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PRESENTATION

Patrick Schmidt *Global Fashion Group S.A. - Co-CEO & Director*

Thank you, operator. Good morning, and good afternoon, everyone, and welcome to the presentation of Global Fashion Group's results for the first quarter of 2020. I am Patrick Schmidt, co-CEO of Global Fashion Group, and I'm joined today by my co-CEO, Christoph Barchewitz; and our CFO, Matthew Price.

I will start by giving you an overview of the key numbers, trends and actions of the quarter. Matthew will then take you through the financial results of the quarter. And lastly, we'll talk about how we have managed the business through the COVID-19 pandemic. After that, we will open it up for Q&A.

COVID-19 had a negative impact on trading in Q1. Nevertheless, we continue to deliver an improvement on all key growth and profitability metrics. Growth slowed down to 13% overall for the quarter. But pleasingly, the key metric for profitable growth, NMV per active customer, continued to grow for the 10th consecutive quarter. We have also grown average order value and have had more active customers than ever before. Our key trading currencies, however, have depreciated during the quarter. We have also improved EBITDA versus last year, mostly driven by gross margin. Lastly, our closing cash balance is EUR 210 million.

Turning to our response to COVID-19. We saw the impact of COVID-19 already in January in our APAC region, and as a result, have started preparations early. Our first priority was and is the safety of our team and customers. Because we have reacted so quickly, there has been no known outbreaks of the disease in any of our workplaces around the world. Other than government-mandated temporary closures of two of our smaller fulfilment centres, we have remained open and operational throughout this year.

Secondly, we focused the business to safeguard cash and liquidity. This included a reduction in stock intakes for Q2 and a cash and cost reduction programme.

Thirdly, we adapted our strategy to reflect the new environment. We quickly changed our category mix and adjusted our customer communications to address the new everything-from-home reality for our customers. We also leveraged our Marketplace capabilities and brand relationships. As a result, we saw our Marketplace share grow to a new record, and we've also seen a record number of new customers. This helped the business to rebound strongly in April with order intake growing by roughly 40% during the last three weeks. Order intake measures the actual customer order value at the date of the customer order, net of provision returns.

Let's now turn to the key numbers of the quarter on page three. As usual, we are focusing on constant currency growth rates to date. In quarter one, we generated net merchandise value of EUR 372 million, up 13% year-on-year. Active customers were up 15.5% to a record of 13.3 million. Our customers placed 7.4 million orders in the quarter, a 7.5% increase on last year. We also grew gross margin to 40.6%, slightly better than our margin in Q4 and Q3 last year.

Despite a negative impact from COVID-19, we continued on our path to profitability, finishing the quarter with an adjusted EBITDA margin of minus 8.3%, a 1.5 percentage point year-on-year improvement. As you know, Q1 is usually our least profitable quarter of the year. At the end of Q1, we had a pro forma cash balance of EUR 210 million, which Matthew will talk to in more detail in a few minutes.

Looking now at our KPIs on Page 5. NMV growth in Q1 was 13%. The impact from COVID was substantial. Up until mid-March, we were trading in line with expectations, growing by almost 20% year-on-year. As in prior quarters, we have increased the share of Marketplace to a new record, now representing 1/4 of our sales. We're very happy that the NMV growth was driven by both orders and average order value, which was up by 5.2% to just over EUR 50.

Taking a closer look at customers on Page 6. Our active customer base grew 15.5% year-on-year to reach a new high of 13.3 million customers. However, for us, the key customer metrics are order frequency and NMV per active customer. In quarter 1, we have grown both metrics for the 10th consecutive quarter. Since ecommerce penetration is still relatively low in our markets, we see significant growth potential across these metrics over the coming years. For comparison, we have reached 2.6 orders per active customers in Q1. This is still two orders per year shy from what Zalando is achieving in Europe, 4.7 orders per year.

Let's turn now to our regional performance. Once again, active customers grew fastest in APAC, increasing nearly 20% year-on-year. As you know, the APAC region has the largest population of all our segments but includes countries with some of the lowest online fashion penetration levels. NMV growth at 10% in APAC was slower than usual, which was not only driven by the earlier onset of COVID but also by the Australian bushfires.

LatAm grew active customers by 16%, a strong performance by the region with our largest customer base. NMV growth of 9% resulted in a flat NMV per active customer. CIS was again our strongest segment this quarter from NMV's perspective, up by close to 20%. Strong execution and continued success of the Marketplace model has driven this. NMV per active customer in CIS grew by a very healthy 13.5%.

I will now hand over to Matthew, who will take us through the remainder of our financial results for the quarter. Matthew? I think we're waiting for Matthew to be led into the conference by the operator. So let's give him a few seconds.

I'll now hand over now to Matthew to take you through the financials in more detail.

Matthew Price ***Global Fashion Group S.A. – CFO & Director***

Hi, I'm in now, Patrick. Is -- sorry, just got in a second. So is it over to me now? Perfect, in time is good. Hi. Well, thank you, Patrick, and good morning, everyone. I'll now take you through our financial performance.

So, looking at Slide 9. Revenue grew by 8.1% on a constant currency basis to EUR 271 million, in the first quarter. In euro terms, growth was lower at 4.1%, impacted significantly by the devaluation of the Russian ruble, Brazilian real and Australian dollar in March.

Our gross profit grew to EUR 110 million from EUR 98 million last year, and gross margin increased by 3 percentage points to 40.6%. Retail gross margin was stable as we continue to carefully manage our inventory sell-through and control our promotional activity. Marketplace contributed nearly an additional 2 percentage points to gross margin as participation increased to 25% from 19% in the prior year. And a one-off inventory provision in Q1 2019 relating to a business that was discontinued before our IPO resulted in just under a 1 percentage point uplift on last year.

We once again delivered progress on profitability. Our adjusted EBITDA loss was EUR 22.7 million, an improvement of EUR 2.8 million from the same quarter last year with the adjusted EBITDA margin improving by 1.5 percentage points to minus 8.3%. Other than our share-based compensation charge of EUR 1.9 million, there were no other adjustments to adjusted EBITDA in the quarter.

I'll now move on to Page 10, where we describe our CapEx and closing cash position. We invested EUR 17 million of CapEx during the quarter, increasing from EUR 12 million in Q1 last year. This mainly relates to our fulfilment centre investments, the majority of which is for the new fulfilment centre in Brazil. This new site in Minas Gerais is now partially operational, in line with our phased opening programme. EUR 5 million of intangible asset additions mainly relate to our in-house technology developments.

We ended the quarter with EUR 210 million of cash in the business. This includes EUR 20 million of restricted cash under the terms of our RCF. Our cash balance remained stable. And on 12th of May, we had EUR 219 million, including restricted cash.

Once again, we have not made any drawings on our EUR 50 million RCF. And our EUR 5 million local working capital facility in the Philippines remains fully drawn. In the quarter, we also entered into a local working capital loan facility of EUR 2.6 million in Brazil. We intend to cancel the existing RCF facility and replace it with a simpler and more cost-effective finance arrangements for working capital needs. The discussions are ongoing and formal cancellation of the RCF is expected in the near future.

Moving on to Slide 11. We spent EUR 79 million of cash in the quarter before a further EUR 12 million devaluation of our cash balances with the decline in some of our key currencies at the end of March. Q1 typically sees, by far, the largest cash outflow of any quarter in the year before considering the timing of CapEx projects. This is because Q1 is generally a small trading quarter with less than 20% of the year's revenues and we need to restock our inventory after the peak Q4 selling season.

Looking at cash flow in Q1 before CapEx. Our performance this year was over 10% better than last year with lower operating losses and less investment in working capital. In Q1, we incurred EUR 23 million of loss through our adjusted EBITDA. We paid EUR 9 million on fulfilment centre and office leases in the quarter, a small increase since last quarter, driven mainly by the new Brazilian fulfilment centre.

As is normal in Q1, we built inventory for our new trading season. This working capital investment was -- of EUR 32 million was in line with our expectations for the quarter. And we paid EUR 18 million on CapEx projects.

Now let's turn to Slide 12 and look at our regional financial performance in more detail. We saw good financial performance across all regions in the quarter despite the COVID impact in March. APAC revenue grew by 8.1%, slightly slower than NMV growth. Gross margin was flat year-on-year with promotional investments offset by higher retail intake margins and by increased Marketplace participation. LatAm revenue grew by 6.8% in the quarter, again a little behind NMV growth. Gross margin was down a little at -- by 0.2 percentage points with improvements driven by increased Marketplace participation, offset by a small retail margin investment and also country mix effects. CIS revenue grew by 11.4%, significantly slower than NMV growth due to the ongoing growth of Marketplace participation in the region. Gross margin improved by 6 percentage points due to both increased Marketplace participation and improved retail margins.

I'll now describe the impact of the COVID pandemic on our weekly demand and describe some of the key focus areas for us in the coming quarter, so moving on to Slide 13.

As Patrick described earlier, the dip we experienced in customer demand, triggered by local lockdown measures, was from mid-March onwards. This graph looks at weekly growth year-on-year in our order intake. We use order intake instead of NMV when we look at intra-month data. It represents the value of goods sold, including VAT, sales taxes and delivery fees after provisioned rejection and returns and is measured at the point at which the customer places the order rather than when it is delivered to them.

We experienced a drop in order intake below 2019 levels in the second half of March as governments announced countermeasures to the spread of COVID-19. Then in April, we saw a degree of normalisation of demand with growth returning from the week commencing 6th of April. Then over the last 3 weeks, we've seen growth of around 40% as the situation stabilised in our markets whilst physical retail outlets remain closed.

Now to how these trends varied across our regions.

We saw a staggered impact of COVID broadly over a 3-week window, impacting LatAm first, followed by APAC and then to a lesser extent, CIS. We've seen a steady recovery since late March in LatAm and CIS with APAC taking another few weeks to gain momentum. All three regions are now in strong growth. In spite of this current level of strong growth, in Q2, we are focused on delivering high levels of in-season sell-through. Our ambition is to achieve a strong sell-through rate ahead of when our offline competitors return back to full operation.

Consequently, we are happy to be a little bit more promotional than we normally would be at this point in the season. At the same time, we are currently reducing marketing spend.

You should be aware that our NMV and revenue in euro terms will be depressed by the weakness of our key trading currencies: the Russian ruble, Brazilian real and Australian dollar. On an NMV weighted basis, our basket of currencies depreciated against the euro by 15% in Q1 compared to the 31 December 2019 rates we used when we set guidance. We closed Q1 with our inventory in robust shape. We are closely monitoring our sell-through and discount rates, along with the ongoing aging of our inventory. At the moment, we have not needed to make any additional inventory provisions, and we will monitor this closely in the coming quarter.

I'll now pass back to Patrick, who will share with you our priorities and responses during the COVID-19 crisis. Thank you.

Patrick Schmidt ***Global Fashion Group S.A. – Co-CEO & Director***
Thank you, Matthew. Before we open up for Q&A, I'd like to talk about our response to the COVID-19 pandemic.

We've structured this into three priorities, starting with the safety of our team and our customers. In early February, we established a COVID-19 task force, which was led by our Chief People Officer and myself. The objective of this task force was to minimize the spread of COVID-19 and to implement best practices and requirements from the local governments and the WHO.

Where people could not work from home, our priority was and is to keep our fulfilment centres and team members safe. The enhanced hygiene and social distancing measures we introduced typically go beyond safety measures published by local governments. Split working shifts and reduced throughput also reduces risks.

For our customers, we adopted contactless deliveries. Given that the large portion of our customers are delivered through our own fleet, we were able to change the delivery protocols quickly. Similarly, our customer service teams remained fully functional throughout and were unable to work from home. For our office-based teams, we moved to remote working early, ensuring that everyone had access to the equipment that they would need to do so.

Looking now at our efforts to preserve cash. When it became clear that the pandemic would spread into all our markets, we took decisive actions to safeguard cash and liquidity. We focused on our inventory, marketing, G&A and tech costs and, of course, CapEx. As a result, we finished the quarter with clean inventory, having taken action to improve sell-through, including bringing forward some promotions. At the same time, we de-risked our inventory with Q2 intake being reduced by EUR 90 million. We're taking a disciplined approach to inventory throughout the balance of the year.

In regards to marketing, we have reduced spending dramatically in the second half of March. We have ramped it up again but remain conservative in our marketing spending. As a result, we have seen recently lower customer acquisition costs and increased organic customer acquisition with more people shifting from offline to online shopping. With G&A and tech, we have cut discretionary spend. And in aggregate with marketing, we have reduced budgeted costs by EUR 40 million compared to last year. We have also cancelled or postponed all non-essential CapEx projects and will invest no more than EUR 45 million this year in CapEx. While these measures will help to protect cash, they are not significant nor of structural nature to harm our long-term prospects.

Let's turn to Slide 17 to summarise how we have adapted our strategy in light of the crisis.

Over the next three slides, I'd like to take you through the initiatives we have taken to navigate this crisis within our existing strategic framework. As you know, this is about building an inspiring and seamless customer experience, being the strategic partner to leading brands and building scalable operations and technology. We have analysed if this strategy is still the right strategy in the context of COVID. We believe it absolutely is. And it only requires little adjustment.

We learned that providing an inspiring and seamless customer experience is even more important when our customers are mostly at home. We believe that the great customer experience we have built over the years is the reason why we now see increased organic traffic and accelerating customer acquisition. Being a strategic partner to our brands is obviously key. During such an unprecedented crisis, this is more important than ever. What really has helped us and our brands is the fact that we have several business models we operate through. Especially Marketplace is a model which has worked very well and is a great channel for brands especially in times of store closures. Marketplace definitely helped us to become an even more strategic partner to our brands.

As I mentioned earlier, we have cancelled about EUR 90 million of Q2 intake. But I want to highlight that we have done this in a very collaborative fashion, working with each individual brand to find the best solution possible.

Finally, within our operations, our key regional fulfilment centres have remained fully operational throughout. It is also an advantage for us to manage a significant amount of our customer deliveries at this time ourselves, where we have seen little disruption and delays.

Turning to take a closer look at our customer offering. Let me go a bit deeper. Even during a global pandemic, we keep on creating an inspiring and seamless customer experience. First of all, we have adjusted our category mix to reflect what our customers want the most: loungewear, sports and even essentials like face masks. When it comes to customer communication, we have completely changed our messaging.

We obviously, as you can imagine, had festival spring, and in some regions, autumn campaigns ready to go. But we've put these in the drawer for now. Instead, with a funny twist of words, we have rebranded lamoda temporarily to ladoma, with doma being the Russian world for at home.

At THE ICONIC in Australia, we doubled down on responding to the COVID-19-related social sentiment with a totally new approach to content and communication. This includes live screening with, for example, 30-minute workout videos with trainers from local gyms that anyone can do at home. These stories generated hundreds, thousands of use and had an average watch time of 3 minutes and 19 seconds. I'm highlighting this because this compares to the previous only 25 seconds for video pre COVID. And it demonstrates the appetite for longer-form engaging content.

We also took a different approach to promotions. We tested short, sharp flash sales on key product categories and trialled a creative first approach to also ensure our promotions were relevant to the new demand, for example, tapping into culturally relevant moments by building a promotion around popular Netflix shows.

Finally, on social media, since pivoting our content strategy, we saw an uplift across all key success metrics with social engagement increasing by 300%, reach by 42% and the number of monthly new followers for our main Instagram account by more than 50%. An increase in engagement leads to additional organic reach and also reduced cost per click for paid activity as social platforms favour your content when recognising that it is interesting and popular to your audience.

All these efforts have led to a significant increase in new customer acquisition. In April, we gained more than 650,000 new customers, up almost 50% from last April. This makes April 2020 the best April ever and the second-largest month in terms of new customer acquisition in our history.

Turning to Slide 19. Our Marketplace is more important than ever for us.

That's true for GFG but also for our brand partners. Marketplace gives us the opportunity to expand our selections without taking inventory risk. While Marketplace penetration in Q1 reached 25%, it has accelerated to more than 30% in the last three weeks, growing at a rate of more than 100% year-on-year. For reference, a 30% Marketplace participation was our medium-term target expressed at our Capital Markets Day in March.

This has been driven by new sellers, which increased by 23% in the quarter and new items -- excuse me, net items sold from Marketplace, which were up by 47%. We signed on new key partners across our regions, for example, Marshall, Salvatore Ferragamo, Porsche Design as well as PANDORA. Through this flexibility of our Marketplace model, we can consciously manage our inventory and react swiftly to changes in demand. This enabled us to meet our customers' needs and also help our brand partners mitigate their inventory risk.

Finally, looking now at our operations on Page 20.

This crisis has proven the resilience of our operational infrastructure. All our main regional fulfilment centres have remained 100% operational throughout with only Argentina and Philippines being closed for around 30 and 40 days, respectively. Both FCs received a reduced number of orders during the closer, which were fulfilled once they were reopened.

For the three weeks we were trending negatively, we were able to reduce shifts accordingly but have been able to gear up quickly as positive momentum rapidly returned.

We changed to contactless delivery in March and ensured that our drivers adhere to prescribed hygiene precautions and are equipped with face masks, gloves and hand sanitisers. As we noted during our Capital Markets Day, it is a strategic advantage to partly manage our own last-mile delivery ourselves. This has never been more true. We have seen significantly less disruption of customer deliveries when these were delivered through our own fleet. Where we do use third parties to deliver, we saw some disruption in late March and early April, but this has vastly improved in May.

This ends our formal presentation. As you would have seen in this morning's release, we have not replaced our forward financial guidance for the remainder of this year. While the group has made good progress throughout the first quarter across all published KPIs and see very strong growth of orders placed in late April and early May, the macro backdrop in which the group operates remains very uncertain. The further development of COVID-19 and its impact on both the consumer and the group's business cannot currently be predicted. However, we have a clear strategy to achieve the objectives set out at our Capital Markets Day only 10 weeks ago.

With that, operator, we would now be pleased to take any questions and will be joined by my co-CEO, Christoph Barchewitz. Thank you.

QUESTIONS AND ANSWERS

Geoffrey Frith Ruddell ***Morgan Stanley, Research Division - MD***

Could I ask two questions, please? The first one is to what extent, if at all, your capacity has been reduced in your fulfilment operations by the need to put in social distancing measures? And where I'm coming from on that is that obviously who knows if 40% growth rates will be sustained? But if they were, would you be able to fulfil that level of demand growth over the coming months? Would you have the operational capacity to do that?

And then the second one probably for Matthew, I saw in the slides there that your FX had reduced your cash balance by EUR 12 million. What currencies are you actually holding the cash that you own in, please?

Christoph Barchewitz ***Global Fashion Group S.A. - Co-CEO & Director***

Thanks, Geoff. It's Christoph here. I'll take the first one and then Matthew, the second. So in terms of the operations capacity, there's certainly some impact, as you say, in terms of how we operate in our fulfilment centres and also in the delivery. But I think the key is that, first of all, we're not in anywhere close to peak volumes of the year. We have the peak volumes, as you know, in Q4, in particular around the Black Friday kind of season, so November, December. And we're currently certainly below those types of levels that we would have planned for, for this year. And so I think right now, we're pretty comfortable despite some of the measures. We also have...

Geoffrey Frith Ruddell ***Morgan Stanley, Research Division - MD***
Sorry. But could you cope with 40% growth over Black Friday, for example?

Christoph Barchewitz ***Global Fashion Group S.A. - Co-CEO & Director***
I think it would be manageable for us. There will probably be some need to put an extra shift, extend working hours, probably some management of delivery times. But we feel pretty comfortable that we can handle that, given that we have 10 fulfilment centres. You know that we have Brazil, in particular, going live currently. So that's in the ramp-up phase. And so we'll have a lot of extra capacity there. And also the other fulfilment centres in the other markets are equipped for that. So we're very comfortable with coping with that.

Matthew Price ***Global Fashion Group S.A. – CFO & Director***
Geoff, it's Matthew. So just on the cash aspect, we hold typically about 15% of our cash balance in the regions in local currencies funding their operations and also the customer sales receipts. The other 85% is really held by central treasury. We hold it across euro, which is by far and away the largest piece plus also U.S. dollars and GBP, really in line with how our expected expenditure profile is. And clearly, GBP saw a bit of a decline as well on -- around the 31st of March.

Michelle Wilson ***Joh. Berenberg, Gossler & Co. KG, Research Division - Analyst***
Two questions for me, please. Just on Q2, where we've had that kind of poor start to the quarter but then a big reacceleration in growth more recently, can you just confirm that Q2 as a whole cumulatively is now in growth?

And then second question, just on the marketing strategy, you mentioned that marketing cost savings. Just wanted to understand how much of that is driven by lower ad rates that you're seeing across the market and how much is driven by volume. And obviously, it coincides with the strongest customer growth or what was the second strongest customer growth you've ever seen. So just wanted to understand if there's anything in particular that you think is driving that growth or whether it's just the fact that you've got offline stores closed at the moment.

Matthew Price ***Global Fashion Group S.A. – CFO & Director***
So certainly -- yes, quarter-to-date, we are in growth across Q2, yes.

Patrick Schmidt ***Global Fashion Group S.A. - Co-CEO & Director***
Michelle, this is Patrick. In regards to your second question about new customer acquisition, so the new customer acquisition is driven by a shift from offline to online. That's certainly because there are some stores closed. But I think it's important to note that in many of our markets, stores actually -- some stores actually remain open and malls are actually open. For example,

one based here in Malaysia, the malls are actually now open for, I think, for two weeks or so. And we have not seen a flattening of new customer acquisition.

We believe that even if the stores are open, there is still a lot of concern around going outside, going to a mall. I think the whole proposition of trying on something in a store has become very different, that obviously has been the big advantage of going to a store. And that was, other than in CIS, not able to be replicated.

In CIS, obviously we have offered a trial service at home. But outside CIS, we just deliver and you couldn't try it on. I think this is very much similar now in stores, where in many of our countries, you cannot -- actually not touch the item and you can actually not try it on at all. So I think to some degree, the proposition offline has weakened while the perceived proposition online in terms of still fast delivery times, vast selection, great prices has probably improved, given that obviously it is a very risk-free proposition to shop fashion and sports online.

Michelle Wilson ***Joh. Berenberg, Gossler & Co. KG, Research Division - Analyst***
Okay. Great. And just to confirm, in terms of the delivery speed that you're offering across markets, is there any markets where you've had to slow your delivery fees at all?

Patrick Schmidt ***Global Fashion Group S.A. – Co-CEO & Director***
So for a number of weeks, we had disruptions, just as, for example, many passenger flights were cancelled and these passenger flights were used to also transport, for example, from Malaysia to the Philippines product which we so-called cross-listed. There was a temporary impact. Most have gone back to normal. And what we want to call out is that where we have an own fleet, we have seen very minimal disruption because obviously we control that fleet ourselves, and we ultimately can manage that quite swiftly.

Patrick Schmidt ***Global Fashion Group S.A. - Co-CEO & Director***
Okay. Well, that concludes the presentation and the Q&A. Thank you very much, and have a good day. We'll speak soon. Bye-bye.

Matthew Price ***Global Fashion Group S.A. - CFO & Director***
Thank you.
