Transcript: Fnac Darty H1 2025 results conference call July 23, 2025

OPERATOR

Ladies and gentlemen, good evening. And welcome to the the call for the Presentation of Fnac Darty 2025 Half Year Results. Mr. Enrique Martinez, Fnac Darty Chief Executive Officer; and Jean-Brieuc Le Tinier, Chief Financial Officer, will be our speakers today. The floor is yours.

Enrique Martinez
Chief Executive Officer

AGENDA

Thank you very much. Good evening, everyone. Thank you for being here. We will present and comment the 2025 half year results.

First, I will present the highlights of the first half of the year, focusing in particular on the launch of our new strategic plan, the commercial momentum of the first half of the year, and the integration of Unieuro in Italy.

Next, Jean-Brieuc, our Chief Financial Officer, will present our financial results.

Finally, we will both be available to answer your questions.

H1 2025 KEY FIGURES

We are going to comment the financial results change compared to comparable 2024 data, which means that we are going to include the integration of Unieuro and the deconsolidation of the ticketing business. So this is new scope of Fnac Darty, following the acquisition of Unieuro.

Revenue for the first half of the year is encouraging and reflects the strong commercial momentum in the second quarter, despite a generally sluggish economic environment, particularly as the recovery in consumer spending in France continues to be slow in coming.

In other European countries, we can see the first signs of a recovery, but it is lagging behind in France.

Gross margin rose by 60 basis points, reaching 28.9%.

It is mostly driven by the good sales momentum of our service activities in all geographies. This is a key element of our strategic ambition as it is at the heart of the Beyond everyday plan. And I will say a few words about that later. I will mention the main components.

Our EBITDA improved slightly at EUR 189 million for the half year. You see the ROC which is negative, as usual, at minus EUR 56 million for this half year. This is mostly due to the high seasonality of the group's business.

KEY SALES TRENDS

Moving on to Slide Six. A few words about the key macro trends on the revenue.

If we start with services, so double-digit growth, very good momentum in all of our parameters, in all of our geographies. So this is a strong contributor to the group's margin over the period.

Editorial, cultural products benefited from a great momentum linked specifically to the launch of the Switch 2 gaming console at the beginning of June 2025. We only had a few weeks of activities involving the Switch 2.

As you know for years, the group has been investing a lot in order to be seen as a key and credible stakeholder in this category and I believe that we are starting to bear fruit of these efforts because for the first time in France and in a few other countries, but more specifically in France, we are the top seller for the Switch 2 console.

More than 50,000 units have been sold since the launch. This is a great achievement for the team. It's a very good start and it really bodes well for the future of this perimeter.

Small electrical appliances also have a strong growth.

It is buoyed by innovation. You see it in the various categories. You have the LED masks that are becoming quite interesting. You also have the air fryers and the robot vacuum cleaners. Strong momentum also for anything that has to do with heat waves: fans, misters, and air conditioners. Once again, we were able to seize opportunities thanks to our responsiveness and, in particular, the performance of our logistics and supply management.

We are looking at first signs of recovery in the real estate market. And so obviously we have more and more sales of fitted kitchens, especially Darty Cuisine is becoming a more and more important brand, and we are gaining market share.

Good trend also in the diversification businesses, so growth of toys, stationary categories and the Pokemon cards, which are very, very popular with our young customers. A lot of business opportunities as usual.

STRONG WEB PERFORMANCE

Slide Seven. We mentioned it briefly. You know that having stable and sustainable growth, robust growth of the online activity is one of our key ambitions. And the first half of the year was particularly good. We have online sales that rose sharply by 7.7%.

And they represent 21% of total group sales. Traffic grew as well. And it is quite interesting to see the momentum of the marketplace where we see the contribution of our fulfillment activities because there is more and more volume that is being fulfilled by CEVA in France, but in other countries soon.

So omnichannel sales account for almost 50% of the group's online sales, is very important. They are less developed at Unieuro, but we will address that later.

And I imagine that there will be some opportunities in the future. We'll tell you about the outlook. But generally speaking, even with a lower contribution from Unieuro, we are still close to our target of 50%.

BEYOND EVERYDAY

Moving on to Slide Eight.

So if you were not able to follow our announcement in June -- on the 11th of June, we presented our new strategic plan for 2030 Beyond everyday. It was rather well received, very well received actually.

This plan, which has been very well received by the markets, builds on the success of the Everyday plan, which is coming to an end, and implements three complementary strategic pillars:

First, to become the benchmark player in high value-added products and accelerate the rollout of subscription services for households, with circularity as the central focus.

We want to accelerate the rollout of subscription-based services for the home with two different brands. And we also want circularity. So all repaired, repackaged products, et cetera. This is our model for the future. Obviously we want to set market market standards for omnichannel customer experience.

So there is a strong focus to come on in-store experience, the shops are going to change, to be adjusted in order to perform even better and to offer a better experience to improve also our digital experience.

We want to develop our business beyond our final customers, and we want to offer something to our industrial partners. This is a rather ambitious plan. It is already ongoing because there is a whole onboarding phase that already started.

And so there's a whole roadmap that is being rolled out. And we will regularly tell you more about initiatives about things that are going to be done, but the plan is already well alive and being rolled out.

UNIEURO INTEGRATION

Now a few words before giving the floor to Jean-Brieuc, a few words about Italy. The first half year of integration, we are very happy with the way things have been organized, things have been happening.

There is a technical integration and human integration of the Unieuro staff. I sometimes feel that we've been working together for many, many years, which is an excellent sign of proper integration, and we see that this integration is going to bear fruit.

It is going to enable us to ramp up our business abroad, not only France and Italy, but we're also going to bring all countries together. We were able to confirm our objective of at least EUR 20 million in synergies by the end of 2026.

This is a very strong and dynamic half year as well for the Italian market. There is a strong transformation project to transform the whole supply Chain and logistics chain, the opening of a second large warehouse near Roma, more than 50,000 square meters that is already operational.

So we already opened it. And this is a way to improve the quality of service for Unieuro. It is also a way to strengthen its presence in the center and south. This is a great opportunity to continue to ramp up our business, ramp up our performance and develop the network.

This new location complements the existing facilities in Piacenza for northern Italy, Carini (Palermo) for Sicily, and the 33 home delivery centers for large appliances.

We have the optimal structure to address the Italian market in very good conditions. This is all I wanted to say that's it in a nutshell.

I am now going to give the floor to Jean-Brieuc who will tell us more, and I will give a conclusion at the end.

Jean-Brieuc Le Tinier
Chief Financial Officer

Thank you, Enrique. Good evening, everyone.

First of all, I would like to remind you that, following the transformative acquisition of Unieuro, since the beginning of 2025, the Group has been presenting its financial information according to two geographical areas: France and the Rest of Europe, which includes Italy, Belgium, Luxembourg, Portugal, Spain, and Switzerland. This new segmentation perfectly reflects the Group's new European dimension.

Compared to the pro forma figures we discussed in our 2024 full-year results and first quarter 2025, we felt it was appropriate to also take into account the deconsolidation of the ticketing business.

I will therefore now comment on the change compared to comparable 2024 data, i.e., including the integration of Unieuro and the deconsolidation of the ticketing business.

For better comparability, you will find the restated historical data in the appendix to the press release published today.

REVENUE

Let's start by looking at slide 11, which shows the revenue evolution.

We are pleased with the Group's performance, which is fully in line with our expectations.
We delivered an excellent performance in the second quarter, driven by strong momentum across all geographies. On a like-for-like comparable basis, France grew by +2.5%, and the Rest of Europe by +1.5%. Activity was particularly boosted by the success of the new Switch launch in gaming, as well as very favorable weather conditions that supported appliance sales.

This demonstrates the Group's ability to gain market share by supporting brands in their product launches and effectively meeting customer expectations.

In the first half of 2025, the Group achieved revenue of €4.5 billion, representing a +0.7% increase on a like-for-like basis.

Looking at sales by channel first: as Enrique already mentioned, online sales posted a strong growth of nearly 8% and now account for 21% of total revenue, with 50% coming from Click & Collect.

By category, trends are similar across all regions.
Services continue to grow and show double-digit increases in most geographies, driven notably by the continued expansion of our service offerings, including the rollout of Darty Max and Fnac Vie Digitale.

Diversification is also evident with double-digit growth in toys & games and stationery. Our bedding activity, launched at the beginning of the year in our integrated stores, is off to a very promising start and is expanding rapidly.

Appliances grew by nearly 2% compared to the first half of 2024. Small domestic appliances continue on a growth trajectory, driven by innovations, particularly in beauty tech and floor care. Large domestic appliance sales are up, supported by favorable weather conditions in the second quarter and strong demand for fitted kitchens.

Editorial products benefited from the excellent performance in gaming thanks to the launch of the Switch 2 console in early June 2025. Book sales are mainly driven by the crime novel category, which is now taking over from romance, whose growth is normalizing.

Finally, technical products declined, impacted by continued weakness in the PC market. The end of Windows 10 support in Q4 this year is expected to drive replacement purchases. Tablets, smart glasses, and cameras are showing strong growth momentum. Sales of new smartphones are down, while refurbished products are seeing strong growth. Lastly, TV sales were impacted by a high comparison base in 2024 linked to the European football championship and the Olympic Games.

SOLID SALES PERFORMANCE ACROSS EUROPE

Let's now look at the performance by geographical area on slide 12.

In France, sales grew by +0.5% in the first half, including +2.5% in the second quarter alone. Based on the data published yesterday by the Banque de France, Fnac Darty continues to outperform the overall market. The scope effect for the period relates to the permanent closure of the Champs-Elysées store.

Moving on to the Rest of Europe, sales rose by +0.9% in the first half, including +1.5% in the second quarter alone, with contrasting trends across countries:

In Italy, like-for-like revenue was stable at +0.3% in H1, with a slightly negative second quarter at -0.7%. Strong growth in online sales and services was not enough to offset the decline in technical product sales, particularly in telephony, TVs, and PCs.

Belgium and Luxembourg posted a comparable sales decline of -2.0% in the first half, despite a recovery and stable sales in the second quarter. The activity is affected by intense competitive pressure.

In Portugal, like-for-like sales grew by +4.6%, including +8.3% in Q2 alone. Online sales were extremely dynamic, with growth of over 27% compared to last year.

Spain reported very strong like-for-like growth of +7.4% in the first half, including an impressive +14.3% in the second quarter alone. All product categories posted growth during the period, and services recorded double-digit increases. The scope effect mainly reflects the temporary closures of the Callao and Valencia Bonaire stores for renovation.

Finally, in Switzerland, like-for-like revenue as of end-June was up +1.8%, including +4.5% in the second quarter, driven by double-digit growth in online sales.

GROSS MARGIN

Let's now move on to gross margin on slide 13.

In the first half, gross margin is down by 210 basis points on a reported basis, impacted by the integration of Unieuro's gross margin, which is significantly lower than that of the Group, and the deconsolidation of the ticketing business.

On a comparable basis — meaning including Unieuro and excluding the negative impact of the ticketing deconsolidation — gross margin is up by 60 basis points, and by 70 basis points when also excluding the impact of the franchise model.

This strong performance is mainly driven by the growth of service activities, particularly Darty Max, which offsets the dilutive effect of the franchise business.

GROUP FINANCIAL RESULTS

Let's now move on to the other items of the income statement, shown on slide 14.

As just mentioned, the gross margin rate is up as of the end of June.

Operating costs amounted to €1,351 million in the first half of 2025, an increase of €31 million compared to the first half of 2024 on a comparable basis.

The carryover effect of higher real estate costs, as well as inflation across other cost items, was almost entirely offset by the effectiveness of performance plans implemented across all Group departments. As a result, EBITDA as of June 2025 shows a slight increase.

Current operating income came to -€56 million versus -€49 million in the first half of 2024 on a comparable basis, reflecting the increase in depreciation and amortization expenses, particularly related to the application of IFRS 16.

Non-recurring items amounted to -€11 million, returning to a normalized level. As a reminder, last year they included approximately €11 million in restructuring costs — nearly half of which related to Nature & Découvertes — and fair value adjustments on IT projects of around €15 million.

Operating income therefore stands at -€67 million for the half-year, an improvement of around €10 million compared to the first half of 2024 on a comparable basis.

Financial expenses totaled -€57 million, an increase of €23 million compared to June 2024. This is mainly due to the rise in the cost of net financial debt following the Group's new financing terms, as well as an increase in IFRS 16-related expenses.

After taking into account a tax income of €34 million, the Group's net result from continuing operations for the first half stands at -€86 million, an improvement compared to -€95 million in the first half of 2024 on a comparable basis.

FROM EBITDA TO FREE CASH FLOW

Let's now move on to the analysis of free cash flow as of the end of June, on slide 15.

Operational free cash flow, excluding IFRS 16, amounted to -€878 million, compared to -€736 million as of June 30, 2024 on a comparable basis, in line with our expectations.
The change is mainly due to an increase in working capital requirement (WCR) of €24 million and an increase in net operating investments of €22 million.
Italy, in particular, saw a rise in investment with the opening of the new Colleferro warehouse that Enrique presented to you, as well as several new store openings.

As a reminder, net investments as of June 30, 2024 showed a positive inflow of €21 million, due to asset disposals, including the sale of a logistics warehouse in the Île-de-France region.

And now a word about our debt maturity on Slide 16.

LONG DATED MATURITY DEBT PROFILE

The Group's financial position remains sound and robust, with €1.5 billion in equity.

At the end of the first half, the Group's net financial debt is traditionally higher than at year-end due to the seasonality of our business. As of June 30, 2025, the Group's net financial debt, excluding IFRS 16, stood at €779 million and includes the payment of the ADLC fine for -€109 million.

In March, we successfully completed a €300 million bond issuance, maturing in April 2032, with a fixed annual interest rate of 4.75%.

The gross proceeds from this issuance were used to buy back the 2027 convertible bonds. Over 77% of the outstanding OCEANEs were tendered in the repurchase offer, for a total amount of €147 million.

At the same time, our banks agreed to extend the maturity of our revolving credit facilities (RCF) and the DDTL lines, totaling €600 million, to March 2030, with two one-year extension options to March 2031 and March 2032. This allows us to fully cover the 2029 maturity in terms of size, and the 2032 maturity in terms of duration.

Fnac Darty is rated by S&P Global, Fitch Ratings, and Scope Ratings. Just a few days ago, Standard & Poor's confirmed its BB+ rating with a "stable" outlook following a review of the new strategic plan and the Group's operational performance.

Fitch Ratings and Scope Ratings also reaffirmed their respective ratings at BB+ and BBB, both with a "stable" outlook.

In conclusion, we have extended our debt maturity and secured our long-term liquidity.

Lastly, for the fifth consecutive year, the Group paid a dividend of €1.00 per share, representing a payout ratio of 40% of the Group's net income from continuing operations. The dividend, totaling €29.4 million, was paid in cash on July 4.

I will now hand the floor back to Enrique to conclude the presentation.

Enrique Martinez
Chief Executive Officer

As previously announced, we are broadening the scope of our targets for the year 2025. These updated outlooks replace those communicated at the time of the 2024 full-year results, which only covered the Fnac Darty perimeter.

We now anticipate a 15 basis point improvement in our operating margin rate for 2025. It is expected to reach 2.0% by the end of 2025, compared to 1.8% in 2024 on a comparable basis.

We have clearly outlined the dilutive impacts stemming, on one hand, from the integration of Unieuro — whose operating margin rate is lower than ours — and, on the other hand, from the deconsolidation of the Ticketing business.

We are ready and confident in our ability to make the key commercial moments at year-end a success.

Jean-Brieuc and I are now available to take your questions.

Q&A

OPERATOR

We have a first question from Clement Genelot from Stifel

CLEMENT GENELOT
Stifel

Two questions on my side. Number one, regarding the scope effect, can we expect to see another perimeter or scope effect strongly linked to the renovation of shops in Q3 and more specifically in H2?

Second question, more generally speaking, it has to do with your relationship with suppliers. Given what is still happening given all the uncertainties regarding tariffs, did you notice any behavioral changes from your suppliers during Q2? My question is, do suppliers reallocate stocks that were supposed to go to Northern Europe? Are they redirecting stocks towards Europe instead of North America?

Enrique Martinez
Chief Executive Officer

Thank you for your question. Regarding the scope, well a few shops are involved. They were being renovated, and there is the closing of the Champs-Elysees store, with a good recovery in other Parisian stores. However, they were able to get the customers.

In the Iberian Peninsula, we are expecting the opening of a new shop in early September. We will be ready for the last four months of the year. As for the store in Barcelona, there is one that has been fully renovated and it had strong performance. And the other one is going to come later in the year.

So I'd say that Q3, a little bit of impact from the scope, Q4 not really. And we are excluding the share of business that has been redirected from the Champs-Elysees to other Parisian stores.

As for suppliers, suppliers are like everyone else. There is a lack of visibility for everyone. Nobody knows what the final tariff policy is going to be, what the American administration is going to decide. At the moment, everybody is being careful, being cautious, conservative.

We did not notice strong changes in our relationship between Asia and Europe. So to date, I must say that we did not observe any impact, neither positive nor negative ones before our suppliers or manufacturers.

OPERATOR

Our next question is from Christian Devismes from CIC.

CHRISTIAN DEVISMES
CM CIC

Two questions. Number one, it has to do with France operating income, minus EUR 45 million -- sorry, it is worse than H1 2024 and 2023. My question is the following. I know this is H1, so it's not necessarily particularly relevant. But in France, we have a great sales performance. This is the most mature financial performance.

So is this a one-off? Or are there losses from Nature & Decouvertes are going to have an impact? So what can you say about the France's profitability? France was supposed to be in a good position, and it's not great.

And the second question, we do not have the detail of the financial expenses, but minus EUR 57 million for the whole year. We can do that times two, and we will have a rather accurate estimate of what we can imagine for the full year-end.

Jean-Brieuc Le Tinier
Chief Financial Officer

Right. So regarding your first question, there has been a lot of rental costs that have been increased to indexing in Q2. There will be less impact in H2.

So it's just because of the economic situation and our performance plans that are more active in the H2 than in H1 in France. So no concerns to have there.

As for financial costs, not quite double. We will have a little less than double, but it will depend on the final indexation of our rent because you know that we have interest rates and theoretical financial cost of the rents to take into account.

CHRISTIAN DEVISMES

CM CIC

And regarding Nature & Decouvertes, anything you'd like to say about that?

Enrique Martinez

Chief Executive Officer

No. No impact. The impact on the France business has to do with another business, nothing major for Nature & Decouvertes. The recovery plan that was announced is being rolled out. We are seeing encouraging signs already.

It's still too early to talk about it, but it is not because of Nature & Decouvertes that we have worse result for this half year of France. And as you know the half-year result is not reflecting the full year performance.

But we are quite confident. And in France, the share of margin on the growth of services is very, very strong. And in H2, we are going to continue to benefit from this. So with good Q2 in France, we feel rather confident. We know that there will be a lower negative effect on cost, and we'll get back to a normal model for our results.

OPERATOR

Gentlemen, we have no other questions, and I'm going to give back the floor to you.

Enrique Martinez

Chief Executive Officer

Yes. Thank you for your attention. Wish you a great vacation, if you're on vacation, and we'll be happy to see you again for our exchanges about Q3 and perhaps other conferences by that time. And thank you for your attention. And good evening.