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PRESENTATION

Christoph Barchewitz - Global Fashion Group S.A. - Co-CEO & Member of Management Board

Good morning, everyone. I am Christoph Barchewitz, and I'm joined today by my co-CEO, Patrick Schmidt; and our CFO, Matthew Price. Firstly, I would like to talk about the worsening conflict and tragedy in Ukraine. GFG is deeply sad by the war, and we stand alongside all those whose lives have been affected. Our focus continues to be on our Ukrainian colleagues. We are in regular communication with and we continue to support as best we can. We are maintaining salaries and offering additional financial and employment support. This also includes an increased pledge of EUR 5 million for both our team in the country and the broader humanitarian response.

While business as usual in our CIS region is not an option given the ongoing humanitarian prices, and the significant uncertainties and operational challenges there, we have pared back our operations across the region. Matthew and I will take us through the results, and then I will provide you with more details on our CIS business and operations at the end of this presentation.

Taking a look at the Q1 performance, we achieved net merchandise value of EUR 543 million, up 23% year-on-year. We have a large active customer base of EUR 16.8 million and our customers made over 10 million orders with an average order frequency of 2.9x. Our further increased Marketplace participation and strong Retail margin meant gross margin improved by 1 percentage point to a strong 45%.

Our adjusted EBITDA margin improved 0.6 percentage points on the prior year. Q1 NMV growth of 23% was driven by a 5% increase in orders and a 17% increase in average order value. CIS saw high inflation from exchange rates. So if we excluded CIS, AOV still increased by 14%. It is worth spending some time explaining the drivers for the average order value. There are 2 elements, each of which contribute to the growth rate.

Firstly, region and country mix effects with ANZ and CIS, which have larger baskets and higher selling prices, growing significantly faster. Secondly, we are seeing inflation, particularly in CIS.

Looking at our key customer metrics for Q1, there is a positive improvement across them all. Our active customer base remained stable at 16.8 million, reflecting strong growth in ANZ as well as our deliberate pullback in marketing investment across LATAM to execute our investment plan. We continue to retain our large cohort of customers recruited during the pandemic. As a rolling 12-month KPI metric, the normal level of first-year attrition in this large cohort holds back growth in our overall active customer metric.

Our active customers CAGR since Q1 2019 was 13%. Order frequency grew 8% year-on-year to 2.9x. Higher average order value and greater order frequency across the group drove NMV per active customer up by 23%.

Now turning to our regional performance on Slide 6. Starting with our LATAM business. The team has stabilized the performance there. As a result of prioritizing efficiency and marketing decisions, NMV and active customers declined 6%, while we improved NMV per active customer by 10%. CIS delivered NMV growth of 50%, with high demand throughout the quarter, which has slowed over the last couple of weeks.

Southeast Asia demand has still not recovered to pre-pandemic levels. Across some of our largest markets, including Indonesia and Philippines, COVID restrictions remain on group gatherings and limits on the full return to work. Against this backdrop, the region delivered NMV growth of 5% and active customers grew by 6%.

ANZ NMV grew strongly, up 28%, driven in part by robust active customer growth of 18%. NMV per active customer grew 19%, supported by category expansion and the return of going out categories. We have delivered 70% constant currency growth over the last 2 years and the longer-term growth dynamics of our business remains strong.

I will now hand over to Matthew to take you through the financials.

Matthew Price - Global Fashion Group S.A. - CFO & Member of Management Board

Thank you, Christoph, and good morning, everyone. In Q1, we delivered revenue growth and a higher gross margin, generating an improved adjusted EBITDA margin. Revenue grew 18% on a constant currency basis to EUR 349 million in the quarter. Again, we see revenue growing slightly slower than NMV as Marketplace growth continue to outpace our Retail growth.

We improved our gross profit to EUR 157 million, representing a 45% margin and a 1 percentage point improvement on last year. The growth of Marketplace share delivered most of this expansion. Our group Retail margin remained stable despite some ongoing discounting in ANZ with a higher margin reported in CIS due to the way the exchange rate volatility is reflected in inventory accounting.

Adjusted EBITDA improved by 0.6 percentage points because of the improved gross margin, partially offset by cost investment in LATAM and investments in ANZ to optimize the fulfilment operations after a sustained period of strong growth.

In the quarter, we excluded from adjusted EBITDA, EUR 1.7 million of share-based compensation and EUR 0.5 million noncash hyperinflation adjustment along with EUR 2 million of other costs, mainly relating to supporting our Ukrainian colleagues and business.

Let's take a look at our regional performance on Slide 9. We entered 2022 expecting the demand scenario in the early parts of the year to be very similar to Q4 last year with some ongoing discounting like we saw in Q4. LATAM performance remained under pressure from the macroeconomic environment and the targeted reduction in marketing investments led to the decline in Q1 revenue. As we explained at our results in March, we strongly believe in the opportunity in LATAM. We will continue to prioritize investing in the customer proposition instead of focusing on near-term growth. The region's gross margin was broadly stable.

CIS delivered revenue growth of 43%. The gross margin increased by 1.8 percentage points to 49%, which largely reflected inflation and the accounting impact of currency devaluation. A sharp drop in the exchange rate tends to flatter the gross margin, whilst the costs are rising for the devaluation come through the financing costs lower down in the P&L. These were a few million euros in Q1.

In SEA, despite 5% NMV growth, revenue declined marginally with the NMV growth coming from the Marketplace. Increased Marketplace share contributed significantly to the gross margin improvement of 1.3 percentage points to 37%, alongside an increase in platform services revenue in the region.

In ANZ, the growth in going out categories were a key driver of performance, and the region delivered strong revenue growth of 25% in the quarter. Gross margin reduced to a still strong 47%, reflecting discounting in the market.

Now looking at our cash performance on Slide 10. The group's liquidity position remains very strong. We invested EUR 48 million in working capital, reflecting our usual seasonality trend. We have EUR 350 million of inventory available, EUR 67 million more than this time last year on an FX-neutral basis, ready to trade the upcoming season with fresh, new and relevant product. We spent EUR 19 million of CapEx, broadly equally split between fulfilment centres and capitalized technology, and we closed the quarter with EUR 552 million of pro forma cash, which includes EUR 9 million of restricted cash and EUR 230 million invested in high-quality, short-duration investment funds.

Moving to Slide 10. Now going into our outlook for the year. The elevated level of uncertainty in CIS remains and the impacts of future customer demand, supply of imported products and potential operational, financial or legal constraints mean we are currently unable to provide guidance for 2022. Based on what we know today, we would expect to be able to provide guidance with our Q2 results in August.

For our other 3 regions, we expect the demand environment seen in H2 of last year to continue for the rest of H1 2022 and to progressively improve into the second half. In LATAM, we continue to execute our investment plan. In ANZ, we are investing in H1 to optimize our fulfilment operations after a sustained period of strong growth.

Before I pass back to Christoph to update you on our CIS business, you will have seen this morning, we launched an offer to buy back up to EUR 100 million at nominal value of our convertible bonds. This reflects the strength of our liquidity position and the Board's confidence in delivering our long-term strategy within the funding available. It's our opinion that this offer is a benefit to our investors.

Christoph Barchewitz - Global Fashion Group S.A. - Co-CEO & Member of Management Board

Thank you, Matthew. Our #1 priority is our people in Ukraine. And as mentioned earlier, we continue to focus on supporting them as best we can. Lamoda is a local fashion and lifestyle e-commerce retailer with centralized operations across Belarus, Kazakhstan, Russia and Ukraine and employs approximately 9,000 people across the region. They make up a significant part of GFG, and we will continue to do everything we can to provide job continuity and support to our people in each country where we operate. We have pared back our operations across the region and pivoted our focus from growth towards financial self-sufficiency. A variety of factors have contributed to a significant reduction of our imports, marketing activity and investments as well as the suspension of the development of Lamoda second fulfilment centre in Russia.

In April, we repaid local financial indebtedness of around EUR 20 million, leaving Lamoda debt free. In the normal course of business, GFG guarantees certain trade liabilities for Lamoda and the other regions. Currently, GFG guarantees around EUR 40 million of such Lamoda trade liabilities, which we will continue to manage carefully through the seasonality. GFG does not expect to make additional financial investments into or take distributions from Lamoda, whilst this situation endures. Clearly, the operational realities of our CIS business has changed in fundamental ways and we are working diligently to evaluate a range of further options whilst ensuring the safety and well-being of our employees.

We will now open the call to your questions. (Operator Instructions) Thank you.

QUESTIONS AND ANSWERS

(Operator) We will take our first questions from Michael Benedict from Berenberg.

Michael Benedict - Joh. Berenberg, Gossler & Co. KG, Research Division - Analyst

I have three if that's okay. The first one is just on your comment around evaluating a range of options in CIS. I wondered if there's any colour you can give on the range of possible options there? And are you able to get money out of the country if that region is sold? The second 1 is the comment around optimizing fulfilment operations in Australia and New Zealand. Can you just give us a bit of colour around what's happening out there and how long the cost drag is expected to last? And then the third one, and I mentioned that CIS distribution centre is no longer happening. Are we able to get a bit of colour on FY '22 CapEx given that or at least the savings on -- from that FC being postponed?

Christoph Barchewitz - Global Fashion Group S.A. - Co-CEO & Member of Management Board

Thank you, Michael. I'll take the first one and then I'll let Matthew answer the second and the third. So on what we said about evaluating a range of options, I think it's premature really to get into a lot more detail. It's a very new reality in that region at many, many levels. I think what we are doing is we are very carefully considering all of the implications, starting, obviously, like we stated with our people, but also the broader financial, legal, et cetera, liability of the business. And we'll update the market. Let me know more about that, but we don't want to get ahead of ourselves of setting a certain direction, which then we may need to change on anyway given that the situation is very, very fluid.

I know that may be not quite the answer you're looking for, but I think it's really early. What we can say is that we are very diligently looking at a broad set of options, and we are not ruling anything particularly out of all of those choices that are available, but even that set of choices is clearly subject to change in the next weeks and months ahead. So I'll leave at that, Matthew.

Matthew Price - Global Fashion Group S.A. - CFO & Member of Management Board

Yes. So on the ANZ fulfilment operations, this isn't major CapEx or anything, Michael. What we've got there is the business has grown so strongly for a sustained period of time and has expanded its assortment as well. The really good strong rollout of beauty, other products we talked about. So it's -- it will be another few months and it's about changing in racking, bits of automation, bits of software, et cetera, to make sure that the customer service remains absolutely excellent as that business continues to scale.

So it's a bit of a drag on the EBITDA in H1, but I'm not expecting any huge amounts of CapEx, et cetera, on there. In terms of CapEx, obviously, the CIS distribution centre, that was our major capital project for this year. We were expecting it to be somewhere in the sort of EUR 35 million to EUR 40 million range. And you've seen the original guidance. We -- early part of the year before March, we had spent EUR 4 million or EUR 5 million of that in the year. Really there is a commercial discussion conversation still ongoing with our partners, et cetera, on it. The project is suspended for a variety of reasons and good reasons. So I think we need to just keep working through that -- those conversations to get to the right outcome for everyone there. But I'm not expecting any further major spend this year from what I'm seeing at the moment. Was that okay, Michael?

Michael Benedict - Joh. Berenberg, Gossler & Co. KG, Research Division - Analyst

Yes, that's brilliant. So just to confirm on that last one, Matthew. I mean I think we had EUR 60-odd million of CapEx prior to today, all else equal, that should be sort of EUR 30 million lower. Would that be a fair?

Matthew Price - Global Fashion Group S.A. - CFO & Member of Management Board

Yes. It might be a little bit higher than that. But I mean, we'll do full guidance later. But yes, it's going to be significantly down on last year, certainly.

(Operator) We will take our next question from Miriam Adisa from Morgan Stanley.

Miriam Anuoluwapo Adisa - Morgan Stanley, Research Division - Equity Analyst

Three questions from me. Firstly, just on CIS. Could you just give a bit of colour on current trading and you mentioned there the reduction in imports and new payback marketing. So can you talk about the impact that's having? And then just generally what the inventory situation looks like there at the moment. I guess you're pretty comfortable at the full year results. So just wondering if you could give an update on that.

And then secondly, on SEA, could you just talk a bit about how you're positioned in terms of the inventory mix and assortment in that region? Should we expect any additional discounting in the coming quarters given that the new COVID restrictions. And then also, are you seeing any further disruptions on the supply chain side given the restrictions as well? And then finally, if you could just comment on what you're seeing in terms of discounting across the other regions as well and then also the competitive environment.

Christoph Barchewitz - Global Fashion Group S.A. - Co-CEO & Member of Management Board

Thank you. I'll start with that with a question on the CIS current trading and then hand it over to Patrick. So on CIS current trading, clearly, we had high demand in the first quarter. I think you'll recall it, we said at the March results that we had a very strong start also January and February, and that obviously continued in March. We've seen a slowdown since in terms of demand, not surprising to us. This is not driven by a lack of inventory or supply at this point for the current season. We received most of what we're doing, we expected in terms of the Retail model. There is a bit of a pullback around the Marketplace side given that some brands have decided to stop those sales, which obviously they control. But we're not concerned about a lack of available product for the spring/summer season.

For the fall/winter season, that's a broader question that we're obviously working through with our brand partners, both local, which are likely going to increase in importance, but also international. And so that's a bit early still to say at this point. And we're working for -- towards a range of options in terms of what the scenarios, what the demand will look like later in the year. For now Q2, we certainly have the inventory in the product available.

Patrick Schmidt - Global Fashion Group S.A. - Co-CEO & Member of Management Board

Miriam, coming to your second question regarding the inventory in SEA specifically. So we're really happy with our inventory in SEA. And we obviously have a very high Marketplace share there. I'm mentioning this because obviously, this is a situation with local lockdowns here and there, but broadly sort of SEA going into the direction where Europe and the U.S. already is, where we need to remain very agile, and we remain agile through having a higher and higher Marketplace share. But at the same time, our Retail inventory is good. It's fresh. We don't actually see too much disruption in SEA. We think that, that is because we are closer to the source, and we're not just relying on China. So the supply chain disruptions are there, but they're relatively minor.

We don't see much additional discounting in Q2 and in current trading. It is a region, obviously, which is certainly discount driven to some degree, but it's not at a level which is elevated because of the current macroeconomic environment.

In regards to your last question, I think that was broadly about discounting in the competitive environment. So it's pretty much business as usual. We talked about CIS, we talked about SEA. ANZ has a little bit higher discounting than what we have seen in the past and we're controlling it. As Christoph said, in LATAM, given that we really want to focus there on profitability and not necessarily on growth given the profitability we had in LATAM during the last couple of quarters.

(Operator) We will take our next questions from our participants from Mr. Volker Bosse from Baader Bank.

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

So to come back on CIS. Some suppliers as Adidas, Puma decided to stop doing business in Russia, are you still able to sell these products? Or in other words, are you still able to supply products from these brands? Or how is that organized currently? And the second question would be on the potential decision on your side to leave CIS? What does that mean financial-wise? I mean, on sales, earnings, it's clear. But you said EUR 40 million, you have as liabilities on (inaudible), so to say, is it the maximum or what kind of assets do you have in CIS, which need to be written down or a bit of colour just about thinking.

Christoph Barchewitz - Global Fashion Group S.A. - Co-CEO & Member of Management Board

Yes. Thanks, Volker. I'll take the first 1 on the brands and then I'll leave the second 1 to Matthew. In terms of the brands, it's a very diverse picture in terms of how different brands are approaching that market. I don't really want to comment on any individual brands and really leave it to them to talk about their CIS business. Obviously, everyone can look at our site and find what is available there currently and not. So that's an open source. Broadly, the way it works is that on the Retail business, whenever we have bought stock for the local market, it sits in our fulfilment centres, it's on our balance sheet and we also decide whether we sell it or not. And the brands have generally also not asked us to change that approach in any way. So it's not like there is any degree of disagreement with brands about whether we should continue to sell that or not in the market.

And so we are selling the stock that is on the balance sheet. We have also worked with a few brands who had additional inventory that they've offered to us that in some cases, we have taken were that make sense for us. And then on the Marketplace side, where the inventory also sits in the fulfilment centre, but the brand to control pricing and availability on the platform, that is really a brand-by-brand decision. A few brands have decided to pause those sales on our platform, but most brands have continued to sell on the Marketplace.

And then going forward for kind of resupply on the wholesale side for our Retail business model, that's then a brand-by-brand conversation about whether they are planning to supply the market for the fall/winter season or not. I think many brands have not yet fully decided on that, and that's a very live conversation with our brand partners over the next several weeks, few months as we're heading towards the later part of the year.

But at this point, we can see that for the current season, like I said, we are very well stocked, both on Marketplace and on Retail. And so we don't think that, that is a constraint in the near term; more medium term, it's a bigger question mark. Matthew?

Matthew Price - Global Fashion Group S.A. - CFO & Member of Management Board

Volker, I mean, in terms of numbers under a range of options for CIS that the -- I mean, obviously, the commercials and the accounting, et cetera, would vary very widely. So I'm not going to try and give you scenarios for that. And all of this is still quite early stage, and we're working through what we -- what the choices could be.

Just a couple of numbers then. So the EUR 40 million that Christoph quoted, that is what we currently guarantee on the -- for imports for purchases from international brands and the PCGs and various bank guarantees for which the (inaudible) is supporting. That number will and does vary with the seasonality of our working capital as Christoph indicated, we are managed -- we are paring down the operations there to achieve financial self-sufficiency inside the country and the region. So it will be more muted than normal, but it does vary.

Then in terms of other potential write-downs, should that arise, our accounts at the end of last year showed that we had EUR 140 million of noncurrent assets in the region. So that probably gives you an indication of what a noncash impairment or write-down number could be up to.

(Operator) It appears there are no further questions at this time from our audio participants. I'd like to turn the conference back to Christoph for any questions from the web. Please go ahead, sir.

Saori McKinnon – Global Fashion Group S.A. – Strategy & Investor Relations Manager

We've had one set of questions come from a private investor on the webcast. The first is, could you provide some colour on the cadence of CapEx through the year, the quarterly number would appear modestly elevated? The second is, would you expect working capital investment in line with prior years on a full year basis? And the last 1 is, what drove the decision to repay the CIS debt?

Matthew Price - Global Fashion Group S.A. - CFO & Member of Management Board

Thanks, Saori. I'll take that. So the Q1 CapEx, the number I was quoting was in the cash flow. So that's the cash CapEx rather than the balance sheet additions. You may have noticed that in last year, in our Q4, the cash CapEx was really quite low compared to the balance sheet additions. So really what's happened in Q1 is the cash -- the cash payment catching up with the timing of the balance sheet addition in there. So there's nothing unusual in there, just normal cash cycle.

I mean that happened because the major fulfilment centre project was on site. And therefore, we were booking before we were due to be booking the works in before we were due to pay the supplier.

In terms of working capital for the balance of the year, nothing unusual really happening with our working capital other than obviously, CIS. Our Retail business in Q1 was growing a little bit less quickly than our Marketplace business, as Christoph commented on. So our Retail NMV growth was about 18%, 19%. And I'd expect that our working capital on a full year basis would grow really in line with the scale of that Retail business. So a little bit slower than total NMV growth, but it won't be a huge number.

What do have the decision to repay the CIS debt? I think there's really a couple of things there. So the first and primary decision is because we said we want to make that business financially self-sufficient and that we don't want to be putting any further money into the market, nor taking any money or profits out of it. Therefore, dealing with the debt was a logical process of that.

In addition, some of the debt is with banks who are no longer facing sanctions under EU, et cetera. So we obviously chose to several relationships and deal with that. I hope that makes sense.

Saori McKinnon – Global Fashion Group S.A. – Strategy & Investor Relations Manager

Our next question call -- comes from Paul at HSBC. Question is, can you talk around the strategy to focus on profitability in LATAM and the competitive environment in this market? When will this be expected to progress?

Patrick Schmidt - Global Fashion Group S.A. - Co-CEO & Member of Management Board

I can give some colour to that. I was actually just in Brazil about 2 weeks ago, and this was certainly 1 of the key topics. The strategy in LATAM is pretty simple. We want to make sure that we put our best foot forward, both in terms of products, ran assortment, exclusive assortment like, for example, Forever 21 which we are distributing exclusively in Brazil, but also in terms of customer experience, where we talked, I think, during the last couple of calls, about the innovations we've made on Milgram, for example, marketplace fulfilment, better returns, et cetera. And while we are improving both the merchandising and also the customer experience, we have -- we've reduced marketing a little bit because we believe that we're going to get a better payback on those marketing dollars once we have made all these improvements.

That's why we -- while we're not happy with a shrinking business in Q1, we have made that decision of reducing marketing, which has contributed to this result. And we believe it's the right decision given that we have actually a lot more -- a better proposition sort of in the tagline. So that's why we will increase marketing again in Q2 a little bit and even more so in H2 when we see that, that proposition is working well and customers like it. And also we believe that, that is probably in line with spend of customers in this category in fashion lifestyle and truly actually going up again. Right now, and this is certainly true for Q1, the spend and the demand was simply not very strong. Also the comp in 2021 was pretty strong, so that didn't help either.

So to answer your question, it's a temporary focus on customer experience, not a pivot towards profitability versus growth. We still believe that with probably the lowest e-commerce penetration in LATAM of all of our markets, that we can grow in this market considerably, and we will do that in H2.

Saori McKinnon – Global Fashion Group S.A. – Strategy & Investor Relations Manager

We have no further questions on the webcast. I'll pass it to Christoph for closing remarks.

Christoph Barchewitz - Global Fashion Group S.A. - Co-CEO & Member of Management Board

Thank you very much. Thank you all for joining today. And if you have any further questions, please reach out to the Investor Relations team directly as we usually do. Thank you.