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SMCP 2021 Q2 Sales

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Operator: Hello, and welcome to the H1 Sales Call. My name is Rosie, and I'll be your coordinator for today's event. Please note, this call is being recorded, and for the duration, your lines will be on listen-only. However, you will have the opportunity to ask questions at the end. This can be done by pressing star one on your telephone keypad to register your question at any time. If you require assistance, please press star zero and you'll be connected to an operator.

I will now hand you over to Mathilde Magnan, Head of Investor Relations, to begin today's conference. Thank you.

Mathilde Magnan: Thank you. Good morning, everyone. This is Mathilde Magnan, Head of Investor Relations speaking. Thanks for being with us today for SMCP's H1 sales. I'm here with our CEO, Daniel Lalonde, and CFO, Patricia Huyghues Despointes.

As usual, we will go through the presentation and then, we will have the Q&A session. Before I hand it over to Daniel and Patricia, I invite you to go through our usual disclaimer on page two. And I think we can start now.

Daniel Lalonde: Yeah, thank you. Thank you, Mathilde, and good morning, everyone. Thank you all for joining us this morning. I'll begin with a quick overview of Q2 2021, and Patricia will detail our sales performance by region, and I will briefly conclude.

So if you turn to the first slide, in the second quarter, we achieved sales of €229.4 million, up 61.1% on an organic basis. And that was minus 14% reported versus 2019. Make sure a couple of key messages on the quarter performance. First, on a global basis, we see the confirmation of a progressive catch-up versus 2019, which is very positive taken into account the store restriction measures in all regions.

In Mainland China, the performance remains very strong, both in brick-and-mortar and digital, including plus 22% of growth versus 2019.

In the US, the momentum observed in Q1 has been confirmed going from strength to strength. Sales are back to pre-pandemic level, reaching a 11.3% on organic sales basis versus 2019.

In France, we completed a very successful store reopening since 19th May, reaching +33.7% growth versus 2020 with a very similar base of comparison. And a very good performance supported by loyal local customers, very excited to be back in our stores.

And the EMEA region recorded a strong growth despite store closures in key countries and a very low tourism.

On digital, the Group achieved a penetration of 25% of sales in Q2 with again impressive figures in absolute value normalising in percentage of sales due to the full reopening of our physical stores.

Regarding network, as planned, we continued our brick-and-mortar network optimisation plan with - 19 DOS in the first semester.

In France, we closed 25 stores, mainly very small stores, again, located in small cities and not in concept and including 14 stores under the Suite 341, which is, again, as you know, no longer strategic for the company. On the other hand, we continued our expansion in APAC with +14 stores over the semester, of which +11 were in China.

To conclude, all regions contributed to this continued sequential growth over the quarter. Very good results considering the store closures, restrictions, low tourism and less promotional sales.

Our teams are committed to the execution of our *One Journey* strategic plan that we presented last year. And in this context, the Group made solid progress on its strategy to improve full price sales, a question we often get asked. As an example, this quarter, we deliberately decided to remove, or to stop, the former traditional commercial operation in Europe called *Summer Party*. In this way, we managed to meaningfully decrease our discount rate in all regions both in brick-and-mortar and digital.

Now I wanted to share with you some brand initiatives on Q2 illustrating our *One Journey* implementation.

On slide five, as you probably saw, Maje has launched the first rental service of the Group on 10th June. The project is central to our strategy since it combines eco-responsibility with our service culture mindset. As an extension of Maje's Dream Tomorrow approach, we wanted to offer a new online service allowing our customers to change their style whenever they want and indulge themselves for every occasion.

This service brings back to life some of the most beautiful pieces of our old collection and includes a selection from the new ones. An offer that is 100% ceremony. From €20 a day, customers can rent dresses, suits and accessories for a few days. Through our new rental platform, we will be guaranteeing eco-friendly service from cleaning to delivery.

Our rental service has been launched in France and online exclusively. A 360 activation has been implemented to promote this new service, including a pop-up store in the famous Parisian department store in the Galeries Lafayette Haussmann. Our clients are very, very enthusiastic and results are promising. So we're very, very proud of this initiative, this innovative digital service, strengthening our brand desirability, targeting a new category while spreading a suitable and sustainable message to be engaged.

On page six, some other initiatives on sustainability. First one, Sandro with Yuko Nishikawa, and *One Tree Planted*. In Q1, we presented the artistic collaboration with Yuko Nishikawa, the Japanese artist based in New York, who designed for Sandro sustainable recycled paper-mache mobile sculptures. Sandro and Yuko decided to go further in Q2. From April 2021, in North America, Sandro offered these sculptures for sale in partnership with a selected website specialising in arts. And all profits will be donated to *One Tree Planted*, an environmental charity committed to environmental conservation.

This summer, Maje is bringing The Sun with 100% organic cotton capsule collection called *High Summer*. A colourful take on the classic, loose-fitting floral dresses. All the pieces are made of 100% GOTS-certified cotton. This vibes of Maje in summer are light and responsible.

And finally, Claudie Pierlot has gone further on its strategy, reaching this summer over half of the ready-to-wear designs and more than a third of the accessories: marked "Claudie Cares". It means that pieces are made of a certified eco-friendly fabric or that can be manufactured process is more environmentally friendly than traditional processes. With a denim that consumes less water, organic cotton shirts, responsible wool standards, certified wool, etc., etc.

Let's go to slide seven. Here, you'll see a few innovative and creative collaborations and capsules, done in Q2, by our brands.

Sandro with Smiley. Sandro is once again partnering with the pop-up culture icon for capsule collection, a symbol of optimism and positivity. Smiley has extended in multicoloured print pieces that are perfectly embodied with Smiley's spirit between freedom and happiness.

Claudie Pierlot with Voltaire: a French-made electric bike brand, taking an ever more committed and bold approach. Claudie Pierlot has teamed up with cycles Voltaire for a photo shoot. They have also shared a pop-up in London for the reopening of Harrods, the luxury department store.

And last this summer, Fursac was inspired by the French Riviera. The Côte d'Azur reserves a special kind of beauty for the gaze of an American camera. Fursac's latest collection and capsule pays homage to the iconic film "Bonjour Tristesse" by exploring a vivid and typically French pallet and an American inspired style.

So, these initiatives add desirability to our collections and enable us to speak to our audiences in a more intimate way, giving the opportunity to surprise, to seduce our community and to enhance customer service. And the results are very promising, boosting sales, driving traffic and new customers as well.

On page eight, our brands have also implemented new creative initiatives engaging millennials in China. You'll find some examples here.

Maje collaborated with *Tmall Hey Box* to promote the Ibiza Capsule during the Tmall anniversary event. *Hey Box* is an online event that Tmall offers to a selected brand to promote new innovative products. A very efficient collaboration which boosted traffic on our Maje Tmall flagship website, more than 100,000 additional unique visitors during this promotion.

Sandro, Maje and Claudie Pierlot have also worked on the second biggest sales event in Tmall after 11.11 called *6.18 shopping festival*. And have launched the making of over 260 product short videos, generating plus 30% of additional traffic. And Sandro has worked on a timeless dress campaign with a famous KOL, increasing the sales of dresses category by +15% versus last year.

Maje and Claudie Pierlot have also worked on with KOLs like Jing Tian, a Chinese actress chosen by Maje as brand ambassador for the spring summer collection, who has a follower base of 24 million people on Weibo. And Wong Fei Fei, a Chinese singer and actress dressed in the spring summer collection, followed by more than eight million people on Weibo. And this is for Claudie Pierlot.

So, these key initiatives illustrate our strategy to invest in APAC, and particularly in China to benefit from the latest growing region of Group, with further digital boost.

Turning to slide nine. We also opened new flagships with unique in-store experiences in Paris.

On 19th May, Sandro reopened its flagship on the prestigious Rue Saint Honoré in Paris. This new concept inaugurates a new architectural concept with eco-responsible materials designed to offer a new, warm and artistic experience. With an exclusive and premium sales ceremony (hidden cash desk, exclusive packaging and gifts).

For this new showcase, Sandro collaborated with the artist Steven Ormandy, who lives and works in Sydney, Australia. The paintings and sculpture of the artist are honoured. The shapes and colour of these works poetize the women's and men's collection. It's also inspired the first Instagram filter of the brand, creating engaged interaction with new generation clients.

And our new Maje flagship opened a store in Etienne Marcel district, first *arrondissement* of Paris, offering a vibrant shopping experience, its new signature design concept. The two floors displayed a contemporary architecture and a selection of vintage furniture co-exist, just like the new collection. For this opening, Maje rental collection showed up in July on the second level of the store.

On slide 10, here you can see some meaningful store openings we did in APAC over the quarter.

Very pleased to announce the opening of our new stores in April with Sandro, Maje in Kuala Lumpur, KLCC in Malaysia, a newest country of the Group.

In Shanghai, Claudie Pierlot opened a new flagship in Grand Gateway, a new concept, new energy, new architecture. Claudie Pierlot has unveiled a new store with an eco-friendly design approach and a fresh new architectural concept. Both audacious and yet at the same time elegant, this new design celebrates the sense of Parisian *Folie Douce* so dear to the brand in its own unique way.

Sandro and Maje have also opened their stores in Hainan Island in Sanya, in the duty-free mall. Introduction of these brands in Hainan follows the travel retail launch of Sandro and Maje in Mainland China airports last year.

And we also opened a store in Shenzhen, a beautiful Maje store.

All these beautiful openings, again, we wanted to illustrate our expansion strategy as a key region.

Now let's move to slide 11, illustrating other tailored expansion strategies and approaches located in Europe and the Americas.

First, Fursac continued its European expansion and opened its first store in Belgium on the famous Avenue Louise area.

In North America, Maje opened a store at The Grove in Los Angeles. The brand is thrilled to have launched the store boutique at The Grove, which offers a vibrant outdoor shopping experience for luxury customers. The space features the brand's signature design concept with a focus on sustainable design elements, a key pillar for the brand.

Then, as you probably know, the famous department store, La Samaritaine, created in 1870, reopened in June. We concurrently opened Sandro, Maje and Claudie Pierlot in this very prestigious location with strong initial results.

And last, slide 12. As part of our *One Journey* plan and to complete the customer experience, we've continued to roll out our omnichannel services such as Click & Collect, e-reservations, store-to-web, and launched last year a fourth omni-channel service called Ship from Store,

which in my view is the most important one. This service unifies our store and warehouse inventories to offer the right product at the right time and in the right place.

After successful French rollout last year, we deployed this service in Q2 in new countries in Europe such as the UK, Germany and Spain and Italy, and more to come.

So now I'll turn over to Patricia, who will take you through the H1 sales performance and Q2 sales by geography in greater detail.

Patricia Huyghues Despointes: Thank you, Daniel. Good morning, everyone. So moving onto slide 14 to get an overview of our solid H1 performance.

In H1 '21, our sales growth was up +23.3% organic, driven by like-for-like, and -16% reported versus 2019. A sequential improvement in all regions, despite store closures and restrictions, especially in Europe, low traffic and tourism. By region, France and APAC represent each 31% of sales, EMEA 25% and Americas 13%. It's the first semester in the history of the Group with APAC above 30% of sales.

By brand, Sandro 47% of sales followed by Maje, 40%, and other brands with 13%.

E-commerce reached almost 28% of the total sales over the first semester.

So, now slide 15. Let me highlight some key messages on Q2 performance by region.

In France, sales were up +33.7% organic. A very good performance versus last year considering that, first of all, we had similar conditions in terms of store closures and restrictions due to the pandemic. And then we had less promotional sales. We decided, for example, to remove some events, such as a former traditional promotional event in Europe.

Now if we compared with 2019, sales were down -28%. We would say only considering three key points. First, the closure of the entire network for half of the quarter. Second, a less promotion environment, no *Summer Party* as already mentioned, and the delay of summer sales, 30 June this year versus mid-June in 2019. And finally, a low touristic traffic.

Over this semester, we continued our brick-and-mortar network optimisation plan, and we are in line with our 2021 yearly strategy.

In the EMEA, we delivered a strong growth of +84.9% organic, so nearly doubling sales. A very solid performance considering the restrictive measures we faced in the first part of the quarter.

If you compare with 2019, sales were down -16% from: an impact of stores closures over the quarter in key countries like UK, Germany or Belgium, the voluntary cancellation of promotional events and the loss of tourism-related sales.

To be noted, the excellent performance of Russia above 2019.

To conclude on these two regions and considering all these pandemic impacts, we consider that we delivered a strong performance.

Now turning to slide 16. In APAC, we delivered a very solid growth of +33.2% organic, driven by a strong double digit *like-for-like*. Revenues are above 2019 despite some pandemic

headwinds in key cities. In Mainland China, some key cities have faced store closures and restrictions for example Shenzhen, Guangzhou, or Shenyang, and also in Taiwan, Singapore and Malaysia. Despite those restrictions, Mainland China's performance remained strongly positive reaching +22% versus '19 and supported by double-digit *like-for-like* growth both in brick-and-mortar and in digital.

Another successful market in APAC, South Korea, back to the level of 2019.

And finally, over the semester, we continued the network expansion plan with +14 DOS, of which +11 in mainland China.

Now let's talk about Americas, where sales more than tripled versus last year supported by a triple digit *like-for-like* growth. While Canada was still impacted by store closures and restrictive measures to contain the pandemic, the momentum observed in the first quarter in the United States have been confirmed with sales exceeding pre-pandemic level at +11.3% organic.

I will now hand over to Daniel for a brief summary.

Daniel Lalonde: Yes. Thank you, Patricia. Listen, in summary, everyone, we recorded, again, a strong momentum in Q2 in all regions, reaching a +61% growth on an organic basis, with APAC and the US above pre-pandemic levels.

We made solid progress on our full price strategy, which is super important, delivering a meaningful reduction in promotion sales share.

Our teams pursued the execution of our One Journey roadmap very strongly in H1, with strong creative and disruptive brand initiatives, that's why we took a little time to present some of them; the continued successful rollout of our omnichannel services such as Ship from Store; selective impactful store openings in Europe and North America; and the continued *phygital* expansion in APAC.

So thanks for your attention. I think we can now take some questions.

Mathilde Magnan: Thank you, Daniel. Operator, I think we have one question?

Questions and Answers

Operator: Yes. Thank you. So just before we go to the questions, if I can remind you that if you do have a question, you can press star one on your telephone keypad. Should you wish to withdraw your question, you can press star two. You will be advised when to go ahead. So our first question comes from the line of David Da Maia from CIC. Please go ahead.

David Da Maia (CM-CIC): Hi. Good morning. Three question for me, please. Two on your performance in the French market and one on markdown policy. So starting with the French markets. So I understood the delay of the sales period and the cancellation of the Summer Party have weighted on your performance in Q2. But can you quantify the negative impact, for example, is it fair to assume that the decrease of your sales versus 2019 would have been close to Q1 if we exclude this negative impact from your reduced promotional activity?

The second question on exit rate in France. If we look at the data from institutions like IFM, they suggest that the French apparel market was close to or even slightly above 2019 level in June for the first time this year, maybe thanks to strong pent-up demand following reopening.

So have you recorded similar improving trend in June or more in July with sales now above 2019 levels in France?

And the last one on markdown. You said that you have significantly reduced your promotional activity in H1. Can you give us an update on the level of your discount rate and the share of full price sales compared to last year or even 2019? And what would be the impact of your full price strategy on your gross margin this semester? Thank you.

Daniel Lalonde: Yes. Thank you. Thank you, David. Those are very specific and detailed questions, fine, on the French market. Maybe I'll let Patricia get back to you or answer the three of them. I just wanted to say maybe in response to your third question on markdown. As you know, it's a big part of our strategy going forward. It's one that was – that we put in place in 2019, just pre-pandemic.

We've made some really good progress, as we mentioned in the talk this morning over – I'll let Patricia decide if she gets very specific on what the increase in markdown rates that we've had, but it certainly were in the 400 basis points range in the – in H1. But we tend – I think what I wanted to say is we're taking a very deliberate effort to look at all the promotional cadence in a typical year and then decided on a global basis to remove them very selective ones.

The markets still – the less promotional markets, we've made some meaningful decreases in discount rate in the Asian market, which still is the lowest one as well. So it's a real strong objective of ours. And I was really happy with – very pleased with the performance in H1. Patricia, maybe I'll let you comment on the other two questions?

Patricia Huyghues Despointes: Yeah. Okay, Daniel. Hello, David, and thank you for your question. So regarding France, first point to confirm to you that we are in line with the typically IFM panel that you mentioned in June, so reflecting the sequential improvement month by month over the quarter.

Second, regarding the Summer Party and the delays of sales, I would say that those two effects combined account for €5 million to €10 million of sales; so yes, it has a meaningful impact on the quarter. But once again, we completely accept this impact since it's better for gross margin image.

David Da Maia: You can just repeat the impact in terms of millions of euro sales? Sorry.

Patricia Huyghues Despointes: I said €5 million to €10 million.

David Da Maia: €5 million to €10 million, okay. Thank you.

Patricia Huyghues Despointes: Okay?

David Da Maia: Okay.

Patricia Huyghues Despointes: I think Daniel answered to you about the discount rate. So I confirm that we – over the semester, we reduced the discount rate by 4 percentage points. So we are very happy about that since we now normalised the level of discount rates at circa 30%. And we are very happy about that because it's visible in all the channels, brick-and-mortar and digital, in all geographies, Americas, Asia and Europe and also for all the brands. So this is for sure something very positive for the Group.

We will give you additional details and impact on gross margin rate early September during the H1 results call.

Mathilde Magnan: Thank you, Patricia. Operator, I think we have a question?

Operator: I guess, we do. Thank you. So the next question comes from the line of Kathryn Parker from Jefferies. Please go ahead.

Kathryn Parker (Jefferies): Good morning, everyone. Thank you for taking my questions. And so I've got two. My first question is on the store network. So I just wondered if you can make some comments on what you think the net store opening pipeline would look like for the second half. I was positively surprised by the 25 net openings. So I wondered if you perhaps want to increase your guidance from what you said for the full year.

And then my second question is on the Maje rental service. And how you would measure success of that initiatives, whether it's sales or volumes or perfection or do you perceive as most important. Follow-up to that is, would you consider launching a subscription service rather than one-off rentals? And then third follow-up is, for rental, which would be your next target market? Would it be the US or maybe the UK? Thank you.

Daniel Lalonde: Okay. Kathryn, thank you. So thank you. Maybe I'll take your questions two and three very briefly. I'll let Patricia give some comments on the store network in H2. Just a quick line on the store network. We have – as planned this year, we're finishing up – I'll give you little context on the store – physical store network. We're finishing up, this is the last year of the French optimisation plan. It's a programme that we put in place roughly 18 months ago in order to optimise our brick-and-mortar network in France.

We had a lot of stores, as you know, and they were in some very, very small locations. And simply that was done in the past. They were all profitable but we decided to really use that because I guess prices in some senses are just right before it as well we had decided just to look at it as we were starting from white piece of paper on how to optimise the distribution in France. So that will finish this year.

Maje rental, a couple of things. So there's four things that are important for me in this service. So we wanted to take baby steps, because, as you know, we've done it all ourselves. So it's you go on the website and it's a navigation button on the website to get to Maje rental, etc., so it was a very strong customer experience.

I look at three – at four things. I look at sales obviously, the acquisition of new customers, brand desirability by proposing a sustainability concept and it has to be profitable. I'm not looking it for be – for it to be initially profit accretive but certainly profitable. So those are the things that we were looking at when we launched it.

Subscription basis, we decided – Maje decided to go another way to make it very, very simple. You have three or four levels of pricing for two or three days rentals. And we may look into subscriptions a little bit later. In terms of rolling out, the markets were already present today in North America with rental runway, so that's more of a partner, but we will roll out this Maje owned rental, if you will, in a couple of key markets, probably next year. We want to give it a little bit more legs and see how it goes until the end of the year.

And we're also – we'll announce this in the future also working on some resale concepts that we can appropriate ourselves in the future. So Patricia, maybe I'll let you say a few words on the store network H2 in France.

Patricia Huyghues Despointes: Yes, Daniel. So as we already mentioned, in France, we float around 25 floors in H1 and should be about the same number in H2. And by the end of the year, we will have completed our French network optimisation. So H2 should be similar to H1, mainly concentrated in Q3 basically due to end of contracts.

Kathryn Parker: Great. Thank you very much.

Mathilde Magnan: Thank you, Kathryn. I think we have another question?

Operator: Thank you. The next question comes from the line of Gilles Crespel from Alizée. Please go ahead.

Speaker: Thank you, Daniel, Patricia for your inputs and thank you for taking my question. I would have two. One is for Patricia. Could you give us a picture on the level of temporary closures in Europe over the second quarter? And maybe one with Daniel which was partially answered just now on the network. Do you consider restarting new openings outside APAC? And when would you expect some visibility to do so? Thank you.

Daniel Lalonde: All right, Patricia, I'll let you start.

Patricia Huyghues Despointes: Yes. So I think we have seen area by area because these are very specific situations. So in France, the basis of comparison was very similar to Q2 2020 with half of the network closed from early April to 19th May for the reopening. In Europe, let's say, it's about 10-15% of store closures or store impacts, can be closures, can be limited attendance in the stores.

In APAC, it was from time to time a few days in Mainland China. I listed some countries, there are some others. Difficult to say a percentage. It's marginally few points. And in Americas, nothing special in the US, but in Canada entire region was closed nearly all the quarter. So let's say this accounts for probably around 10% of closure in Americas over the quarter.

Daniel Lalonde: Thank you very much. All right. And listen, on the network, I can say a few things on the brick-and-mortar network. So it's an atypical year this year because if you aggregate all the numbers we complete the French network. So I'd have to take that out for now. The French network, as Patricia mentioned, will probably close on a net basis.

You see we've opened some beautiful new stores as well, so we're not disinvesting in from France. We're optimising the network. I think that's super important. But maybe 50, 55 stores this year will come out of the network in France. Then it will be more stable going forward. And our objective clearly is continue to gain market share and like-for-like growth in France.

In the other regions, APAC, primarily China, so we continue to open – to run our phygital strategy in that region, both online and offline. We're probably 15 to 20 stores, new stores in the region this year. But most of them being in China. And we will continue on this pace and maybe increase it over the next years as well, but also increasing digital as well, digital not only organic sites but also potentially opening new websites – e-commerce websites in the APAC region.

In North America and Europe, our approach is again there to be selective on brick-and-mortar. There will be some store openings. I mentioned The Grove in LA, which is a fabulous, fabulous mall. It's hard you can't get in. It's hard to get in, so we're very proud that Maje opened up.

So there are some opportunities in North America, but the network will stay relatively stable over time.

And in Europe we still have some areas where we're not present, some markets like Portugal, some Eastern European countries as well, which are interesting. And even some existing countries like Germany, where we have 57 stores among three brands. So, we still have some areas to open up our store network, but more selective obviously in Europe and even more selective in North America going forward.

Mathilde Magnan: Thank you very much, Daniel. Operator, I think we have another question?

Operator: We do, yes. So next question comes from the line of Geoffroy Michalet from ODDO BHF. Please go ahead.

Geoffroy Michalet (ODDO BHF): Hi everyone. Thank you for taking my questions. The first one has to do with the like-for-like growth. Could you give us some things on the global level of like-for-like and especially versus 2019?

The second question has to do with your analysis of the recent share price performance, or shall I say, under performance, especially in the context where we have no real bad surprises in terms of the operational performance, which is great or at least in line with consensus. And thirdly, maybe could you give us just a few words on the controversy for Uyghurs work in some regions that you denied to be involved in? Thank you.

Daniel Lalonde: Sure. Thank you, Geoffroy. Listen, again, maybe I'll take question two and three and let Patricia give you some details on like-for-like question. So share price, that's been an easy one. I am – my job is mainly on the second part you said, the operational side to make sure that the business is healthy, is strong, is got legs for the future and that we're working on the right subjects and that we're investing in the right areas, which I'm convinced we are and that there is plenty of still of growth – profitable growth to be added in our plans. So that's been my focus and that's the focus of the teams all the time.

I don't really have any insights into the ups and downs of the share price underperformance but you can say few months ago there was a big rally as well in the share. So it's hard for me to pinpoint a specific element. There has been, as you know – and that overall market in the past week or so there's been some sell-off in different sectors. So I think obviously we – there was some cyclical and some stock market overall trends that we were part of. But again, I – my focus has been on running a great company for the future.

On the Uyghurs, I guess on the claim, you're asking about the clarity on the claim. Well, listen, the claim was filed, as you know, on 9th April. And we have made many statements in the press and people who feature this article, etc., internally as well saying that we just simply deny all these accusations. We're very, very shocked. I was surprised, very surprised to read that. We will cooperate with the investigation, because we have to, of course, and we'll play good guy. We're already preparing any documents available.

And again, we steadfastly just deny any accusations. We – I was really shocked because we're a good guy on all this. We have a strong supplier code of conduct that's been in place for quite some time. We ask every supplier to time it. Some have not and we stopped working with them. We do audits as well. We audit our supplier base since 2017, a lot of social audits, some of them have to pass test, some of them who haven't, we've stopped working with in the past.

Our sourcing is also very independent, 100% independent of our majority shareholder, Shandong Ruyi. And we don't produce at all – we have never produced in the Xinjiang region ever in the history of our company. So these are just a couple of things I wanted to put forth to say that we were really surprised and we deny the accusations 100%. And then we'll just comply.

Patricia Huyghues Despointes: Thank you, Daniel. Regarding your question on like-for-like, Geoffroy, you know it's a tricky exercise to calculate like-for-like in Europe when many stores are closed and we think it's not the ideal year to talk about like-for-like. That being said, we would say that like-for-like versus '19 or '20 is not very different from the performance we display at constant rates. And this is also part of our strategy to have most of the evolution coming from like-for-like. And this is what's happening in 2021.

Mathilde Magnan: Thank you, Patricia.

Geoffroy Michalet: Thank you.

Mathilde Magnan: I think we have another question.

Operator: Yes. Our next question comes from the line of Marie-Line Fort from SG. Please go ahead.

Marie-Line Fort (Société Générale): Yes. Good morning all. Thanks for taking my question. I've got two. Just to complete the answers you've already provided on the network extension. Could you give us some level of CapEx you projected for 2021? And also quick comment on your online penetration, because if I'm right, your penetration decreased slightly in Q2 compared to Q1. Do you have any reasons for that?

Daniel Lalonde: Thank you. Thank you, Marie-Line. Patricia, maybe I'll let you take those questions, if you like. Okay.

Patricia Huyghues Despointes: Yes. Maybe the first one on online penetration. Marie-Line, Q1 was a little bit distorted in some areas due to the closures of some stores. When you compare one area in 2021 versus 2020 with the opening and closures of stores, it makes figures distorted. In Q2, just because we reopened our physical stores, what we see is that our customers, yes, they continue for trading online and they like this, but they are also very happy to get back to the physical stores.

So we think it's just some normalisation of this ratio. This is why it's decreasing a little bit compared to Q1. However, it remains at a very high level of 25%, which is in the history of SMCP a very strong level. So this is for online penetration. And CapEx, I think, we'll address this more in detail early September at the call regarding results and cash position.

Marie-Line Fort: Okay. Many thanks.

Mathilde Magnan: Thank you, Patricia. Operator, I think this is the last one question?

Operator: Yes. We have one final question. So this comes from the line of Floris Dijkstra from Aperture Investors. Please go ahead.

Speaker: Hi. Good morning. Just a quick question from me. So from what I understand there could potentially be a change in ownership in September. Could you discuss a potential implications on operations of the business? So how integrated is Ruyi with the SMCP story? For example, are they important to your supply chain?

Daniel Lalonde: Yeah, sure. That's a precise question. So listen, I think the – I'd say the context – if you look at the context from our initial relationship with Ruyi, it was in 2016. I was there. In fact, I met them at the end of '15. The premise was always, they would come onboard as a strategic investor, i.e., more just an overall investor but not involved in the operations. And it's been the case ever since.

So, we've been running our operations, I'd say independently, really, even in China as well. We know the market. We simply have an executive team that knows the market very well, the landlords, etc. We ask for their help if and when needed. But we've run the company fairly autonomously. And from the sourcing point of view, we have no sourcing. We have – first of all, our sourcing strategy is separate from that of Ruyi and we don't use them – we don't source from Ruyi at this point in time.

So it's never been part of our approach with our majority shareholder. We run the business independently. As well on the financing side, we've got our own funding programmes with our key banks in Europe, which is independent of that than Ruyi. So that's been the hypothesis and the way we run the business, if you will, from '16 – from 2016.

Mathilde Magnan: Thank you, Daniel. Thank you very much. I think we are done with the question. So I wish you a nice day. The next publication will happen in September for H1 results. So thank you very much.

Daniel Lalonde: Thank you everyone. Wish you a nice day.

Patricia Huyghues Despointes: Thank you.

Operator: Thank you everyone for joining today's conference. You may now disconnect. Thank you.

[END OF TRANSCRIPT]