2019

QUARTERLY STATEMENT

GFG GLOBAL FASHION GROUP

FOR THE PERIOD ENDED
SEPTEMBER 30, 2019

#1 FASHION & LIFESTYLE DESTINATION IN GROWTH MARKETS.

The first GFG market was founded in 2011. Since then we have been dedicated to being the #1 fashion and lifestyle destination in our markets. Over the years we have grown into a truly diverse workforce that's focused on creating inspiring and seamless customer experiences. Through our own technology enabled platform and infrastructure and partnerships with over 10,000 fashion & lifestyle brands, we offer relevant and curated products in an environment that's tailored to local market needs.

AT A GLANCE.

KEY FIGURES

Key performance indicators and financial information

	For **nine**-months up to 30 September		For **three**-months up to 30 September	
	2019	2018	2019	2018
Group KPIs				
Active customers (in millions)	12.4	10.8	12.4	10.8
NMV (EUR m)	1,224.0	1,001.1	433.8	335.9
Constant Currency Growth (%)	23.0	22.5	24.1	23.7
NMV/Active Customer (EUR)	134.9	129.7	134.9	129.7
Number of Orders (in millions)	24.3	19.6	8.5	7.1
Order Frequency	2.6	2.5	2.6	2.5
Average Order Value (EUR)	50.4	51.1	50.8	47.5
Results of operations – unaudited				
Revenue (EUR m)	928.3	799.3	325.1	264.6
Constant Currency Growth (%)	16.9	19.2	18.7	18.3
Gross Profit (EUR m)	370.9	311.3	131.5	95.9
Adjusted EBITDA (EUR m)	(37.8)	(45.9)	(9.1)	(15.6)
Adjusted EBITDA (as % of revenue)	(4.1)	(5.7)	(2.8)	(5.9)
Financial position – unaudited				
Net cash used in operating activities (EUR m)	(120.2)	(94.1)		
Net cash from/(used in) investing activities (EUR m)	91.7	(50.2)		
Cash and cash equivalents (EUR m)	253.5	108.8		
Capex (EUR m)	40.8	26.3	16.2	11.6
Headcount				
LATAM	2,621	2,526		
CIS	6,709	4,843		
APAC	2,458	2,057		
Other	144	162		

Global Fashion Group S.A. – Initial Public Offering

Since July 2, 2019 the shares of the Company have been traded on the regulated market (Prime Standard) of the Frankfurt Stock Exchange. The Company issued 42,000,000 new shares, receiving net proceeds of EUR 186.1m from its Initial Public Offering ("IPO").

The Company intends to use the proceeds to fuel continued growth, by investing in technology platforms, customer acquisition, and fulfilment and delivery infrastructure, including automation, as well as other general corporate purposes.

Adjusted EBITDA margin at;

(2.8)%

In the third quarter of 2019, improving by 3.1 percentage points year-on-year.

Revenue grew by

18.7%

to EUR 325.1 m

Year-on-year on a constant currency basis in the third quarter of 2019.

APAC segment showed the largest Revenue growth of

24.1%

on a constant currency basis in the third quarter.

Our Marketplace share of NMV is

22%

in the third quarter 2019, increasing 6 percentage points compared to the prior-year period.

Pro-forma cash of

277m

including net IPO proceeds and restricted cash.

INTERIM GROUP MANAGEMENT REPORT

REPORT ON ECONOMIC POSITION

Financial Performance of the Group

The results for the nine-month period ended September 30, 2019 show continued strong NMV and revenue growth on a constant currency basis and further progress toward break-even.

NMV

In Q3 2019, NMV increased by 24.1% on a constant currency basis, to EUR 433.8m. NMV for the first nine-months reached EUR 1,224.0m, growing 23.0% on a constant currency basis.

The growth in NMV was as a result of an increase of 15.0% in Active Customers to 12.4m, and NMV per Active Customer rising by 6.9% on a constant currency basis to EUR 134.9, underpinned by delivering our leading customer experience. Orders continued to grow, up by 20.8% to 8.5m in Q3 2019 and, on average, customers are purchasing 7.5% more often than the same time last year, at 2.6 times per year.

Marketplace continues to increase, and now represents 22% of NMV, increasing 6 percentage points compared to the prior-year period.

Interim condensed consolidated income statement

	For the nine-months up to 30 September		
EUR m	2019	2018	% change
Revenue	928.3	799.3	16.1
Cost of sales	(557.4)	(488.0)	(14.2)
Gross profit	**370.9**	**311.3**	**19.2**
Selling and distribution expenses	(322.4)	(266.2)	(21.1)
Administrative expenses	(137.9)	(180.3)	23.5
Other operating income	8.5	1.6	
Other operating expenses	(10.3)	(13.0)	
Net impairment losses of financial assets	(2.3)	(0.5)	
Loss before interest and taxes	**(93.5)**	**(147.1)**	**36.5**
Result from investment in associate	3.2	(6.2)	
Finance income	12.0	0.8	
Finance costs	(11.0)	(20.5)	
Result from indexation of IAS 29 Hyperinflation	1.8	0.5	
Loss before tax	**(87.5)**	**(172.5)**	**49.3**
Income taxes	(5.9)	(3.0)	
Loss for the period	**(93.4)**	**(175.5)**	**46.8**
Adjusted EBITDA bridge			
Loss before interest and taxes	(93.5)	(147.1)	36.5
Depreciation and Amortisation [1]	45.5	24.1	
EBITDA	(48.0)	(123.0)	61.0
Share-based payment expenses	(0.8)	62.6	
One-off fees [2]	11.0	–	
Pro-forma IFRS 16 adjustment [3]	–	14.5	
Adjusted EBITDA	**(37.8)**	**(45.9)**	**17.4**

1 Including depreciation on IFRS 16 right-of-use assets, in the nine-months up to 30 September 2019.

2 One-off fees include costs relating to the IPO, historical tax adjustments and costs relating to the wind-down of Lost Ink Limited.

3 The pro-forma IFRS 16 adjustment was included for purposes of comparability of Adjusted EBITDA for the nine-months up to 30 September 2019 and 30 September 2018 as IFRS 16 Leases was only applied as of January 1, 2019. Therefore, Adjusted EBITDA for the nine-months up to 30 September 2018 presented in the table above is not consistent with Adjusted EBITDA presented in the segment information contained in the interim condensed consolidated financial statements.

Interim condensed consolidated income statement

	For the three-months up to 30 September		
EUR m	2019	2018	% change
Revenue	325.1	264.6	22.9
Cost of sales	(193.6)	(168.7)	(14.7)
Gross profit	**131.5**	**95.9**	**37.1**
Selling and distribution expenses	(111.3)	(87.5)	(27.1)
Administrative expenses	(44.5)	(87.0)	48.9
Other operating income	1.2	0.5	
Other operating expenses	(3.8)	(2.2)	
Net impairment losses of financial assets	(0.8)	(0.4)	
Loss before interest and taxes	**(27.7)**	**(80.7)**	**65.7**
Result from investment in associate	–	(2.2)	
Finance income	8.2	0.3	
Finance costs	(3.8)	(4.5)	
Result from indexation of IAS 29 Hyperinflation	0.9	0.5	
Loss before tax	**(22.4)**	**(86.6)**	**74.1**
Income taxes	0.2	(2.9)	
Loss for the period	**(22.2)**	**(89.5)**	**75.2**
Adjusted EBITDA bridge			
Loss before interest and taxes	**(27.7)**	**(80.7)**	**65.7**
Depreciation and Amortisation [1]	15.4	8.2	
EBITDA	**(12.3)**	**(72.5)**	**83.0**
Share-based payment expenses	(0.6)	51.2	
One-off fees [2]	3.8	–	
Pro-forma IFRS 16 adjustment [3]	–	5.7	
Adjusted EBITDA	**(9.1)**	**(15.6)**	**41.0**

1 Including depreciation on IFRS 16 right-of-use assets, in the nine-months up to 30 September 2019.

2 One-off fees include costs relating to the IPO, historical tax adjustments and costs relating to the wind-down of Lost Ink Limited.

3 The pro-forma IFRS 16 adjustment was included for purposes of comparability of Adjusted EBITDA for the nine-months up to 30 September 2019 and 30 September 2018 as IFRS 16 Leases was only applied as of January 1, 2019. Therefore, Adjusted EBITDA for the nine-months up to 30 September 2018 presented in the table above is not consistent with Adjusted EBITDA presented in the segment information contained in the interim condensed consolidated financial statements.

Revenue

The strong growth in NMV delivered solid revenue growth. In Q3 2019, revenue grew by 18.7% on a constant currency basis, increasing from EUR 264.6m to EUR 325.1m. For the nine-month period, revenue was EUR 928.3m, increasing 16.9% year-on-year on a constant currency basis and 16.1% in absolute EUR terms.

GFG continues to be at the forefront of defining what an inspiring customer experience looks like in its markets. Our broad assortment strategy has evolved with more exclusive global brand collaborations and products. GFG also launched its first sustainable own brand, AERE, at THE ICONIC (APAC).

Technology innovations focused on app functionality have delivered new levels of customer engagement and strengthened GFG's app-first approach. Apps generated 50% of NMV in Q3, up 7 percentage points compared to the same period last year.

Adjusted EBITDA

The Group improved adjusted EBITDA from EUR (15.6)m to EUR (9.1)m in the third quarter of 2019 compared to the prior-year period. This corresponds to an improvement of the adjusted EBITDA margin from (5.9)% in the third quarter of 2018 to (2.8)% of revenue in the same period in 2019. In the first nine-months, we showed an adjusted EBITDA of EUR (37.8)m or (4.1)% of revenue, improving 1.6 percentage points compared to the same period in the prior year. As of January 1, 2019, with the first–time application of IFRS 16, most leasing and rent expenses are no longer shown as operating expenses but are reported as depreciation and interest expenses and accordingly are not included in adjusted EBITDA.

Report by Segment

The Group is organised into three main business segments; APAC (ZALORA and THE ICONIC), LATAM (dafiti) and CIS (lamoda). The column 'Other' includes headquarter and other business activities.

Segment Growth for nine-months to 30 September 2019

NMV growth was strong across all regions, with CIS delivering the highest growth, at 24.1%, with APAC and LATAM growing by 23.8% and 21.2% respectively on a constant currency basis. Revenue growth was also strong, with growth in APAC and LATAM reflecting their NMV growth at 20.4% and 18.0% respectively on a constant currency basis. Revenue growth in CIS was lower at 14.7%, reflecting the top line growth coming in part from increasing Marketplace share.

Gross margins increased across both CIS and APAC by 3.5 and 1.3 percentage points respectively. The expansion seen in CIS is driven partly as a result of the increase in Marketplace participation in the region, coupled with improved retail margins. Gross margin in LATAM decreased by 0.5 percentage points driven by retail price investment and country mix.

Segment Results of the Group nine-months up to 30 September 2019

EUR m	APAC	LATAM	CIS	Total Fashion Business	Other	Reconciliation	Total
Net Merchandise Value	426.4	393.4	404.2	1,224.0	–	–	**1,224.0**
Revenue	340.7	282.6	301.6	924.9	21.7	(18.3)	**928.3**
Gross profit	128.8	117.0	128.9	374.7	13.9	(17.7)	**370.9**
% Margin	37.8	41.4	42.7				**40.0**

Segment Results of the Group nine-months up to 30 September 2018

EUR m	APAC	LATAM	CIS	Total Fashion Business	Other	Reconciliation	Total
Net Merchandise Value	341.8	336.3	323.0	1,001.1	–	–	**1,001.1**
Revenue	280.8	248.3	260.9	790.0	55.6	(46.3)	**799.3**
Gross profit	102.4	104.2	102.3	308.9	43.5	(41.1)	**311.3**
% Margin	36.5	41.9	39.2				**38.9**

Segment Growth for the Quarter

We delivered strong NMV growth in the quarter. CIS and APAC delivered growth of 30.8% and 25.7% respectively on a constant currency basis. APAC grew it's Active Customers by 18.3% on a rolling 12 month basis to 3.9m. LATAM delivered solid NMV growth of 16.9% on a constant currency basis, and Active Customers grew by 15.0%.

Revenue growth was slightly below NMV growth in all regions, as our Marketplace share continues to increase. CIS and APAC revenue growth on a constant currency basis was 22.8 and 24.1% respectively. LATAM growth was lower, at 13.0%, impacted by the effects of the truck drivers strike in Brazil on prior period comparatives. Gross margins grew across all regions, most pronounced in CIS at 9.9 percentage points, driven by both the year-on-year increase in Marketplace share and improved retail margin as a result of disciplined sell-through rates and pricing. APAC improved gross margin by 2.6 percentage points, and LATAM by 0.6 percentage points, both demonstrating better retail pricing discipline year-on-year.

Segment Results of the Group three-months up to 30 September 2019

EUR m	APAC	LATAM	CIS	Total Fashion Business	Other	Reconciliation	Total
Net Merchandise Value	148.3	135.2	150.3	433.8	–	–	**433.8**
Revenue	117.8	96.3	110.7	324.8	6.4	(6.1)	**325.1**
Gross profit	45.7	39.8	46.7	132.2	5.4	(6.1)	**131.5**
% Margin	38.8	41.4	42.2				**40.5**

Segment Results of the Group three-months up to 30 September 2018

EUR m	APAC	LATAM	CIS	Total Fashion Business	Other	Reconciliation	Total
Net Merchandise Value	116.7	111.0	108.2	335.9	–	–	**335.9**
Revenue	93.9	82.3	85.0	261.2	9.9	(6.5)	**264.6**
Gross profit	34.0	33.5	27.5	95.0	6.0	(5.1)	**95.9**
% Margin	36.2	40.8	32.3				**36.2**

Cash flows and financial position

Cash flows

The liquidity and cash position of the Group is presented in the following summary interim condensed consolidated statement of cash flows:

	For nine-months up to 30 September	
EUR m	2019	2018
Net cash used in operating activities	**(120.2)**	**(94.1)**
Net cash from/(used in) investing activities	**91.7**	**(50.2)**
Net cash from financing activities	**175.3**	**3.3**
Change in cash and cash equivalents	**146.8**	**(141.0)**
Exchange-rate related and other changes in cash and cash equivalents	1.7	(1.6)
Cash and cash equivalents at the beginning of the period	105.0	251.4
Cash and cash equivalents at the end of the period	**253.5**	**108.8**

GFG incurred a negative cash flow from operating activities of EUR 120.2m in the first nine-months of 2019 (September 30, 2018: EUR 94.1m). The higher net cash used in operations is mainly driven by higher working capital and higher net interest payments.

Net cash inflow from investing activities is due to the proceeds from the disposal of Namshi, partially offset by movements in restricted cash during the period and additions to property, plant and equipment and intangible assets being EUR (42.7)m (September 30, 2018: EUR (24.7)m). The cost of additions to property, plant and equipment during the nine-month period was EUR 26.1m (September 30, 2018: EUR 13.9m) and these investments primarily relate to assets in the course of construction and office and IT equipment. The Group acquired intangible assets with a total cost of EUR 16.6m (September 30, 2018: EUR 10.8m) of which EUR 12.7m (September 30, 2018: EUR 8.7m) were internally developed intangible assets capitalised in accordance with the recognition criteria of IAS 38, Intangible Assets.

Net cash inflow in financing activities relates primarily to the net proceeds of EUR 186.1m from the issuance of common shares as a result of the IPO on July 2nd, 2019 and the exercised greenshoe option on August 5, 2019. This is offset from outflows due to payments made under finance leases of EUR 14.6m. In the prior-period, before the introduction of IFRS 16, payments made under operating leases were included as part of net cash used in operating activities.

Financial position

The group's financial position is shown in the following summary interim condensed consolidated statement of financial position.

Assets

EUR m	Q3 2019	Q4 2018	Change
Non-current assets	508.5	539.3	(30.8)
Current assets	676.1	416.1	260.0
Total assets	**1,184.6**	**955.4**	**229.2**

Equity

EUR m	Q3 2019	Q4 2018	Change
Equity	701.5	603.8	97.7
Non-current liabilities	93.2	34.7	58.5
Current liabilities	389.9	316.9	73.0
Total equity and liabilities	**1,184.6**	**955.4**	**229.2**

Total assets of the Group increased by EUR 229.2m when compared with December 31, 2018. The increase primarily relates to the net proceeds of EUR 186.1m received as part of the IPO on July 2, 2019, including net cash proceeds of EUR 9.0m resulting from the exercised greenshoe option on August 5, 2019. Another reason for the overall increase in total assets is due to the recognition of right-of-use assets relating to IFRS 16, the new accounting standard for leases which became effective on January 1, 2019.

On transition to IFRS 16, the Group recognised an additional EUR 75.0m of right-of-use assets and EUR 75.0m of lease liabilities. The net book value of right-of-use assets as at September 30, 2019 was EUR 73.7m comprising lease additions of EUR 14.7m and offset by depreciation charges of EUR 16.0m. Total lease liabilities of EUR 83.5m as of September 30, 2019, net of lease repayments and interest, are split between non-current and current lease liabilities on the interim condensed consolidated statement of financial position.

The increase in total assets was offset by the disposal of the remaining interest in our Middle-East business, Namshi, in Q1 2019.

In the first nine-months of the year, Capex additions were EUR 40.8m (September 30, 2018: EUR 26.3m) and primarily related to the Group's continuous investment in its delivery and fulfilment infrastructure, mainly in LATAM, as assets in the course of construction, office and IT equipment and intangible assets.

The increase in inventories from EUR 186.1m to EUR 283.2m represents a Group-wide increase in business volumes and the seasonality of our local businesses.

The closing pro-forma cash position at the end of Q3 2019 was EUR 276.8m, including EUR 23.3m of restricted cash and cash on deposit, primarily related to our revolving credit facility and including net IPO proceeds of EUR 186.1m.

Equity for the period increased from EUR 603.8m to EUR 701.5m, relating primarily to the issuance of common shares relating to the IPO and the recognition of share premium, offset by movements in retained earnings and cumulative translation adjustments.

Non-current liabilities increased from EUR 34.7m to EUR 93.2m of which EUR 64.9m represents the non-current portion of lease contracts under IFRS 16, discounted to present value.

Current liabilities increased by EUR 73.0m to EUR 389.9m during the period. This increase reflects the current portion of finance lease liabilities under IFRS 16 (EUR 18.6m), discounted to present value, and an increase in trade and other liabilities of EUR 42.2m, reflecting the impact of seasonality on the Group's working capital.

Outlook

The overall guidance provided in the H1 interim management report is reconfirmed.

The Group forecasts NMV growth between 20–23% on a constant currency basis, growing to EUR 1.7–1.8 billion. The Group forecasts revenue to grow to above EUR 1.3 billion in 2019. At the same time, GFG expects to reduce losses, and make further progress towards Adjusted EBITDA break-even, continuing on the path to profitability.

We continue to forecast our 2019 Capex investment to be around €80m, with €41m invested to date.

Events after reporting period

There are no significant events subsequent to the period end that would require a disclosure in the interim management report.

RESPONSIBILITY STATEMENT BY THE MANAGEMENT BOARD

To the best of our knowledge, and in accordance with the applicable reporting principles for quarterly financial reporting, the interim condensed consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the interim management report of the Group includes a fair review of the development and performance of the business and the position of the Group, together with a description of the material opportunities and risks associated with the expected development of the Group for the remaining months of the financial year.

Christoph Barchewitz, Co-CEO

Matthew Price, CFO

Patrick Schmidt, Co-CEO


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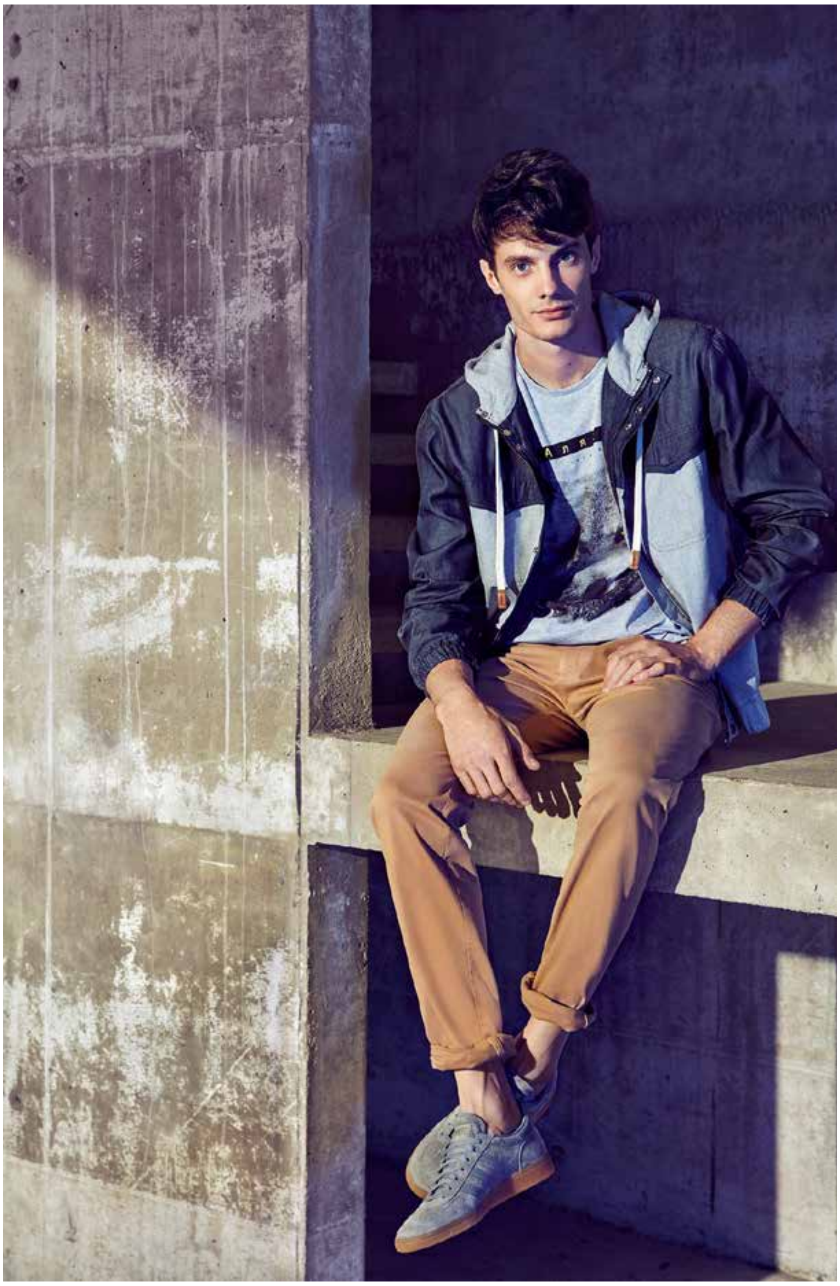
SUPPLEMENTARY INFORMATION



KPI AND FINANCIAL DEFINITIONS

Active customers
Active customers is defined as the number of customers who have purchased at least one item after cancellations, rejections and returns in the last twelve-months.

Adjusted EBITDA
Adjusted EBITDA is calculated as loss before interest and tax adjusted for depreciation of property, plant and equipment and right-of-use assets, amortisation of intangible assets and impairment losses, and adjusted for share-based payment (income)/expenses as well as one-off fees related to the IPO, one-off tax adjustments and expenses relating to the wind-down of Lost Ink Limited.

Average order value
Average order value is defined as the NMV per order.

Capex
Capital expenditure shows the additions to property, plant and equipment, including those due from business combinations and excluding additions to IFRS 16 Right-of-use assets, and additions to intangible assets.

EBITDA
EBITDA is calculated as loss before interest and tax adjusted for depreciation of property, plant and equipment and right-of-use assets, amortisation of intangible assets and impairment losses.

Net Merchandise Value
Net Merchandise Value ("NMV") is defined as the value of goods sold including value-added tax ("VAT")/goods and services tax ("GST") and delivery fees, after actual or provisioned rejections and returns.

Net working capital
Net working capital is calculated as inventories plus current trade and other receivables less current trade payables and other financial liabilities.

Orders
Orders are defined as the number of orders placed by customers after cancellations, rejections and returns.

Order frequency
Order frequency is defined as the average number of orders per customer per year (calculated as the last twelve-month's orders divided by active customers).

Pro-forma cash
Pro-forma cash is defined as cash and cash equivalents at the end of the period plus restricted cash and cash on deposit.

Pro-forma cash reconciliation

EUR m	Q3 2019	Q3 2018
Cash and cash equivalents	253.5	108.8
Restricted cash and cash on deposit	23.3	34.8
Pro-forma cash	**276.8**	**143.6**

FINANCIAL CALENDAR

November 13, 2019	Q3 2019 Results
November 13, 2019	Morgan Stanley European Technology, Media & Telecom Conference
December 2, 2019	Berenberg European Conference
March 3, 2020	FY 2019 Results

INFORMATION RESOURCES

Further information including corporate news, reports and publications can be found in the Investor Relations section of our website at https://ir.global-fashion-group.com

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