FNAC DARTY

Half Year 2022 Results

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Business Review

Operator: Good evening and welcome to the half yearly results for Fnac Darty. My name is Stefan and I'll be your operator for this evening's teleconference. Please bear in mind that this conference is being recorded and that your lines will only be open to listen to. However, if you would like to ask a question at the end of the presentations, please press star one on your keypad. If you require any assistance at any time, press star zero to be put through to an operator.

I'll now hand over to your hosts for this evening's conference, Mr Enrique Martinez, CEO of Fnac Darty, and Jean-Brieuc Le Tinier, Group CFO. The floor is yours.

Enrique Martinez: Thank you very much. Hello everyone, thank you for being with us this evening for the presentation of our half year results, because we know that the pace of release is very intensive over this last week of July. So thank you for being here.

Our results for the first half are solid and I would like to thank all our employees for their contribution, their daily commitment. In a constantly changing geopolitical and economic context, we managed to stay on an ambitious course in the development of our Everyday strategic plan. Our commitment to product sustainability and the protection of purchasing power is at the heart of our ambition to move towards a responsible consumption model. We are committed to purchasing power and we've started internally with the payment of a support bonus to 80% of our teams to help them cope with the pressure exerted by inflation and energy crisis on their daily lives. This measure was particularly close to my heart.

Let's now move on to the key figures for this first half, slide 3. Half year sales, revenues, amounted to more than €3.4 billion, down slightly by 1.1% in published data. This reflects an improving trend with stability in the second quarter after a drop of 2% in the first quarter.

Now, throughout the semester, in the context of supply-chain disruption, we were particularly vigilant to ensure the availability of our products by working closely with our suppliers. But above all, we must not forget that we're coming out of two years of atypical consumption, 2020 and 2021, marked by lockdowns with a reallocation of household expenditure on domestic items, books, IT and household equipment.

Now, compared to the first half of 2019 pro forma, half year revenue increased by 8.4% and this seems to us to be the right indicator to reflect our performance. And it gives us the first signs of success of our Everyday strategic plan. The gross margin rate reached a level of 30.9% in the first half. It's a solid increase compared to the first half of 2021 of more than 120 basis points, which is mainly due to a favourable product mix, the growth of the Darty Max subscriber base and the recovery of ticketing. Thus the gross margin rate is in line with the pre-crisis pro forma level for the first half of 2019, excluding the dilutive technical effect of the franchise.

Finally, current operating income was €19 million in the first half of 2022. It was stable compared to that of the first half of 2021 and the first half of 2019 pro forma, excluding the purchasing power bonus effect of nearly €7 million and the impact of rolling out new businesses during the first half.

Now let's move on to an analysis by retail channels and product categories, slide 4. With the reopening of our points of sale, in-store sales recorded solid growth in the first half of 2022 in all geographic areas. This massive return of customers to our stores is a great satisfaction to us. It reflects the relevance of our omnichannel model. Online sales accounted for 22% of sales, which reflects a return to normal after two atypical years when online sales were strongly boosted by store closures. Most interesting is that the share of online sales is up by 4 points compared to the pre-COVID level. Again, this reflects the relevance of our omnichannel strategy.

Also know the integration of the Google Cloud retail search solution, the Fnac.com site, which improves the online shopping experience, with an easier and customised product search, increasing the conversion rate. I'd remind you that we aim to reach at least 30% of our revenues on the web by 2025.

Now, by product category, white goods volume fell due to very high comparison-base effect over the half year, while the average selling price continued to rise. Technical products recorded good momentum in telephones, sound and photography. However, it was offset by the decline in categories which had benefited from the strong equipment needs for teleworking and learning at home in connection with the health crisis. I think you all now have at least one equipped work station at home, which was not the case before the COVID crisis. So we have a lot of potential customers in this respect.

Editorial products continued to show sales growth, driven mainly by books, videos and audio, which benefited from both the reopening of stores and the implementation of the Culture Pass in France. Diversification categories keep a strong growth on the back of urban mobility.

Finally, services are still going strong with the rise in the number of Darty Max subscribers and the ticketing recovery after the last health restrictions were lifted at the end of February.

Now slide 5. To conclude my introduction, I'd like to highlight three strong strands of our strategy. First, repairability. As part of the partnership concluded last March with Apple, all 143 WeFix service spaces have joined the network of Apple authorised service centres in France. 350 WeFix technicians are already trained and approved by Apple. This partnership confirms the Group's ambition to reach 2.5 million products repaired per year by 2025.

Second point: enlightened, responsible and sustainable consumption. Fnac Darty is the first retailer to have integrated an innovative tool into its e-commerce sites so customers can gauge the environmental impact of the various delivery methods. This tool helps to reduce the environmental impact of the Group's e-commerce activities, as we are committed to.

Finally, that's my third point, developing our services. We aim to become the leader in home assistance services. We have enriched the Darty Max offer by integrating a new, preventive maintenance service, equipped with a video service, making it possible to identify products at risk, to better maintain them and to anticipate breakdowns in order to extend their life. The number of products repaired so far amounted to 1.1 million over the first six months of the year, and we currently have more than 220 technicians undergoing training, who will strengthen our teams. Now, for Darty Max, as you know, our goal is to reach 2 million subscribers by 2025.

I will now hand over to Jean-Brieuc, who will detail the Group's financial performance in the first half of 2022.

Jean-Brieuc le Tinier: Enrique, thank you very much. I'd like to start by diving into the details for each region's results, before commenting on the Group's operational and final performance for the half.

Let's start with France and Switzerland, slide 7. Zone revenue was down only minus 1.2% on a reported basis and 1.9% down on like-for-like basis for the half. So this is good resilience, which allows the Group to outperform markets and further gain market share throughout the half. And this was confirmed by data coming from the Banque de France, published on 20th July.

Looking at the product category breakdown, telephones, sound and photography, up compared to last year. Similarly, books continue to show solid momentum, with all stores remaining open and the beneficial effect of the *Pass Culture,* the financial aid given to nearly 2 million young beneficiaries only one year after its launch.

Conversely, IT equipment and televisions suffered from a high comparison basis, and this is due to the pandemic and the football Euro cup that was held in June 2021 and that boosted TV sales. Home appliances suffered from a decline in volumes linked to sluggish consumer trends during the half, following a high level of sales last year. At the same time, diversification categories continued to perform well, in particular games, toys and urban mobility.

Nature & Découvertes showed growth in revenue compared to the first half of 2021, a time during which all stores were actually closed for several months. However, in-store traffic for H1 2022 is still down compared to pre-crisis levels.

And finally, services performed well, driven mainly by solid growth from Darty Max subscribers and the recovery in ticketing since the last round of restrictions were lifted late February. Now, bear in mind some shows and events are being postponed due to the health crisis and yet consumer appetite remains strong, mainly for concerts and shows.

Current operating income for the zone was at €17 million, down compared to H1 2021. The half year current operating income includes the impact coming from both a one-off purchasing power bonus the Group paid out in March 2022 to employees, as well as the operating expenses mobilised for the roll-out of new activities. This includes the partnership between WeFix and Apple, with training given to 350 technicians during Q2, and also the opening of 14 new Fnac shop-in-shops in Manor stores in Switzerland.

Let's now move on to the Iberian Peninsula, slide 8. The region posted strong revenue growth, plus 7.1% on reported basis, 6.2% up on a like-for-like basis on the half. Growth was driven by solid store performance, boosted by a comparison base effect that was more favourable than in other regions. And remember that the region was penalised by protracted health restrictions last year. Thus, after our first quarter 2022 up 7% on a like-for-like basis, the zone posted growth of plus 5% in the second quarter.

All product categories drove growth in the area, especially books, telephones, photos and sound. IT saw more normative growth, given a high base effect. And lastly, services posted solid growth over the period, driven in particular by good credit dynamics.

The Iberian region continues to be affected by a high inflationary environment and a particularly aggressive competitive environment in Spain, especially for technical items. These effects penalised the zone's current operating income, which remained negative in the first half of the year, negative €1.9 million, but up €2.3 million compared to last year. And that is thanks to solid commercial results and good cost control.

Now let's turn to performance for Belgium and Luxembourg, slide 9. Belgium and Luxembourg posted a decrease in revenue, negative 7.3%, on a reported basis, and negative 7.6% on a like-for-like basis. And this is on a backdrop of steep increase in inflation.

Product categories were penalised by a very basis of comparison, in particular for appliances, which suffer from lower sales volumes. Nevertheless, there is an average basked that remains high. On the contrary, services posted good performance for the first half, driven in particular by the continued roll-out of Vanden Borre Life, which is a repair subscription in Belgium which is equivalent to Darty Max. Compared to H1 2019, sales are nevertheless on an upward trend. And in a country where salaries and rent are indexed on inflation, in itself quite high, the team's solid commercial execution enabled the region to outperform the market and post a resilient current operating income of nearly €4 million over the half year.

Let's now turn to the income statement, slide 10. I'm not going to go back over revenue and gross margins as Enrique already commented on that at the beginning of the call. Let's move on to operating costs, up €45 million compared to H1 2021. This increase is mainly due to the impact of the closure of some stores in the first half of 2021; that was due to COVID restrictions. And in light of those restrictions the Group actually benefited from short-time working measures. In addition, Fnac Darty committed to shoring up purchasing power of employees most directly affected by current inflation. And that is why last March the Group paid nearly 80% of employees a one-off purchasing power bonus that amounted to nearly €7 million, and it also granted an average increase to the overall pay envelope that was higher than in previous years. In addition, roll-out of new activities during H1, namely the WeFix partnership with Apple and the opening of 14 new Fnac shop-in-shops with Manor, this generated exceptional roll-out costs.

And lastly, the relevant performance plans put in place by the Group and implemented across all departments made it possible to offset nearly the whole impact of inflation that it had on salaries, rents and energy during the first half. Thus, in keeping operating costs in check, the Group posted a slight decrease in costs expressed as a percentage of revenue compared to the first half of 2019 on a like-for-like basis.

Current operating income was €19 million for H1 2022; that's down compared to H1 2021. However, excluding exceptional items, namely the purchasing power bonus and the impact coming from roll-out of new activities, current operating income for the first half of 2022 is in line with that of H1 2022 and also H1 2019 on a like-for-like basis, so that means excluding *Nature & Découvertes*. Non-current items amounted to negative €14 million for the first half and were mainly the result of exceptional costs related to the restructuring of our shops, including the closure of Fnac Italy too. Operating income was therefore €5 million.

Financial expenditures amounted to €18 million, an improvement of €7 million compared to H1 2021. Now, they include the payment of financial interest on the Group's long-term debt, interest on lease debts related to the application of IFRS 16 and the fair value by profit or loss of the Group's financial assets. The improvement recorded is mainly due to the upward re-evaluation of the fair value of the Group's shares in the Daphni Purple Venture Capital fund, in which Fnac Darty invested back in 2016. After taking into account these items and the tax expense of €3 million, net income Group share of continuing operations for the first half of the year amounted to negative €1.7 million.

Now let's move on to the analysis of free cash flow at the end of June, slide 11. In total, operating cash flows, excluding IFRS 16, amounted to minus €76.4 million, down from last year. So this withdrawal is mainly due to the decrease in EBITDA in line with the evolution of current operating income, as I've just previously mentioned, and also the unfavourable evolution of working capital requirements. So the latter was actually impacted by construction[?] of tactical stocks at the beginning of the year in the context of a marked rise in inflation and shortages of certain components that are essential to manufacturing processes of products sold by the Group. In addition, Fnac Darty ensured the supply of new Manor shop-in-shops opened in Switzerland during the semester. As a result, by end of June 2022, the Group had higher level of inventory than end of June 2021.

As for CAPEX, the Group maintained good management of operational investments over the half year. This is in line with expectations. That was a slight increase due to investments made for the opening of new Fnac shop-in-shops at Manor.

The Group continues to aim to maintain its annual capital expenditure at a normative level of approximately €120 million, excluding investment dedicated to modernisation of logistics equipment that could be incurred during the year, and excluding investments related to the partnership with Manor. So for 2022 taking into account macroeconomic context, the Group adjusted its CAPEX envelope down, so it should be slightly below €140 million.

Moving now on to slide 12, financial structuring. The Group's financial position is healthy. Equity, more than €1.5 billion. End of the first half, Group net financial debt, which is traditionally higher than at the end of the year due to the seasonality of activity. And at 30th June 2022, Group net financial debt, excluding IFRS 16, was €586 million. At the end of June, the Group had nearly €350 million in cash on hand, to which we can add a credit line of €500 million, which has not been drawn to date. Maturity of this loan has been extended to 2027, with another option to extend to 2028.

Fnac Darty has been rated by Moody's, Standard & Poor's and Scope Ratings. The latter two raised the Group's long-term credit rating by one notch to BB+ and BBB respectively, with a stable outlook. We're very satisfied with the increase in ratings, which underline Fnac Darty's solid financial management.

And finally, this half was marked by payment of a second ordinary dividend, €2 per share, which was paid on 23rd June and represents a pay-out ratio of 37% of net income Group share of continuing operations from 2021.

At the end of June, net debt to EBITDA leverage ratio, excluding IFRS 16, calculated over 12 rolling months, amounts to 1.6X. This is in line with the Group's target of maximum leverage equalling 2X. If we isolate the seasonality effect of the dividend payments, because let me remind you that last year we paid €1 per share in July 2021 and this year we paid out a dividend in June 2022, leverage amount 1.4 times at the end of June 2022 compared to 1.1 end of June 2021. As the year is not yet over, we have major year-end commercial events which are crucial to our end-year result. We will therefore communicate during annual results the level of shareholder returns for 2022. And this is in line with the Everyday strategy. Fnac Darty still aims for a pay-out ratio above 30%.

I'll now quickly hand back over to Enrique, who will tell you a bit about Group prospects.

Enrique Martinez: Thank you, Jean-Brieuc. To conclude this presentation, we are very satisfied with the performance of the Group in a context marked by a high level of rising inflation and a geopolitical environment still uncertain. Although this first half, Fnac Darty outperformed its markets while preserving its gross margin. The second part of the year is key for the Group, and we remain fully mobilised.

We have three priorities for the second semester. First, to continue to outperform the markets thanks to our positioning as a benchmark omnichannel player. Secondly, to preserve our level of gross margin by managing our supplies efficiently, by offering a range of adaptive products and by continuing to develop Darty Max. Finally, and third, to continue the solid control of our costs to offset inflation as much as possible.

In addition, as Jean-Brieuc previously indicated to you, we have revised our envelope slightly downwards by 20 operational investments of €130 million for this year. And, of course, we continue to execute our strategic plan Everyday. We are resolutely committed to an informed choice and sustainable consumption that meet strong expectations from our clients. We are on the right track and we confirm our objectives to achieve cumulative free operating cash flow of approximately €500 million over the 2021-23 period and free cash flow operating income of at least €240 million on an annual basis as from 2025.

Thank you for following this presentation. Jean-Brieuc and myself are now available to answer your questions. Thank you.

Questions and Answers

Operator: Ladies and gentlemen, if you want to ask questions, now is the time to do it. I will let you know when you can ask your question. First question.

Clément Genelot (Bryan, Garnier & CO): Good evening, three questions. First, on the sales trend, have you observed a slowdown at the end of the second quarter?

Second point, on inventories. At this point, do you see too many inventories in competitors and do you think there might be an increased pressure during the second half?

Third point, on the comprehensive environment, the world environment, and how do you respond to it. Clearly there's a worsening of the environment. In France not so quickly but what sort of adjustments are you going to make beyond your CAPEX plan? Are you going to or do you want to re-contact suppliers in order to reduce your sales, to slow them down? Can you reduce costs and prices? Thank you.

Enrique Martinez: Thank you very much. As you could see during the first half, we had an improvement over the first half last year. We were at minus 2.1 and we did better, so no slowdown. No excess. But clearly, the new environment is not very optimistic but in actual fact, objectively speaking our sales during the first half were pretty good.

As regards the level of inventories, everyone seemed to adjust their inventories vis a vis a difficult market and a difficult environment, a disrupted environment. We have a bit more inventories, we wanted to protect ourselves and to have a lot of availability because stores and partners were growing. So if we have plenty of products available, we should be able to have enough with the high level of quality in our inventories.

Now, what about our competitors? Do they have less efficient inventories? That's hard to say. But we haven't seen a worsening of our inventory condition, so we believe that we're going to raise inventories in a deflationary context. So we haven't seen anything untoward in this area.

Your third question now, how do we respond – how would we respond to negative trends? Well, you see, we always have a capability to make adjustments, to the extent we can, in bearish and bullish contexts. We have plenty of credit, plenty of finance to rise up to the opportunities. Now, savings plans are on. We see that there is more inflation and so we are trying to cut expenses even more. Clearly, we cannot offset the whole of inflation during the second half but we can offset some of it.

Now, what is critical is that we should over-perform the market and as we said, we need a high level of business and high quality to protect our situation and our reputation.

Clément Genelot (Bryan, Garnier & CO): Thank you very much.

Operator: We have another question from Société Générale.

Marie-Line Fort (Société Générale) : Good evening, I have three questions. The fact that the sales in France have been brought early, has that had a positive impact on overall turnover for H1? And what will the impact be on Q3?

Also for proprietary brands, what will that impact be on overall sales? And then margins, will it actually have a positive or negative impact on that?

And my final question, Amazon Prime subscriptions, the price was increased recently. Is that an opportunity for you or does it not really affect you?

Enrique Martinez: The sales will have a residual impact but really, there's no need for further comment on the sales because, obviously, the sales don't really impact all categories. After the sale period, we had the heatwave and as we've seen in terms of heatwaves, that has an impact on some of our business, so it actually had a bit of a delayed effect. So there's not much really more I can say about that.

As for the proprietary brands, roughly 3%. And then obviously, that depends on the availability of our own items. But I imagine what you're getting at is that are there some consumers who are going elsewhere to find similar products as opposed to buying proprietary brands. But there's really minimal impact there.

And, obviously, Darty with white goods, we are more in the third and fourth quartile for price impact. Again, we don't really necessarily see the same positive and negative effects that you were probably getting at or what you see on other items.

And for your final question, I'm really happy because I've been telling my teams that one day it was going to happen and that if you constantly have heavy losses, that you're going to have to cut things up. But we actually have seen what's happening in Europe. And, obviously, we're going to see the Darcos law that is going to be rolled out when it comes to the free delivery of books, and that's going to have a bit of an impact. So we've got Amazon customers paying lower subscription fees for free delivery but they're going to see a huge boom in the price of subscriptions and price of deliveries, so that will probably have a significant impact on our business. We haven't felt it yet but we think that maybe around April next year we should see something coming through. We don't know all the fine details of it but it's going to happen.

Yes, I think really there is going to be a bit of a shift from in-store to digital channels. But really, we do see that it is quite a strong competitive business model that we've got there.

Anyone else? Questions?

Operator: Next question, BNP.

Stéphane Benhamou (BNP Paribas Exane): Good evening, I have three questions. First, the breakdown of the EBITDA. What is the contribution in terms of product mix, services and so on? And the converse effect on CAPEX trends.

Second question, your capability to outperform the market. We saw that vis a vis the Bank of France, in the Bank of France report, but you're saying there is no significant change in the trends since the end of H1. So if you're capable of over-performing the markets because you have excellent products, would it be possible to have the same high level of performance as first half?

Third point, on governance. Mr Kreisky contributed to the equity, currently holds 20%. What sort of communication do you have with them? What kind of communication? And why is it he doesn't want to go any further?

Enrique Martinez: I will take the last question and then Jean-Brieuc will take the other two. I said, there was no worsening at the end of the first half. I didn't comment the results after the first half. Someone is staring at me but we haven't said anything else. We cannot talk about July. What I said is that we haven't seen a major change since the end of the first quarter.

Now, as regards governance, the gentleman you mentioned took a 20% stake. He is second after [inaudible], second shareholder. Well, he's very interested by this retail mode he knows very well because he is in various companies in many countries. So that's a reason why he values a model such as ours, a centrifugal model, not located in Paris. And then we have a capability – we have high-value service model so he's interested by that. Also, he took a position quite quickly thanks to the market trends. He said that at this point, he doesn't want to be on the board, among other reasons because he is very satisfied with the quality of management and the strategies currently implemented. He doesn't feel that he needs to change that. Don't change a winning team. So he doesn't want to be on the board at this point. Will that change in the future? Well, we'll just have to wait and see. It would be a very major step if he were on the board.

I don't know whether the board will grant him a seat. It might but at this point he doesn't want one. So we have a lot of communication with him, of a high quality. Very constructive dialogue, and thanks to this, Mr Kreisky invested in our company, and we are glad that we managed to attract someone who could support that company in its current strategy, beyond other shareholders that also support us.

Jean Brieuc Le Tinier: On the first question relates to the breakdown of EBITDA in terms of the origin of sales, we don't do that. We do not communicate this. Only on the regions' basis or product category. But if you want to look at the composition of the EBITDA and the gross margin and operational expenses, the gross margin has gone up by 20 basis points. There's a negative franchise of about 15 basis points by the franchise. And the 35 basis points roughly, there's ticketing that is recovering, services, and customers are coming back into stores. So that's to fully understand the trends of the gross margin.

As regards expenses, they are decreasing vis a vis sales. In euros, they increased by 45%. There are three components that explain those – €45 million, rather. First, the closure of shops last year so there were less expenses because shops were closed. Then there was the bonus. And the 14 shop-in-shops with Manor that are now within the scope of consolidation. Inflation, almost no impact on us. We managed to offset almost all of the inflation by improving our results. We did that during the first half and we hope to do it during the second half, but there might be more inflation during the second half. So, whether it be on margin, on expenses, I told you where they were, but we'll find out.

Stéphane Benhamou (BNP Paribas Exane): Very clear, thank you very much.

Operator: If you'd like to ask a question, please press star one.

We have a question from Société Générale.

Marie-Line Fort (Société Générale): Thank you for the answer you just gave us about the cost breakdown. I actually have another question. With the opening of the shop-in-shops, is that going to have additional costs for the first half? And are we going to expect to see a similar impact in the second half? And the same when it comes to closure of shops. I thought it would have been completely neutral for the second half.

Jean-Brieuc Le Tinier: Marie-Line, are you talking about costs? What are you talking about exactly?

Marie-Line Fort (Société Générale): I'm talking about the bridge. So, you've got an H1 2021 compared to 2022. Is that going to have a follow-on effect for the second half? If you could just confirm that or not. And when it comes to the roll-out of the Manor shop-in-shops in the first half, are we going to see a similar impact on the second half? And if so, can we just have a general idea of how much that is going to have in terms of bridge costs?

Jean-Brieuc Le Tinier: For shop closures, we aren't going to have any shops closed – or we didn't have any shops closed in the second half of 2021, except for a few tiny instances in the Iberian region, but they were only minor. So there's not going to be much of an impact there.

In terms of your question about Manor, the costs for the half are a few dozen million euros – a dozen or so. So we'll have a clear understanding of costs for the second half but we're not going to close these on 1st July. I mean, we've opened them up, we've already got all of the costs, of the marketing costs, the training costs, and it's quite a significant cost there when you put it all together, so that will have an impact on EBIT. But in terms of RSE[?], it's going to have – in terms of the bottom line, it will have a bit of an effect there. But we'll have much more in terms of top line margins, but we'll have better understanding really later on in the year. And obviously when we try and compare H2 2022 compared to 2021, there is going to be a shop-in-shop impact.

Marie-Line Fort (Société Générale): Are you going to open more of them? Are you going to roll-out more shop-in-shops within Manor stores?

Jean Brieuc Le Tinier: No, we've finished rolling out all of the shop-in-shops. We've opened all of the ones that we wanted to do and the impact is going to be spread out over the full year.

The whole impact, when we look at the cost and also the new income, is going to be spread over the full year, and so we'll have better insight in February 2023.

Speaker: Hi, my question is around capital allocation. If my numbers are right, it looks like you guys are planning to generate about half of your market cap in free cash flow through by the end of next year, and then, a pretty sizeable free cash flow after that. Just wondering, your thoughts on dividends versus buybacks? Because it seems like you're going to have a lot of cash to allocate relative to your size, and I wanted to know how you thought about allocating it. Thank you.

Jean-Brieuc Le Tinier: Well, at this stage of the game, we were very clear regarding return to shareholders, 30%, and we confirmed this today. Now, we have M&R as well as buyback options. But the question, the issue will arise during the accounts next year. Now, currently we have a leverage goal of 2X. So we have some leeway. And because of the economic context, we're going to stay very conservative in returns of additional returns to shareholders. We're going to wait and see before we do that.

Enrique Martinez: There was another question, can we refinance and so on?

Jean-Brieuc Le Tinier: Yes. There was – the early part of the question I didn't quite catch. Could you repeat that?

Speaker: No, it was just that you have a little over €1 billion in market cap. Seems like a manageable amount of debt. And I think that is prudent. But if you're generating €500 million of free cash flow through 2023 and then expecting to generate €240 million annually from 2025 onwards, it's just a lot of cash and it seems like a very attractive valuation for the stock today. And I was wondering just how you thought about a dividend, which is a decent dividend, versus buying back the stock, and/or any other options out there. Maybe you're saving it for – it's just a very competitive environment, or whatever the cases are. I just wanted to really understand how you thought about stewarding all that cash because your business seems to be generating a lot of cash going forward, relative to its size.

Enrique Martinez: I understand now. It's a very clear question actually. Well, the first attempt at an answer. Are we going to increase dividends? Well, it's one of our commitments in 2021 and that's what we did during the first half. And then, as was said, we are currently in a context where, you will agree, it is fairly uncertain. So I think it is reasonable to wait until the end of the year to see where we stand. And then both of us have given some indications as regards 2023 and further on. With the shareholder return policy that we have, it will be an opportunity, as you said, to increase dividends even more as we create that cash. Yes, indeed, we are going to distribute more money than we did before.

Now, we will be coming into a time, a period, where we have to be very targeted, opportunities to speed up our strategic plan but we are still keeping a beady eye on opportunities. And it's nice to have the financial leeway to carry out those transactions.

So the trend is confirmed. If the trajectory is confirmed, we'll be more than happy to be generous and to share with our shareholders the wealth of the Group, to boost its value.

Speaker: It makes sense to have an amount of conservatism. I totally agree with that and I just wanted to understand how you guys thought about that balance because there probably is a balance. But it sounds like you've thought about it. So thank you.

Enrique Martinez: Thank you for your comments, and maybe we'll have an opportunity to talk this up. What we did is to provide insights to the markets, so we want to have returns to the shareholders and we have initiated this momentum. I think this is good news because we believe our dividend is fairly significant. And what is important is to stay the course. And let's not forget that markets are going to restructure and consolidate and we want to be part of that movement. We want to be part of that momentum. So that money could be used in that way as well. Thank you.

Operator: If you would like to ask a question, please press star one.

As there are no more questions, we'll hand back to our hosts.

Enrique Martinez: Okay, thank you very much for tuning into this evening's session. You're more than welcome to head off to join other calls if you'd like to. Thank you for joining us for our half year results. We hope to see you soon. In the meantime, wish you all an enjoyable vacation and see you all soon.

Operator: Thank you for joining the conference. You can now hang up.

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