

Fnac Darty announces its new strategic plan, **Everyday**, which revolutionizes the place of advice, sustainability and service at the heart of day-to-day work for all customers

The plan aims to generate recurring free cash flow from operations¹ targeted at €240 million by 2025 and a shareholder payout as soon as this year

Fnac Darty has announced its new strategic plan, *Everyday*. The new plan builds on the performance of its omnichannel model, strengthened by the previous strategic plan, *Confiance +*, and tried and tested by the COVID crisis.

The Group's aim, in its day-to-day work and for the long haul, is to be the key ally for consumers, helping them to be sustainable in their consumption habits and daily household tasks.

Enrique Martinez, Chief Executive Officer of Fnac Darty, declares:

*“Everyday is a particularly ambitious plan that engages us in an unprecedented disruptive strategy while accelerating the rollout of our omnichannel model. This new strategic plan is our response to the growing digitalization of consumption, the proven importance of day-to-day human contact, and the pressing need to work toward consumption that is more in line with societal and environmental challenges. As a renowned omnichannel leader, Fnac Darty will build its future accordingly by **reinventing the way in which it serves its customers** between now and 2025. To do this, we will be investing in our digital ecosystem in an effort to highlight our brands' strongest assets—**advice** and **recommendations**—and to streamline the customer experience. Through our **product sustainability** initiatives, we will urge our customers and partners to practice **more sustainable consumption**. Lastly, we will strengthen our day-to-day trust-based client relationships, through a **new subscription-based home assistance service**. *Everyday* relies on the qualities demonstrated each and every day by the 25,000 Group employees serving our customers, and paves the way for a profound transformation of our specialist retailer business, providing the best range of products and services when it comes to entertainment, technology and equipment.”*

The new strategic project bolsters the rollout of the Group's mission, which is to "commit to providing an educated choice and more sustainable consumption" to its customers.

The launch of *Everyday* is based on three ambitions that are to be achieved by 2025:

1. Embodying new standards for successful digital and human omnichannel retail in the future

Omnichannel retail will be digitalized by improving the performance of sites with a web experience that is increasingly immersive, efficient, and fueled by artificial intelligence. As a result, over 50% of the Group's investment budget for the period of the plan will be devoted to supporting digital growth, particularly to modernizing and mechanizing the logistics platform.

Omnichannel retail will be humanized by showcasing the spirit of stores on the web and by investing in the expertise of the sales team.

Fnac Darty intends to put the **advisory role of its salespeople at the heart of the customer's digital experience** with the aim of building an ever more personalized relationship of trust with consumers on these channels.

¹ Excluding IFRS 16.

Chats and video calls with salespeople, livestreaming and live shopping hosted by experts, and content on culture and entertainment recommendations on its platform *La Claque Fnac* will all strengthen online interactions with customers.

Advice and digitalization will be increased at all levels — the Group intends to invest in training its employees on how to showcase their expertise on digital and social networks. In order to improve the in-store experience, 'welcomers' will maintain a key role and the IT resources available to sales experts will be boosted to provide a response tailored to every in-store customer (order pick-up, after-sales service, repair needs, specific search, etc.). In doing so, **Fnac Darty is enhancing its role of providing the customer with well-informed, independent advice adapted to their uses and needs.**

The Group is of the firm belief that stores are the cornerstone of this new retail. **100% of our integrated stores will therefore be profitable by 2025**, with the specific challenges of each store being addressed and promising new formats such as the kitchen or small proximity formats being developed.

The purpose of all these initiatives is for at least 30% of the Group's revenue to be generated online by 2025, including half in omnichannel thanks to the proven success of Click & Collect, which reflects the complementary nature of in-store and online. These channels will be the best showcase for the Fnac Darty range of products and services—a **high-value offering** that is itself committed while also engaging others—and has strong aspirations in the territories we are penetrating, such as the **large appliances** and **urban mobility** markets.

In this way, the Group will be at its customers' side every day, in-store and on the web, **to help them make educated choices**, backed by the expertise of its 12,000 sales people.

2. Helping consumers adopt sustainable practices

Fnac Darty is a committed group aware of the challenges relating to the future of our planet. This commitment will be even more visible with *Everyday*.

The product offering will trend toward more sustainable products, with marketplace products and partners that do not meet the sustainability criteria being possibly delisted, and the huge expansion of the second-life service and the option return used products as part of a circular economy strategy.

Customer choices will be geared toward more sustainable products thanks to sustainability scores, which will be visible both online and in-store and are expected **to reach 135 by 2025** (compared to 95 in 2018). These scores are based on our after-sales repair database—the **only one on the market**—which rates products **on their reliability and the availability of spare parts**. It is a **unique and independent** indicator created by Fnac Darty, which weights the volumes of each product sold in the year of the sustainability score.

Lastly, services that enable customers to 'use better to consume better' and to repair products more often will be strengthened (sale of spare parts, express repair of smartphones WeFix, Darty Max, repair communities, and so on), with the goal of having **2.5 million products repaired** each year by 2025 (or +50% compared to 2019).

We will therefore support customers in their educated and socially responsible approach to consumption, allowing them to take advantage of the best that technology and entertainment has to offer, while at the same time consuming in a more sustainable way.

3. Rolling out the benchmark subscription-based home assistance service

Fnac Darty's ambition is to become the leading provider of home assistance services, **in the form of a subscription-based repair service**, with no limit or commitment, that extends the lifespan of products.

The Group laid the foundations for this service for large domestic appliances with the launch of **Darty Max** at the end of 2019, and will capitalize on its success, with more than 200,000 subscribers in France already, and

the launch of Vanden Borre Life in Belgium in early 2021. With *Everyday*, Fnac Darty's ambition is to expand this repair and assistance service **to the entire home environment**, while extending the options for selling the service **via new distribution channels** — for example, a new distribution partnership with Sofinco will soon allow for more widespread distribution of Darty Max, and for the joint development of a free credit offering for sustainable consumer products.

Darty Max is really shaking up the way services are provided and sold. It gives customers peace of mind while maintaining a sustainable approach. For Fnac Darty, it is a new subscription-based business model, with recurring cash flows, allows us to consolidate a high-quality long-term relationship with our customers and works to extend the lifespan of products.

To make it a success, the Group will rely in particular on its in-depth knowledge of services, benefit from its unrivaled distribution network, capitalize on its ability to carry out high-quality repairs directly, and take advantage of its expertise in subscription management — an area honed by the Group's current total of 11 million active subscribers. As such, Fnac Darty aims **to have over 2 million Darty Max subscribers by 2025**.

This new home assistance service **makes Fnac Darty an absolute must for customers**, as it builds a relationship of trust on a day-to-day basis and massively expands its repair service.

With its innovative approach to service and sustainability, *Everyday* is **revolutionising the world of retail for the benefit of consumers and of the planet**, while accelerating the deployment of the omnichannel model.

These three ambitions will enable the Group to generate profitable growth alongside recurring cash generation.

FINANCIAL OUTLOOK AND MID-TERM AMBITIONS

Against the backdrop of the 2020 COVID crisis, the end of which still remains uncertain, fulfillment of the various objectives listed below relies on the following assumptions: no new prolonged lockdown periods or store closures, no significant break in the supply chain, and no lasting downturn in consumer confidence levels.

With *Everyday*, Fnac Darty aims to:

- Increase its revenues, which will primarily come from accelerated growth in online sales and continued opportunities for expansion in growth markets;
- Increase its gross margin mainly with the subscription-based service sales model, which is a significant margin generator and will more than offset the dilutive effects of the less favorable product/service mix sold online and the expansion of the franchise;
- Continue its program to reduce operating costs, which will more than make up for the effects of inflation each year;
- Maintain its annual investment expenses at a normal level of around €120 million, excluding one-off investments of around €40 million for modernizing and upgrading logistics equipment, which will impact the first few years of the plan.

The purpose of the various strategic drivers of the *Everyday* plan implemented by the Group is to increase recurring cash generation with the following objectives:

- **Aggregate free cash-flow from operations¹ of around €500 million over the 2021–2023 period;**
- **Free cash flow from operations² of at least €240 million each year, starting in 2025.**

Over the 2020–2023 period, the Group is therefore expected to generate close to €700 million in aggregate free cash-flow from operations¹, in a period that includes two years impacted by the COVID crisis.

This growth in cash generation, along with a level of debt that will remain controlled and sustainable for the company over the long term, with maximum leverage of 2.0x², will enable it to finance its activity through external growth operations and ensure a regular return to shareholders.

As soon as this year, the Group is reactivating its policy of giving a return to shareholders and is aiming for a **distribution rate of at least 30% in the medium term**. The Group therefore proposes to distribute, in 2021, a **dividend of €1 per share for 2020³**, with the aim of increasing this amount to **€1.50 per share as early as the following year**.

Lastly and additionally, the Group will, each year, take the opportunity to look at the possibility of making an **additional distribution to shareholders** in the form of an exceptional dividend or share buyback, after financing any external growth operations and paying the ordinary dividend.

¹ Excluding IFRS 16

² Ratio (net debt/EBITDA) excluding IFRS16 which will be assessed at the end of June each year.

³ Proposal submitted to a vote at the General Meeting on May 27, 2021.

PRESENTATION OF THE GROUP'S NEW STRATEGIC PLAN FOLLOWING THE 2020 ANNUAL RESULTS

On February 23, 2021, a live **webcast** of the presentation of the 2020 annual results and the new strategic plan will be available at 6:30 pm (Paris time)

[here](#)

The presentation slides are available on the Group website under the heading Presentation in the investors section: www.fnacdarty.com

A recording will also be available on the Group's website.

Disclaimer - Forward-looking information

This press release may contain indications of the Group's objectives, prospects and development paths as well as forward-looking statements. Although these indications and statements are based on data, assumptions and estimates considered reasonable by Fnac Darty at the date of this press release, Fnac Darty cannot guarantee that the objectives described will be achieved or that the projections will be realised, nor that Fnac Darty's assumptions will prove to be correct. These indications and projections are subject to change or modification due to the uncertainties associated in particular with the uncertainties associated with any activity and changes in the economic, financial, competitive and regulatory environment. Fnac Darty does not undertake any obligation to update or revise any of the objectives, forecasts, outlooks and forward-looking information contained in this press release, except in accordance with any legal or regulatory obligation applicable to it. Fnac Darty makes no commitment and gives no guarantee that the objectives set out in this press release will be achieved.

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APPENDIX: DEFINITION OF ALTERNATIVE PERFORMANCE INDICATOR

Free cash flow from operations	+ Payment of rents within the scope of IFRS	Free cash flow from operations, excluding IFRS 16
Net cash flow from operating activities, less net operating investments	16 =	Free cash flow from operations, including cash impacts relating to rents within the scope of IFRS 16