TELEIOS

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The Board of Directors (the "Board")
Maisons du Monde S.A.
Attn: Sir Ian Cheshire, Chairman of the Board; Mr Gilles Petit, Director of the Board
Le Portereau
44120 Vertou
France

9th March 2020

Dear Sirs,

Teleios Global Opportunities Master Fund, Ltd, a fund exclusively managed by Teleios Capital Partners LLC ("Teleios"), holds 6,022,353 shares in Maisons du Monde S.A. ("Maisons du Monde", or the "Company") representing an interest of 13.3% in Maisons du Monde's issued share capital, making it the Company's largest shareholder of record.

We have previously expressed to you our concerns relating to unsatisfactory operating performance, investor communication and corporate governance at Maisons du Monde, and our view that the Board bears ultimate responsibility for these disappointments, as well as the loss of investor confidence that has resulted.

We understand that several appointments to the Board are expected to be made imminently, potentially including that of a new chairman. **We regret that our repeated attempts to have a constructive dialogue with the Board around these proposed appointments have been rejected. We are now concerned that the candidates the Board wishes to propose may fall well short of the calibre that the Company needs and deserves.**

In addition, following a series of missteps over the past two years, the Company's current share price is so weak that it is vulnerable to an opportunistic takeover bid. **We feel strongly that encouraging or facilitating a takeover bid at this time, even at a generous premium, would not maximise value for shareholders, and the Board must reject any such an approach in order to fulfil its fiduciary duties. We wish to make clear that we will exercise all rights available to us to hold the board accountable should it fail to act in the best interest of shareholders.**

We have taken the decision to share our concerns publicly given their broad relevance, and encourage other shareholders to make their views known. We outline below an urgent course of action that we believe to be in the best interest of all of the Company's shareholders.

Sustained, disappointing performance and poor investor communication

Maisons du Monde has lost more than two thirds of its market value over the past two years, dramatically underperforming the French market[1], as operating performance fell short of expectations and investor confidence was further undermined by management's perceived lack of transparency. The Company's shares

[1] CAC Mid 60 Index declined -12% between 5th March 2018 and 5th March 2020

trade at a multiple of 7x forward earnings, a stark discount to the historical levels seen up until mid-2018 (16-22x) and in line with less differentiated retailers.

During that same two-year timeframe, the Company exhibited stagnant like-for-like performance in its home market, driven by declining like-for-like in-store sales. Exogenous factors blamed by management in 2018[2] could not provide an excuse a year later when the Company started to underperform the French furniture market as a whole.[3] Investor concerns that management pursued the ambitious Modani acquisition in the US in 2018 while more accessible opportunities existed closer to home proved valid, as the profit warning the following year demonstrated.[4]

As this confluence of challenges unfolded, management's poorly judged communication has consistently served to undermine investor confidence. Under close scrutiny, management has reiterated questionable earnings guidance, only to subsequently change their story, leaving analysts and investors wondering whether the guidance had any integrity in the first place.

At the Capital Markets Day last June, management confidently reaffirmed upbeat guidance, before announcing a margin decline barely six weeks later.[5] They then vehemently fought off investor anxieties only to go on to issue a profit warning three months later.[6] Management's dubious claim that they had not adjusted full year guidance to reflect disappointment in one area of the business at the half-year mark in the hope that a recovery in another area would make up for it in the second half only exasperated investors further.[7]

Research analyst commentary has attested to this frustration and the resulting loss of faith. Following the latest profit warning, Kepler Cheuvreux stated that "after so many disappointments […] it becomes difficult to trust management";[8] Citi stated that "investors start to question the delivery of the next five year plan".[9] Goldman Sachs issued a downgrade despite the Company's meagre valuation "driven by declining margins and negative LFL growth in stores" and pointed to the "significant negative consensus earnings revision" over the prior twelve months.[10]

Next steps: improving governance

It is clear to us that management would benefit from closer supervision and guidance, especially with regards to financial communication and capital allocation. With several directors reaching the end of their term at the Company's upcoming annual general meeting, this must be used as an opportunity to refresh and strengthen the Board, and realign it with shareholders' interests.

We are disappointed that you have thus far declined our request for a confidential consultation process with the Company's major shareholders to discuss the candidates the Board wishes to propose, and rather intend to inform us of your decision "after the fact". In these circumstances, we ask that you reconsider our request without delay and seek to obtain support from major shareholders before any appointments to the Board are announced.

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[2] 2018 French IPEA Index down -2.7%; weaker consumer demand (we note the decline in French consumer confidence reported by INSEE); specific factors including transport strikes in Q2, FIFA Football World Cup and warm weather in Q3, Yellow Vests in Q4

[3] 9M 2019 French IPEA Index up 3.5% vs. ~0% (Teleios estimate) like-for-like growth at Maisons du Monde France and 2.7% growth including store expansion; increased French consumer confidence reported by INSEE; absence of specific factors similar to the ones seen in 9M 2018

[4] As per the Q3 2019 update, Modani's full-year 2019 EBITDA will be negative and c. €7 million lower than initially forecasted

[5] H1 2019 results published on 29th July 2019 showed a -140bps EBITDA margin decline year-on-year

[6] Full-year 2019 EBITDA margin guidance revision (from above 13.0% to c. 12.5%) at the Q3 2019 update on 30th October 2019

[7] When asked during the Q3 2019 conference call on 30th October why the Company did not disclose the negative contribution from Modani earlier, Julie Walbaum responded "What made us not change the guidance at the end of H1 is the fact that in parallel to this acceleration we were planning to have an environment consumption environment in France which would be more dynamic. […]. So we were planning to be able to absorb with the Maisons Du Monde scope this further investment […]. We now think that we will not be able to absorb this extra investment. This is why we are updating the guidance now"

[8] 31st October 2019

[9] 1st November 2019

[10] 7th November 2019

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Maisons du Monde's shareholders have borne the brunt of a collapse in investor confidence and the Company's market price over the past two years. It is our view that this lost ground, while regrettable, could be recovered if the Company adheres to proper governance and investor communication principles; this is where the Board's focus should be.

In this line, we ask that you reassure shareholders that the Board will neither seek to facilitate nor encourage an opportunistic takeover bid given the Company's prevailing depressed share price. Such an outcome may be of some benefit to Company insiders, but could drastically short-change its shareholders and fail to serve their long term interest.

We have tried to engage in a constructive dialogue with you, but the correspondence to date has only deepened our concerns about the suitability of the Board as currently composed. **Continued failure to engage in serious and constructive dialogue with us will mean that we will look to exercise our full rights as a significant shareholder in order to effect the change that we believe is necessary to set the Company back on the right path, and restore market confidence in Maisons du Monde.**

We request a response from you on the above matters by 17.00 CET on Friday 13th of March.

Yours sincerely,

Adam Epstein
Partner