

Sales up +1.7%¹ in Q3 2019

- Revenue at €1,816 million up +3.7% on a reported basis and +1.7% on a like-for-like basis¹ in Q3 2019
- Good commercial dynamic with +3.0% growth on a reported basis, and +2.3% on a like-for-like basis¹, during the first 9 months of the year
- Strengthening of the Group's omnichannel platform with sustained growth in digital
- Opening of the first Nature & Découvertes shop-in-shop in a Fnac store
- Profound transformation of the Services offering with the launch of Darty Max
- Trend of gross margin rate in line with the first half of 2019

Enrique Martinez, Chief Executive Officer of Fnac Darty, declared: "Against the backdrop of a persistently complex distribution sector, and intense competitive environment, we achieved a like-for-like growth of +2.3% at the end of September, which outperformed our markets. This performance is built on our commercial agility, which enables us to constantly gain market share. In parallel, we continued to expand our network and made a number of investments in our digital platforms, improving our omnichannel footprint. In addition, we just announced a major evolution of our Services offer with the launch of Darty Max. All of our transformation plans, as well as the operational quality executed by our teams, have put Fnac Darty in an excellent position to tackle the decisive end-of-year commercial period."

2019 THIRD QUARTER REVENUE

	Q3 2019 in €m	Change vs Q3 2018	
		Reported	Like-for-like ¹
France and Switzerland	1,397	2.8%	0.4%
Iberian Peninsula	169	3.2%	1.1%
Benelux	250	9.4%	9.5%
Group	1,816	3.7%	1.7%

¹ Like-for-like basis: excluding the effects of changes in exchange rates, changes in scope of consolidation, openings and closures of directly owned stores

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THIRD QUARTER 2019 HIGHLIGHTS

Good sales momentum in Q3

Group revenue amounted to €1,816 million in the third quarter of 2019, up +1.7% on a like-for-like basis and +3.7% on a reported basis. The consolidation of Nature & Découvertes sales, beginning on 1 August 2019, totalled approximately €24 million for the quarter.

Revenue in France-Switzerland was up +0.4%¹. Internationally, sales in the Iberian Peninsula were up (+1.1%)¹, driven by the strong momentum in Portugal. Lastly, revenue for Benelux posted sustained growth (+9.5%)¹, driven mainly by the successful integration of Wehkamp and the continued strong domestic appliance sales in Belgium.

Domestic appliances posted growth throughout the quarter, driven by large domestic appliances, a segment in which the Group continues to win market share. Small domestic appliances continue to be impacted, as in the first half, by intense competition due to a low point in the innovation cycle.

Consumer electronics remained stable despite a phasing effect impacting telephony product launches that was less positive than 2018. The strong resilience in this segment is primarily due to market share gains especially in Television and Sound.

Editorial products benefited from good momentum in the Book segment, driven by the autumn literary season, and an improved customer experience with “1-hour click&collect” deployed at all Fnac stores.

Finally, diversification categories posted very strong growth, driven by Urban Mobility, Toys & Games, the Kitchen segment, and the integration of Nature & Découvertes sales, beginning in August.

Services suffered a sharp slowdown due to the implementation of new telephony insurance offers and the standardisation of commissions, as announced in the first half of 2019.

Development of the Fnac Darty platform: integration of acquisitions and strengthening of partnerships

As part of the Confiance+ roll-out, Fnac Darty continued to open its platform and to enhance its ecosystem, particularly with the rapid integration of its recent acquisitions.

During the quarter, Fnac Darty completed the acquisition of Nature & Découvertes, a leader in the omnichannel distribution of natural and well-being products. The first shop-in-shop was opened in September at Fnac La Rochelle. Four additional shop-in-shops are scheduled to open by the end of the year, with a first expansion abroad, in Spain.

The Group is also continuing to integrate WeFix, a French leader in express smartphone repair, which opened 6 new points of sale during the quarter, bringing the total number of 85. The Group continues to invest in developing the brand’s capacities, specifically with the gradual roll-out of the XForce screen-protection solution.

In parallel, Fnac Darty, through its subsidiary France Billet finalised, in the first quarter, the acquisition of BilletReduc.com, a specialist in culture and entertainment ticket sales. This acquisition enables Fnac Darty to offer a broader and more diverse ticketing service by integrating the “last minute” segment. To continue France Billet’s growth strategy, the Group also announced a project with CTS Eventim to acquire a minority stake in the capital of France Billet.

Furthermore, the strong momentum in the Netherlands, during the third quarter, illustrates the efficiency of the partnership with Wehkamp.

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Strengthening of the Group's omnichannel platform

The Group achieved double-digit growth in digital, which represented over 19% of Group's revenue in the third quarter.

Marketplaces also continued to grow and digital platforms continued their transformation with search engine optimisation, and the expansion of the *Digital Factory* project, making the e-commerce sites more agile and speeding up the pace of their development.

The Group also continued to invest in improving customer experience during the quarter. The digitalisation of stores continued with more than 300 digitalised stores at the end of September, and the "1-hour click&collect" in editorial products was rolled out at all Fnac stores.

Fnac Darty also continued to expand its offering of cross-banner products and services during the quarter, with 2 Fnac stores hosting a Darty space and 4 Darty stores opening Fnac spaces. At the end of September, nearly 90 stores are now cross-banner.

The territorial network has been further expanded this quarter with the opening of 14 stores, 11 of which are franchise stores. The Group opened 3 directly owned Fnac stores. Fnac opened 8 stores during the quarter, including 4 in France, 3 in Spain and 1 in Portugal. Darty opened 6 stores in France. Since the start of the year, Fnac Darty has opened 46 stores and accordingly has a total of 815 points of sale, including 293 franchises at the end of September. The expansion momentum will continue in the fourth quarter, mainly through the opening of franchise stores. The Group is expected to open around 60 stores in 2019.

Continued diversification of the offer

Diversification categories, mainly Urban Mobility, Toys & Games and Home & Design, posted very strong growth during the quarter.

The kitchen offering posted strong momentum and its development continued with the opening of 6 points of sale, including 4 stores dedicated exclusively to this offering. At the end of September 2019, the Group had more than 150 points of sale.

In the third quarter, the integration of Nature & Découvertes accelerated the Group's diversification by penetrating the well-being and nature segments.

Launch of Darty Max: a profound transformation of Services

In keeping with its commitment to extend the lifespan of its products and its commitment to a more circular economy, the Group launched Darty Max, a monthly subscription service providing a warranty for large domestic appliances.

This new offering will transform the business model of the Services activity, specifically by increasing the share of recurring revenue and by strengthening customer loyalty.

ANALYSIS OF REVENUE BY REPORTING SEGMENT

France-Switzerland

In the third quarter, sales in the France-Switzerland segment amounted to €1,397 million, up +2.8% on a reported basis. On a like-for-like basis, revenue continued to grow by +0.4%, despite a lacklustre consumer environment in France and some negative effects related to social movements in September.

The large domestic appliances segment posted growth, while small domestic appliances continued to be impacted by competitive pressure due to a low point in the innovation cycle. Performance of technical products remained solid while the Telephony segment faced a less favourable phasing of launches, and the Photography segment remained down. Sound, IT and Television all recorded growth. In addition, the quarter was marked by a good performance in the Book segment. Diversification reported strong growth thanks to good dynamics in Urban Mobility, Toys & Games, Kitchen, and the integration of Nature & Découvertes.

Services suffered a sharp slowdown impacted by telephony insurance, while the launch of “Darty Max” will contribute to the profound transformation of the Services offering.

Iberian Peninsula

Revenue in the Iberian Peninsula reached €169 million, up +3.2% on a reported basis and +1.1% on a like-for-like basis.

Sales in Portugal are growing, driven by services and editorial products. In a context of a still complex macroeconomic environment and sustained competitive pressure, Spain posted resilient performance, driven by expansion, double-digit growth in digital, and good momentum in Sound, IT and Telephony.

Benelux

Revenue for Benelux reached €250 million, up sharply to around +9.5% on a reported and like-for-like basis.

Sales showed strong resilience in Belgium, bolstered by domestic appliances and despite increased competition. Business in the Netherlands was up sharply during the quarter, driven in particular by the success of the partnership with Wehkamp and the continued performance of e-commerce.

Finally, the Group will open its first directly-operated store in Luxembourg in November 2019.

Gross margin rate

Excluding Nature & Découvertes (accounting consolidation in progress), the gross margin rate was down in the third quarter of 2019, by the same magnitude as that reported in the first half. The decline is due to the dilutive technical effect linked to scope effects (Franchises and Wehkamp), and an unfavourable products/services mix specifically related to small household appliances and the slowdown in telephony insurance sales. The latter effect is expected to continue in the fourth quarter.

The accounting consolidation of Nature & Découvertes will be finalised in the fourth quarter, and is expected to have an accretive impact on the gross margin rate and a dilutive impact on the operating expense ratio compared to Group revenue.

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OUTLOOK

Fnac Darty remains focused on its commercial execution in order to ensure the success of the major end-of-year consumer campaigns, as well as a good costs control. Continuing the Group's initiatives with the rapid integration of its recent acquisitions, transforming its digital platforms, and strengthening the Group's omnichannel footprint, should allow Fnac Darty to outperform its markets, in the fourth quarter.

In addition, the expansion momentum will remain strong towards the end of the year, mainly through the opening of franchise stores, and the Nature & Découvertes network will continue to develop with four new shop-in shops before the end of 2019, including a first opening abroad (Spain). The Group is expected to open around 60 stores in 2019.

In addition, the technical effect from the consolidation of recent acquisitions, and the Wehkamp partnership, is expected to represent additional revenue of approximately €200 million in 2019, compared to 2018.

Fnac Darty confirms its mid-term objectives and aims to achieve higher growth than its markets and a current operating margin between 4.5% and 5%.

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2019 THIRD QUARTER REVENUE

Jean-Brieuc Le Tinier, Group Chief Financial Officer, will host a conference call for investors and analysts on Thursday, 17 October 2019 at 6:00 p.m. (CET); 5:00 p.m. (UK); 12:00 p.m. (East Coast USA).

Conference call dial-in numbers:

France: +33 1 72 72 74 03

Germany: +49 692 22225429

UK: + 44 207 194 3759

US: +1 646 722 4916

Access code: 43555371#

Replay dial-in numbers (available until Friday, 17 January 2020)

France: +33 1 70 71 01 60

Germany: +49 211 97190087

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Replay access code: 418878431#

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APPENDICES

STORE NETWORK

	31-Dec-2018	Opening	Closing	30-Sep-2019
France and Switzerland	571	40	8	603
<i>Traditional Fnac</i>	91	2	0	93
<i>Suburban Fnac</i>	14	3	0	17
<i>Travel Fnac</i>	24	4	1	27
<i>Proximity Fnac</i>	53	2	0	55
<i>Fnac Connect</i>	6	6	1	11
<i>Darty</i>	382	23	6	399
<i>Fnac Darty France</i>	1	0	0	1
<i>Of which franchise stores</i>	<i>255</i>	<i>35</i>	<i>3</i>	<i>287</i>
Iberian Peninsula	62	5	1	66
<i>Traditional Fnac</i>	45	3	1	47
<i>Travel Fnac</i>	2	0	0	2
<i>Proximity Fnac</i>	13	1	0	14
<i>Fnac Connect</i>	2	1	0	3
<i>Of which franchise stores</i>	<i>5</i>	<i>1</i>	<i>0</i>	<i>6</i>
Benelux	147	1	2	146
<i>Traditional Fnac</i>	10	1	1	10
<i>Proximity Fnac</i>	1	0	0	1
<i>Darty</i>	136	0	1	135
Fnac Darty Group	780	46	11	815
<i>Traditional Fnac</i>	146	6	2	150
<i>Suburban Fnac</i>	14	3	0	17
<i>Travel Fnac</i>	26	4	1	29
<i>Proximity Fnac</i>	67	3	0	70
<i>Fnac Connect</i>	8	7	1	14
<i>Darty</i>	518	23	7	534
<i>Fnac/Darty</i>	1	0	0	1
<i>Of which franchise stores</i>	<i>260</i>	<i>36</i>	<i>3</i>	<i>293</i>

The France-Switzerland segment includes 12 stores abroad (11 Fnac and 1 Darty): 1 in Luxembourg, 3 in Morocco, 2 in Tunisia, 1 in Congo, 1 in Cameroon, 2 in Côte d'Ivoire and 2 in Qatar; and 17 stores in the French Overseas Departments and Territories.

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9-MONTH CUMULATIVE REVENUE

	9 months 2019 in €m	Change vs 9 months 2018	
		Reported	Like- -for-like ¹
France and Switzerland	3,921	2.1%	1.1%
Iberian Peninsula	465	1.5%	0.5%
Benelux	715	9.7%	10.2%
Group	5,101	3.0%	2.3%

DEFINITIONS OF ALTERNATIVE PERFORMANCE INDICATORS

CHANGE IN REVENUE ON A LIKE-FOR-LIKE BASIS (AT CONSTANT EXCHANGE RATES, COMPARABLE SCOPE OF CONSOLIDATION AND SAME-STORE BASIS)

The change in revenue on a like-for-like basis means that the impact of exchange rate fluctuations has been excluded, the effect of changes in scope has been corrected so that modifications (acquisition, disposal of subsidiary) are not taken into account, and the effect of directly owned store openings and closings since 1 January of financial year N-1 has been excluded. This indicator can be used to measure the change in revenue excluding the effects of exchange rates, scopes of consolidation and directly owned store openings and closings.

¹ Like-for-like basis: excluding the effects of changes in exchange rates, changes in scope of consolidation, openings and closures of directly owned stores