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# Transcription

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**Speakers: Emmanuel Wetzel, Emmanuel Grenier, Maxime Dubarry & Thomas Métivier**

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## Presentation

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### 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 (Head of M&A and Investor Relations)

Good day, everyone and welcome to Cnova's First Half 2021 Financial Results Conference Call. Our CEO, Emmanuel Grenier, and CFO, Maxime Dubarry, will be making today's presentation. The conference call slides can be downloaded from our website, [cnova.com](https://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 (Chief Executive Officer)

Hello, everyone.

Today, I am happy to confirm our robust performance in the first half which can be declined in 3 points:

First, the marketplace showcased a high performance of 10% growth year-on-year, and up 33% compared to the pre-pandemic levels. The marketplace now accounts for 46% of our product GMV.

Second, our digital marketing continued to expand growing on average almost plus 60% over the past two years. With digital marketing, suppliers and merchants can invest marketing on Cdiscount to boost their sales. Suppliers and merchants love that service and are using it more and more.

Marketplace combined with digital marketing; our two most profitable businesses have led to a strong growth over marketplace revenues which reached €200 million on a 12-month basis.

Third, Octopia, Cnova's turnkey marketplace service for retailers and e-merchants more than tripled its GMV over the past two years. This is only the beginning of the journey for Octopia and there is here a lot to come that I will be happy to detail in the coming slides.

The robust 2021 first half performance allows us to confirm our full year EBITDA guidance of a €160 million.

We had a solid activity with promising business and operational trends considering COVID and market evolution in the last two years:

First, our H1 GMV is 13% higher than it was in 2019, thanks to the growth of the marketplace at plus 33% versus 2019, the growth of services at plus 79% versus 2019, and the take-off of Octopia.

Second, our unique monthly visitors have grown mid-single digit during the same period. We have consolidated our number two position in France with 22 million unique monthly visitors on average in the second quarter. Cdiscount showed a strong support to our traffic with the Cdiscount brand awareness increasing by four points year-on-year.

Finally, our current trading is more dynamic with GMV growing plus 13% in the last weeks benefiting from anticipated summer sales and continuous improvement of services.

As you know, our marketplace is at the heart of our profitable growth strategy.

Marketplace GMV has increased by a third over the past two years and now amounts to over 46% of our product GMV, or plus eight points compared to 2019.

Our growing marketplace has resulted in an increase of our marketplace revenues over the last 12 months which are now at €200 million.

Two main drivers to grow and consolidate our marketplace:

- The first driver is the number of merchants. We have increased the number of merchants by 24% at 14,000. The more merchants, the more products, and the better pricing, so the more competitive Cdiscount is. At the same time, we have raised our quality standards by selecting only the best merchants. Our delivery times have accelerated, and our claim rate is now under 1%.
- The second driver is the fast-growing Cdiscount fulfilment. 35% of our GMV is now fulfilled by Cdiscount with more than 2,700 merchants using this service. With Cdiscount fulfilment, we deliver twice as fast to the customer compared to direct delivery from merchants and with higher quality levels too. Customer love that. Fulfilment is boosting the product sales by 80%.

Our 2025 target is to reach 50,000 qualified merchants and 50% of our marketplace GMV fulfilled by Cdiscount. Thanks to an enhanced quality standard and the extension of Cdiscount fulfilment, our NPS has tremendously improved by 11 points in the last two years.

A part of our product strategy is to focus on higher margin Home & Deco, DIY, Sport & Leisure. We can confidently say that our strategy is paying off.

Let's take Cdiscount Home & Deco: it has increased by 21% in the first half compared to last year as non-technical goods make up a growing share of our GMV. These categories generate higher margin for our direct sales, and higher commission for the marketplace.

Besides, these categories drive a higher mix of repeat business, and therefore sustainable revenue growth. In 2021, we are investing in high profile media campaigns to support the growth here, boosting our Cdiscount brand awareness by more than four points at end June.

Cnova's enhanced customer experience through personalisation and data. This has translated into the optimisation of user experience and conversion rate.

We are now using artificial intelligence to enhance the customer journey.

Two examples:

- First thanks to AI we have created what we call "the quali-score" to show to the customers only the most qualitative products. Concretely, we are filtering more than a 100 million SKUs on our search engine. Products are classified in five categories: category A for the best product and category E for the worst. And we follow four types of criteria. One, quality of products, description, reviews, and photos. Two, quality of the merchants, reviews, and product rate. Three, quality of delivery, and shipping costs. Four, price positioning. And according to the overall rating, only the best ones are pushed on the search engine. So, we are showing to the customers only the best products.
- Second, the customer journey is getting more personalised. Today, 15% of our baskets are carried out through personalised banners on the site. And we have a mid-term target to reach 25% with two priorities: First, we are doubling the positions dedicated to personalization on the site by year end. Second, we are developing new algorithm to propose more relevant products. For example, we will propose more complementary and recurrent products to our customers.

Best in class delivery and after sales service is also key to our customers.

First, more products are delivered faster: the number of SKUs that are now eligible for express delivery has grown from 1.1 million to 2.3 million in just two short years.

Second, we are rolling-out our 'Yes, to the client' policy, already 90% of our most loyal customers claims are getting an immediate and positive response. And we intend now to stretch it to new customers.

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This has led to two major achievements.

We now have 2.3 million customers in our loyalty program *Cdiscount à Volonté*, growing a hundred thousand in just one year. Then, our NPS has increased by 12 points over the past four years.

As a reminder, two priorities to grow our Cdiscount e-commerce platform. Marketplace, and digital marketing.

Our digital marketing acceleration is powered by Cdiscount Ads Retail Solution, called "CARS". It has grown 44% to €29 million over the past year.

First, this is a win-win proposition for suppliers and merchants. They have access to two main services. They can drive traffic from the web to the product on Cdiscount by using our Google shopping campaign tool. And they also can increase the visibility of the product in the Cdiscount search engine by using our sponsored product solution.

We shall stress out that these two services are powered by our leading in-house Ad Tech platform, providing two key advantages: the first-party data, which enables them to enhance the ROI of their marketing campaigns and then benefit from real-time monitoring of the return of their campaigns. They know for each euro invested, how much sales they are generating.

Thanks to that, merchants and suppliers can enjoy an incremental growth of 20 to 30 points to boost their sales when using this service. Today, already more than 5,000 merchants are using the platform. And we have a 95% repurchase rate.

Second, this is a great success for Cdiscount. CARS alone has grown by more than 94% in the first half, and digital marketing is our most profitable business: a major part of these revenues is translating into EBITDA.

Now going to our B2B ramp-up acceleration. Leveraging on our leading e-commerce platform, we are developing two businesses: C-Logistics which is offering full service of e-commerce supply and transport, and Octopia, our unique ready to operate marketplace B2B solution.

Our ambition is to become a leading integrated e-commerce logistics player.

First, the commercial uptake of our turnkey transport solution for bulky products, C Chez Vous is accelerating. We have signed 13 new clients including BUT and Miliboo with another six on deck. This represents several million-euros of potential sales, and the feedback from our customers is excellent.

Second, a full C-logistics service warehousing plus transport has just been launched with the first live client and five others in the pipe. This logistics B2B solution certainly enjoyed great success in just six months.

Our second B2B pillar, Octopia, offers a unique and disruptive value proposal to enable websites and retailers to create or accelerate their marketplace. Marketplaces is the bullish market of e-commerce growing more than 20% in the first five years while classical e-commerce sites were growing less than 10% a year.

So, 80% of the executives are willing to launch their marketplace and our addressable markets, EMEA and Americas are expected to be over €1 trillion in 2025. Octopia's principle is straight forward, connecting thousands of merchants to thousands of websites.

For websites, they launch or accelerate their own marketplace, thanks to the Octopia platform which provides them with a complete bundle of services: the tech platform, the access to thousands of merchants, and fulfilment services.

For merchants, we have a one click access to thousands of websites.

Octopia generates value from day one. Once connected, the merchants on the websites sell products at a glance. On the long-run, Octopia boasts a stronger, long-term performance thanks to scale effects. In short, Octopia brings the full power of the marketplace to the e-commerce ecosystem.

Concretely Octopia offers four services. It allows our B2B customers to add products to small and medium size websites, attract merchants to existing websites and to transform them into marketplaces, and all the while offering end-to-end logistics.

Products-as-a-service, and Fulfilment-as-a-service have been up and running for more than two years, and generating €53 million of GMV in the first half, growing 60%.

Merchants and Marketplace-as-a-service solutions are now fully operational with the go live of our first marketplace in the first half, and benefit from a dynamic commercial ramp-up. Four deals and three LOIs have been already signed.

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Now let's go dig into our CSR initiative.

First, environmental initiatives. We have been leading the way for more than 10 years on sustainable development having launched our Zero Product Destruction Policy more than 10 years ago, our 3D packaging machines five years ago. We are still pioneers with the use of reusable packaging which can be employed a hundred times, planned to be rolled out from the beginning of 2022.

We're also pioneers on the use of blockchain to track bulky product deliveries to improve traceability and efficiency.

The second pillar of our CSR policy is to support the economy. We have offered free access to our marketplace to local merchants to support them to face the sanitary crisis. And all in all, over the past years, Cnova contributed to the creation of 47,000 jobs in France, and 92,000 in Europe.

And now I would like to turn the discussion over to Maxime, our CFO to comment on our first half 2021 financial performance.

### Maxime Dubarry (Chief Financial Officer)

Hello everyone,

As already mentioned, our GMV had a solid annual growth rate of 7% in average over the last two years, and 13% compared to 2019. This is driven by an accelerating marketplace.

This was thanks to four underlying growth drivers:

- First and foremost, over the past two years our marketplace GMV rose by 9% in average.
- Second, our B2C services offering grew by 35% compared to 2020 thanks to very strong energy performance growing close to 70% in the first half.
- Third, Octopia experienced a solid take-off with the GMV multiplied by three over the past two years.
- And finally, direct sales remained close to stable, and we continue to execute our strategy to promote non-technical products and higher margin marketplace activity.

Our gross margin has continued to improve in 2021. Gross margin rate as compared to net sales has increased by three points a year. The main drivers are first, the growth of our marketplace, second, the product mix resolution through our higher margin categories, and finally, the fast pace of our digital marketing offering.

SG&A represented 22.6% of sales, and this is 3.4 points increase compared to last year. Fulfilment was stable over the period versus the tough comparable base related to the first Half 2020 Covid boosted activity due to COVID.

Marketing grew by 1.4 points due to our major advertising campaign, especially the TV campaign that we launched in the first semester, and low comparable expenses during the lockdown period last year. Every euro invested in marketing is profitable, we are generating €6 per consumer lifetime value.

Tech & content increased by 1.6 points as we accelerated the development of Octopia.

If we take a step back and look over a two-year basis, our cost structure increased has been limited to 3.6 points of net sales. This is lower than the gross profit that has increased by close to 6 points over the period generating two points of additional EBITDA margins.

Our first half EBITDA remained stable in 2021 at €49 million as compared to last year while showing a 57% CAGR between 2019 and 2021. As we said previously, this was due to an outstanding marketplace growth, direct sales margin improvement, and increased digital marketing volumes.

Operating EBIT remains positive at €6.5 million, and up €18million compared to 2019. We are facing a €4 million reduction of EBIT compared to 2020. This is related to accelerated investment in Octopia resulting in additional depreciation and amortisation over the past 12 months.

Our last 12 months free cash flow before financial expense is minus €6 million or a negative change of €41 million compared to the prior year. The change in working capital includes a negative €50 million impact in the first half. This impact is related to cash placed as collateral for amounts due to third-party merchants in connection with European regulation that we are implementing in the second semester of 2020. On a like-for-like basis, our free cash flow before financial expense would have been above €45 million or €10 million above 2020 FCF over the same period. The key driver of the free cash flow is our growing EBITDA that has reached on a 12-month basis €132 million.

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Let's take a look at our liquidity position. Excluding IFRS 16 lease debt and restricted cash positions, our net debt was €376 million at the end of June 2021. This is a stable amount compared to last year. Our gross debt amounts to €382 million, with two sources of liquidity. Our first source of liquidity is a shareholder loan with two tranches. The first one is a term loan of €150 million that is due for 2026. The second tranche is a cash pooling agreement of an amount of up to €400 million of which €101 million were drawn on 30<sup>th</sup> June 2021.

The second source of liquidity is a state guaranteed loan of €122 million including the accrued interest. The maturity of this loan has been extended to five years in the first semester.

This concludes the financial presentation. And I hand back to you, Emmanuel for the conclusion.

### Emmanuel Grenier

Thank you, Maxime.

To conclude, in the first half we have been implementing the transformation of our business model at a good and steady pace recording a solid performance. Our e-commerce platform is accelerating its development with two clear drivers, the growing marketplace, and expanding digital marketing revenues.

Our clear ambition is to leverage our e-commerce assets and become a global marketplace ecosystem leader, developing a disruptive, ready to operate marketplace B2B solutions, Octopia, which is ramping up very fast. Our excellent first-half performance as well as our B2B prospects for the rest of the year allow us to confirm our full-year 2021 EBITDA target of a €160 million.

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

## Q&A

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### Operator

Ladies and gentlemen, if you wish to ask a question, please press zero one on your telephone keypad. Please go ahead.

### Charlie Muir-Sands (Exane BNP)

Yes, good afternoon gentlemen. Thank you for taking my questions. I've got several, but I'll keep them brief. Firstly, it's very good that you confirmed your full-year EBITDA guidance. Can you also confirm that the target for GMV growth and revenue growth for the full year are also maintained?

### Emmanuel Grenier

Yes, we can confirm that as well. You can see that we had a growth acceleration quarter by quarter when you look at the comparison to 2019. And plus 11% in Q1, plus 16% in Q2, so the trend is good.

We have three priorities around the growth:

- First, the dynamic marketplace growth, thanks to the new merchants and the fulfilment development.
- Second, acceleration of our A Brand plan to support the 1P growth. We are strengthening the relations we have with the strongest brands all over the world working with brands like Apple and Samsung.
- The third thing is the improvement of the customer experience on the site through personalization to increase NPS.

### Charlie Muir-Sands

Great, thank you. You said that your growth was 13% in the last four weeks. Can you just clarify, is that since the start of July? What is the period? And can you tell me – last year it was very volatile, what was the growth rate in that four-week period please?

### Emmanuel Grenier

Last year, we had the Q3 growth close to 0%. So, the plus 13% are calculated in the last four weeks namely from the end of June to yesterday. Then, there are two main things regarding this plus 13%. First, the fact that the summer sales are not at the same period compared to last year because the sales were on July this year whereas last year they were starting mid-July and finishing mid-August. So, we are benefiting from that. And the second thing is that our B2C services are very dynamic. Travel is accelerating and energy is still very dynamic as it was in H1.

### Charlie Muir-Sands

Thank you. My last question: In H1, the share of technical products in product GMV declined year over year suggesting that your sales overall in absolute terms for those categories shrank. So, I just wondered if you thought that reflected the more subdued demand for electrical products in the French market?

### Emmanuel Grenier

This is more in fact a clear part of our strategy which is to accelerate the non-technical goods. We have accelerated and we have launched the strategy two years ago. We wanted to accelerate on DIY, Home & Deco, Sport & Leisure.

And we are doing it because these categories (non-technical) are generating more margins in 1P and more commissions in the 3P. Moreover, they are generating more recurrence from the customers as well. So yes, this is a deliberate strategy to accelerate on non-technical categories.

### Charlie Muir-Sands

Thank you very much.

### Operator

Thank you. We have now a question from Anna Critchlow. Madam, please go ahead.

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### Anna Critchlow (Société Générale)

I've got three. First, looking at average order value in the first half. It looks as if it was down 1% year-on-year. Does that reflect the product mix evolution? It's quite difficult to think about it in terms of the masks last year for example.

### Emmanuel Grenier

Yes, it can reflect product mix because when you are pushing non-technical categories, obviously the average value of the product is lower than for technical goods. But anyway, the comparison with 2020 is always very difficult. The second quarter was a bit exceptional.

### Anna Critchlow

Okay, thank you. Then secondly, please could you talk a bit about your market share trends in the major product categories? For example, the ones you are targeting like home and DIY. How did your market shares trend go in the first half, please?

### Emmanuel Grenier

Sorry, we don't have market share trends by categories. The only market share we have is for the whole 2020 period. We don't have that for H1. And, for 2020 period, our market share was at 7%. What we can say about that is that if you look on the last three years, 2018, 2019, 2020, we have 8% in 2018 and 2019 and 7% in 2020. So, we have lost market share. But all the top players have lost market share, Amazon too.

But in this trend, we were the most resilient on the market on our own because our market shares were down, minus 14%. We are best among the top players with Amazon in 2020. But we don't have information for 2021.

### Anna Critchlow

Thank you. And then thirdly, please could you talk a little more about the reusable packaging? How does that work in practical terms from the customer perspective?

### Emmanuel Grenier

Yes, the customer is the one making the decision whether to use it or not. If he does, the warehouse is putting its product in this hundred times reusable bag. We are doing that with a company called Hipli. This new project has been launched during Q2 2021; we are going to roll it out at the beginning of 2022.

### Anna Critchlow

Does the customer have to send back the package himself?

### Emmanuel Grenier

Yes. The customer is the one sending back the package in the post. And he can do that because he has made the decision to be delivered with this new reusable packaging.

### Anna Critchlow

And will you meet the cost of that postage or is this to do with Hipli?

### Emmanuel Grenier

There will be a cost for the customer, he is paying for that.

### Operator

We have now a question from Olivier Calvet. Sir, please go ahead.

### Olivier Calvet (Kepler Cheuvreux)

When I look at the take rate in Q2, I see 12.1%, that is below Q1 at 12.8%. I am wondering, looking at last year's development which was similar, (even though that was a special year with Covid-19). Is this only seasonal due to product mix? And what should we expect for the full year please?

### Emmanuel Grenier

Can you tell me how did you calculate your 12.1% and 12.8% which is the ratios you have made?



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### Olivier Calvet

I was just looking at marketplace revenues calculated, I mean for H1, we have marketplace revenues of roughly €93 million and the sales of €745 million. So that would give a take rate of 12.5%. And then I just do the difference with what we had in Q1. So, I come to this kind of marketplace revenues of around €44 million divided by marketplace 3P sales of €365 million. That's how I come to the 12.1.

### Emmanuel Grenier

Okay, as you are speaking about Q1 figures, marketing and marketplace revenues, what I can propose you is that we will check the calculation and we will come back to you on this question.

### Olivier Calvet

When I look at the analyst presentation you had in early June and your H1 report, page 5, I was looking at Octopia's commercial development. Could you clarify how were merchants-as-a-service and marketplace-as-a-service? You were mentioning in June one active client in the merchants-as-a-service and marketplace-as-a-service. I just wanted to know how we can compare this to the data that you have just presented.

### Emmanuel Grenier

Yes. In fact, we are still very dynamic in terms of commercial ramp-up. And we have during the H1 and until yesterday signed four deals. And, we have three LOIs which are signed as well. In fact, this is the situation at this stage, we have accelerated. We also have several merchants-as-a-service and marketplace-as-a-service in the pipe.

### Olivier Calvet

Is that since June or early June?

### Emmanuel Grenier

This is overall. And the second thing which is very important is that we are reinforcing the commercial team. We have hired a commercial director coming from SAP, a specialist for selling these kinds of services and solutions. He is on board since beginning of June, we clearly see the acceleration since then.

### Olivier Calvet

Then I was just wondering, in the analyst presentation you were talking about the fact that you will participate in seven events before the end of the year to develop your customers in France, Germany, Spain, and the UK. Can you come back on them please and explain what you mean there?

### Thomas Métivier (Head of Octopia)

Hello, yes. The objective is to accelerate our events and communications in foreign countries. We have already participated in several events in France. We have clearly seen that it was a good driver of leads and prospects, especially for marketplaces, projects that will be decided end of this year and in 2022.

And the idea is to do the same in other European countries, to be identified as a leading marketplace solution in foreign countries. It's clearly the case in France as we have seen more than 20 new leads for marketplace projects in France since the start of June coming to us. And so, we are clearly seeing that we have been identified as a leading marketplace solution. It will be a decision that will be taken between Q4 this year and Q4 of 2022. It's kind of a good lead generation for France. And our ambition is to be the same in foreign countries, that's why we are accelerating both our participation in international events and our communication in those countries.

### Olivier Calvet

Okay, okay, fair enough. Then, about the input cost on inflation that we see in consumer electronics. Can you perhaps come back to the pricing environment that you are seeing? How do you see this developing please?

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### Emmanuel Grenier

Yes, in fact for sure there is a tension on the supply chain and technical and non-technical goods with impact on the prices, first on the raw materials, and second on transport.

We are negotiating because you can see for sure that we are negotiating harder with the suppliers to limit this increase. But this is the trend in the market, so all the retailers and all the websites, we will say the same thing.

The most important thing is that we are checking our selling prices and we are comparing on a day-to-day basis with the competition. Therefore, we observed that we were aligned with the lowest price on the market. Meaning that we have the best price on the market. And at the same time, we can see that our margins are stable. To conclude, all the market is impacted by this supply chain tension.

### Operator

Thank you. We have again a question from Charlie Muir-Sands. Please sir, please go ahead.

### Charlie Muir-Sands

To dig into your pipeline on the marketplace-as-a-service. You have obviously announced that so far you've got three wins. Can you talk about just the nature of the three wins? I appreciate that you are not yet ready to name who the client is, but are these inside France? Are they inside or outside the Casino Group? What's the nature of their business? That would be helpful.

### Emmanuel Grenier

We have two wins for our marketplaces inside Casino Group. And we have two external wins, one for a full marketplace with marketplace front and logistics solution with a leading retailer, a leader in their country. And one for our merchants-as-a-service solution for a major French marketplace.

### Charlie Muir-Sands

Regarding the net working capital impact, you have flagged that they were a one-time impact with respect to restricted cash. And you said you implemented the law in the second half of last year if I understood correctly. Do you expect further impact in H2?

### Maxime Dubarry

So far this is related to the new regulation, the ACPR regulation in France. So, we now put cash as collateral for outstanding debt due to merchants. This was implemented during the second semester of 2020. Restricted cash was €56 million at the end of December and has reduced a bit to €50 million at June end 2021. We expect the amount to remain around the €50 million. It depends on seasonality. So, this is one thing that we are facing of the first semester and last 12 months. And the amount may change depending on the level of restricted cash at the end of the next period. But the overall amount should stay in the €50 million range or so.

### Charlie Muir-Sands

Thank you. That's very clear.

### Operator

Thank you. Again, we have now a question from Anna Critchlow. Madam, please go ahead.

### Anna Critchlow

Thank you. My question really is about the gross margins because you mentioned a very strong summer sale in the last four weeks. So, I'm wondering if customers are very price sensitive at this time, are they waiting for discounts? And does that put any pressure on gross margins or are you expecting maybe three more percentage points increase in the gross margins in the second half as we observed in the first half?

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### Emmanuel Grenier

So far, the trend of sales has been improving compared to Q2. But as I have said, we are benefiting from the calendar of the sales period which is not the same as compared to last year. This year it is full July, last year it was between the mid-July to mid-August. So, there is a difference. And this explains this plus 13%. The second thing is that Cdiscount have always been competitive and dynamic during the period of sales, which has been the case for the last ten years. This is a special period for us.

About the margins, as we are confirming our EBITDA guidance, it means that our trend of margins should be close to what has been decided to build. Again, I cannot tell you more about the trend of margins for Q3. But just remember that the key thing about the margins now is not anymore only the margin of the 1P business, but more and more the margins of the 3P for the commissions, and the growth of digital marketing. The gross margin of the company is related now to the 3P commissions, the growth of the marketplace and the growth of the digital marketing.

### Anna Critchlow

Okay. Thank you. And then just a quick technical follow-up, digital marketing, is that part of the services revenue?

### Emmanuel Grenier

No, in fact, if you take the press release, you have in the financial highlight's direct sales marketplace, services and other revenues. In services, we are counting all the B2C services: travel, energy, ticketing. Digital marketing is in the "other revenues". You can see the table in the press release.

### Anna Critchlow

Understood, thank you. So, it's in services and other – it's in that line, all right. Thank you.

### Emmanuel Grenier

Services is travel, energy, and ticketing, digital marketing is in other revenues.

### Anna Critchlow

xThank you.

### Operator

Thank you. Again, we have now a question from [inaudible]. Sir, please go ahead.

### Speaker

I just wanted to quickly follow up on the take rate. I understand what you said obviously, but just was wondering if you could qualitatively give us an indication of the product mix, perhaps seasonality impact on your take rate?

### Emmanuel Grenier

In fact, in terms of the take rate, what you are calculating is mainly impacted by the growth of the marketplace, the level of the commission rate, and the growth of digital marketing. The marketing is growing faster than the other parts of the site. So, this is increasing the take rate.

Second, the level of commission is stable over time. And the digital marketing is accelerating. So, this is why we have to take in another short call to discuss about the figures because this take rate should increase.

### Speaker

Okay, fair enough. Thanks.

### Operator

Thank you. We have now another question from Simon Owen. Please go ahead.

### Simon Owen (unidentified investor)

Can you just talk a little bit about total client growth because you haven't given us the actual numbers in terms of total clients? But it looks as though you had something like 10.3 million active customers at the end of the first half.

### Emmanuel Grenier

Sure.

**Simon Owen**

And we should basically look at those figures and we see its flat. And I thought in 1Q, you were telling us that it was up 12%?

**Emmanuel Grenier**

If you look at the figures, there is a plus 12% compared to 2019. We are comparing to 2019 the growth because the Q2 last year was an exceptional quarter and difficult to compare with.

We have two priorities on the active customer base to increase the number of customers:

The first one is the retention rate of the new customers. We have a very good retention rate as per year two. It means that 93% of the customers of year two are coming back to us on year three and so on year after year. Our priority is to increase the retention between year one and year two. We had so far, the retention rate at 34% between year one and year two. And we have a target to go to 40%. We are already the second-best player in the market in this retention rate, and our target is to increase by six points in the mid-term this retention rate.

The second priority is the acceleration of marketing investment. And we started to do it in H1. We can accelerate marketing investment for two reasons: the first one is because we have the level of marketing investment on GMV as 2.1%. We had that 2.1% when our peers are around 4%, there is room to improve here. The second reason is that we can accelerate here because every euro we put in marketing is generating €6 of lifetime value on our customers. So, this is profitable, this is why we are accelerating our investment in marketing.

Two main actions to increase the number of customers: the retention rate of year one and the acceleration of marketing investment.

**Simon Owen**

Okay, but in the first half, the number of customers did appear to be flat versus full year. Is that, correct?

**Emmanuel Grenier**

Yes, I'm looking at the total client growth. If you're going to the press release versus June 2020, we are at +7% of total client growth, versus June 2019, we are at plus 12%. So, in the first half, we are going well versus June 2020 and June 2019.

**Simon Owen**

Yeah. But you haven't given us the number itself, so we will have to back that out.

**Emmanuel Grenier**

And the number we have given was the number of customers for 2020 at 10.3 million.

**Simon Owen**

Right, okay. That's great. Thank you very much.

**Emmanuel Grenier**

Thank you.

**Operator**

Thank you. We have no more questions.

**Emmanuel Grenier**

Okay. Thank you very much for listening. To conclude, we are on track with what we have said. And we have three priorities, grow our marketplace to extend our digital marketing, and to accelerate Octopia with the four services, product-as-a-service, fulfilment-as-a-service and merchants and marketplace-as-a-service. So, thank you very much and have a good rest of the day.

**Operator**

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