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Presentation

Operator

Ladies and gentlemen, welcome and good evening. Welcome to this conference call about Q3 2021 Revenue for Fnac Darty. And I will now give the floor to Jean-Brieuc Le Tinier, Chief Financial Officer. You now have the floor.

Jean-Brieuc Le Tinier

Thank you. Good evening, and thank you for joining us to this conference call about Fnac Darty Q3 2021 revenue. As usual, a press release and presentation will be available on our website. Stéphanie Laval, who is Investor Relations Director is here with me today.

We will start with a few remarks about the Q3 turnover. And we will talk about the outlook, and then take your questions. Slide 2, we are very happy about our sales performance this quarter. They have been stable at €1.853 million knowing that the basis was very high because last year we had an increase of 7.3% in Q3 2020.

We also had higher sales than in 2019, 7.4% more, excluding Nature & Découvertes and BCC. Our shops have remained open over that period of time. There have been some health restrictions with opening time in the Iberian Peninsula, and the health pass in France, which meant that some shopping centres were closed, which meant that we had a limited number of shops open.

Overall, we had an increase of 12.7% in comparable data compared with 2020, and 9.3% increase compared with 2019 without Nature & Découvertes and BCC. This performance relies on our omnichannel model with our online sales which have kept going up even though shops were open.

Overall, so far this year, our sales have remained high with 26% of total sales online which meets our expectations. And we have also gained eight[?] points compared to 2019. The complementarity of our shops and digital platforms were visible this quarter with click & collect sales which have remained high with[?] 46%, and a normative rate of 50% online.

Before giving you more detail about our performance in each region, I wanted to talk about our gross profit margin which has remained stable compared with 2020. Aside from the negative impact of our sales – of our ticketing sales and the dilutive technical effect of franchise, our margin has a slight increase compared with 2020, and also thanks to Darty Max and new services.

However, we still have not recovered completely to the level of 2019, for example with Nature & Découvertes, which was particularly impacted by health restrictions since the beginning of this year with the number of visitors in shops that was really affected.

Now, let's look at the performances in each region. In France and Switzerland, and Belgium and Luxembourg there was a really strong comparison basis because last year there was an upswing after the first – the end of the first lockdown. In France and Switzerland, there has been strong resilience, which have remained stable compared with 2020 thanks to growing online sales. However, there was the implementation of the health pass in France. The transformation rate and average basket are still increasing. In addition, there is still a lot of diversification and a dynamic trend in publishing products with an increase in sales of 9.4%.

In Belgium and Luxembourg sales have slightly gone down especially for household appliances which were very significant before. However, compared with 2019, sales have still gone up by 1.5%. In the Iberian Peninsula, sales have been pushed up by online sales and sales in shops thanks to the end of health restrictions. Editorial products, telephony and services had maintained this growth, and this should continue until the end of this year.

Slide 4, let's now look at the performance of our sales per category of products. Products linked to working from home and home equipment did extremely well last year or during the health crisis. And they have now slowed down a little because of a very strong basis effect. And in addition, our technical products have been very resilient thanks to iPhone 13, and thanks to customers responding enthusiastically to certain products, for example television and audio products.

When it comes to household appliances, sales have gone down a little especially for air conditioning and fans and freezers

because there haven't been as many heatwaves this summer compared to last year. Editorial products did really well everywhere, especially books and comic books and mangas which represented one product sold out of three.

And thanks to the Pass Couture, cultural pass in France which we have been a partner with for a long time, our sales, our performance also was really good. This pass was implemented last May and targets 800,000 young people who can spend €300 in books, audio products, video or cultural events.

Gaming also did well thanks to new consoles such as the PS5 and Xbox, and thanks to postponed sales. And finally, this quarter, services also benefited from ongoing Darty Max offer which is a reparation subscription which is unlimited. However, our marketplace was undermined by a low level of availability for certain of our products. There also has been new VAT regulations.

Now let's move on to slide number 5. I would like to talk about our new strategic progress. We have improved our customer experience thanks to sales done through video calls or chat online. And everywhere in our network of shops, we will have a new integrated model. There has been 90,000 video calls since it was launched in last February. We also launched a new initiative, which is called L'Eclaireur Fnac which allows customers to make well-informed decisions when they shop. This is in line with our new commitment for better-informed decisions and sustainable shopping.

Finally, we are very proud of the fact that our commitments when it comes to social responsibility and the environment have been appreciated by ratings agencies. We have now a rating of 7.8 out of 10 by MSCI. And we are now part of the Robust category of Vigeo Eiris which is part of Moody's ESG solutions with 54 out of a hundred which is six additional points compared to last year. And all E, S, and G components have also made progress this year.

Fnac Darty is now part of the top ten European companies in specialised distribution. Environmental, Social, Ethical, and Governance issues are now fully part of our model, and with our ambition for the everyday plan. I will conclude with a few words about the situation and the outlook for the group.

We are very happy to see that all our shops have remained open so far. And we hope that this will continue. However, some of our activities are still negatively impacted by the crisis such as ticketing services. But this should improve next year thanks to cultural events gradually being planned again.

In the Iberian Peninsula, the improvement is a bit slower. And when it comes to Nature & Découvertes, this is also negatively impacted because of restrictions in shops. And in Switzerland, there's still room for improvement because some shop-in-shops in Manor have still not opened.

This year, you should keep in mind that the basis for comparison will be really high because of last year's very high sales. However, thanks to our logistical capacities and digital capacities, and thanks to our relationships with our suppliers, we are very confident about the fact that our products will be available.

And we think that we should be able to grow and make the most out of Black Friday and Christmas. So far, our inventory is higher than it was last year, although there is some stress on certain products, especially in telephony and gaming.

In the past, our group has always been flexible and managed to adapt in the face of uncertainty, and made partnerships with strategic suppliers in order to offer quality products and services. For this reason, we expect our turnover to be slightly higher than 5% compared to 2020 for 2021. And we hope to have a current operational result at around €260 million to €270 million. Finally, managing our costs will remain an absolute priority along with generating cash flow for our everyday plan objective.

Thank you very much for your attention. And I will now listen to your questions.

Q&A

Operator

If you have any questions, feel free to press 01 on your keyboard. We have a first question Clément Genelot. You have the floor.

Clément Genelot

Good evening, everyone. I have three questions. First about the inventory. You said that you have more inventory than last

year. How much is it? And to date, have you already received all your inventory for Black Friday and the Christmas season?

Second question. What are the figures that you expect for the increase in Q3 and Q4? And finally, what do you mean by a growth that is slightly above 5%. Because if we look at Q4 now, plus 5% means that there would be a slowdown in trends?

I understand that there is a high basis for comparison, but a 2% growth means that there will still be a slowdown. So, are you just being careful, or did you take into account shortages for some of your products? Thank you very much.

Jean-Brieuc Le Tinier

Okay, thank you for your question. Inventory is higher than last year, between 5% to 10% higher than last year. And so, it's around that type of figure, not 20% that's for sure. And so, the consequence – and by the way in a context where we've conducted many sales in the last six months. And let me remind you that we had the end of 2020 at a very low inventory level. And so, we were able during the first nine months of the year to reconstitute our inventory and even increase it by the last of the – the end of the third quarter to prepare the end of the year.

And in terms of inventory in relation to Christmas and Black Friday, we haven't received everything. And that's a good thing because when you look at the volumes in terms of checkouts and internet sales, we are incapable to physically stock everything as of today.

And I would say that the consequences in terms of working capital requirement would – has not evaded anyone here. And so, stocks will be supplied and provision between now and the beginning of December. But at this stage as I said, the orders have been put in.

And we don't see any specific pressure. There will be a little bit for telephones or on hardware, on IT. And this is quite obvious. But generally speaking, we don't expect specific impacts. The second question was to do with the price effect. Well, I would say that what we see today is that we have an increase of average baskets.

And this has been seen in the last nine months. But the inflation component in this increase is quite minor, relatively minor to date. The price effect for us is first drawn by an increasing of ranges of products of our customers. This is the specificity of our brands, Darty and Fnac which makes us strong in this context of shortages of products.

And we see that since we've integrated this notion of sustainability, Darty Max for instance that we orient our customers to products that are more long lasting. So higher price – in terms of price, but better in terms of profitability long term for customers. We see that consumers like this. And that this basket effect is drawn more by the premiumisation of people's purchases rather than the actual price effect.

And for your last question in terms of the guidance, well on sales figures this is not something new. You've heard our guidance at the first quarter as well. We expect a reduction of sales for Q4. Our guidance for Q4 doesn't change. We have Q3 that is good. And so, we're increasing actually the guidance for Q4. The expectations won't change however in relation to what we said three months ago which are negative indeed.

But as you said, we have a history of 8%. And so, we could have pressure on telephone, IT for instance. But we are exactly aligned with what we'd announced previously, so no specific point on guidance. This is what we see today. And we're quite comfortable with this for the time being.

Clément Genelot

Okay, thank you.

Operator

Ladies and gentlemen, if you want to ask a question, please go ahead and press 01 on your keyboard. We have the next question from Geoffroy Michalet from ODDO BHF. Go ahead.

Geoffroy Michalet

Hello. This is Geoffroy speaking. Thank you for these excellent figures. I didn't recall where was the consensus for Q3, but what's remarkable is the level of France and Switzerland. So, could you go into more detail maybe on these very good performances once again of the data from Banque de France which means that you've continued being ahead of forecast over the year, even though Q4 is still crucial of course?

And also, could you zoom in on e-commerce sales, online sales please in relation? So maybe giving us more explanations than what you gave in the communication.

Jean-Brieuc Le Tinier

Okay. Yes indeed, France and Switzerland are doing very well on the quarter. And when we look at two-year performances, they are very sturdy. And this is bolstered by – so over two years bolstered by all brands and families.

And when you look at white goods for Q3 where you see that Banque de France is at minus 6.6%, and so a slight slowdown for white goods. But the fact is that you have to put this in perspective with the relative weight of the basic level which was quite high for last year with coolers, fans, and freezers, and refrigerators.

And so, we are indeed bolstered by very dynamic markets especially for France and Switzerland. And as you've noted over one to two years, we've garnered significant market shares in relation to Banque de France. And this is true for online and store sales.

For e-com, the good news for e-com is that in spite of the basic effect that's quite strong because last year we had online sales that had exploded at €862 million to practically €1.3 billion. And we're now stabilising these online sales, slightly increasing over the quarter and over the whole year.

But we're very happy, actually very happy with what we're seeing. The share of stores that are reopening comparable to previous years, and increasing online sales as well. And so now that the cusp of the health crisis has been – is behind us, so we see longstanding positive trends.

I don't know if I'm answering your question because otherwise, I couldn't give you very many more examples. We're not going to go into the detail of online sales.

Geoffroy Michalet

No, very clear, and very useful. Thank you.

Jean-Brieuc Le Tinier

You're welcome.

Operator

Ladies and gentlemen, if you want to ask questions, please press 01 on your keyboard. We have a few questions coming in, in particular one from Florent Thy-tine from Midcap. Go ahead, Florent.

Florent Thy-tine

Hello, gentlemen. Just a short question on my side concerning guidance in particular in terms of profitability. I understand what you said about sales figures. Now in relation to profitability even though we're at the top of the bracket, we would probably be at profitability levels comparable to 2019 with sales figures that's much above it even though you're still only at plus 5%.

And so, what leads you to be so cautious considering that the messages on gross margins are quite positive? Do we have any good surprises in stock?

Jean-Brieuc Le Tinier

Florent, quite objectively if I give guidance at 14.31 – excuse me at 18.31, I'm not going to go over what I said, 18.54. And so, the fact is what you need to keep in mind about this guidance is that we're going back to 2019, practically at the same level as 2019 when we still have product categories in certain zones that haven't completely recouped.

For instance, ticket selling have not gone back to profitability levels that we had in 2019. So Iberian Peninsula is the same going back to previous levels slowly. And yet, we have gone back to 2019 levels. And in the same time, we've all noted that the company has entirely changed its sizing.

Historically speaking in 2019, we were at 19% on online sales. We moved up to 28% with the disruptions in relation to our logistics networks, supply chains, and stores. And we've absorbed all of this going back to 2019 results. And so, we're extremely happy about this performance, and quite confident in relation to the guidance that we've given.

Should we understand that growth for e-com is less profitable than store growth? This isn't necessarily the case. Historically, e-com growth was the same as in stores. We had about the same levels of growth. But as you may know, profitability of e-com goes by Click & Collect.

And so, a rate of Click & Collect, that's about 50%. We had stores that closed, constraints – regulatory constraints with the health crisis. And we see that as soon as stores open, we are close to 50%, but not quite. We were at 46% with constraints in terms of customer traffic in stores etc.

And so of course Click & Collect and reopening of stores is going to add to that profitability. We haven't reached the same level of store openings in relation to 2019. And yet, we have these positive figures. And so, we're quite confident in relation to the guidance.

Operator

We have another question from Clément Genelot from Bryan Garnier. Again, Clément?

Clément Genelot

Yes, you mentioned the impact of the Pass Sanitaire in France, the health passport. Could we have the number of stores impacted by this measure? And could we have as a basic principle that the extent of the impact was the same as on supermarkets in France which were also impacted?

And for your information, most operators say that their stores, supermarkets that were impacted had sales figures that were between minus 15% and minus 20%. And so, is this the same for Fnac Darty?

Stéphanie Laval

Good evening, Clément. This is Stéphanie. In relation to the Pass Sanitaire, this was put in place at the beginning of August in France and concerned a little over 30 Fnac Darty stores. But this tended to go down every week all the way to zero stores at the beginning of October.

It impacted the Nature & Découvertes brand because these stores are mostly situated in shopping malls. Now, we are not giving any figures in terms of the specific impact of this Pass Sanitaire, very difficult to modelise. But this is the ballpark idea of the number of stores that were impacted.

Clément Genelot

Thank you.

Operator

As a reminder if you want to ask a question, ladies and gentlemen, please press 01 on your keyboard. Another question from Ryan Fort from Société Générale. Go ahead.

Marie-Line Fort

Marie-Line Fort actually. So, I have a question concerning your French and Switzerland revenue figure. I'd like to know what represented deployment of Manor quarters considering – the results like-for-like are interesting, but I'd like to know what the Swiss figure represents in the sum total figure?

The other question is more a midterm. For 2022, you have basic effects that will be quite strong for the beginning of the year. And so, what are the growth relays that you're considering to ensure the right momentum as of beginning of 2022? Thank you.

Jean-Brieuc Le Tinier

Thank you, Marie-Line. Yes, for Manor today, we have four quarters that were opened representing a revenue figure that's quite marginal at the beginning of the year or even this quarter. And of course, this is not integrated into the SLL.

And for Switzerland, it's about between a €100 million and €200 million sales figure. And for Manor for 2022, we had said that once the whole fleet would be deployed, it would represent an additional revenue of €100 million. Considering that by the end of the year we'll have nine openings of shop-in-shops Manor compared to what was planned. And so, the rest of the 14 that are left are by the end of June of next year.

Marie-Line Fort

Okay, so a €100 million additionally by 2022?

Jean-Brieuc Le Tinier

Yes, and this to be clear is once we've have opened all of the 20 shop-in-shops; this will be implemented by the end of the first quarter of 2022. And so, projecting to the 30th June representing €100 million over the 12 months, and so a part of which will be over 2022.

It's clear. And so, you have to correlate this to the size of Switzerland to see that the impact is quite significant on Switzerland. So, it's a bit early to talk about 2022. We might do this in terms of yearly statements and financial calls. But we may have stores that will be much less impacted by – compared to 2021 by store closures.

And we see that e-com even going back to the history that are quite strong, we have this capability of going back to previous figures and even do growth. And this is the work that we can do with our customer base. The Iberian Peninsula, ticket selling, and Nature & Découvertes should go back to positive trends and other services in the group as well.

And so apart from any fleet opening, Manor effect that will contribute to growth like for like, we still have possibilities for growth that are non-negligible, but we'll talk about this at the beginning of next year.

Marie-Line Fort

Thank you very much.

Jean-Brieuc Le Tinier

You're welcome.

Operator

I don't think we have any more questions. Ladies and gentlemen, if you wish to ask a question, please press 01 on your keyboard on your phone.

We don't have any more questions in French or in English.

Jean-Brieuc Le Tinier

That's perfect. Thank you everyone for joining us today on this conference call, and have a lovely evening. See you soon.