

FNAC DARTY

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FNAC DARTY - 2023
FIRST QUARTER
REVENUE

20 April 2023

List of MAIN speakers	Company	Job title
Enrique Martinez	Fnac Darty	CEO
Jean-Brieuc Le Tinier	Fnac Darty	CFO

Introduction

Good evening. Welcome to the presentation of First Quarter Revenue 2023 of Fnac Darty and the planned acquisition of MediaMarkt in Portugal. Mr Enrique Martinez, CEO of Fnac Darty and Jean-Brieuc Le Tinier, CFO, will take the call. Over to you.

2023 First Quarter Revenue

Enrique Martinez

CEO

Thank you very much. Good evening, everyone. Thank you for being with us for this conference call, for the presentation of our first quarter 2023 results. Our press releases and the presentation that we are going to be giving during this call are available on our website. I am delighted to be with you for this conference call for two reasons.

First of all, because the stability of our revenue and gross margin in the first quarter show excellent performance, excellent results, which demonstrate the capacity of our Group to adapt to meet the needs of our consumers and to provide value against a backdrop of growing pressure on purchasing power.

Furthermore, we are announcing the acquisition of MediaMarkt in Portugal, 25 years after the opening of our first store in the country. We now have the opportunity to consolidate our position as number two on the market on this very dynamic, high-growth market and to provide to our Portuguese clients a full range of products and services as part of our Fnac Darty project.

So before going any further, I'd like to give the floor to our CFO, Jean-Brieuc.

Stable Q1 2023 Revenue

Jean-Brieuc Le Tinier

CFO

Thank you very much, Enrique. Fnac Darty held up very well in terms of revenue in the first quarter. Our figures are stable on a gross published basis. This can be compared to first quarter 2022 results, which we can now qualify as normal after the pandemic period. First of all, these results display strong growth in our in-store sales against a backdrop of a sustained number of visits. Our stores are appealing with their product quality, the advice of our sales staff. Our online sales are now at a high level of 22%, four points better than the pre-COVID level confirming the quality of our digital offering.

Finally, click and collect, which is a key indicator of web performance, now accounts for 49% of online sales, up two points on 2022, bearing out our choice of an omnichannel model. With the stability of our sales, we've also been able to maintain the stability of our gross margin in the first quarter. In fact,

the gross margin is up 20 basis points after restatement for the franchise effect. These good results are due to the positive contribution of services and in particular the deployment of Darty Max and a pick-up in ticketing.

Q1 2023 Revenue by Region and Product Category

Let's look at the commercial performances by region and product category. The France/Switzerland region held up well with sales at -0.3 on a like-for-like basis due to the strong performance of in-store sales. In France in particular, the Group continued to outperform the market in the first quarter, according to the most recent figures published by the Bank of France at the end of March.

We should note that the scope effect on the region is almost neutral. In Paris, the scope effect is negative. With the closure of the Italie 2 Parisian store. In Switzerland it is positive with the partnership with Manor in the second quarter. And in particular in the second half, we should expect a negative scope effect in Switzerland given the decision to leave the German-speaking region of Switzerland by end of May, notwithstanding the continued growth in French-speaking Switzerland with 27 in-stores versus 23 at present.

On the Iberian Peninsula, sales are down 1.6%, with a contrast between Portugal, which is up slightly and Spain down, given the major pressure on spending power of consumers. Finally, the Belgium/Luxembourg region is on the rise again with an increase of 3.1% on comparable data. Sales are also driven by the new store in Brussels in May 2022.

Moving on to performance per category. Editorial products are up strongly driven by the increase in traffic in stores. The shift in spending from household goods to leisure and cultural products, significant video and audio products, in particular vinyl, also post strong results as well as gaming, which is up strongly given the strong uptick in PS5 sales.

Services continue to rise across all regions with a continued growth of Darty Max and the encouraging pick-up in ticketing. Technical products reflected the strong growth in telephony as well as leisure products such as sound and photo. The whole category, however, is down with the decline in hardware sales, in particular computers.

Finally, household appliances are down quite strongly in volume, both in large and small items. Given the pressure on purchasing power and after a strong pick-up during the Covid period, the pandemic period, consumers are on a wait-and-see basis. And I'll now hand back to Enrique, who will present our acquisition project in Portugal.

Signing of an Agreement in View of Acquiring MediaMarkt in Portugal

Enrique Martinez

CEO

Well, we've been in Portugal for the past 25 years. We've achieved great success there. And the acquisition project for MediaMarkt in Portugal, which we presented, is really extremely satisfying. With this transaction, we will be able to increase our revenue by approximately one third and consolidate our position as the number two player in the country by integrating the ten MediaMarkt stores and bringing on board 400 MediaMarkt employees who will join our current team of 1,700

employees. We will be able to build an ecosystem of products. And this transaction consists in buying a network of ten stores and a website spread across the region, the densely populated regions of Portugal in the north, the centre, and in the Lisbon area.

The geographical presence is therefore very complementary with that of our 35 Fnac stores. This acquisition will enable us to add to our range of products, in particular electronic and household appliance products, in addition to our very strong offering in editorial products and consumer electronics. We will also strengthen our position in services, product repair. The company is slightly profitable in terms of ROC and the country will benefit from operational and commercial synergies. The implementation of the transaction, however, is subject to approval of the local competition authority, but I'm confident we will close between now and the summer.

In conclusion, this transaction is fully in line with the core of our Darty Fnac projects. I'm very satisfied that it will be able to establish in the development that we've achieved successfully over the past 25 years.

Outlook

To conclude, well, we are very satisfied with our performance in the first quarter. Admittedly, the first quarter is not the most important of the year, but in a challenging environment where consumers are adjusting their purchasing behaviour to the constraints that weigh on their purchasing power, it is very important to be agile, responsive, to adapt our offerings and services and this is what we have done with some success.

In addition to containing costs, we have been able to focus on the longevity of our operating model. We have developed a major investment plan for our stores to reduce energy consumption. As of the end of March, we had already renovated and converted to full LED 20% of the stores that we own, which sets us on track to achieve the 15% decrease in electricity consumption that we're aiming for and that we explained in February. And we are planning to renovate 60% of our properties by the end of 2024 and 100% by the middle of the next financial year.

We are following the macroeconomic situation very closely and consumer trends in our sector. But our performance over this first quarter enables us to confirm our guidance, that is to say, current operating income around €200 million, cumulative free cash flow from operations at about €500 million and free cash flow from operations of at least €240 million annually starting 2025.

To conclude, I'd like to talk about the arrival of new Board members in recent months. The Board discussed how we might include new members for more diversity and we are very happy to be putting Olivier Duha up for nomination at the next shareholders' general meeting. He is the founder and co-president of Webhelp. He created a unicorn and a true global success story in a matter of just a few years. I strongly believe that his talent and his skills will be of great value to the work of the Board, which will now have 14 members, of which 11 independent board members, six women and two staff representatives.

I thank you for your attention, and Jean-Brieuc and I would be happy to answer your questions.

QUESTIONS AND ANSWERS

Operator: Ladies and gentlemen, if you wish to ask a question, please press *1 on your phone.

The first question, Marie-Line Fort of Société Générale, you have the floor.

Marie-Line Fort (Société Générale): Yes. Good evening. Thank you for giving me the floor. Now, I had a few questions on your first quarter revenue. For Belgium in particular, you talked about tax measures in your press release. So, what was the impact of that? Was it significant? And then on sector trends in France, the Banque de France document explains that for consumer electronics there was a drop in value and in sales volumes, but there may be a mixed effect or a kind of deflation. And I wanted to know how you interpreted that. Is it competition or is it related to specific product categories? Those were my two first questions.

I also have questions about Portugal. You talked about synergies without necessarily going into numbers. I know you may not be able to. Could you tell us in qualitative terms about these synergies? Is it in terms of purchases, costs, the product offering that you mentioned in brief? What about the sales momentum within MediaMarkt in Portugal in recent years as compared to your own sales? And you mentioned that it was already profitable. How does that play out as compared to the numbers for the Iberian Peninsula? Thank you.

Enrique Martinez: It's a lot of questions. All right. So, for Belgium, there were tax measures for consumers to help support consumption. And we have this new store that's doing very well indeed in Brussels.

Marie-Line Fort (Société Générale): Could you tell us a little more because these effects may not last. So, what do you think the effect might look like in the future? Would it account for half of growth or more?

Enrique Martinez: Well, for the moment, it's a positive trend for consumption. Last year in Belgium, wages increased considerably. So, that was one aspect. And then energy costs increased considerably in Belgium as well, which affected consumer purchasing power in 2022. And if you look at energy costs today, they are starting to drop and consumer behaviour could change in our favour because they still have 10% extra in wages. So, we'll see how that plays out through the year. I can't really quantify the exact effect of the tax measures.

Now on France, you talked about volume and prices. To answer you directly, the effect isn't as intense as it was last year. But there are transport costs, there's the dollar stabilising. So, it's quite stable, I would say. And then, of course, there's a mixed effect for different categories, different segments within product categories that could explain that. But, no, I wouldn't use the term deflation.

Now, on Portugal. So, we are acquiring MediaMarkt in Portugal, which is already profitable, and we will be leveraging synergies that are organisational with ancillary roles that we will not need to replicate as they already exist. And then we will be working together on electronics. So, we already provide consumer electronics and services and MediaMarkt also provides consumer electronics services and appliances. So, we have that in common, but it will also help us diversify with the [inaudible 00:16:25]. We are reproducing what we did with the Fnac Darty merger in France, so we are expanding our product range. So, diversification in the product offering.

Without going into figures, I think what's important is that we are growing our model in Portugal with the services and the strategy that we're pursuing in other countries, too. So, household appliances – we're not yet active on that in Portugal, but it could be the case in the future and that can really supplement the offering today in Portugal.

Marie-Line Fort (Société Générale): I have a final question. Now, you said that the name would remain MediaMarkt, but once the transaction is complete, would the stores be called Darty or Fnac? It sounds like it's more of a Darty than a Fnac model.

Enrique Martinez: Well, we'll have the answer for you in a few months. We haven't quite decided yet, but it will not be called MediaMarkt in the long run. But we'll make the announcements a bit later. We don't know yet.

Marie-Line Fort (Société Générale): Thanks very much.

Operator: Next question is from Clément Genelot From Bryan Garnier.

Clément Genelot (Bryan Garnier): Good evening. Thank you. I have three questions. First of all, on the like-for-like performance, just to see whether this like-for-like performance is consistent or whether there is a sequential improvement month after month? Next on ticketing, in the press release, you talked about the pickup in ticketing as a driver in the improvement in the gross margin in 2023. But unless I'm much mistaken, I thought the pickup in ticketing was achieved in 2022. So, I just wanted clarification on that and to see whether we'll get a boost due to a pickup in ticketing in 2023 as well.

And next, to go back, I understand that we don't have a valuation. It's just to see whether there's an improvement with the valuation of Fnac or whether we're closer to the valuation we had previously?

Enrique Martinez: On monthly performance, there's no big change over the past three months. They're different in volume terms. February obviously was smaller. January is bigger with the sales, but no particular difference compared to last year. Quite frankly, nothing particular to talk about there.

On ticketing: the ticketing pickup was gradual after the pandemic. In the first quarter, we did not have a full recovery. Don't forget, we ran out of stock on some of the tickets that had already been sold. And from the second quarter, we should be able to have a better comparison. Ticketing is doing well. Last year, if you remember, we still had the limitation on traffic in January. And January, last year, if you remember, was far from what it should have been. So, our performance here is going to be what we expect for the year. And on valuation, we won't give detail on this, but it was more in line with the overall MediaMarkt system which reflects standard results. In the immediate future, no comment. But quite frankly, it's pretty good. Thank you.

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

Operator: I'd like to remind you that if you wish to ask a question, you can press *1 on your keypad. Gentlemen, there are no queued questions. There is an additional question from Marie-Line Fort from Société Générale. You have the floor.

Marie, are you there? Ms Fort?

Marie-Line Fort (Société Générale): Yes. Sorry, I was on mute. It goes without saying, perhaps. You are making this acquisition in cash. Is that right? It's my first question.

My second question is, could you say a bit more about the energy costs, how things have changed since your February presentation? Is there any improvement or is it still a similar situation?

Enrique Martinez: On payment, yes, we had to pay to pay cash. Indeed, we paid cash. On energy costs: two aspects. First of all, reducing consumption was a priority. We told you that during the second half, and that was a success. Temperatures were relatively tolerable so we were able to keep costs down. And then for lighting and all of the other strategies, I think that that should bear fruit later this year. So, we really need to make sure that we implement this energy cost reduction plan.

In terms of prices, it's not quite at the same level as last year, so perhaps we'll remain under forecasts, but it's a bit early to say. We are also using solar energy now at a cost that is below market levels, which should help soften our landing. But we'll tell you more later this year as there are a number of variables to take into account, overall consumption and other factors. But we are happy with the way things are going and we'll do the maths a little later.

Marie-Line Fort (Société Générale): Can you tell us what your target is in terms of energy?

Enrique Martinez: €30-50 million more than last year.

Operator: I'd like to remind you that if you wish to ask a question, you can press *1 on your keypad.

For the time being, there are no further questions.

Enrique Martinez: Well, thank you all very much for taking part in this conference call and see you very soon. And thank you so much for being with us. Goodbye.