

Dixons, Carphone Warehouse Agree on Merger

Written by Marco Attard
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Dixons and Carphone Warehouse reach an agreement on the merger first announced back in February 2014-- a deal bringing together two of the biggest retailers in the UK into a single a company worth around £3.4 billion.



This so-called "merger of equals" creates "Dixons Carphone", a mega-retailer with 3000 stores (across Currys, PC World and CPW outlets) and combined sales of nearly £11 billion. Each retailer owns 50% of the combined entity, and as a result every Dixons store will start housing a CPW outlet.

As for leadership, CPW chairman Sir Charles Dunstone chairs a 14-strong Dixons Carphone board, with Dixons CEO Sebastian James as CEO and CPW CEO Andrew Harrison as deputy CEO.

"This merger will create a new, world class British retailer for the new digital age, with new opportunities for growth and greater scale and reach," Dixons chairman John Allan says. "Colleagues of both complementary businesses are experts in their fields, with a shared passion for technology, connectivity and brilliant service."

The two retailers hope the Dixons Carphone will bring about annual savings of at least £80 million within the next 3 years, in part via slashing its combined workforce by around 2%. It also plans to branch into the sale of smartphone-controlled home automation systems, as well as combined broadband, pay TV and phone services.

A further cost-cutting exercise comes from Dixons with the sale of its C. European ElectroWorld

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operation to NAY, a deal worth all of "a small deferred cash consideration spread over three years."

However not everyone is impressed by the merger. "Two past-their-sell-by-date retailers merging does not an Amazon make," CooperCity analyst Louise Cooper says. "The board is beginning to look as unwieldy as that of Co-op. Executives are not leading from the front. Mostly they are retaining their jobs. That is the wrong message to the workforce."

The stockmarket also expressed its cynism, as the BBC reports Dixons and CPW shares are down by 10.3% and 8% respectively following the announcement.

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