

Transcription
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Presentation

Operator

Ladies and gentlemen, welcome to the Cnova webcast. I'll now hand over to Emmanuel Wetzel, Investor Relations Director. Sir, please go ahead.

Emmanuel Wetzel

Good day, everyone, and welcome to Cnova's First Half 2020 Activity and Financial Performance Conference call. Our CEO, Emmanuel Grenier, and CFO, Gautier Bailly, will be making today's presentation. The conference call slides can be downloaded from our website, cnova.com. This call is also being audio webcast, and a replay will be available on our website later today. All listeners are reminded to read the forward-looking disclaimer on the slide two.

And I now turn the call over to Cnova's CEO, Emmanuel Grenier.

Emmanuel Grenier

Thank you, Emmanuel, and good day to everyone, and thanks for joining us today. So we are living in unique times and the COVID-19 pandemic shutdown France for eight weeks. During that time, our strict sanitary measures and dedication of our employees allowed us to remain fully operational. And thanks to our quick reaction and relevant business model evolution, the second quarter was one of our best ever.

GMV growth was 25%. The marketplace share of GMV hit an all-time high of 46.5%, up 6.2 points y-o-y. And our customer base grew by a whopping 25%. So it is no surprise then that we turned in a good financial performance with an EBITDA increase by €30 million to €48 million.

Gautier will provide more colour a little later on. But before that, I thought I'd give an update on how we handled the COVID pandemic and what are our new strategic initiatives.

I want, first of all, to emphasise that our first priority was all along to protect our employees in such service context.

First, regarding headquarters employees, we provided them with teleworking equipment in a record time. And all of them have been working from home from day one without any trouble. They are now gradually coming back in our offices under strict sanitary measures.

Second, regarding our warehouses, we took strict sanitary measures of distancing, disinfecting and protecting to keep them operational without compromising our employees' safety. These sanitary rules will be maintained as long as needed. Next slide.

Now to keep serving our clients while guaranteeing a high service quality is our other priority. To do that, we implemented an effective action plan around three main axes. First, free and fast delivery. We made home delivery free for all our customers from day one and we will keep it that way.

Second, efficient customer service. We took strong measures to give complete satisfaction to our customers. We reinforced by 30% our customer service staff to bring quick answers to increasing customer questions and enacted exceptional after-sale measures such as the extension of the return period and immediate reimbursement of products blocked at pickup points.

Third, an open marketplace. Closed physical stores facing difficulties from the lockdown impact could benefit from our platform with the implementation of a simplified enrolment combined with free subscription and free Fulfillment by Cdiscount service for the first six months. Next slide.

Coming back to our quarterly performance on this slide. How do we accelerate product sales in this evolving context? First, we have quickly answered our customer raising demand for categories such as toys, DIY, garden and sport. These are recurring and higher margin categories so we are improving our profitability.

Second, we have adapted our offer to two current structural customer trends. On the one hand, more refurbished and secondhand SKUs. On the other hand, thousands of Made in France products. We think that these trends are long-term and we are making it a priority. Next slide.

As you know, our marketplace is at the heart of our product growth strategy. It has been growing very fast. It was up 39% in the second quarter, reaching close to €400 million GMV, a 46.5% share of total GMV. And we believe that there cannot be strong marketplace without a strong fulfilment service for the vendors. So we are pushing hard: our fulfilment by Cdiscount service grew by 41% in the second quarter, representing 28% of the marketplace GMV share and offering more than 100,000 SKUs. So the acceleration of the fulfilment service is on track.

Our marketplace of services is very dynamic as well. Cdiscount Energie subscriber base grew by 79% during this quarter, and we launched a 100% French green offer. On the flip side, we saw a drop of our travel service during the COVID lockdown, but it is bouncing back nicely now. Knowing that our customers are bound to stay in France, we decided to grow on our domestic offer: we added almost 800 offers with a focus on camping packages.

We also continued to test and launch new offer

- partnering with landmark players such as Disney, with a preferred deal for their new video streaming services
- and also launching a best price online driving license with an innovative French start-up.

The complementary we have been building between our products and service offers, like appliance and energy, leisure and travel, phone devices and subscription, results in comprehensive ecosystems for our customers. We believe they are key to drive traffic and loyalty. Next slide.

So our customer base is growing. We counted this quarter 4.3 million customers, up by 25% compared to last year's same quarter. Almost a quarter of these are new clients. And another positive sign is that more and more of our clients are repeat customers.

Traffic in the second quarter was obviously positively impacted by the COVID lockdown in France as the store-only consumers switched to the online channel. But beyond this, our traffic was boosted by our continued SEO optimisation, growing by 47%. So we pay less for customer acquisition.

And last but not least on this slide, our customer loyalty program, Cdiscount à volonté, continues its growth trajectory. Our Cdiscount à volonté members were up 10% year-on-year. Not only that, but they have access to an ever-expanding free delivery tranche of SKUs: these now number 1.3 million, a 19% increase y-o-y. Next slide.

Our millions of customers want best-in-class delivery, and we are very well positioned to meet their expectations.

First, we now offer free home delivery for all customers.

Second, we are delivering faster than ever. More than half of our customers are delivered next day.

To sum up, we are delivering more products, faster, to more clients.

Slide 13. Our B2B monetisation revenues are growing fast, at 23%. We launched our own AdTech platform called CARS, for Cdiscount Ads Retail Solution. This is a self-managed ad platform that allows suppliers and sellers to boost their sales on Cdiscount. They can directly bid to promote their products on the search engine and display their brand on the site. With comprehensive dashboards, they can closely monitor their bid efficiency. This AdTech platform is already showing very promising results and will be, for sure, a key driver of growth for our partners and profitability for us in the second semester and years ahead.

Slide 14. On the international development front, we are present in 25 countries with 88 connected websites. GMV produced from these sites doubled y-o-y.

Our strategy is to make available our core and marketplace SKUs on hundreds of European websites. As such, we're able to generate new profitable revenue streams at almost no additional fixed cost.

As the B2B monetisation initiative, this international development is growing fast, is profitable and will be a key lever of our profitable growth strategy in the years ahead.

Finally, during this period, the COVID period, we have been very active to support the French economy and citizens.

First – and this is unique, in only 10 days and with a close government cooperation, we built a platform enabling us to provide millions of masks to SMEs and local public authorities. So at the drop of lockdown, 70,000 companies were able to reopen, thanks to these masks.

Second, we reached out to those most affected by the crisis. We donated 60,000 masks and appliances to nurses as well as 1,000 tablets to hospitals and nursing homes. We also provided logistics support for the shipment of 10,000 tablets to people who were isolated by the lockdown.

Now over to Gautier.

Gautier Bailly

Thank you, Emmanuel. So as you have seen, our GMV continued to grow very fast over the first six months of the year, up 12% year-on-year, with a strong acceleration in the second quarter at 25%.

The main drivers are, first and foremost, the marketplace, which grew by 20% in the half and 39% in the second quarter. Marketplace contributed for more than half to our total GMV growth.

Second, direct sales accelerated in the second quarter and contributed for 7 points to GMV growth.

Third, our services offering showcased a positive growth in the first half, driven by a strong energy offer performance and despite the COVID-19 lockdown impact on the travel offer. And as mentioned by Emmanuel, travel has bounced back quite nicely in July.

Finally, international sales and CdiscountPro, which included protective mask sales, brought a significant contribution to our growth. Next slide.

The improvement in our gross margin was remarkable, up 2.8 points of net sales. Not surprisingly, this tied to our marketplace performance, the GMV share of which is 42.6% for the first half. We have also improved our direct sales profitability through a shift of our product mix, concentrating on high margin bestsellers. And of course, our gross margin has also benefited from the ramp up of B2C and B2B monetisation revenues.

Turning to SG&A. Next slide. The evolution of our cost basis is capped to only plus 0.5 points as a percentage of net sales. It increased for all the right reasons: mainly the investments made in logistics and IT developments. At the same time, marketing expenses were slightly down due to increased free traffic and lower ad spending during lockdown. Next slide.

As Emmanuel stated earlier, first six months EBITDA hit at an all-time high of €48 million and an increase of €30 million compared to the same period last year. This improvement is due to marketplace growth, direct sales margin improvements and increased monetisation revenues.

Slide 21. The last 12 months free cash flow as of 30th June 2020 was €36 million. This was supported by a strong EBITDA generation and a positive change in working capital. It also included CapEx of €78 million related to the investment in our platform model and monetization initiatives.

So to sum up, the main financial takeaways to bear in mind: plus 25% GMV growth in the second quarter of 2020; strong gross margin increase and plus €30 million EBITDA in one semester alone.

Thank you. And now Emmanuel will go over the outlook for the remainder of the year.

Emmanuel Grenier

Thank you. So in summary, the first half has been very dynamic for us, both in terms of growth and profitability. In the second semester and beyond, our growth priorities are very clear.

First, the marketplace with our fast-growing fulfilment service being at the heart of this expansion.

Second, monetization revenues, driven by our new and more powerful digital marketing platform, as well as new B2B offers to come.

Third, on the international side, an accelerating business where we benefit from a unique positioning.

At the end of the day, we are focused on two things we have been doing well in the past two years, and we expect to accelerate: growth and profitability.

So that concludes our slide presentation, and we are now ready to turn to Q&A. Operator, may we have the first question, please?

Question & Answer Session

Operator

Thank you. Ladies and gentlemen, if you wish to ask a question, please press 01 on your telephone keypad. Thank you holding until we have our first question. As a reminder, ladies and gentlemen, if you wish to ask a question, please press 01 on your telephone keypad. We have no questions. Dear speakers, back to you.

Emmanuel Grenier

So thank you very much. Have a good days and good holidays. Thank you.

Operator

Thank you. This concludes today's conference call. Thank you all for attending. You may now disconnect.