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PRESENTATION

Julia Stoetzel - *ABOUT YOU Holding AG - Head of Investor Relations & Communications*

Good afternoon, everyone, and thank you for joining ABOUT YOU's conference call for the first half year of 2021-2022. We're excited to have you all with us.

Please let me make a couple of introductory remarks. ABOUT YOU is today represented by our Co-Founder and Co-CEO, Hannes Wiese. Hannes will walk you through our Q2 and H1 results in just a second. The corresponding slides to this presentation has been published this morning on our IR website under the Publications section. After this presentation, we will be happy to answer research and analyst questions.

And with this, I will hand it over to Hannes.

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

Yes. Thanks, Julia. Today, we're following the usual agenda that is quick intro update on our business, Q2 financials, outlook and Q&A.

So we want to start our presentation with a brief intro to ABOUT YOU. What are we doing? First, we are digitizing the offline shopping stroll for the Gen Y and Z. We're an online fashion platform, but we're not only offering a large assortment at competitive prices and a great fulfillment experience. On top of that, we are creating an inspirational discovery shopping journey, leveraging our tech skills to create a personalized experience on their smartphone and our huge influencer network to create great content and entertainment. And that enables us to digitize the traditional offline shopping pattern, which has shaped the fashion industry over decades and centuries before.

And with that, we create incremental revenues for fashion brands. Due to our focus on inspiring customers to interact with fashion online, we generate buys that wouldn't have happened without ABOUT YOU. So from a brand perspective, we are not really cannibalizing existing revenues. We can provide sustainable revenue growth for our suppliers, combined with strong branding opportunities tied to our discovery proposition.

And on top of that, we provide the technology to help our partners grow their online business. In our hearts, we're a tech company. So beside our commerce business, we've developed a SaaS business, licensing out our proprietary technology to third-party brands and retailers. That means that our revenues are not limited to transactions on ABOUT YOU, but also extend to the broader online fashion ecosystem.

With these 3 pillars combined, we believe we have the potential to disrupt future markets and establish a leading position in the fashion industry. And that is also what our vision is, continue to outgrow the market to become the global #1 fashion platform at one point in time. We are progressing on this journey, as evidenced by our strong Q2 results. So let me take you through the highlights of our second quarter as a public listed company.

Once again, we've shown a strong top line performance with group revenues up 53% year-over-year. We continue to see high demand for our going-out core categories as consumers are gradually returning to pre-COVID lifestyles across Europe. This positive market environment, paired with continued improvements in our core product and user experience, translated into further uplift in our customer metrics.

Active customers are up 34% year-over-year to 9.7 million on the last 12-month basis. Average order frequency increased from 2.7 to 2.9 orders per year, and average order value increased to EUR 58.5 per order. We are further exploring consumer market opportunities in progressing on our international rollout. We've successfully executed large-scale big bang campaigns in Italy, Greece and Portugal, and also France is scaling strongly under an adapted market entry campaign scheme.

And also our B2B segment is scaling fast. Our Tech, Media and Enabling revenue streams have all seen massive and profitable growth, leading to 181% year-over-year growth for our TME segment as a whole.

In addition to growing our top line, we have improved our group profitability. Our adjusted EBITDA margin reached a negative 3.3% versus a negative 5% in Q2 ['21/'22] (corrected by company after the call), and this is largely driven by a strongly improved gross margin, which was able to overcompensate elevated marketing spend and growth investments.

On guidance. We want to reiterate our revenue guidance, which we raised with our preliminary Q2 results. We expect full year revenue to reach EUR 1.725 billion to EUR 1.775 billion, which matches the year-over-year growth between 48% to 52%. We are very confident to reach these goals as we see strong momentum in our current trading, and we are in good shape for the upcoming peak demand. For our adjusted EBITDA, we continue to expect the full year result around a negative EUR 70 million as the incremental revenues are being utilized for further growth investments.

Now let's jump right into our business update. This is a chart that many of you are familiar with, summarizing our growth strategy along 4 key levers: core product improvements; footprint expansion; category optimization; and scaling our TME business. And all these levers are executed within our ESG framework, which we summarized under the people, planet and society pillars. And as this growth strategy is very close to our hearts, we want to give you another update on how we are progressing on these levers.

So let's start with some highlights on our latest core product improvements. First, we've improved the personalized sorting on category pages. Our sorting algorithms can now better estimate and give a higher weight to the price elasticity function of single users. So the price levels shown are better tailored to individual price preferences and budgets. The team working on the algorithm could prove that this tweak leads to a significant uplift in contribution and CLV. So this new logic will now be rolled out across Europe.

Secondly, we've launched new live shopping features in the ABOUT YOU app. These live shopping events are hosted by our favorite influencers, enabled chat and commenting for the users and of course, direct add-to-baskets of the products shown. We've launched this video format in the context of ABOUT YOU Fashion Week, and we are very excited about the first results. So this is definitely a product element which we seek to further improve and scale over time.

Speaking of the ABOUT YOU Fashion Week, we are extremely happy that finally, our events are back. Starting in August, we successfully hosted a large-scale pilot event in Germany with our Pangea Festival. In September, we continued with our ABOUT YOU Fashion Week, combining runway shows and unique brand events and reaching a record more than 1 billion media contacts over the week. With these events, we are now reestablishing a key piece of our ABOUT YOU ecosystem, the physical platform to connect with our customers, influencers, brands and B2B partners, generating reach and awareness for the ABOUT YOU brand as well as content and entertainment for our shopping destinations.

Now on footprint expansion. The first half of our fiscal '21/'22 has been another successful stage in our international rollout, and we see this momentum continuing today. Our big bang campaigns in Italy, Greece and Portugal have been successfully executed in September and October, partly reaching all-time highs in traffic volume and ramp-up speed.

In Italy, for example, we generated a record 1.5 million people visiting the AY website during the teaser phase, followed by very positive trading results in the weeks thereafter. As mentioned in the last update, France is following an adaptive market into campaign scheme, given our already significant brand recognition in the territory. This results are very positive also here, and France keeps scaling strongly from a comparably high base.

Looking at the later stages of our market entry playbook, we are proud to announce that with Czechia and Slovakia also our first CEE countries with profitability on a last 12-month basis. That means we have now 7 countries in profitability stage, with more to join over the next quarters.

Lastly, our global shipping platform is now on final implementation stages. Go-live is already expected for the end of this year, enabling us to gather data for countries outside Europe to rationalize potential further investment decisions going forward. We are extremely excited about these new opportunities, and we will, of course, keep you posted on first insights.

In order to ensure logistical capacity for our ambitious growth plans, we are advancing on our DC opening timeline as planned. Our new Slovakian hub is already up and running, which more than doubles our warehouse capacities and improved delivery times for our CEE customers. The Slovakian site construction and integration into our network has been completed within less than 12 months, showcasing how flexible we can scale across Europe. And we won't stop here. We are already in the preparation phase for our next distribution center, which will go live in late 2022, followed by a fourth DC hub in 2023. And these are all very big hubs, giving us enough capacity to execute on our current plan and additional flexibility to explore potential incremental growth opportunities beyond that.

Moving on to our assortment levers and addressing the big elephant in the room, the supply chain disruptions that we all face. Let's distinguish here between the current autumn/winter '21 situation, summarized on the left-hand side of this chart, and our approach to navigate through future uncertainties right-hand side of this chart.

So on autumn/winter '21, in short, the effects we face today are really limited. We've managed to grow our core assortment by 45% year-over-year, reaching more than 500,000 items online today. As per end of October '21, we've reached a delivery ratio of 84% for 1P assortments, meaning 84% of seasonal autumn/winter '21 orders are already delivered and processed. So the shape of our delivery curve is healthy for this time of the year and compares well to pre-COVID times where delivery ratio was around 85%. And this is the result of deliberate actions that we took like preponing inventory intake, increasing open-to-buy budgets, and leveraging integrated stock features of our hybrid 1P/3P model.

So what's our view on the challenges that we will face in 2022? We actually believe that the supply chain disruptions that we expect will be an opportunity for us to further grab market share because our business model has proven to be very robust in times of volatile supply.

And why is that? First, on the demand side, our discovery proposition helps us to actively manage demand in line with the supply situation that we face. Personalization, for example, effectively reduces demand concentration and makes us less dependent on single brands and top sellers. The inspirational shopping journeys that we create further enable us to actively generate impulse buys on products which show a strong stock coverage. And it is also intuitive that consumers in discovery mode are less price sensitive than in a transactional mode. And this gives us another lever to profitably navigate through times of potentially increased price elasticity.

Now moving on to the supply side, where our hybrid 1P/3P model enables us to integrate different stock pools, effectively increasing breadth and depth of our offering. Further, within 1P, our own label share, while growing strongly, is still relatively small, meaning that the direct cost pressures that we face here have limited effect on group gross margin.

Lastly, despite these factors, we have taken deliberate actions again to minimize remaining risks. We are preponing inventory intake also for spring/summer '22. We have increased stock buffers in anticipation of potential delays and cancellations. And we are, of course, working in close partnerships with our brands to make sure that our partners can fully leverage the potential of our incremental revenues. So we remain very bullish on our business in 2022 as we are well positioned to turn potential supply disruption into an opportunity for us.

Another proof point for that is the continued ramp-up of our exclusive assortment and celebrity co-ops. We remain very well on track to reach our goal of a double-digit revenue share for these assortments. Let me just show you 2 highlights here. First, Kendall. We've launched the first drop of

Kendall for ABOUT YOU in July '21, and the second large drop is planned for our Q4 '21/'22. Already for the first drop, we reached a number of achievements, including: brand building for ABOUT YOU with more than 1 billion media contacts created, FOMO dynamics with most items sold out within 24 hours, and reputational effects expanding our international top-tier influencer pipeline for the next years.

Second, LENI. Our first capsule collection with LENI KLUM was launched in October '21, after having been presented for the first time at the ABOUT YOU Fashion Week. Also here, we were overwhelmed by the huge reach this co-op created and by the strong performance in sellout and new customer acquisition. And we are proud to be the first company worldwide entering into a fashion collaboration with LENI.

Let's now move on to our B2B segment and dive a little bit deeper into our SCAYLE rebranding. On the left-hand side, you can see our old B2B brand portfolio, which as a result of rapid growth in products and services had become quite heterogeneous. Now the new SCAYLE brands serves a number of purposes. First, we've created an umbrella brand under which we can effectively market the different B2B product lines. Secondly, with SCAYLE Commerce Technology, SCAYLE Online Marketing Services and SCAYLE Commerce Operations, we've created labels for our key product lines which can be marketed as single services, but also signal modularity and synergy potential. Thirdly, we've deliberately chosen a brand which works independently of the ABOUT YOU brand. It's because our B2B products are now mature enough to be marketed on a stand-alone basis, making us more flexible to pursue future opportunities. Lastly, we kept the AY in scale as a small hint for the roots of the brands and to underline our commitment for the business.

With the new SCAYLE brand, we can now become much more active in B2B marketing and sales. Starting in 2022, we will invest into a large-scale B2B branding campaign, including online marketing, PR, expert talks, events and much more. We're super excited about the new opportunities here, and we can't wait to bring this to market at scale.

Let us now take a closer look at the role of SCAYLE within our TME segment, illustrated by the revenue distribution on the left. With the new SCAYLE brand, we are now effectively separating TME in 2 parts. First, AN ABOUT YOU branded part, where the services are rendered as part of the ABOUT YOU commerce ecosystem. Examples would be our media services, where we are marketing ad inventory of ABOUT YOU to our brand partners, and our Fulfillment by ABOUT YOU services as long as they relate to partners selling on ABOUT YOU.

Second, the SCAYLE branded part where the services are independent of ABOUT YOU commerce. It is, first and foremost, all our SaaS revenues in Tech as well as marketing and operation services, which are rendered for our clients' own shopping destinations. We believe this distinction makes sense also from a comparison perspective because it shows the independent and incremental part of TME.

And this is also how we look at SCAYLE from a strategic perspective. SCAYLE is a separate organization with dedicated teams. We are already powering more than 100 external shops across Europe, and we want to take this number much higher over the next years. SCAYLE has a stand-alone client base over various verticals and a strong service portfolio, which has the potential to become the engine of the future e-commerce marketplace. And SCAYLE may also be the basis of future separate disclosure for our B2B segment in the future.

Moving on to another key topic, ESG. As ESG considerations are at the core of our growth strategy, we would like to use the occasion of our half year report to give you an update also on our ESG initiatives. Let's start our update with the planet pillar of our ESG strategy. We are on track to achieve the 2025 science-based targets set in Q1 '21/'22. And we are advancing with our more sustainable assortments. As of September '21, 13% of our core assortment products carry at least one sustainability label, up from 8% in Q4 '20-'21. And these products are over-indexing in revenues.

In the first half of '21/'22, more than 20% of revenues are coming from our more sustainable assortments. Further, we continue to foster circular fashion initiatives. Aside from our more than 400,000 secondhand items available on ABOUT YOU, this also includes a new Second Love brand cooperation model and the launch of ABOUT YOU REBIRTH STUDIOS.

Moving on to our people, the second pillar of our ESG strategy. The well-being of our talent is the basis of our success. Hence, we started offering a new assistance program for mental health as well as financial, legal and family problems. Furthermore, we keep measuring employee engagement and experience, now also enhanced with D&I questions and attributes.

Finally, on society. Freedom of identity sits at the core of our brand DNA, and we speak out loud on our values in public. On the occasion of Pride Month '21, for example, the campaign Generations of Pride provided an intergenerational look into the LGBTQIA+ community. You can check more about all these initiatives in the Responsibility section of our H1 report, so please check this out for further details.

So far on our business update, let's now talk about our financial performance in our Q2 '21/'22. On top line, we continue to see high growth rates in all our segments. But let's start with the group trading on the left-hand side of this chart. Following on an already strong Q1 '21/'22, we grew our net revenues by 53% in Q2. This leads to a 59% growth in the first half, which corresponds to EUR 818 million in revenues.

Looking at our segments. Growth in our DACH region accelerated. We grew our net revenue by 42% year-over-year, driven by a favorable market environment as consumers were returning to pre-COVID lifestyles, as well as an adjusted ROI steering and marketing on the back of improved CLVs. In the first half of this fiscal year, our DACH segment achieved a revenue growth of 34%, which compares well to the 37% from last year.

Moving on to our Rest of Europe business. Despite a tough comp from last year and our increasing scale, our Rest of Europe segment delivered year-over-year growth of 50% in Q2 '21/'22. Promotional and campaigning activity was low for us this quarter, as we were preparing for the big market entry campaigns which were successfully executed thus recently. And naturally, we are also seeing now that our Rest of Europe revenue growth accelerated in Q3 '21/'22. On a half year basis, our Rest of Europe revenues are up 80% year-over-year, which is in line with the guidance provided at listing.

On TMEs. Our B2B segment continues its hyper growth momentum. TME generated impressive growth of 181% in the second quarter as all 3 business lines scaled strongly. This is driven by the acquisition and onboarding of new clients, increasing revenue per existing client, as well as new and improved services. On a half year basis, our TME business is up by 158% year-over-year. This, however, still needs to be seen in the context of a relatively soft first half '20/'21 when B2B spending was low in light of the pandemic unfolding.

Once again, our growth is underpinned by our strong cohort data. If we look at the revenue buildup for our commerce business, that is our DACH and Rest of Europe segments combined, we see ongoing improvements in all last 12-month customer metrics. Active customers are up 34% year-over-year from 7.2 million to 9.7 million, reflecting the strong growth potential in new customers. Order frequency increased from 2.7 to 2.9 orders per year as a result of both increased customer loyalty and cohort age mix effects. Average order value increased from EUR 55.6 to EUR 58.5 per order, driven by structural product improvements, favorable demand shifts into going-out categories, as well as continued COVID-related basket dynamics.

In addition to our strong revenue growth, we have also continued to improve profitability. Let's start again on the left-hand side of this chart showing our group adjusted EBITDA margin improving by 1.7 percentage points to a negative 3.3% of revenues in Q2 '21/'22. Our adjusted EBITDA margins for the H1 is at a negative 3.1%, up 1.5 percentage points versus H1 last year.

On segments, our DACH business continues to be profitable despite our accelerated growth. The adjusted EBITDA margin in Q2 was at 3.9% compared to 6.2% in the second quarter last year. DACH unit economics before marketing has actually improved versus last year. That means the slight reduction in EBITDA margin is attributable to the elevated marketing spend as a result of the adjusted ROI steering.

For the first half of '21/'22, we can still show an improved DACH EBITDA margin, which is at 6% and up from 5.2% in the same period last year. Our Rest of Europe segment continues to be in an investment phase. Q2 '21/'22 EBITDA margin was at a negative 15%, which means a slight improvement versus our Q2 last year. Investments in Q2 '21/'22 focused on Europe-wide branding campaigns as well as aggressive new customer acquisition in the Nordics and Spain and in our less mature CEE markets.

On B2B. Our TME business achieved a strong EBITDA margin of 15.4% in Q2, up from a negative 8.1% in the same period last year. All of our 3 TME business lines are scaling profitably as the high gross margin revenue streams have started to cover the predominantly fixed cost basis. On a half year basis, adjusted EBITDA margin for TME was at 14.5%, representing a strong increase compared to the first half last year.

Let's now take a look at the key cost lines to see how our operating leverage drives the profitability improvements for the group. Gross margin reached 39% in Q2 '21/'22 and 40.4% in the first half. This means a strong improvement of 4.6 percentage points compared to our Q2 last year, and plus 2.8 percentage points versus the first half of our fiscal '20/'21. Positive drivers were a further increase in the share of high-margin B2B revenues and own labels, a reduced number of market entry and scaling campaigns with aggressive promotions in Rest of Europe, as well as economies of scale from T&C agreements with suppliers and operational improvements.

Next, our fulfillment cost ratio reached 20.3% in Q2 this year and 19.7% in the first half. This means that our fulfillment cost ratio has been reduced by 0.5 percentage points compared to Q2 2021 and is down by 1.2 percentage points on a half year basis. Positive drivers were a higher share of B2B sales with lower fulfillment costs and continued high utilization, slightly higher AOVs and item prices as well as economies of scale.

Marketing costs rose as a percentage of revenues, reaching 16.9% of revenues in Q2 and 18.4% in the first half of the year. Drivers of the increase are: first, continued high spend in our less mature Rest of Europe markets; secondly, increased marketing spending in DACH as a result of the adjusted ROI steering; and thirdly, large-scale Europe-wide branding campaigns like our co-op with Kendall Jenner.

Lastly, admin and other costs continue to benefit from economies of scale and cost discipline within the entire group. This has led to augment cost levels of plus 5% of revenues in Q2 this year, an improvement of 0.4 percentage points versus last year. On a half year basis, our admin cost ratio was 5.4% of revenues, an improvement of 0.6 percentage points year-over-year. All these effects combined resulted in an increase of our group adjusted EBITDA margin by 1.7 percentage points in Q2 to a negative 3.3% margin. For the first 6 months, our adjusted EBITDA margin was at a negative 3.1%, an improvement of 1.5 percentage points compared to our H1 last year.

Let's now take a look at our cash flow drivers. Our net working capital remains negative and is at a negative EUR 47 million at the end of Q2, which corresponds to a negative 3% of last 12-month revenues. Our capital expenditures amounted to EUR 8 million in Q2 '21/'22 and [EUR 19 million] (corrected by company after the call) in the first half. As a reminder, we are guiding for EUR 34 million CapEx for the full year, so the increased CapEx is in line with our guidance.

Moving on to our cash position, which has significantly improved as the IPO proceeds are shown in this quarter. But let us first look at our free cash flow. FCF is at a negative EUR 24 million for the first half '21/'22, driven by growth investments as well as IPO costs, which have not been adjusted here. Our financing cash flow is at EUR 556 million for the first half '21/'22. And this includes IPO proceeds of EUR 637 million, as well as the repayment of shareholder loans of EUR 75 million. We ended this quarter with cash and equivalents of EUR 641 million. This gives us a strong liquidity position to execute on our growth plans. And in addition, we have enough flexibility to pursue potential additional growth opportunities on top.

Moving on to our guidance for the financial year '21/'22 and our medium-term outlook. As you may have already seen, we raised our guidance with the publication of our preliminary Q2 results. We now expect to grow our group revenues by 48% to 52% year-over-year and to reach revenues of EUR 1.725 billion to EUR 1.775 billion. And we remain very bullish on our full year '21/'22 revenue targets. We have delivered a strong start into the third quarter as we see continued positive demand trends and our new southern European markets are scaling strongly.

We are well prepared for the peak demand in the next weeks, both in terms of our infrastructure and product supply. For our adjusted EBITDA, we reiterate our full year guidance of around a negative EUR 70 million. That is because the incremental revenue from the latest guidance upgrade is being utilized for further growth investments, particularly in the context of our market entry and scaling campaigns in Q3.

As mentioned before, our CapEx target for this financial year is EUR 34 million and our net working capital target is expected to remain negative in the low single-digit area as percentage of revenues. So also the guidance for our cash drivers remain unchanged.

We would like to conclude our presentation with our medium-term outlook. We have communicated at listing that our medium-term group revenue target is EUR 5 billion for financial year '25/'26. The development we're seeing at the moment, with strong growth in all our 3 segments, we are now even more confident that we are well on track to achieve this EUR 5 billion revenue goal.

We'd like to finish this presentation by thanking you all for your time today, but also for the trust in us to deliver on our plans. This really means a lot to us and is much appreciated. We are now looking forward to answering your questions. So moderator, can we start.

QUESTIONS AND ANSWERS

Operator

And the first question is from Volker Bosse, Baader Bank.

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

Congratulations on the impressive set of results. I would like to ask 3 questions. First is on the return rate. We saw return rates going down throughout the crisis. Have you seen already return rates going up and are return rates already back to pre-crisis levels, so to say?

Second question would be on brands. Have you any new brands which are worth mentioning onboarded over the last quarter?

And the third question is regarding a discount campaign you're running in DACH region and in the [looming], or have run. Could you provide us here a bit of background what was the intention to create this 20% discount campaign. Is it about skimming the latent buying intentions of the consumers already ahead of the cyber week or is any weakness in DACH which you want to attack or, yes, some words on that?

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

Let me start with the first one on return rates. So when we look at return rates on a like-for-like basis, so same country, same categories, same consumer demographics and price level, we see that there's actually still a small gap in return rates versus pre-COVID levels. So there is some tailwinds still on the unit economics, but that said, this gap is also narrowing. So it is not as significant anymore as it has been in the past.

And then there are 2 other effects that we need to factor in looking at ABOUT YOU on the revenue mix. First is the categories we are seeing a continued trend back to going out categories, which tend to have higher return rates than these latter categories. This typically is part of -- drives an increase in return rates. But what we also see in the revenue mix is over proportional growth in our Rest of Europe segment, which has lower return rates. And these effects are kind of evened out, so our return rate for the group is basically moving sideways at the moment.

So this, on return rates. And the second question on brands. I mean we are, of course, continuously onboarding new brands. We have, for example, also already disclosed that we've now entered into a collaboration with H&M Group, onboarding brands like Weekday, for example. And I think what personally excites us the most is really the exclusive co-ops that we're launching. So for example, as mentioned, brands like LENI KLUM x ABOUT YOU and Kendall for ABOUT YOU and so forth, this for us are highlights that drive new customer shares and revenue.

And on the last question, the campaign in DACH, we call this campaign scheme, WOOHOO. It has actually already been executed in several other countries. It is actually a branding campaign. So there are also, as you mentioned, some discounts attached to that. What we're actually celebrating, more than 10 million customers, but we are asking our customers to contribute video material that is then being factored into the campaign. So it's actually quite emotional branding style and the discounts are pretty much like the cherry on the cake, so to say, at the end of the campaign. So it's more of a branding campaign. And yes, as you've seen, we are growing strongly in DACH, we've actually accelerated our growth. So it has nothing to do with any downturn revenues also that we'd expect.

Operator

Your next question is from Georgina Johanan of JPMorgan.

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

Three questions from me, please. First of all, just wondering if you could give any color on how the COVID cohort is behaving as restrictions have eased and, obviously, stores have opened. That would be really helpful, please.

Second of all, on the international sites that you're planning to launch by the end of this year, I appreciate that you're looking to see where demand might be. But presumably, there are some markets that you have your eye on. So any comments on that would be helpful.

And then just a final one. I noticed in your international slides that you've de-prioritized Poland now. If you could just give a bit more detail on that and perhaps some comments as to why you think ABOUT YOU isn't resonating as much in that market as the other CEE markets, please?

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

Sure. So on the first question on COVID cohorts, these actually performed very well. So we are seeing that with the reopening and also now as consumers are returning to more like normal lifestyles, these cohorts performed very well, both in terms of the reactivation rate, so the number of purchases being done, and also unit economics. So it's definitely not a onetime effect that we've seen. During COVID, these cohorts have turned into loyal customers and are now contributing to our growth.

Then on the second question, the international side, I think the implication here was what markets or what territories are we particularly looking at. We -- of course, we do have some hypotheses, but we wouldn't want to disclose them here. We're really launching a global dot-com site looking at regions across the globe. And once we have more insights, we will keep you posted on that.

And the third question on Poland, as to why has this been de-prioritized, that's actually been decided already a couple of quarters ago. So we believe Poland as a market as such is not the most attractive in our portfolio, meaning relatively low unit economics, relatively high competition and so forth. So this has been de-prioritized in light of the other opportunities that we see. Generally, we also believe it makes sense. You need to decide where to focus on. And this sometimes also means to decide where not to focus on. And in this case, Poland has been de-prioritized, but that doesn't mean that we are offline also. So our Polish customers can continue to buy on ABOUT YOU. It is just not receiving as much attention and as much investment as other regions.

Operator

The next question is from Anne Critchlow, Societe Generale.

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

I've just got one. So we've heard a lot in the market about rising advertising costs. And I was just wondering how this might be affecting you, whether it changes anything in terms of your business plan over the next year or 2? And what the outlook is really for advertising cost of sales for Q3 and Q4, please?

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

Sure. So if we look at our marketing steering, as you know, this is ROI-based. So we're basically constantly measuring marginal customer acquisition cost versus marginal customer lifetime value. And when we look at our current new customer cohort sizes, they are constantly increasing year-over-year. So this will be an indication that there is no issue with customer acquisition cost per se with regards to ABOUT YOU.

Also, keep in mind here that our channel mix is skewed heavily towards organic traffic. So the largest portion of our traffic is organic, and we're having a strong proportion of social media. So we are probably also not as exposed to some of the cost dynamics as other players are.

And to the second part of the question, how does this factor into our marketing plan for the next quarters. As already indicated, the Q3 for us, so the period from September to November, this will be the period where we will see the executed market entry on SCAYLE campaigns like in Italy, in Greece and Portugal and France, and also continued investments into the Nordics and so forth. So that will definitely be a strong investment in marketing visible in this quarter. And for the full year, we remain very well on track to reach the numbers guided at listing.

Operator

Next question is from Nizla Naizer, Deutsche Bank.

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

Hannes, I had 2 questions. The first is, I think the 3 key topics that sort of the market is talking about when it comes to online fashion are the following. One is the supply constraints, which you did address. And there, I'd just like to ask you, are there certain categories where, if at all, you are seeing delays and how are you to those categories, just to understand the materiality of maybe what the issue could be or whether it's not material at all for ABOUT YOU? Just getting some color there would be great.

The second sort of top of mind issue is the price increases going into next year, whether your brands would want to increase prices. And would you at ABOUT YOU be able to pass them on to your customers? Some color there would be great.

And the third, I guess, would be the inflationary concerns and whether would you be worried if inflation sort of limits the discretionary spending capabilities of your own customers? So that's question one, sorry. The second question was basically on TME. And you mentioned that you now have 100 web shops that you're managing. Are they still primarily DACH-based? Or have you been able to gain some traction outside of the DACH region? Some color there would be great.

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

All right. Let's start with the supply constraints and differentiate this by category, so as outlined. Right now, we don't see an issue. We are very well stocked for the peak season to come. And we expect some effects when we look at spring/summer '22. According to our data, maybe 1/4 or so of expected deliveries will be delayed by up to 4 weeks. So we believe that's still manageable. And this also largely relates to shoes, so shoe categories seem to be impacted more than apparel, for example, which tends to be good for us because we have a relatively low shoe share, focusing strongly on apparel and going-out categories. So we actually believe, as outlined with our discovery proposition, we can actually turn this into an opportunity to accelerate market share gains.

And the second question, I understood related to our pricing strategy with regards to own labels. And here, what -- at least the current plan would be is to not forward potential cost increases for the consumer, to the consumer, because we want to keep up our current strong growth momentum, and we are willing to take these margin investments at the benefit of continued growth. Also, in light of the still potentially relatively small share of own levels in the revenue mix for the group, this margin investment from a group perspective is not really significant.

And then the third part of the question, I think, related to pricing, in general, inflation trends and how this impacts our business. So what we would expect for third-party brands, generally, is a moderate price increase year-over-year for spring/summer '22 of low single to mid-single-digit percentage point. And then for the second half, so the autumn/winter season '22, maybe more like mid-single digits to high single digits year-over-year increases in prices. And on a ceteris paribus basis, that's not a bad thing for us per se, because many of our costs actually scale against item prices, so ceteris paribus, this would be actually margin accretive.

So the question is, first, how will other cost lines behave? Will they grow proportionately or even overproportionately. This, for us would currently not be expected. So ceteris paribus, we think this will not negatively affect our business. And the other question is, of course, how will consumers react with the increased price elasticity from that, and that's hard to predict. But in a scenario where we would see increased price elasticity, again, we believe we are very well positioned to turn this into an opportunity. Because as I said, it's intuitive that consumers in a discovery mode are less price sensitive than, for example, in transactional mode. Meaning that we've got some protection here for potential dynamics in price elasticity going forward.

And switching topics, I think, to TME, where are the 100 different shops? Basically, the center, from a geographic perspective, that's across Europe actually. I mean many of the clients that operate these shops or basically own the shops are located in the DACH region, but not all. We also have clients in the U.K. and the shops are basically operated, as I said, across Europe. So SCAYLE is really moving into becoming an international business.

Operator

The next question is from Olivia Townsend, UBS Investment Bank.

Olivia Townsend - *UBS Investment Bank, Research Division - Analyst*

I just have one question, which is on peak trading and the sort of shape of demand in H2. So now that you've done 59% growth in H1 and your guidance is 48% to 52%, clearly, there's a slowdown even on an easier comp. So I'm just wondering, given you are doing a lot of market launches in Q3, and it sounds like you're well prepared for peak trading, I'm just trying to understand sort of there might be a slowdown in H2, please.

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

Yes, sure. I mean yes, you're definitely right. Absorbing these numbers could lead to such a conclusion. I mean what our view is, is that -- we are being cautious, I think, yes, for being recently listed company. Of course, if you grow like 50% year-over-year, you've got quite some dynamics there that are hard to predict in the end.

And as you pointed out correctly, I mean we are just right now moving into peak season. And peak season obviously has quite some impact on the full year results. So we are a bit cautious, and we want to pass peak season in order to make up our mind on Q3 trading as a whole and also the implications for the full year.

Operator

Your next question is from Georgios Pilakoutas, Numis.

Georgios Alexandre Bela Pilakoutas - *Numis Securities Limited, Research Division - Analyst*

Three questions, if that's all right. First one, could you just expand a bit on what the kind of B2B branding campaign in '22 will be, whether that's kind of number of salespeople or kind of digital marketing, just anything you can share there?

Second one, you've spoken about kind of higher marketing spend in DACH given the higher CLV there. Can you just talk a little bit more around what is driving that higher CLV that's enabling you to kind of spend the high marketing?

And then third one is just on the Slovakian distribution center. Could you just expand a little bit on exactly what stage you're at in terms of ramping that site up, how much product is there, what kind of levels of utilization are we at? And then also, what proposition improvements that's enabled and also how you're finding the challenge of operating -- going from operating 1 site to 2 sites.

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

Sure. Starting with the B2B branding campaign. This will be both actually for marketing and sales. Marketing will focus on digital marketing campaigns. It will involve PR events, expert talks, so basically, an entire portfolio of measures to establish SCAYLE as a strong B2B brand. And also sales, so we've hired further salespeople, which will be onboarded -- or are already onboarded and will be onboarded over the next months. And hence, we take a 2-sided approach, so building the brand and also being more aggressive on the sales side.

Then second question, marketing spend in DACH. So as you know, we are steering our marketing -- marginal customer lifetime value versus marginal customer acquisition cost. What we've seen over the past quarters is that customer lifetime value in DACH has significantly improved, but we believe that's the result of a new economic effect, so us being stronger on gross margin and fulfillment cost side, but it's also the result of the improved frequency. So customer cohorts becoming even more loyal, even more active on ABOUT YOU.

And this then automatically basically increases the spend that is steered by algorithms, so the tech claim in the DACH. And also judgmentally, we said we believe there's a huge opportunity currently in DACH. And hence, we also slightly steered up the payback targets or the breakeven targets for newly acquired customer cohorts. And these 2 effects then lead to the temporarily increased spend in marketing, also in a relative to revenue ratio.

And on the third part, the Slovakian warehouse. So the current status is that the site is fully operational and running and integrated into our network. But it's yet not yet operated at full scale. So the number of products that are available on the site are not yet fully ramped up, and we are ramping this up now over the next months. This is also in line with plan or actually even ahead of plan.

And on the second part of the question, since this is now already fully integrated from a technological perspective, we can again confirm that product processes run very smoothly across several warehouses. As outlined previously, this is also something that we had already done in the past. So we're basically leveraging the technology and the insights from the past to this new hub in the network. I hope this answers the question.

Operator

We haven't received any further questions. With this last remark, I will be ending the Q&A session. Julia Stoetzel will address a few final remarks.

Julia Stoetzel - *ABOUT YOU Holding AG - Head of Investor Relations & Communications*

Thanks a lot. Let me close our presentation by saying thank you for all your support so far and for joining our first half year results call today. If there remains to be any further questions, please feel free to reach out to the IR team directly under ir@aboutyou.com. We're looking forward to seeing some of you also during our upcoming road show and during some of the conferences. Have a good day. Goodbye.
