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CORPORATE PARTICIPANTS

Nora Puhala *ABOUT YOU Holding SE - Investor Relations Manager*

Hannes Wiese *ABOUT YOU Holding SE - Co-Chief Executive Officer, Member of the Management Board, Head - Operations and Finance*

CONFERENCE CALL PARTICIPANTS

Volker Bosse *Baader Helvea Equity Research - Analyst*

Nizla Naizer *Deutsche Bank - Analyst*

Yashraj Rajani *UBS Limited - Analyst*

Benjamin Kohnke *Stifel Nicolaus Europe Limited - Analyst*

PRESENTATION

Nora Puhala - *ABOUT YOU Holding SE - Investor Relations Manager*

Thank you very much for the intro, and good morning to everyone. Also from my side. Welcome to our first quarter 2024-2025 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 Q1 results in just a second. The corresponding slides to this presentation have been published on our IR website under the Publications section this morning. After his presentation, Hannes will be happy to answer your questions. And with this, I hand it over to you, Hannes.

Hannes Wiese - *ABOUT YOU Holding SE - Co-Chief Executive Officer, Member of the Management Board, Head - Operations and Finance*

Yeah, thanks, Nora, and good morning to everyone also from my side. Today, we are following our usual agenda. Business update will be relatively short today as we've just given a more comprehensive update with the release of the full-year results. We discuss our Q1 financials, our FY24-25 outlook, and we'll close this call as usual with Q&A.

With that, I'm going to jump into the business update. Starting on page 4, the key takeaways of the first quarter '24-'25. We delivered on our promise to report revenue growth and increase adjusted EBITDA versus the prior year quarter. Revenue increased by 2.2% to EUR 518 million and adjusted EBITDA more than tripled. to EUR 15 million.

From an order economics perspective, the revenue increase was driven by another healthy uptick in the average order value. Over the last 12 months, our AOV is now up 6.7% year on year, reaching EUR 58.5 per order. Recorded a strong gross margin increase of 380 basis points to 43.2% in Q1. This is the result of positive revenue mix effects and improved inventory position, and a lower promotional intensity in the fashion industry.

This gross margin increase is also the main driver for the uptick in adjusted EBITDA and provided room for growth investments into marketing. For example, we successfully executed a comprehensive anniversary campaign for ABOUT YOU's 10th birthday. We have generated a high positive IFRS free cash flow of EUR46 million in the quarter due to the improved EBITDA, reduce inventory levels, and slightly lower CapEx.

For FY24-25, we are confirming our guidance for revenue growth in a range of 1% to 10% and an adjusted EBITDA in a range of EUR10 million to EUR30 million. Results reported in Q1 and a good start into Q2, we are very well on track to achieve these targets.

Let's go directly on one of our investment areas in Q1 and start with a recap of our 10-year anniversary campaign on page 5. The Campaign ran from the beginning of April until mid-May across all markets and channels under the slogan -- 10 years with you, 10 years ABOUT YOU. With 4 TV commercials, the campaign reached over 400 million gross contacts within the young and fashion-conscious target group. 190 content creators were an integral part of the campaign and millions of consumers were reached with their posts on social media.

Furthermore, activations such as the ABOUT YOU moments were used to boost customer engagement in the campaign. For example, under the theme “Moments You’ll Never Forget”, special gifts were raffled of to customers such as tickets for the Euro Final, or unique travel experiences. Overall, our 10-year anniversary was a very successful campaign in terms of customer engagement, reach, and media buzz. And we're looking forward to see more engaging campaign formats over the course of '24-'25.

Let's move on to SCAYLE as part of our FY23-'24 reporting in May, we announced a separate event for SCAYLE in autumn this year. This event will take place on November 7, in a virtual format. Topics covered will include SCAYLE's product and roadmap, financial and operational KPIs, as well as growth levers going forward. Over the next weeks, you will receive a save the date from our IR team. Closer to the event, you will receive a follow-up with more detailed information.

Let's now move on to financial update, starting with our topline on page 8 and our group revenue on the left-hand side. Revenue increased by 2.2% year on year to EUR 518 million in Q1. Trading dynamics in Q1 were such that we recorded mid-single digit growth rates in March and April. Relative tough comps, and a muted trading dynamics in May, however, drove down our total Q1 growth rate a bit.

But let's take a closer look at our segments. Turning to top dynamics in Q1. Starting with DACH, where revenue increased by 1.6% in the first quarter. This development was driven by the German market, where consumer sentiment continued to improve, and our marketing campaigns showed positive effects. The Rest of Europe segment revenue increased by 2.3% year on year, supported by marketing investments and a more normalized promotional environment.

Moving on to our TME segment, where Q1 revenue declined by 3.1% year on year. Let's look at the different streams to unpack this. In tech, SCAYLE revenues continued to increase, driven by the acquisition and go-live of new clients. In Enabling, revenue development was relatively muted as the growth of FbaY was offset by elimination of loss-making revenue streams. In Media, revenues declined largely due to an increased focus on products with a high margin profile. Overall, slight revenue decline for TME, but positive mix effects within.

To move on to our customer engagement metrics in the Commerce segments shown on page 9. The number of last 12-month active customers declined by 4.4% year-on-year to 12.3 million active customers for Commerce in total. The decline is, however, slowing down. This also becomes clear if we look at the development of this trailing last 12-month metric over the last quarters. In Q4 '23-'24, for instance, LTM active customers also totaled about 12.3 million.

Customer dynamics can be better explained if we look at this from a regional perspective. In our more mature markets, in the DACH and BeNeLux region, our LTM active customer base for Q1 '24-'25 remained broadly flat year on year despite a challenging market environment.

In CCE, our LTM active customers increased slightly year on year, driven by our continued leadership position in many markets and improvements in consumer sentiment. The Nordics and Southern European clusters, however, we are seeing LTM active customers decline year on year.

It is the result of our profitability measures in selected markets which drives down the total development in active customers. This regional effect is, however, also slowly fading out. Overall, we hence remained confident that the active customer decline is bottoming out over the course of FY24-25, followed by a return to a sustainable growth trajectory.

Moving on to frequency, which was relatively muted at 3.1 transactions per active customer over the last 12 months. This can be attributed mainly to the challenging market conditions as well as unit economics measures introduced to increase the profitability of existing customers. The average order value, however, increased by 6.7% year on year to EUR 58.5 per order over the last 12 months. This increase is largely due to our unit economics measures as well as higher RRPs and lower discounts.

Let's move on to our bottom line on page 10, starting on the left-hand side of this chart, which shows our group-adjusted EBITDA. Our adjusted EBITDA margin improved by 210 basis points year on year and reached 2.9% in the first quarter of '24-'25 for the Group.

Let's take a closer look at the key EBITDA drivers from a segment perspective again. In our DACH business, profitability declined 190 basis points year on year, reaching an adjusted EBITDA margin of 3.3% in Q1. The decline was the result of higher marketing investments, partly related to the

10-year anniversary campaign. Increase in marketing costs overcompensated the positive effect from a higher gross margin due to a lower level of discounting.

Moving on to our RoE segment, where we increased our adjusted EBITDA margin by 200 basis points year on year. Improvement in the EBITDA margin was driven by lower clearance activity, measures introduced to improve unit economics as well as the non-recurrence of onetime costs related to the rollout of our European distribution network.

On B2B, the margin in our TME segment increased by 630 basis points to 24.5% versus last year. The increase is the result of positive mix effects with a higher share of high-margin Tech revenues as well as general cost discipline and the elimination of loss-making revenue streams.

Let's now move on to page 11 and take a closer look at the key cost drivers of the group. Starting with the gross margin, which increased by 180 basis points to 43.2% in Q1 '24-'25. The increase was mainly driven by an improved inventory position at ABOUT YOU and a reduced promotional intensity in the fashion industry more broadly. The growing share of high-margin Tech revenues in the TME segment further support the gross margin increase.

Next, our fulfillment cost ratio which increased slightly by 40 basis points to 24.2% in Q1. The increase was primarily attributable to one-time costs related to automation products and logistics network as well as revenue mix effects with a lower share of drop-shipped orders.

Let's move on to our marketing costs, which increased 160 basis points to 11.7% in Q1. The increase was planned and driven by the 10-year anniversary campaign, moderate steering adjustments for Commerce, as well as marketing expansion investments for SCAYLE.

Lastly, our Admin and other costs ratio declined by 30 basis points to 4.5%. The decline is largely due to operating leverage as well as strict operating cost control. All these factors combined resulted in the strong increase of our Group-adjusted EBITDA margin by 210 basis points to 2.9% in Q1 '24-'25.

Let's now take a look at our cash flow drivers on page 12. Our net working capital improved significantly year on year and is at a negative EUR 63 million at the end of Q1 '24-'25. This is a decrease of more than EUR 90 million versus last year, which largely results from a reduction of inventories and the optimization of payables to improve payment terms.

CapEx amount to EUR 13.9 million in the first quarter, which is a moderate reduction versus last year levels. The decline is partly due to lower capitalization on software development as well as decline in loans to influencer brands.

Moving on to our cash position on page 13. Let’s first look at our operating cash flow, which is at a positive EUR 59.3 million in Q1 '24-'25. This development largely results from the positive EBITDA and a decline in net working capital as discussed on the previous slide.

Investing cash flow is at a negative EUR 13.3 million, which is another moderate improvement versus last year levels. Our IFRS free cash flow hence reached a strong EUR 46 million in Q1, which is an improvement off around EUR 35 million versus Q1 last. Financing cash flow is at a negative EUR 15.1 million, largely driven by payments for leasing agreements relating to our logistics network. Hence, ended Q1 '24-'25 with a cash and equivalents balance of EUR 194.8 million, which is in a similar range as our cash position in Q1 last year.

The cash position combined with the undrawn backup loan facility of up to EUR 97.5 million, hence creates a comfortable liquidity buffer for us and enables us to flexibly develop the business going forward.

Let's move on to the final section of this presentation, the financial outlook. We are confirming our FY24-25 guidance today on the back of a strong performance in the first quarter and a good start into Q2. We continue to expect our revenue to grow in a range of 1% to 10% year on year. We've recorded a slight acceleration in growth in June versus Q1, and we remain bullish on further acceleration over the coming quarters, supported by market improvements and our growth initiatives.

Moving on to profitability, we continue to expect our FY24-25 adjusted EBITDA to range between EUR 10 million to EUR 30 million. This continues to be a function of -- on the one hand, strong underlying improvements in profitability as demonstrated in our Q1. And on the other hand, a step-up in investments in strategic growth levers, which offset parts of these profitability gains.

We can close with our free cash flow drivers. CapEx is expected to be around EUR 30 million to EUR 50 million in FY24-25, and net working capital is expected to remain in negative territory. Hence, also no changes here.

Thanks for joining us on the journey to accelerate top-line growth and boost profitability. I'm now looking forward to answering your questions. So moderator, handing it back to you.

QUESTIONS AND ANSWERS

Operator

Volker Bosse, Baader Bank.

Volker Bosse - *Baader Helvea Equity Research - Analyst*

Hello. Good morning. Volker Bosse, Baader Bank. Congratulations on the great EBITDA improvements, and this leads me to the first question. I mean in the first quarter, you had EUR15 million. This is already 50% of the upper end of the given EBITDA guidance range. And you speak about slight acceleration of growth in June. Why did you remain shy to give more positive comments in regards to your guidance in EBITDA for the full year? The first question.

And second question is, you speak about sentiment improvements for the online fashion sector in general. Can you add a bit more granularity here? And how sustainable do you see this trend to be?

And third question is on your customer engagement. I mean, you -- number of customers, active customers declined by 4%-something in the first quarter, although you had this 10 years campaign. So, I'm just curious to hear wouldn't you say, and wouldn't you agree to say the customer engagement have remained shy, although you spent more in marketing in percentage of sales and although you had this birthday campaigns just for curiosity. Thanks.

Hannes Wiese - *ABOUT YOU Holding SE - Co-Chief Executive Officer, Member of the Management Board, Head - Operations and Finance*

Yeah, sure, many thanks for the question. So, let's start with the question on guidance coming from the EUR 15 million adjusted EBITDA in Q1. So, first of all, we are happy with these profitability levers. I think that's a good result and still we remain comfortable with our current guidance and that's on the one hand, driven by the seasonality. So, keep in mind, our Q1 and financial Q3 are usually the quarters with the highest level of profitability. So, we would now expect a slight step down in profitability in Q2 versus Q1 levels.

And then also keep in mind that we are planning for investments into strategic growth initiatives, into marketing, into SCAYLE, of course. Hence, we are also comfortable with a slight buffer on the profitability and to enable for these investments or even a slight step up to this. But overall, we would agree positive trend on profitability and we remain comfortable with the current (technical difficulty).

The second piece on consumer sentiment and online fashion trends, sustainability of this -- well, what we're seeing from a macro perspective, I think, are sentiment improvements for consumers in general, coming from a low (technical difficulty) in our core markets in the DACH, but also more broadly in rest of Europe. And we believe in the long term, there's just a huge growth trajectory for e-commerce driven by the relatively low penetration levels that we have in Europe of course, also consumer spend is cyclical. So we would also expect a further improvement for that.

So we are very confident that over the mid and long run, we will see substantial tailwinds for e-commerce, driven by improved consumer sentiment versus the low basis that we see and the return of the long-term initial tailwinds.

And then lastly, on customer engagement patterns that we see, so the figures that we show, of course, the last 12 months' trailing metrics, they are slightly different, if we look at this on a quarterly basis. So here, for example, active customers look more positive than those shown on the last 12 months basis in the (technical difficulty) cohort and also some of the measures that you pointed out like the 10 years campaign, for example, this is largely upper funnel marketing.

So we are investing in customer awareness in the upper funnel, which then translates into new customers acquired and sales partly over the next weeks and months. So, this is really to be seen more of a mid-term investment which we believe is rational in the current market environment, where we also see customer lifetime projections, for example improving across all markets, both in DACH and in Rest of Europe.

Volker Bosse - *Baader Helvea Equity Research - Analyst*

Thank you. One follow-up for clarification. If the line was bad, you said you expect active customer declined to fade out and what was the season you mentioned -- during Q2 or during the year on second half -- I did not get it. Sorry to ask. Thanks.

Hannes Wiese - *ABOUT YOU Holding SE - Co-Chief Executive Officer, Member of the Management Board, Head - Operations and Finance*

Yeah, we're now seeing a trend of bottoming out and we would expect a return to growth in active customers over the course of '24-'25, which then should also lead to a probably stable last 12 months active customer figure in '24-'25.

Volker Bosse - *Baader Helvea Equity Research - Analyst*

In total for the total year, you expect a positive figure in regards to active customer?

Hannes Wiese - *ABOUT YOU Holding SE - Co-Chief Executive Officer, Member of the Management Board, Head - Operations and Finance*

We expect a stable figure for the total year '24-'25 versus total '23-'24. And on a quarterly basis, we expect a return to growth in active customers over the course of '24-'25.

Volker Bosse - *Baader Helvea Equity Research - Analyst*

Okay. Thank you very much. Thanks for clarification. Sorry to ask.

Operator

Nizla Naizer, Deutsche Bank.

Nizla Naizer - *Deutsche Bank - Analyst*

Great. Thank you. I have two questions. The first is, Q4 growth was around 5%. And I think in the call last time, Hannes, you mentioned that the exit rate was also at those levels. So, could you give us some color as to when maybe growth slowed down over the last quarter and the reasons for that and how current trading is progressing? If there's any color, you can give us on that.

And the second is on SCAYLE. Could you give us maybe a flavor of what to expect in November when you do the SCAYLE-specific event? And you did mention that you want to, I think, deploy it on EUR10 million of additional brand investments or marketing into Scayle to drive it. Was there any of that deployed already in Q1? And how are we to think about that for the rest of the year? Some color would be great. Thank you.

Hannes Wiese - *ABOUT YOU Holding SE - Co-Chief Executive Officer, Member of the Management Board, Head - Operations and Finance*

Yeah, sure. Thanks for the question, Nizla. Let's start with the one on trading patterns in Q1 and exit rate. So, we've seen around mid-single digit growth rates in March and April. And then we were facing tough comps in May, also partly driven by aggressive campaigns that we've executed in May last year. So, the growth rate in May was relatively muted to slightly negative, and this then led to the total growth rate of around 2.2% for the Q1.

And what we've seen now in June is basically an acceleration in growth towards levels, I would say in between those that we've seen for the Q1 in total and the ones that we observed in March and April. So, acceleration versus Q1 levels, but not yet fully back to mid-single digit rates.

Then second piece on the SCAYLE event. So, it is going to be a mix of product demo, team presentation, financials, operational KPIs, we also give an outlook on strategy, and we will give more color on this in the H1 release, so basically prior to the event taking place on November 7.

And on the investments, so the EUR 10 million largely relate to market expansion investments. So, for example, in the US and UK, where we want to build the brands and also building up a local sales force to acquire new customer in B2B, and part of this has actually also already been and invested in our financial Q1. I would think that's a low-single digit million number. So, investment probably broadly equally distributed over the financial year.

(technical difficulty) answers your questions.

Operator

(Operator Instructions) Yashraj Rajani, UBS.

Yashraj Rajani - *UBS Limited - Analyst*

Hi. Thank you so much for taking my questions and congratulations on the EBITDA development today. So, two questions from my end, please.

The first question is on gross margin. I mean, obviously, quite an amazing improvement on that one in Q1. Is it possible to disintegrate what the contribution is from the higher share of profitable Tech revenues? And also, what the contribution is from promotions rolling off and on promotions rolling off, is there any color you can give us on promotions rolling off by region, if there's a particular region where you saw a particularly good development? So that's the first question.

And the second question is on marketing. Now, I appreciate that's higher, but I also just wanted to check is -- you know, with your competitors talking about increasing their inspirational component on their platforms as well, are you seeing your customer acquisition costs getting significantly higher, i.e., is the increase in marketing a function of inflation and customer acquisition costs or is intensity also increasing? And how do we think about customer acquisition costs going forward? Thank you so much.

Hannes Wiese - *ABOUT YOU Holding SE - Co-Chief Executive Officer, Member of the Management Board, Head - Operations and Finance*

Yeah, thanks for the questions also here. Let's start with the one on gross margin. So the biggest driver here is definitely lower discounts, the improved inventory position that we see, and these lower discount levels we also see across all markets, given this is induced by an improved inventory position for ABOUT YOU, and I would also say for an improved inventory position in the fashion -- online fashion industry more broadly, hence translating into a lower need for clearance and drives up our gross margin levels overall.

And the second effect, the revenue mix, especially from the B2B side, so higher share of especially license revenues in TME, that's also contributing, but to a lesser extent than the lower discount levels.

And the second piece on marketing, do we see an increase in customer acquisition cost? I would say we have seen an increase in customer acquisition costs, especially in '23, but rather driven by new market entrants that drove up customer acquisition cost, especially in social media channels. And we're seeing current levels basically similar to '23. So, we remain on somewhat elevated levels, we would say, but there's no increase versus 2023.

And over the mid to long run, we would expect this to come slightly down again, given at some point, competitive pressure is likely too, to a certain degree.

Yashraj Rajani - *UBS Limited - Analyst*

Super clear. Thank you.

Operator

Benjamin Kohnke, Stifel.

Benjamin Kohnke - *Stifel Nicolaus Europe Limited - Analyst*

Good morning, everybody. A few questions from my side as well, please. The first would again be on SCAYLE. It's just, if I understand it correctly, you're currently facing a bit of headwind regarding top-line growth because you're fading out these, let's call it, implementation services and so on. So, question is, could you give an indication on how fast the underlying ARR is growing. So basically, how fast is the core business of SCAYLE growing these days? And would you also expect that to accelerate over the next three quarters?

The next question would be on media services. Hannes, if I understood you correctly, you were indicating a decline in media services in the first quarter. I guess also here, you're focusing on higher-margin services. So to what extent is this shift in strategy fading out as well -- i.e., when are we going to see the underlying growth in -- basically the services you want to focus on going forward?

And then the last one, if I may, would just be on a couple of recent statements by Tarek -- I think -- especially at an e-commerce conference -- and he sounded just much more aggressive around ABOUT YOU strategy on the factory to consumer side of things. And so basically ABOUT YOU stepping in quite aggressively into that business.

So I was just wondering if you could provide a little more color around that, i.e., what exactly are you planning to do and what sort of revenue contribution could we already expect from that new lack of strategy in the current fiscal year? Thank you.

Hannes Wiese - *ABOUT YOU Holding SE - Co-Chief Executive Officer, Member of the Management Board, Head - Operations and Finance*

Yeah, sure. So, let's start with SCAYLE and the revenue dynamics here. So, and the ARR continues to grow quite strongly in clear double-digit territory. That's of course, also a function of the dynamics that we've discussed in the full-year results release and the outlook on already acquired ARR to be implemented over the next 12 months and on top of this, we are also seeing positive dynamics in our established base.

So ARR for SCAYLE growing quite strongly. And the other revenue streams of SCAYLE, Tech being service implementation fees and also to a certain degree, consulting are continuing to come down. And we would expect this also to be the case for the full '24-'25. So, we're going to see this mix effect positive growth, strong growth on the ARR side and negative growth on the service side, probably for (technical difficulty)

Second piece on Media, I think towards the second half of '24-'25, media should also return to growth. So, what we are currently doing is basically reducing Coops, where we are heavily involved in productions, for example. And hence yeah, to your point, focus more on high-margin media products. This is currently happening has already happened over the last one, two quarters, and we would expect this effect then to fade out more towards the second half of '24-'25, the media also returning to a healthy long-term growth trajectory. Bottom line for Media is actually already developing quite nicely. Only the top line is showing this current normalization.

And then the third piece on manufacturer to consumer. It's, of course, a broad field, let’s that maybe discuss this in the three initiatives operating models that we've outlined in the full-year release. So when we think about this, fast own lebels injections that actually already live, we are generating revenues from these fast styles, fast capsules quite nicely and also are already thinking about how we can scale this further, so add more suppliers, more manufacturers to this model.

And I would expect positive revenue contribution for this, also incremental to our current base and for the other two models, so basically ABOUT YOU, enables cross-border and drop-shipping from manufacturers, that's probably going to materialize more towards the second half of the year. So, second, half of '24-'25 and hence no material effect expected from this for the current financial year. However, then even more so for the coming financial years.

So where does this leave us? I think, to see modest in total in '24-'25, probably more a low-single digits share of revenues or GMV and then towards '25-'26. And this could go up to low- to mid-single digits revenue shares and then towards '26 onwards, we would expect this to approach high-single digit to maybe even double-digit share of revenues and as I said, we are, of course, trying to do this in a way that this is not incremental.

Benjamin Kohnke - *Stifel Nicolaus Europe Limited - Analyst*

Great. Thank you very much, Hannes.

Operator

Ladies and gentlemen, with this last remark, we will be ending the Q&A session. And Nora will address you with a few final remarks.

Nora Puhala - *ABOUT YOU Holding SE - Investor Relations Manager*

Thanks. Let me close the presentation by saying thank you for your support and for joining us today on our conference call for Q1 2024-2025. If there are any further questions, please feel free to contact the IR team directly. We are looking forward to seeing some of you during our upcoming virtual roadshow. Have a good day, and bye-bye.
