Transcript of
Jumia Technologies AG
Jumia Q1 2024 Results Call
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Participants

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Analysts

Presentation

Operator
Good morning, ladies and gentlemen. Thank you for standing by. Welcome to Jumia's Results Conference Call for the First Quarter of 2024. At this time, all participants are in a listen-only mode. After management's prepared remarks, there will be a question-and-answer session. With us today are Francis Dufay, CEO of Jumia; and Antoine Maillet-Mezeray, Executive Vice President, Finance and Operations.

We will start by covering the Safe Harbor. We would like to remind you that our discussions today will indicate forward-looking statements. Actual results may differ materially from those indicated in the forward-looking statements. Moreover, these forward-looking statements may speak only to our expectations as of today. We undertake no obligation to publicly update or revise these statements.

For a discussion of some of the risk factors that could cause actual results to differ from the forward-looking statements expressed today, please see the risk factors section of our Annual Report on Form 20-F as published on March 28, 2024, as well as our other submissions with the SEC.

In addition, on this call, we will refer to certain financial measures not reported in accordance with IFRS. You can find reconciliations of these non-IFRS financial measures to the corresponding IFRS financial measures in our earnings press release, which is available on our Investor Relations website.

With that, I'll hand the call over to Francis.

Francis Dufay - Chief Executive Officer, Jumia Technologies AG
Hello, everyone, and thank you for joining us this morning. I want to begin today's call with a review of our performance and an update on progress against our strategic growth objectives. I will then turn the call over to Antoine for more in-depth review of our financials and we'll conclude with a Q&A session.

Jumia is off to a strong start of the year. After a transformational 2023, we have continued to work diligently to reduce costs and improve cash efficiency, while establishing a leaner and more agile organization primed for growth.

In the first quarter, we saw tangible results that our strategy is working. In line with expectations, GMV improved to $181.5 million, up 5% year-over-year or 39% on a constant currency basis. This was driven by continued efforts to enhance our product assortment, complemented by more efficient marketing spend and a reduction in consumer discounts.

AOV also expanded by 3% year-over-year to $39.60 in the quarter, while order growth climbed 1.9%. Combined, these results helped drive top-line revenue of $48.9 million, up 19% year-over-year or 57% on a constant currency basis.

At the same time, we are delivering greater efficiencies across our cost base. Here, we are targeting more efficient marketing channels, streamlining our logistics network, while reducing G&A and tech expenses. These efforts reduced our quarterly cash burn from $22 million to $19.1 million in Q1 illustrating that we can still grow at scale without spending heavily.

Our loss before income tax increased to $39.6 million from $29.2 million a year ago due in large part to outside finance costs driven by significant FX impact in the quarter mostly without the cash impact. Adjusted EBITDA loss, which excludes this cost, declined to $4.3 million in the first quarter or 94% on a constant currency basis.

Our results are more notable when considered against the challenging macro backdrop in some of our markets. In the first quarter, we saw further currency devaluations in Egypt and Nigeria, two of our largest markets. The Nigerian Naira devaluated to NGN 1,396 from NGN 461 to US $1 or roughly 200% year-over-year devaluation. In Egypt, the Egyptian pound devaluated to EGP 47 from EGP 31 to US $1 or an approximately 50% year-over-year devaluation. This has a significant impact on consumer purchasing power as well as supply availability.

However, Jumia's ability to secure sufficient inventory and offer a diversified product assortment at competitive prices continues to keep customers engaged in our platform. For example, despite volatile market conditions, we are seeing positive orders growth in countries like Nigeria and Ghana, illustrating the strength of Jumia's value proposition.

On the other hand, we also saw positive movement in selected currencies against the U.S. dollar and some policy changes that we believe indicate macro improvements in selected countries. For example, after the Egyptian government floated the Egyptian pounds and significantly increased interest rates, the country has experienced a large influx of U.S. dollars from foreign investors.

In Nigeria, there are early signs of macro improvement, while in Kenya, the shilling has gained almost 19% in the first quarter. We are actively monitoring conditions on the ground and remain hopeful that the environment will improve as we continue executing against our growth strategy.

As a reminder, our growth strategy is centered around three key pillars: first, we are focused on strengthening our core business, while simplifying our operating model to create nimbler and

more efficient operations; second, we are committed to improving cash efficiency by optimizing marketing spend and reducing our overall cost base; and third, we are building strong operating fundamentals by improving supply and assortments and expanding outside of the main urban centers.

Beginning with strengthening our core business, we believe that by simplifying the buying experience and focusing on the basics, we can better serve our customers and drive growth. As the leading Pan-African e-commerce player, we have a well-developed strategy informed by our first mover advantage and extensive local knowledge of the logistics and payment landscape.

In late 2023, we moved to exit businesses deemed non-strategic including Jumia Food, while also reducing headcount across multiple areas to deliver greater operating efficiencies. Additionally, we are focused on making JumiaPay, a stronger enabler of our e-commerce platform. We are streamlining the user experience to reduce processing times and the number of steps needed to validate payment and continue to rollout JumiaPay on delivery in some of our largest markets to increase the number of cashless orders.

We already had a successful rollout in Kenya and are in the process of implementing this in Nigeria and we believe that over half of the transactions could be cashless by the end of 2024. Combined, these efforts have increased the share of physical goods transactions on JumiaPay by 12.6% year-over-year.

In addition to JumiaPay, our vast logistics network also serves as a powerful enabler of our e-commerce platform. Our localized integrated logistics network is effective in harnessing the power of local partners to expand our footprint and drive commerce beyond major urban markets.

To improve our network optimization and reach more underserved communities, we have increased the number of pickup station deliveries by 18% year-over-year in the first quarter. We are also improving our proprietary systems to drive scalability, enhance warehouse staff efficiencies and reduce packaging costs. These efforts are delivering real tangible results. As a percentage of GMV, fulfillment expense improved from 7% to 5%, while fulfillment expense per order excluding JumiaPay app orders, decreased by 20% year-over-year to $2.41.

Turning to our second growth pillar. Here, we are focused on improving cash efficiencies through optimization of marketing spend. In Q1, we reduced marketing spend by 30% year-over-year and focused attention on more efficient marketing channels, including CRM and SEO. For example, we have enhanced SEO and customized our marketing notifications and newsletters to target the specific needs and preferences of our local markets.

Our more disciplined and targeted approach is also attracting a stickier and higher quality customer base as evidenced by the growth in GMV, orders per customer and the repurchase rate this quarter. No longer are we attracting customers based on promotions or discounts where they tend to order once and then leave the platform.

Rather, our cohort data shows that roughly 39% of people in our Q4 2023 cohort of new customers completed a second purchase within 90 days. This compares to 36% of people in the Q4 2022 cohort reordering in Q1 2023. This 300 basis point improvement is significant for an e-commerce company like Jumia, where we have ended many vouchers and free shipping offerings and began moving away from categories like groceries, which have high repurchase rates, but poor economics.

On the expense side, we continue to take a disciplined approach to cost management. To date, we have reduced overall headcount by 43% since the end of 2022. In Q1, we made further reductions, helping to deliver 31% year-over-year decline in G&A expenses. These actions enable a leaner and nimbler organization that can move quickly and react faster to support future profitable growth.

Additionally, we are refining our cash repatriation and foreign exchange strategy. Over the last four quarters, we have repatriated cash from several of our main African markets to Germany. As of Q1, 79% of our liquidity position was held in U.S. Dollars. We know from years of operating in Africa that these efforts helped limit our risk as well as our exposure to fluctuating local currency valuations.

We will continue to be disciplined in this area as we move forward in order to effectively manage our cash position. For our final growth pillar, we are building strong business fundamentals with a focus on securing the supply of in-demand products. Purchaser behavior in Africa is quite unique, typified by relatively low incomes and a strong focus on affordability. At the same time, there is a significant amount of pent-up demand that is poorly served by the current retail networks.

At Jumia, we are uniquely positioned to capitalize on this market gap by prioritizing high demand products in categories including electronics, phones, home and living as well as fashion and beauty.

By offering the right products at affordable price points and leveraging our reliable logistics network, we are well positioned to service the African e-commerce market. Our success is evidenced by the continued growth in the AOV of physical goods, which climbed to $46.20 in Q1 versus $41.90 in the prior year period. The ability to deliver the right assortment is a direct result of our continued efforts to broaden our supply base.

In the first quarter, we expanded relationships with new brands as well as with local and international vendors. On the brand front, we are developing partnerships with notable international players to further consumer engagement on our marketplace. In Egypt, for example, we are working with Samsung and LG to expand the availability of their goods to the Egyptian market, where there is strong demand for their electronics and phones.

Having obtained importation licenses in Egypt, we’re able to move quickly to unlock demand from both individuals and corporate customers. We are also empowering local merchants and sellers by offering them access to the Jumia marketplace with low barriers to entry and access to millions of customers. While in many cases, currency devaluation or importation barriers make it

cost prohibitive for consumers to purchase international brands by onboarding local vendors and African brands, customers have greater choices and are ensured more competitive pricing, thanks to a more flexible supply chain.

To help vendors and brands reach more consumers, we are expanding our geographic footprint beyond major urban centers. While the opportunity in large metropolitan areas remains important, opportunities outside those cities are significant and capturing that market will be an important growth driver. Today, roughly 51% of our orders are outside capital cities versus 48% a year ago. For example, in Nigeria, we are revamping our logistics capabilities to reach even more cities with shorter lead times and at a lower cost.

Our network of boots on the ground agents, known as J-Force, is a key asset to these expansion efforts. By serving as an intermediary between customers and Jumia, our J-Force is a key enabler of e-commerce adoption. By the end of 2024, our goal is to have improved our efficiency and cost base across approximately 400 cities to effectively reach a broader customer base, while getting the most out of the markets in which we currently operate.

As we look to the rest of 2024 and beyond, we remain excited about Jumia's future. Our strategy is working and is driven by our deep local knowledge and over a decade of experience in Africa. We are acquiring higher quality, more profitable customers, while spending less and growing our business amidst the challenging macro environment. We are confident that we have the right strategy in place and are beginning to see real tangible return on investment. We are committed to continuing to execute and look forward to providing updates on our progress in the coming months.

With that, I will turn it over to Antoine for a review of our financials. Antoine?

Antoine Maillet-Mezeray - Executive Vice President, Finance & Operations, Jumia Technologies AG

Thank you, Francis, and thank you everyone for joining us today. I will now give an in-depth look at our first quarter results. Starting with the top-line, total revenue was $48.9 million, up 19% year-over-year or 57% on a constant currency basis. Marketplace revenue was $25.9 million, up 11% year-over-year or 48% on a constant currency basis, driven by higher commissions and corporate sales, partially offset by the impact of foreign exchange.

Revenue from first party sales was $22.4 million, up 29% year-over-year or 69% on a constant currency basis, driven by sales of larger ticket items such as electronics and home and living, partially offset by the impact of foreign exchange.

Gross profit was $31.2 million, up 25% year-over-year or 67% on a constant currency basis. Gross profit margin as a percentage of GMV was 17.2% compared to 14.4% in Q1 2023. These improvements were driven by corporate sales, improved market place margins and reduction in spending on customer incentives and promotions as part of our improved marketing spend efficiency.

On the expense side, we continue to improve our cost base with fulfillment expenses of $9.4 million, down 21% year-over-year or up 5% on a constant currency basis. Fulfillment expense per order, excluding JumiaPay app orders, which do not incur logistics cost, decreased 20% year-over-year, but increased 7% on a constant currency basis.

Fulfillment expenses as a percentage of GMV improved from 6.8% in Q1 2023 to 5.2% this quarter, illustrating the importance of our logistics transformation to Jumia's growth. Not only we are continuing to expand our logistics footprint outside of major cities, but we have also been successful in reducing packaging costs and enhancing the customer experience all of which are helping to optimize our cost base.

Sales and Advertising expense was $3.7 million, down 30% year-over-year and up 3% on a constant currency basis, driven by more efficient marketing spend. Advertising efficiency has improved as evidenced by advertising expense per order, decreasing from $1.2 in Q1 2023 to $0.8 in Q1 2024. As a percentage of GMV, Sales and Advertising expense was 2.1%, an improvement of 102 basis points from Q1 2023, reflecting the success of our strategy to drive order growth through supply improvement versus increased marketing spend.

Turning to Technology. Our Tech and Content expense was $9.1 million this quarter, down 19% year-over-year or 17% on a constant currency basis. This was driven by savings achieved through better management of hosting infrastructure, operational tools and reductions in overhead. We have also relocated a broader share of our developers and tech personnel to markets closer to our customers and sellers in Africa. As we move forward, we remain disciplined in our approach to costs in this area, while balancing the need to develop new features to improve the customer experience.

G&A expense, excluding share-based compensation was $15.3 million, down 37% year-over-year and 23% on a constant currency basis. This decrease was driven mainly by a reduction in tax provision and by a decline in staff costs during the quarter. Staff cost components of G&A expense, excluding share-based compensation expense, decreased to 16% as a result of reductions in headcount.

Turning to profitability. Adjusted EBITDA loss declined to $4.3 million or $1.4 million on a constant currency basis. For greater clarity and visibility, let me quickly touch on how our finance costs impact our income statement. Specifically, finance costs on the income statement increase when we consolidate our earnings from areas experiencing currency devaluations as the conversion is done at the lower rate.

Looking at loss before income tax from continuing operations, it totaled $39.6 million in the quarter, a 36% increase year-over-year or 12% on a constant currency basis. The increase was largely driven by a $12 million increase in net foreign exchange losses, mostly without cash impact, as a result of currency devaluations in Nigeria and Egypt and an increase in finance costs related to our treasury activities.

The increase also reflects losses associated with our investment portfolio management activities. Adjusting for this outsized currency translation effect, our loss before income tax would have

been $26.4 million as compared to $27.3 million in the first quarter of 2023, representing a 3% improvement year-over-year.

Looking at the balance sheet and cash flow. CapEx in Q1 2024 was $0.8 million. Our liquidity position was $101.5 million comprised of $28.6 million in cash and cash equivalents with cash impacted by currency devaluations in several of our top markets and $72.8 million in term deposits and other financial assets. This compares to term deposits and other financial assets of $118.6 million in Q1 2023 and $85.1 million in Q4 2023.

Net cash flow from operating activities was $4.5 million and working capital was $10.8 million in the first quarter of 2024. Similar to our earnings, our cash balance is at times impacted by one-time non-cash expenses, primarily foreign exchange related. From a cash flow perspective, in addition to the sizable non-cash expenses, we also incurred a $5.9 million loss on currency translation due to the aforementioned devaluations in some of our largest markets, which negatively impacted our liquidity position in Q1.

As Francis noted, we are actively refining our cash repatriation and foreign exchange strategy, having already repatriated cash from several of our main African markets to Germany. As a reminder, 79% of our liquidity position in Q1 was held in USD helping to limit our exposure to shifts in local currency valuations.

I will now turn it back to Francis for detail on guidance.

Francis Dufay - Chief Executive Officer, Jumia Technologies AG
Thanks, Antoine. Based on our strong performance and operational improvements in recent quarters, we are reiterating our previously announced guidance for 2024, which aims to further reduce cash utilization compared to the full year 2023. We are also projecting an increase in both orders and GMV, excluding the impact of foreign exchange based on the positive impact of our growth strategy.

As we move forward, we believe our strategy is strong and that we have the right team in place to drive towards profitability. Our results from the first quarter demonstrate that we are making progress on implementing our strategic plan and advancing on our path to profitability.

We can now open the call for Q&A.

Operator
At this time, we will be conducting a question-and-answer session. [Operator Instructions] There are no questions in queue.

This concludes today's conference and you may disconnect your lines at this time. Thank you for your participation.