Dixons Carphone

Full Year Results Live Q&A

30 June 2021

Transcript

Alex Baldock: Good morning, everybody. Usual format. I'll give you a quick run through upfront and then Jonny and I would be happy to take your questions. We're pleased with a strong performance, and that this is now a stronger business, obviously good sales, profit, free cash flow growth, a net cash business now on the balance sheet and with continuing strong trading, we're in a good place. How we've done that: first of all, we think we've seen a structural shift in the technology market and second, we are making the most of it. So the shift in the technology market, the market's now about a quarter bigger than it was two years ago, and we expect a big chunk of that growth to stick. Over three quarters of our customers are telling us that technology is playing a bigger role in their lives now, whether it's staying connected, productive, healthy, or entertained, and some of the trends driving that are here to stay, whether it's half of UK office workers heading into hybrid working, or whether it's in home entertainment, gaming now being a bigger industry than movies and music combined.

Alex Baldock: So in short, a structurally larger market. Second, we should be able to make the most of it. And we are. We should be able to as the growing number one in all of our markets, with the winning on the channel business model and the strategy to make the most of that is working. On Omnichannel, first of all, we have grown a big online arm with online more than doubling in size to nearly £5 billion. We have invested in our stores, notably our store colleagues, and we are getting better and better at bringing online and stores together to do things for customers that nobody else can do, whether it's getting their product to them right now with ever faster order and collect or whether it's offering them help 24/7, via 24/7 live video shopping service ShopLive.

Alex Baldock: So a lot of progress, probably ahead of our plan on Omnichannel. On credit and services, the important components of building customers for life, we've seen more disruption due to the pandemic, but we're still confident of the future there, can take any of your questions. And we are building on some very strong foundations and we've seen some good results, whether it's credit customers growing by 20%, whether it's the startling success of our customer club that we launched first in the Nordics and the upsides to come. It's quite exciting, given the greater number of customers that we have, 33% more than three years ago, and our ability to stimulate trade with those customers better than ever through data and CRM, can come back to that. Finally, the legacy mobile issue, which has obviously been a big feature for this business.

Alex Baldock: This is the year when we put that behind us. And the transformation, despite all the bumps from COVID, is on track, stronger cash flow on track to break even during the course of this financial year, now free of all the legacy constraints and going after some upside, some upside that we haven't promised, but we're going for anyway. And that's our future mobile offer, which may be late, but it will land during the course of this year. And it's got important support from hardware manufacturers and networks alike.

Alex Baldock: So finally, I mean, in summary, I'd say that we've had a good year and that we're on the right path, but there is a lot more in the tank. We believe that we're on the path to being a much more valuable businesses, as the growing market leader in a bigger essential category with a winning business model, a strategy that's working, with legacy issues resolved, with a strong balance sheet now and strong cash flow generation and upside to come in our cashflow generation, from the underlying business itself, from the fact that this FY 22 is the peak investment year. And capex will go down from this point. And this is the peak year for exceptionals as well. We anticipate no further large-scale restructuring from this point forward. So all of that points to sustainably larger cash generation to come. And with that, I will pause and we can go to your questions.

Operator: Thank you. If you wish to ask a question over the phone, please press star one on your telephone keypad. Please ensure the mute function on your telephone is switched off to allow you signal to reach our equipment. Again, please press star one to ask a question. We will now take our first question from Simon Bowler from Numis, please go ahead.

Simon Bowler: Hi. Thank you.

Alex Baldock: Morning Simon.

Simon Bowler: Good morning. Morning, three quick ones if it would be okay. First one, you kind of speak in the presentation to the kind of market share headwind from channel share, which obviously is expected to kind of partially reverse, if it does settle at 50%, as it looks to be in your business at the moment, on that basis, do you think you can recover total market share to pre-pandemic levels? And if not, what would be the tools to get you towards those levels? Second one is there's a bit of reference around the kind of next generation retail platform and improved web experience. Just wondering what to your mind are the most significant changes that we should be thinking open customers will be saying, and then thirdly, it's just on capex. Can you give a rough split of this year's 190 million and how fast should we think about dropping away in outer years?

Alex Baldock: Okay. I'll take the first two and Jonny can take the third, Simon. So the first, as you say, given that this was a business in UK electrical, 78% geared to stores pre-pandemic, and we're now settling to 50:50, as you'd expect, that has created some aggregate market share headwinds. In the medium term, we expect market share gains. That's the headline. And the reason for that is increasingly over time, the customers are omnichannel customers. Over 60% of our customers prefer to shop with both. And it's through both that we serve them and will serve them over time. And all of the initiatives that we've got to continue to do the basics well on the online basics of range, price, availability, and easier experience, we're going to continue with that. All the investment in our colleagues to give the customers in store a better experience, we're going to continue with that.

Alex Baldock: And then there are big growth drivers of Omnichannel. The customer never needs to be told that we're out of stock. We can get the product to them ever faster, and we can help them 24/7, whether they're online or in store, via live video shopping. All of these things, we're getting heavily behind. When you add in the stickiness and the greater value that comes from credit and services, we see significant upside to come from all of that as well. And we're not talking much about this at this stage, but we're quite excited by the advances that we're making on data and on CRM, to be able to stay more relevantly in touch with more customers, more of the time. And we have, of course, many more customers now to stay in touch with. So all of those things are good growth drivers for the business and we expect them to contribute towards share gains.

Alex Baldock: Now one in particular you touched on, which is the next generation retail platform, which is itself going to be an important- [inaudible]... if we're constrained from filling the basket with customers, from selling up to premium products and from selling credits and services, as we would like to. Going forward, it's not just a richer, easier, more inspiring shopping experience with the new platform, although it will be all of those things, it will also be easier for us to introduce the right bundle to the customers. So to cross sell, to up sell to premium products and to sell more credit and more services. All of those things are not only good growth drivers, but good gross margin improvers as well. And this is happening during the course of this financial year in the UK and in the Nordics. So we're pretty excited about the feeling of growth in both markets. Jonny, do you want to take the capex question?

Jonny Mason: Yes, so coming back on the capex question in terms of the £190m, as Alex pointed out, a lot of it is geared towards the new technology platforms. So that's both in the Nordics and in the UK and Ireland, and you start to see some of that land, particularly as in terms of the customer-facing stuff as we go through the course of this year. But as Alex pointed out, we expect the £190m to be the peak of this year's investment. We've obviously talked historically about the maintenance capex being a lot lower than that. So at the moment, we're not giving details or guidance but you can expect that to fade and coming down particularly from FY 23 onwards.

Alex Baldock: Simon. Does that answer your question?

Simon Bowler: Yeah, that's great, thank you.

Operator: As a reminder to ask a question, please press star one. We'll pause for a moment to allow everyone to signal. We will now take our next question from take now take our next question from Warwick Okines from Exane BMP Paribas. Please go ahead.

Alex Baldock: Morning Warwick.

Warwick Okines: Thanks, and good morning all. I've got three questions as well, please. The first is, could you just give us an update on supply chain availability, input pressure, those sorts of topics? Be thinking about in terms of disruption. The second question is in your slides, you say you've got 18,000 SKUs now in the UK and a lot more in the Nordics. Could you just sort of explain the gap between those numbers and flesh out the ambition for the UK in terms of range? And then the third question is on gross margin dilution from online, I think in the prepared remarks, you said you don't expect dilution from online from now on. I wasn't clear whether that's because theoretically you've totally closed the gap, or is it more a case that it's because you would expect the online mix pulling this year?

Alex Baldock: Thanks, Warwick. Jonny can take the third of those. Let me go for the first two. We've seen some quite big challenges for most of the past financial year, never mind going forward, on availability. And that's rooted in the well-publicised chip set shortage as well-publicised chip set shortage, as well as some shortages in capacity on the freight. And we're expecting that to continue through calendar '22, and you'll know that sectors like automotive are increasingly consuming more silicon, and that's placing pressure on supply, and particularly amongst second and third tier suppliers in China. But that's been with us for some time, and I think the fact that we've been able to cope with that, to maintain market leading levels of availability and to fuel the growth that we've seen, for example, an over 100% growth in the UK in online, I think that's the best testament to the power that being number one gives us and the weight that gives us with our suppliers, so that we can be first in the queue for scarce stock, and we've worked hard to make that happen, and during the course of the past year, we'll continue to work hard.

Alex Baldock: We're expecting further challenges. We're not flagging material risk to our top line programs. I think the second point on range is an interesting one. You've rightly picked up that even though we've made some good progress, increasing the range by 50% in the UK, there's still a long way to go before we get anywhere close to the 104,000 SKUs that we have in Sweden at the moment, for example. What's behind that, we're further advanced in our Nordics part of our business at the moment on experimenting with things like drop ship and with marketplace that allow us to put a greater range in front of customers without taking the stock risk or the logistics costs.

Alex Baldock: And so we've chosen to experiment with it there first, we've quite liked the results, and that obviously leaves quite a lot of headroom for greater assortment in the UK. And later on in the presentation, we talk about one of the exciting bits of this business is we've got many more customers to talk to now. And when you put together things like 25% more customers, when you put together the fact that our contact rights have leaped forward with those customers, we've got better data and CRM to get in touch with them, and we have a bigger assortment, over time, we will have a bigger and bigger assortment to put in front of them, and these are obviously good reasons to believe in further growth. Jonny, do you want to take the gross margin question?

Jonny Mason: Yeah. And on the margin, there's two pieces to it. One is, as you've alluded to in your question, that the mix isn't expected to deteriorate, in fact, to come back. So we're not expecting any further channel shift towards online as we experienced last year. And in fact, it's the omnichannel sales which are growing fastest of all, but the other important reason, as we alluded to last year, is that the gap in gross margin between the channels, we have started to close that gap. It's a multi-year exercise, but we've seen efficiencies in distribution costs, which we expect to continue, and we've also seen improvements in online customer journeys helping services adoption, and that too is expected to continue.

Alex Baldock: Warwick, one thing I'd add to that, and one way to think about this if you want to look forward, some reasons to believe in improving margins for customers who are shopping online, one of those is this new technology platform we're landing, both in the UK and in the Nordics. And one effect of that is to significantly, to radically improve our ability to sell credit and to sell services to customers online. And the second, Jonny points to omnichannel sales being our biggest single growth driver, as they are, the more often that we can have a conversation with the customer, the more often we can introduce them to the merits of our services, which are in turn a big driver of margin. And that's obviously been difficult historically online. For anybody, online hasn't traditionally been a good means of selling services. Well, initiatives like ShopLive are doing something about that, and as we scale up ShopLive, so we will see the margin differential between those online sales and store sales narrow further.

Warwick Okines: Thanks, Alex. Thanks, Jonny.

Operator: We will now take our next question from Richard Chamberlain from RBC London. Please go ahead.

Alex Baldock: Hi, Richard.

Richard Chamber...: Thank you. Morning, Alex. Yeah, morning. So I've got three, if that's all right. So I wonder if you can just give us an update on how you're thinking about the size and shape of the store estate in the UK, given the higher digital penetration that you've seen, and I guess also because profits are presumably not that far behind where they would have been had stores been able to open fully, appreciate though it was a headwind. So yeah, update on the store estate plans. Maybe Jonny, you could just touch on these working capital year-end timings, just talk through what you expect in terms of shape of inventory and payables going forward, how that might reverse on a net basis. And then just on current trading, I think you are saying the same, UK electrical sales are up on last year, but can you give a little bit of colour on what the base was from last year for that comment? Because I guess the comps are probably a bit all over the place at the moment with the lockdown and so on from last year. Yeah, that would be helpful. Thank you.

Alex Baldock: So Richard, I'll leave Jonny to take the working capital question, as you suggested, and then just on current trading, I mean what we're flagging at the moment is a strong start to the year, but we're not seeing any significant evidence that last year's sales will pull forward. And in fact, what we're seeing, the very latest up-to-date market information shows a market that's 25% larger year on two years. More than that, we're not going to get into today. Obviously, there's a further update to come later in November, but it's been a good start to the year. We're pretty pleased. I think going back to your question on the store estate, and then obviously we took some tough decisions last year on the smaller stores, whether the mobile, or the small High Street stores, but we believe in the store estate that we've got, we believe in a big national network of big stores, and we've reopened all 300 of them as a result, still in our category, we have to start with the customer, and over 60% of customers in our category prefer to shop through a mix of online and in store.

Alex Baldock: So it's important that we can deal with the customers who want to shop online only, and we've shown we can do that with six points of market share gain online in UK electricals last year and a total online business that's more than doubling. We've shown we can do that, but when it comes to the stores, and we've seen the stores reopen well post restrictions, we're seeing continuing demand for what stores do best, which is face-to-face advice from trusted experts, and the ability to discover new product, and to have the product demonstrated. So all of that, we're committed to, and we're also committed, importantly, to other ways of what you might call sustaining the economics of a large national store network. And take ShopLive as an example. What we're basically doing with ShopLive from an economic standpoint is making more money than we otherwise would have done online, because there's significantly higher conversion and transaction value versus unassisted online, when we have a colleague talking to the customer when they're shopping online.

Alex Baldock: And what we're doing is using spare capacity of in-store colleagues, when the stores are quieter, to sell, and that store colleague cost is already substantially paid for. So you put those two things together, we like this because the customers like it, the colleagues like it, the business likes it, the economics, and have further to go. And that's one example of how stores and online together, one plus one can equal three. And there are others, whether it's using the full online range to sell in-store, which was up 76% last year, a big growth driver, using the stores to get the product to customers super fast. Again, order and collect, 30% of the total in the UK, and we expect that to be another growth driver as we get that time down. So we're not backing away from our commitment to a large store network, and we're confident that we can achieve the 4% margin targets and the over £1 billion of free cash flow even with this changed channel mix.

Richard Chamber...: Got it, yeah. Okay, thank you.

Jonny Mason: Shall I go onto working capital then? Just one comment first though, you suggested that our profit wasn't impacted by store closures, or at least I think you did, and that's not our view at all. We've alluded in the statement to the fact that it was nearly half a billion pounds of sales we think we lost because our stores were forced to close, and our estimates clearly show that if our stores had been open, we'd have done much better than we did in fact finish last year.

Richard Chamber...: Sure, yeah. I appreciate that.

Jonny Mason: Yeah. And then on working capital, we are not pointing to anything unusual in working capital in the year ahead. In the year finished, there were some unusual movements because of the COVID impact at the end of FY20. At the year end we've just gone through, there were some relatively small timing effects in the Nordics, but they were offset by timing effects in the UK as well. So overall, I think our working capital position at the end of FY21 was pretty-

Alex Baldock: Our working capital position at the end of FY '21 was pretty balanced at group level. Wouldn't expect anything particularly special in the year ahead.

Richard Chamber...: Great. Absolutely. Thank you very much.

Alex Baldock: And then if maybe I just pick up quickly on your third question, which was you asked about trading comps.

Richard Chamber...: Yeah.

Alex Baldock: Yes. So the comps in the UK, at this time last year, of course the stores were closed, but we've also comped against two years ago when the stores were open. And in both cases, what we're seeing is continuing strong trading, and that's what sits behind Alex's comment that we believe the market has become structurally bigger, and we've seen no softening of that since the year end.

Richard Chamber...: Mm-hmm. Okay. Thank you.

Operator: As a reminder, to ask a question, please press star one on your telephone keypad. We will now take our next question from Amy Curry from Morgan Stanley. Please go ahead.

Alex Baldock: Hi Amy.

Amy Curry: Hi there. Hi there. Good morning. Thanks for taking my questions. A couple from me. First of all, related to some of the questions earlier, where are you at in the process of scaling up ShopLive? Could you provide any colour on the attachments rate on ShopLive services and assisted online sales as well please?

Alex Baldock: So I'll tell you what we can tell you, Amy, at this stage about ShopLive, and the first thing is we've got every interest in scaling it up hard. I mean, when you look at the customer being four times as likely to buy something versus unassisted online sales, when you're looking at an average order value that's 55% higher, and customer satisfaction, as we measure it, at double-digit points better, clearly it's driving better sales.

Alex Baldock: The second thing we are seeing, even though we're not quantifying it at this stage, is a better adoption rate of credit and of services than unassisted online. The third thing that we're seeing is the colleagues who are manning the ShopLive are doing so using downtime in the stores, and obviously, the bigger this gets, the better it gets all round, and this is why we're so focused on scaling it up.

Alex Baldock: We think this is one of those... The tech companies love to talk about network effects, don't they? Well, this is an example of that in action for us, because the more colleagues and customers we get onto ShopLive, the likelier it is that the customer is going to be served by exactly the right specialist to help them, which will be good for the customer and good for sales. And also, the likelier it is that we'll be able to hoover up any spare capacity of our colleagues nationwide and deploy any quiet time in stores on ShopLive. So the marginal cost to serve for us is very low. So all of this points to the better economics of this channel and the bigger it gets, as I say, the better it gets.

Alex Baldock: It is also, by the way, very hard for anyone else to copy. Nobody else has paid for the 15,000 experts that we've got installed. No one else has got the 300 well-invested stage sets for these video calls. And, as I say, the bigger it gets, the harder it gets for anyone else to get close to. So we are going to scale this up. In terms of quantifying that, all we'll say at this stage is we expect this to become a major channel in its own right. We wouldn't be talking so much if we weren't confident in it, but it's already a noticeable proportion of our online sales, and we intend to scale it up significantly further.

Amy Curry: Sure. Got it. Thank you. My second question relates to the announcement earlier this week around the new, multi-year partnership with Vodafone. Can you talk through the implications of this agreement, and could you also provide any insights of the new mobile position that will be launched later this year as well?

Alex Baldock: Sure. So zooming out for a second... I'll come to your specific question in a moment, Amy, but zooming out, the story on mobile is clearly what we wanted to do is take this away as a source of downside. And that's what we've committed to shareholders to do. Clearly part of the business has been significantly loss-making, and we committed to deal with that, and this is the year when we do. So you can see that in the strongest free-cashflow generation, better than we previously flagged, where we're committing to getting to break even during the course of this financial year on a P&L basis. And we are, as of now, out from underneath all of the legacy constraints. We're out from all of the legacy contracts with their ugly volume commitments, and that means that we can now integrate the business and get after the legacy cost base.

Alex Baldock: So for all of those reasons, the broader transformation, what we promise to do, is on track. Now the upside beyond that, and we haven't promised anything for this upside, but that doesn't stop us going after it and believing in it, the upside beyond that is what you're referring to with the Vodafone contract. And that's our future mobile offer, which is a bit late, which is frustrating, but COVID has impacted some of the transmission programs, and this is one. It is a bit late, but it will launch during this financial year.

Alex Baldock: And in terms of what it is, it offers customers the widest choice of handsets, of connectivity, and of ways to pay in the market. And it offers them more flexibility, transparency, and value than they can get anywhere else in the market. And it's not just us who believe in this. We've got material support from the likes of Apple, Samsung and Google, our hardware partners, and we've got support from networks like Virgin, Three and now Vodafone, and without going into the details of the commercial agreement, we're really pleased with the Vodafone agreement. It's a big multi-year commitment on both sides, and we've got some quite high hopes for it.

Amy Curry: Very clear. Thank you.

Alex Baldock: Thank you. Sorry, just to add to that, I mean, the big picture of where we're headed, then, in mobile is, as I say, we've dealt with a legacy issue, but we're heading towards being a normal category. We're joining it up with the rest of the business under the Curry's banner, as we announced. It'll be an integrated category without its legacy cost base. It will be significantly smaller than it's been in the past, but it will be profitable and cash-generative, and so we're doing what we said we'd do.

Operator: We will now take our next question from Simon Bower from Numis. Please go ahead.

Alex Baldock: Hi.

Simon Bower: Hi. Thank you. I just wanted to follow up on a couple of bits, if that's all right. Firstly, it sounded like the skew range piece in an audit is largely the drop-ship model you've got over there. Who is doing the drop-shipping, i.e. where is that product held? Is that held in-country by manufacturers, or who is it that's got their hands on that products? And can you give a sense of what portion of sale was that extended ranges accounting for in the Nordic region? And then secondly, could you come back to the kind of...upselling credit and services through the new platform that you've got. Your checkout process at the moment on your website, there are several moments at which you do see credit and services put forward. Is the proposition itself going to change, or is it just the presentation of how that comes across on the new platform?

Alex Baldock: Okay, Simon, some big questions in there. So let me give you a proper answer. On the range point, we haven't broken out the level of detail that you're specifically asking for, but what we can say is that this is a reason to believe in further growth, and it's been a significant contributor to the record growth and market share that we've seen in the Nordics this year. As you'll know from other retail categories, everything else being equal, if you put a bigger relevant range in front of customers, the more they tend to buy, and we've seen that with the 50% increase in range that we've got to in the UK, but there's obviously a lot of headroom to come.

Alex Baldock: As to where the product sits, that varies, but the main point is it doesn't sit with us. So whether it's drop-ship or marketplace, the stock risk and the logistics and distribution cost sits typically with the supplier, but it doesn't sit with us. And clearly you accept lower margin on that extended range, but you always have the option to bring it into own stock and own served, to accept the stock risk if you believe in how well it's selling and then get the higher margins for doing it end-to-end yourself. So it's a way of experimenting, if you like, with a bigger range of product and seeing what sells. This is something that we're going to stay focused on, because as I say, there's a lot of headroom, particularly in the UK, for significantly further relevant range growth, put in front of the largest number of customers that we now have. That's on the range side.

Alex Baldock: On credit and services, I gave a summary upfront, but the short answer is the proposition changes as well as the selling experience changes, but I don't want to underplay the importance of the online platform upgrades, because they will have a significant effect. You rightly observed you can find credits and services on the website as it stands. It's not the easiest customer experience, and what we're designing now is going to make it significantly easier for customers to see the merits of our credit and services, and we are confident that it's going to see a significant uptick in adoption rates.

Alex Baldock: But it's not just all about the selling experience. There are improvements in proposition coming as well. So on credit, for example, the proposition will improve by bringing in another lender and bringing in risk-based pricing, both of which will drive further growth. And we continue to innovate with the proposition itself as we're doing right now-

Alex Baldock: We're continuing to innovate with the proposition itself as we're doing right now with a pay-in-three proposition, for example. So we can see more opportunity to build the sticky and the valuable customers that you get from credit. On services, it wasn't our best year on services last year with the stores closed, and we've flagged the percentage of sales with the service in the UK went down by 10 points, but there are reasons that we are confident for this year. Firstly, of course, the stores are open again, and second, as I've talked about, we're getting better at selling services online.

Alex Baldock: Perhaps harder to put your finger on, but definitely something to be interested in is us tapping into the zeitgeist on sustainability in a bigger way. And when we talk about longer-life for tech, well, obviously we're all about selling new technology to customers. Increasingly, we want to be famous for extending the life of the technology they've already got. And as we've got the repairs and the recycling at a scale that no one else can get close to, we have particularly well equipped to do that.

Alex Baldock: So you should expect to see some big plays this year in all of our markets on helping the customer have longer life for the technologies they've already got, which will be good for us commercially, as well as, obviously, good for the customer's pocket and for the planet. And as increasing numbers of customers make their purchase decisions in part based on the sustainability of the retailer, that's only going to be good for us.

Alex Baldock: I could go on. I mean, there's more to come on Club. We've launched that successfully in the Nordics, as you've seen. There's more to come on making more of the data that we've got. But the short answer is I'm not that sure, actually, but the medium length answer, anyway, that I've just given you, is this proposition of improvements to come as well as selling experience improvements to come.

Simon: Okay, great. Is there anything about the way that suppliers hold or distribute stock into the UK or Nordics that would make that drop-ship model harder or different in terms of replicating it in the UK? Why would you not be embracing that quicker if that was something that could be embraced? And then, sorry, separately, one final one, is there any updates on the contingent liabilities that we should be aware of?

Alex Baldock: I'll let Jonny take the question on liabilities, but the short answer to your first question, Simon, is no. There are no such constraints. What we're trying to do is to stay focused on not trying to do too many things at once. This is already quite a busy transformation. What we're focused on is landing the things really well that we're setting out to land. You can expect to see a significantly larger range in the UK over time. Jonny, do you want to take the one on contingent liabilities?

Jonny Mason: Yes. There's no update on the historic contingent liabilities. We continue to think they are not probable to arise, and that's why we haven't provided for them. For the eagle-eyed among you, when you get into the annual report, there is a new one. This is a potential tax risk relating to a discontinued business from a long time ago. It's very new news. It's a maximum potential liability of £10 million. We don't think it's at all probable, but we're disclosing that one as well for completeness.

Simon: Great. Thank you.

Operator: We will now take our next question from Nick Coulter from Citi. Please go ahead.

Nick Coulter: Hi. Good morning. Thank you for taking my questions, and I do hope that the availability of large-screen TV is holding up with the Euros. Two questions, if I may, please. Firstly, could you talk about your confidence in the 1 billion cashflow target? It seems like there could be some upwards pressure given some of the moving parts that you're seeing. And then, more broadly, what does the Curry's rebrand mean for the P&L over the medium term, please? Thank you.

Alex Baldock: Nick, I'm delighted to say that availability is holding up. So I suggest you get yourself to a site or a store to upgrade whatever you're watching England on at the moment. The short answer on the cashflow target is we're standing by it, and we believe it's very achievable, and we're very confident of achieving that, and of course, we've already done a big chunk of it. So that's the short answer on that.

Alex Baldock: The Curry's rebrand, I'm glad you asked about that, because we're pretty excited about it as well, but at the moment we don't get full recognition from customers to the scale which we already have. So we all very big in electrical and mobile and products and services, and that's sometimes hard for customers to credit us for, because we've got lots of different brands doing those different bits. As we bring all those brands together under Curry's, it becomes much easier to get recognised by customers for what we already do for them. As I say, electrical and mobile products and services. That's the first thing, and the second, as we invest behind the brand, which we're already doing, we will make sure that we are perceived as helping everybody not just choose but afford and enjoy for life their technology, and make sure that we've got Curry's perceptions built for that. So in short, we see this as another growth enabler and another growth driver.

Nick Coulter: But does that mean that you'll get a better ROI on your marketing? Does it mean that you'll get a lower marketing percentage? Does it mean that you can push more into digital. What does that do to the shape of that line.

Alex Baldock: You're getting into more details than we've broken out so far, Nick, but you're right to assume there are marketing efficiencies as well as top-line benefits, yes. Jonny, do you want to add a little bit more on the cumulative free-cashflow point?

Jonny Mason: Yes. Sure. Hi, Nick. Listen, we are increasingly confident of delivering that. You talk about upwards pressure. Well, what we said was it was going to be at least a billion over five years, and we are increasingly confident of that. More than half of it has been delivered already after two years of the five-year plan. The key piece initially was the mobile network debt of funding that transformation away from the loss-making business. And as you've all seen, and as we said, the working capital is more than funding the operating losses and the transformation costs to get us to the new world, and we've increased the estimate of the net-positive cash through that transformation. So that's all really good.

Jonny Mason: The key piece in the next few years is what Simon referred to in his first question that I missed because my line got chopped, but it's that this is a peak year for CapEx and for exceptional costs, and both of those two things are going to come down as we get through the peak year of transformation. The exceptional costs, which have been a big feature of the business over the last few years, that's largely done after this year, and that will decrease substantially. And then we see CapEx coming down much more towards benchmark levels, like one and a half percent of revenue or thereabouts, as others in the sector achieve. And those are the things that make us really confident that we will deliver the free cashflow target in the designated time.

Nick Coulter: Okay. So the maths looks pretty encouraging.

Jonny Mason: It certainly does on cash, yes.

Nick Coulter: Thank you, sir.

Operator: I would now like to turn the call back to Alex for any additional or closing remarks.

Alex Baldock: Thanks, and thanks everybody. I think you've got a sense of the confidence that we've got on the path that we're on. What we've seen this year... I mean, obviously we've seen a strong performance, which is pleasing, but I think we've also seen the strategy that we set out two and a half years ago coming good. Whether it's growing a stronger online business, bringing online stores together, building customers for life through credit and services, resolving the legacy mobile issue, we are on track despite all the bumps in the road from COVID on all of that.

Alex Baldock: And what we're left with now is a growing market leader in a bigger, more essential category with a winning business model, with a strategy that's working, with legacy issues resolved, with strong underlying cashflow and with significant further upside to come on cashflow, as Jonny's just set out, from lower exceptionals and lower CapEx in FY '23 and FY '24. So, I mean, we're confident of the path that we're on and we're competent to building value for shareholders. Thank you all very much and have a great day.