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PRESENTATION

Frank Bohme - *ABOUT YOU Holding SE - Head of Investor Relations & Communications*

Good morning, everyone, and welcome to our Q3 2024-2025 results presentation. The conference call will be hosted by Hannes Wiese Co-founder and Co-CEO of ABOUT YOU. Hannes will walk you through our Q3 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 - Operations and Finance*

Yeah. Thanks Frank, and good morning to everyone also from my side. Today, as usual, we're focusing on the following topics: short business update followed by our Q3 financials, the outlook section and we'll close this call with Q&A. We'll directly jump into our business update, starting on page 4 with the key takeaways of the third quarter '24-'25.

No news for you, but certainly a big highlight remains our team up with Zalando. As a reminder, Zalando announced a public tender offer of EUR6.50 per share to acquire up to 100% of ABOUT YOU. Public takeover process is currently being executed in line with the timeline outlined in the analyst call on December 11, 2024.

Now on to our results for Q3 '24-'25. Group revenue increased by 1.3% to EUR558.9 million and adjusted EBITDA came in at EUR20.1 million. There is [algo], quick and peak revenues were shifted to our Q4 '24-'25 under IRFS which is due to this year's timing of Black Friday at the very end of our Q3. We estimate the shift to amount to around EUR25 million in net revenues.

LTM active customers returned to growth and increased by 3% to 12.8 million, driven by improved retention and new customer acquisition. The average order value for commerce increased further to EUR59.3 over the last 12 months, due to the positive effect of new economic measures and higher selling prices.

Our separate business unit, SCAYLE, has delivered another successful Q3 '24-'25 with ARR growth of around 30% year-over-year, continued high profitability levels and strong traction in acquiring new customers internationally. We are also reporting a strong free cash flow generation of EUR124 million in Q3 due to improved EBITDA and reduced inventory levels.

The seasonality of the business further support free cash flow generation, resulting in a strong cash position of EUR255.9 million at the end of Q3. On the back of the results in the first nine months of FY24-'25, we confirm our revenue and adjusted EBITDA guidance today. We continue to expect revenue growth in the range of 1% to 7% year-on-year and adjusted EBITDA in the range of EUR15 million to EUR35 million in FY24-'25.

Let's move on to slide 5 and recap our main news release over the last month. On December 11, 2024, Zalando entered into a business combination agreement with ABOUT YOU regarding a public takeover offer for all outstanding shares of the company. Zalando offers ABOUT YOU shareholders a cash consideration of EUR6.50 per share.

This represents a premium of 107% versus the three-month volume-weighted average share price. ABOUT YOU shareholders, Otto or the Otto family, Heartland as well as Tarek, Sebastian and I strongly support this offer have committed to sell all their ABOUT YOU shares via irrevocable commitment to Zalando in connection with the public takeover offer.

From a timing perspective, we continue to expect that the offer document will be published in January 2025 following [Baffin] approval. The closing of this transaction continues to be expected in summer 2025. The timeline remains as outlined in our analyst call on December 11, 2024.

Moving on to our operating business. An important event in Q3 was certainly the Black Week period, as summarized on page 6. For a period of two weeks, we were executing several campaigns around Black Friday, which generated high GMV levels and a significant uplift in profitability versus last year.

Black Friday was very successful from a trading perspective as also underlined by the GMV uplift illustrated by the chart on the right hand side. Quite a significant portion of Black Weekend revenues and the related contributions will only be recognized in our Q4 under IFRS.

This is, as Black Friday '24-'25 was scheduled at the very end of our financial Q3. The chart on the right-hand side also illustrates this effect. It shows GMV per day at the end of our financial Q2 and Q3 GMV and our segment revenue is recognized upon order whereas IFRS group revenue is recognized only upon shipment to the customer.

Pretty much higher trading volume at the end of our Q3, a correspondingly higher amount of revenue was shifted to the next quarter under IFRS. We estimate the data and shifted revenues at the end of our Q3 versus Q2 to be at around EUR25 million. This should be a corresponding upside for our financial Q4.

Another highlight in Q3 '24-'25 was the announcement of a joint fashion brand between ABOUT YOU and Netflix. The Netflix collection as shown on slide 7. This partnership is very special, because we have found a partner in Netflix that just like ABOUT YOU, puts creative content first. The collection is inspired by as Netflix series and films such as Squid Games or Sex Education.

The first drop from the collection was launched in October 2024, followed by a second drop in December. Unique pieces are available across all our 28 European markets, and we are very pleased with the customer response to date.

Moving on to SCAYLE on slide 8, where we can proudly announce that the strong operating performance continued in Q3 '24-'25. The annual recurring revenues grew by around 30% year-over-year, partly driven by the go-live of new enterprise customers. Gross margins on these IRRs remain very high at around 85%.

This gives room for investment in the product and go-to-market all sustaining very high EBITDA margin levels. Not only key financial metrics were strong in Q3, we've also made a major advancement in the Gartner Magic Quadrant assessment for digital commerce.

Here, SCAYLE has made further progress within the niche player quadrant moving quickly towards the leader quadrant. Amongst other strengths, Gartner highlights SCAYLE from offering of a broad set of robust and composable modules with extensive feature set to support complex retail needs and fair billing based on actual usage of the modules.

The third quarter for SCAYLE was also characterized by the go-live of two new customers in the UK. As already announced, we won Harrods, the world leading luxury department store as a SCAYLE customer and a highly competitive deal against six other vendors. We pushed forward with this project in record time and Harrods went live in all countries after a condensed implementation period of only seven months.

Manchester United, the world's largest football club, went live in all countries after an eight-month implementation period. Since then, they have seen a significant increase in conversion rate as well as an uplift in the overall customer satisfaction with the shop.

Supported by these success cases, SCAYLE also continues to have great traction on the international new customer acquisition side, and we will be able to show many more exciting new customer wins going forward.

Let's now move on to our financial update. Starting with our top line on page 11. We grew our IFRS group revenue by 1.3% in Q3 to EUR558.9 million in revenue. Q3 '24-'25 was off to a good start with ideal weather conditions at the beginning of the winter 2024 season and a low comparison base from the prior year quarter.

With higher comps towards the end of the quarter, GMV growth slowed down only moderately. As already discussed in the business update section, the strong underlying momentum is not fully reflected in our IFRS group revenue growth for Q3 due to a technical shift of the Black Weekend revenues into our financial Q4. Much better representation of actual trade dynamics in Q3 '24-'25 is given by our segments where revenues are recognized upon order.

Hence, let's take a closer look at our segments to analyze top line dynamics. Starting with DACH. Revenue growth accelerated to 18% in the third quarter. This growth was largely driven by the German market where consumer sentiment improved from depressed levels in the prior year period. Other weather conditions at the beginning of the winter 2024 season further support our growth momentum on the back of an soft comp base from Q3 '23-'24.

The Rest of Europe segment, total revenue declined by 1.1% year-on-year. Individual countries and regions, however, showed a relatively wide range of growth rates again. Many of our focus markets were producing strong double-digit growth rates. Total revenue development for the segment was rather negatively impacted by markets where we are reducing our commitments. This effect should wear off over the next quarters, enabling our ROE segment to get back to more meaningful growth rates.

Moving on to our team segment, where revenues go back to growth and increased by 6.9% in the third quarter. Top line performance, however, across the different teammate divisions. In tech, revenue developed positively driven by the go-live and acquisition of new customers for SCAYLE, resulting in double-digit ARR growth as discussed in the business update section.

In media, revenue declined slightly, largely due to an increased focus on media products with a high margin profile, enabling revenue increase, largely driven by the growth of the FA business model. Let's now move on to page 12, where we see our customer engagement metrics for the commerce segments. Expected our reported LTM active customer base returned to growth and increased by 3% year-on-year to EUR12.8 million in the last 12 months. This increase was driven by improved retention levels and an increased focus on new customer acquisition and marketing there.

The LTM average order frequency declined by 2.8% to 3.0% transactions per active customer. This can be attributed mainly to the measures introduced to increase the profitability of existing customers. If effects of these measures are also visible in the average order value, which increased by 5.8% year-on-year to EUR59.3 over the last 12 months. This increase is largely due to our unit economic measures as well as higher RRPs and lower discount levels.

With that, let's move on to our bottom line on page 13. Adjusted EBITDA was relatively stable at EUR20.1 million with a margin of 3.6%, as depicted on the left-hand side of this chart. Similar to IFRS revenue, also a portion of Black Weekend contributions were shifted to Q4 for the group. Hence, also for the adjusted EBITDA, our segments give a better representation to discuss year-on-year dynamics.

So let's take a closer look. Starting with our DACH business, where the adjusted EBITDA margin increased by 4.9%, up from 4.3% in Q3 last year. The increase was the result of an improved gross margin and operating leverage driven by high growth momentum.

Moving on to our ROE segment, where we increased our adjusted EBITDA margin significantly by 270 basis points year-on-year. Improvement in the EBITDA margin was driven by a more differentiated country steering, lower clearance activity as well as unit economic effects. On B2B. In our team business, the adjusted EBITDA margin declined slightly to 34.1% in Q3. The margin decline versus the all-time high in Q3 last year is largely due to a step-up in growth investments.

Let's now move on to page 14 and take a closer look at the key cost plans of the group. Starting with the gross margin, which increased by 170 basis points, reaching 42% in Q3 '24-'25. Of the revenue mix effect with an increasing share of high-margin tech revenue and improved inventory position and the lower promotional intensity in the fashion industry were the main drivers for the gross margin increase.

Next our fulfillment cost ratio, which increased by 230 basis points to 22.6% in Q3. The increase is partly driven by one-off effects, which were positive in Q3 last year and negative in Q3 this year. Further, we discussed technical shifts of Black Weekend revenues into our financial Q4 adversely affect the fulfillment ratio on a year-over-year comparison.

Let's move on to our marketing costs, which remained broadly stable at 12.2% in Q3 '24-'25. Focus on marketing measures was on performance marketing and promotional campaigns as well as on selected brand building initiatives to further drive new customer acquisition.

Lastly, our admin and other cost ratio declined by 40 basis points to 3.6%. The decline is largely due to operational efficiency measures as well as strict operating cost control. All these sectors combined resulted in a stable group adjusted EBITDA margin of 3.6% in Q3 '24-'25.

Let's now take a look at our cash flow drivers on page 15. Our net working capital was a negative EUR161 million at the end of Q3 '24-'25, a decline of around EUR150 million versus last year, which resulted from a further reduction in own stock inventories part of on Black Friday as well as active net working capital management. CapEx amounted to EUR10.1 million in Q3, largely driven by capitalized on development.

Moving on to our cash position on page 16. Let us first look at our operating cash flow, which is at a strong EUR134 million in Q3, driven by the positive EBITDA, a continued reduction in inventories as well as seasonal working capital effects around Black Friday. CapEx translates into investing cash flow and our IFRS free cash flow is, hence, at a positive EUR123.9 million in Q3.

Our financing cash flow at a negative EUR13.7 million in Q3, largely driven by payments for leasing agreements. We ended the quarter with a strong cash and equivalents balance of EUR255.9 million. This corresponds to an increase of around EUR25 million versus Q3 last year.

Let's now move on to the finance section of this presentation, the financial outlook. Based on the performance of the first nine months and our expectations for Q4, we continue to feel comfortable with the midpoint of the guided ranges for both revenue and adjusted EBITDA. Hence, we don't make changes to our guidance today. That means IFRS group revenue continues to be expected in a growth range of 1% to 7% year-over-year.

Year-to-date revenue growth is at 1.9%, with a further upside from the revenues shifted into Q4. Following the strong trading period in Q3 '24-'25, we have seen relatively muted GMV growth in December. Trading is picking up now in the beginning of January, and we expect a good performance in the end of season sale to come.

Overall, we hence remain confident that Q4 revenue growth in IFRS will move full year growth more towards the wind part of the guided range. Now on adjusted EBITDA, which continues to be expected between EUR15 million to EUR35 million. Also here, we continue to feel comfortable with the midpoint of the guided range as we expect Q4 to be slightly loss-making due to the seasonality of the business. Our ambition, however, remains to show a year-over-year improvement in profitability also in Q4.

Let's move on to CapEx and net working capital, while our full year guidance also remains unchanged. CapEx is expected to be around EUR30 million to EUR50 million in FY24-'25, and net working capital is expected to remain in negative territory. So also no changes here.

Let me close my Q3 presentation by saying thank you for your trust and support. We remain very positive about the current developments in our business. And we're even more excited future value creation opportunities together with Zalando.

I'm now looking forward to answering your questions. Moderator, handing it back to you.

QUESTIONS AND ANSWERS

Operator

We will now begin the question-and-answer session. (Operator Instructions)

Nizla Naizer, Deutsche Bank.

Nizla Naizer - *Deutsche Bank - Analyst*

Great. Hi, I have a couple of questions from my end, and Hannes all the best to you and the team going forward as well to start off. The questions I had were around consumer sentiment that you said improved in Q3. With the current sort of macro and political environment in some of your largest markets like Germany, has that sentiment changed in any way?

Like what have you seen at the start of the year, some color there would be great. And then on Q4. So if we assume that the EUR25 million that gets shifted from Q3 to Q4 is removed from what we would expect for Q4, what sort of underlying growth are we looking at? Is it still sort of mid-single digit, excluding that EUR25 million? Some color there would be great. And again, all the best.

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

Yeah. Thanks for the questions, Nizla. Starting with consumer sentiment. So we've seen in Q3, I think, an improvement in consumer sentiment, especially in our core markets, so Germany, that is also translating in the strong trading performance that we've seen from a consumer sentiment perspective, I would say that's broadly continuing on a positive trend since then from trading perspective as said, GMV growth, however, relatively muted also in Germany, particularly around the Christmas time with a lot of holidays falling on working days and hence not giving strong incentives to buy fashion and many people, I think, taking the opportunity to take on to go on vacation.

Then on Q4 implied underlying growth rate, so when we say our ambition remains to reach the midpoint of the guidance for top line that would imply revenue growth of around 10% and that's certainly ambitious as of now given a relatively muted GMV growth in December.

However, we are seeing trading picking up now beginning of January, and we are confident that we will see a further acceleration now in the end of season sale. So that's one argument. And the other argument would, of course, be the shifted EUR25 million into Q4. So we believe reaching this 10% growth in Q4, that's ambitious, but still somewhat realistic.

Nizla Naizer - *Deutsche Bank - Analyst*

Thank you. Very helpful.

Operator

Yashraj Rajani, UBS.

Yashraj Rajani - *UBS - Analyst*

(technical difficulty) I mean you've called out a lower markdown and good inventory control being one of the reasons for the positive development. I just wanted to understand where are we actually in the journey of markdown as a percentage of sales, right? I mean are we sort of back to where we were at pre-COVID levels?

I mean is there significant further room for improvement from here on full price sales? And where do we sort of expect longer-term gross margins to be from that improvement? So that's the first question. And then the second question is just on marketing. So you did mention on previous calls that you are seeing some pressure from competitors, especially the Chinese e-commerce players on marketing.

So I just wanted to understand, I mean, in terms of the marketing pricing or cost per clicks that you are seeing, is that sort of now on the downtrend basis which we should expect marketing costs to go down over the coming years or do you sort of still see some inflation in terms of CPC and marketing pricing overall? Thank you.

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

Yeah, sure. Many thanks for the questions. Let's start with the one on markdown inventory. So inventory position as at now, we would consider healthy. We also don't expect a significant further decline in inventories, but rather inventories now getting back to more like the seasonal rhythm with buildups and build downs at the beginning and end of season phases.

So I think not a big incremental lever from the inventory side, but there are certainly further potential to improve gross margins from trade terms and also a steering of promotions we've discussed in one of the previous earnings calls, for example, our tools and products around personalized coupons around more efficient steering of promotions and campaigns and discounts more generally. So there's certainly further upside from measures that we have kind of on the self-help side.

And on marketing, so we are seeing a positive trend on CPCs also now. So the positive trend continues. It's a bit different by regions. So there are some regions where this is particularly pronounced, for example, core markets and then there are other regions where the trend is not yet fully positive, for example, in CEE, that's a bit of a different picture. But I think across Europe, if we take this all together, the positive trend kind of continues, and we also would expect this to continue going forward.

Yashraj Rajani - *UBS - Analyst*

Got it, got it. Thank you so much, Hannes.

Operator

Sarah Roberts, Barclays.

Sarah Roberts - *Barclays - Analyst*

Hi, good morning. Thank you for taking my question. So, two questions for me. Firstly, can you provide an update on how sellers have started to SCAYLE using the new marketplace model you launched in the kind of end of the second half? And you previously mentioned this is going to be a bit of a headwind to kind of revenue growth given the accounting differences for this new marketplace model and only being able to record the commission.

Are you able to quantify the impact that, that business model have had on growth in Q3? And how big do you think this could be in Q4 of this year? Secondly, can you give a little bit of an update on the SCAYLE payments business that went live in Q3? What the progress here has been and what do you see the long-term opportunity for the business? Thank you.

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

Yeah. So many thanks for the questions. So first one on marketplace. We are now live in a few markets in Europe with the new operating model. For example, in Austria and now also in Germany, and we are rolling this out across further markets. So that's progressing, also progressing quite well. And in terms of how does this translate into revenue recognition effects? Not yet materially in Q3 because that was then not live.

And for the Q4, we also wouldn't expect a material impact more like in the high single digit to low double-digit million euro range, given we are still in the early stage of the ramp-up. But the ramp-up asset progresses quite well, and we have a strong pipeline of merchants to be onboarded. So we would expect this to ramp up quickly and also to generate these recognition effects quickly, but not in Q3 and also not materially in Q4.

And the second question to SCAYLE payments. That's related to a certain degree because SCAYLE payments kind of empowers the marketplace rollout on the payment side, so the go-live here also kind of goes together when it comes to powering the marketplace. And then there are, of course, further options going forward with regards to SCAYLE payments to monetize this on the B2B side, and there are many ideas as to how we can do this together with our SCAYLE tech unit, but we cannot comment on details at this point. So this will be something for the future.

Operator

Georgina Johanan, JPMorgan.

Georgina Johanan - *JPMorgan - Analyst*

Hi, thank you for taking my questions. Just three quick ones from me, please. First, you've mentioned some higher selling prices. Can you just give a bit of color there? And also any sort of thoughts on what the price outlook is for 2025, what you're hearing from your brand partners, please? Second question, just in terms of kind of returning to growth in markets outside of DACH commerce, can you just remind us of the kind of the key markets where you'd expect to see strong growth there, please?

And then finally, just another reminder and just what progress on. I think you talked at the Capital Markets Day about the potential for US client wins and SCAYLE in the course of the coming months. So just any update on that would be really helpful. Thank you.

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

Yeah, of course. Many thanks for the question. So first, in terms of selling prices, that's a function of, on the one-hand side, reduced discounts on our side, which is also visible in the gross margin. Secondly, also the range that we are providing to consumers, I think as part of profitability measures has been very slightly moving towards higher price points on average.

And then lastly, the RRPs from suppliers, if we look at '24 versus '23, it is slightly up. However, this would not be the expectation into 2025. So here, we would rather expect flattish RRP levels, like-for-like, so no incremental price increases expected here at least currently on our side.

Then secondly, the growth markets in ROE. Here, we will certainly call out strong markets in our CEE region. Also certainly, Benelux is an area where we want to continue to grow strongly and where we are more like reducing our commitments, these are markets which are largely located in the southern and Nordics areas, so markets, which we entered during the COVID period.

And the third question, I'm not sure if I understood this correctly. The update on new customer wins for SCAYLE. So we do have a very strong pipeline, and we are also in very strong and good negotiations with new clients to be signed. I think there were already a couple of signings over the last weeks, months, but nothing that we could announce here, but we will keep you posted by update from the SCAYLE side.

Georgina Johanan - *JPMorgan - Analyst*

Thank you very much.

Operator

Ladies and gentlemen, that was the last question. I would now like to hand over to the moderation for any closing remarks. Please go ahead.

Frank Bohme - *ABOUT YOU Holding SE - Head of Investor Relations & Communications*

Let me close our presentation by saying thank you for your support and for joining us today on our conference call for Q3 2024-2025. If there are any further questions, please feel free to contact the IR team directly. Have a good day. Bye-bye.
