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PRESENTATION

Operator

Good morning, ladies and gentlemen. Welcome to the conference call of ABOUT YOU. At our customer request, the conference will be recorded. (Operator Instructions).

It's my pleasure, and I'd now like to hand over to Frank Bohme, who will lead you through the conference. Frank, please go ahead.

Frank Böhme - *ABOUT YOU Holding SE - Head of IR & Communications*

Good morning, everyone, and welcome to our second quarter 2022-2023 results presentation. Today's conference call will be hosted by Hannes Wiese, Co-Founder and Co-CEO of ABOUT YOU. Hannes will walk you through our Q2 results in just a second. The corresponding slides for this presentation have been published on our IR website and on the Publications section this morning. After his presentation, Hannes will be happy to answer your questions.

And with this, I hand it over to Hannes.

Hannes Wiese - *ABOUT YOU Holding SE - Co-Founder, Co-CEO of Operations & Finance and Member of Management Board*

Yes. Thanks, Frank, and good morning to everyone also from my side. Today, we are focusing on the following topics: update on our business, financials, outlook, and Q&A.

So, let's jump right into our business update, starting with the key takeaways of the second quarter '22,'23. Despite macroeconomic headwinds and declining consumer sentiment across Europe, we managed to grow our top line by 8.9%, reaching EUR 431 million in revenues in Q2. We expected acceleration in revenue growth versus Q1 '22/'23, however, did not materialize. Even in these challenging times, LTM active customers increased by 26.8% with a slight increase in average order frequency. Average order value, however, continued to decline, driven by a normalization in return rates and an increasingly promotional environment.

Our DACH segment remains on a profitable growth path in Q2 despite a sharp decline in consumer confidence in Germany. Profitability, however, is under pressure due to unit economics and slower-than-anticipated revenue growth. This results in an adjusted EBITDA margin on lower levels compared to the prior year.

We continue to see solid revenue growth of 28.6% in the Rest of Europe segment, driven by the partial recovery of the CEE markets and continued investments into the newer Nordic and Southern markets.

TME, our B2B, segment continues on its growth trajectory. Year-over-year growth is at 17% in Q2, and we continue to see strong momentum in new client wins. The adjusted EBITDA margin from TME is at 8.8% in Q2, and this is slightly below the levels of last year, which is largely driven by revenue mix effects.

Group adjusted EBITDA is at a negative EUR 42.8 million. Our bottom line was impacted by continued investments in strategic growth initiatives and the cost structure based on higher top line growth expectations.

And today, we confirm our revised guidance for the full year '22/'23. We are all aware of the volatile market environment and persisting uncertainties. Despite these factors, we are confident that we will grow our revenues by 10% to 20% year-over-year. For our group adjusted EBITDA, we expect the full year result of around a negative EUR 140 million to a negative EUR 120 million.

Let's now unpack the different drivers we've observed in Q2, starting with the macro environment where headwinds have further intensified in the Eurozone. The inflation reached record high levels, and consumer confidence is on a record low. Withstanding these headwinds, we continued to grow. A 3-year CAGR of 41% and a 2-year CAGR of 29% underline the resilience of our business model on a long-term growth trajectory. Still, year-over-year growth remains below expectations and it's at 8.9% in Q2, which means a slight deceleration in growth versus our Q1 '22/'23.

Let's now take a closer look at the revenue drivers for our commerce business in Q2 '22/'23, as illustrated on this chart, in a year-over-year comparison versus Q2 '21/'22. It becomes clear that our customer base remains healthy even in these volatile times. While active customer growth remains below the levels of last year's, we continue to see healthy increases in the number of recurring customers, and our continued growth investments also lead to a growing number of new customers year-on-year. Also, the order frequency for both recurring and new customers has further increased in Q2 despite the current macro environment.

We do, however, see negative developments in the average order value in Q2. Pieces per order are slightly down year-on-year, which is enforced by a continued normalization and return rates. And despite the inflationary environment, we are observing a decline in the average item price.

This is driven by multiple factors. Firstly, we see higher discounts driven by elevated inventory levels in the fashion industry. Secondly, average item prices are impacted by country mix effects due to the outperformance of markets where demand is centered around lower price points. Lastly, we are also seeing product mix effects. On the one hand, these are demand driven, meaning some consumers are trading down. On the other hand, these are also driven by the continued onboarding of fast fashion brands with a stronger product offering at entry price points.

The positive of this picture is that future growth prospects remain intact with a growing and more active customer base, even in the challenging environment we faced in Q2. Worsened order economics, however, put pressure on both current top and bottom line dynamics.

Bottom line pressure is further intensified by the currently low demand levels. We are addressing this issue with multiple measures along all cost lines, and we would like to give you some examples here, starting with COGS, which are negatively impacted by elevated inventory levels. To better match supply with demand, we have adjusted the ordering for the Fall-Winter '22 and Spring-Summer '23 seasons in close collaboration with our suppliers.

On the fulfillment side, the lower-than-expected revenue growth leads to underutilization in our distribution and return centers. Unic economics optimization is a key focus area to compensate for some of these effects, and we are testing several measures here. Further, with the increasing share of our fulfillment by ABOUT YOU business and active capacity management, we can improve utilization against the baseline.

Marketing teams are in a particularly difficult place because they have to stabilize revenue growth in a difficult market environment and save costs at the same time. For performance marketing, we decided for more unified and tightened ROI targets to translate marketing spending into revenues faster. In addition, we are reducing fixed-type costs in content and media spendings.

General and admin expenses are impacted by the currently lacking operating leverage. Consequently, we are slowing down the number of new hires and have also further intensified our overhead efficiency program addressing various cost lines.

Let's now double-click on the fulfillment cost line for a second, where our cost-to-revenue ratio increased disproportionately from 20.3% in Q2 '21/'22 to 28.5% in our Q2 this year. This increase is due to a mix of market and company-specific factors.

Starting with market factors. Firstly, the increased inventory levels resulting from the weakened consumer demand led to higher discounts and the temporary increase in warehousing and processing costs. This effect is expected to ease over time as the ordering is adjusted for the upcoming seasons. Secondly, logistic costs face pressures from inflationary dynamics, such as higher fuel and packaging costs as well as wage increases, making it more difficult to meet our economies of scale. This effect is expected to persist over the midterm as we expect inflation to remain on elevated levels also going into next year. Thirdly, as expected, we see return rate moving back towards pre-COVID levels and average order value is slightly down year-on-year. We expect these normalized return rates to persist for the longer-term, and through technological advances, we'll have a more persistent positive impact on return rates.

Let me now come to the company-specific factors. Here, I'd like to remind you first that we are currently right in the middle of our European DC network roll-out. As indicated on the left-hand side of this chart, our Slovakian side has just recently completed ramp-up stage, Poland is now entering ramp-up, and France is already in construction phase.

The network roll-out has significant implications on our current and future fulfillment cost structure. Firstly, we are exposed to step cost during the roll-out an effect which is currently enforced by the lower-than-expected revenue growth leading to comparably low utilization. This effect will ease over time given our continued growth expectations and active capacity management.

Secondly, the roll-out creates non-recurring ramp-up and project costs. These one-time costs are not adjusted and will sustain over the mid-run until all 4 DCs are fully operating. Finally, the increase in operational complexity, which is induced by the growing number of interlinked DCs is expected to persist for the long term. Complexity costs arising from this can principally be offset by factors like increased automation, process improvements and operating leverage, but this will take time and it is not expected for the mid-term. Hence, increase in fulfillment cost ratio in Q2 '22/'23 is caused by a mix of temporary effects which are expected to ease over the next quarters, and structural effects, which are expected to persist over a longer time horizon.

Moving on to our B2B business. The revenue development for the TME segment overall is currently volatile. On the one hand, the successful cross-selling of customers into other B2B products enables revenues from individual customers to be increased. On the other hand, also our B2B customers see their own online sales adversely affected by macro factors and are confronted with a strong comp base from last year. This also negatively impacts the growth of our SCAYLE take-rate revenues, as these are tied to our B2B customers sales. Furthermore, a decreasing spending willingness can also be observed among B2B customers more broadly in view of macro headwinds and recession expectations.

Aside from the short-term revenue dynamics, we continue to progress very well on the future value drivers for SCAYLE. This is demonstrated by strong new client wins in recent months, which are facilitated by the successful brand positioning of SCAYLE and the ramp-up of our sales force. The contract volume that we acquired with new customers this year alone adds up to EUR 100 million over the contract duration. We are proud to provide our software to well-known players such as Fielmann and Deichmann, which are aiming to grow their online businesses with our SaaS products in the future.

In these volatile times, it is important for us to be very clear also on our medium-term priorities. #1 priority for the group remains the adjusted EBITDA breakeven in FY '23/'24. We are aware that the breakeven target seems optimistic against the current market backdrop and in view of our continued growth investments and revised expectations for this year. But we are fully convinced that ABOUT YOU will continue to evolve strongly over the next quarters and that we will be in a good position to deliver on our target next year.

Let me frame this a bit, please. We will have a much larger and more active customer base than this year as we continue to see improved customer metrics even in this challenging environment. We will have reached critical mass in our Nordic and Southern markets, enabling us to effectively slow down investments in brand and new customer acquisition. We will see our inventory to better sync with demand, easing the pressure on the gross margin. We will have advanced in our DC network roll-out and expect some of the current headwinds on fulfillment costs to ease over the next year. We will have a higher share of high-margin SaaS revenues for SCAYLE as the newly acquired leads are progressing to live stage. And lastly, we will see positive effects from our running efficiency programs targeting all cost lines.

Let's now move on to the financial update. On top line, where we continue to see all our segments growing despite the difficult market environment in Q2.

But let's start with the group trading on the left-hand side of this chart. As already discussed, we grew our revenues by 8.9% in Q2, which corresponds to EUR 431 million in revenues. That means that the expected improvement in revenue growth compared to Q1 '22/'23 where we saw a strong impact from the Russia-Ukraine conflict did not materialize. In fact, revenue growth has moderately slowed down over the course of Q2 '22/'23 and remains relatively volatile.

Moving on to the DACH segment, where revenues increased by 4.7% in the second quarter. The development of revenues in the DACH region was twofold. In Austria and Switzerland, we continue to grow strongly. The German market, on the other hand, was more difficult, particularly due to the sharp decline in consumer sentiment.

In the Rest of Europe segment, revenues were up 28.6% in Q2. While the performance in the first quarter was still impacted by the Russia-Ukraine conflict, CEE performance started to improve in May 2022. Top line performance in the RoE segment was further supported by large-scale media and branding campaigns, especially in our comparably new Nordic and Southern European markets.

Moving on to our TME segment, where revenues grew by 17% in the second quarter. As already discussed, we are seeing different dynamics here. On the one hand, our take rate business is negatively impacted by the current revenue development of our clients and we observe a relatively low spending willingness also on the B2B side. On the other hand, we see strong traction in acquiring and integrating new clients, and we are able to cross-sell existing clients into other B2B products.

We have already discussed our commerce top line drivers for Q2, and the LTM figures depicted here show a similar picture. Strong growth in active customers of 27%, further increases in frequency and an average order value, which declines towards pre-COVID levels.

Let's now move on to our bottom line, which is currently under pressure in all our 3 business segments.

But let's start again on the left-hand side of this chart, showing our group adjusted EBITDA margin at a negative 9.9% in Q2 '22/'23 versus a negative 3.3% in the last year. The margin decline is primarily the result of lower-than-expected revenues, the previously discussed headwinds on fulfillment costs and continued growth investments.

Our DACH business remained profitable despite these factors. The adjusted EBITDA margin in Q2 '22/'23 declined to 0.4% compared to 3.9% last year. This is particularly driven by the German market where both consumer confidence and unit economic effects are materializing.

Moving on to our RoE segment, where the adjusted EBITDA margin declined to negative 18.8%. The main driver for the negative EBITDA are the ongoing investments for new customer acquisition and brand building in our newer Nordic and Southern European markets. Our RoE margin is further negatively affected by comparably high discount levels in CEE in Southern Europe and the cost from the roll-out of our European DC network.

On B2B, our TME business achieved a Q2 adjusted EBITDA margin of 8.8%, down from 15.4% in the last year. The decline in the margin can be explained by several factors. Firstly, the currently-impaired growth dynamics of high-margin SaaS licensing revenues, which are tied to the revenues of our B2B customers. Secondly, several large implementation projects are currently ongoing, which will convert into high-margin SaaS revenues only in the midterm. Until then, these projects are invoiced on a time-and-material basis with corresponding margin implications. Thirdly, particularly in the SCAYLE context, our investments are being made into the internationalization of the business and a more proactive go-to-market with our growing sales force. Lastly, we are also seeing strong growth and comparably low-margin B2B revenue streams like fulfillment and growth services. These create negative revenue mix effects for the TME margin as a whole.

Let's now take a look at the key cost lines of the group. Starting with the gross margin, where we saw a slight improvement of 10 basis points to 39.1% in Q2 despite the challenging market conditions. This development is primarily the result of the continued increase in the share of B2B and Own Labels revenues, and in addition, economies of scale resulted from fee agreements with suppliers and operational optimizations. These factors were able to offset pressure on gross profit caused by high inventory levels, inflation, consumer uncertainty and supply chain impacts.

Next, our fulfillment cost ratio, which increased to 28.5% in Q2, up from 20.3% in the previous year. As already discussed, this is the result of a mix of market factors like inflation and return rates, and company-specific factors in the context of our DC network roll-out.

Moving on to our marketing costs. The marketing cost ratio declined to 15.8% in Q2, down 1.1 percentage points versus last year. This is primarily the result of a more conservative steering of performance-oriented online marketing channels with higher return on investment targets.

Lastly, our admin and other cost ratio improved by 0.3 percentage points despite a generally high level of inflation as our overhead measures show first positive effects.

So, despite the challenging market we faced in Q2, we are seeing a positive development in all cost lines, except for the fulfillment costs. The extent of the fulfillment cost increase is, however, driving a decrease of all our group adjusted EBITDA margin by 6.6 percentage points to a negative 9.9% margin in Q2 '22/'23.

Let's now move on to our cash flow drivers. Our net working capital moved into positive territory and is at EUR 26.8 million for Q2. Working capital dynamics are currently largely driven by elevated inventory levels due to the lower-than-expected revenue growth in H1, seasonal peaks at the beginning of the Autumn-Winter season as well as structural increases due to our DC network roll-out.

Our CapEx amounted to EUR 10 million in Q2, which is a moderate increase compared to the prior year. As usual, most of the CapEx went into our growing IT and logistics infrastructure.

Moving on to our cash position. Let us first look at our free cash flow, which is at a negative EUR 110 million for Q2. This significant cash out is largely driven by the increase in inventories as well as the negative EBITDA for the quarter. The financing cash flow is at negative EUR 6.7 million, which is driven by payments for leasing agreements. We ended the quarter with cash and equivalents of EUR 348 million. This is still a very comfortable cash position to navigate through current macro headwinds and to continue investments into the growth of the business.

Let's now move on to the final section of this presentation, the financial outlook. We reiterate our revised FY '22/'23 guidance as we expect our group revenue

(technical difficulty)

Operator

Ladies and gentlemen, please hold the line. Ladies and gentlemen, we apologize for the interruption. We have a technical issue. Please hold the line. The conference will continue shortly.

(technical difficulty)

Frank Böhme - *ABOUT YOU Holding SE - Head of IR & Communications*

Sorry for that. Okay.

Operator

We apologize for the interruption. Frank is back there. The speaker, please go ahead.

Frank Böhme - *ABOUT YOU Holding SE - Head of IR & Communications*

Awesome, yes. Sorry for the interruption, Hannes will continue.

Hannes Wiese - *ABOUT YOU Holding SE - Co-Founder, Co-CEO of Operations & Finance and Member of Management Board*

Yes. Thanks.

So we were at CapEx, which is expected to be around EUR 60 million to EUR 80 million, and net working capital is expected to be neutral towards the end of FY '22/'23 as we are expecting elevated inventory levels also in H2.

Now, I would like to finish this presentation by thanking you all for your time today, and I'm now looking forward to answering your questions. So moderator, can we start?

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) We have the first question from Anne Critchlow from Societe Generale.

Anne Critchlow - *Societe Generale Cross Asset Research - Equity Analyst*

I've got 2. So first of all, you mentioned the flexibility in Autumn-Winter '22/'23 orders in response to increased inventories now. Do you have any flexibility for Spring-Summer '23?

And then the second question is about Rest of Europe. So just wondering which markets you think have greatest potential to be profitable longer term? And do you intend to focus on these more? And are there any markets which you're kind of withdrawing assets away from?

Hannes Wiese - *ABOUT YOU Holding SE - Co-Founder, Co-CEO of Operations & Finance and Member of Management Board*

Yes. Thanks for the question.

So on the order flexibility, so for Spring-Summer '23, there is definitely some flexibility, and we are cooperating closely here with our suppliers. I think the Spring-Summer '23 will not be at an ideal spot, but pretty close to and for Autumn-Winter '23, then this is pretty greenfield and we can completely address order to the current demand levels that we expect.

And for RoE, I think there's no particular market to be called out, so we are actually quite positive about the profitability evolution of our CEE markets. Now, especially since they are recovering from the initial Russia-Ukraine demand shock, we are also positive about the development of the Nordics, although this is certainly still at an early stage. But looking at core behavior, unit economics and so on, pretty positive here. And this also was true for the large part of our newer Southern European markets. Here maybe a bit more of a mixed picture, so some markets not fully living up to expectations. But broadly speaking also here, we're super confident that this will break even in the future.

Operator

The next question is from Georgina Johanan from JPMorgan.

Georgina Sarah Johanan - *JPMorgan Chase & Co, Research Division - Analyst*

I've got 3 quick questions, please.

The first one was just with regards to the reconciliation amount in revenue, that stepped up quite a lot. Is that something to do with the higher returns rate, or is there something else going on there, please?

My second question was just with your reference to increased complexity in the fulfillment cost line. Are you only referring there to multiple warehouses, or is there something else going on there, please?

And then finally, just a clarification, and sorry because I think my line dropped off a bit before where you then recommenced. In terms of medium-term targets and the EUR 5 billion of revenue purchase answer question, given the backdrop there. Just to understand, are you now formally moving away from that target please? Or is it still kind of remaining there with an ambition, if you like?

Hannes Wiese - *ABOUT YOU Holding SE - Co-Founder, Co-CEO of Operations & Finance and Member of Management Board*

Yes, sure.

So let's start with the question on reconciliation. One driver here is the strong increase in our -- fulfilled by -- by new revenues, which are shown as revenues in the TME segment as part of the enabling revenue stream, and these are then reconciled on group level and in the IFRS group statements, are shown as a reduction in costs. This explains part of the high reconciliation, and then there's also a different -- difference in the revenue recognition and timing for the group accounts versus the segment accounts, and this explains some volatility which evens out over time. So there's a bit of a timing gap, which explains also part of the high reconciliation for the Q2.

On the next question with complexity in fulfillment, yes, this fully relates to the higher number of DCs. I mean, we are building an integrated network here. So we are optimizing the stock availability across the DCs, and it's not that we're using the DCs for single markets, but rather try to make large parts of the stock available to all markets. And this -- this is, of course, quite complex and involved a lot of transportation and routing optimization and so forth. And yes, this is the key driver of complexity that we are currently seeing and also expect for the future.

And in terms of the medium-term target, the EUR 5 billion revenue goal, yes. We still think that's achievable. It has, of course, become more ambitious now given the current macro environment and so forth, but we still think it's achievable. That said, as laid out in the presentation, key focus presently is on the breakeven for the next financial year. And once we've achieved that, we will take a closer look at the medium-term revenues and bottom line targets derived from that.

Georgina Sarah Johanan - *JPMorgan Chase & Co, Research Division - Analyst*

And sorry, just to be clear, you still think EUR 5 billion revenue is potentially achievable in fiscal ['26]?

Hannes Wiese - *ABOUT YOU Holding SE - Co-Founder, Co-CEO of Operations & Finance and Member of Management Board*

Yes.

Operator

The next question comes from Nicolas Katsapas from BNPP Exane.

Nicolas Katsapas - *BNP Paribas Exane, Research Division - Research Analyst*

You gave us quite a lot of detail on the fulfillment costs, but maybe focusing on the other costs at all. But you brought down the marketing costs and admin cost ratios, both quarter-on-quarter and year-on-year. Is this the kind of profile that we can expect you to maintain or target at least going forward in the rest of the year?

And then on the marketing costs, you mentioned a higher RoE -- higher ROI threshold, but also brand building roading off. Could you give us a sense of how much each was contributing to the lower ratio? And then do you see any downward pressure on sort of performance marketing prices given the lack of demand in the wider market?

Hannes Wiese - *ABOUT YOU Holding SE - Co-Founder, Co-CEO of Operations & Finance and Member of Management Board*

Yes, of course.

Let's start with the evolution of the cost lines for the year. So for marketing in Q3, I would expect a slight increase versus Q2 both in absolute and relative terms. That is driven by campaigning activity that we're doing at the moment. Events like the ABOUT YOU Fashion Week, which we just hosted big influencer campaigns like, for example, right now with Bella Hadid and so on. So there's a lot of brand building activity here and also, of course, continued investments into newer markets like Southern Europe and the Nordics. And for Q4, I would expect marketing cost ratio to then decline again as we are progressing on our path to profitability for the FY '23/'24.

And admin costs, I think, broadly the same picture as for the Q2. So a little bit of an operating leverage but not too much, maybe a slight improvement versus last year.

And for the different components in marketing, so this ROI target, this is actually quite dynamic. They are being adjusted with regards to the current market environment that we see with regards to customer lifetime value expectations and so on. This is also making up the larger proportion of marketing spend. So here, it's -- yes, it's volatile, but it can be steered on relative short notice. And for more like fixed type marketing components, so like big branding campaigns or events or big influencer corporations, this is definitely less than 50%. And this is also one key focus area where we look at when we talk about marketing cost savings for the future, given that markets are maturing, and we see our brand also well established also in newer markets.

And in terms of the dynamics that we see on the cost per X side, I would say cost for also performance-oriented marketing channels are coming down. So there's less marketing pressure, and this also leads to lower cost per click or lead but this is also in line with customer lifetime value projections coming down. So due to the unit economic effects that we discussed and also customer behavior in general, it's also that the TV projections are being reduced. So this is going hand-in-hand, and it doesn't give us a particular advantage or tailwind net-net.

Operator

The next question is from Nizla Naizer from Deutsche Bank.

Fathima Nizla Naizer - *Deutsche Bank AG, Research Division - Research Analyst*

I have 3 as well.

The first question is on your third-party sort of suppliers. How are they acting at the moment? Are they increasing prices because of their own cost pressures, and has that been sort of easy to pass on to your own customer base? How are you sort of approaching that development? Some color there would be great.

Second, there was a statement in the press release, I think, made by Tarek where he said this is a time to focus on profitability over short-term growth, and we expect a period of market consolidation. Could you give us some color as to what the market consolidation angle implies? Is it from the online marketplace's perspective or more from the supplier perspective? Some color there would be great.

And my last question is on the outlook for the full year. Reaching the midpoint does imply that growth could accelerate in H2 and profitability on absolute numbers could improve as well. Is that a reasonable assumption with everything you're seeing at the moment?

Hannes Wiese - *ABOUT YOU Holding SE - Co-Founder, Co-CEO of Operations & Finance and Member of Management Board*

Yes, thanks for the questions.

Let's start with the one on third-party suppliers. So RRPs are developing in line with what we had expected, I think. So we were expecting mid to high single-digit increases for Autumn-Winter 2022. That is also what we are seeing, given the elevated inventory situation that we're seeing right now and the high discountings. I think we are not able to fully pass this on to customers, but I would expect us to be able to do so once supply in general is better in sync with demand.

And then on the second question in terms of market consolidation, yes, it's a general statement. I mean, if we look at the online fashion market and see the share of the market owned by big platforms, that's probably the third or so, and we would expect this share to increase over time. This is consistent with the assumptions also prior to all these changes in the macro environment, but maybe we will see an acceleration of that happening now in the next years.

And the last question on outlook for the full year, yes, we're comfortable with the growth assumption, 10% to 20% for the full year. As said, it implies a slight acceleration in growth versus our Q2, but we are also facing softer comps for H2 from last year. So we're confident here, and this is also backed by the current trading that we're seeing.

And in terms of profitability, you're right, we are expecting a slight improvement in the margin versus the H1. But this is also, in large part, explained by seasonal factors. So we are seeing a higher profitability pattern in H2 versus H1 due to higher ticket items, return rates and so on. And also, of course, due to some of the positive effects that we already see in H2 from the efficiency measures that we are now executing, especially in view of the breakeven target next year.

Operator

The next question is from Volker Bosse from Baader Bank.

Volker Bosse - *Baader-Helvea Equity Research - Co-Head of Equity Research*

I have also 2.

I would also come back on the statement of Tarek in the press release regarding the current validation. Does it finally mean that you expect less competition going forward? And with this, do your sales also has an active part in the M&A game, which is going to start in (inaudible)? How do you see the (inaudible) methods potentially that the other (inaudible) Again, have you heard about that.

And finally, also on current trading, I think September was [quite] stable in regards to whether [ambitions] (inaudible). In Germany, does it help you? And maybe are you able in September still continue to grow in Germany and (inaudible) region to continue to grow double digit in [realistic] for that (inaudible) for customers?

Hannes Wiese - *ABOUT YOU Holding SE - Co-Founder, Co-CEO of Operations & Finance and Member of Management Board*

Yes. Thanks. I must say, I had a hard time understanding you. So I think the first one was on consolidating trends again, an impact on competition. Let me elaborate a bit on this. And then if I missed some of the aspects, then please follow up on that.

So I would expect competition to be less intense in the course of this consolidation. However, this will be my view to be expected more like over the next year, so really like a long-term horizon, and not that we're seeing or expecting something materializing in the very short run. So these consolidation trends, at least our view is they will materialize over the years, and this is a long-term trend.

And on current trading, yes, we've seen now an acceleration in growth in September versus August. That said, August was also particularly soft, so average growth in August was below average growth for the Q2, hence we're coming from a low base. But I think generally, the growth pattern has improved now moving into Autumn-Winter.

Volker Bosse - *Baader-Helvea Equity Research - Co-Head of Equity Research*

Yes, regarding -- another question regarding this -- the first question regarding ratio. Would you see -- you said that the exit part in consolidation process? And second part was about the recent potential in time (inaudible) if you have to [continue].

Hannes Wiese - *ABOUT YOU Holding SE - Co-Founder, Co-CEO of Operations & Finance and Member of Management Board*

No, we're not planning to take an active part at this point. We believe we have very strong organic growth opportunities ahead of us, and it's not that we are focusing on, like, horizontal consolidation. We are, of course, looking in terms of M&A at targets that are, for example, interesting for our technology, product suite and/or equity hiring opportunities, but we're not driving horizontal consolidation.

And in terms of taking private, yes, this is nothing that we can comment on this. We probably have to be -- ask our shareholders, but we're not aware of any such plans.

Operator

(Operator Instructions) The next question comes from Emily Johnson from Barclays.

Emily Johnson - *Barclays Bank PLC, Research Division - Research Analyst*

So my first question is on current trading into September, October. I'm particularly interested in Germany. You referenced that current trading was encouraging, that you could see an acceleration into the second half of the year. How much of the September-October improvement do you think is a catch-up effect from a particularly weak August with the heat wave versus consumer demand starting to improve on an underlying basis?

My second question is on the returns rate. Can you just clarify, is that increase in the return rate just a product mix effect, or -- and it's returning to pre-pandemic levels? Or is there any kind of overshooting versus what you would have otherwise expected happening?

And then the third question is, you referenced while you were discussing the lower selling prices in the quarter. But can you give a bit more color on what you're seeing around the consumers trading going? And linked to that, what are your expectations for Black Friday and Cyber Week this year? Are you expecting it to be particularly promotional?

Hannes Wiese - *ABOUT YOU Holding SE - Co-Founder, Co-CEO of Operations & Finance and Member of Management Board*

Sure.

So on current trading catch-up versus trend, so what we've seen is, I would say, a delayed start into the Autumn-Winter season. given the weather pattern that you described. So I think yes, what we're seeing now is a ramp-up into Autumn-Winter, which is -- yes, positive user part, but it's just a couple of weeks delayed. But I think it's too early to say that we're talking about a reversal or an improvement in the customer behavior. And this is also, I think -- I mean, it wouldn't be backed by the macro data that we have. So I think it's more like a short-term effect going into Autumn-Winter.

And on the return rates, so for the group as a whole, we are seeing a decline in the return rate that is driven by especially country mix effect. So lower return countries, some growing faster than more mature ones. And on a like-for-like basis, so same countries, same product categories, same consumer demographic price point and so forth. I would say return rates are almost back to pre-pandemic levels, but still slightly below. So there's a very small margin where our expectation, however, would be that this will also cease. So we will get completely back to pre-pandemic levels over time.

And on the selling prices, yes, we do see some consumer segments trading down. This is probably, however, also partly induced by the supply side. So generally more discounting and also, at least for us, accelerated onboarding of also fast fashion brands and so forth. And yes, it's a good question with regards to Black Friday. We're also asking this ourselves. Yes, I think there could be some positives here given the current consumer behavior. That said, however, over the last years, we have observed more like yes, less of a hype around Black Friday. And which of these dynamics will out -- will -- yes, be stronger this year, hard to say at this point, to be honest.

Operator

Ms. Johnson, does that clear your question?

Emily Johnson - *Barclays Bank PLC, Research Division - Research Analyst*

Yes.

Operator

The next question is from Simon Bowler from Numis.

Simon Bowler - *Numis Securities Limited, Research Division - Head of Research*

Just 2 questions for myself, if it's okay.

First one being just on your DC network roll-outs. Just, is there kind of much flexibility around that if you wanted to kind of rein back some of your ambitions there with regards to the French location in particular, I guess, or even options around subletting or finding alternate use for some of the space that you've taken on?

And then secondly was just to what extent you are or are considering any kind of changes to, for example, kind of delivery returns proposition as a lever to support margins to drive towards your breakeven target?

Hannes Wiese - *ABOUT YOU Holding SE - Co-Founder, Co-CEO of Operations & Finance and Member of Management Board*

Yes, sure.

So on the network of the single DCs, I mean, there's always a bit of flexibility because usually, these are being built partly modularly. So you can scale these facilities also up over time, which is a common procedure, I think. And this is also what we plan to do and had also planned to do prior to the current market environment. I'm actually pretty positive that over the next quarters and years, the size or capacity that we are acquiring with the new DCs will also match the demand that we're seeing. So I also wouldn't see a big need at this point to really adjust the capacity that we have planned.

On the delivery and returns proposition, yes. This is something that we're looking at, and this is also what we mean with some tests around unit economics measures. We are testing around shipment cost /MOVs, for example, but it's too early at this point to really call out specific measures for the mid and long run. Yes, we are looking at this, but more like in a testing environment right now and not yet fully rolled out in live.

Operator

With this last remark, we'll be ending the Q&A session. Frank Bohme will address you with the final remarks.

Frank, please go ahead.

Frank Böhme - *ABOUT YOU Holding SE - Head of IR & Communications*

Let me close our presentation by saying thank you for all your support and for joining us today on our conference call for the second quarter. If there are any further questions, please feel free to contact the IR team directly.

Thanks, and bye-bye.

Operator

Ladies and gentlemen, the conference has now concluded, and you may disconnect your telephone. Thank you very much for joining, and have a pleasant day. Goodbye.
