

TRANSCRIPT FNAC DARTY CONFERENCE CALL – OCTOBER 15, 2024

Enrique Martinez
Chief Executive Officer

Hello, everyone.

I'm delighted to be with you today to comment on the performance of our business over the first nine months of the year. The performance has enabled us to raise our guidance for operating profit for the 2024 financial year, and I'll come back to this in my conclusion.

First and foremost, I'd like to share with you our pride of having contributed to the popular success of the Olympic and Paralympic Games through our ticket sales – the absolute record for ticket sales in the history of the games – and through our services. We were able to share in some highly emotional moments and as a result, our Fnac Darty brands were part of a unifying and highly rewarding movement.

Returning to our performance till the end of September. It is in line with the dynamic results we've posted since the beginning of the year and is mainly linked with the good execution of our Everyday Strategic plan.

It's driven by the combination of our varied offerings, product innovation and high value-added services. These services continue to win over our customers and are making a significant contribution to our growth.

We're approaching the closing of the offer to acquire Unieuro. We are convinced of the value-creation that this unique strategic opportunity will bring to our group and stakeholders. I believe in the success of this transaction, which will enable us to confirm our position as European leader in specialised distribution.

Over to Jean-Brieuc Le Tinier, our CFO.

Jean-Brieuc Le Tinier
Chief Financial Officer

9M 2024 HIGHLIGHTS

Thank you.

As Enrique has already mentioned, we're very satisfied with our performance this quarter, thanks in particular to the high single-digit growth of our services business.

Over the first nine months, we posted sales growth of 1% on a reported basis and virtually unchanged on a like-for-like basis, with market share gains in most of our categories.

In the third quarter, the group posted sales of €1.8 billion, up 0.5% on a reported basis and down slightly by 0.6% on a like-for-like basis. The gross margin rate, excluding the dilutive impact of the franchise and changes in the scope of consolidation, rose by 50 basis points over the first nine months of the year and by more than 100 basis points in Q3.

REVENUE AND GROSS MARGIN PERFORMANCE

Now let's take a closer look at sales performance by channel, region and product category over the period.

First, by channel. The proportion of online sales remains high at 21%. The complementary nature of our shops and our digital platforms has once again been demonstrated, with click-and-collect accounting for more than half of online sales at the end of September.

Now, **by geography**.

The **France/Switzerland** region was virtually stable over the first nine months on an LFL basis. Once again, the group outperformed the French market, which remained in negative territory at the end of August, -2%, while our growth rate was virtually stable at the end of September, -0.4%.

I remind you that the scope effect corresponds mainly to the closure of three Manor shops in non-French speaking Switzerland, which took place in the first half of 2024.

Let's turn now to the **Iberian Peninsula**.

Sales posted an excellent performance of 5.7% in the third quarter, giving growth of 1.8% in the first nine months of the year. A better macroeconomic situation in the region has supported consumption. In Portugal, the integration of MediaMarkt, consolidated from the 1st of October 2023, is continuing, and to date, the ten shops have generated sales of around €75 million.

Lastly, **the Belgium/Luxembourg** region reported virtually stable LFL sales over the first nine months. Sales are benefiting in particular from sustained growth in services.

Let's look at **developments by category**. Let's start with **editorial products**. Books performed very well, buoyed by the craze for new reading trends. This performance did not make up for the sharp decline in gaming, still impacted by particularly high basis of comparison in 2023, but with a much lower gross margin.

Services continue to grow in all regions, with the ongoing rollout of our subscription-based offers and in particular the rollout of Darty Max and Fnac Vie Digitale.

Consumer electronics grew slightly over the nine months. In Q3, telephony sales slowed due to new product launches that got off to a more gradual start than last year. Computers benefited from the continuation of the renewal cycle and innovations begun in the second quarter.

Sales of **domestic appliances** are up. The excellent momentum in small domestic appliances continues, driven by numerous technical innovations and new product launches in the cooking, beauty and floor care sectors. Sales of large domestic appliances, on the other hand, remained down.

Last but not least, **diversification** has performed well with solid growth in the games and stationery sectors since the beginning of the year.

Finally, a word on **gross margin rate** trends. It's important to note that apart from the negative impact of the dilutive technical effect linked to the franchise and changes in the scope of consolidation, the gross margin rate is up by more than 100 basis points in Q3, 2024, compared with 2023.

This increase is mainly due to growth in services and a favourable product mix, confirming the relevance of the Everyday plan. The group benefited in particular from strong momentum in services, small domestic appliances and books.

Overall, for the first nine months of the year, the group posted gross margin rate growth of +50 basis points, excluding the dilutive effect of franchising and changes in the scope of the consolidation.

Enrique.

Enrique Martinez
Chief Executive Officer

ENVISAGED UNIEURO ACQUISITION UPDATE

On slide four, I would like to come back to the strategic project of Unieuro acquisition.

The tender offer is open until October 25th, and we are very determined and confident in our ability to make a success of it.

Let me remind you that the offer price of around €12 per share represents a 42% premium over Unieuro's spot price on July 15th, 2024. The premium is also 20% of the average of analyst target prices prior to the announcement.

This valuation was deemed fair from a financial point of view by the two independent financial experts appointed by Unieuro's board of directors.

Finally, we've lowered the minimum acceptance threshold to 66.67% of Unieuro's capital. This reflects our determination to successfully implement the tender offer.

This project is a structuring one for our group for the years to come and will enable us to play a key role in the consolidation of the European market.

With Unieuro, we would form a group with sales of over €10 billion, 30,000 employees in more than 1,500 stores.

It would also be a value-creating transaction for all stakeholders, and we expect to achieve over €20 million in full-year synergies from the massification of purchasing and private labels.

Finally, this operation will preserve our financial flexibility to pursue our capital allocation policy.

2024 OUTLOOK REVISED UP

In conclusion, we approach the end of the year with confidence while remaining focussed on our rigorous financial management.

We are seeing the first encouraging signs on the macroeconomic front, with inflation falling and interest rates beginning to come down.

These factors, combined with the remarkable performance of our services business, have led us to raise our guidance for full-year current operating profit.

We now expect recurring operating income for 2024 to exceed €180 million, compared with at least 171 million previously.

We are maintaining our target of a cumulative free cash flow of around €500 million over the 2021–24 period, with 180 million in 2024.

Finally, we're very focussed on the success of the major end-of-year sales events: Fnac's 70th anniversary, the 50th anniversary of Darty's *Contrat de confiance*, Black Friday and Christmas.

We approached the end of this year with determination, convinced that the group has solid assets to create sustainable value. Thank you for your attention.

Jean-Brieuc and I are now available 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 comes from Clément Genelot from Bryan Garnier. You have the floor.

Clément Genelot (Bryan Garnier): Good evening. I have two questions on the gross margin to start with. This high increase is also due to ticketing and we know that it has an accretive effect. And as far as the guidance, did you factor in the fact that consumption will be lower in France the next season with all the political talk of higher taxes?

Jean-Brieuc Le Tinier: Thank you. On the gross margin, it's not related to ticketing effects because Olympic game tickets had been sold well before Q3, so no impact there. Ticketing is doing better in Q3 than last year, but impact on the gross margin is very marginal. It's a very, very small, insignificant part of the 100 bps that we were talking about. The origin of these 100 bps is, first of all, services, particularly subscriptions, and then the product mix with more small appliances, books, etc., whereas gaming is not doing as well.

The encouraging macro signs, the product cycle and innovation should relieve purchasing power, and be beneficial. We have taken caution into account, but we do not anticipate a very significant impact on consumption in the very short term.

Operator: The next question is from Christian Devismes from CIC. The floor is yours.

Christian Devismes (CIC): Good afternoon. Two questions. First, ticketing during summertime. I always thought that if competition was not allowed to do this sort of transaction, that was probably not to disrupt ticketing. So my question is, nowadays, 14 months after the official announcement, do you have any news about competition on this transaction?

Second question – this relates to government projects to raise taxes on sales (between 7 and 10% negative impact I anticipate). Should we take anything else on board impacting your profits in the coming couple of years?

Enrique Martinez: Let me take the second point first. Unfortunately, no, we don't have carried-losses in France so we cannot use them, so we will get the full-blown tax raise. Of course, we don't know what the final picture is going to be, we'll wait for the finance bill.

Christian Devismes (CIC): Yes, obviously.

Enrique Martinez: Ticketing, we keep waiting both in Europe and Switzerland. We don't have the authorisations yet, we are waiting.

Operator: Next question is from Emmanuelle Vigneron, HSBC. You have the floor.

Emmanuelle Vigneron (HSBC): Yes. Good evening. I'd like to go back to the gross margin. Could you give us any indications on the trend that we could expect in Q4? And my second question would be as follows: could you give us more detail about Nature & Découverte and how well it performed? Thank you.

Jean-Brieuc Le Tinier: We've seen that services had a very favourable impact on the gross margin. That's been true since the beginning of the year in Q1, and even more so in Q3. We expect a good level of gross margin rate. The beauty of services is that it's a very resilient business. It's the whole principle of the strategy that we've put in place and how it's been rolled out over time. So we feel that gross margin in Q4 will look better than last year. We can't give you more details at this stage.

Enrique Martinez: As far as Nature & Découverte, it's living its life. But the future of Nature & Découverte will play out in Q4, because that's where there's a strong acceleration of sales,

and we've prepared for that season with the team. We have to wait for the end of Q4 to give you real visibility over Nature & Découverte and its performance.

Operator: We have another question now, from Alessandro Cuglietta from Kepler. The floor is yours.

Alessandro Cuglietta (Kepler Cheuvreux): Good evening. Two small questions on the revising of the guidance. Could you explain what happened? Why was it better? Was it because Spain or some other region performed better? Is that the reason for this improvement?

Second question: Weavenn – could we have an update on this? Are they up to your expectations? Or is there any new component, new element you could tell us about?

Enrique Martinez: Let's start with Weavenn. It's performing quite well. It's exactly what we expected. Figures, now. You see it's a beginning business. So it's still very small, but it is in line with what we expected. We will have more information on the full-year results.

Jean-Brieuc Le Tinier: On guidance, the revision of guidance. As we said before, will be better vs last year. Consumption is a little better. Inflation is down. And also, we see a return to a more normal background context. We have strong cost control. Inflation is going down so we have more impact. And then another point is the gross margin which is pulled by services. Currently, we're looking at the services model which is beginning to be more profitable. So this depends less on our products sales. We are more confident for the end of the year.

Operator: Next question is from Marie Fort of Bernstein. You have the floor.

Marie Fort (Bernstein): Good evening. I have a question about the gross margin. I just wanted to know, in H1, you had seen a dilutive effect of franchise of 20 basis points. Should we expect something similar for the rest of the year?

Jean-Brieuc Le Tinier: Yes, that would be the order of magnitude. It varies a bit because it depends on how much has been stored in the franchises. But yes, around 20 to 25 basis points. There's no reason for the figure to be significantly different.

Marie Fort (Bernstein): And that's essentially the reason why the guidance was revised or are there any other reasons?

Jean-Brieuc Le Tinier: As we said to Alessandro, the service model is becoming increasingly profitable and the inflationary environment with September, 1.2%, which is much easier for us to control. We're used to those kinds of environments. Last year we had inflation of about 4 to 5%.

Operator: Let me remind you that if you want to ask a question, you should push the *1 button on your phone. Gentlemen, we have no more questions, so let me give you the floor back.

Enrique Martinez: Well, thank you very much for your time, and hopefully we'll talk to you soon.