

# Gem Group of Companies



Added value distribution of consumer and technology products into the retail, etail and home shopping channels

# Milestones

- 1984 Company founded by Paul Donnelly (now Chairman)
- 1998 Appointed Microsoft distributor
- 1995 Acquired by DCC
- 2001 Appointed Nintendo distributor
- 2003 Moved into purpose built offices in Harlow
- 2005 Moved into dedicated distribution centre in Altham
- 2006 Acquired Exspect
- 2007 Acquired Banque Magnétique

# Gem Group Locations

Gem  
Harlow, UK



- Sales
- Commercial
- Gem Creative

Gem  
Accrington, UK



- Gem Logistics
- Finance
- Customer Services

Exspect  
Stoke, UK



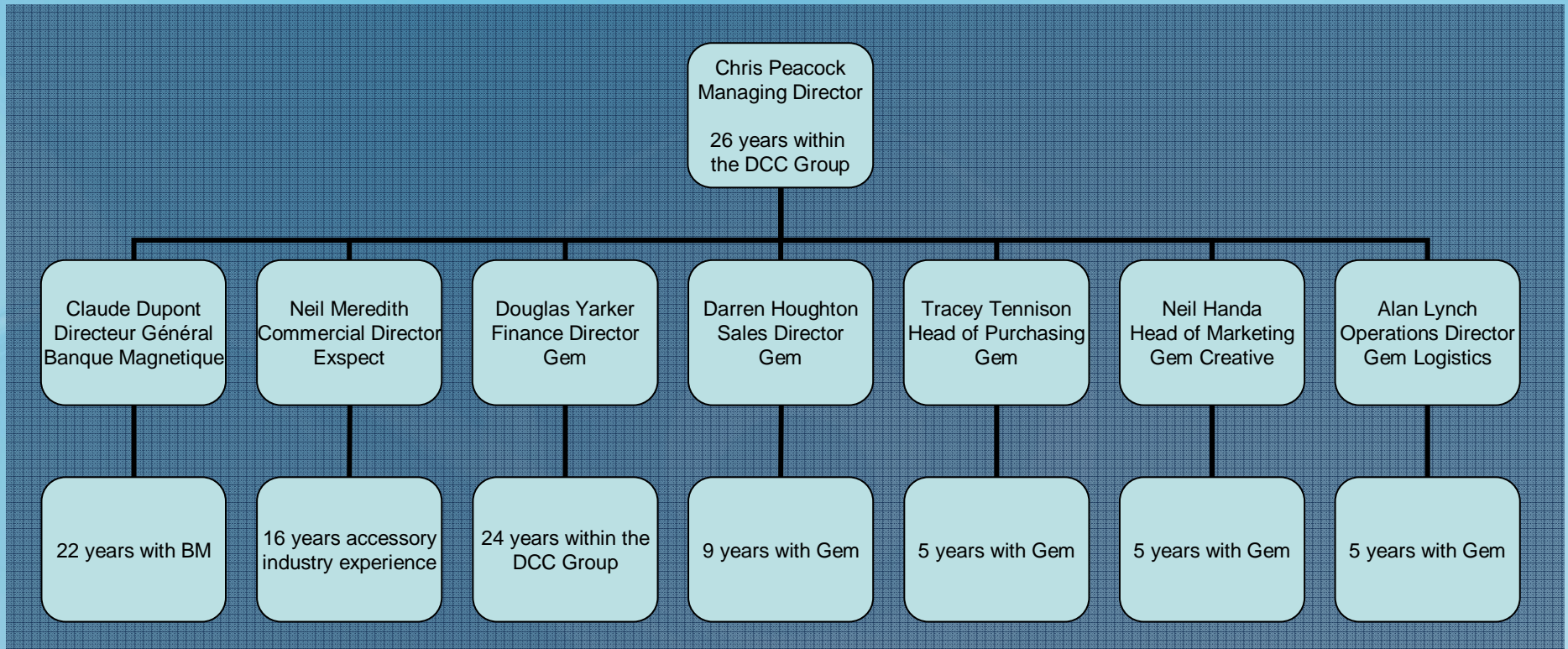
- Product R&D
- Sales and Marketing

Banque Magnétique  
Paris, France



- Sales
- Commercial
- Logistics
- Finance
- Marketing
- Customer Services

# Gem Group Management



# Gem UK & Exspect – Business Summary



- Gem Distribution's core business is as the industry leading distributor of Video Games & Consoles, PC software, PC peripherals and accessories into the UK retail, etail and catalogue markets. Gem is the UK's exclusive Xbox360 distributor and the UK's largest Nintendo distributor.
  - Based in Harlow, Essex and Altham, Lancashire; Gem employs 170 staff.



- Gem Logistics handles the primary distribution of video games on behalf of UK software publishers including Codemasters and Take Two to their direct UK retail partners.



- Gem Creative designs in-store promotional material, point of sale & marketing collateral and retail ready product solutions for UK retailers and publishers.

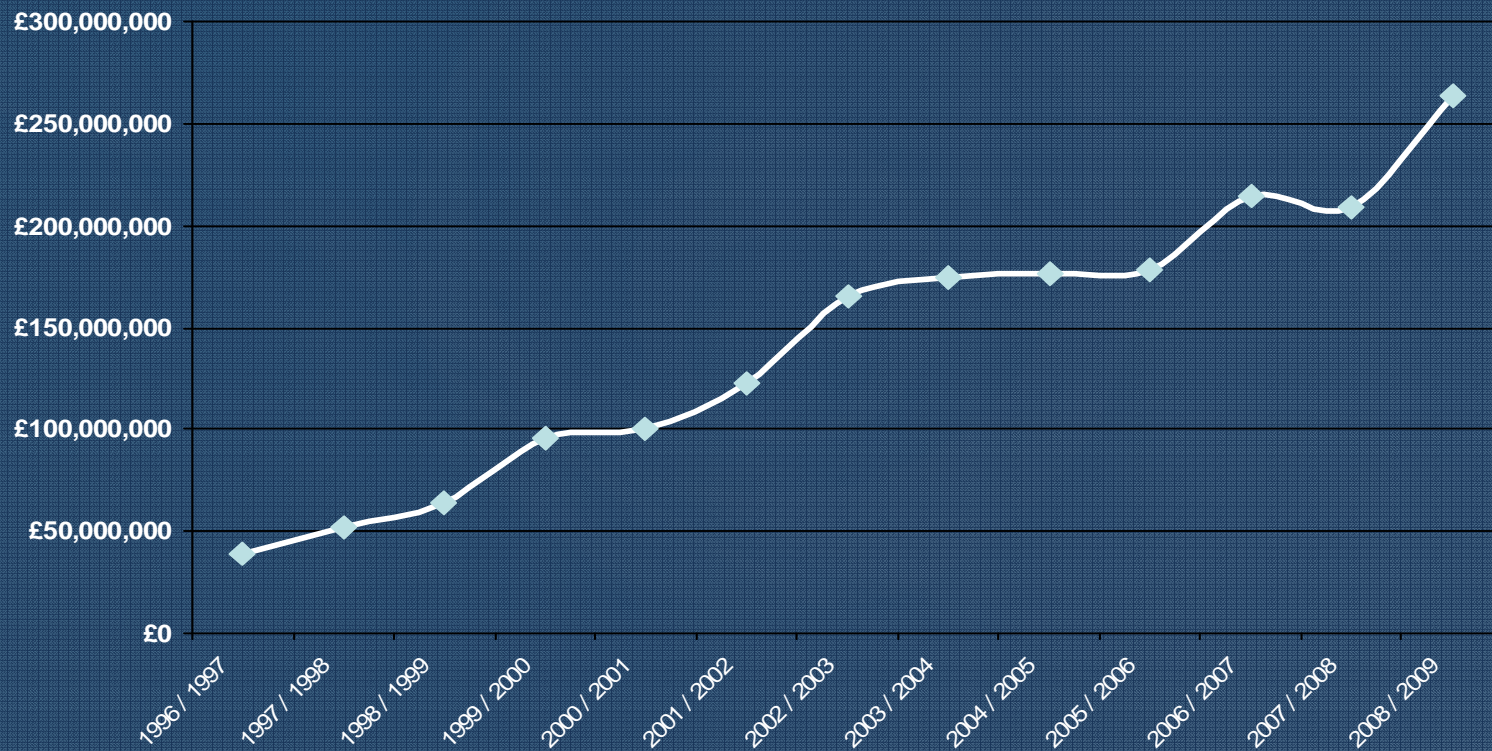


- Exspect designs, manufacturers and markets a range of Exspect & customer branded accessories for the Apple iPod & iPhone, Microsoft Xbox360, Nintendo DSi & Wii, Sony PS3 & PSP and laptop computers.
  - Based in Stoke with offices in Hong Kong; Exspect employs 24 staff.

# Gem UK – Financials

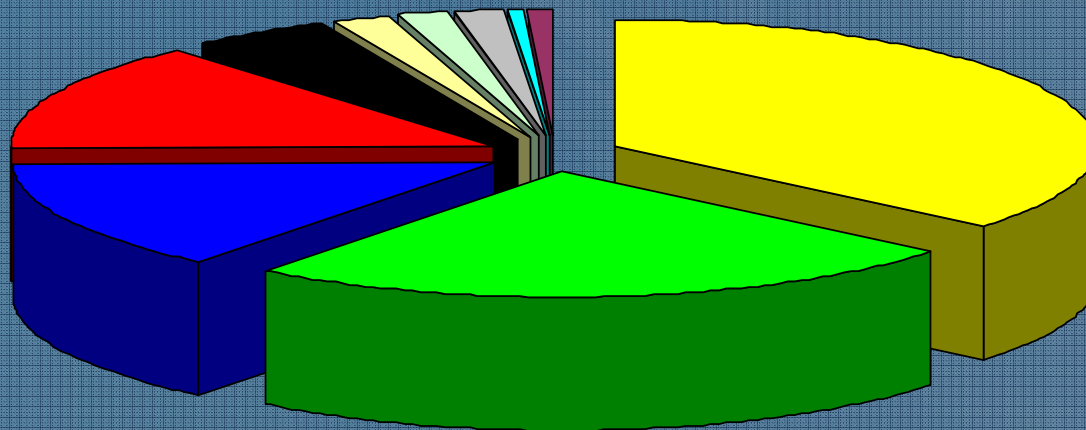
Sales of £264.0 (€290.4) Million to 31st March 2009

Exchange rate 1.10



# Gem UK - Sales analysis

	FY05-06 Stats	FY06-07 Stats	FY07-08 Stats	FY08-09 Stats
Retail	69.0%	67.2%	60.7%	53.4%
Mail	19.8%	19.3%	23.3%	23.2%
Sub Distribution	6.1%	4.1%	2.1%	1.6%
Supermarkets	0.9%	1.8%	3.4%	5.7%
Catalogues	0.9%	5.7%	10.1%	16.0%
Resellers	3.3%	1.9%	0.4%	0.1%
<b>Annual Sales</b>	<b>£178.6m</b>	<b>£214.9m</b>	<b>£208.9m</b>	<b>£264.0m</b>



- Business Software (36.2%)
- Console Hardware (24.3%)
- Console Software (14.2%)
- PC Peripherals (13.8%)
- Console Peripherals (4.9%)
- Networking (1.8%)
- PC Entertainment Software (1.7%)
- Own Brand (1.6%)
- Consumer Electronics (0.8%)
- Others (0.7%)

# Video Games Analysis - 2008

	2007	2008	Growth
Nintendo Wii Software - units	7.9m	20.1m	153%
Nintendo Wii Software - value	£226.9m	£481.0m	112%
Nintendo DS Software - units	14.9m	19.1m	28%
Nintendo DS Software - value	£312.8m	£366.0m	17%
Xbox 360 Software - units	9.9m	14.9m	51%
Xbox 360 Software - value	£321.0m	£443.0m	38%
Sony PS3 Software - Units	4.2m	10.4m	145%
Sony PS3 Software - Value	£155.8m	£335.0m	115%
Other console Software - Units	31.5m	18.3m	-42%
Other console Software - Value	£544.9m	£280.0m	-49%
Total console Software - Units	68.4m	82.8m	21%
Total console Software - Value	£1,561.5m	£1,905.0m	22%
Console Hardware - Value	£1,247.4m	£1,422.0m	14%
Console Peripherals - Value	£301.6m	£549.0m	82%
Total Market	£3,110.5m	£3,876.0m	25%

- Very strong growth in DSi, Wii & Xbox360 software and hardware sales
  - PS3 success distorted by March 2007 launch in Europe and 2007 supply shortages
- Forecasts for flat 2009
- The demise of EUK makes Gem the only UK distributor of Nintendo & Xbox

Source: ELSPA & GFK Chart-Track



# Gem UK - Major Customers

- Major Retail Customers Including:-

- Xbox Team – 582 retailers
- Leisure Team – 603 retailers
- Business Teams – 363 retailers



# Key Customers & Suppliers – FY08/09

## Top 10 Customers

- Dixons
- Littlewoods
- Amazon
- HMV
- Argos
- Play.com
- Staples
- Tesco
- Carphone Warehouse
- Brighthouse

## Top 10 Suppliers & Gem's UK Position

- Xbox - UK Exclusive
- Symantec - UK's Largest
- Nintendo - UK's Largest
- Take Two - UK Exclusive
- Logitech - UK's Largest
- Microsoft - UK's Largest
- Exspect - UK Exclusive
- Flip Video - UK Exclusive
- Netgear - UK's 2<sup>nd</sup> Largest
- McAfee - UK's Largest



## Other Notable Suppliers



# Gem UK - Added Value Distribution

- Retail Services
  - Range and stock management
  - In-store campaign creation and management
  - Bespoke bundle development, design and production
  - Web & Catalogue content design and production
  - Retail ready packaging
    - Bundling
    - Customers product labelling
    - Price labelling
    - Security tagging
- End User Fulfilment
  - Direct to consumer fulfilment
  - Product assembly and packaging for customer's fulfilment
    - Calendar Q4 2008 – 317k orders for Littlewoods @ 5.1k per day
    - All picked, packed and labelled for specific customer and shipped within 24 hours



FY08/09 shipped 23.8m units

- Secondary distribution
  - On behalf of Gem Distribution and Exspect
- Primary distribution
  - On behalf of Codemasters and Take Two
  - 1.2m units of GTA4 shipped in 2 days in March 2008
- End user fulfilment
  - On behalf of catalogue retailers and etailers
- Added value services
  - Bespoke bundling, labelling and tagging
- Retail ready solutions
  - In-store pallet & FSDU promotions



Trade and external marketing to maximise promotional activity and awareness within the business.



Product catalogues and brochures (print)



New product focus (web)



**Race Driver GRID** XBOX 360

**gem** The long awaited Race Driver: GRID  
**EXCLUSIVE** GRID is a great success: the single-player is varied without being confusing; the online multiplayer supports 12 players and damage modelling, reducing the number of first-come pile-ups; tracks and cars are well chosen and recreated; and Flashback allows you to race with the same determination on lap three as you did on lap one, mitigating risk in a manner of which other racing game developers will soon be envious. Even if GRID doesn't give Codemasters parity with PGR in US sales, as the developer hopes, it's a fine achievement and an early leader in the race to be 2008's best driving game. 9/10 - Eurogamer

Barcode: 5024866336368  
 Genre: Racing  
 PEGI: 12+  
 SRP (Inc VAT): £49.99

[BUY ONLINE](#)  
 or contact your account manager on 01279 822822

For the full 3 page review please visit:  
[http://www.eurogamer.net/article.php?article\\_id=142296&page=3](http://www.eurogamer.net/article.php?article_id=142296&page=3)

One integrated solution  
 gem | gem | expect

Product communication to trade (eshot)

Your Life in Movies. Mastered.

Introducing **pinnacle studio plus version 11**

Harness the power of the latest technology - HD, Windows Vista™ 1-disc Web publishing and more - without compromising any of our Pinnacle Studio Plus provides everything you need to capture your most memorable moments, including HDV1080i HD import and export settings. Just get on camera HD DVD and AVCHD format discs on standard DVD media with a standard burner for playback on the latest HD DVD and Blu-ray set-top players.

Want to learn more? Please visit:  
[www.pinnacle.com/studioplus11](http://www.pinnacle.com/studioplus11)

Consumer and trade advertising

**Xbox 360 accessories range**

**CONTROL**  
 Universal Media Remote £22.99  
 Wireless Controller £29.99  
 Play & Charge Kit £14.99  
 Rechargeable Battery Pack £14.99

**COMMUNICATE**  
 Headset £14.99  
 Headset with Microphone £19.99

**CONNECT**  
 Memory Unit (2GB) £12.99  
 Hard Drive (20GB) £19.99

**CHARGE**  
 Quick Charge Kit £14.99

Trade and consumer leaflets

**MUSIC to your ears**

expect polished metal earphones

[www.expect.co.uk](http://www.expect.co.uk)

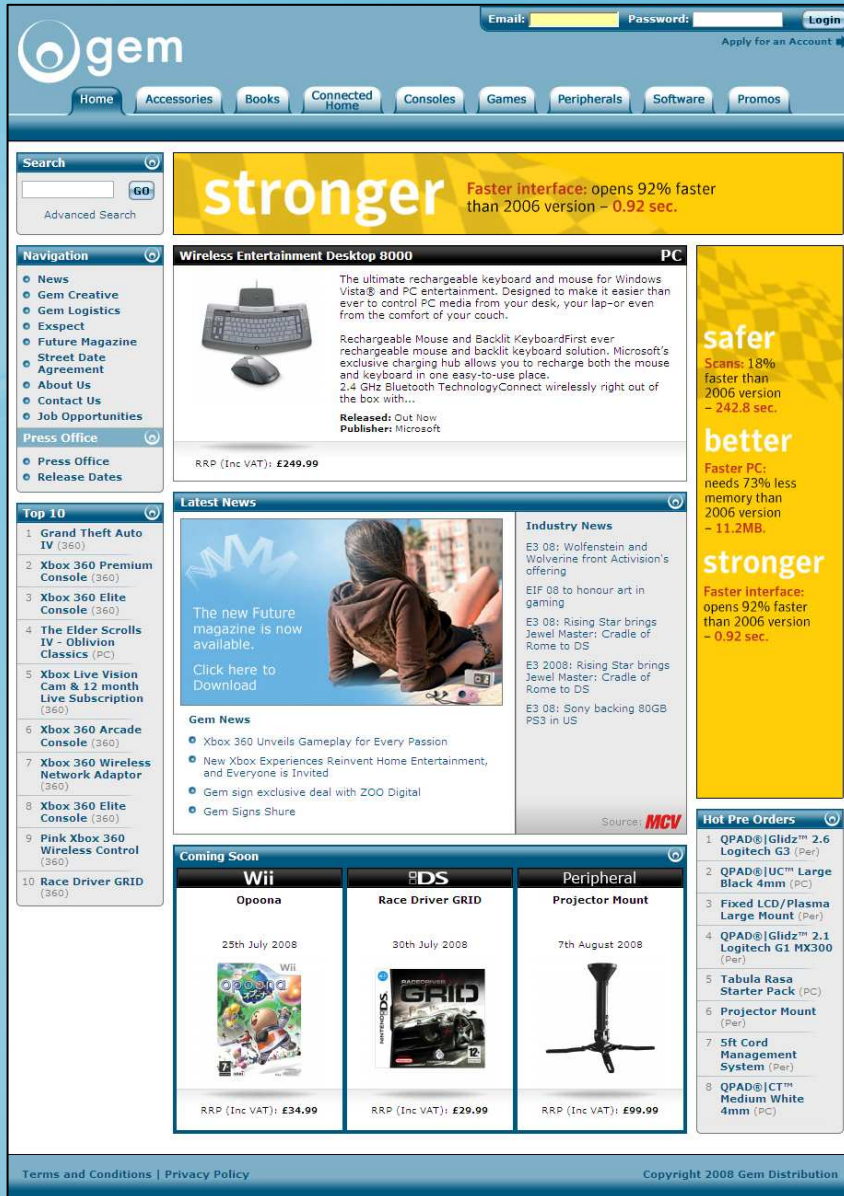
Promo banners (web)

One look and you'll know its time

Windows Vista

Available from Gem

Promo banners (web)



The screenshot shows the Gem.co.uk website interface. At the top, there is a navigation bar with the Gem logo and a search bar. Below the navigation bar, there are several sections: a search bar, a navigation menu, a featured product section for the 'stronger' Wireless Entertainment Desktop 8000, a 'Latest News' section, a 'Top 10' list of products, and a 'Coming Soon' section. The 'stronger' product is highlighted with a yellow background and text stating 'Faster interface: opens 92% faster than 2006 version - 0.92 sec.' and 'safer' with 'Scans: 18% faster than 2006 version - 242.8 sec.' and 'better' with 'Faster PC: needs 73% less memory than 2006 version - 11.2MB.' and 'stronger' with 'Faster interface: opens 92% faster than 2006 version - 0.92 sec.'




**stronger** Faster interface: opens 92% faster than 2006 version - 0.92 sec.

**safer** Scans: 18% faster than 2006 version - 242.8 sec.

**better** Faster PC: needs 73% less memory than 2006 version - 11.2MB.

**stronger** Faster interface: opens 92% faster than 2006 version - 0.92 sec.

**Coming Soon**

Wii	DS	Peripheral
<b>Opoona</b>	<b>Race Driver GRID</b>	<b>Projector Mount</b>
25th July 2008	30th July 2008	7th August 2008
		
RRP (Inc VAT): £34.99	RRP (Inc VAT): £29.99	RRP (Inc VAT): £99.99

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## Gem.co.uk

- 24/7 online ordering
- Full access to the Gem product catalogue
- Online resource tool for downloadable content
- Eshot comms system
- Marketing opportunities for vendors

Gem Creative can work with supply partners and retailers to support customised in-store solutions, Point of Sale and bundling opportunities.



Customer specific packaging



Hard bundle packaging



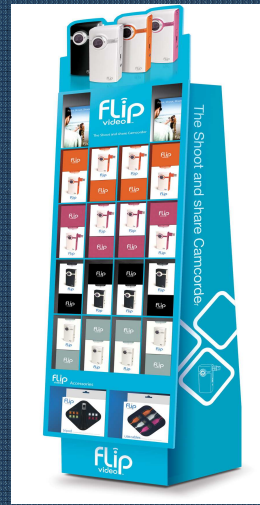
Bundle boxes



Promo belly bands



Bespoke FSDU solutions



In-store range visuals



Retail specific promotion bundle wrap



Changeable retail specific FSDU

# Exspect Summary





# History

- Founded in January 2004 by Neil Meredith & Mike Sanderson
  - Previously worked together at Recoton
- Immediate success with Amazon, DSGi, HMV and Micro Anvika
  - Achieved first year sales of £1.2m
- Year 2 developed business into Argos securing 9 lines
- Went into administration in May 2006 with debts of £180k and 6 people
- Brand acquired, Neil and Mike joined Gem in June 2006
  - First 10 months sales           £1.1m
  - FY07-08 sales                   £2.9m
  - FY08-09 sales                   £9.0m



# Product Range Evolution

- Expect's product strategy has always been to make products feature rich
  - Targeted at mid-high end, brand conscious consumers
- Product packaging is visually strong and enhances the perceived product value
- The product range has evolved:
  - 2006 - CD wallets, iPod cases and digital camera bags
  - 2007 - Video Game Accessories, iPod speakers and laptop bags
  - 2008 - iPhone accessories, cables, FM transmitters and earphones
  - 2009 - Whatever It Takes & Sony PSP licensed ranges and Blackberry cases
- Current range of 252 SKUs



# UK Customers

- Established, regular UK customers include:



# 3<sup>rd</sup> Party Accessories Market Share

	Ipod	Gaming
	April 2008 - March 2009	
Total Market - Units	3,841,258	21,747,405
Total Market - Value	£116,196,753	£419,435,868
Exspect - Units	512,765	391,652
Exspect - Value	£4,402,069	£4,061,424
Exspect % of Market - Units	13.35%	1.80%
Exspect % of Market - Value	3.79%	0.97%
Exspect market position - Units	2nd	6th
Exspect market position - Value	8th	9th

- Moved from 4<sup>th</sup> to 2<sup>nd</sup> in iPod market in the last 12 months
  - Mainly selling cases & skins
  - Developing range into speakers and docking stations
- Moved from 8<sup>th</sup> to 6<sup>th</sup> in the gaming market in the last 12 months
  - Secured Sony license accessory status (1 of only 3) for PSP & PSP Go

Source: GFK Chart-Track



# Current Product Examples



# Banque Magnétique Overview





# Banque Magnétique – Business Summary

- Banque Magnétique is France's leading distributor of PC peripherals, satellite navigation systems and multimedia products into the French supermarkets, consumer electronics and retail channels.
- Based in a newly renovated logistics facility close to Charles de Gaulle Airport in Paris, Banque Magnétique are the preferred distributor for all of the major French retailers.
- Banque Magnétique is Europe's largest Logitech distributor
- Since being acquired by Gem in December 2007, the respective management teams have worked to develop trading synergies and share best practices.
- FY08-09 revenues of €206m, employing 145 staff in Paris



# Banque Magnétique History

- 1987 Company founded by Claude Dupont (still Managing Director)
- 1988 Appointed Logitech distributor
- 1997 Acquired by Fayrewood
- 1998 Network Division Launched
- 2000 Relocated business to Paris Nord II
- 2003 Launched GPS/Satnav division
- 2007 Acquired by Gem
- 2009 Moved into 185,000 square foot logistics facility in Paris Nord II

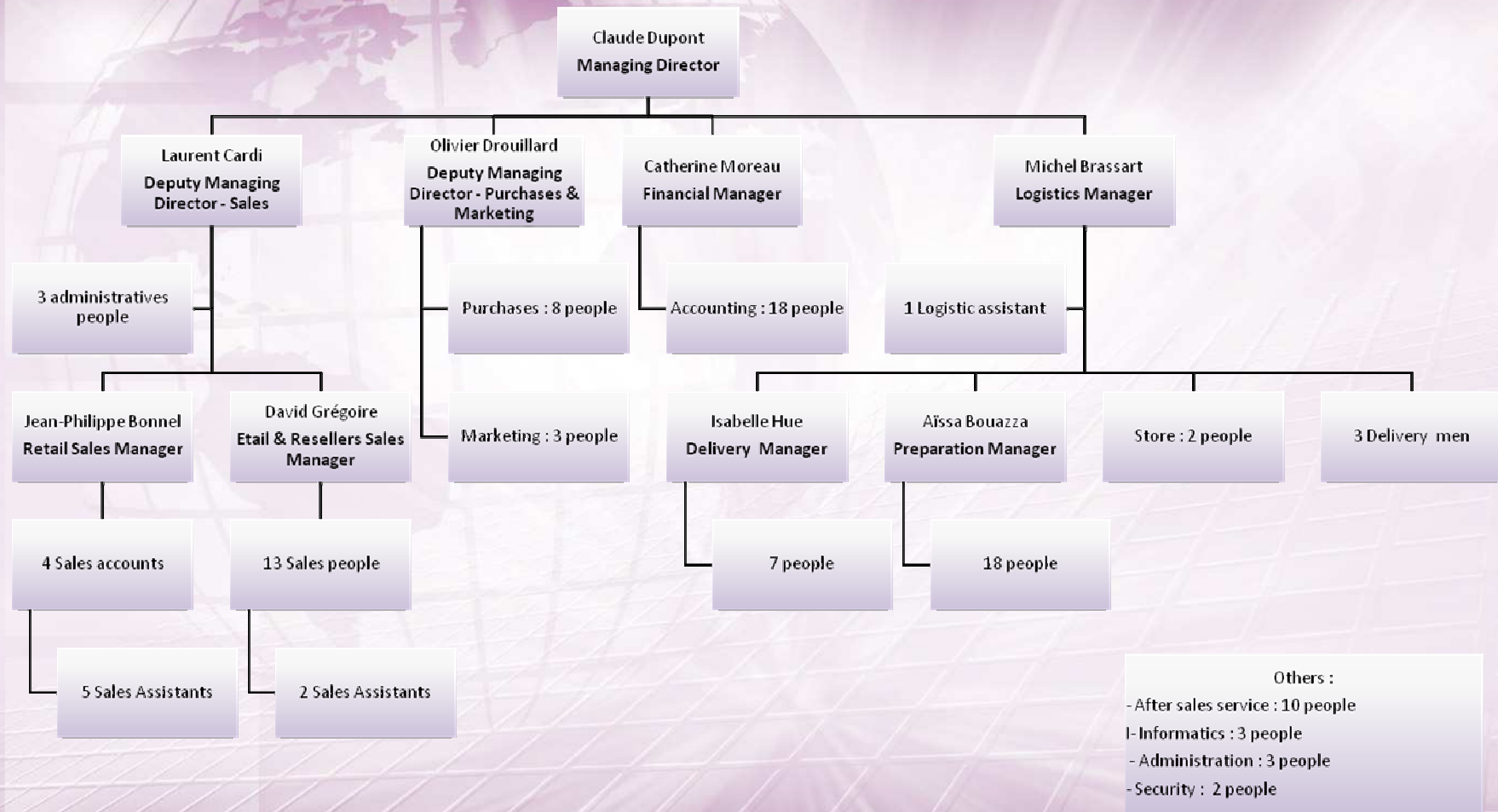




# Banque Magnétique Key Success Factors

- Focussed retail and etail distributor
- Over 20 years experience of trading
- Extensive range of peripherals and multimedia products
- Preferred partner for all of France's IT retailers
- Proactive and flexible organisation
- Specialised sales teams
- Proven logistics excellence
- Well respected and experienced management team

# Banque Magnétique Management Structure





# Banque Magnétique Key Suppliers



Grossiste spécialiste des périphériques informatiques et multimédia

# Banque Magnétique Key Customers

<b>HM</b>							
<b>CES</b>							
<b>Etail</b>							
<b>Corporate Resellers</b>							

# Strategy for sustainable growth



- Sustainable growth will be delivered by
  - Product expansion through vendor portfolio growth
  - Ongoing development of customer base with existing and new vendors
  - Accelerated development of own label and licensed product ranges
  - Key is providing customers and vendors with demonstrable added value
  - Continuous drive to reduce overheads and maximise efficiencies
- Development of a multi-country retail focused distribution business
  - Acquisition of distribution businesses within selected European territories
  - Acquisition of consumer brands to include within the Exspect portfolio
  - Maximise product synergies between Gem, Exspect and Banque Magnetique
  - Opportunistic acquisition of UK based consumer product distributors

# Summary

- Financially robust with strong balance sheet
- Experienced management team
- Unparalleled reach into retail and eetail channels
- Focused, proactive sales divisions
- Proven capability of mass market launches
- Best in class logistics operation
- In-house creative team
- 25 years of exceeding customer's expectations

