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CORPORATE PARTICIPANTS

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

CONFERENCE CALL PARTICIPANTS

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

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

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

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

PRESENTATION

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

Yes. Good morning, everyone, and thank you for joining our conference call for the full year '21, '22. Today, we're basically following the usual agenda that is quick introduction and highlights, update on our business, which today comes in a slightly prolonged version, including a review of our achievements in the financial year '21, '22. Then financials, that is our Q4 and full year results, outlook with our new FY '22, '23 guidance and Q&A.

So starting with the highlights of our financial year '21, '22, our first full year results as a public listed company. We continue to deliver on our targets and top line performance remains strong amidst volatile market conditions. Group revenues increased by 48% year-over-year reaching EUR 1.73 billion in FY '21, '22. Our adjusted EBITDA lands at a negative EUR 66.9 million, which is slightly ahead of guidance regardless of the continued growth investments. Our market entry campaigns in Nordics and Southern Europe have been successfully executed, leading to a 25% brand awareness to over 1.5 million new active customers and to revenues of more than EUR 100 million in these new regions in FY '21, '22.

Strong progress also in core product assortment and customer experience, drive further improvements in our customer metrics. Active customers are up 35% year-over-year to EUR 11.4 million on a last 12-month basis. Average order frequency increased from 2.7 to 2.9 orders per year and average order value increased to EUR 57.8 per order. We continue to see healthy developments in our commerce segments. DACH sustained high revenue growth of 27%, while the positive adjusted EBITDA margin improved by 1 percentage point year-over-year to 6.6% in '21, '22. Rest of Europe growth remains extraordinarily high at 66%, with ABOUT YOU now being active in 26 European markets.

TME, our B2B segment is scaling incredibly fast with triple-digit growth of 100% year-over-year and a very high adjusted EBITDA margin of 17.3%. This success is partly driven by the introduction of our new Scayle brand and the enhanced go-to-market for SaaS products.

Today, we introduced our FY '22, '23 guidance. We are all aware of the volatile market environment and persisting uncertainties. Despite these factors, we believe it is realistic to grow by 25% to 35% year-over-year, resulting in group revenues of EUR 2.165 billion to EUR 2.338 billion. For our adjusted EBITDA, we expect a full year result of around a negative EUR 70 million to a negative EUR 50 million. That means we expect a slight improvement in the total adjusted EBITDA and a clear improvement in our adjusted EBITDA margin towards a negative 3.2% to 2.1% range. We will go through further details of the FY '22, '23 guidance later in the presentation.

Now let's turn right into our business update. And this is a chart that many of you are familiar with summarizing our growth strategy along 4 key levers: core product improvement; footprint expansion; category optimization; and scaling TME, our B2B business. And today, we want to give you another update on how we are progressing on these levers and look back on the achievements in our past financial year '21, '22.

So, on product, our unique app-driven discovery model continues to produce extremely loyal customers as evidenced by the cohort development shown on this chart. Again, three key observations that remain valid also for FY '21, '22. Firstly, revenue retention on first orders continues to be very strong with more than 100% of first of our revenue being retained in the next year. Secondly, spend for cohort tends to increase over time.

And thirdly, our new customer cohort sizes are growing every year. As stated before, this also holds true for the new customer cohorts acquired during COVID.

If we look at the '20, '21 cohort, for instance, we see that these customers generated EUR 355 million in revenues in '21, '22. If we relate this to the EUR 249 million first order revenue from '20, '21 it becomes clear that more than 130% of first order revenue from '20, '21 was retained in '21, '22. All in all, we are very pleased with this development, and we expect it to continue as we are constantly innovating and improving on our customer experience.

Now let's move on to a new feature which will further drive customer engagement. The new Hot Drops section in the ABOUT YOU app, an MVP version of this is live as per Q1 '22, '23. The drop section in the app will be showcasing new exclusive collections, new product releases and events. By launching the Drop section, we expect to bring several improvements to our platform, firstly, to drive engagement and FOMO dynamics with constant daily drops. Secondly, to make better use of live shopping video formats in a fitting space; and thirdly, to create an attractive new product lease channel for our partner brands.

As you can see on the slide, the new Hot Drop section will be featured very prominently in the ABOUT YOU app footer and hence become an integral part of our discovery proposition. Another new product launch will take place in Q2 '22, '23 with the ABOUT YOU outlet. The outlet will be a closed ecosystem, operated in a separate domain and focusing on deals and promotions. This will allow us to address more price conscious consumer segments without diluting the discovery provision of our core platform. With the outlet, we will also be able to provide an effective clearance gene for our partner brands and generate incremental revenues from that.

Now let's move on to another key growth driver, footprint expansion. On this chart, you see the revenue development of the different country clusters within our ROE segment. While showing different degrees of maturity, all our rest of Europe regions have grown strongly in FY '21, '22. BeNe grows profitably at more than 20% year-over-year. CEE continues to show strong growth at scale, reaching almost 50% year-over-year growth. And our Nordic and Southern European markets are massively ramping up as our market entry campaigns were successfully executed in '21, '22, following our proven expansion playbook.

As expected, these market entry campaigns in the Nordics and Southern Europe were adding up to significant investments in our FY '21, '22. This is illustrated by the chart on the left-hand side, where we see the breakdown of our Rest of Europe adjusted EBITDA by regions. With more than EUR 100 million, around 70% of the '21, '22 our ROE losses come from the Nordics and Southern Europe. And this gives a good indication for the scale of the campaigns.

It also becomes clear that without the investments into these new markets, the group would have been profitable already in FY '21, '22. Luckily, based on the metrics we see today, we can conclude that undertaking these investments was the right decision as they will create positive ROI in the future.

To illustrate this, let's move on to the chart on the right-hand side, which gives a good indication for the marketing impact which we achieved. In the Nordic and Southern European markets ABOUT YOU utilize brand awareness of more than 25% in the core target group. Of these 20 million individuals, around 8 million are actively considering us for the next purchase and 1.6 million are already active customers of ABOUT YOU. So we've built a great foundation for an outstanding growth trajectory in our new regions over the next years. And we will continue to invest into these strategic growth areas based on the metrics we are gathering today.

Increasing and regionalizing our logistics capacities is another key pillar of our international growth strategy. And we are progressing well with the rollout of our European DC network. Our Slovakian site is already up and running and operated at large capacities. We will be ramping up third DC in Poland soon, which will serve the growing demand in CEE, the Nordics and selected regions of our core markets. The fourth DC is planned to go live in 2023, which will be located in France, to cater the rapidly growing volumes in our Southern European markets. All these sites will be operated as part of an integrated network with globally optimized stock and order allocations to serve our ambitious growth plans across Europe.

Now let's move on to the category side, where also our offering to customers is improving strongly, both in terms of items count as well as our accurate selection of top brands for our GEN Y and Z customers. As of May 2022, we have around 600,000 items online, an increase of 44% versus last year. These items come from more than 3,500 brands which also grew strongly in numbers on ABOUT YOU.

If we look at growth from an operating model perspective, we see that our own labels and fulfilled ABOUT YOU assortments are growing over proportionally in revenues. With our own labels and exclusive assortments, we remain well on track to reach our midterm goal of a double-digit share in revenues. The growth drivers are the numerous co-ops, which we've launched with influencers on an international scale.

In FY '21, '22, fulfilled by ABOUT YOU assortments generated more than 1/3 of our 3P revenues. And this share is constantly growing, which is intended as it is a strong lever to further improve customer experience and margins from 3P assortments.

Let's now move on to the effects that we see from supply chain disruptions. As expected, our Spring Summer '22 assortments have experienced moderate delays with the delivery ratio, which is down approximately 5 percentage points versus April 2021. That means we see some delays but all in a manageable and expected range. On the right, we have outlined the product groups which are most impacted for us as the effects are unequally distributed over categories. As expected, footwear is seeing comparably high impacts along with sports apparel. For the coming autumn/winter '22 season, we expect a moderate improvement of the supply situation versus spring/summer '22. But we expect delays and cancellations to remain higher than normal as bottleneck and global supply chains persist.

We continue to work closely with our suppliers to manage these effects efficiently. Moreover, our growing assortment, the increasing relevance of our own labels and co-ops as well as our personalization features continue to mitigate the relevance of these disruptions to the end consumer.

Moving on to our B2B segment and following on with the 2 TME subdivisions, which we've introduced in our H1 '21, '22 update. On the one hand, the SCAYLE brand comprising our SaaS and operation services, which are rendered to external clients on a stand-alone basis. And on the other hand, comes adjacent services like media and fulfillment, which are run primarily to our suppliers as part of the AY commerce ecosystem. We are providing a breakout of our TME segment revenue and adjusted EBITDA into these 2 subdivisions here.

So let's start with our SCAYLE business on the left-hand side. In the last year, we've introduced our SCAYLE brand to B2B clients, increased our sales efforts, released a new version of the South commerce engine as well as numerous improvements to the infrastructure. These efforts have resulted in revenue growth of 90% to EUR 67 million in '21, '22. The SCAYLE adjusted EBITDA is also growing strongly, although we are seeing a slight decline in the EBITDA margin to 38%. This decline is driven by our accelerated growth investments as well as revenue mix effects. A meaningful progression is also visible for the results of our commerce adjacent services. With revenues more than doubling year-over-year, we closed the FY '21, '22 with a positive adjusted EBITDA of EUR 4 million as all our TME revenue streams turned profitable.

Let's now take a closer look at SCAYLE and the progress we are making on the client acquisition side. In FY '21, '22, we served an external transaction volume of EUR 2.4 billion. This is a significant increase versus last year and we are constantly on billing new clients, which more than 100 external shops, which were operated by SCAYLE in the last year.

And as you can see on the right-hand side, we've acquired numerous new clients in FY '21, '22. These include large fashion brands like as Oliver, Tom Tailor or 6PM. And our client base is also expanding outside the fashion D2C category, including fashion multi-brand, multi-category, and lifestyle players. This clearly proves the versatility of our scale technology and provides huge growth opportunities going forward.

So let's look ahead on what to expect in FY '22, '23 from SCAYLE. We are currently ramping up the SCAYLE business along four key growth levers: Firstly, penetrating large-scale fashion accounts and DACH; secondly, executing go-to-market streets in new regions with the current focus on BeNe and U.K.; thirdly, upselling our existing client base to other SCAYLE products facilitated by our broadening SCAYLE product suite; lastly, continuing our expansion into non-fashion and lifestyle verticals leveraging the flexibility of the Scayle commerce engine. And we remain extremely bullish on the future potential here, and we will put a lot of focus on excellent and fast execution.

Let's now move on to the ESG side, where we want to give you an update on the progress made on key initiatives over the last year. Starting with our carbon footprint. On the left-hand side, we are showing the advances made on our science-based targets. By incorporating our targets into our business processes, we've seen very good progress in FY '21, '22 and remain confident to reach our FY '25, '26 targets. Further, we are proud to announce that FY '21, '22 is our first full year of CO2e neutral e-commerce operations. As seen on the right-hand side, we are making good progress in reducing emissions to order and the remaining emissions are being fully compensated.

We continue to uphold high standards across various planned KPIs. This includes a higher share of more sustainable product revenue, which has grown to 22% in FY '21, '22, an increase of 3 percentage points versus last year. Our customers now have a wide adverse of secondhand items to pick from. Today, we are offering around 400,000 items on it at any time, a massive increase compared to the 150,000 items online at the end of FY '20, '21. Hence, we see ourselves well on track to reach our goal to more than 1 million secondhand products by FY '25, '26 and to become one of the major European retailers of quality check secondhand fashion. And despite significant cost pressure in packaging, we were able to sustain a very high share of recycled materials in our primary packaging. Post-consumer recycled materials with 76% of total packaging tonnes in FY '21, '22.

Now moving on to people. We continue to bring transparency in our own label value chain in order to manage and mitigate social risks. In FY '21, '22, we published 100% of our Tier 1 suppliers and opened apparel registry, and we target to reach 100% of Tier 2 suppliers by '23, '24. We continue to partner with leading institutions here in order to improve social standards along our value chain. And for the talent working at about you, we foster an environment which embraces diversity, equity and inclusion. For example, females hold 49% of the lead positions in our international, young and driven organization.

So far on our business update, let's now talk about our financial performance in the fourth quarter and full year '21, '22. On top line, we continue to see high growth rates across all our segments. But let's start with the group trading on the left-hand side of this chart. Following on an already strong Q3 '21, '22, we grew our revenues by 31% in Q4. This leads to 48% growth in FY '21, '22, which corresponds to EUR 1.732 billion in revenues.

31% growth in our Q4 '21, '22 is certainly a solid result against the current market backdrop. But we must acknowledge that Q4 revenues and therefore, also full year revenues came in at the lower end of the range, which we communicated at the preliminary full year results back in March. Drivers for this are slightly higher-than-expected returns and some technical factors like revenue recognition effect in the year end closing. Still all in all, we believe that our Q4 results show the robustness of our business model and our ability to navigate through this volatile market environment.

So let's take a look at our segments. We continue to see healthy growth in our DACH region. In the last quarter of this fiscal year, our DACH segment achieved a revenue growth of 14%, which is a good result in that of comparable depressed demand due to COVID restrictions throughout the Q4. DACH revenue growth for the full year was at 27%. This was not driven by weather executed marketing clearing measures as well as positive reopening dynamics in the first half of '21, '22, boosting demand for going out fashion categories.

Moving on to our Rest of Europe business. Despite a tough comp from last year and our increasing scale, our ROE segment continues to grow strongly with 41% in Q4. Q4 also marked the first quarter where our RoE revenues are higher than in our DACH core markets underlining the rapid scaling of our international business. For FY '21, '22, our ROE segment achieved a year-over-year growth of 66%. Growth was positively affected by strong development of existing RoE markets as well as the market entry campaigns in the new Nordic and Southern European markets.

On TME, our B2B segment continues its hyper growth momentum with Q4 revenues up 42% year-over-year. This is a normalization and growth compared to previous quarters, but this development has been expected. As the comparable '20, '21 revenues are skewed towards Q3 and Q4 when B2B spending normalized after the initial COVID shock. Full year revenues for TME have increased by 100% year-over-year with EUR 167 million in FY '21, '22. This is driven by the enlargement of the B2B product range, higher revenues with existing clients and the accelerated acquisition of new customers.

Once again, our commerce growth is underpinned by our strong cohort data as we continue to see positive development in all last 12-month customer metrics. Active customers are up 35% year-over-year from EUR 8.4 million to EUR 11.4 million, supported by optimized marketing steering, the acquisition of new customers and ROE and a positive impact from reduced customer churn. Order frequency increased from 2.7 to 2.9 orders per year, as we keep enhancing the seamless and inspiring customer experience with forward-thinking product features and an extended assortment. Average order value increased from EUR 57.1 to EUR 57.8 per order in the last 12 months. This is driven by positive basket effects reading to COVID, which we've seen in the first quarter of FY -- in the first quarter of FY '21, '22. These effects are, however, increasingly fading out and order values have started to moderately decline over the last month in the year-over-year comparison. Order values, however, still remains slightly above pre-COVID levels.

Moving on to our bottom line, which is characterized by significant growth investments in FY '21, '22. Let's start again on the left-hand side of this chart, showing our group adjusted EBITDA margin at a negative 3.9% in FY '21, '22 versus a negative 3% in the last year. Key driver of this decrease are marketing costs for market entry campaigns, which we will discuss in a second for the commerce segment. In Q4, our group adjusted EBITDA is at a negative EUR 11 million, leading to a full year adjusted EBITDA of a negative EUR 67 million which is in line to slightly better than our full year guidance at a negative EUR 70 million.

On segments, our DACH business continues to generate healthy margins. For Q4 '21, '22, DACH EBITDA margin is at an all-time high with 9.5%, well above the 3.2% in the same period last year. Key driver for this was conservatively adjusted marketing steering, reduced marketing costs in response to the challenging DACH market environment in our Q4. Adjusted EBITDA margin in FY '21, '22 was 6.6% compared to 5.6% last year. Meaning, we achieved the expected profitability improvement on a full year basis while we remain on a healthy growth trajectory.

Moving on to our RoE segment, where we see the expected effect of the market entry experience in Southern Europe. These campaigns were huge successes in terms of brand building and new customer acquisition. But they also created adverse FX and profitability which continue to be visible in our Q4 '21, '22, where adjusted EBITDA margin was at a negative 20.6%. RoE EBITDA was further adversely affected by Russia, Ukraine conflict, which impacted CEE countries at the end of our Q4 '21, '22. Our full year EBITDA margin RoE is at a negative 18.9%, slightly lower than last year, which was expected given the high investments into our new markets as discussed in the business update section.

On B2B, our TME business achieved a strong full EBITDA margin of 17.3% up from 12% in the last year. Driver of the strong margin increase is a significant growth in high gross margin B2B revenues, scaling against a predominantly fixed cost base. In Q4 '21, '22, adjusted EBITDA margin for TME was at 24.9%, which is a slight decline compared to last year. This development can be explained by positive one-off effects in Q4 '20, '21 as well as extraordinary costs related to the SCAYLE rebranding in Q4 '21, '22.

Let's now take a look at the key cost lines of the group. Starting with the gross margin where we see a stable development to 40.6% in FY '21, '22. On the one hand, gross margin was impacted by one-off effects like the market entry and by the whoohoo campaigns which both leverage promotions and price reductions to acquire new customers. On the other hand, our gross margin benefits from the increased share of high-margin B2B revenues and an increasing share of owned level revenues in the commerce business. In Q4, group gross margin was 43.3% This is a decline of 2 percentage points compared to last year, which, however, also needs to be seen and of an extraordinary strong gross margin in Q4 last year.

Next, our fulfillment cost ratio, which moved sideways for the full year, reaching 20.1% in FY '21, '22. In Q4, however, we see a significant increase of 2.7 percentage points year-over-year, reaching 22.3% in Q4 '21, '22. This increase is driven by four factors for us: Firstly, as expected, we see returns moving back to pre-COVID levels and net base sizes moderately declined year-over-year; secondly, logistics costs are under pressure from inflationary dynamics making the realization of SCAYLE effects more difficult for us; thirdly, the ramp-up of our Slovakian DC causes one-off costs and operating complexity; and lastly, our inventory measures to mitigate supply chain effects caused a temporary increase in storage and processing costs. So, the increase in our fulfillment cost ratio is driven by a mix of expected structural effects and one-off effects for the Q4.

Let's move on to our marketing cost. Marketing cost ratio reached 17.2% in Q4, up 2.6 percentage points versus last year. This increase is driven by continued investments in brand building and new customer acquisition in our less mature RoE markets. Marketing cost pressure for the full year reached 19% and development, which was expected as a result of our growth investments in market entry campaigns. Lastly, admin and other costs continue to benefit from economies of scale and cost discipline within the entire group. This has led to upend cost levels of 5.5% of revenues in this year, an improvement of 1.8 percentage points versus last year.

In Q4, our admin cost ratio was 6.5% of revenues. This is an improvement of almost 4 percentage points year-over-year, which, however, also needs to be seen in light of some negative one-off effects which we had in Q4 '20, '21. All these effects combined result in a decrease of our group adjusted EBITDA margin by 0.8 percentage points to a negative 3.9% margin in FY '21, '22. For Q4 '21, '22, our group adjusted EBITDA margin was at a negative 2.7%, decreasing by 3.5 percentage points compared to the exceptional results in Q4 '20, '21.

Let's now take a look at our cash flow drivers. Our net working capital turned slightly positive and is at EUR 9.5 million at the end of FY '21, '22. This corresponds to 0.6% of last 12-month revenues and is slightly above our latest guidance. Working care dynamics are currently driven by increased inventories largely due to inventory measures to mitigate anticipated supply shortages and to a lesser extent, also structurally increased inventory levels due to our DC network rollout.

Our capital expenditures amounted to EUR 17 million in Q4 and EUR 46 million in FY '21, '22, which is below our latest guidance of EUR 50 million. Capital expenditures still show a significant increase versus FY '20, '21, where CapEx was around EUR 90 million. The increase is driven by investments into our growing IT and logistics infrastructure as well as company building and M&A activities.

Moving on to our cash position. Let us first look at free cash flow, which is at a negative EUR 156 million for FY '21, '22. This cash out is largely driven by the market entry and growth investments as well as onetime effects, which are visible in our full year operating cash flow. Our financing cash flow is at EUR 544 million in FY '21, '22. And this includes IPO proceeds of EUR 637 million as with the repayment of fair loans of EUR 75 million. We ended the year with cash and equivalents of EUR 496 million, which gives us a strong liquidity position to execute on our growth plans.

Moving on to our guidance for the financial year '21, '22 and our medium-term outlook. Let's start by addressing the external factors you are all aware of and discuss how we factored this into our guidance. We saw a negative demand impact in CEE in the first weeks of the Russia, Ukraine conflict. This effect was reinforced by our decision to pause marketing campaigns in the region in order to respond to the sentiment changes on the CEE consumer side. This direct demand impacts have now normalized, but they will be visible in our Q1 '22, '23.

There's also plenty of evidence that the consumer sentiment is changing more broadly in Europe and that consumer confidence has eroded over the last months. This probably applies less to our core Gen Y&Z target group, and it is also hard for us to link these data points to our trading at present. We, however, remain cautious on our guidance as we may be marching into a potentially more challenging demand environment.

Next, inflation, which can have an impact on demand patterns and on our cost structure. On the demand side, we are currently seeing a slight shift into lower-priced categories. But these effects are really moderate. And given our broad assortment and robust target group, these effects are not materially affecting our trading to date. Cost effects are also rather moderate as of now and partly offset by RRP increases forwarded to consumers. We, however, remain cautious also here and factored some risks into our guidance.

On the supply side, we are currently seeing moderate impacts as discussed in the business update section. The situation is likely to further improve in the autumn/winter '22 season. But we are still expecting that supply will not yet be fully back to normal in the second half of FY '22/'23.

To end this list of this note, we are seeing positive effects from the opening dynamics in markets where COVID restrictions have been eased just recently. Patterns here are the same as observed in H1 '21, '22, that is demand shifting back to going out categories and discovery traffic gradually increasing.

Now on to our FY '22, '23 guidance. As a result of the factors outlined, we expect our group revenue to grow by 25% to 35% year-over-year and to generate revenues of EUR 2.165 million to EUR 2.338 billion in FY '22, '23. This implies a slight acceleration in growth versus our current trading in Q1 '22, '23 where we expect our year-over-year growth to lend rather in the teens or 20s. We, however, see this acceleration growth taking place already throughout our Q1, and we are looking at a strong exit rate right now. This is, as our CEE markets have recovered from the Russia, Ukraine demand shock, and we observed positive reopening dynamics, especially in our core markets.

For our group profitability, we expect a slight improvement in FY '22, '23. Adjusted EBITDA is expected to range between a negative EUR 70 million to a negative EUR 50 million. This means that our group adjusted EBITDA margin is expected to improve visibly from a negative 3.9% in FY '21, '22 to a negative 3.2% to 2.1% in FY '22, '23. CapEx for FY '22, '23 is expected to be around EUR 60 million to EUR 80 million as we continue to invest into our growing IP into digital infrastructure as well as company building activities. Our net working capital is expected to be neutral towards the end of FY '22, '23 as we are expecting slightly elevated inventory levels also in H2 '22, '23.

We are aware that the investments we plan can seem challenging in these volatile times. But we are also fully convinced that we are following the right growth strategy to create substantial value in the future. It is important for us to clearly state our priorities for the coming year and to take a differentiated view on our investments.

Starting with our key priorities for FY '22, '23. Firstly, executing our path to profitability remains highest priority for the group, keeping in mind our target to reach group breakeven on an adjusted EBITDA level in FY '23, '24. Secondly, based on the proof points we see today, we are even more convinced of the growth opportunities in the Nordics and Southern Europe. And we will, hence, continue to put a lot of focus on these regions. Thirdly, we will focus our path to professionalize, internationalize the go-to-market of Scayle in order to really make this a world-class tech business. And last but not least, continue to deliver on our ESG targets. For us, it's the right thing to do and will pay off in the future.

On the right-hand side, you can see how these priorities translate into a breakdown of our revenue and adjusted EBITDA expectations on a segment level. We expect moderate increases in both metrics and DACH, contributing to our path to profitability goals. For our Rest of Europe segment, revenues are expected to significantly increase while EBITDA is expected to moderately decline. This is the result of continued investments into our new Nordic and Southern European markets. For FY '22, '23, this will be a mix of big bang campaigns like just recently in Norway and broader scaling investments in brand building and customer acquisition. Our TME segment is expected to see significant revenue growth, which translates into adjusted EBITDA growth given the high margin nature of these revenue streams.

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 our financial year '25, '26. It is clear that the market faces challenges at the moment. But we continue to see ourselves as a structural winner with a robust business model and huge growth opportunities ahead of us. And hence, we see ourselves well on track to achieve this EUR 5 billion revenue goal.

I would like to finish this presentation by thanking you all for your time today and also for your trust in us to deliver on our plans. We are now looking forward to answering your questions. Moderator?

QUESTIONS AND ANSWERS

Operator

The first question is coming from Volker Bosse at Baader Bank.

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

Three questions. I would start with the gross margin, which was flat in '21, '22 regarding '22, '23, you see a moderate increase. If I got you right, could you elaborate on the main drivers, as we see a lot of headwinds from rising costs all over the place in the bridge for higher gross margin, please?

And the second question would be on the marketing cost ratio. Minus 19% last year after 16% the year before. So how would you look at marketing costs for this year in percentage of sales, just an indication to get the momentum right for the modeling. And last but not least, you mentioned that (inaudible) from H&M is now a new brand on your platform. We just heard from H&M that they also want to be a platform and start the marketplace. So asking my question, are you interested to participate with your private labels in any other platform as well? So the results, especially at the H&M platform is that way going forward to look at your own made a potential?

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

Yes, sure. Many thanks for the questions. Let me start with the gross margin. So maybe first, taking a look back into '21, '22, where we saw our gross margin adversely affected by some onetime effects like, for example, the market entry campaigns execute in Southern Europe or the (inaudible) campaigns in core markets and across Europe. These one-off effects actually adversely affect the gross margin, and this is not expected to happen to such an extent in '22, '23. So that's one driver.

Another driver is that we see a continuous over proportional growth in our own labels and Celebrity Corps, which come at a higher gross margin structure and same was true for our for our B2B revenues, which also grow overproportionately. And lastly, on the cost pressure on the gross margin side, given that the majority of our revenues comes from 3P brands, our third-party brands in that sense, we are able to largely forward the anticipated cost increases to consumers. And hence, at least for us at this stage, we don't see a particular cost pressure on the gross margin side.

On the second part, marketing cost ratio, let's differentiate this a bit by region. So if we look at DACH here, we expect marketing cost ratio to moderately decline given the business is further maturing and we are focusing on profitability goals. If we look at rest of Europe, we're expecting, as said, a further increase in investment, especially in Southern Europe and in the Nordics, so our new Rest of Europe regions. And for the group as a whole, that means that marketing cost ratio will probably be more like flat to maybe slightly improving. But as I said, this is a conscious investment in growth into our strategic growth areas.

And lastly, H&M opening up their platform to other brands we will principally be open to also venture with some of our own levels on to their platform. We're actually also doing this to a certain extent with edited, for example, which is available on other platforms. So this would be something that we could look at. I think it wouldn't be a major business driver for us. What would be interesting is to engage in this touch around scale, for example. So why not having H&M Group as a scale client, but maybe that's something for later then.

Operator

The next question is coming from Anne Critchlow at Societe Generale.

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

I've got two, please. So first of all, are you seeing any changes to the take rate on 3P product? And then secondly, will you be disclosing outlets as a separate division?

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

On the take rate, this is relatively flat if we look at this on an operating model level. We see a slight tailwind from the shift into fulfilled about new operating models, which tend to have a slightly higher take rate. But on a like-for-like basis, per operating model, this is relatively flat. And remind me of the second question again?

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

Yes. So just -- you mentioned that you're setting up outlet. And I just wondered if it was going to be disclosed as a separate division at some point.

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

Sure. We do not plan this for the next quarters or years. I mean if outlet will grow into a material part of our business, it could make sense to break this out. But right now, it is really early, early stage and probably too early to give further disclosure.

Operator

(Operator Instructions) The next question is coming from Simon Bowler at Numis.

Unidentified Analyst

Just a quick question just in terms of the kind of outlook by region that you've given. I was just wondering you can give a sense of -- I know you got kind of your group breakeven targets, but it looks like you're expecting the kind of by region to make a similar kind of loss year-on-year. What was the path to profitability for that region? And how much better might have looked if you haven't experienced some of the disruption that you've seen in kind of March/April of this fiscal year?

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

If we look at CEE, there are some markets which are more mature and already profitable. These show similar P&L characteristics as DACH, for example. And other markets are less mature and still in investment phase growing significantly above 50%, almost triple digit and as said, still loss-making. The impact that we've seen March, April, there was actually across CEE. So we saw basically all these markets affected -- more on the top line, the bottom line impact was less pronounced.

Operator

The next question is coming from (inaudible) at JPMorgan.

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

It's Georgina here from JPMorgan. I've got two questions, please. The first one was just on the CapEx guidance. That was a bit higher than I expected. I understand, I think there's some provision in there some sort of loans to influence us to sort of own brand development and so on. Could you just clarify what the magnitude of that is, please? And also perhaps it would be useful just to provide a quick refresher of what exactly that is? And then the second question was around the DACH position, which I think just looking at it on a ratio basis was really quite elevated at the year end. And so just to clarify, am I right in understanding that you brought extra stock on to the balance sheet because of the supply chain disruptions and is that going to place some pressure on the Q1 '23 gross margin, please?

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

Sure. So on the CapEx part, we don't give a precise guidance on the different components, but I'm pretty sure that the largest proportion of CapEx will remain in PPME, here, especially capitalization of IT and the company building activities that is basically we are founding joint ventures with some of our influencers to professionalize and scale the brands that we have built with them. (inaudible) would be an example. And these are financed partly via working capital loans granted by us. And this is then reflected as CapEx in our cash flow statement. It's not the major part of CapEx spend, but it's still significant.

And on the stock position, that's two factors, I would say. The first is that we have deliberately chosen to ramp up inventories as a mitigation measures for expected supply shortages, that's not only seasonal assortments that also applies to never out-of-stock assortment. So basically, we've built a buffer that is especially visible in February at the season switch, which we still think is a healthy decision, given the volatility that we are seeing on the supply side.

And the second effect, and that's more a structural one is due to the DC ramp-up, so basically rolling out our DC network. This also induces the need for elevated stock levels in order to assure locally optimized availabilities. And both of these effects or developments are expected and deliberately chosen. So it's not that we're looking at an elevated stock position, which is at risk. And hence, I would also not expect materially negative effects from that on Q1 or Q2.

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

Are you able to share how much of that was structural due to the DC ramp-up, just so we can understand how it should progress on a medium-term basis, please?

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

Probably, if you take the data, which I couldn't quantify right now, it's probably 1/3 or so.

Operator

(Operator Instructions) The next question is coming from Olivia Townsend at UBS.

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

I have three, please. My first question is just on the global proposition, whether you could give an update on this and how that's trending? Second question is on exit rate from Q1. Just wondering if you can quantify that on either a year-on-year basis or a sort of CAGR given I appreciate the comp is quite different? And then my final question is on fulfillment costs. Given you are outsourcing the operations of your fulfillment to third parties, I'm just wondering if you could remind us about how those agreements are structured and when you renegotiate those and the kind of cost inflation that you're seeing in those agreements would be very helpful.

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

Sure. Let's start with Global Shipping then. This is still in a testing phase where we are looking at different regions outside Europe. We have a dedicated team working on this, which are now starting to localize some of the proposition for certain regions to get better quality data but still all in a very asset-light and tested learn approach. So there's no material investment attached to this, but it's still interesting to see how metrics evolve in regions outside Europe and also how we can improve these via selected localization features. The plan is to continue to do this in this approach over the next quarters and then potentially take further actions from that.

The exit rate in Q1, as I said, we've seen a constant acceleration in growth throughout our Q1. When we look at revenue growth right now, it's probably more like at the high end or even above our revenue guidance range. There is, of course, a lot of volatility on a weekly and also monthly basis. But looking at the current trading, I would really say that this looks really good.

And on the fulfillment costs and the agreements attached to this, let me be differentiate this into DCs and return centers where we mostly have cost-plus agreements with the providers. So essentially, wage increases, for example, can be forwarded to us in that sense and are kept at some x ranges. And for carriers, last-mile carriers, second important component, this is negotiated on a per carrier level and usually on a per shipment or per piece basis. And this, in some cases, has a cap against cost increases and in some cases, allows the carrier to forward cost increases to us. That said, we are seeing cost pressure on the fulfillment side from inflation, but it's not that we're seeing unit cost increase significantly. I would rather say that we are not able to realize the scale effects, which we otherwise would have been able to, if the inflation was lower.

Operator

With this last remark, we will be ending the Q&A session. Hannes Wiese will address you with a few final remarks.

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

Yes. Thanks. So let me close our presentation by saying thank you all for your support and for joining us today on our conference call. If there are any further questions, please feel free to contact our IR team directly. We're looking forward to seeing some of you during our upcoming road show. Have a great day. Bye.