

Transcription
FNAC DARTY
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Presentation

Operator

Ladies and gentlemen, good afternoon. And welcome to the Fnac Darty Conference. I'm going to give the floor to Enrique Martinez. Over to you to Enrique.

Enrique Martinez

Thank you very much, and good evening to everyone. I'd like to thank you for taking part in this telephone conference dedicated to the Group's turnover for 2021 of Fnac Darty, which we're going to present. With you is Jean-Brieuc. Before giving the floor to Jean-Brieuc on the performance on a region-by-region basis, I'll be answering questions. I wish to share with you some ingredients for this first quarter.

Now we're very satisfied with the performance of sales during the Q1. In this backdrop, I'd like to remind you, where some of our stores in France, but also abroad, were closed. In France, as at the end of January, more than 60 stores of Fnac Darty were closed. Let's say more than half of the stores were affected, representing about 20% of our fleet in France. In Switzerland, all the stores were closed. There was just a click-and-collect accessible for certain products. And finally, in the Iberian Peninsula, with the lockdown on a region-by-region basis, and has limited the footfall in these stores.

Now, despite all these restrictions, I'm keen to point out the robust graph of turnover during Q1, which came to €1,818 million, and up by about 27%. So it's a fine performance and it's bound up with a multichannel strategy, which we manage. And online sales were up by 40% and with some of the stores which remained open as well. So the sales accounted for 20% of the turnover and compared to Q1 of 2020. So there's a strong dynamic with the click-and-collect, representing about 42% of online sales during Q1.

The Group is continuing to win over new clients over the quarter. Furthermore, the very robust dynamic for Q1 2021 is linked to the ongoing growth with product categories linked with lockdown or working from home and telephony. So, there's a favourable comparison with the first lockdown, which started on 15th March 2020 where almost all the stores of the Group were closed. So we posted a strong performance, so a growth of more than 60% compared with Q1 of 2020.

Now, before giving you more details on a region per region basis and per product category, I'd like to talk about the rate of gross margin for Q1. Compared to Q1, it had fallen, and so due to the negative impact of declining sales in ticketing, and this is bound up with health measures, which hit the entertainment industry, and was offset by what was going on the franchise business. It's important to note that with the ticketing and franchises, there's been a slight uptick in growth for Q1 2021 compared to 2020.

This has also been a carryover of growth, but we haven't quite recovered the levels of 2019, because some sectors are strongly impacted by the health measures and some stores actually remain closed the whole time. Now, during the first quarter, the Group had unveiled its strategy for 2025, which we're trying to create room for consultancy services and clients, and this should be the heart of what we do for our customers, and this should be – so, the Group has changed its business model slightly and we've got now 13 members on our Executive Committee and a stronger representation of the Group in terms of the clients, the digital dimension and services.

I'm now going to give the floor to Jean-Brieuc, who's going to comment upon the performance on region by region basis.

Jean-Brieuc Le Tinier

Thank you, Enrique. So I'd like to begin with France and Switzerland sales. In 2021, we posted strong growth, more than 27% on like-for-like basis. This has been driven – this growth was achieved despite the health restrictions, which as I said throughout the quarter, where some stores which were closed, as Enrique pointed out.

If we look at the product categories, we can say there's ongoing growth in household electrical appliances. The segment is linked to work from home, telephone and televisions, editorial products have got a strong growth driven by books and gaming. And there's a diversification driven by the urban mobility segment.

Now, during Q1, the Group continued to beef up its presence in these product categories by concluding the exclusive partnership with RED Electric for the distribution of special scooters, innovative scooters. And elsewhere we remained stable despite the footfall in the stores, which has been penalised, the client footfall and decline in ticketing as well.

The Iberian Peninsula, now with turnover down, we posted growth of more than 3% on a like-for-like basis in – against an unfavourable macroeconomic backdrop and the health restrictions which are impacting upon stores, obviously. Now, the digital platforms have clocked up double-digit growth during Q1, which has more than offset the negative impact of health restrictions on the shops and stores in Spain. The sales are driven by the [inaudible] technical products, such as work from home products, which is editorial and service products have contracted.

In Portugal, the strong dynamic for technical and service products more than offset the decline in editorial products. The Belgium and Luxembourg for its part has posted growth for us, strong growth on a like-for-like basis, driven by technical products and electronic household appliance. And this has buoyed up by the strong e-commerce sales and the fact that stores held up despite the health restrictions.

Now, I'd like to say a few words about the financing strategy of the company now. On 16th March, the Group announced the success of its new financing strategy which involves: firstly, reimbursing fully the state-guaranteed loan; and secondly, extending the RCF loan of €500 million with a maximum deadline to 2028. And this will incorporate the corporate, social and environmental responsibility, and will enable the Group to improve its financing conditions if it hits its objectives. And finally, thirdly, to reimburse the special short-term loan facility, which reaches maturity in 2023, which has been replaced by convertible bond, the OCEANE for €200 million for 2027.

Now, thanks to this new financial structure, Fnac Darty has no major reimbursement deadline before 2024. Furthermore, as of March, the rating agencies, S&P and Moody's, all raised up their prospects of Group from negative to stable and backed up by BB and B2A credit notes.

Now, the Group has a long-term credit maturity due to its cash generation possibilities and due to its new strategy. This ability to generate cash will mean there will be a regular return for shareholders, as at this year, the proposal to distribute €1 per share to each shareholder.

And now, I'd like to come back to Enrique.

Enrique Martinez

Thank you very much to dear colleagues. Thank you very much, Jean-Brieuc. Before providing an update on the Group, I want to focus on an extra financial performance and we're pursuing our climate objectives. We're on the right climate trajectory as regards transport and as a growth in renewable and energy consumption. So in this regard, we signed at the beginning of the year, a contract to purchase renewable energy from the Solvay Group for the future.

Now, this partnership is fully part of the Group's willingness to reduce its CO2 emissions by 50% by 2030. We've also opened up in the Q1, the partnerships with the national adult training centre in Paris, Marseille, dedicated training centres for 100 home-based household appliance technicians. And they should ensure the continuity of our aftersales services. And due to the dearth of the lack of training, it should help us grow our turnover, thanks to Darty Max. And the corporate and social responsibility and environmental responsibility is fully incorporated into strategy and throughout the year.

Now, I'd like to say a few words on the prospects of the Group. Now, as you can see, our performance in Q1, we're quite proud, but Q2 will be decisive for the year as a whole. So the health measures have been tightened up in France and Belgium. Well, they are more difficult stores to operate and some stores are fully closed and some will remain totally closed. And as long as the ticketing, which is strongly impacted, we remain confident that we will find – we will hook up with the public once things begin to open up. And finally – and there will be, the recovering economic growth was slower on the Iberian Peninsula. That's why we think that we've had a very satisfactory start to the New Year, but we remain cautious with our eyes wide open as to the future.

And it's important that we grow our gross margin rate and our turnover and that we have – those are really the prospects for the company. And we want to continue to grow our turnover and our current operating improvements.

And I'm going to hand the floor back to Jean-Brieuc. And we will, of course, be happy to answer any questions you may have.

Question & Answer Session

Operator

Thank you very much. Ladies and gentlemen, if you wish to put a question to us, please tap 0 and 1 on your special keypad. So we have a first question from Clément Genelot from Bryan Garnier.

Clément Genelot

Yes. Good evening. Good evening to you all. I have perhaps a couple of questions. Firstly, regarding performance in France, the increase in sales of 24%. Is this due only to the fact of the reality of the market or have we also won market share? And if so, with what – with which type of actors are we talking about? It would be nice to integrate more global players in this market. Secondly, why is this such a broad performance of the Group?

Speaker

On the first question, it's a little bit too early perhaps to answer this question, because the market share results come about even – several weeks even a month after these results. We know that we have been relatively consistent in gaining market share, but it's a bit too early to be decisive in this regard. So we've only had these results come in last week. So I think we need to wait a little longer.

I think we've had very good results given that some of our – or lot of our stores have been closed and has a very strong momentum with this omni-channel sales and winning new clients, new customers and growing market share. As regards the figures, we have are very good network. We have a young network. We have opened 30, 40 stores last year. So these stores are doing well. They have a product mix driven by household electronics, which is clearly showing the strongest momentum at the start of this year.

There are other stores that are in suburban areas outside and around the capitals. These are stores that haven't suffered because of working from home and because of people not traveling for work. On the contrary, they have benefited from this and this can explain perhaps some of their astounding growth and the longevity of the franchise model, especially in France.

Clément Genelot

Thank you very much.

Operator

Yes. We have another question from Geoffroy Michalet.

Geoffroy Michalet

Yes. Good evening. I'm from DBHF. Congratulations first of all on this excellent performance, which is considerably above the trend as we can see from the Bank of France's results. Asking about the potential, is it right that you had in March – did you feel that this lockdown had an impact on the sales of particular categories of product?

Speaker

Well, with every announcement, there is always an impact several days later. But I don't think that this can really be compared to last year compared to the first lockdown, where the thousands, dozens – tens of thousands of people had to equip themselves in a matter of a few weeks.

Geoffroy Michalet

I think that was very clear. Thank you.

Operator

We now have another question from Nicolas Chale[?] from Barclays.

Nicolas Chale

Thank you. Thank you for taking my question. I'm afraid I missed the beginning. So apologies if I'm making you repeat this. But have you taken into account the calendar impact on the quarter?

And secondly, how many stores have been closed to-date in France to 15th April? And how has this changed from – since 30th March, if you have these figures for the first quarter?

And finally, could you say a little bit about on these subscriptions to Darty Max or other services like this?

Speaker

Thank you very much, Nicolas. First point on the calendar. The calendar is down 20 points on the quarter, but this has to be taken with a pinch of salt, because of the web aspect, because there's one day less on the like-for-like. So there are a total of about 80 Fnac Darty stores closed to-date, all Nature & Découvertes stores. So it's quite significant.

Darty Max, we don't have the quarter figures. We will be adding them out over the course of the whole year, but we can give you a few – we've taken on a few new customers. We're very, very happy with the results of the programme, and we'll have the half year figures.

Nicolas Champ

So the growth is continuing?

Speaker

Yes, indeed. Absolutely, it is. The level of satisfaction is good. Despite everything that we have said, the stores are closing and this pulls everything back. So the situation is very difficult. And despite all of this, we are very, very happy with the performance.

Nicolas Champ

Okay. Thank you.

Speaker

Right. There are no further questions in French. But we do have one in English.

Operator

Yes. Thank you very much. We have a question from Aditya Aney. Please go ahead.

Aditya Aney

Hi there. This is [inaudible]. Thank you so much for your time and congratulations on these very positive results. I have two questions please, if I may. I think one is, is it possible to provide any additional colour on how sort of sales have been going in last six weeks?

And then secondly, just on the margin, I understand that there's a bit of deterioration this quarter for some of the one-offs. But should we sort of be thinking about [inaudible] next quarter being similar to what we saw for the similar quarters last year. Those are my only two questions. Apologies if you answered them before. And you didn't, you could pick it up. Thank you.

Speaker

Right. Apologies, there is a technical problem. No meeting would be complete without one. So could we please ask the English speaker to ask the question again? Apologies for that.

Operator

Are there any other questions?

Speaker

Right. Unfortunately, there are no other questions for the moment. And the question in English, we did not hear the question in English, unfortunately. So we are trying to set up the – what is technically necessary in order to have them ask the question second time.

Right. Well, the team is here and available to answer the question. But if there are no other questions, we will end the call. I would transfer the question to you, but for the moment there are no other questions just now.

Right. Apologies for the technical difficulties. Thank you very much for participating in the conference and we hope to see you soon.

Operator

Ladies and gentlemen, the conference has now ended. Thank you all for your participation. You may disconnect now. Thank you.