FNAC Darty
2022 Annual Results

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List of MAIN speakers	**Company**	**Job title**
Enrique Martinez	FNAC Darty	Chief Executive Officer
Jean-Brieuc Le Tinier	FNAC Darty	Chief Financial Officer

2022 ANNUAL RESULTS

Enrique Martinez
Chief Executive Officer

Good morning to you all. Thank you for your presence. I'm very pleased to be with you this morning to share our 2022 results, after the presentation made in January 2023.

The year 2022 took place in an unprecedented context with the war in Ukraine which made the exit from the COVID period particularly complex from the specialised retail sector. In this context I'm very satisfied with the way in which the Group has coped with this situation with serenity. The proof is in the results we are presenting to you today.

We continue to outperform our markets thanks to the strength of our brands and the relevance of our everyday strategic plan which focuses on value creation services and customer relations. This success is collective, and we owe it to the involvement of all our employees who are engaged for more committed and responsible consumption. I'm very proud of this.

In a context of inflation and pressure on purchasing power our proposal makes sense; allowing customers to choose increasingly durable products and to be able to repair them.

AGENDA

For this presentation I will first review our activities and the key successes of our strategic roadmap. Afterwards Jean-Brieuc, our CFO, will present our results in detail, and then I will take the floor again for the conclusion and the outlook, and we'll be available in the end to answer your questions.

GROUP’S RESILIENCE

I would like to start by emphasising the extraordinary resilience of our group over the last three years. We have overcome the COVID crisis. We've come through an unpredictable and difficult year of 2022 and yet ourselves reach just under €8 billion, up 7% on the 2019 pro forma. Our gross margin improved to 30.3% in line with its 2019 level. And our current operating income; robust €231 million in the context of significantly higher inflation than in previous years.

BACKGROUND INFORMATION

Since 2019, in the three main product categories that we distribute - household appliances, technical products, and editorial products - we have seen growth in value which however masks more contrasting trends in volume, with certainly an increase in editorial products driven by books but a drop in volumes of household appliances and some technical products.

These developments are having an impact on the retail sector which is undergoing a major transformation in all segments including players in difficulty; mainly players without critical size, too much stock, with low web penetration. With tightening around specialists such as FNAC Darty, which is recognised and appreciated by the French for its knowhow in the distribution of goods and products.

A lower than expected growth in e-commerce, which impacts pure players and supports the idea that the omnichannel model chosen by FNAC Darty some time ago is the winning model.

FNAC DARTY SHOWED RESILIENCE BY RELYING ON ITS STRENGTHS

The transformation of our model around our everyday strategic plan is key to understand the performance of our Group in 2022 and beyond. The trajectory we've been taking for the last two years with our Everyday Plan has allowed us to outperform the markets. This is no accident. It is the outcome of our strategic choices to transform our model.

Firstly with our omnichannel model and the winning complementary of stores and web platforms, customers came back to stores, hence a good performance for stores. Omnichannel sales remain at a high level of 50%; a real differentiating factor compared to pure players in particular.

Our second strength is our powerful range of products and services. Our positioning, more focused on premium and sustainable products, allows us to better pass on price increases and thus secure a high level of gross margin. Our extensive range of products and services is available both in-house and in the marketplace to meet the different expectations of our customers, innovative products, second life services, such as repairs subscription, or ticketing. Highlights accompanied by targeted sales events on some product categories which ensure a high level of sales while preserving the gross margins, such as Black Friday, sporting events, and so on.

DIGITAL EXPERIENCE AT THE HEART OF THE GROUP'S STRATEGY

The omnichannel experience is at the heart of our model. We have consolidated in 2022 a significant part of the increase in ecommerce activity and we've been able to absorb this growth into the omnichannel model. By 2022, with the lifting of health restrictions, stores have recovered a significant portion of the traffic level. Our omnichannel model is playing its full role accounting for one in two sales. An example of the potential power of the omnichannel model is the video salesperson function The number of connections has been multiplied by two in 2022 approaching 300,000 connections. It's a great success especially since the conversion rate of a digital purchase is four times higher with a video salesperson.

TARGETING A 100% PROFITABLE STORE NETWORK BY 2025

Our network of nearly 1,000 stores is a key asset in our model in our omnichannel strategy. We've pursued an active policy of opening new stores in 2022, mainly in the franchise format accounting for the vast majority of the 40 or so store openings this year. In addition to the traditional FNAC and Darty stores, in particular we are continuing to develop Darty Cuisine with 11 openings; six of which are in franchise format. Other openings have been made internationally; again under franchise.

Another important element is our action on unprofitable stores which today represent less than 5% the total number of stores. 100% of the target stores are now concerned either by a transfer project already carried out or by an action plan currently being carried out plans for the end of 2025.

Regarding Switzerland and the partnership with Manor, we developed until mid-2022 the project as we conceived it together a development project aiming at installing shop in shop [ph 00:07:06] in several Swiss regions. In view of the performance we've decided with Manor to refocus the activity on 17 shopping shop in shops [ph 00:07:15] at the end of the first half year 2023, mainly located in French-speaking Switzerland, an area where the FNAC brand is already well known with nine owned stores already established, reinforcing our position as a reference player in the region.

And finally we've just announced a project to restructure the iconic FNAC store in Madrid, opened in 92 in the [? 00:07:40], right in the middle of Madrid so that the inhabitants of Madrid will have a better shopping experience in line with the new expectations, geared towards service and leisure.

Overall we aim to have a 100% profitable network of stores by 2025, and we are well on our way.

MAKING THE MOST OF OUR LOYAL CUSTOMER BASE

I have spoken to you about our products, stores, employees but FNAC Daty is above all its customers. The proof is the importance we touch to customer satisfaction within the Group and to all the actions we implement every day to meet it. For example, customer satisfaction measured by the NPS will be above 60 in 2022. We are very proud of this performance as it has risen sharply by eight points since the launch of our Everyday Plan in 21.

We are also capitalising on our solid base of loyal customers with more than 11 million committed customers. This is a major and differentiating asset, and it is one of the pillars on which we are building the future of our Group. With more than 7 million FNAC members in France, we've just launched FNAC et Moi [ph 00:09:01], my FNAC, a new relationship base with our customers. This loyalty programme enhancement is aimed at all our FNAC member and subscriber customers with no time limit. This service includes, for example, a loyalty fund or kitty to reward the most responsible behaviour of our customers; for instance buying a second life product, choosing click and collect delivery, or repairing a product via the Group's after sales service. This service also includes a partner pass for year round discounts in over 90 partner stores.

So moving towards informed, responsible, and sustainable consumption is what our customers are asking for and it is our responsibility to respond.

STRONG UPSWING OF NEW DARTY MAX SUBSCRIBERS

In terms of innovation and quality of customer relations Darty Max is an example I'm very proud of and the success of which is confirmed each year. Darty Max is over 800,000 subscribers by the end of 2022 with a target of 2 million subscribers by the end of 2025. A very high level of customer satisfaction with over 6 million products covered by the repair service. High value customers with a 50% higher recurrence purchase than a standard customer, and an average basket 50% higher. With Darty Max we create a relationship of trust and transparency with our customers.

This new service also offers support for the maintenance and upkeep of our customers' domestic appliances. Customised advice via video is offered in order to prevent the risk of breakdowns and to better use their appliances, thus extending their life. This increases their commitment, and it is our vision of the distribution of tomorrow.

Beyond being a reference player we aim at becoming a subscription operator committed to its customers.

ENABLING AN EDUCATED CHOICE

Our *raison d'être* is based on several axes. First enabling informed choices; it's in the DNA of our two brands which have invested in customer advice since their creation. In 2022 we improved our sustainability score through better product selection and working with manufacturers to improve quality.

So, in addition, we also wished to accentuate the durability and sustainability of our prices and our spare parts, giving special attention for the Group to maintain a balance between economy and repairs.

And of course we shall continue to publish a lot of information to provide our customers with better advice as we do with Labo FNAC, and we've been doing that for over 50 years. So this is innovation that we are offering, and independent tests are making us a reference with our stakeholders, partners, and customers.

ACCELERATING PRODUCT REPAIRS

Repairing was a reference for our model and we are at 1.7 million repaired products in 2019 and we shall reach 2.3 million units. So we are preparing the future of this model for repairs, and we are moving fast. We are investing a lot to train our technicians.

We have opened, since 2019, 41 tech academies that have already received 500 people coming for training; more than half recruited on a permanent contract basis following their own training and reception of diplomas. We were the first retailers to open our own training centre for training repair technicians in [? 00:12:50] and to train apprentices coming from all horizons, professional reinsertion and retraining. Other openings will follow in 2023 going from Marseille to Ile-de-France and Nice.

Now concerning the future infrastructure is also very essential. We have inaugurated a new site at Tours Val de Loire, which is the biggest site for repairs in the West of France, and we've opened a new service centre near Chilly-Mazarin, covering 10,000 square metres and with an ability to repair 220,000 appliances per year. This includes a major warehouse for spare parts with 40,000 references and a repair space including a shop floor for training.

As you will find repairing products is a major focus for our development, particularly for circular, responsible, and close local economy.

DEVELOPING SECOND LIFE

Our offer, Second Life, meets these eco-responsible concerns that are growing in our customers. But it's not just a provision of second choice; it includes the same guarantees of quality and conditions of delivery, service operations, and guarantees as for new products, and of course at very attractive prices.

To begin with we have started with a virtual strategy of sourcing products within our ecosystem with our customers - B2C and B2B - and with our suppliers, major partners and reconditioning all our products concerning Second Life from telephony and IT equipment. In all the volumes of this Second Life product has gone up by plus 34% in 2022. And on the marketplace nearly one in three sales is a second hand product. And this is essentially thanks to [? 00:14:45]. And we shall continue on this dynamic pace in 2023.

A GROUP INVESTED IN ENERGY EFFICIENCY

Now in conclusion with this first part, I'd like to share our commitments concerning climate. Being responsible also means investing in energy sobriety, and we are expecting a drop of 15% of electric consumption in France by 2024 as compared to 2022. This aim is included in the variable remuneration that we have signed up with all our employees in 2022. This was the Ecowatt commitment charter concerning down to earth [ph 00:15:23] actions. For instance modernisation of all our stores with LED lighting and centralised management systems for buildings, which would be less energy consuming. We shall be investing €20 million in the next two years, and a large part of our CapEx will be consecrated towards these stores.

Besides we've signed up with Valeco an agreement to increase green energy for our Group and this will be enforced as of this summer, and we shall use solar energy. These measures are part and parcel of our commitments for Horizon 2030 validated by the SBTI; that is 50% of reduction of CO2 emissions within Scope 1 and 2, and a drop of 22% of emissions related to the use of sold [ph 00:16:13] products.

So, there you go. This brings me to the end of the first part and now let me give the floor to Jean-Brieuc, who will give you details concerning our financial results. I'll come back to the conclusion later.

FINANCIAL RESULTS

Jean-Brieuc Le Tinier
Chief Financial Officer

Well, thank you very much Enrique. Good morning everybody I suggest that we take a look at the operational performance level of the Group within each geographical area, before we finish with the financial performance.

REVENUE AND GROSS MARGIN

Let's first begin with slide 16, with the turnover and the gross margin. As Enrique said we are at a €7.9 billion which is a drop of just 1.2% of data published and of 1.9% of comparable data. And this is against a background of much tension in purchasing power and higher inflation after a 2021 year which was a record year. In the course of the second semester, which was very important for the Group, Darty came up with good sales particularly with excellent sales events, Back to School, and Black Friday. These sales events are targeted for private individuals at premium products.

On the other hand sales in December were down and that led to a drop of the total semester of minus €57 million compared to 2021. The group however has shown a level of sales which is greater in 2019 pro forma by plus 7%.

If you look at the distribution channels, these sales have been pulled forth by sales that were normally found with customers coming back to stores after nearly two years of restrictions. Sales online as far as they were concerned were pretty normal, stabilised after two years of great strength. This return to normal and the trend in the market compared to [? 00:18:11] in ecommerce for 2022. On this point of view, the sale of technical products online is down by 19% but an increase of 3% in 2019. It's one of the plus points of Darty and its omnichannel channels that it has maintained a high level of 50% online.

Let me now talk about each area. We'll start with France and Switzerland. It's showing a very good sales to a drop of minus 2.1% comparable to the last year. In France however the Bank of France data tells us that FNAC Darty is outperforming sales in general.

Switzerland on the other hand is taking advantage of sales taking place in the shop in shops of FNAC [ph 00:18:54] that are in the major Manor stores, particularly those in French speaking Switzerland. If you look at this category of products the changes are more contrasted. In effect volume sales volumes in IT equipment and electrical appliances suffered in a context of flat consumption by households and the base comparison for the last two years in terms of equipment from households.

Apart from that there is an increase thanks to Darty Max and the coming back and forth of ticketing and Nature and Découverte has also increased sales compared to the year before, the period during which the stores were all still closed in the first semester.

Now let's talk about the Iberian peninsula. In this area this was the only one to show growth in 2021 and 2022 at 2.1% increase and this is essentially due to Portugal with excellent sales in stores and in virtually all product categories. Spain showed a drop in the competitive environment which is still quite good. After a slow recovery in certain areas of the Group, which is related to a slow withdrawal of health restrictions, Iberian peninsula and 2022 went back to its 2019 pre pro forma sales.

Let's go on to Belgium and Luxembourg. Here the sales are down by 4.7% compared to data comparable of the earlier year. This is essentially for two reasons; a drop in volumes of sales in electrical appliances and technical products on a very high comparative basis. From this point of view electrical appliances represent one third of sales as opposed to 21% for the rest of the Group. And secondly a very high inflationary rate of 10% on average in Belgium.

On the other hand services continue to show good dynamics and particularly [? 00:20:59] and subscription for repairs equivalent to Darty Max which was launched in Belgium in 2021. Compared to 2019 proforma this area showing a growth of plus 3.6% in sales. And finally last May FNAC opened its third store in Brussels in the shopping centre or for [? 00:21:18]. FNAC here now has 14 stores in the Belgium and Luxembourg area.

Let me now talk about the gross margin. As announced of FNAC Darty has managed to maintain its gross margin thanks to its positioning on premium products, and therefore it can easily pass on the increase of prices the customers. And it has chosen also to have all its main sales events by talking of just these premium products and thus the Group has shown an increase of €36 million as compared to 2021. The rate has also gone up by 80 basis points compared to 2021 to 30.3%, which brings it back to its 2019 performance.

And now outside of the dilutive technical effect of franchisees, which was minus 15% on the 2022 basis, the increase of plus 95 basis points is for 50% thanks to a product mix which is thanks to excellent performance of sales and stores and particularly editorial products. And now thanks to a very good programming, very diversified, ticketing has gone back to its earlier levels of performance with the health restrictions going down.

OPERATING EXPENSES

Now here you'll see that the operational costs reached €2.179 billion in 2022, plus 3.6% compared to 2021. In this swift hike in inflation, the Group has shown its operational agility once more right through the year to limit the impact of inflation which is at its highest ever as compared to earlier years. We have certain performance plans now that we have set up in our various managements so that we've been able to make up for the inflation for the whole year.

Plus there's a 40% increase in the payroll mass which went up by 3%, and this is essentially due to the impact in the past of the closing down of certain stores in the first semester of 2021 related to the health crisis and the average increase in 2022 for wages to account for the increased inflation, plus the exceptional purchasing power bonus which was paid out in 2022 to 80% of employees worth nearly €7 million.

Apart from that the increase in costs concerning the operational expenses for the deployment of new activities. So we have opened 14 new shop in shops [ph 00:24:10] in the first half year and therefore that brings us to 27 total shop in shops [ph 00:24:14] and FNACs in Manor.

FINANCIAL RESULTS

Let's move on to the other items of the income statement, slide 18. €231 million in 2022, down by – the rate is 2.9% for the year, the operating margins. The decline in the current operating income mainly comes from the France and Switzerland region which nevertheless has an operating margin of 3.1% accretive at a Group level. The Iberian Peninsula shows its current operating income increased by plus €6 million compared to 2021, with a margin rate of 2.3% thanks to solid commercial execution and good cost control.

The Belgium and Luxembourg region posted a decline of the current operating income of minus €4 million. This decline is linked to the impact of inflation, which is high in this region. The non-current items amounted to minus €27 million in 2022 compared to minus €10 million in 2021. This difference is mainly due to exceptional expenses related to the restructuring of the real estate portfolio including the closure of the FNAC Italy two stores at the end of the first half year. Operating income is therefore €204 million compared to €260 million in 2021.

Net income from continuing operations Group share amounts to €100 million in 2022 after taking into account non-current items, stable financial expenses over the year, minus €45 million, and a tax charge of minus €54 million. This latter is logically down by minus €20 million compared to last year in line with the drop in the Group's results. Therefore the effective tax rate is almost stable compared to 2021.

Net income from discontinued operations minus €132 million. As the Group announced on the 17th of November in the context of the litigation relating to the disposal of Comet [ph 00:26:15] in 2012, FNAC Darty was ordered to pay an amount of €129 million. This amount includes 89.6 million sterling pounds of repayment plus the 22.3 million sterling pounds of interest and the 2.6 million in legal fees in connection with this litigation.

As announced the Group has appealed this decision. As such the court indicated that it aimed to enter the appeal on the grounds that that had been granted by the High Court by the 12th of July 2023. As a result the consolidated net result Group share will be minus €28 million in 2022 compared to €160 million in 2021.

FREE CASH-FLOW FROM OPERATIONS

Slide 19. Free cash flow from operations. End of December the free cash flow from operations excluding IFRS 16 is minus €30 million in 2022 compared to €270 million in 2021. This significant decline can be explained by the following factors: one third of the variance is linked to decreasing cash flow in connection with the decrease in operating profit over the year; variation in working capital requirement which explains most of the gap with a level far from the normative levels recorded so far with on the one hand fewer receipts were recorded at the end of the year due to significantly lower than expected level of sales in December, more disbursements were recorded at the beginning of the year in connection with an activity that had been particularly strong at the end of 2021, inventory levels remained under control increasing by only 3% due to less activity than anticipated at the end of the year. Over the year the inventory turnover rates remained at the level usually seen in previous years.

Finally free cash flow this year includes operating investments of €131 million, up €15 million compared to last year. This level is however in line with the level previously communicated to the market. These three elements - cash flow from operations, change in working capital requirement, and investments - explain the decline in cash flow recorded by FNAC Darty in 2022. The Group is already working to return to a level of free cash flow from 2023 more in line with the levels of the previous years, thus being able to achieve its objective over the period 2021-2024.

NET FINANCIAL DEBT

Slide 20. Net financial debt excluding IFRS 16. €5 million at 31st of December 2022 compared to a net cash position of €237 million at December 2021 [ph 00:28:57]. As you can see from the graph on the screen the variation in financial debt is mainly explained by two points. Firstly the free operating cash flow of minus €30 million I've just explained to you; secondly the disbursement of the full amount related to the litigation concerning the sale of Comet by the Kaiser Group [ph 00:29:14] in 2012 well before the acquisition of Darty by FNAC.

As already pointed out, because of the decision of the High Court, the Group was ordered to pay €131 million including the amount of the litigation interest, costs of proceedings, legal fees. Then you have a dividends of €2.00 per share paid to the shareholders in 2022 in respect to the 2021 results. And finally the interest paid - over €28 million; stable compared to the amount these were last year.

FINANCIAL STRUCTURE

Finally a few words about our financial structure on slide 21. The Group has at the end of 2022 shareholders' equity of €1.5 billion and a net cash position in equivalent of €932 million. On top of that you have a €500 million RCF credit line undrawn at the end of 2022, the maturity of which has been extended. Now, the Group has still the option to extend it to March 2028. Furthermore as you can see from the graph on the screen the next major repayment date is 2024. As such the Group has wanted well [ph 00:30:28] upstream to secure the refinancing of this next major repayment of the €300 million bond maturing in May 2024. Therefore the Group put into place a delayed drawn term alone of €300 million. This facility can be drawn down only once to pay only the bond maturing in 2024 and will have a maturity of three years if drawn down with an option to extend for two years. With this option the Group can maintain its a current bond line until maturity while benefiting from the low initial annual coupon of 1.875%, thus securing its level of financial cost.

In addition as at 31st of December 2022 the covenants relating to the financing were all met. Finally the Group is rated by the rating agency, Standard & Poor's scope ratings and Moody's, which in the first half of 2022 assigned the ratings BB+, BBB, and BA2 respectively; all three with a stable outlook.

I will now hand over to Enrique to conclude this presentation with some elements of the outlook and the shareholder return policy for 2022.

OUTLOOK

Enrique Martinez
Chief Executive Officer

Thank you very much Jean-Brieuc, and to conclude on slide 23, we are more agile and competitive. Of course the market context is still uncertain, and the level of inflation is still high at the beginning of the year. Also for the first half of 2023 we expect to see a slight decline in sales due to a context of sluggish consumption coupled with sharp rising costs. Inflation is expected to peak at the end of the first half year, as anticipated by the latest [? 00:32:28] forecast.

On the other hand for the second-half here we anticipate better market conditions with more favourable historical data. The level of inflation could be lower than the first half year and which would probably gradually return to a more normative level of around 3% or 24/25 [ph 00:32:49]. Above all we know that we can rely on our strengths, the full engagement of our employees to can continue to outperform the market, our positioning centred on premium products allowing us to differentiate ourselves from players positioned more on the entry level, the growing contribution of services - in particular Darty Max - enabling us to build customer loyalty over the long term and maintaining our margin level as well as possible.

For the year 2023 we are going to increase the price reduction plans, and we are expecting it to be twice as high than the earlier years to limit as much as possible the impact of price increases. The Group will also improve its efforts to reduce energy consumption and gain in more agility in certain stores by looking closely at how to reduce the opening hours of certain stores, worked on a logistic cost optimisation and negotiate whenever possible concerning rents, particularly for all the leases that are reaching maturity.

Secondly control our cash. As Jean-Brieuc just said, this would be with the strict monitoring of our purchases and procurements of goods, and we shall maintain a strict level and control of our stock so with good rotation.

Thirdly we shall also be very attentive as to our operational investments and that is why we are keeping aside a maximum of €120 million for 2023.

ENERGY

Now let's just talk about energy and energy costs for 2023. That's a major element at stake. Now, on the right side you can see the sharing of our energy sources for the Group for 2023. As in the earlier years, 50% of 2023 volumes will be in line with the RN [ph 00:34:51], which is the regulated nuclear energy prices, and that would be at €42 per megawatt hour. 10% comes from the agreement that we signed up with Valeco for solar energy and which will be enforced as of mid-2023. And the rates would be lower than €90 per megawatt hour. The remaining 40% will come from the price of the market which has gone up a lot.

We have a cover which covers us up to 2024 with Solvay and which has completely changed its way of doing. We are of course asking for total repairs and financial prejudice as a result. We were forced to sign up with another exposure agreement with another supplier just when the prices were at the highest. On the whole we expect that energy costs will be up plus €30 million or €50 million with a greater impact in the first half year compared to the second half year. Besides we've also got a revolving moving cover strategy for the whole year to cover these prices.

OBJECTIVES

Now concerning our aims for 2023 we expect our current operational income to be just slightly lower - around €200 million - and that shows the full mobilisation of the Group and all its employees to limit the impact of a price increase on the income. Not including energy course that I just mentioned to you, we find that our income is in line with the progress that was expected in 2022. The drop will be more pronounced in the first half year and keeping in mind this seasonal activity and the weight of operational costs.

However what's important is that we have confirmed our operational free cash flow aim at about €500 million which is a total for the period of 2021-2024 and a total of €240 million up to 2025.

SHAREHOLDER RETURN

Now in conclusion and our policy of a payout to our shareholders is a commitment that we had undertaken during launching the Everyday strategic plan and we confirm our policy of a payout of dividend of 38% and that would be €1.4 euros per share which will be paid out in cash or in shares depending on the choice of the shareholders.

So this concludes my presentation. I thank you very much for your attention and before you ask your questions maybe some news about the Group.

Now quite obviously as we read, and I'm sure you have heard the latest news that was released by the press, in terms of our shareholders and the new projects and the new concentrations. So it was a lot in terms of news. So, what I'd like to share with you and before taking your questions we are not confirming any of the news and I don't know where all these rumours and information comes from. However if you just take a step back, the consolidation in our sector, the way we work with the coming together of FNAC and Darty, it still makes sense. The Group has really made a success of this consolidation. As a result we are now pretty solid with the way we are and once again we can play a very active role for our next consolidation.

Now we are available for all your questions, if you so desire.

QUESTIONS AND ANSWERS

Enrique Martinez (FNAC Darty): We've got our first question that is coming in. “Can you give us details of the categories in those where there's a drop in volumes?”

Jean-Brieuc Le Tinier (FNAC Darty): As we said, you heard in the early part of the presentation it's really household appliances which are showing the greatest drop and technical products like televisions and computers so quite logically these are the products. There was the greatest increase if you like in sales during the COVID year, and so quite obviously now it's stabilising. So as we said household appliances. However we saw that there was a recovery in cultural products, telephony, which made up for some of the loss, but that's changing too.

Enrique Martinez (FNAC Darty): Now, a second question. Thank you very much. “Give us the details of the quality of your stock.” We have a very healthy level of stock. At the end of the year it was slightly higher because we were expecting a better performance in December and this volume was pretty quickly absorbed by the sales in January and all the sales events. We are quite happy that our rotation rate is extremely high, and the renewal rate is also fairly high, and today we don't really have any problems with the quality of our stock, nor of availability as such. It’s really much better now with the stabilisation of our supply chains. Plus, that means we've got a better cover and better availability.

Now, here's a new question coming up. “Negative growth in 2023. Do you feel that sales have improved between January and February?”

Jean-Brieuc Le Tinier (FNAC Darty): I can't say much about the first quarter and that is why we're going to have our next meeting in the end of April. And in the first quarter we are not looking at it on a monthly basis because the early part of the year – January - is always the sales year. February normally is a slow month because it's just after sales and also because it's a shorter month. So I think it'll be in the coming in months that we’ll give you all these details.

Enrique Martinez (FNAC Darty): Yes, it’s interesting that even in this period that we have been anticipating particularly this drop in consumption, there is a sort of logic that we follow concerning our resilience and you can see that in the proof of our results at the end of the year, particularly in December. You saw what happened with the war in March when the activity continued to be very good, and this was probably because of the value effect rather than the volume effect that prevailed. However activity was at a good level.

Let's not forget that the Group has a base of about €7.4 billion and that was before COVID and now we are at €8 billion and we have consolidated this base since 2021.

Now, there's a new question and I think this is about energy. “So, who's going to replace Solvay Energy to provide you with energy?” It's the Energy Group that will replace them. As we had said at the end of the year we were made to find a new partner to guarantee our energy supply. Now in France as you know it’s mandatory to have a supplier to have access to regulated energy and this contract was breached and that's why we had to find a new partner.

“So when did you know that this contract would no longer be honoured?” Well we just found out about it at the end of the year. There were changes in the conditions to guarantee the right to this access to historical energy and nuclear energy at the same price. And this came over in 2022.

Jean-Brieuc, one question for you. “ What about the free cash flow in 2023?”

Jean-Brieuc Le Tinier (FNAC Darty): We expect a first half year downgrade in terms of current operating income compared to last year especially because of a declining figure and a high cost. During the first half year we'll have the full impact of inflation cost of last year. Last year during the first half here we were at the beginning of the inflation, plus the inflation effect of the half year and the sales will be rather down. So that's why there will be a decline and expected decline in the current operating income during the first half year. The effect will come from the cost and the sales.

And for the second part of the question, the free cash flow. We'll see over the year. I'm not going to give you any guidance as to the free cash flow for the half year.

Enrique Martinez (FNAC Darty): Thank you. Another question. "[? 00:44:14] announced the selling of his own publishing subsidiary Editis [ph 00:44:16] to be able to take over Achet [ph 00:44:17]. What is your opinion on this transaction? And what would be the best scenario for FNAC Darty?" This transaction is in progress. We're not going to comment on it. We always say that we're very sensitive to the fact that the editorial world has major shareholders able to invest in the future of these Groups to secure the diversity, the editorial diversity, and to have the industrial strengths. So, we have no specific comments on this transaction, and we will work very closely with both I'm sure.

New question. "The recruitment of new subscribers to Darty Max seems to slow down the objective of 2 million subscribers in 2025. Is it still attainable?" Yes, of course. Thank you for this question. It is attainable. We are on the right track. We have not slowed down. It's already 800,000 subscribers and we are very satisfied with the rate of subscribers, and we also see that the satisfaction score is on the increase. The churn rate is extremely low, and it means that it will keep consolidating and the spontaneous awareness is increasing.

We have a lot of requests in all channels in our FNAC stores. We started selling that through our partners. There are partners like [? 00:46:06] and others. They will start offering the Darty Max offer. So this plus all the franchise and owned stores will enable us to have this objective of 2 million subscribers in 2025.

We have a new question. "Could you please tell us the structure, volume, and price on the top line of 2022? Can you anticipate the price rise in 2023?" The price rise is rather modest. It all depends on the categories, of course. The cumbersome products consuming more transportation costs were more impacted than small prices. It varies between 10% and 100%. Some categories have not really increased or slightly increased in price. On average it would be between 5% and 10%.

And the volumes, as I said it varies it depends on the categories. We have a sales revenue of €8 billion. So we have to see each category to have an average. For 2023 the price rise will be more limited in 2023, and we will start seeing later on a decline in inflation for the second half year. And then the long distance transportation costs will also decrease later on in the year. So, if all this is confirmed our prices will be normalised at the end of the year.

A new question. "The services like Darty Max are starting to get bigger and bigger. How much do they contribute to the sales and the margin?" Well there are two points to be kept in mind. The programmers such, Darty Max, and what we're getting for subscriptions. And you can calculate them. Two thirds of our network is with the cheaper products which is €10 TTC per month. So that's about €120 per year, per customer. And then to answer the rest of your question you'll get to see what how much it contributes to this turnover. The margin I cannot give you unfortunately. It's extremely profitable and this activity more than makes up for the stopping of the guarantee extension because we've stopped that which has dropped ever since we started the Darty Max.

Anyway this is great but what's really important is that that this part, which is so profitable - and thank you very much to all our employees and the 2,500 technicians who've really launched it - but what's also important is the customer behaviour. And that brings us additional turnover because these customers of Darty Max, they buy products which are more expensive and they buy them more often. So you've got a very profitable product plus you've got customer behaviour which takes you towards more premium products and more stable prices. So, it's a win-win situation with Darty Max.

“Could you economise even more on your financial costs?” Well, unfortunately the answer is going to be no. Today in terms of financial costs the Group, and I'm not talking about corporate tax, we are paying 7% tax and given the market today it's going to be complicated. We'll have to work on indebtedness particularly. And what's more, as he said, we talk about external growth which should make up more for this cost plus give us added value for our dividends and shareholders. I think we've completely rationalised our costs and in turn we've secured them because there's no major outstanding paybacks until 2026. Reimbursements, that is.

Let's wait a few more seconds for more questions. It’s coming. “Can you remind us which products are covered by Darty Max and which is the best formula?” This is a new customer. Well, thank you. Darty Max, has three kinds of formula. There's the maxi which is essentially for household appliances and then there's the extension of warranty for smaller electrical products at €14.00 and multimedia it's €19.99. And as Jean-Brieuc just said, that covers two thirds of our total quantities.

Anyway these formulae were launched after we launched the plan so now we've got new customers coming in for premium plus all the existing customers who like the first formula and now they're gradually moving up towards formula two and three as well. And that's an excellent thing.

Let me just emphasise that Darty Max is a huge success. As you saw it’s about 800,000 subscribers for just this year and we are moving towards a model which is likely to be more reliable. Customers are very satisfied and are likely to spend more at the FNAC because when you're a Darty Max customer all products bought from us are naturally covered by this guarantee. So, once you've got your subscription there's really no reason to go elsewhere and buy elsewhere. So we get more customers. They feel secure thanks to the quality of service provided by our teams. That's very important and that's why we are hiring on certain platforms that are good.

And once we get our customers we are moving them upwards in our portfolio of products. So, that means they'll spend more. So, his will be consolidating our turnover, and plus I do hope so that we shall be able to pay less for the ownership costs of these new customers. So these are the plus points of this programme. 800,000 is a big number, and you can imagine that at 2 million subscribers it'll completely change the profile that we have of our way of working with our customers and customer loyalty and customer profitability, plus our teams.

I’m insisting. We started this business also in Belgium with Darty Max, but it has started in Belgium where we can provide all of the entire range of products. Now other countries are also expecting us to provide this service, and we hope that we'll be able to do it in the coming months.

This I think brings us to the end of our Q&A session and I'd like to thank you all very much for listening in and for all your questions. And let's fix our next appointment soon for our next financial results. So, thank you very much, Jean-Brieuc, and all of you. Thank you.