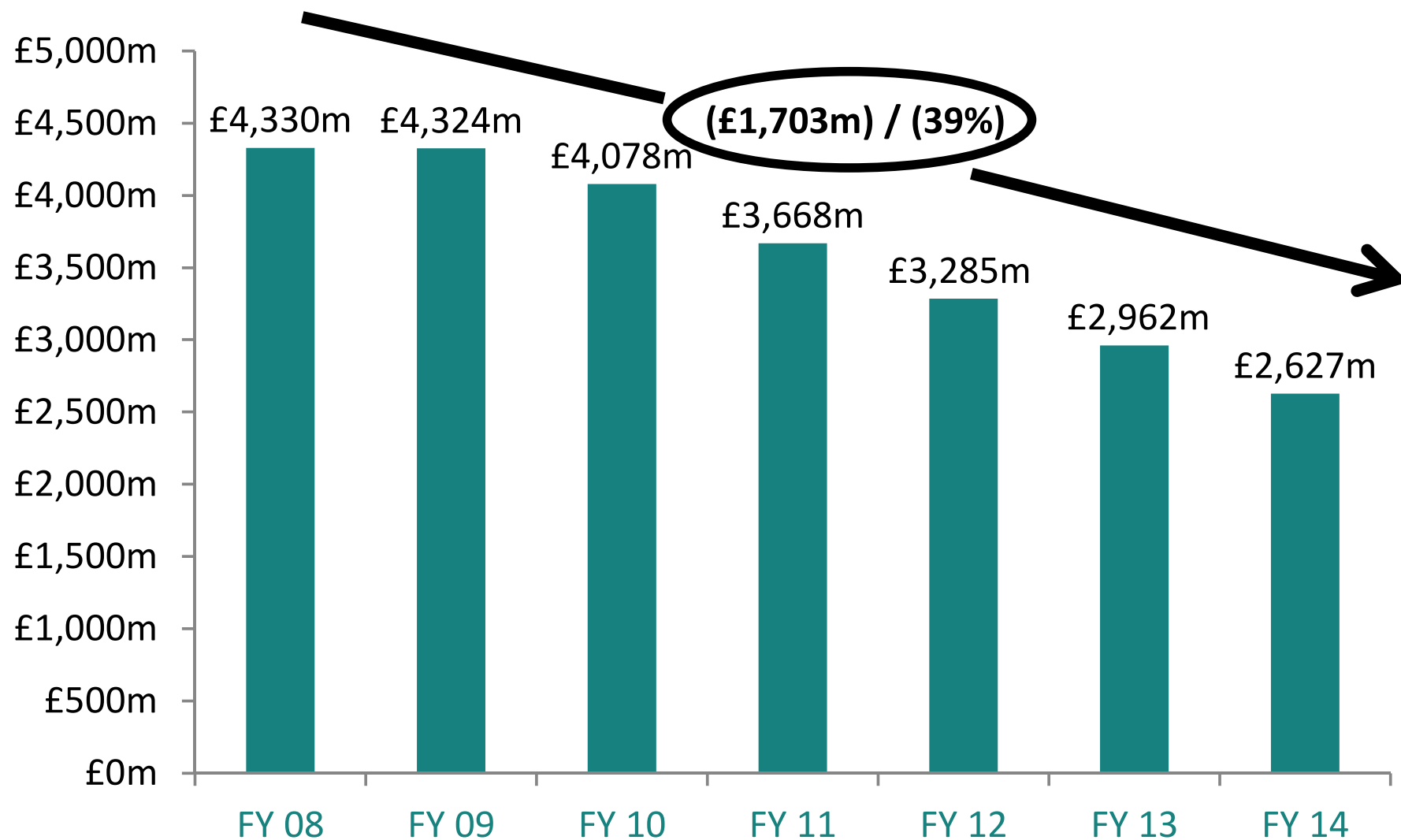
£m	FY 06	FY 07	FY 08	FY 09	FY 10	FY 11	FY 12	FY 13	FY 14
Benchmark PBT	337.1	376.7	432.9	327.7	292.9	254.1	101.6	91.1	115.4
Add : benchmark dpr and amort	134.9	147.5	151.6	159.4	130.1	127.5	124.5	122.9	127.7
Add : lease rental expense	299.2	328.2	344.8	372.8	379.1	370.8	363.6	353.9	347.9
Deduct : interest income	(9.5)	(16.6)	(33.3)	(29.7)	(5.2)	(3.2)	(3.4)	(3.8)	(2.4)
Total EBITDAR	761.7¹	835.8¹	896.0	830.2	796.9	749.2	586.3¹	564.1	588.6
Total lease commitments	4,043	4,206	4,330	4,324	4,078	3,668	3,285	2,962	2,627
<u>Lease multiplier methodology (x8)</u>									
Financing net (debt)/cash	(200)	60	174	284	414	259	181 ²	396	331
Capitalised lease rental expense	(2,394)	(2,626)	(2,758)	(2,982)	(3,033)	(2,966)	(2,909)	(2,831)	(2,783)
Total adjusted net debt	(2,594)	(2,566)	(2,584)	(2,698)	(2,619)	(2,707)	(2,728)	(2,435)	(2,452)
Adjusted net debt / EBITDAR ratio	3.4x	3.1x	2.9x	3.2x	3.3x	3.6x	4.7x	4.3x	4.2x
<u>Lease discount methodology (NPV)</u>									
Financing net (debt)/cash	(200)	60	174	284	414	259	181 ²	396	331
Capitalised lease rental expense	(2,795)	(2,920)	(3,057)	(3,304)	(3,148)	(2,874)	(2,702)	(2,362)	(2,046)
Total adjusted net debt	(2,995)	(2,860)	(2,883)	(3,020)	(2,734)	(2,615)	(2,521)	(1,966)	(1,715)
Adjusted net debt / EBITDAR ratio	3.9x	3.4x	3.2x	3.6x	3.4x	3.5x	4.3x	3.5x	2.9x
Fixed charge cover (EBITDAR/rent+interest)	2.6x	2.7x	2.9x	2.4x	2.1x	2.0x	1.6x	1.6x	1.7x

1 The total EBITDAR has been calculated on a 52-week pro forma basis for FY 06, FY 07 & FY 12

2 The net cash position for FY12 is as at the 52-week proforma year end date. Net cash as at 3 March 2012 was £194m



Gross lease commitments





Financial calendar

- | | |
|------------------|--|
| 13 November 2014 | - <i>Interim ex-dividend date</i> |
| 15 January 2015 | - <i>Interim Management Statement</i> |
| 22 January 2015 | - <i>Interim dividend paid</i> |
| 12 March 2015 | - <i>End of Year Trading Statement</i> |
| 29 April 2015 | - <i>Full-Year Results</i> |
| 21 May 2015 | - <i>Final ex-dividend date</i> |
| 11 June 2015 | - <i>Interim Management Statement</i> |
| 1 July 2015 | - <i>Annual General Meeting</i> |
| 23 July 2015 | - <i>Final dividend paid</i> |



Investor relations contacts

For investor information and related services, including copies of all presentations, visit:

www.homeretailgroup.com/home/investors

www.homeretailgroup.com/home/investors/ADRs

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Investor Pack
October/November 2014



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Section 1: Group overview

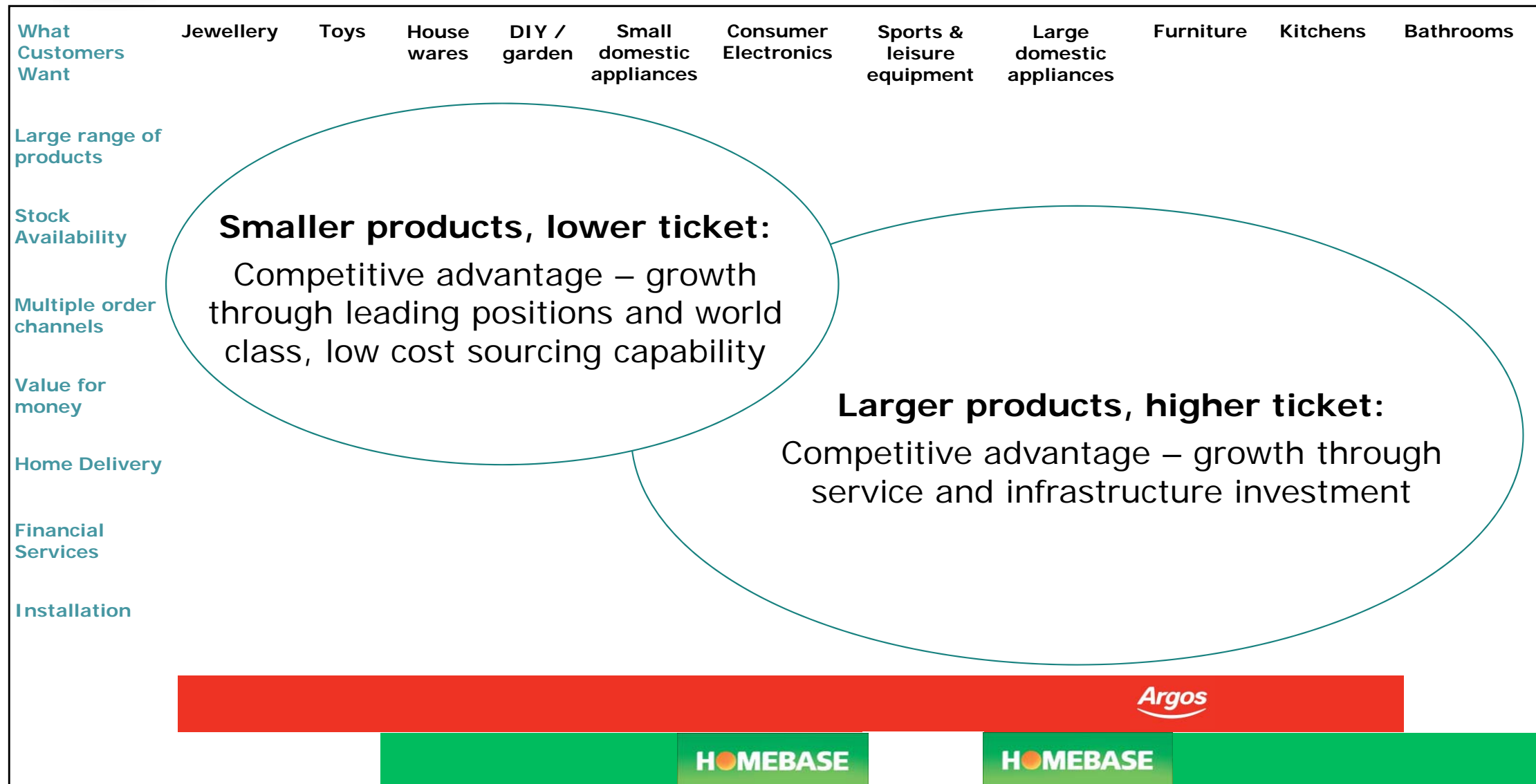


Home Retail Group – history

- ▶ Argos was purchased by GUS plc in April 1998. At acquisition, the Argos proposition was primarily a single-channel catalogue store offering through 435 stores, selling a smaller range of general merchandise. Its core categories were jewellery, toys, electricals and housewares.
- ▶ In 2000, Argos Retail Group was created with the combination of Argos, the GUS home shopping businesses in the UK and Europe, and the Reality UK home delivery operations. GUS subsequently sold the other non-Argos operations between 2003 and 2006.
- ▶ In December 2002 GUS plc acquired Homebase, the UK's second largest home improvement retailer, which operated from 272 stores. The acquisition expanded the combined product portfolio of Argos and Homebase and offered the opportunity to increase sales in common product areas such as indoor and outdoor furniture, housewares, gardening products and power tools. This overlap in products drove scale economies in merchandise buying and the benefit from significant synergies in operating the two businesses. The Homebase business also gave access to a different customer demographic than the one primarily served by Argos.
- ▶ In 2000, a financial services operation was launched, which offered a range of credit and insurance products to Argos customers. This offering was developed, operated and funded in-house to ensure that the financial services products fully supported the retail offering. Following the acquisition of Homebase, the business has supported the launch of the Homebase store card.
- ▶ In October 2006 GUS demerged, creating Home Retail Group plc.



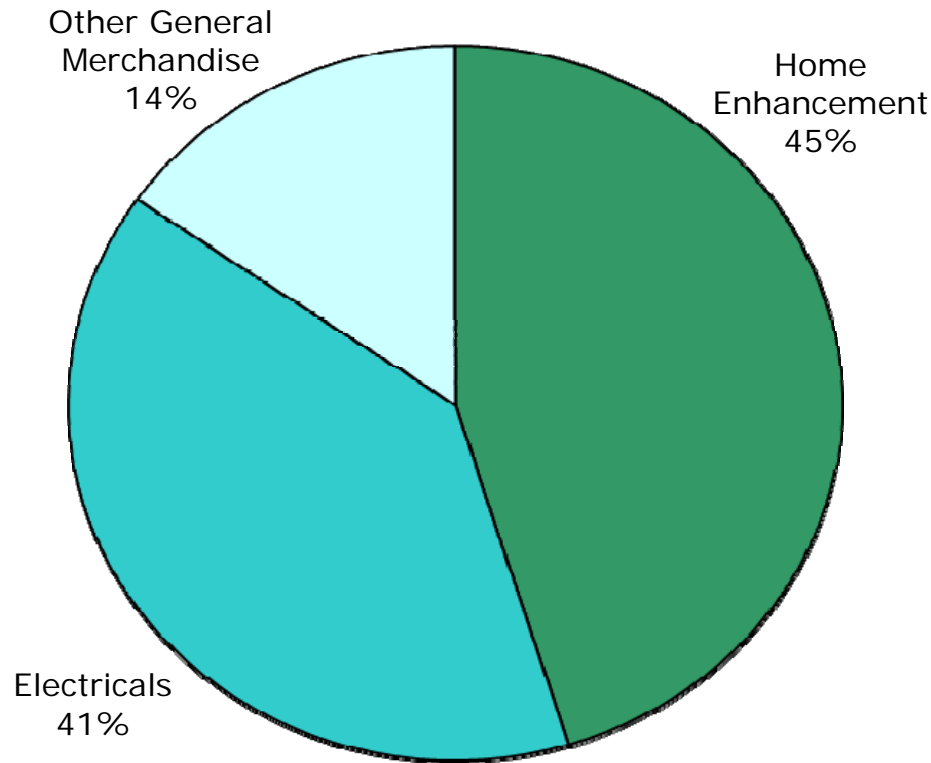
Home Retail Group product categories





Home Retail Group is the UK's leading home and general merchandise retailer

Home Retail Group retail sales: £5.5bn

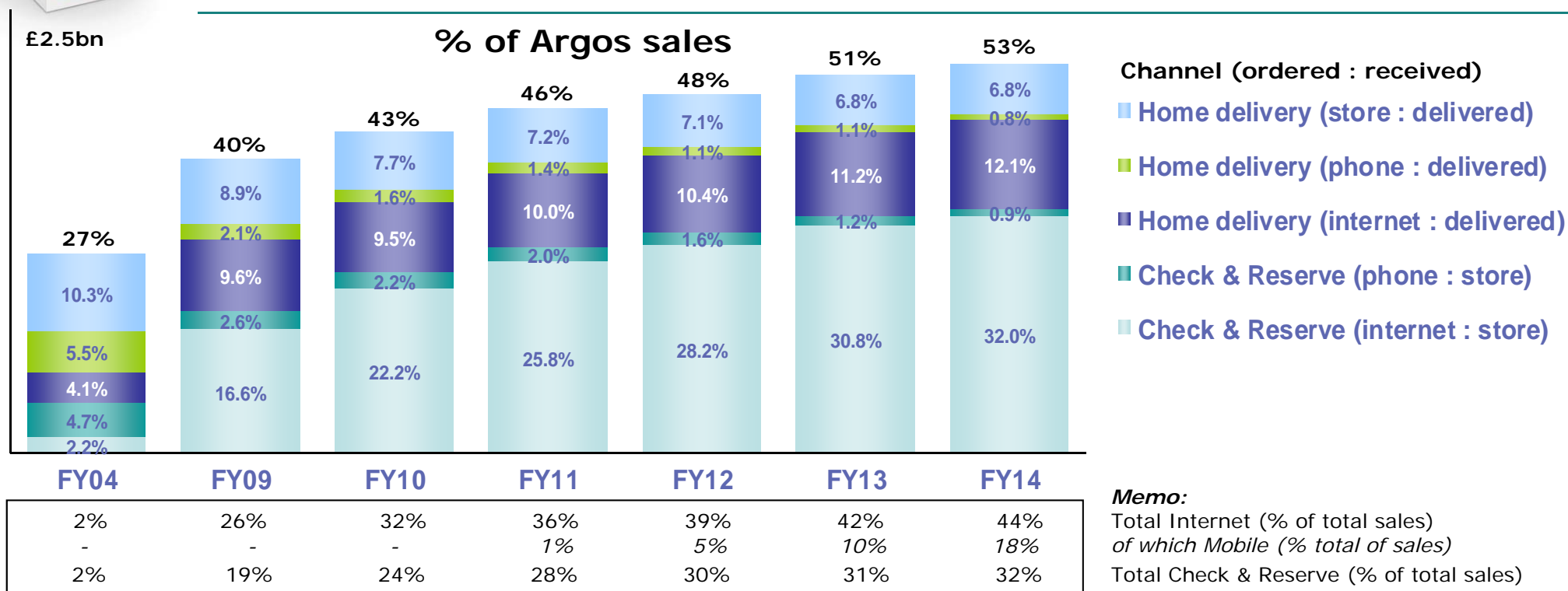


52 weeks to 1 March 2014

- ▶ Home enhancement markets
 - Housewares
 - Furniture
 - DIY/decorating
 - Fitted kitchens and bathrooms
 - Horticulture, garden furniture and outdoor living
- ▶ Electricals
 - Consumer electronics
 - Computers, tablets, e-readers
 - VGS
 - Photography
 - Telecoms
 - Office equipment
 - Audio-visual goods
 - Satellite navigation
 - Accessories
 - Small and large domestic appliances
- ▶ Other general merchandise
 - Jewellery
 - Toys
 - Sports & leisure equipment



Multi-channel leadership



▶ 53% of Argos sales are multi-channel

- Online Check & Reserve via a mobile device is the fastest growing channel
- Internet orders in total represent 42% of all sales
- Mobile shopping (included within Check & Reserve and Home Delivery) now represents 18% of total sales in FY14.

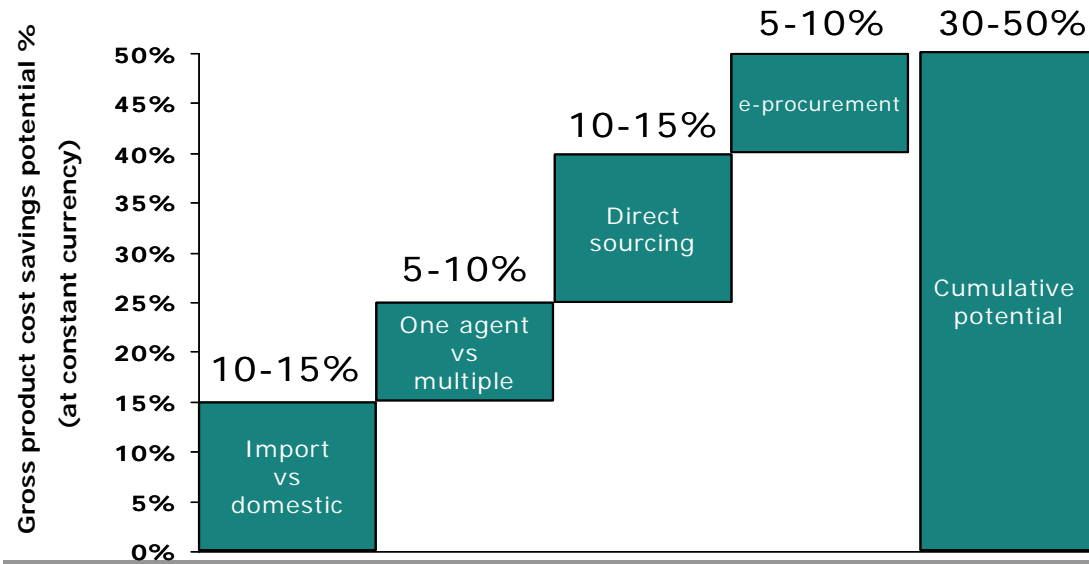
▶ Homebase embarking on multi-channel opportunities

- Website updated and new app for Apple devices launched; Multi-channel sales penetration 7% of total sales in FY14
- Circa 38,000 Homebase products online, of which around 32,000 are transactional

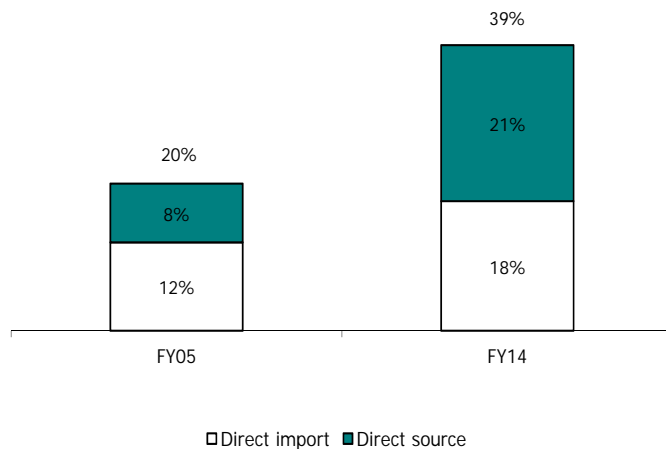


Leveraging scale

Strategic Sourcing – the potential benefits

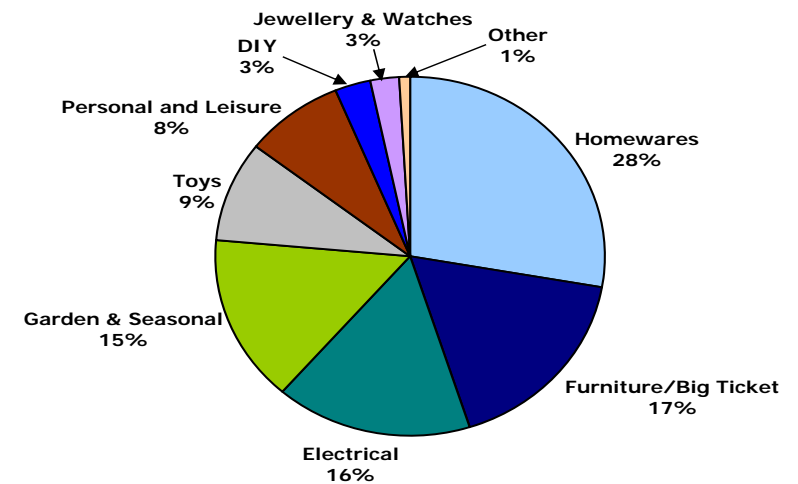


Home Retail Group DI/DS % of sales

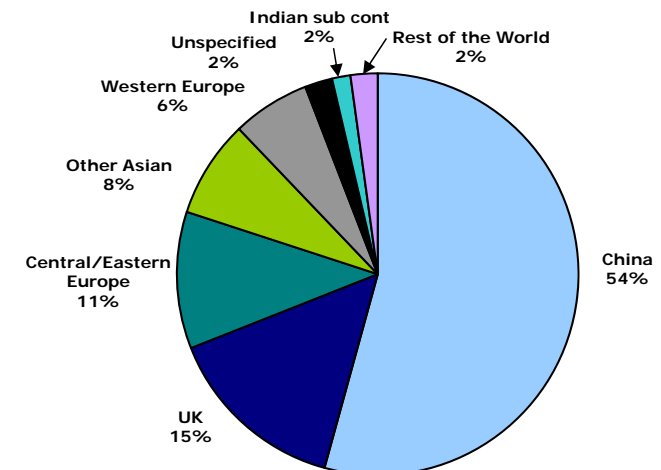


Sourcing initiatives across both businesses and all major product groups

Direct sourcing by product category



Home Retail Group cost of sales analysis by country of origin





Section 2: Argos



Argos – history

The journey to store

- ▶ Created in 1973 as part of a loyalty scheme. Green shield stamps could be collected at petrol stations etc and exchanged for gifts selected from a mini-book.
- ▶ Expanded into a catalogue so that customers could make direct purchases from the gift book and collect in store.
- ▶ Argos was purchased by GUS plc in April 1998. At acquisition, the Argos proposition was primarily a single-channel catalogue store offering through 435 stores, selling a smaller range of general merchandise. Its core categories were jewellery, toys, electricals and housewares.
- ▶ The use of the catalogue makes Argos a non or low-display based format with a smaller proportion of customer area.
- ▶ The average store size including the stock room is c.15k sq ft with customer areas occupying c. 3k sq ft. The total c.747 store estate covers 11m sq ft.
- ▶ The catalogue, which is collected from store bi-annually, now holds c.20,000+ products.
- ▶ Customers can chose to order in-store, online, on the phone or through our smartphone and tablet apps and have the option to Check & Reserve for immediate collection in-store or have the product home delivered for a very competitive fee.





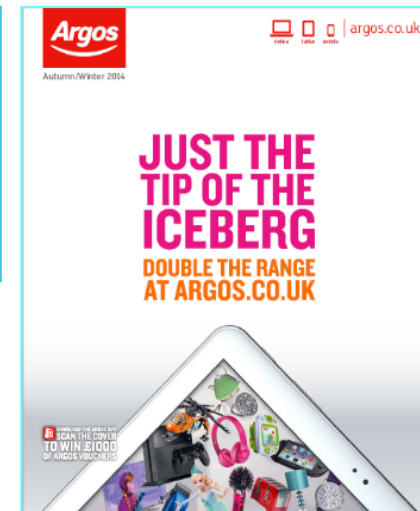
Argos - overview

Competitive strengths

- ▶ Convenience: unique way to shop that integrates stores, internet and telephone, whether at home or whilst on the move
- ▶ Choice: information-rich catalogue of 20,000+ products with around an additional 23,000 products available online only
- ▶ Value: history of reinvesting cost and buying efficiencies
- ▶ Supported by extensive Home Retail Group infrastructure capabilities
 - Sourcing and logistics
 - Home delivery
 - Financial Services
- ▶ Proposition attracts large, loyal customer base
- ▶ Our unique stock system provides transparency and flexibility which enables certainty and immediacy of stock across our nationwide network of stores, allowing a fully convenient offer to our customers

Routes to growth

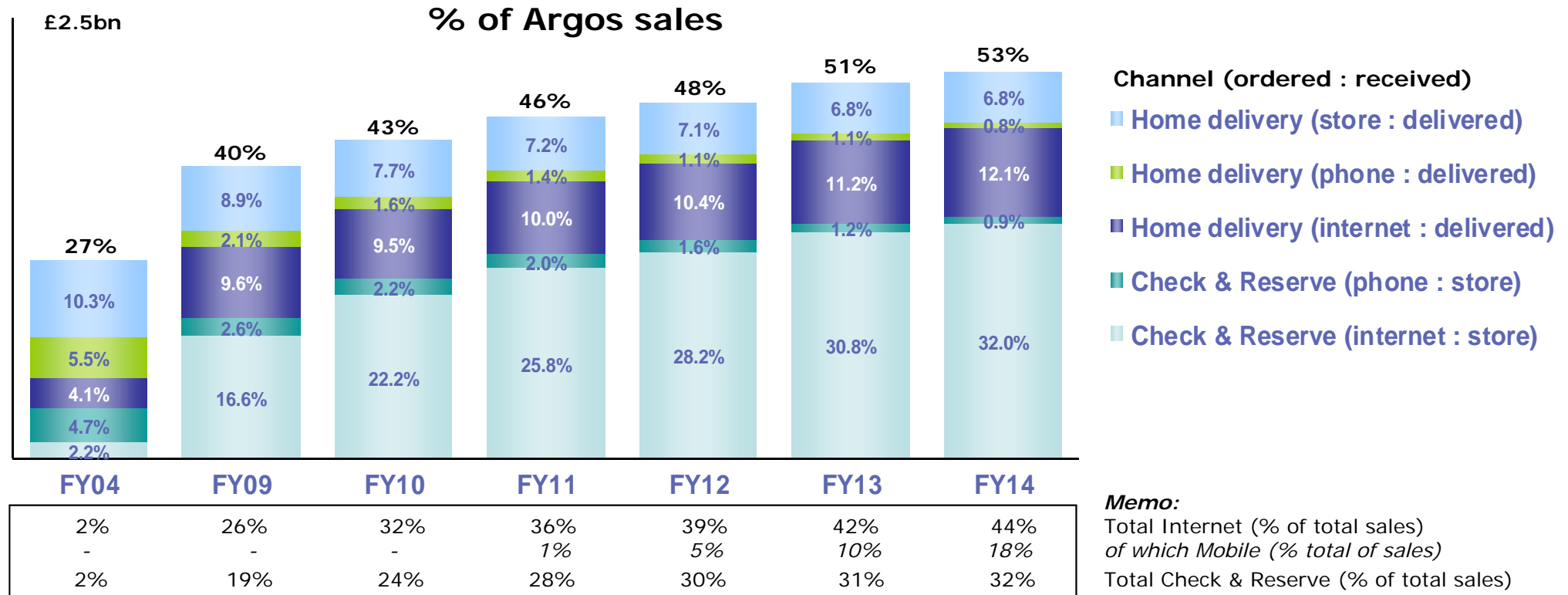
- ▶ Transforming Argos into a digital retail leader:
- ▶ Reposition channels for a digital future
- ▶ More choice available faster
- ▶ Universal customer appeal
- ▶ Supported by a lean and flexible cost base





Convenience rooted in multi-channel offer

- ▶ Unique model offering immediacy, certainty of availability and convenient local collections
- ▶ 53% or £2.1bn of total sales in FY14 are multi-channel, with the internet being 44% or £1.8bn of this
- ▶ Online Check & Reserve via a mobile device is the fastest growing channel
- ▶ Mobile shopping, now 18% of total sales in FY14.
- ▶ Unmatched scale in delivery – c.4 million ‘two-man’ and c.8 million ‘one-man’ products a year
- ▶ Growth in website traffic to 738m visits in FY14 (inclusive of apps)

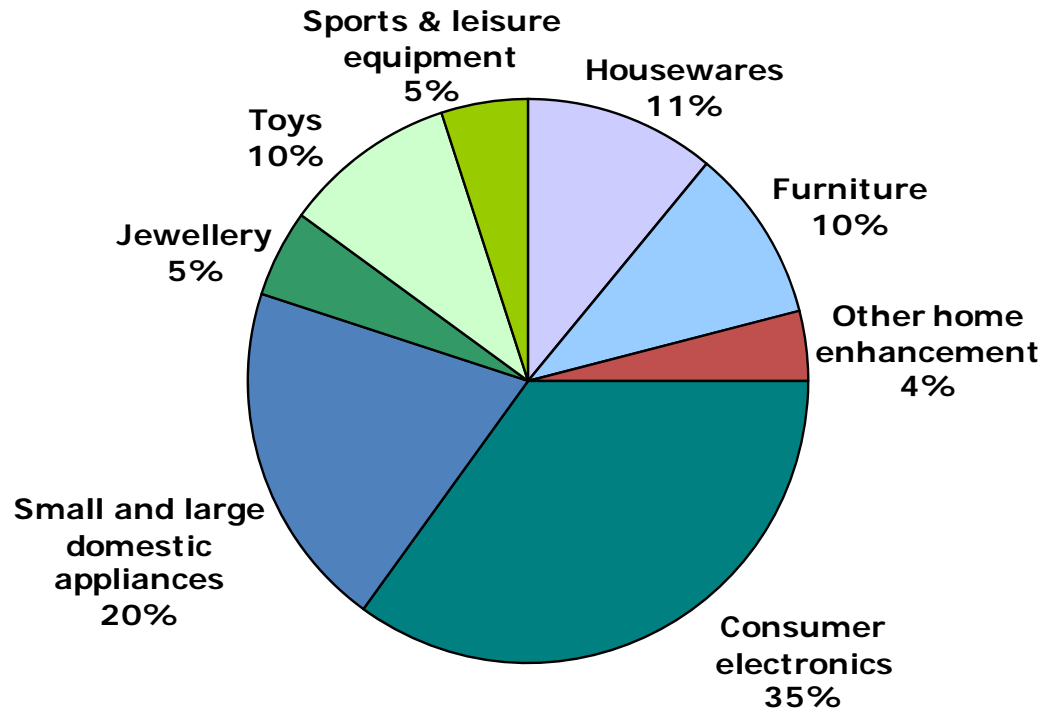




Choice - key support to market leadership

► Gaining share across a broad range of categories

Sales mix



52 weeks to 1 March 2014

Product market	No of SKUs
Homewares	7,600
Furniture	4,600
Other home enhancement	2,000
Consumer electronics	6,400
Small domestic appliances	1,600
Large domestic appliances	2,300
Jewellery	4,100
Toys	5,000
Sports & leisure equipment	9,400



Transformation plan – October 2012

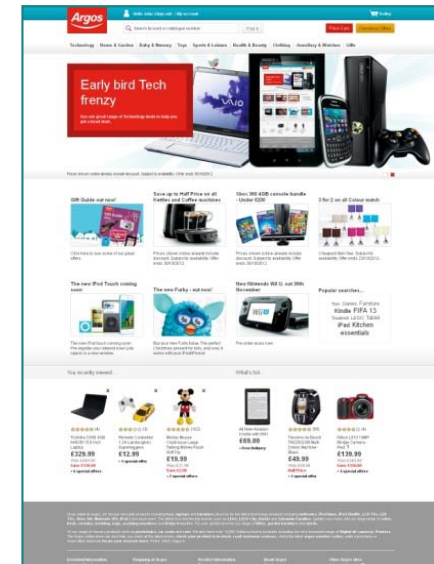
Reinvent  as a digital retail leader





Reposition channels for digital future - Online, mobile, tablet

- ▶ **Create world class digital customer experiences**
 - Full features, rich content, and consistency across all devices
 - Transactional smartphone apps
 - A rich and dynamic digital catalogue for tablets
- ▶ **Build a contemporary multi-channel IT infrastructure**
- ▶ **Develop large scale customer data collection, insight and personalisation capabilities**





Reposition channels for digital future - Integrated, modern store experiences

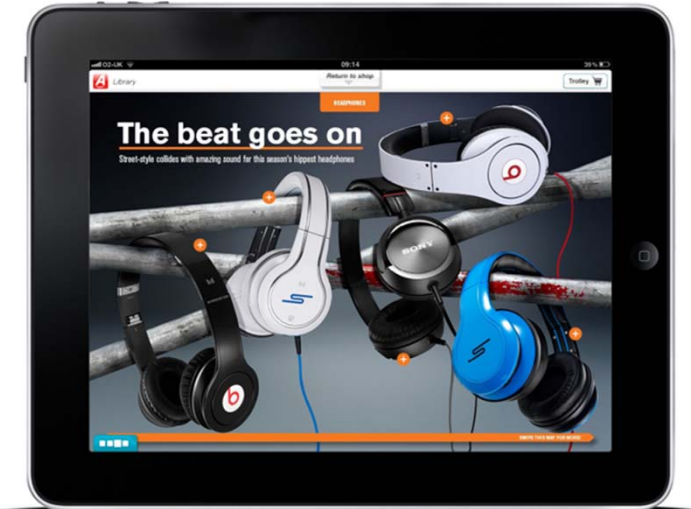
- ▶ **Exploit strategic advantage of efficient Argos collection points in local markets**
- ▶ **Focus stores on product pick-up and customer service for digitally dominated transactions**
- ▶ **Rapid innovation of store experience**
 - Fast Track store collection
 - Free Wi-Fi in all stores
 - Web-based browsers to replace catalogues





Reposition channels for digital future - Catalogue

- ▶ Shift paper catalogue to supporting role in digital offer
- ▶ Actively test alternatives to current catalogue – frequency, size, distribution, design
- ▶ Improve catalogue quality with more inspirational content and digital channel integration
- ▶ Develop a market leading digital catalogue
- ▶ Innovative digital Christmas gift guide launched





More choice available faster - Stocking and fulfilment

- ▶ **Retailers are increasingly competing on the basis of speed and cost of fulfilment**
- ▶ **Argos is uniquely positioned to efficiently provide more products, faster**
- ▶ **Introduce market leading fulfilment options**
 - Same day / next day store collection and home delivery
 - Faster delivery options for large items
 - Enable expansion of our product lines





More choice available faster - Store network delivers advantage

- ▶ **'Hub & spoke' distribution model**
- ▶ **Leveraging existing store network and replenishment routes**
- ▶ **Will enable all stores to offer market leading immediacy on a wider range**
- ▶ **Trials started in early 2013, national roll out to commence in 2014**



Universal customer appeal - Expand target customers

- ▶ **Extend our ranges to build authority and choice**
 - Obtain appropriate brands and ranges to meet the needs of broader customer sets
 - Differentiate ourselves with exclusive brands
- ▶ **Ensure competitive pricing and value perception**
- ▶ **Reposition brand and customer experiences for universal appeal**





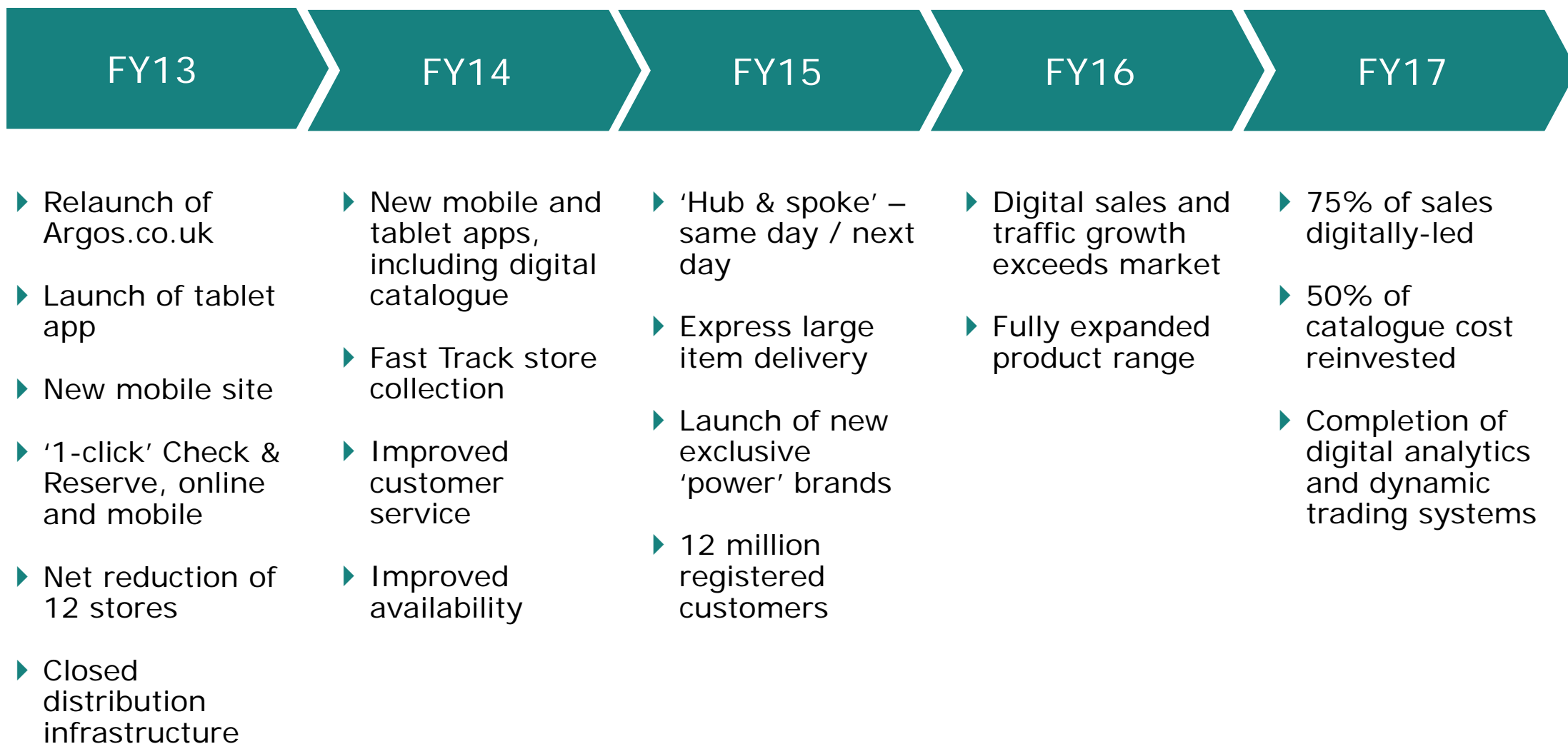
Universal customer appeal - Fewer, stronger exclusive brands

- ▶ Argos aims to double penetration of exclusive brands to a third of all sales by FY18
- ▶ Strengthen exclusive brand offer through fewer, stronger power brands
- ▶ Enhance product quality and design to meet needs of new customer segments





Milestones





Section 3: Homebase



Homebase – history

- ▶ In December 2002 GUS plc acquired Homebase, the UK's second largest home improvement retailer, which operated from 272 stores.
- ▶ The acquisition expanded the combined product portfolio of Argos and Homebase and offered the opportunity to increase sales in common product areas such as indoor and outdoor furniture, housewares, gardening products and power tools.
- ▶ This overlap in products drove scale economies in merchandise buying and the benefit from significant synergies in operating the two businesses.
- ▶ The Homebase business also gave access to a different customer demographic than the one primarily served by Argos.





Clear market positioning

Trade	DIY enthusiasts	Home and Garden enhancers
	Male Average income More C2DE Older	Female Above average income More ABC1 Households with children
<p>The diagram illustrates the market positioning of three home retail brands across three segments: Trade, DIY enthusiasts, and Home and Garden enhancers. HOMEbase is positioned in the 'Home and Garden enhancers' segment, B&Q is positioned in the 'DIY enthusiasts' segment, and Wickes is positioned in the 'Trade' segment. Each brand is enclosed in a dashed oval of its respective color (green for HOMEbase, orange for B&Q, and blue for Wickes).</p>		



Homebase proposition

► Comprehensive range and clearly differentiated

- Over 38,000 products covering 5 broad areas; Decorating, DIY, Big Ticket, Home, Garden

► Strength in customer propositions

- Strong customer franchise with 60 million transactions annually
- Strong portfolio of Own Brands; Habitat, Odina, Schreiber and Hygena
- Habitat and Argos concessions proving successful

► Multi-Channel capabilities

- Online sales participation of 7% as at FY14
- Reserve & Collect sales up +47% and Mobile visits up +71% as at FY14.
- Next and named day delivery service available

► Refit Trials progress

- 26 refits completed to date (as at FY15 H1)
- To be used as labs for developing and refining new concepts



'Decorating' 18%

(paint, wallcoverings, tiling, flooring, etc)



'DIY' 19%

(tools, hardware, materials, decorative fittings, core electricals, plumbing, etc)



'Big Ticket' 18%

(kitchens, bathrooms, bedrooms, furniture, fireside, etc)



'Home' 17%

(lighting, cookshop, bathroom accessories, storage, soft furnishings, accessories, etc)



'Seasonal' 28%

(garden maintenance, exterior paints, woodcare outdoor living, horticulture, seasonal, etc)

52 weeks to 1 March 2014



Enhanced products and brands



habitat 



LAURA ASHLEY



QUALCAST



Odina
LIVE • LOVE • COOK



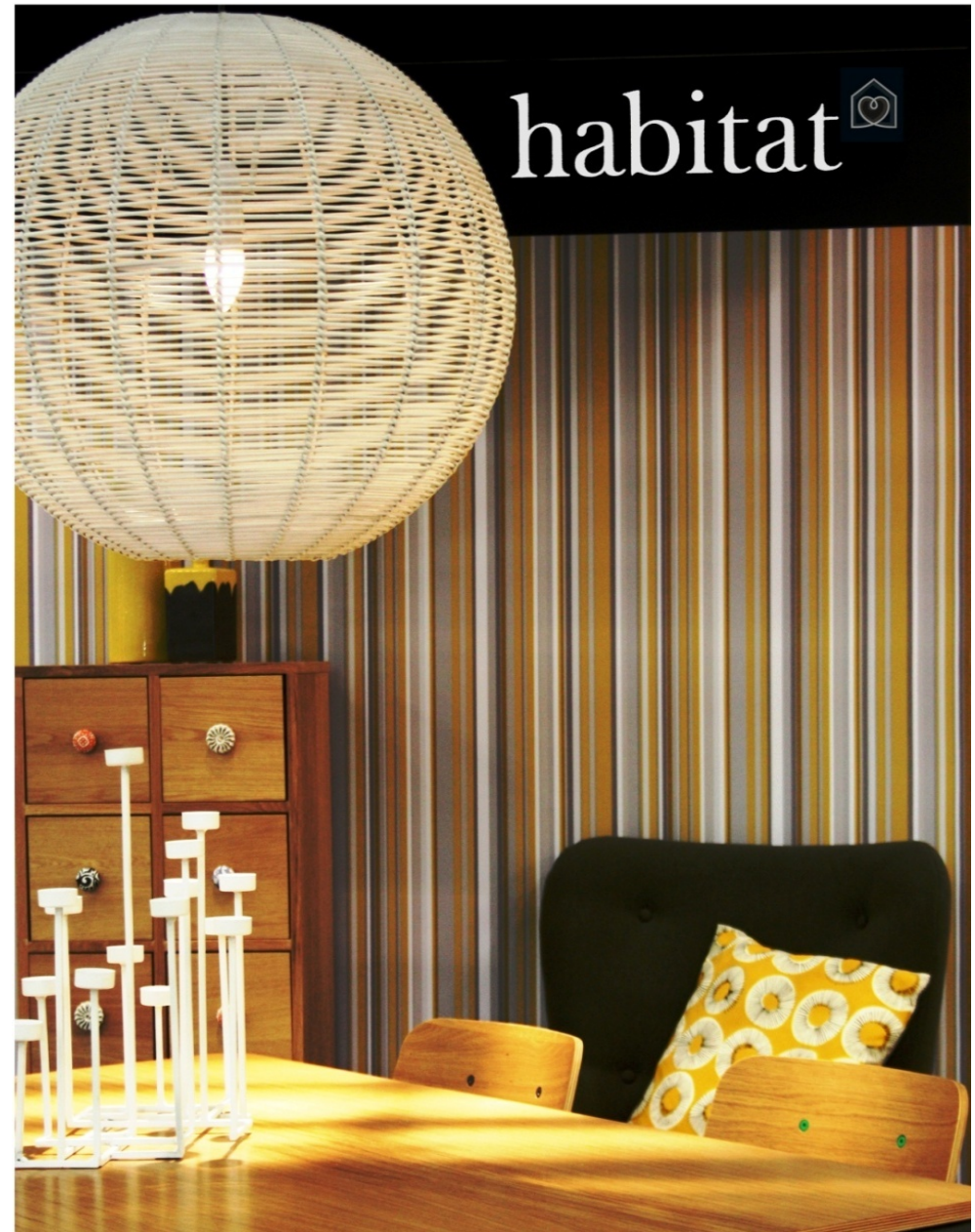
SCHREIBER



hygena



- ▶ The Habitat range in Homebase includes decorating, lighting, cookshop, home enhancements and furniture; with more to come
- ▶ Almost 300 Homebase stores now range Habitat products
- ▶ Full launch campaign started in October 2012 accompanied by national TV advertising campaign
- ▶ Habitat concessions now available in 26 locations





- ▶ Italian design, German quality custom-built kitchens
- ▶ Exclusive to Homebase
- ▶ Targets upper mid segment of kitchen market
- ▶ Currently in 65 stores



Odina
LIVE • LOVE • COOK



Kitchens



- Widened distribution of best sellers
- Odina kitchens extended to 65 stores
- Schreiber mid-range kitchen offer in 304 stores

Bedrooms



- Stylish mid market offer
- Schreiber branding
- In c.240 stores
- Uses c.400 sq ft selling space
- Density above average

Bathrooms



- 116 stores have had upgraded bathroom displays
- Removed discontinued displays and cascaded out best sellers



Installation Services

Kitchens



- All stores
- Recommendation rate 93% (*independently verified*)
- Drives ATV and attachment

Bathrooms



- All stores (except ROI)
- Drives ATV and attachment
- Significant category growth effect
- Recommendation rate 90% (*independently verified*)

Bedrooms



- Offer now in c.290 stores
- Simple installation
- Range growth and rollout potential
- High density
- Recommendation rate 94% (*independently verified*)



Section 4: Financial Services



- ▶ In 2000, a financial services operation was launched, which offered a range of credit products to Argos customers.
- ▶ The range of credit products comprises a revolving credit offer together with a suite of promotional credit products which includes a range of 'Buy Now Pay Later' (BNPL) offers. In addition, 'Interest Free Credit' is selectively offered on big ticket purchases.
- ▶ This offering was developed, operated and funded in-house to ensure that the financial services products fully supported the retail offering.
- ▶ In addition, Homebase also offers loans for expenditure over £1,000 via a third party, off balance sheet agreement with Barclays Personal Finance.



Financial Services – financial objective

- ▶ Financial Services' financial objective is to achieve on the revolving (i.e. interest bearing) element of receivables a return in line with historic financial services industry norms; promotional credit products are recharged at cost to the Argos and Homebase businesses.

Illustration

Financial services historic norm – pre-tax return on equity	20-25%
Financial services historic norm – debt to equity ratio	9 to 1
Home Retail Group revolving loan book @ 30 August 2014	£308m
Equity component at 9 to 1 ratio	£31m
Pre-tax return on equity at 20-25%	c.£6m

- ▶ To recover costs of promotional credit, Financial Services charges both Argos and Homebase a fee at 1-3% of promotional credit sales
- ▶ Market rate for the provision of our suite of promotional credit products is estimated to be 3-5% of promotional credit sales
- ▶ The cost advantage to Argos and Homebase of in-house provision is therefore in the region of £15m.



Section 5: Other Group information



UK and US retailers

Product market

Home enhancement

Homewares

Furniture

Home improvement

Horticulture, garden furniture and outdoor living

Electrical

Consumer electronics

Small domestic appliances

Large domestic appliances

Other general merchandise

Jewellery

Toys

Sports & leisure equipment

UK competitors

Specialist



Generalist



Examples of similar US formats

Specialist



Generalist





FY15 trading performance

	Q1 13 wks to 31 May	Q2 13 wks to 30 Aug	H1 26 wks to 30 Aug
Argos			
Sales	£868m	£901m	£1,769m
Like-for-like change	4.9%	1.2%	2.9%
Net new space contribution	(0.1%)	0.2%	0.1%
Total sales change	4.8%	1.4%	3.0%
Gross margin movement	Down c.25bps	Up c.25bps	c.0bps
Homebase			
Sales	£445m	£390m	£835m
Like-for-like change	7.9%	0.1%	4.1%
Net new space contribution	(2.4%)	(2.9%)	(2.6%)
Total sales change	5.5%	(2.8%)	1.5%
Gross margin movement	Down c.50bps	Down c.75bps	Down c.75bps

As part of the second quarter trading statement announced on 11 September 2014, John Walden, Chief Executive of Home Retail Group, commented:

“The Group has had a good first half. Argos delivered its ninth consecutive quarter of positive like-for-like sales growth in the second quarter. For the first time in many years, this sales growth was supported by an improved gross margin performance.

“Homebase performed well over its peak trading period, following up its good performance in the first quarter with broadly flat like-for-like sales in the second quarter. This is especially pleasing given that we achieved this against a strong 11% like-for-like in the same period last year.

“At this halfway point of the financial year we expect to deliver full-year Group benchmark profit in line with current market expectations, however, as always the full-year outcome will depend upon Argos’ Christmas trading period.

“We remain cautiously optimistic about the broader economic environment. Key economic indicators seem to be improving, however retail spending in general has been inconsistent across both product categories and geographies, suggesting that there is not yet a sustainable, broad-based consumer recovery.”

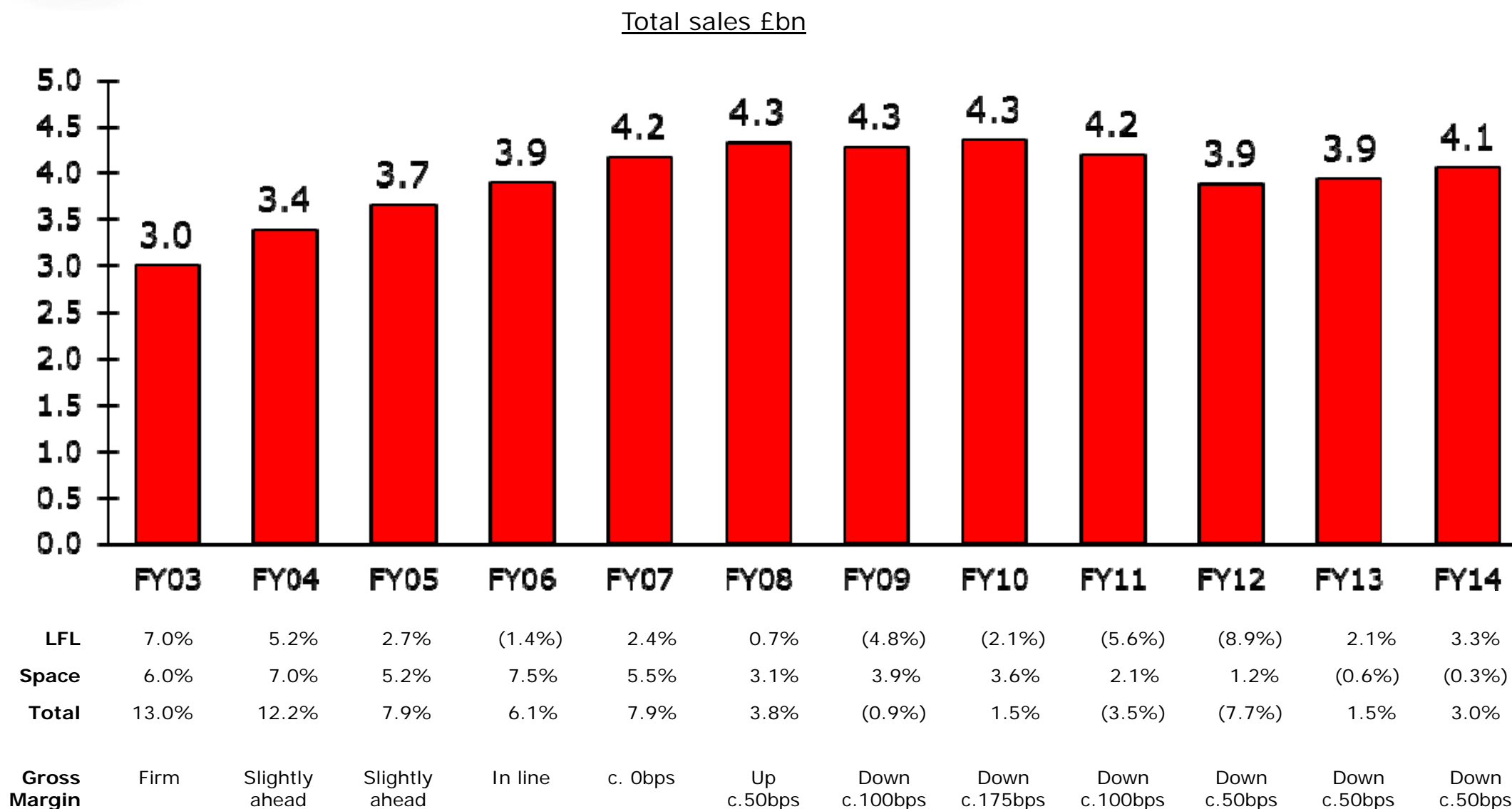


FY14 trading performance

	Q1 13 wks to 1 Jun	Q2 13 wks to 31 Aug	Q3 18 wks to 4 Jan	Q4 8 wks to 1 Mar	H1 26 wks to 31 Aug	H2 26 wks to 1 Mar	FY 52 wks to 1 Mar
Argos							
Sales	£828m	£889m	£1,808m	£526m	£1,717m	£2,334m	£4,051m
Like-for-like change	1.9%	2.7%	3.8%	5.2%	2.3%	4.1%	3.3%
Net new space contribution	(0.7%)	(0.3%)	(0.2%)	0.0%	(0.5%)	(0.1%)	(0.3%)
Total sales change	1.2%	2.4%	3.6%	5.2%	1.8%	4.0%	3.0%
Gross margin movement	Down c.75bps	Down c.50bps	Down c.50bps	Flat c.0bps	Down c.75bps	Down c.50bps	Down c.50bps
Homebase							
Sales	£422m	£400m	£464m	£203m	£822m	£667m	£1,489m
Like-for-like change	1.4%	11.0%	4.7%	9.3%	5.9%	5.9%	5.9%
Net new space contribution	(1.2%)	(1.7%)	(2.4%)	(2.4%)	(1.5%)	(2.3%)	(1.8%)
Total sales change	0.2%	9.3%	2.3%	6.9%	4.4%	3.6%	4.1%
Gross margin movement	Down c.200bps	c.0bps	Down c.75bps	Down c.75bps	Down c.100bps	Down c.75bps	Down c.100bps



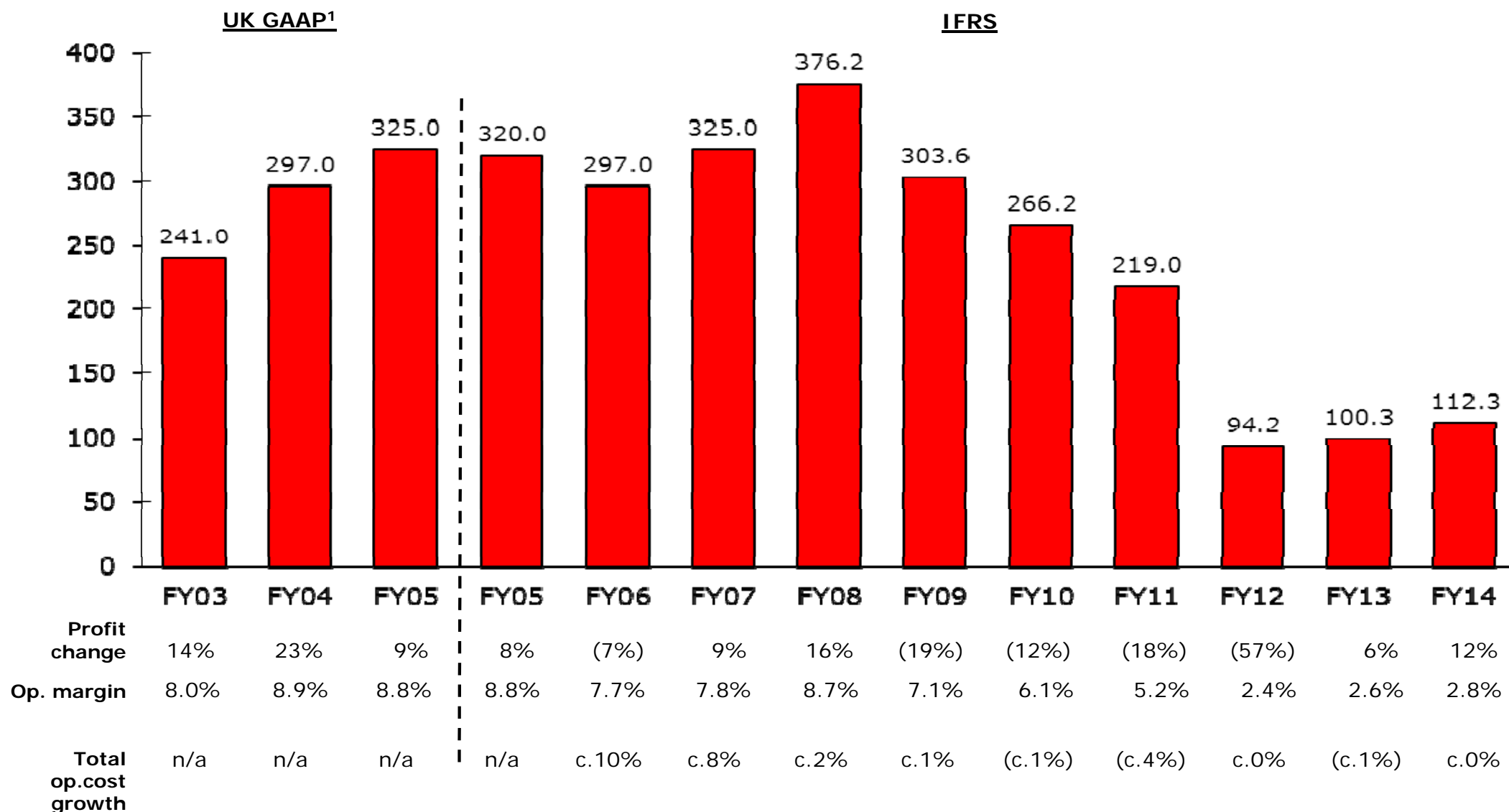
Argos sales and gross margin record





Argos operating profit record

Benchmark operating profit £m



¹ UK GAAP operating profit is also before goodwill amortisation



Homebase sales and gross margin record



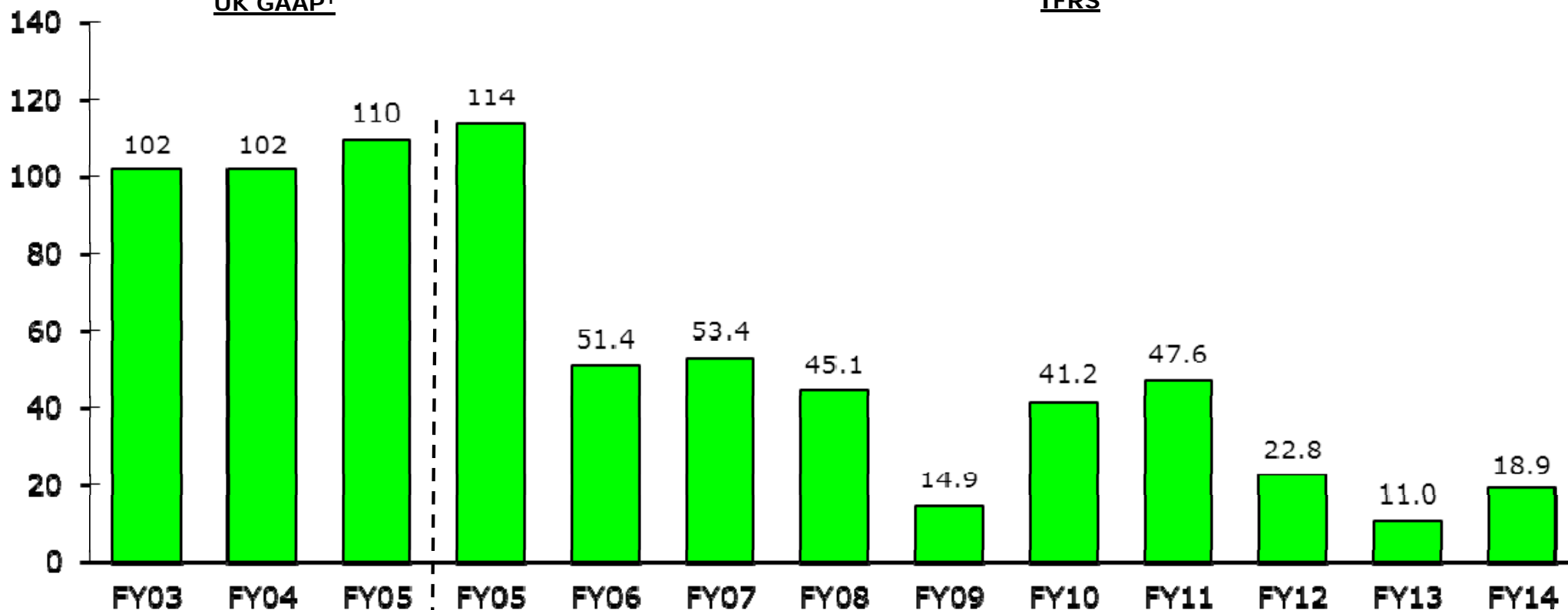


Homebase operating profit record

Benchmark operating profit £m

UK GAAP¹

IFRS

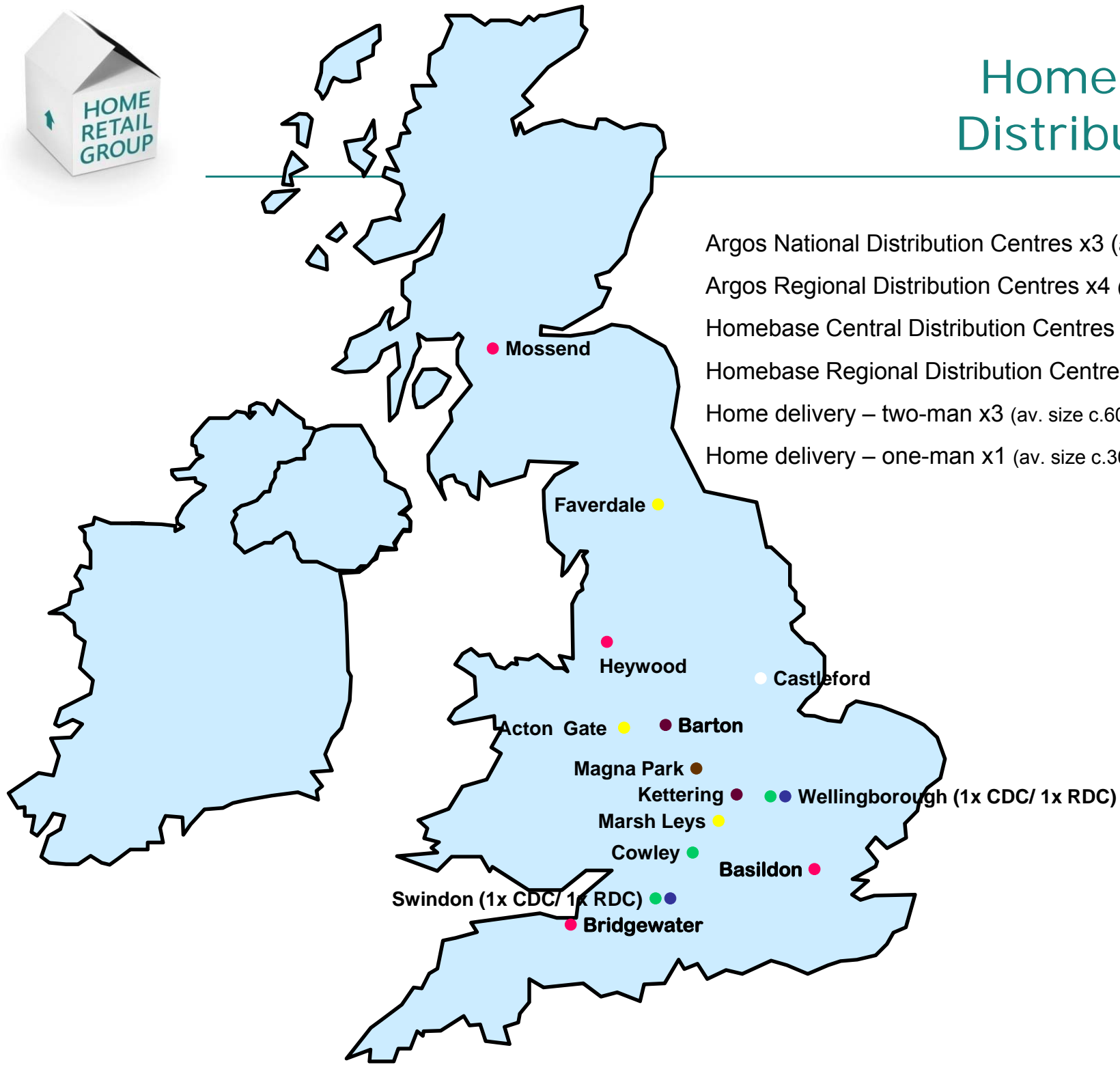


Profit change	n/a	0.0%	8%	12%	(55%)	4.0%	(16%)	(67%)	177%	16%	(52%)	(52%)	72%
Op. margin	7.2%	6.9%	7.0%	7.2%	3.3%	3.4%	2.9%	1.0%	2.6%	3.1%	1.5%	0.8%	1.3%
Total op.cost growth	n/a	n/a	n/a	n/a	c.8%	c.9%	c.5%	c.0%	(c.6%)	(c.2%)	c.1%	(c.2%)	c.1%

¹ UK GAAP operating profit is also before goodwill amortisation



Home Retail Group Distribution Centres



Argos National Distribution Centres x3 (av. size c.600k sq.ft.)

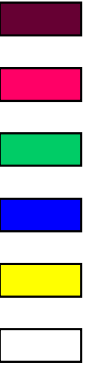
Argos Regional Distribution Centres x4 (av. size c.350k sq.ft.)

Homebase Central Distribution Centres x3 (av. size c.300k sq.ft.)

Homebase Regional Distribution Centres x2 (av. size c.300k sq.ft.)

Home delivery – two-man x3 (av. size c.600k sq.ft.)

Home delivery – one-man x1 (av. size c.300k sq.ft.)





The senior management team

John Walden, Chief Executive

John started his retail career in the 1990s as Chief Operating Officer of Peapod, a pioneer in online supermarket retailing. He joined Best Buy, the giant US electricals retailer, in 1999 as President of its internet and direct channels division, and over an 8 year career also served as Executive Vice President, Human Capital and Leadership, and ultimately as Executive Vice President of its Customer Business Group. John later moved to Sears where, as Chief Customer Officer and Executive Vice President, he led marketing, merchandising and the internet, catalogue and home services divisions. More recently, he was President and Chief Executive Officer of Inversion Inc, a retail consultancy. John joined Argos as Managing Director in February 2012 and became Chief Executive of Home Retail Group in March 2014.

Richard Ashton, Finance Director

Richard started his career at PricewaterhouseCoopers and joined GE in 1994, spending eight years in a variety of positions including Chief Financial Officer of GE Capital's pan-European equipment-financing business, assistant to GE Capital's Chief Financial Officer in the US and various finance roles in the UK. He joined Argos Retail Group as Finance Director in 2001 and, in October 2006, became Finance Director of Home Retail Group.

Mark Willis, Director of Investor Relations

Mark began his career in industry, training with the Chartered Institute of Management Accountants. He held a variety of roles at Lloyds-TSB, Mercedes-Benz and Tesco before joining Home Retail Group in 2006. Since joining, Mark has held both financial and strategic operational roles across Commercial and Distribution functions. In 2010 Mark became Head of Trading Finance for Homebase before moving to the role of Director of Investor Relations for Home Retail Group in May 2013.



Investor relations contacts

For investor information and related services, including copies of all presentations, visit:

www.homeretailgroup.com/investor-centre/

www.homeretailgroup.com/investor-centre/adrs/

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