

Fnac Darty eyes higher margin mid-term, Carrefour deal soon

Dominique Vidalon

PARIS (Reuters) - French consumer electronics retailer Fnac Darty on Monday said it banked on merger synergies and its ability to deliver sales growth above that of its markets to nearly double its operating margin mid-term.



Chief Executive Enrique Martinez confirmed during a call that Fnac Darty ([FNAC.PA](#)) and French retailer Carrefour ([CARR.PA](#)) were discussing an alliance to negotiate better terms when purchasing from electronics suppliers and that a deal could be clinched soon.

“There is an ongoing discussion with Carrefour and it is not impossible that we reach an agreement quickly,” Martinez said, adding that the purchasing deal would be limited to France.

Fnac Darty was created last year when Fnac, which sells books and music, won a bidding war with Conforama for control of household goods and electronics equipment maker Darty.

The merger created a French market leader with more than 690 stores and with sales of over 7 billion euros (£6.1 billion).

The deal was seen as an opportunity for Fnac to build scale to compete with online retailers, such as Amazon ([AMZN.O](#)), as well as to create synergies in purchasing and other areas.

Fnac Darty reiterated that 130 million euros of synergies from the merger would be delivered by end-2018.

It said its mid-term target was an operating margin of between 4.5 percent and 5 percent against 2.7 percent in 2016.

The retailer, which is 24 percent-owned since July by German peer Ceconomy ([CECG.DE](#)), said it would open over 200 new franchise stores under its new strategic plan “Confiance +” and further invest in the digitalisation of its stores, its e-commerce platforms and its logistics assets.

It would spend between 130 million and 140 million euros per year on digital investments against 100 million previously.

ALTERNATIVE TO PURE PLAYERS

At a time when brick and mortar retailers worldwide feel the heat from e-commerce giant Amazon, Fnac Darty said its goal was to create “Europe’s benchmark omnichannel services platform.”

With online sales making 17 percent of turnover, it was positioning itself as “a solid and profitable alternative” to digital pure players.

Apart from a future purchasing alliance with Carrefour, Martinez said his group was mulling opening Fnac Darty shops within other retailers’ stores and also progressively opening its logistics assets to third parties.

“We have regular contacts with all the players,” Martinez said.

Alexandre Bompard, the former boss of Fnac Darty, took over as CEO at Carrefour, the world’s largest retailer after Walmart, in July. He will unveil his strategy for Carrefour on Jan. 23, following a profit warning in August.

Bompard remains a board member at Fnac Darty until end-2017.