

**FNAC DARTY**

**2018**  
**HALF-YEAR**  
**RESULTS**

# H1 RESULTS HIGHLIGHTS

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- ❖ Strong results in H1 2018 driven by FNAC DARTY agility and operational excellence
- ❖ Good resilience of sales trends despite a lackluster consumption environment
  - H1 2018 Group sales down -0.5% YoY (-0.4% LFL)
- ❖ Rapid progress of Fnac Darty integration
  - €20m synergies generated during the first half
  - €105m total synergies generated at the end of June 2018 out of the €130m target
- ❖ Strong increase (+35%) in current operating income at 46m€
- ❖ First positive net result in H1 since the Fnac IPO
- ❖ Many strategic initiatives launched during the semester

# CONSUMPTION SLOWDOWN IN FRANCE IN H1 2018

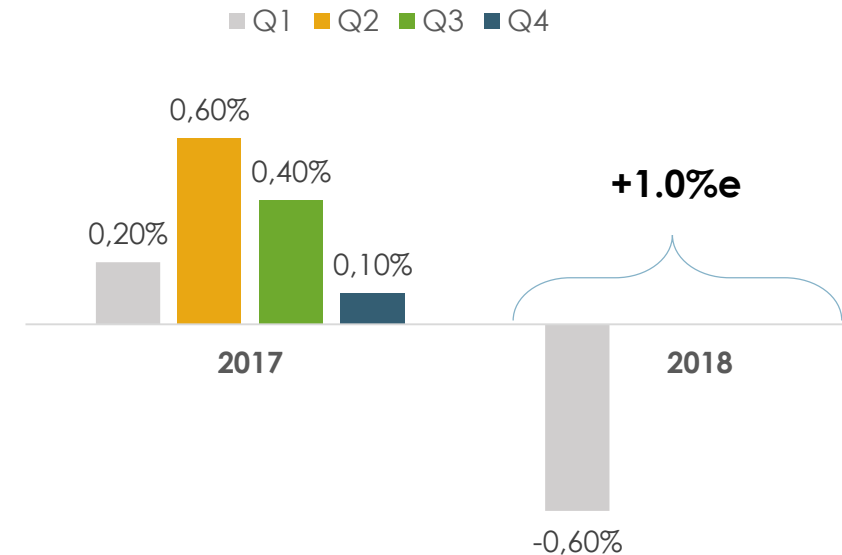
❖ Confirmation of consumption slowdown, accompanying slower GDP growth :

**+0.3% in Q2 18e** after **+0.2% in Q1 18** and **+0.7% in Q4 17**

❖ **Purchasing power down** quarter on quarter for the first time in two years

- French household consumption spending slowing down : **2018e at +1.0%** vs. **+1.1% in 2017<sup>(1)</sup>**
- Clear slowdown in household consumption spending in engineered goods at **+1.4% for 2018e** vs. **+2.6% in 2017<sup>(1)</sup>**
- **Purchasing power improvement expected in H2** following tax cuts

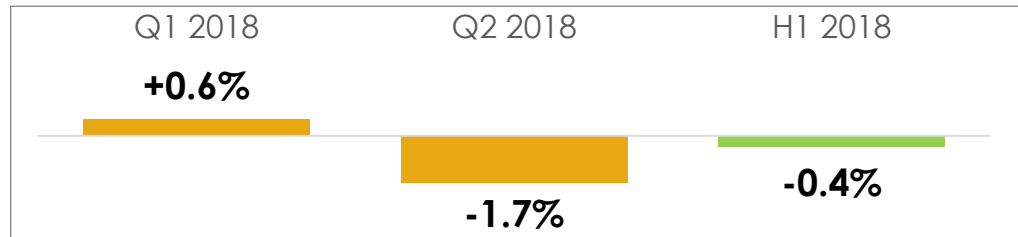
## Household purchasing power evolution<sup>(1)</sup>



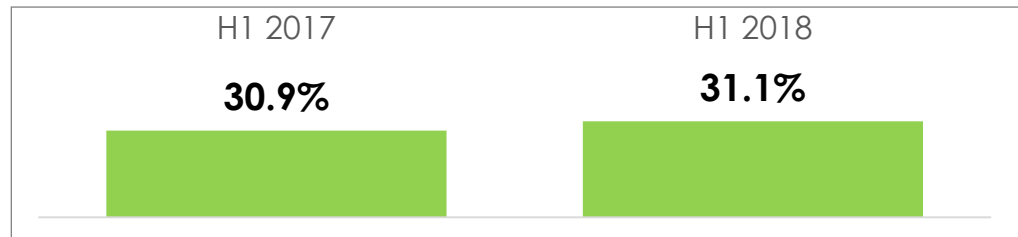
(1) Source : INSEE

# STRONG EXECUTION IN H1

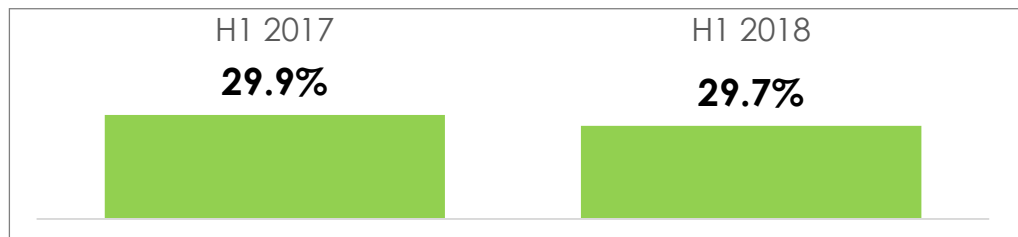
## Good resistance of like for like<sup>(1)</sup> sales



## Improvement in gross margin



## Tight cost control (% of sales)



(1) Like-for-like : excluding FX, perimeter and expansion effects

## Context

- Sluggish consumption in France
- Impact of climate in Q1 and strikes in Q2
- Continuing tough competition
- Weak lineup in technical products

## Fnac Darty seizes growth opportunities in lackluster markets

- International sales growing : +0.5% LFL
- Double-digit growth of Services activities
- Double-digit growth of diversification categories
- Strong growth of marketplaces : >25%

## Increase in gross margin

- Dilution from franchises (30bp), strong improvement (20bp) in gross margin thanks to a well controlled commercial policy and the effect of synergies

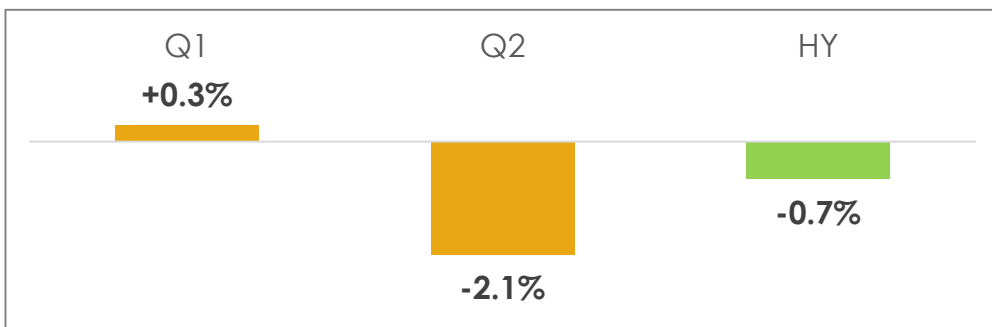
## Costs decline despite full inflation effect

# FRANCE AND SWITZERLAND IN H1 2018



€m	H1 2017	H1 2018	% Change
Revenues	<b>2,517</b>	<b>2,482</b>	<b>-1.4%</b>
<b>Like-for-like<sup>(1)</sup></b>			<b>-0.7%</b>
Current operating income	<b>32</b>	<b>47</b>	<b>+44%</b>
Operating margin	1.3%	1.9%	+60bp

## H1 2018 sales evolution <sup>(2)</sup>



- ◆ Sales impacted by a lackluster consumption environment:
  - Weak lineup in technical products
  - White goods impacted by unfavorable comps linked to June 2017 heatwave
- ◆ Strong growth of services and marketplaces
- ◆ Acceleration of network expansion: **26** store openings
- ◆ Controlled commercial policy and cost structure
- ◆ Synergies rollout driving strong current operating income improvement (+44%)

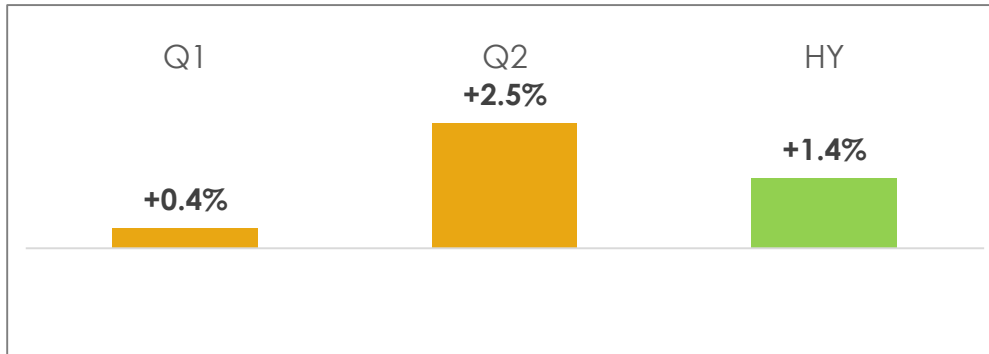
(1) Like-for-like : excluding FX, perimeter and expansion effects  
 (2) On a like-for like basis

# IBERIAN PENINSULA IN H1 2018








€m	H1 2017	H1 2018	% Change
Revenues	281	294	+4.6%
<b>Like-for-like<sup>(1)</sup></b>			<b>+1.4%</b>
Current operating income	2.4	3.3	+37.5%
Operating margin	0.9%	1.1%	+20bp

## H1 2018 sales evolution <sup>(2)</sup>



(1) Like-for-like : excluding FX, perimeter and expansion effects

(2) On a like-for like basis

-  Strong growth driven by both Portugal and Spain
-  Good performance of telephony and services
-  Expansion ongoing : +1 store in Spain
-  Double-digit growth of online sales
-  Operating margin increased by 20bp

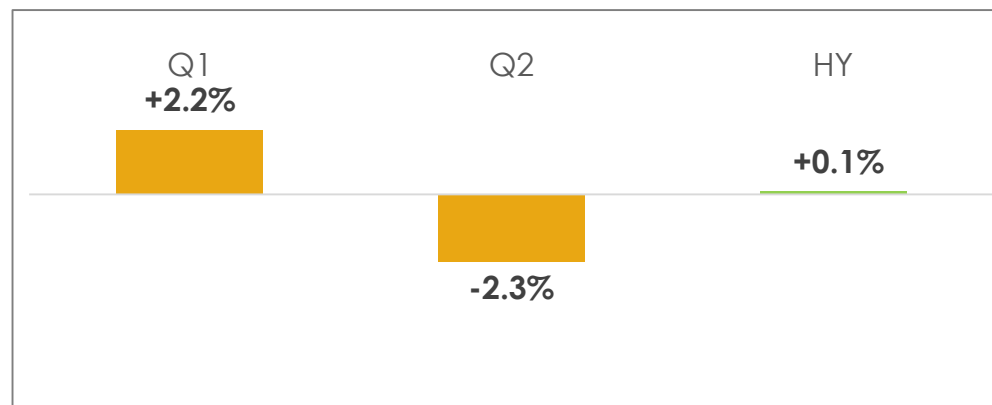


# BENELUX IN H1 2018



€m	H1 2017	H1 2018	% Change
Revenues	418	423	1.2%
<b>Like-for-like<sup>(1)</sup></b>			<b>+0.1%</b>
Current operating income	-0.9	-4.2	
Operating margin	-0.2%	-1.0%	-80 bp

## H1 2018 sales evolution <sup>(2)</sup>



(1) Like-for-like : excluding FX, perimeter and expansion effects

(2) On a like-for like basis

- ❖ Good sales growth in Belgium driven by SDA
- ❖ Fierce competition in the Netherlands and on technical products in Belgium
- ❖ Strong growth of e-commerce
- ❖ Tight commercial policy in order to protect gross margins
- ❖ Good execution of the recovery plan in the Netherlands: 6 stores closed in H1
- ❖ Current operating income negatively impacted by technical factors (management fees accounting), and by intense competitive pressure
- ❖ Recovery plan at BCC will benefit from the wehkamp partnership



# H1 2018 GROUP FINANCIAL RESULTS

€m	H1 2017 <sup>(1)</sup>	H1 2018	Change
<b>Revenues</b>	<b>3,216</b>	<b>3,200</b>	<b>-0.5%</b>
Gross Margin <i>% Revenues</i>	<b>995</b> 30.9%	<b>996</b> 31.1%	<b>+20bp</b>
Total costs <i>% Revenues</i>	<b>-961</b> -29.9%	<b>-951</b> -29.7%	<b>-20bp</b>
<b>Current operating income</b>	<b>34</b>	<b>46</b>	<b>+35%</b>
<b>% Revenues</b>	<b>1.1%</b>	<b>1.4%</b>	<b>+40bp</b>
Non current operating income and expenses	<b>-22</b>	<b>-11</b>	
<b>Operating income</b>	<b>12</b>	<b>35</b>	
Financial charges	-22	-25	
<i>o/w cost of net indebtedness</i>	-18	-20	
<i>o/w other financial charges (net)</i>	-4	-5	
Tax charges	-5	-2	
<b>Net income from continuing operations</b>	<b>-15</b>	<b>7</b>	
Discontinued operations	-88	1	

<sup>(1)</sup> Restated for the measurement of Darty's identifiable assets and liabilities

- ◆ **Gross Margin up 20bps**
  - Positive impact of synergies
  - Tight control of commercial operations
  - Franchise dilution around 30bps
  
- ◆ **Current operating income up 35%**
  - €20m of synergies deployed in H1 2018
  - Costs decrease despite full impact of inflation in H1 (c.+1.5%)
  
- ◆ **Operating margin up +40bps**
  - ◆ Non recurring costs related to the deployment of synergies
  - ◆ Financial result impacted by a one-off non-cash expense of 6M€ following the renegotiation of bank debt
  - ◆ €22m increase in net income from continuing operations, **now positive at €7m**
  - ◆ Discontinued operations in 2017 included the impacts of the disposal of Brazil



# FREE CASH FLOW GENERATION

€m	H1 2017 <sup>(2)</sup>	H1 2018	LTM
<b>Cash flow from operations before tax, dividends and interest</b>	<b>74</b>	<b>78</b>	<b>357</b>
Change in working capital	-271	-321	6
CAPEX <sup>(1)</sup>	-47	-45	-111
Tax	-21	-17	-94
<b>Operating Free Cash flow</b>	<b>-265</b>	<b>-305</b>	<b>158</b>

<sup>(1)</sup> Net of property disposals

<sup>(2)</sup> Restated for the measurement of Darty's identifiable assets and liabilities

- ❖ Current Operating Free Flow Cash reached **-€305m in H1**, following the traditional seasonality of the business
- ❖ Cash-flow from operations impacted by cash effect of 2017 non-recurring items
- ❖ Working capital evolution reflecting:
  - Lower activity in H1 2018
  - Anticipated payments related to the change in accounts closing date at Darty
- ❖ Good control of capex
- ❖ Strong cash generation over the last twelve months at **€158m**

# BALANCE SHEET

€m	31/12/2017	30/06/2018
Shareholders' equity	<b>1,103</b>	<b>1,130</b>
Net Debt	<b>86</b>	<b>417</b>

- ❖ Strong equity position
- ❖ Controlled leverage : Covenants met at June 30, 2018
- ❖ Strong liquidity position: 400M€ RCF undrawn at the end of June
- ❖ Successful bank debt renegotiation in H1 2018, with improved terms and 2y maturity gain
- ❖ Positive outlook granted by S&P in April 2018
- ❖ Ownership of a significant real estate portfolio from Darty



# CONFIANCE+

## UPDATE

# CONFIANCE+ RAPID PROGRESS

## OMNI-CHANNEL

## EXPANSION & FRANCHISE

## DIVERSIFICATION

## SERVICES

## LOYALTY & CONTENT

Weight of online sales increased to 18%

Marketplace business volume up sharply : >25% in H1

Close to 190 shops digitalized

Launch of D+1 delivery and installation for the entire offer of bulky items, covering 80% of France



27 store openings in H1, of which 26 franchises

Over 70 openings expected for the year



Already 20 shop-in-shops deployed in France and 20 Fnac Home corners opened in Spain

More than 120 kitchen corners now opened as well as the first Darty store dedicated to the kitchen offering



Launch of the Fnac Darty barometer for product repairs

Double-digit growth of services in H1 2018



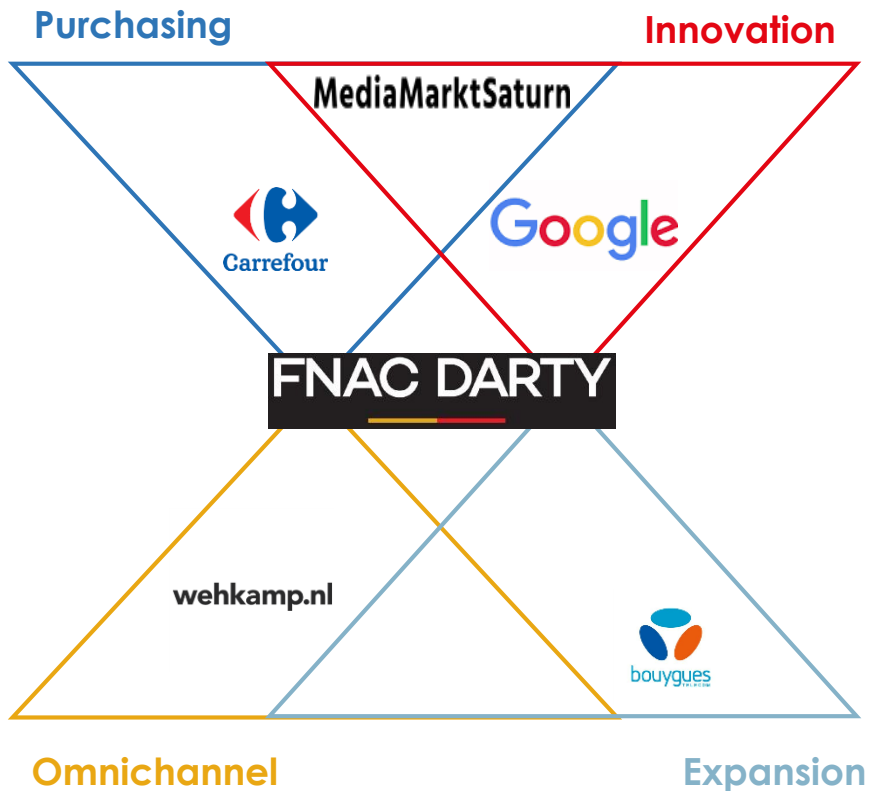
1 million Fnac+ subscribers and Darty+ ramp-up

Free premium delivery in both banners for Fnac+ and Darty+ holders



INITIATIVES

# CONFIANCE+: FNAC DARTY OPEN PLATFORM



## ❖ Wehkamp.nl

- Strategic partnership in the Netherlands
- BCC will manage offer, purchases, and bulky delivery, and will benefit from wehkamp digital expertise and small parcel delivery

## ❖ Bouygues

- Sale of Bouygues Telecom offer in Fnac Connect stores
- Renewed expansion for Fnac Connect : 50 stores in 5 years

## ❖ MediaMarktSaturn

- Strategic partnerships with key suppliers at international level
- Combined private label sourcing by creating a jointly owned private label organization
- Innovation and data collaboration activities

## ❖ Google

- Google corners in all Fnac and Darty stores (already 40 corners opened)

## ❖ Carrefour

- Purchasing Agreement partnership for domestic appliances and consumer electronics in France



REINFORCING OUR VALUE PROPOSITION





# CONCLUSION AND OUTLOOK

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- ❖ Fnac Darty once again proved its **operational agility and capacity to deliver solid results**
- ❖ All Confiance+ initiatives are **advancing according to plan while we are completing the Fnac Darty integration**
- ❖ **H2 trends:**
  - Improved lineup in technical products
  - High comparison basis in Q3
  - Focus on operational excellence in Q4
  - Expansion to continue at a steady pace with at least 70 openings in 2018
- ❖ Objective of €130m of synergies deployed by year end confirmed
- ❖ Mid term objectives of higher growth than markets and operating margin between 4.5 and 5% confirmed



# APPENDICES



# DEFINITIONS

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## **Definition of current operating income**

The monitoring of the Group's operating performance uses the current operating income as the main operating balance. It is defined as the difference between the total operating profit and the "Other non-current operating income and expenses".

Recurring operating income is an intermediate line item intended to facilitate the understanding of the entity's operating performance that can be used as a way to estimate recurring performance.

## **Definition of EBITDA and EBITDAR**

EBITDA = Current operating income before depreciation, amortization and provisions on fixed operational assets.

EBITDAR = EBITDA before rent costs.

## **Definition of free cash flow from operations**

This financial indicator measures net operating cash flow and gross operating investment flow (defined as purchases and sales of tangible and intangible non-current assets, and the change in supplier accounts payable for non-current assets).

# Q1/Q2/H1 REVENUE

€m	Q1 2018	Change vs Q1 2017			Q2 2018	Change vs Q2 2017			H1 2018	Change vs H1 2017		
		reported	at constant FX and comparable scope of consolidation	Like for like at constant FX		reported	at constant FX and comparable scope of consolidation	Like for like at constant FX		reported	at constant FX and comparable scope of consolidation	Like for like at constant FX
France and Switzerland	<b>1,303</b>	-0.3%	-0.1%	+0.3%	<b>1,179</b>	-2.6%	-2.4%	-2.1%	<b>2,482</b>	-1.4%	-1.2%	-0.7%
Iberian Peninsula	<b>152</b>	+3.4%	+3.4%	+0.4%	<b>142</b>	6.0%	6.0%	2.5%	<b>294</b>	4.6%	4.6%	1.4%
Benelux	<b>231</b>	+4.2%	+4.2%	+2.2%	<b>192</b>	-2.2%	-2.2%	-2.3%	<b>423</b>	1.2%	1.2%	0.1%
<b>Group</b>	<b>1,686</b>	<b>+0.6%</b>	<b>+0.7%</b>	<b>+0.6%</b>	<b>1,513</b>	<b>-1.8%</b>	<b>-1.7%</b>	<b>-1.7%</b>	<b>3,200</b>	<b>-0.5%</b>	<b>-0.4%</b>	<b>-0.4%</b>

## EBITDA & EBITDAR

	H1 2017	H1 2018
<b>Current operating income</b>	<b>34</b>	<b>46</b>
Net depreciation and amortization charges	50	49
<b>EBITDA</b>	<b>84</b>	<b>95</b>
Rents	106	105
<b>EBITDAR</b>	<b>191</b>	<b>200</b>

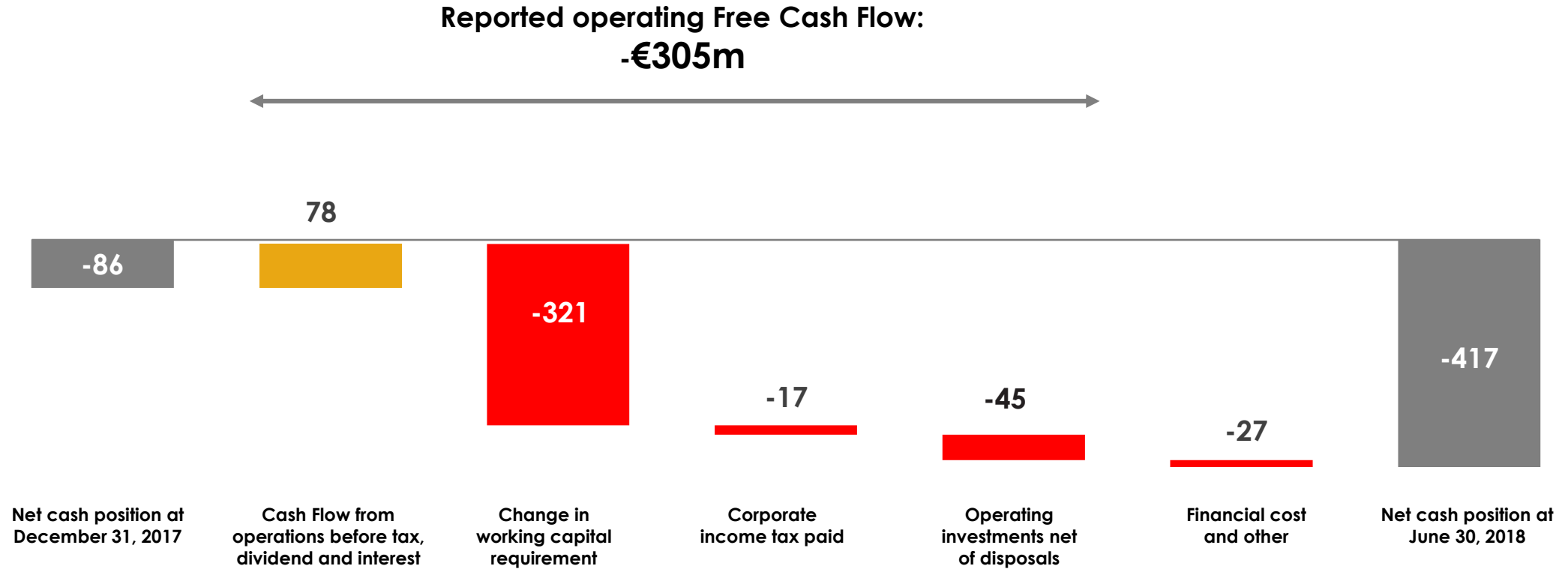
# BALANCE SHEET

Assets in €m	H1 2017 <sup>(1)</sup>	H1 2018
Goodwill	1,541	1,541
Intangible assets	465	471
Tangible assets	604	605
Investments in associates	21	19
Non-current financial assets	15	18
Deferred tax assets	48	67
Other non-current assets	0	0
<b>Non-current assets</b>	<b>2,693</b>	<b>2,722</b>
Inventories	1,001	1,026
Accounts receivable	144	167
Current tax receivables	44	32
Other current financial assets	23	22
Other current assets	238	349
Cash & cash equivalents	359	497
<b>Current assets</b>	<b>1,808</b>	<b>2,094</b>
Assets held for sale	49	0
<b>Total assets</b>	<b>4,550</b>	<b>4,816</b>

Equity and Liabilities in €m	H1 2017 <sup>(1)</sup>	H1 2018
Share capital	27	27
Reserves related to equity	985	989
Conversion reserves	(8)	(5)
Other reserves	(70)	113
<b>Equity Group Share</b>	<b>933</b>	<b>1,123</b>
Equity attributable to minority interests	7	7
<b>Equity</b>	<b>940</b>	<b>1,130</b>
Long-term liabilities	855	853
Provisions for retirement and similar benefits	193	151
Deferred tax liabilities	190	190
Other non current liabilities	211	176
<b>Non-current liabilities</b>	<b>1,449</b>	<b>1,370</b>
Short-term liabilities	7	61
Other current financial liabilities	10	21
Accounts payable	1,177	1,387
Provisions	43	64
Tax liabilities	75	19
Other current liabilities	750	762
<b>Current liabilities</b>	<b>2,062</b>	<b>2,314</b>
Liabilities associated with assets classified as held for sale	99	2
<b>Total liabilities and equity</b>	<b>4,550</b>	<b>4,816</b>

<sup>(1)</sup> Restated for the measurement of Darty's identifiable assets and liabilities

# CHANGE IN NET DEBT



# STORE NETWORK

	December 31, 2017			June 30, 2018		
	Owned	Franchised	Total	Owned	Franchised	Total
<b>France and Switzerland<sup>(1)</sup></b>	312	204	516	312	229	541
<b>Iberian Peninsula</b>	55	4	59	56	4	60
<b>Benelux</b>	153	0	153	147	0	147
<b>Group</b>	<b>520</b>	<b>208</b>	<b>728</b>	<b>515</b>	<b>233</b>	<b>748</b>

(1) Included 9 foreign stores: 3 in Morocco, 1 in Congo, 1 in Cameroon, 2 in Qatar and 2 in Ivory Coast; and 15 overseas stores

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