

CORPORATE PARTICIPANTS

Christoph Barchewitz - Global Fashion Group S.A. - Co-CEO & Member of Management Board
Patrick Schmidt - Global Fashion Group S.A. - Co-CEO & Member of Management Board
Matthew Price - Global Fashion Group S.A. - CFO & Member of Management Board
Jo Britten - Global Fashion Group S.A. – Investor Relations Director

CONFERENCE CALL PARTICIPANTS

Clara Kamenicek - Stifel, Nicolaus & Company, Incorporated, Research Division – Analyst
Paul Rossington - HSBC, Research Division – Analyst
Michael Benedict - Joh. Berenberg, Gossler & Co. KG, Research Division – Analyst

PRESENTATION

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

Thank you. Good morning, everyone, and welcome to the presentation of Global Fashion Group's results for Q1 2021. I'm Christoph Barchewitz, and I'm joined today by my co-CEO, Patrick Schmidt; and our CFO, Matthew Price. I will talk about our progress against our strategic priorities during the quarter and then look at our KPIs. Matthew will take us through the financial results of the quarter and the outlook for 2021. After that, we'll open it up for Q&A.

We've kicked off the year with a standout set of results across all key metrics. While we do acknowledge that last year's comparable quarter was impacted by the onset of COVID in March, we are still very pleased with the Q1 results we announced today. As usual, we are presenting constant currency growth rates today. We achieved net merchandise value of EUR 450 million, up 38% year-on-year. Once again, marketplace was the strongest driver of NMV, up 99%. Our active customer base grew 26% to reach 16.7 million, driven by both new customers and a recovery in the activity of repeat customers. As a result, orders were up 33% to reach 9.8 million orders, implying order frequency of 2.7x. Gross margin was 44%, up 350 base points year-on-year. Thanks to the significant improvement in gross margin and leverage in costs, we were able to deliver an EBITDA margin uplift of 450 basis points versus last year. These results have been driven by promising signs of recovery in markets such as Australia and strong execution of our strategic priorities, such as scaling our marketplace business. Notwithstanding uncertainty from the ongoing pandemic, which remains elevated, our Q1 performance leaves us well positioned to deliver on the financial goals we have set for the remainder of the year.

Let's now have a look at the progress of our strategic priorities in this first quarter of 2021. Our strategic priorities are: to build a best-in-class customer experience; to be the strategic partner of choice to leading brands; and to do this while being people and planet positive. We continued our progress on all of these priorities in Q1.

Let me walk you through the details on this now, starting with our customers on Slide 5. Having the right assortment is the #1 input for a best-in-class shopping experience. And so we have continued our expansion into categories, such as premium and luxury as well as beauty. Premium and luxury strengthen our credibility as a fashion and lifestyle destination and now make up over 10% of our business, and we see scope to increase this over time. As a result of these efforts, we are already seeing positive dynamics in our customer behaviour in Q1. New customer growth, which picked up significantly last year, remains elevated at more than twice the level it was in Q1 2019 prior to COVID. Meanwhile, we see a recovery in the behaviour of our repeat customers, who have returned to our platforms and are spending over 10% more per customer than they did in Q1 2019.

While we see these promising signs on the demand side, the path to recovery in fashion and lifestyle spending is not yet clear. We must also point out that there are substantial differences across our regions and the challenges they face coming out of the pandemic. Let's look at this on Slide 6. As we said in March when presenting our Q4 results, we believe that the encouraging data coming out of Australia and New Zealand gives us helpful insights into how demand is going to change when countries reopen. That picture has continued to improve for ANZ in Q1 with going out categories, such as dresses and heels rebounding to grow in line with the overall regional level. Lockdown categories, such as loungewear, also continued to grow well from a lower base in Q1 2020, which helps diversify our assortment focus in ANZ. On the other hand, the situation in LATAM remains uncertain, particularly in Brazil, which continues to experience a significant public health (inaudible) from the pandemic. Lockdown categories, thus continue to over-index in LATAM, growing over 6x faster year-on-year than going out categories. In terms of Southeast Asia and CIS, the relative category performance in these regions suggest their recovery is somewhere between LATAM and ANZ with CIS slightly further ahead.

Let's now turn to our progress with our brand partnerships on Slide 7. To be the most valued online partner of brands in our markets, we offer a platform on which they can build their brand, while we create a deeper relationship and new income streams for GFG. As brands and fashion platforms like ours become ever more integrated, we want to be the growth partner for brands on whatever digital or physical channels that takes place. In Q1, our fashion platform demonstrated its flexibility in supporting these innovative ways of working and supported the launch of several major partnership models. In retail, we launched an e-commerce distribution partnership with Puma in Southeast Asia, allowing us to sell the brand, not only on our platform but also on third party sites. We have also just gone live with our Forever 21 partnership in Brazil, selling hundreds of their SKUs via our platform and also managing the production of their styles locally via our strong manufacturing network. In Southeast Asia, we also expanded our marketplace partnership with H&M, adding Indonesia, Malaysia and Singapore to our existing Philippines footprint. As H&M's only online partner in the region, we once again demonstrate that we are the partner of choice for brands seeking to scale in our markets.

Our Platform Services business also continues to grow with more global brands choosing to plug into our platform to access our audience and operational expertise. In Q1, we launched operations by GFG services with Mango taking charge of fulfillment and delivery for their brand.com site in the Philippines. We have also executed numerous marketing by GFG campaigns, including, for example, a collaboration with Vans in CIS. The result was nearly 1 million on-site impressions and a double-digit uplift in sales.

Let's now turn to look at our sustainability agenda on Slide 8. We continue to advance our People and Planet positive agenda, prioritizing this as much as any of our other strategic priorities. We released our people and planet positive report in the quarter, which demonstrated another step-up in our ESG disclosures and provided more detail about our plans for 2021 and beyond. On the consumer side, we now have sustainable shopping edits live in all regions, being the first major online retailer to do so in our markets. To ensure we keep strengthening our role as a platform to drive both supply and demand for sustainable fashion, we also introduced a new target for more sustainable items to account for 10% of NMV by the end of this year. We're also taking actions to manage the impact of our own operations. To improve circularity, we have diverted 75% of waste from landfills since the start of 2021, which is no mean feat given the weak infrastructure for waste management in some of our markets. We will continue to increase this during 2021. Our resale channel in Southeast Asia now has 4,000 items available to customers. Looking at carbon mitigation, we are proud to have achieved carbon neutrality across our operations. Later this year, we will formalize our carbon mitigation strategy allowing us to set formal science-based targets in the

second half of 2021.

Turning now to look at our KPIs from Slide 10. NMV growth was driven predominantly by a 33% increase in orders. AOV was up 4% in constant currency terms, but fell in real terms, as a result of currency weakness. Marketplace penetration was 36%, up 11 percentage points year-on-year, continuing the strong trend we've seen in particular since Q2 last year and making further progress towards our 50% longer-term target. Let's take a closer look at our customer metrics on Slide 11.

Our active customer base grew by almost 26% in Q1 to 16.7 million. While this represents an acceleration over Q4, we know that the year-on-year comparative was impacted by the onset of COVID last March. Order frequency was up slightly by 0.6% year-on-year. It's pleasing to see the return to growth after the consecutive drops that started last year with the global lockdown. NMV per active customer was up by nearly 4%.

Turning to our regional performance on Slide 12. Starting with our LATAM business, which has faced significant health and economic challenges in the management of COVID as we've just explained, here, we saw active customer growth of 33% year-on-year and NMV growth of 29%. Across CIS, NMV grew by 39%, supported by continued expansion of the marketplace model. Active customers grew by 21%, and we saw a 12% improvement in NMV per active customer, as the premium strategy in this region continues to pay off. Our business in Southeast Asia delivered very strong NMV growth of over 41%, supported by an acceleration of marketplace expansion. Active customers grew by 24%.

Finally, ANZ saw standout growth with a 45% uplift in NMV and a 9% increase in active customers. Unlike most of our regions, ANZ has benefited from being largely out of lockdown since late last year and the associated recovery in consumer behavior. Overall, we are pleased with the 38% NMV growth across the group and another quarter of significant growth in our customer base. With that, I'd now like to hand over to Matthew.

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

Thanks, Christoph, and good morning, everyone. I'll now take you through our financial performance, starting on Slide 14. We've started the year well with strong revenue growth and a step-up in gross margin and in adjusted EBITDA. Revenue grew by 27% to EUR 301 million in the quarter. We were trading over relatively soft comps in 2020 as the outbreak of COVID impacted through March last year. The year-on-year impact of this, we felt more strongly in the coming quarters. And as Christoph has said, we expect COVID to remain a big issue in many of our markets for the rest of the year.

We continue to improve our gross profit, increasing it to EUR 133 million, with gross margin increasing by 3.5 percentage points to 44%. The continued growth in marketplace is the main driver of this margin improvement, adding 2.3 percentage points to the gross margin, and we also increased retail margins as a result of strong inventory planning and management. Q1 is always a seasonally low quarter for us in terms of profitability. We reduced our adjusted EBITDA loss to EUR 11.5 million, improving adjusted EBITDA margin by 4.5 percentage points. In addition to the improved gross margin, we delivered leverage in our fulfillment costs, return rates continue to be below those seen last year, which contributed approximately EUR 1 million of incremental profitability year-on-year in the quarter.

Other than our share-based payment charge of EUR 7.2 million, there were no further adjustments to adjusted EBITDA in the quarter.

Our NMV weighted basket currency remained broadly stable since the end of 2020, but they declined by approximately 9% since Q1 last year. This is a translational matter only as between 80% and 90% of our transactions are naturally hedged.

I'll now take us through our regional performance on Slide 15. All regions delivered strong revenue growth and significantly improved their gross margins, delivering the highest Q1 gross margins across all regions in the last 5 years. Revenue growth continues to track below NMV growth, due to the increased marketplace participation in the quarter. Marketplace share increased by 11 percentage points to 36%, continuing the trends we delivered last year. LATAM revenue grew by 14.8%. Brazil is still significantly impacted by COVID, which impacts our customers in making the market more promotional. We need to do more to encourage customers to make a purchase there. Gross margin improved by 4 percentage points due to increased marketplace participation, offsetting a slight decline in retail margins as a result of increased promotional activity in Brazil.

Revenue growth in CIS was strong at 22.5% and continues to have a large differential between the growth of NMV and revenue due to its growing marketplace share. CIS gross margin improved by 3.8 percentage points in the quarter due to increased marketplace participation, retail margins remained stable, carefully managing sell-through of the fall and winter season. Southeast Asia continued to deliver strong quarterly revenue growth of 27.2%, with a gross margin improvement of 2.9 percentage points to 35.6%. ANZ delivered exceptional growth of 47.9% in the quarter, trading over a comparative period that included both the start of the COVID pandemic and the Australian bushfires last year.

The growth of the retail business was marginally stronger than that of a marketplace driven by proactive higher intake and own brand performance. Gross margin of 47.7% was 2.3 percentage points ahead of last year, led by improved retail margins. So what does all this mean for how we're thinking about the rest of the year ahead as we go into the new season? We described Capital Markets Day why we believe our growth opportunity has reached an inflection point, and we're aiming to deliver 25% plus annual NMV growth across the medium to long term. With this in mind, we're confident about the prospect of profitable growth this year, and we are setting up the business to deliver on this. We exited Q1 with a strong and very fresh inventory balance, putting us in a great position for the new trading season. Our marketing investment is closer to pre COVID levels, investing a little more in markets where we're seeing strong paybacks and high returns. And whilst Brazil is more promotionally led than we've recently experienced, we remain very confident of the opportunity we can capture in that country and in the broader region, all of which positions us well for the year ahead. It's worth also noting the phasing of our profitability growth last year and the impact that this will have on our quarterly EBITDA progression over the course of 2021.

Last year, we grew adjusted EBITDA margins by 1.5 percentage points in Q1 2020, which increased 5.9 percentage points year-on-year growth in Q3. Simplistically Q3 last year and to a lesser extent Q2, saw very little spend on customer acquisition. Meaning that whilst Q1 was a stronger quarter, it was in line with our expectations. And therefore, we are reaffirming our existing guidance of a modest improvement in full year adjusted EBITDA. Importantly, this guidance gives us the flexibility to deliver on the growth opportunity.

Turning now to Slide 17 to look at the uses of our cash in the quarter. We invested EUR 36 million of cash in the quarter, which is 60% lower than last year. We had a EUR 12 million of adjusted EBITDA loss and invested EUR 11 million in working capital, as we increased intake from our relatively low inventory balance at the end of the year. We continue to be disciplined with our inventory sell-through with our aged inventory at very similar low levels to that seen at the end of 2020.

We invested EUR 8 million in CapEx, with our investments in physical assets lower than this time last year, mostly due to the timing of fulfilment center projects. Last year, we were completing the fulfilment center in Brazil. This year, we started work on an additional fulfilment center in Moscow. Work is on track for this new facility, and we will see increased investment through the course of the year. We are also investing in a series of tech projects. Some of these are part of our acceleration investments, which are currently in their setup or test and learn phases. So we won't see meaningful benefits for a little while longer. We received EUR 369 million of net proceeds from our convertible bond issue in March, resulting in a closing pro forma cash balance of EUR 705 million.

I'll now turn to Slide 19 to reaffirm our guidance for the full year. We are confident that we are on track to deliver in line with the guidance we shared at the Capital Markets Day in March. And just to recap briefly, the company expects to grow NMV by over 25% on a constant currency basis, at exchange rates as of the 31st of March. This amounts to between EUR 2.3 billion and EUR 2.4 billion of NMV. Revenue will grow at a slightly lower rate than NMV, reflecting the marketplace share growth and is expected to deliver EUR 1.5 billion at the same exchange rates. We continue to be cautious as our markets remain highly uncertain with potential direct and indirect impacts of COVID on our customers and brand partners. We expect a modest improvement in our adjusted EBITDA, allowing some flexibility to take advantage of the growth opportunities we're pursuing. And despite our relatively low level of investment in Q1, our CapEx will be slightly higher than 2020 at around EUR 60 million. That's the end of our formal presentation, and the operator will be pleased to take questions on the call. And we'll then address any that come from the webcast. Thank you.

QUESTIONS

(Operator Instructions) We will now take the question from Michael Benedict from Berenberg.

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

Q. I had a couple. Firstly, I wondered if you could give us an update on your progress on the reverse logistics project in Brazil and also the investments in your marketplace, tech size refill model? And I more specifically, when do you expect to see the benefits come through to the top line there? That's my first question.

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

A. Thanks, Michael. I'll take the first one on the reverse logistics, and maybe Patrick can comment on the tech rollout. We are in a test and learn stage. We're not in a large scale rollout. There's various different models around home collection, pickup and drop off points, et cetera, that we're testing across LATAM, not just in Brazil. But we haven't yet made any decisions about a really significant large-scale rollout. So that's to come. We're in test and learn.

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

A. In regards to size refill, we are in trial stage in several regions. And we will expand these trials and hope to go live in at least one region with size refill with post beta version later this year.

Q. That's great. And my second one was on Q2. Is there anything you wanted to pull out on performance to date? And also as a follow-up to that, do you think margins can improve in Q2 despite the slightly tougher margin comp?

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

A. I'll pick that up. We're sort of a month and a bit into Q2. We don't see anything in the Q2 trading that gives us any concern about outlook for the full year, it's probably the underlying statement. The actual comp numbers move around a lot because we're really overlapping COVID. So single year growth becomes a little complicated to understand. But I think we're really confident, as I say, full year, we're heading to the guidance. I think that's probably what I'd like to say about the quarter.

Q. Great. And just one last one from me. Significant cash balance clearly following the convertible bond raise. Is there any colour you can give about what -- any sort of immediate usage of that cash might be? Any sort of M&A opportunities that you think might look attractive on a category basis or anything like that?

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

A. Good question. I think the clearly, the capital raise is very recent. And I think we've articulated at the time that we really want to position ourselves from a balance sheet perspective in a way that we can pursue a growth-led overall strategy. And I think that's very much our focus. And most of the investments we're making right now are purely on an organic basis. And we talked about that in terms of the technology platform in particular. So we're really, really focused on just ramping up the organic growth opportunities and putting in place all the infrastructure, technology and physical assets needed to do that. We will look at, like we've also said, expansion opportunities geographically, which could be organic or inorganic. And we're also going to look at how we really deliver on our other strategic priorities, especially around the category expansion and also the sustainability product. So we're very, I would say, focused on the organic initiatives at this stage. But we're also going to look at some of the more inorganic opportunities further down the road, but it's not imminent.

José Marco.

Q. Congratulations on another good note of numbers. Just wanted to ask, as you see some of these economies are reopening up, do you believe that orders per active customer may start to decline? Can you comment a little bit on sort of trends around orders proactive customers in regions where -- which are opening up, please?

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

A. We have not seen this trend in Q1, and we've certainly not seen it in Australia, which I think in our footprint is the region which is most opened up by far. I know where you -- I think you're coming from the fact that there's obviously going to be more bricks-and-mortar stores open - or basically in Australia, all bricks-and-mortar stores being opened. Well, that was not certainly the case in all of 2020, that's true. But at the same time, what we see very clearly in the category mix in Australia is that people buy fashion for very different reasons in Australia in Q1, then they bought Fashion in Australia in, let's say, Q3 2020. What I mean is people are going out, they're going to dinners, they're going for parties, they're going for sporting events, birthdays, they're going back into the office. And ultimately, they need something to wear during that time.

And we believe that at least for now, and I also believe in the future, that, that trend of essentially a need to buy fashion and lifestyle product is actually greater gravity, so to speak, than the fact that there is essentially more competition from the bricks-and-mortar stores.

Clara Kamenicek - Stifel, Nicolaus & Company, Incorporated, Research Division - Analyst

Q. Apologies in case, I didn't understand it correctly, but you said that your partnership with Puma in Southeast Asia allows you to sell items on third-party sites as well, not just on your own platform. Would you please elaborate a bit how this works? And then how would this translate into numbers? Is it part of your NMV, if it's not sold on the GFG platform?

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

A. Yes. You understand this is perfectly correct. Essentially, our operations by GFG platform gives us the ability to store products from brands, in this case, Puma, in our fulfilment center. And we obviously, first and foremost, sell this on GFG. But we also give brands the opportunity to sell it on other platforms, and we essentially handle all of this. We have a product already in our fulfilment center, and we essentially then ship it to the customers of these third-party sites. So an example is Shopee in Indonesia and also in Philippines where Shopee customers can buy Puma product, and that is then essentially operated and fulfilled by GFG in Southeast Asia. In terms of the NMV and revenue recognition, I'll turn over to Matthew.

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

A. On a third-party, a third-party site wouldn't form part of our NMV, it would form part of revenue.

Q. As there are no further questions over the audio, I would now like to turn the call over to the webcast for questions. Thank you. Our first question is from Volker Bosse. He's got a few questions around new brands. First question is, are Puma and H&M totally new members to your marketplace or have they already been part of your own retail business before?

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

A. Sure. I can take that. So Puma, we've worked with for many years, probably almost a decade by now. But we've only, in the last couple of years in several regions, migrated the retail model, which we started with what we call a hybrid model, which is a retail and marketplace model. In the case of H&M, H&M is, in fact, a new addition, which we started in the Philippines last year, and we're now live, as Christoph said, in the four markets in Southeast Asia on the marketplace model.

Q And a follow-on of that question asking, what's the total number of onboarded new brands? And are there any new brands to mention?

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

A. Yes. So we mentioned a number of brands in the presentation already. In terms of the quantity of brands, we onboarded just over 2,000 new brands in Q1 and 1,900 of these brands were onboarded by marketplace. So you can really see the focus on -- by us, but also by the brands, on the marketplace model. And I think we talked about this before in a number of presentations, including the CMD, we really like to use marketplace as a way to test categories, to test brands, and that's effectively what we've been doing in the last years and also in Q1, that's why the number of marketplace, new marketplace brands is obviously far outweighing the number of new retail brands.

Q. Our next question is from Markus Schwarz, who asks, can you please drop some words regarding the ongoing rumours with respect to a potential Dafiti sale?

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

A. Sure. I mean, as you would expect, I guess, we don't comment on kind of speculation of this nature, but what we can confirm is that we're absolutely committed to our current regional footprint. And as you also know, LATAM is a really integral part of that, in Q1, 25% of our global NMV. We as you know, intend to grow our business to EUR 10 billion NMV in 7 to 9 years. And we see Latin America as a critical part of that journey as it's a large and also very under penetrated fashion and lifestyle e-commerce market. So we really see very significant opportunity there.

And with the over EUR 700 million of cash on the balance sheet, we're also very well positioned to invest behind that opportunity and really capture it in Brazil, but also the broader region, given our existing presence. I think what is encouraging from a lot of the attention that digital business and e-commerce businesses in Brazil generally are getting these days is that, clearly, many of the key brands in the markets are really focused on growing the digital sales, and we're obviously excited to working with many of them and hoping to work with even more over the years. And Forever 21, the launch this week is another example of how we're growing those partnerships with key brands, and we're obviously very excited to do more of that in the time ahead.

Q Next, we have a few questions from Carol Burns. So firstly, how do you see the markets reopening impacting active growth and order per active? And do you see market spend increasing again to compensate?

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

A. I can take that. Our marketing spend follows the framework of having a reasonable payback. We believe that, that should be within the 12-month window, we might expand that to 15 or 18 months when we really see a lot of growth and a lot of potential in one region, but we're not going to abolish that framework. We like that framework a lot. And as a result, you wouldn't see -- you would maybe see slightly higher marketing spend for a couple of months in specific regions, but it will not make a big impact on our overall global marketing spend over the year.

In terms of growth in orders per active customer, as we said before, it is definitely one of the key levers for us to grow and to get to the EUR 10 billion at 2.6x where we still have a lot of potential there, especially looking at the developed market players like Zalando, for example, and we hope that we can grow in the next quarters and years. We have been growing at pre pandemic very consistently for I think it was 8 consecutive quarters pre Q1 2020, and we think that we can do this in the next quarters to come, whether the pandemic or lockdowns or opening will help, we'll have to see because, obviously, it's a very volatile environment out there. Matthew and Christoph, do you want to add anything given that this is obviously a key topic?

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

A. No, I think you got it. I mean, as I said, setting up the cost base for the year, if you're thinking about our marketing spend overall, look at what we were spending in 2019 as percent of NMV, we've set up the business with that. That's what we traded on in Q1, with little regional variations, as Patrick said, where we see opportunity, that's how we're going to be running, we think it's going to work.

Q Carol was also asking what type of efficiency savings will you see from the new automated facility in LATAM?

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

A. Yes. We're very pleased with the performance of that new automated facility. We have completed the transition, and we're just basically decommissioning the old fulfilment centres. So we're still seeing in the first half of this year, some costs related to that. So the full let's say, pro forma view is only going to be there in the second half. The efficiency that we're getting is meaningful. So we're seeing both an acceleration in the picking times and therefore in our shipping times, which I think is ultimately the #1 priority for us to really add scale, be able to ship very significant volumes quite quickly to our customers in Brazil. And then also because of the location of the facility, we're getting additional benefits given the local tax regulations. And that is also helping our overall margin profile. So we're absolutely on track with that investment and the payback from that investment.

Thank you. We have 2 short questions from Patrick Siebert. She's asking, could you give us insight into Q2? And will the growth dynamic continue?

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

A. Yes. Thank you. So Q2 is clearly in line with our expectations and overall guidance for the year. So pleased with that. In terms of the growth dynamic, continuing very much -- we are aiming to deliver 25% NMV growth across the year in constant currency terms and a small increase in adjusted EBITDA, the shape of that, when you look at year-on-year, quarter-by-quarter will be lumpy because last year's comparatives are so lumpy because of the impact of that first wave of COVID on us and the individual impacts in different regions. So I very much talk towards the full.

Q. We have another question from Volker. He's asking, in which regions do you see favourable short payback terms of your marketing spend?

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

A. I can take that. Obviously, we need to wait for a while to see the full payback period. So we can't comment on it too much. Our early estimation from looking at only the Q1 numbers and the customers acquired in Q1 are that we think that Australia probably will have the best payback period when the customers have made the second and the third purchase, and that's obviously driven by really good gross margin. You saw the gross margin improvement, but also the relatively high basket values.

Q. And then a final question from the webcast is from Daseke Cocoa. He's asking, have you given any consideration to enabling crypto/digital currency payments for purchases across your platforms?

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

A. Yes. Our basic approach on all of this, and we operate a very large number of different payment types in each of our markets. It will take the payment and the currency type that the customer finds most convenient to enable the sale. That's how we work. We do take various types of digital payment, digital wallet payments in various markets. They vary. We don't take any crypto. We aren't seeing demand for that. If that was changed, then we would change our view. I think the one thing that we always watch out for and are thoughtful about is to make sure that where the customer is making -- is being offered a payment through a effectively a loan or an instant loan payment that they recognize and understand the terms that they're being offered unless it isn't -- they're not accidentally taking on the loan because it's being presented as a normal payment. So within that framework, we'll take what the customer wants.

Paul Rossington - HSBC, Research Division - Analyst

Q. Well done on the numbers. Just a quick question. You've done very well on the rollout of beauty and premium in Russia, which has clearly driven better KPIs in that market. What are the opportunity to do with that -- with Beauty and Premium in other markets as well in the near or medium term?

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

A. Yes. Beauty is a beautiful category, as we say internally in the sense that it is shopped with fashion product quite naturally. You can see that in department stores where usually there is the ground floor with beauty and then right beside, there are handbags and then the level above that's usually dresses and shoes. I think it's very similar for us in the sense that we see many of our core fashion customers also shop beauty. And we've seen this for a number of years, even pre pandemic already in Russia and actually also in Brazil. And we have now launched Beauty in all major markets. But it's still a very small sub-10% share of NMV, but we believe that we can grow that substantially and that we actually have an advantage as a fashion and beauty player, given that obviously, the likelihood of having a higher basket value is much higher, given that we have a broader assortment in not just beauty, but also complemented with fashion. And obviously, we have a customer base of more than 16 million customers who -- most of them are eager to shop beauty with us as well. So we're still in the rollout and in the rollout phase, and we believe that the learnings we already have from Russia and from Brazil are very helpful for the other regions to expand and to accelerate the rollout there.

Q. And also another question, just on -- I hadn't appreciated you had links into production facilities in Brazil. Could you just explain -- touch more on that, please?

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

A. Yes, sure, Paul. I mean, I think what's important in Brazil, certainly, that it's obviously a market that because of import duties, is quite close to imports. And so it's a very strong production market in general, many of the brands we work with, both local brands or Brazilian brands, but also many of the international brands are actually manufacturing in the country because of that setup, both in terms of the capabilities available, but also the customs and regulation around that.

And so in that context, there was a real opportunity for us to partner with Forever 21 and help them with the sourcing. And we have established a network of factories that we have been working with for quite some time, either because they are effectively brands or small brands working on our platform, selling on our platform or because we've used them for our own brand efforts, which are not significant in the overall scheme, but we still have some experience managing our own brands and sourcing directly from factory in Brazil. And so this is a somewhat particular solution or service to brands in Brazil, but something that we'd like to scale as well, because we really see an opportunity to support our brand partners with these types of sourcing services effectively.

Q. And just to clarify, you wouldn't -- there are other online retailers out there who are looking at vertical integration quite aggressively. But you wouldn't look to do anything vertically of that nature, you'd just outsource that production still. You're not going to go into manufacturing as well?

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

A. Correct.

Q. Understood. My last question, the relationship with Shoppe in Asia. Is that -- I presume Puma is more than happy to sell us as much product across as many platforms as possible, I'm sure. But ultimately, would you not prefer to keep more of that trade to yourself and not be kind of a 3P fulfilment for Shoppe? You -- ultimately -- you've done -- how is that long-term relationship evolve? Because you are competitors, ultimately?

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

A. I mean, I think maybe to take it a little bit away from that particular example and more looking at this from a strategic perspective, Paul, the way we think about it is we want to be the strategic partner of choice for the brands, enable them to reach the digital customer across any channel that the brand believes is appropriate for them to do that on. So this can be the brand.com, first and foremost. It can be our platform as the leading fashion and lifestyle destination in all of the markets. But it can also be other platforms, be it general merchandisers, like Shoppe or any other whatever the brand wants to be. We clearly want to work very closely with the brand to make sure that they make good choices in their own interest around which product, at what prices, with what services they sell across the different platforms. And the brands, especially, I would say, the larger brands that are more professionalized, have a very clear understanding of how they segment their products and how they think about different digital channels. They're used to doing that in the offline world and as online is becoming a bigger share of their business, they're going to apply similar logic around product -- product segmentation, timing of when it's coming to market, pricing, et cetera, also there, and we just want to be the partner of choice and help them navigate all of the digital channels where they can sell on.

Q. So you will take the gold product and you'll let's Shoppe do the bronze product and maybe somebody will take the silver products in the middle, but they won't necessarily cannibalize your own sales because you you're not selling essentially the same product in 2 different places?

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

A. We believe we have different customers in terms of the types of customers we serve versus a typical general merchandise customer who may buy apparel product or a footwear product on a general merchandise platform. So I think there's just a different audience out there. But ultimately, it's a brand's choice, and we want to work with the brands to make those choices versus, in any way, restricting their ability to sell on other platforms.

Q. At this time, I would like to turn the call back to speakers for any additional or closing remarks.

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

A. Great. Thank you very much for joining this morning, and have a good day.