BRYAN, GARNIER & CO

20th September 2019

FNAC DARTY

BUY

Fair Value	**EUR95 vs. EUR93**
Share price	EUR60.05
Bloomberg / Reuters	FNAC FP/FNAC.PA

Consumer, Brands & Retail | **Retail & E.commerce**

Armed and Ready to Draw

Fnac Darty is better armed with a new growth/profitability profile… Following the recent integration of WeFix, BilletReduc, PC Clinic and Nature et Découvertes, we expect a more appealing growth/profitability profile including more services (c.9%e of sales by 2020) and new categories (c.6%e). This adjustment will be crucial in a deflationary consumer electronics market.

…in a gradually improving French consumption environment. Although the trend is only materialising very gradually, Fnac Darty is set to benefit from a revived French consumption environment over 2019-21 (+1.3%e in 2019 and +1.7%e in 2020 according to BdF) and from the ongoing "creaming" trend among large household appliance retailers (set to help Darty moving upscale and gain pricing power).

Beyond better operating momentum in H2, Fnac Darty can trigger self-help initiatives to really fuel its rerating. While better operating momentum in H2 should underpin the stock in coming months, we believe self-help initiatives will be key to unlocking major upside potential to go above the historical EUR70-75/share glass ceiling. Fnac Darty has several levers to restore momentum on its own by the end of 2020 and inflate its EBIT margin beyond CS expectations (i.e. rolling-out 50 shop-in-shops within Carrefour's French hypermarkets, resuming the ERA partnership with Ceconomy and pursuing acquisitions momentum in the Iberian Peninsula or in the refurbished smartphones market).

Buy reiterated with FV raised from EUR93 to EUR95 to price in the integration of Nature et Découvertes. An alignment of the planets with better operating momentum, stronger consumption in France and announcements of self-help initiatives could prompt upgrades to consensus estimates and trigger a real rerating from 2019 EV/EBIT of 6.6x (vs. 7.3x for peers) and 2019 P/E of 8.9x (vs. 10.0x for peers).

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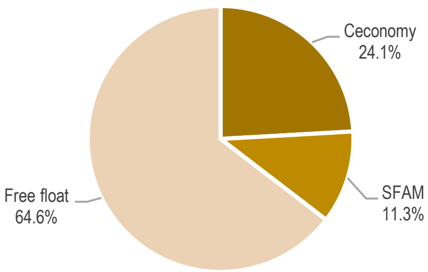
FNAC DARTY

BUY

Fair Value	**EUR95 vs. EUR93**
Share price	**EUR60.05**
Market Cap.	**EUR1,598m**
EPS 3Y CAGR	**9.1%**

Shareholders



Fiscal year end 31/12	2018	2019e	2020e	2021e
Financial Summary				
EPS	5.62	4.59	6.96	7.75
Restated EPS	6.16	6.57	7.47	7.99
% change	7.5%	6.8%	13.7%	6.9%
Operating cash flows	10.80	11.44	13.23	14.17
FCF	6.49	7.54	8.88	9.03
Net dividend	0.00	0.00	0.00	0.00
Average yearly Price	78.25	61.00	61.00	61.00
Avg. Number of shares, diluted (m)	27	27	27	27
Historical Entreprise value (EURm)	1,519	1,486	1,368	1,368
Valuation (x)				
EV/Sales	0.2x	0.18x	0.13x	0.08x
EV/ Current EBITDA	3.8x	1.61x	1.11x	0.64x
EV/EBIT	5.1x	4.39x	2.92x	1.65x
P/E	13.9x	9.14x	8.04x	7.52x
FCF yield (%)	8.3%	12.55%	14.79%	15.03%
Net dividend yield (%)	0.0%	NM	NM	NM
Profit & Loss Account (EURm)				
Revenues	7,475	7,761	7,959	8,050
Change (%)	0%	3.8%	2.5%	1.1%
Current EBITDAR	609	875	913	940
Change (%)	5%	43.6%	4.4%	2.9%
Current EBITDA	399	657	690	714
Change (%)	8%	64.6%	5.0%	3.5%
Current EBIT	296	321	346	366
Change (%)	10%	8.5%	7.8%	5.8%
EBIT	257	291	339	366
Financial results	(43)	(87)	(55)	(55)
Pre-Tax profits	214	204	284	311
Tax	(65)	(83)	(99)	(106)
Net profit - Group share	150	122	185	206
Adjusted net profit - Group share	164	174	198	212
Change (%)	9%	6.2%	13.7%	6.9%
Cash Flow Statement (EURm)				
Operating cash flows	288	304	351	376
Change in working capital	1	35	31	11
Capex, net	(118)	(139)	(146)	(148)
Free Cash flow (Fnac Darty definition)	173	200	236	239
Financial investments, net	0	(152)	0	0
Dividends	0	0	0	0
Capital increase / buyback	0	15	0	0
Other	2	209	203	196
Decrease / (Increase) in net debt	93	180	402	405
Net debt	(7)	(187)	(588)	(993)
Balance Sheet (EURm)				
Tangible fixed assets	620	525	364	202
Intangibles assets	480	458	421	384
Cash & equivalents	919	1,114	1,516	1,921
Other assets	3,492	4,517	4,558	4,580
Total assets	5,511	6,615	6,860	7,088
Shareholders' funds	1,261	1,178	1,362	1,568
L & ST Debt	911	928	928	928
Others liabilities	3,339	4,509	4,570	4,592
Total Liabilities	5,511	6,615	6,860	7,088
WCR	(915)	(950)	(981)	(992)
Capital employed	1,745	1,618	1,390	1,179
Ratios				
Current operating margin	4.0%	4.1%	4.4%	4.6%
Normative tax rate	33.0%	33.0%	33.0%	33.0%
Adjusted net margin	2.2%	2.2%	2.5%	2.6%
ROCE (after tax)	11.4%	13.3%	16.7%	20.8%
Gearing	-1%	-16%	-43%	-63%

Source: Company Data; Bryan, Garnier & Co ests.

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Part 1: A better growth/margin profile thanks to M&A…

Finally integrating Natures et Découvertes

After entering into exclusive negotiations to acquire 100% of Natures et Découvertes with the founding family in April 2019, Fnac Darty finally began to integrate the company on 1st August.

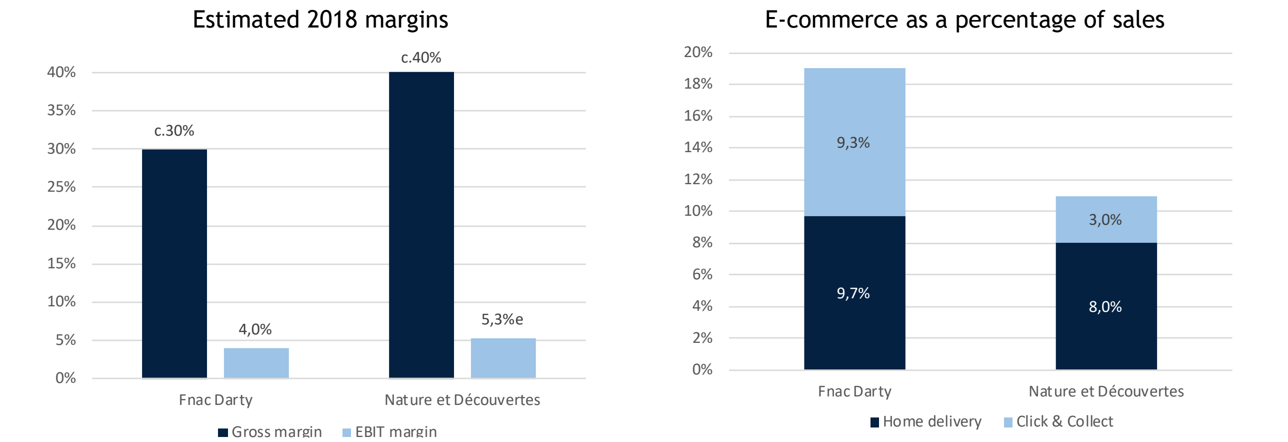
c.EUR200m in sales with a 5.3%e EBIT margin

Nature et Découvertes is specialised in the natural and wellbeing themes, notably selling decoration items, plants, wellbeing accessories, books and toys. It generates c.EUR200m in sales through 97 directly-owned stores (o/w 81 in France, with the rest located in Belgium, Switzerland, Luxembourg and Germany) with a 5.3% estimated EBIT margin (notably boosted by the private labels representing c.80% of the offer). Acquiring Natures et Découvertes makes sense as it allows Fnac Darty to:

- **Strengthen its exposure to more dynamic categories** (i.e. nature and wellbeing);
- Obtain access to Natures et Découvertes' precious B-corp label in order to **attract a new class of shareholders focused on ESG** criteria;
- Roll out Natures et Découvertes **shop-in-shops in the largest Fnac stores** that are facing a decline in the CD/DVDs department (i.e. c.-10% sales per annum) and put certain Nature et Découvertes items on the shelves in smaller Fnac stores;
- Accelerate the **development of e-commerce at Nature et Découvertes**, especially Click & Collect (only representing c.3% e of sales vs. >9% for Fnac Darty);
- Accelerate the **international expansion of Nature et Découvertes by exporting the concept to the Iberian Peninsula** (with shop-in-shops in Fnac stores and standalone Nature et Découvertes stores), where Fnac Darty is actively expanding.

There are few commercial risks as: **1/** Fnac and Nature et Découvertes have a common customer base (i.e. high-end customers in city-centres), and **2/** Nature et Découvertes has been selling some of its products on Fnac's marketplace for two years already.

Fig. 1: A marriage of convenience



Source: Company Data; Bryan, Garnier & Co ests.

We have integrated Nature et Découvertes into our model and therefore raised our EPS estimates by 4% for 2019 and 2020. We have not priced in additional debt to finance the deal (EUR120m e EV with a 0.6x EV/sales multiple) as Fnac Darty had EUR476m cash in hand in June 2019. The impact on EBIT margin is limited given the size of Natures et Découvertes, but it should help boost Fnac Darty's reported growth by 140bp in 2019 and 130bp in 2020.

Fig. 2: Acquiring Nature et Découvertes is accretive on top line growth and EPS

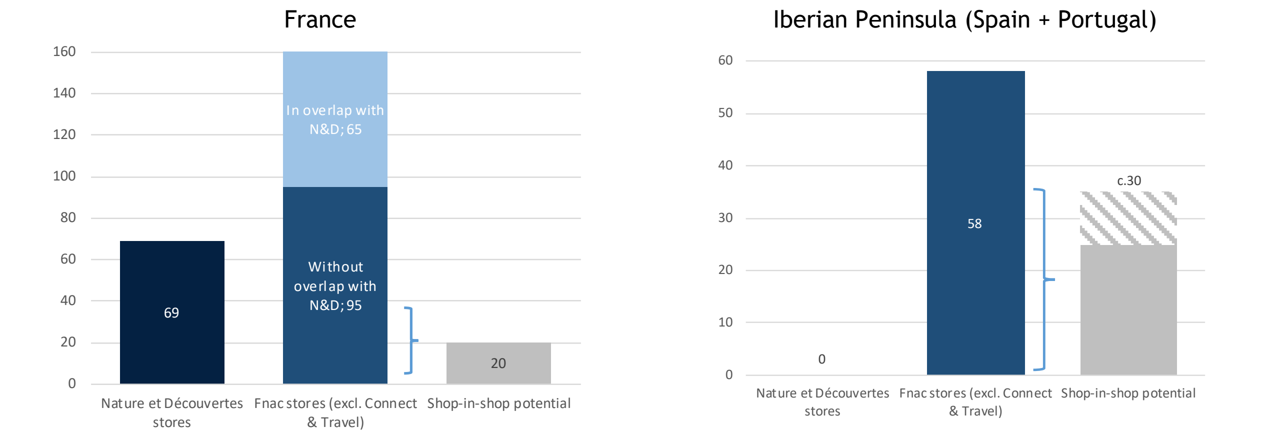
EURm	FY 2019			FY 2020		
	Fnac Darty	N&D	**Combined**	Fnac Darty	N&D	**Combined**
Sales	7 656	105	**7 761**	7 752	207	**7 959**
Reported growth	2,4%		**3,8%**	1,2%		**2,5%**
EBIT	314,5	6,8	**321,3**	335,3	11,0	**346,3**
EBIT margin	4,1%	6,5%	**4,1%**	4,3%	5,3%	**4,4%**
Net income	110,3	4,4	**114,6**	177,5	7,1	**184,6**
Accretion on EPS			**4,0%**			**4,0%**

Source: Company Data; Bryan, Garnier & Co ests.

Fnac Darty has already made it clear that it intends to launch sales synergies initiatives by opening Nature et Découvertes shop-in-shops in certain Fnac stores in France as early as in H2 2019 and by exporting the Nature et Découvertes concept to the Iberian Peninsula. Even if our estimates do not reflect this, we still believe that Fnac Darty could:

- **Easily open 20 Nature et Découvertes shop-in-shops in France** with an average size of 250sqm (representing EUR30me in sales along with c.EUR1.6me in EBIT). Out of the c.165 Fnac stores in France (excluding Connect and Travel formats), we have identified 95 units that do not overlap with Nature et Découvertes stores, 20 of which are located in sizeable cities of more than 60k inhabitants with a leverageable catchment area.
- **Open c.30 shop-in-shops or standalone Nature et Découvertes stores in the Iberian Peninsula** following the first tests to measure the appeal of the concept. As Nature et Découvertes has no stores there, there will be no overlap issue with the 58 Fnac stores.

Fig. 3: Sales synergies levers in France and in the Iberian Peninsula



Source: Company Data; Bryan, Garnier & Co ests.

Sales mix more turned towards wellbeing and services

Fnac Darty has been active in the M&A field over the last months with the integration of:

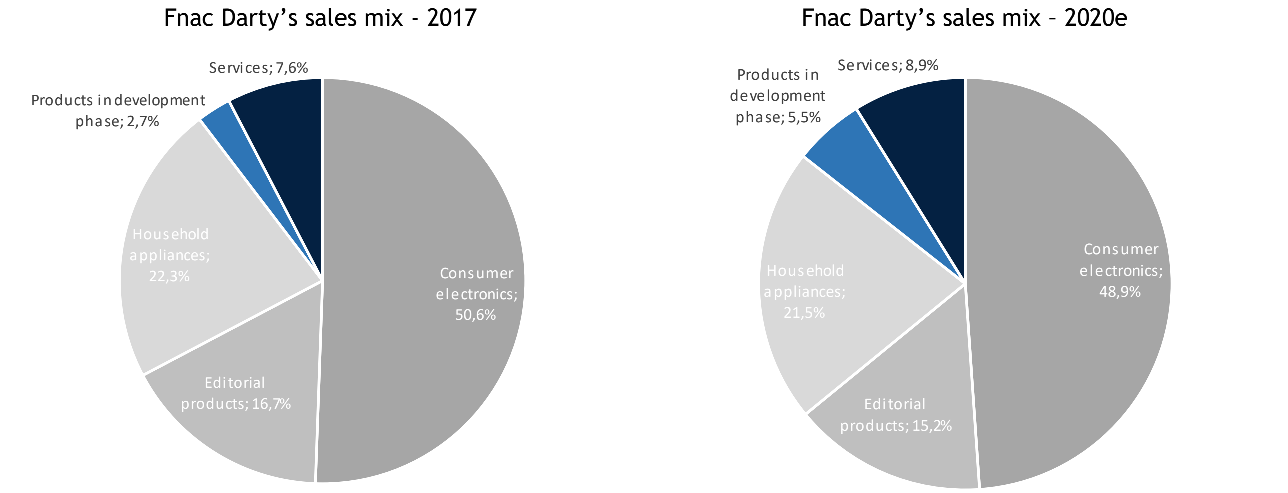
- **WeFix**, specialised on express repair and to a lesser extent the sale of refurbished items (EUR18m in sales);
- **BilletReduc**, an online ticketing platform, also set to be combined with the French business of CTS Eventim before the end of 2019 (>EUR8m sales combined);
- **PC Clinic**, a Portuguese chain of 12 stores dedicated to express repair and maintenance of electronic equipment that was already a partner of some Fnac stores (EUR6m sales);
- **Nature et Découvertes**, specialised in nature and wellbeing (EUR200m sales).

Services and new categories to represent >14%e of sales in 2020

Taking a closer look at the new sales mix at Fnac Darty, we expect it to evolve in a more appealing direction with a higher share of: **1/ services, from 7.6% of sales in 2017 to 8.9%e in 2020** (i.e. extended warranties, after-sales services, installations, ticketing, gift boxes, membership cards, marketplace fees and to a lesser extent franchise royalties), and **2/ new categories, from 2.7% of sales in 2017 to 5.5%e in 2020** (i.e. kitchen equipment, home & design products, toys, wellbeing). In total, these two segments combined are set to amount to >14%e of sales in 2020 vs. c.10% in 2017.

In a low growth home equipment market and declining editorial products market, this sales mix adjustment towards more dynamic (typically mid-single digit growth) and more profitable categories will be key to fuelling Fnac Darty's top-line growth and operating margin improvement. As detailed further on in this report, we expect recent M&A deals to add 15bp to the group's adjusted EBIT margin by 2021.

Fig. 4: Fnac Darty's sales mix gradually becoming more trendy



Source: Company Data; Bryan, Garnier & Co ests.

Part 2: …in an improving French environment

French household consumption to gradually strengthen…

Expectations of a rebound in consumption in France have been one of the main sources of frustration for investors recently. As France represents >75% of Fnac Darty's sales, this has put pressure on the share price for more than a year now (Fnac Darty share only up 4% YTD). However, in the absence of a surge in oil prices beyond the +10% observed this week and in the absence of a social upheaval, we believe that there is **still reason to hope for an improvement in the trend over the 2019-2021 period**.

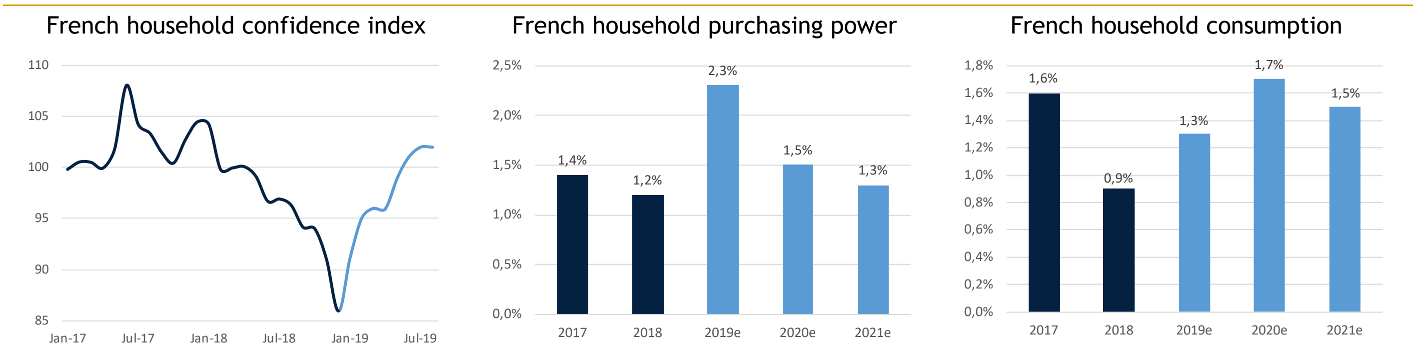
This revival should be driven by:

c.EUR20bn in tax cuts to stimulate purchasing power and subsequently consumption

- **Purchasing power gains** (+2.3%e in 2019 and +1.5%e in 2020 according to Banque de France), mostly as a result of lower taxes on more modest households this time whose propensity to save is low, contrary to what was observed in 2018. In detail, these tax cuts should amount to EUR10.2bn in 2019 and EUR9.3bn in 2020 according to Les Echos, which had access to the 2020 Finance Bill;
- **A noticeable rebound in the French household confidence index** since December 2018 from 87 to 102 (thus exceeding the 100 threshold). Confidence will be key in encouraging consumers to convert their purchasing power gains into purchases. As consumers only spent a third of their current purchasing power gains and as Banque de France expects them to spend the majority of the rest over 2019-21, the institution anticipates a gradual rebound in consumption with +1.3% in 2019 (upgraded on 17th September from +1.1% initially expected), +1.7% in 2020 and +1.5% in 2021.

As a **retailer of discretionary goods, Fnac Darty would be among the first to benefit from restored consumption,** although this is only set to it materialise gradually with still volatile months ahead as noted this summer. According to Banque de France figures, home appliance sales were down 2.5% in August (vs. +1.3% in July and +5.7% in June) and the consumer electronics segment was down 5.0% in August (vs. +1.6% in July and -15.4% in June).

Fig. 5: Towards a better trend over the 2019-2021 period



Source: Banque de France; Bryan, Garnier & Co.

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…while ongoing creaming among some competitors should be a support going forward

Fnac Darty generates 14% of its sales with large household appliances

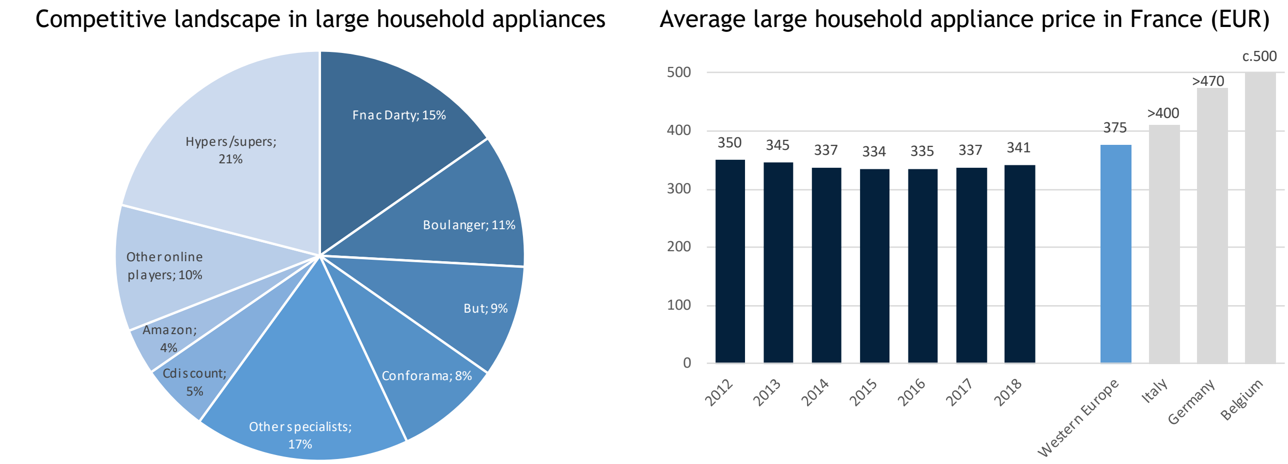
Over the longer term and although its impact on Fnac Darty's growth and margin is difficult to quantify at this stage, we believe that the **"The winner takes all" approach has been underestimated**. Once crowded and disputed by several types of retailers, competition is beginning to ease in some categories, with the **large household appliances** segment at the top of the list (generating 14%e of Fnac Darty's sales at the group level and in France).

The French large household appliances segment (c.EUR5.2bn of sales) has been suffering from strong pricing pressures and low innovation for several years and is now among the cheapest countries in western Europe with an average price per item sold of EUR341 in 2018 vs. EUR375 in western Europe or EUR470 in Germany. **This situation was shaped by entry-price players such as hypermarkets, online platforms and some furniture retailers, which are now dying or withdrawing from the large household appliance market**. In detail, Conforama's creditors are looking to sell the business (with potentially numerous store closures regardless of the buyer), while hypermarkets are drastically reducing their non-food selling space (Carrefour being more aggressive by announcing a total end to sales of large household appliances going forward). Note that online players no longer exert significant pressure on prices as Amazon stopped selling large household appliances on its own in 2013 and Cdiscount is moving towards a marketplace model.

Concentration and premiumisation in large household appliances going forward

In all, we estimate that **25-30% of the market**, i.e. EUR1.5bn of sales, is set to change hands going forward. Beyond this redistribution of market share, which should not over proportionally benefit Fnac Darty as Darty has a higher price positioning vs. the hypers and Conforama, we believe **this creaming among competitors will at last allow the large household appliances market to move upscale with further innovations.** With Darty being able to premiumise the market and push innovations (notably connected appliances, only making 3% of the market and equip 500k households out of 28m), the banner could restore pricing power and higher margins.

Fig. 6: France's specific competitive structure used to prevent any premiumisation



Source: GIFAM; GfK; Bryan, Garnier & Co ests.

Part 3: Momentum, crucial for a rerating, can be triggered

Despite the still negative impact on margins from the change in partner in telephony/multimedia insurance in Fnac stores in France (implying lower fees for Fnac and an adaptation period to train Fnac salespeople to the new offer), Fnac Darty's operating momentum should be better in H2 2019. We expect reported growth to reach 4.7% in H2 (vs. 2.6% in H1) with a 35bp adjusted EBIT margin improvement (vs. -10bp in H1) and >EUR550m in recurring FCF generation ex. IFRS 16 in H2 (vs. -EUR366m in H1). The change should be driven by: **1/** the integration of Nature et Découvertes, **2/** a better mix as editorial products were significantly affected by the Yellow Vest movement in Q4 2018 and; **3/** the full impact of the purchasing alliance with Carrefour.

While this better operating momentum in H2 should underpin the share price in coming months, we believe **"self-help" catalysts will be key to unlocking major upside potential and rising above the EUR70-75/share glass ceiling**. This is especially true since the French environment is still a matter of debate, with many investors who are now waiting to see it to believe it.

Even with no M&A opportunity with Ceconomy in the short-term…

The prospect of a merger with Ceconomy (which already owns 24% of Fnac Darty) is still in everyone's mind, and rightly so, as it would make sense from a strategic and financial point of view. The deal still looks appealing given: **1/** the complementary geographical exposure (Ceconomy being the great leader in Germany while Fnac Darty is clearly ahead of the pack in France), **2/** the ability of the new group to leverage Fnac Darty's know-how in terms of e-commerce, services and diversification of product categories; **3/** the potential to generate cost synergies in procurement and central functions.

M&A speculation on Fnac Darty concerning Ceconomy unlikely before 2022

However, **Ceconomy will first need three years to recover on its own**. As already highlighted in our recent feedback from roadshow with the CEO of Ceconomy (Mr Jörn Werner), Ceconomy is set to present a new three-year standalone transformation plan in December 2019 or January 2020. As clearly announced by management, major M&A deals are therefore not on the agenda during this transformation plan, thereby implying that Fnac Darty will not be driven by M&A speculation with Ceconomy before 2022, when the transformation plan should end.

Fig. 7: Estimated timeframe for Ceconomy

Source: Bryan, Garnier & Co ests.

…Fnac Darty still has the means to restore momentum on its own

Restoring momentum on its own with self-help initiatives will be key for Fnac Darty and, hopefully, the group has at least three levers to activate by the end of 2020.

ROLLING-OUT DARTY SHOP-IN-SHOPS IN CARREFOUR HYPERMARKET

50% estimated chance to be announced by FY 2019 and 90% by FY 2020

With two Darty shop-in-shops in the testing stage at Carrefour hypermarkets since November 2018 and performing well according to both groups, we now understand that a roll-out across a larger number of hypermarkets is clearly on the table. Assuming the probability of an announcement before the end of 2019 at 50% and by the end of 2020 at 90%, note that a roll-out plan might require the approval of the French anti-trust authorities, which would delay the concrete implementation of the roll-out plan and the impact on the groups' figures by 6 months.

In detail, we still identify broadly 50 hypermarkets among Carrefour's 247 units in France to open Darty shop-in-shops, whose size should reach 800sqm. This figure of 50 cannot go much higher given the existing overlap between Carrefour hypermarkets and Darty stores in France. The partnership, in which Darty would become the franchisor of the shop-in-shop and Carrefour the franchisee, would generate EUR207m e of sales for Fnac Darty (through wholesale margin and franchisee fees) with c.EUR11m e of EBIT.

RESUMING THE EUROPEAN RETAIL ALLIANCE (ERA) WITH CECONOMY

60% estimated chance to be announced by FY 2020

Frozen since the end of 2018, the European Retail Alliance could be resumed with Ceconomy by the end of 2020. Fnac Darty and Ceconomy seem to agree on the rationale behind resuming the alliance with Ceconomy once it has made good progress or even completed its procurement and supply chain centralisation. With already c.60% of purchased volumes centralised for Ceconomy across Europe, the group is on track to finalise its procurement centralisation (objective: 80%) by the end of 2020 on our estimates, especially since some countries have already done the job such as Spain/Italy, while Germany is lagging the most.

As ERA only implies joint purchasing in private labels (concerning EUR500m) and negotiating "on top of" conditions with international brands, we do not believe it requires Ceconomy's model to be 100% centralised. Hence, we estimate the probability of the alliance resuming before the end of 2020 at 60% with the opportunity for Fnac Darty to generate EUR10m (o/w EUR7m from joint purchasing in private labels and EUR3m from higher back-margins with international brands).

ENGAGING IN ANOTHER M&A OPERATION IN THE IBERIAN PENINSULA/FRANCE

Fnac Darty has been quite active in M&A in the past months and could dedicate coming months to the integration of WeFix, BilletReduc, PC Clinic and especially Nature et Découvertes. With a structurally healthy balance sheet (net debt/EBITDA ratio ex. IFRS 16 of -0.4x e for 2019), in 2020 Fnac Darty will have to choose between: **1/** paying a dividend, which is not its habit, or **2/** pursuing its acquisitions momentum. In our view, paying a dividend is the least preferable option as even a 40% pay-out ratio (broadly in line with peers) would imply a dividend yield of <5%, which would not be enough to attract a new category of investors.

50% probability of an announcement by FY 2020

40% probability of an announcement by FY 2020

However, from 2020 onwards and with greater flexibility regarding financial covenants, we believe Fnac Darty could commit to another M&A operation and begin a consolidation move in:

1/ The Iberian Peninsula to gain market share faster as Fnac remains a challenger out of the Top 3 in Spain and the no. 2 in Portugal. We have identified several targets including **Conforama Iberia** (EUR450m in profitable sales through 38 stores in Spain and 11 in Portugal), **Radio Popular** (EUR185m of sales through 50 stores in Portugal), **Worten Spain** (EUR150m of sales through 50 stores), while Worten Portugal is less likely given its size and potential anti-trust barriers (EUR850m of sales in Portugal with >30% market shares).

2/ The online refurbished smartphones segment, which is booming with double-digit growth, already representing 10% of the smartphones sold in France and perfectly fitting with new consumer desires (as discussed in our Weekly Consumer comment). Fnac Darty's exposure to this market remains very limited and it could try to take advantage of the deteriorating situation of **Remade** (one of the leaders in France). Remade's misfortune seems to be above all linked to internal issues and should not question the appeal of the refurbished smartphone market.

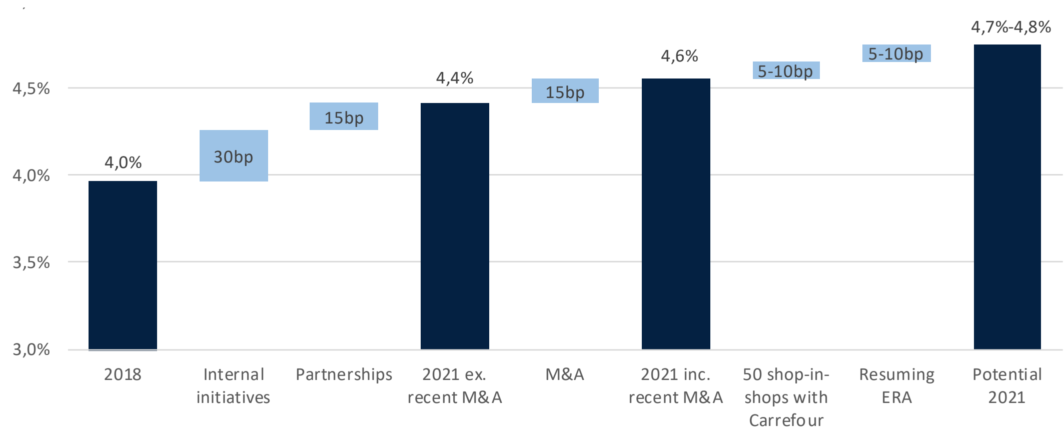
Fig. 8: Probability that a major self-help initiative will be announced

EURm	Impact on sales	Impact on EBIT	Probability by FY 19	Probability by FY 20
Roll-out of Darty shop-in-shops within Carrefour hypers	207	c.11	50%	90%
Resumption of ERA alliance with Ceconomy	/	c.10	0%	60%
M&A in Iberian Peninsula			0%	50%
M&A in online refurbished smartphones platform			0%	40%

Source: Bryan, Garnier & Co ests.

While the impact of potential future M&A is unmeasurable, rolling out 50 shop-in-shops in Carrefour stores and resuming ERA with Ceconomy **could each add 5-10bp to Fnac Darty's adjusted EBIT margin by 2021 and push the 2021 margin from 4.6%** (expected by the CS and us) **to c.4.8%**. This margin level would be even higher than that of Best Buy and allow Fnac Darty to move closer to the high end of its medium-term guidance for 4.5-5.0% EBIT margin.

Fig. 9: Fnac Darty potential to further improve its current EBIT margin by 2021



Source: Bryan, Garnier & Co ests.

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Part 4: Buy reiterated, FV raised to EUR95

Buy reiterated with a FV raised from EUR93 to EUR95 (coming from a 50%/50% mix between a DCF and a SOP valuation approach) to notably price in the integration of Nature et Découvertes. An alignment of planets with a better operating momentum, a strengthening of consumption in France and the announcement of self-help initiatives could prompt consensus estimates upgrades and trigger a real rerating from 6.6x EV/EBIT 2019 (vs. 7.3x for the peers) and 8.9x PE 2019 (vs. 10.0x for the peers).

Our DCF valuation works out to EUR98. Beyond our 2019-2022e estimates presented previously, we have assumed the following:

- WACC of 9.3% stemming from a flat-rate beta of 1.2, a risk-free rate of 1.6% and a market risk premium of 7.0%.
- A growth rate to infinity of 0.5% as of 2027.
- A recurring tax rate of 33%.
- A linear decline in the growth rate as of 2023 to land at a normative level of 0.5% in 2027.
- Underlying EBIT margin gradually increasing as of 2022 to reach a normative level of 5.0% in 2027.
- WCR stabilised at -12% of sales as of 2023.
- CAPEX as well as D&A stabilised at 2.0% of sales as of 2027.

Fig. 10: Sensitivity of our DCF-derived Fair Value

		WACC				
	EUR	8,3%	8,8%	9,3%	9,8%	10,3%
Terminal growth rate	0,0%	106	100	94	88	83
	0,3%	110	103	96	90	85
	0,5%	112	105	98	92	87
	0,7%	115	107	100	94	88
	1,0%	119	110	103	96	90

Source: Bryan, Garnier & Co ests.

Fig. 11: DCF valuation (EUR98 per share)

EURm	2019e	2020e	2021e	2022e	2023e	2024e	2025e	2026e	2027e
Sales	**7 761**	**7 959**	**8 050**	**8 115**	**8 176**	**8 232**	**8 283**	**8 330**	**8 371**
% change	3,8%	2,5%	1,1%	0,8%	0,7%	0,7%	0,6%	0,6%	0,5%
Current EBIT	321	346	366	377	386	394	403	411	419
% change	8,5%	7,8%	5,8%	3,0%	2,3%	2,2%	2,1%	2,0%	1,9%
Margin	4,1%	4,4%	4,6%	4,7%	4,7%	4,8%	4,9%	4,9%	5,0%
- Income taxes	(106)	(114)	(121)	(125)	(127)	(130)	(133)	(136)	(138)
Normative tax rate	33%	33%	33%	33%	33%	33%	33%	33%	33%
Current EBIT after tax	**215**	**232**	**245**	**253**	**259**	**264**	**270**	**275**	**280**
+ D&A	135	143	147	150	154	157	161	164	167
as % of sales	1,7%	1,8%	1,8%	1,9%	1,9%	1,9%	1,9%	2,0%	2,0%
+ WCR variation	35	31	11	8	7	7	6	6	0
- CAPEX	(139)	(146)	(148)	(149)	(153)	(156)	(160)	(164)	(167)
as % of sales	1,8%	1,8%	1,8%	1,8%	1,9%	1,9%	1,9%	2,0%	2,0%
Operating cash flow	**247**	**260**	**256**	**262**	**267**	**272**	**277**	**281**	**280**
Discounted cash flow	**239**	**230**	**208**	**194**	**181**	**169**	**157**	**146**	**133**
Sum of discounted cash flows									1 524
+ Terminal value									1 530
Total									**3 054**
+ Financial assets									8
- Average net debt									(205)
- Provisions, Minorities & Others									(233)
Equity value									**2 623**
Number of shares (m)									26,7
Fair Value per share									**98**
Upside vs current share price									64%

Source: Bryan, Garnier & Co ests.

Our sum-of-the-parts valuation suggests EUR91 per share. Our peer sample (i.e. Ceconomy, Dixons Carphone, M Video, Unieuro, BestBuy) yields an average 0.2x EV/sales 2019 multiple and 7.3x EV/EBIT 2019 multiple.

Fig. 12: SOP valuation (EUR91/share)

2019e - EURm	Sales	EBIT	Method	Peers multiples	Premium / discount	Multiple	EV
France & Switzerland	6 049	283	EV/EBIT	7,3x	15%	8,4x	2 377
Iberian Peninsula	717	33	EV/EBIT	7,3x	/	7,3x	241
Belgium	597	12	EV/EBIT	7,3x	/	7,3x	87
Netherlands	398	-7	EV/Sales	0,2x	/	0,2x	80
Total							**2 783**
+ Financial assets							8
- Average net debt							(136)
- Provisions, Minorities & Others							(233)
Equity value							**2 422**
Number of shares (m)							26,7
Fair Value per share							**91**
Upside vs current share price							49%

Source: Bryan, Garnier & Co ests

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BRYAN, GARNIER & CO

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