

**CDiscount Conference
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Presentation

Operator

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

Emmanuel Wetzel

Good day, everyone and welcome to Cnova's Full Year 2020 Financial Results 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. I now turn the call over to Cnova's CEO, Emmanuel Grenier.

Emmanuel Grenier

Hello everyone.

2020 was a year of more uncertainty, more challenges and more commitment. It was also for Cnova a year of clear acceleration of our strategic shift toward a platform model. Cnova stepped up and turned 2020 into a year of more: more profitability and cash generation driven by more marketplace, more digital marketing and more clients.

More profitability: we can see here that our EBITDA reached €133 million, a sizeable 63% increase thanks to three main growth drivers.

First, our marketplace GMV grew by 22%, now representing 44% of our GMV, with associated revenues reaching €182 million. Second, we had a record 10 million clients this year, a +12% growth. We have enlarged our assortment and we have improved our customer satisfaction. Plus 3 points of Net Promoting Score versus last year and plus 8 points over the last three years.

Third, our new revenues stream, digital marketing, rose by 31%, supported by the launch of our in-house Ad Tech platform.

These results stem directly from our strategy, concentrate on marketplace, clients, and technology investments.

As you know, our marketplace is at the heart of our increased growth and profitability strategy. Here, we can better visualize its dynamic performance in 2020 that I already mentioned.

Our marketplace GMV reaches €1.5 billion, up 22%. How did we get there?

First, more merchants and more products. We went from 100,000 products ten years ago to 100 million in 2020. Whatever the client wants, we have it!

Second, the clients receive their orders faster: more than one marketplace product out of three is fulfilled by Cdiscount. These products are delivered twice as fast thanks to our state-of-the-art, high capacity and scalable fulfilment solution. And I'm proud to say that we're one of the European leaders in this field. My conviction is that today, a strong marketplace must have a robust fulfilment solution.

The end result: our marketplace revenue reached a €182 million, up 23%, accelerating at +40% in the 4th quarter. The two main growth drivers are: one, dynamic commission generation and two, our merchants increased use of our digital marketing platform to promote their products and brands.

So, it is clear that developing our marketplace is our first priority. Our second priority is to further improve customer satisfaction. We are pushing more popular, daily-use product categories such as Home & Deco, Garden & DIY, Sport and Beauty. These categories are boosting the repurchase rate and loyalty. Furthermore, we now offer free home delivery to all our customers.

It is important to note that these categories also have higher marketplace share, around 60%, and higher margins and commissions. For example, the marketplace commission rate is twice as high as other categories. These categories grew by a solid 18% and gained six points of GMV share.

Alongside our more successful product offer, another reason for our success is our focus on our customer experience and satisfaction.

First, as I have already mentioned, we deliver their orders faster than ever, thanks to our rising marketplace delivery options, Cdiscount Fulfilment and Cdiscount Express Seller.

Second, we always find a way to say "yes" to our loyalty program clients to make sure that their expectations are not just met but indeed exceeded.

The result? A 10% increase in the number of clients who are part of our Cdiscount à Volonté loyalty program. As well as an impressive 8 points improvement in our NPS over the past three years. Our focus remains to continually improve our customers' experience and satisfaction.

Third priority is digital marketing. Cnova's in-house Ad Tech digital marketing offering has been a main driver of traffic monetization and better profitability. Digital marketing revenues increased by 31% in 2020. More than 4000 merchants and vendors are already using the platform.

There are two levels.

First, we offer our suppliers and marketplace merchants higher product and brand visibility to a better targeted audience on [cdiscount.com](https://www.cdiscount.com).

Second, we manage their marketing campaigns on Google and tomorrow on Facebook to drive additional traffic to their products and [cdiscount.com](https://www.cdiscount.com). This year's digital marketing growth was supported by the launch of Cdiscount Ads Retail Solution (CARS), our in-house advertising platform. We plan to enrich this platform with new features in the coming months.

And now let's talk about the future. I am particularly excited to present you an innovative model for e-commerce. We are building an open solution to create a network of marketplaces. Thousands of e-merchants and retailers can create and accelerate their marketplace business.

Concretely, if you are a website, you will benefit from three ready-to-operate modules:

- First, an access to 100 million SKUs and over 13,000 selected merchants
- Second, our front to back marketplace high-end technology based on ten years of expertise and investments
- Third, our fulfilment solutions to accelerate their delivery

On top of that, integration for each module is both easy and fast.

Now, if you are a merchant, you will benefit from a one-click access to thousands of international websites and marketplaces.

Cnova is the only player to offer this unique solution in the market at scale.

This new activity gives us access to a huge untapped market: more than €600 billion of e-commerce GMV in the EMEA zone and almost 1 million e-commerce website clients in Europe alone. Our ambition is to become the leading marketplace service provider in EMEA.

Our offer already met a promising success:

- More than 200 websites in 27 countries are connected to our product catalogue
- Our fulfilment solution is now opened to orders outside of Cdiscount for the first year, with 900 new merchants and more than 600,000 parcels delivered.
- And a major EMEA client signed on for our full marketplace solution, starting in the next months.

With our unique proposition targeting an expanding market, our ambition is clear, making our open platform a EMEA leader, driving strong growth and profitability in the coming years.

I told you that at the beginning of this presentation that 2020 was a year of more uncertainty and challenges and how we, at Cnova, stepped up our involvement in this environment. Covid was a global concern throughout the year, so we have decided to help French SMEs.

During the first lockdown in April and May and in ten days only, we built a platform to deliver 70 million masks to SMEs, city halls and other public entities so they can restart their business and activities. We were the first to do that.

Then, during the second lockdown, we opened at no charge our marketplace to small shops in order to help them develop their e-commerce sales. This programme is still going on.

Alongside with what has been said, our focus stayed on our commitment to reduce our environmental impact. 85% of our packages now contain no empty space. We launched a second-hand hub on the website.

And finally, we are also deeply committed to advancing social solidarity and inclusion. Cnova is actively involved in fighting violence against women, equipping shelters and contributing other resources.

We are and we will always be committed to being a responsible, inclusive and open e-commerce platform.

Now, I would like to turn the discussion over to Gautier who will comment our 2020 financial performance.

Gautier Bailly

Thank you, Emmanuel.

GMV growth was 9% over the year, for three reasons.

First and most importantly, the marketplace GMV, with its higher margin profile rose, by 34% in the 4th quarter and 22% over the year, contributing for 80% of Cnova overall growth.

Second, relatively stable direct sales while at the same time we achieved growing international and B2B sales.

Third, our overall services offering, including Energy, Ticketing and Mobile, grew by 15%, and this despite the COVID-related sluggish Travel Service performance.

Our gross margin strongly improved in 2020, up 360 basis points over 2019. As a result, our gross profit increased 22% to €474 million. This was due first to the growth of the marketplace, which represented 40% of this improvement. Second, to our product mix evolution toward higher margin categories, for another 40%. The remaining 20% is driven by all other activities and mainly digital marketing.

SG&A represented 18.9% of sales. It's a 1.9 point increase over 2019. Fulfilment accounted for 0.6 point of the increase. It resulted from the acceleration of our Cdiscount Fulfilment service and faster delivery investments.

Marketing grew only slightly, 0.2 point, thanks to improved free traffic performance.

Tech & Content increased by 0.8 point as we continue to invest in traffic monetization B2C and B2B capabilities.

G&A expenses came in at 2.1% of sales.

For the third year in a row, we significantly increased our EBITDA with a strong acceleration in 2020. +€51 million compared to 2019, up 63%. The EBITDA margin increased to 6%, up 2.3 points year-on-year. And as we said previously, thanks to the marketplace growth, product mix evolution and higher monetization revenues. Before IFRS 16, EBITDA nearly doubled and EBIT was more than three times higher, to reach €53 million.

Another key achievement of 2020 is the substantial positive free cash flow generation, plus €73 million over 12 months at the end of December 2020? Thanks to the EBITDA of €133 million and thanks to a positive change in working capital for €64 million. Here we see another virtue of the marketplace: its capacity to lower the level of inventories.

This free cash flow includes €71 million of CapEx and allowed us to cover our financial expenses and most importantly to reduce our net debt by €21 million.

Emmanuel Grenier

Thank you, Gautier.

So, in 2021, we are pushing our strategic shift further towards a platform model. We are doing this by:

- growing the marketplace even more, and particularly Cdiscount Fulfilment, with a target of 50% in the near-term;
- pursuing our product mix evolution;
- accelerating digital marketing revenue growth;
- rolling out our unique marketplace turnkey solution.

I would like to close by what we said at the beginning: more clients, more marketplace, more profitability, more cash-flow generation.

Thank you for your time and attention and we are ready to take your questions.

Operator, could we have the first question please?

Q&A

Operator

Yes, ladies and gentlemen if you wish to ask a question, please press zero one on your telephone keypad. You can also submit your question on the web platform. Thank you for holding until we have the first question. We have no questions on the telephone. Maybe we have some on the platform.

We have some on the platform. one from Jean-François Delcaire.

Speaker

Good morning. I heard a new regulation regarding marketplaces will be enforced in July, not only about VAT applicable to all merchants if I'm right. What could be the consequences for Cnova, please?

Emmanuel Grenier

Yes, you're right, Jean-François. There will be a new regulation from beginning of June. And this is about the VAT that marketplaces will have to pay on behalf of their non-European Sellers. We have prepared that. We first asked all our merchants to be sure that they were declaring the VAT. And this work is going on. So, it has been prepared for one year now.

Operator

We have another question from Alexandre Lepas.

Speaker

Currently CBD in Brazil, a Casino subsidiary, owns 33,98% of Cnova. Do you think this huge participation could be sold to a new Investor like Alibaba, Rakuten or Niel?

Emmanuel Grenier

I cannot comment that kind of Investment. We have a plan of development which is very clear. Obviously, this plan is mobilizing investment and Capex. So far, we are financing with our own cash generation and the cash coming from Casino Group. But obviously, if we could find an Investor, we could accelerate our investments. And we are always open to new Investors coming to our capital.

Operator

Yes, thank you.

We now have a question by phone. Mr Alexandre Casas, you can ask your question.

Speaker

Bonjour Emmanuel.

Ma 1^{ère} question concerne les déficits fiscaux reportables. Peut-on avoir le montant total des déficits fiscaux reportables à fin 2020 ? Quelle part est attribuable à la France et à l'activité en France ? Dans l'hypothèse que nous jugeons fortement possible, voir fortement probable, où vous seriez bénéficiaires sur l'exercice fiscal 2021 après frais financiers mais avant fiscalité, quelle pourrait être la part des déficits fiscaux utilisables en 2021 ? Seriez-vous totalement exemptés d'IS en France ? Devriez-vous néanmoins payer un montant d'IS ? Si oui, à quel niveau ?

Gautier Bailly

Nous sommes en train d'établir le montant précis des déficits fiscaux reportables. Nous reviendrons vers vous avec le montant. L'ordre de grandeur est aux alentours de 200m€ en prenant en compte qu'une partie de ces déficits fiscaux a déjà été activée en 2018 dans le cadre de la création de C-Logistics. Pour autant, seuls 50% du Résultat Net peut faire l'objet d'une imputation de déficits fiscaux donc effectivement cela ne nous exonèrera pas de 100% du paiement de l'IS lorsque nous aurons un Résultat Net positif avant impôts. Cette information paraîtra dans notre Rapport Annuel qui sera publié fin mars.

Speaker

Merci. J'ai 3 questions complémentaires:

- Sur les capex 2021, après les €71m en 2020, est-ce possible d'avoir un ordre de grandeur pour 2021 ? Le cas échéant, y aura-t-il des coûts supplémentaires supportés par la Marketplace ou l'essentiel a déjà été investi en 2020 ?
- En 2020, les stocks s'élèvent à 283m€, en baisse de 14%, ce qui est tout à fait correct. Mais cela intervient en parallèle d'une hausse d'activité de 1,4%. Peut-on avoir une explication sur cette baisse de stock ? Y a-t-il un lien direct avec le Covid ou quelque chose de particulier ? Est-ce que cela vient de la Marketplace avec du coup un transfert d'une partie des stocks vers les Marchands ?
- Avec le Covid, l'activité autour du Tourisme, des Transports, du Voyage, etc. n'a pas pu bénéficier de votre activité. Vous attribuez ça à 1 point seulement de croissance de GMV, soit environ €40m. Peut-on dire que mécaniquement cela vous a amputé de €7-8m de marge brute ou est-ce que mon calcul est faux ?

Emmanuel Grenier

Merci, je vais vous répondre.

Sur les capex, vous savez que la grande majorité de nos capex sont des capex technologiques puisque c'est là-dessus que nous avons décidé de prioriser nos investissements. Le 2^{ème} point c'est qu'après avoir été stables en 2020 ils sont prévus en augmentation sur 2021, notamment pour accompagner le développement de cette nouvelle solution de Marketplace dont je vous ai parlé : la technologie, les produits et le fulfilment. C'est là-dessus que sont concentrés nos investissements et au final vous avez un bloc qui mobilise nos investissements en lien avec notre stratégie. En 1, la Marketplace et cette nouvelle activité qui sont intimement liées, en 2 l'expérience client et, enfin, le Marketing digital. Au total nous serons autour de €80-85m.

Sur les stocks, vous avez pointé exactement le point. Nous avons des baisses de stocks structurelles qui sont liées à 2 choses : la première c'est que nous avons une gestion extrêmement fine de nos stocks. En non-alimentaire, les stocks c'est le sang. Il faut le minimum de stock et le maximum de rotation. Pour mobiliser le minimum d'argent et parce que l'obsolescence des produits techniques arrive très vite. Du coup nous baissons nos stocks et en plus nous avons des stocks extrêmement sains: le niveau d'obsolescence est extrêmement bas et les stocks sont surveillés à la journée.

Le 2^{ème} volet, au-delà de la finesse de pilotage, c'est qu'à partir du moment où la Marketplace tracte la croissance, nous transférons une partie de ces stocks chez nos Vendeurs. Si vous prenez une photo de nos entrepôts, nous avons aujourd'hui autant de références qui appartiennent à nos Vendeurs mais sont stockées dans nos entrepôts que de références qui nous appartiennent vraiment. Et en 2021, presque la moitié de nos volumes viendront de nos vendeurs Marketplace. Donc vous voyez bien que la Marketplace a 2 impacts: une profitabilité positive et une baisse des stocks.

L'ordre de grandeur du Tourisme est effectivement autour d'1 point. Nous avons une activité Voyage qui a fait -30% vs. 2019 quand le marché faisait -60% et donc nous avons limité la baisse en concentrant notre offre sur la France. Nous avons une augmentation de notre activité sur la France de l'ordre de +30% et nous allons continuer dans ce sens puisque nous avons aujourd'hui et nous aurons en 2021 l'offre la plus large du marché Français avec plus de 20.000 offres (camping, marché du loisir, etc.). En revanche l'impact sur la rentabilité est inférieur car nous sommes sur des ratios de rentabilité d'environ 4%. Si je rentre dans le détail, sur les Vols nous sommes entre 2 et 3% et sur les Séjours autour de 7 à 8%.

Speaker

Le dernier point est sur ce qu'il s'est passé sur le titre ces 3 derniers mois, notamment depuis notamment votre fameuse conférence chez Boursorama qui avait beaucoup marqué début novembre. J'aimerais avoir un éclairage sur ce qu'il s'est passé sur le titre et éventuellement quelle pourrait être une conséquence pour votre activité d'une modification éventuelle de l'actionnariat qui double même s'il y a très peu de flottant, sachant que Casino et GPA ont fait part publiquement d'une évolution de la structure cotée au Brésil. Est-ce que cela pourrait être neutre ou pas du tout, positif, etc. ? L'enjeu évidemment pour vous c'est un éventuel élargissement du flottant puisque vous avez voulu maintenir ce flottant de 1,2% pour des raisons spécifiques depuis votre sortie du Nasdaq.

Emmanuel Grenier

Concernant le cours de Bourse, il y a plusieurs choses. Evidemment tout le monde a perçu que les activités online et e-commerce étaient dynamiques, donc de toute façon il y a des tendances sur les cours de bourse des activités online qui sont dynamiques et nous entrons dans ce cadre-là. La 2^{ème} chose, vous l'avez dit sur Boursorama, nous avons beaucoup communiqué sur nos 3 piliers stratégiques que sont la Marketplace, le Marketing digital et le mix. Nous avons beaucoup communiqué sur notre nouvelle initiative d'activité B2B. Nous avons eu notamment Boursorama mais aussi des « Field Trips » en entrepôts où nous avons montré, iPhone à la main, comment vit un entrepôt pendant 1 heure, et notre niveau d'industrialisation. Et cela a participé à faire connaître Cdiscount. Après, nous savons que nous avons un flottant qui est faible et c'est totalement assumé et voulu. La réorganisation du Brésil pour moi n'a pas d'impact pour Cdiscount. Nous le savons et notre actionnaire a été très clair là-dessus : nous sommes toujours à l'écoute du marché sur les Investisseurs et des Investisseurs entrants au capital pourraient nous aider à accélérer notre stratégie de développement. C'est donc un sujet qui est regardé en permanence.

Operator

Thank you.
We have two other questions on the platform.
One from Jean-François Delcaire.

Speaker

A follow-up on my question on VAT, do you expect a favourable impact for Cnova as some unfair competition could fade?

Emmanuel Grenier

The answer is yes. Because in fact, we are selecting very carefully our merchants. We have 13,000 merchants and in the light of the marketplace of Cdiscount, we have done 18 years more than 80,000 merchants. So, we are keeping only the best ones in terms of quality of products, quality of service and all their behaviour. So, it should help to sort out the best and the worst merchants. And I'm sure that we have among the best merchants.

Operator

Thank you. One from Alexandre Lepas. In 2021, what will be your target to improve your positive working capital?

Gautier Bailly

We don't have a specific target in working capital. We expect it to remain positive in 2021 with the same drivers that we experienced in the previous year: the reduction of inventories and the positive cash generation coming from the Marketplace. We don't have a precise guidance for working capital, but I think that it will remain positive.

Operator

Thank you. The last one from Nikolai Verlé.
There has been speculation that Crédit Mutuel wants to sell its 50% stake in Banque Casino, which is your main consumer finance provider. Do you expect your financing terms to remain the same?

Gautier Bailly

We won't comment about this speculation, of course. We expect in any case the general financing condition, both in terms of the continuity and financing to remain in line with the mechanism we have today.

Operator

Thank you. We have no more questions.

Emmanuel Grenier

So, thank you very much. Just three messages to conclude.
Strong profitability improvement, first. Second, peer strategy with marketplace, digital marketing, and product mix evolution. And third, B2B development for the future, which should drive profitability and growth for Cdiscount. Thank you very much.

Operator

Thank you. Ladies and gentlemen, this concludes the webcast. Thank you all for your participation. You may now disconnect.