Transcript of
Jumia Technologies AG
Jumia Q2 2024 Earnings Call
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Participants

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Analysts

Fawne Jiang - Benchmark

Presentation

Operator

Good morning, ladies and gentlemen. Thank you for standing by. Welcome to Jumia's Results Conference Call for the Second 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 & Operations.

We'll start by covering the safe harbor. We would like to remind you that our discussions today will include 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 it over to Francis.

Francis Dufay - CEO, Jumia Technologies AG

Good morning, everyone, and thank you for joining us today. I will begin with an overview of our performance during the second quarter and will offer an update on our business and strategic

objectives. I will then turn the call over to Antoine for a more in-depth look at our financials followed by Q&A.

Building off of the momentum we saw in the first three months of the year, we delivered improvement in our usage KPIs in Q2 '24 and continued taking a diligent approach to cost management while further strengthening cash efficiency. As part of this, we continue to prioritize executing against our strategic initiatives and building healthy fundamentals. Importantly, our efforts are delivering results and our progress is evident in our second quarter performance.

In Q2 '24, orders grew a solid 6.9% year-over-year and increased 4.9% on a sequential basis. GMV in constant currency grew 35% year-over-year, driven by more efficient market expense and continued efforts to enhance our product assortment. GMV in USD did decline by 5% year-over-year due to the impact of last quarter's devaluations in our two largest markets, Nigeria and Egypt.

Devaluations also impacted top line revenue which declined 17.2% year-over-year in the quarter. However, we have seen some signs of stabilization in Egypt along with a sharp reduction of the spread between the official and parallel market rates. More importantly, our ability to drive GMV growth in constant currency illustrates that our value proposition is working. This is even more evident at the country level.

In Q2 '24, six of our countries delivered GMV growth, up from 5% in the first quarter. For example, in Ghana, GMV grew 116.4% year-over-year in constant currency and was up 72.1% year-over-year in USD. This further validates that our strategy and value proposition are well suited to navigate the unique African market dynamics.

Orders per Customer, excluding JumiaPay, increased by 5.1% in Q2 '24 while AOV for physical goods reached $39.2, down 7.1% year-over-year. The decline in AOV is attributable to a shift in category mix this quarter. In Q2 '24, a greater proportion of our sales volumes came from fashion, a lower AOV category, driven by improvements in sourcing from Chinese vendors. We also experienced lower corporate sales in Egypt.

As a reminder, we do not aim for a specific AOV, as we rather strive to provide the best value proposition in each of our priority categories, which include phones, electronics, home and living, fashion, and beauty. Quarterly active customers improved a solid 6% quarter-over-quarter in Q2 '24 and were flat year-over-year, which is an important milestone for Jumia. We believe that the improvement in active customers positions us to focus on reintegrating Jumia's customer growth.

As we noted last quarter, continued marketing efficiency is helping us acquire what we believe to be a stickier and higher quality customer base. Our 90 day repurchase rate for new customers improved 262 basis points in the first quarter of '24 to 36% from 33% in the same period last year, further validating our strategy. Based on our previous successes in key markets, we believe that we can significantly improve our Group average repurchase rate.

For example, in Cote d'Ivoire, we have already implemented several tactics to strengthen the consumer value proposition, including providing an enhanced assortment of goods and services with a view to capturing and retaining more loyal customers. As a result, we achieved a 46%, 90 day repurchase rate from Q1 '24 new customers. As we expand these efforts across all of our markets, we expect to see Group level repurchase rates improve.

Building on this momentum, disciplined cost management combined with recent reductions in finance costs reduced our quarterly cash burn from $19.1 million in Q1 '24 to $8.7 million in Q2 '24. Loss before income tax also decreased $22.5 million versus a loss of $30.9 million a year ago and a loss of $39.6 million last quarter, driven by cost reductions and reductions in FX related finance costs, as well as our cash repatriation.

Adjusted EBITDA loss, which excludes finance costs, decreased to $16.3 million, in line with the reduction in the operating loss and driven primarily by cost savings initiatives. Loss before income tax includes finance costs such as the impact of FX and cost of cash repatriation. Antoine will discuss this in more detail in a moment.

Ultimately, we're seeing nice momentum in the business, supported by an acceleration in the improvement of several of our usage trends. Our success is attributable to continued execution against our strategic initiatives. As a reminder, our strategy is focused around three key pillars. First, refocusing and recommitting to the African e-commerce market. Second, improving cash efficiency. And third, building a stronger consumer value proposition tailored to the needs and purchasing power of the African consumers.

Turning to our first objective. The team has done a good job simplifying Jumia's operations and strengthening our core business. This includes the work we've done to streamline our operations throughout the entire business. We are now focused on accelerating Jumia's growth through our remaining two pillars. The first of those two remaining pillars is a commitment to improve cash efficiency. In Q2 '24, we continue to make strides managing our cost structure, expanding our asset light logistics network, and taking a disciplined approach to marketing spend.

As a reminder, our vast logistics network serves as a powerful enabler for e-commerce platform. During the quarter, we opened two new warehouses, one in Nigeria and another in Morocco, to further consolidate operations, expand storage capacity, improve productivity, and enhance our supply chain management capabilities. Additionally, we expect to open new warehouses in Egypt and Cote d'Ivoire in the coming weeks. We believe that these strategic moves position Jumia to capture greater efficiency in each respective markets and lay the foundation for growth at scale as we accelerate our expansion.

More importantly, as a key part of our asset light strategy, these warehouses are rented, not owned, which limits the impact on our balance sheet. Jumia's vast logistics network is made up of third-party logistics providers, local entrepreneurs, as well as a network of local pickup stations. This network is vital to Jumia's growth and our ability to efficiently scale and deliver packages safely and with expanding geographic reach.

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Our logistics partners are proprietors and operate their own businesses, including managing trucks, vehicles, pickup stations, and human capital. The entire network is tracked and managed through Jumia's proprietary technology platform. Under this model, we can scale and grow the network with relatively low incremental investment, while ensuring low operating costs, thanks to healthy competition within our ecosystem. It also serves as a strong competitive advantage as Jumia provides its partners with large, reliable volumes in their local markets and the necessary management tools to empower their growth.

Continued discipline around our logistics network delivered reductions in fulfillment expenses as a percentage of GMV from 5.9% in Q2 '23 to 5.5% this quarter. Fulfillment expense per Order, excluding JumiaPay app Orders was $2.17 versus $2.58 in the same quarter last year. We have successfully reduced delivery cost per Order while expanding our network in smaller cities due to strong gains in productivity as well as appropriately adjusting service levels to local demand.

From a cash management standpoint, currency devaluations play a far less impactful role in the second quarter. This contributed to lower finance and FX costs and led to a lower net loss. We also maintained 67% of our cash balance in U.S. dollars in the quarter and continue to introduce further efficiencies in our repatriation strategy.

Beyond logistics and cash management, efficient and optimized marketing spend remains key to managing our cost base. Year-over-year, spend was still down 19% relative to Q2 '23. We modestly increased marketing spend by 18.2% quarter-over-quarter to $4.4 million in Q2' 24 to support Jumia's Anniversary Sale, our second largest commercial event of the year. We feel confident that we have a deeper appreciation of the most efficient channels such as SEO, CRM, as well as localized offline marketing channels, and we are leaning more heavily into these areas, given our early success.

Finally, our last strategic objective is a commitment to building a strong value proposition. We've mentioned before that building the right value proposition is imperative to our growth. The African consumer is incredibly cost conscious and will always look for the best possible price online or offline, so having the right supply at the right price is essential. No amount of marketing will make up for it if we do not, which is why we continue to focus on building what we believe to be the right supply through work with both local African and international vendors and brands.

For example, to improve sourcing from Chinese vendors, we have expanded our team in China, growing our office headcount in Shenzhen by 21% year-over-year, and are looking to open new sourcing offices across the country. Beyond creating the right supply, our JumiaPay platform is key to building the right value proposition and enabling e-commerce by providing a variety of cashless payments and buy now pay later options through outside credit partners.

This quarter, we also announced two new BNPL partnerships in Nigeria, bringing total BNPL services to six. While the offering is still in its infancy, we are seeing promising signs of adoption and look forward to sharing more detail on our progress. In addition to creating our supply, expanding beyond capital cities is key to Jumia's value proposition. Smaller cities are a

major opportunity for growth and acceleration because the supply is even more underserved than in capital cities.

Jumia can provide the variety and choice that customers in more rural areas are looking for, and our logistics network enables us to deliver efficiently. The mix of Orders in secondary cities versus capital cities is now 53% compared to 48% last year and 51% in the first quarter of '24. Of the Orders placed in secondary cities, 73% were fulfilled through pickup stations, showing how important they are to our continued growth and acceleration.

These pickup stations, owned by third-party partners, cut down on fulfillment and delivery costs while offering a central location to increase customer engagement. This includes placing and receiving Orders while also providing a space for consumers to ask questions and to educate them on our product assortment, pricing, and delivery components. This helps to further embed Jumia into the fabric of local communities as economic value and build trust, thus increasing the value proposition and convenience for consumers while keeping Jumia's costs low.

One of our top performing countries for secondary cities is Cote d'Ivoire, where 65% of our Orders were achieved outside of the capital city in the quarter versus approximately 53% average at the Group level. As we roll out our proven best practices across other countries, we are seeing positive results. For example, in Nigeria, the share of Orders from outside of major cities such as Lagos and Abuja increased 413 basis points to approximately 50% versus Q2 '23.

Similarly, in Kenya, the share of Orders outside of major cities such as Nairobi and Kiambu increased 564 basis points to approximately 54% versus Q2 '23. Looking forward, we are excited and optimistic about Jumia's future. We are confident in our strategy and we are committed to executing and accelerating growth in the future. We are proving with tangible results that we are well-positioned to scale and tap the massive demand in Africa while moving forward -- towards profitability.

I will now turn things over to 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 provide an in-depth look at our second quarter results. Starting with the top-line. Revenue was $36.5 million, down 17.2% year-over-year and up 15% on a constant currency basis. Marketplace revenue was $20 million, down 10.1% year-over-year, or up 27.2% on a constant currency basis, primarily impacted by Nigeria's currency devaluation in the first quarter and partially offset by higher commissions.

Diving a little deeper, while Nigeria's currency devaluation dampened revenue, we did see improvement across our revenue drivers in constant currency. Value added services was $3.6 million, up 3.7% in constant currency. Fulfillment revenues was $3.8 million, up 14.1% in constant currency. And commissions was $10.2 million, up 62.9% in constant currency, driven primarily by third-party corporate sales in Egypt.

Revenue from first-party sales was $16.1 million, down 23.8% and up 4% on a constant currency basis, primarily driven by a decrease in corporate sales in Egypt. Gross profit for the quarter was $21.6 million, down 5.7% year-over-year or up 34.5% on a constant currency basis. Gross profit margin as a percentage of GMV remained relatively stable at 12.7% compared to 12.8% in Q2 '23. These results were driven primarily by the currency devaluation in Nigeria, offset by 17% year-over-year reduction in customer incentives and promotions in the quarter as part of our improved marketing spend efficiency.

Looking at expenses, we continue to improve our cost base with fulfillment expenses of $9.3 million, down 12.2% year-over-year and up 17.7% on a constant currency basis. Fulfillment expense per Order, excluding JumiaPay app Orders, which do not incur logistics cost, decreased 15.9% year-over-year, but increased 12.6% on a constant currency basis. The increase in constant currency was primarily driven by fuel cost, which are priced in USD and are, therefore, impacted by local currency devaluations.

Fulfillment expense as a percentage of GMV improved 44 basis points year-over-year to 5.5%, another important proof-point of our logistics transformation taking hold. This includes expanding our logistics footprint outside of major cities by increasing the number of pickup stations, thus helping us reach underserved communities and expand our market while driving down fulfillment costs. Additionally, we are improving our proprietary systems to drive scalability while enhancing warehouse efficiency and reducing packaging costs.

Sales and advertising expenses were $4.4 million for the second quarter, down 19.2% year-over-year and up 19.7% on a constant currency basis, driven by continued focus on optimized marketing spend. We are concentrating on more efficient marketing channels, including an increased emphasis on localized offerings and further leveraging our JForce. As a percentage of GMV, sales and advertising expense was 2.6%, a 45 basis points year-over-year decrease from Q2 '23, demonstrating that our strategy to enhance the customer value proposition by prioritizing supply improvement over costly marketing spend is taking hold.

Turning to technology. Technology and content expense was $8.7 million, down 18.5% year-over-year and down 14.4% on a constant currency basis. This was driven by improved management of our hosting infrastructure, operational tools, and reductions in overhead. As we move forward, we will remain disciplined in our approach to cost in this area while balancing the need to develop new features to improve the customer experience on a localized level.

G&A expense, excluding share-based compensation, was $17.6 million in Q2 '24, up 1.9% year-over-year and up 25.6% on a constant currency basis, driven by the release of a tax provision in the second quarter of '23, which did not recur in the second quarter of '24. Partially offsetting this increase was a decline in staff costs. Staff costs components of G&A expense, excluding share based compensation expense, decreased to 16.6% as a result of reductions in headcounts.

Now, turning to profitability. Adjusted EBITDA loss declined year-over-year to $16.3 million or declined $16.1 million on a constant currency basis, driven primarily by the cost reduction initiatives I previously discussed. Our loss before income tax from continuing operations was

$22.5 million, a 27.1% decrease year-over-year or up 1.1% on a constant currency basis. The decrease was again, driven by our cost reduction initiatives. As Francis discussed, loss before income tax includes finance costs.

To ensure that you understand the impact of finance costs on the business, let me take a moment to discuss this dynamic in more detail. In Q1 '24, all finance costs were primarily driven by the foreign exchange impact resulting from the devaluation of both the Nigerian Naira and the Egyptian Pound against the U.S. dollar, as well as costs associated with cash repatriation.

In contrast, Q2 '24 finance costs were primarily impacted by non-cash losses recognized in the sale of financial assets. These assets consisting of investments in securities measured by fair value only impact income statement upon this level. This shift in the contributor to finance costs between the two quarters highlights the varying expenses, both cash and non-cash, that impact our performance metrics.

Touching on balance sheet and cash flow. CapEx in Q2 '24 was $0.7 million and our liquidity position was $92.8 million, comprising $45.1 million in cash and cash equivalents and $47.7 million in term deposits and other financial assets. This compares to liquidity position of $120.6 million in Q4 '23 and $101.5 million in Q1 '24. The net cash flow used in operation activities was $8.4 million and net change in working GAAP was $6.7 million in the second quarter of 2024.

Finally, I want to highlight that the company initiated an at the market equity offering this morning. Detailed information about the offering is available in the prospect to supplement filed with SEC prior to this call. We expect to use the proceeds of the offering for general corporate purposes, including to help support our continued efforts around customer acquisition, expand our supplier base, scale our logistics network, and improve our marketing and vendor technology.

As you've heard from us today, we've been very disciplined and efficient with our cash utilization and plan to continuing doing so. The additional equity will further strengthen our balance sheet and help accelerate our growth trajectory.

With that, I will turn the call over to Francis for details on guidance.

Francis Dufay - CEO, Jumia Technologies AG

Thanks, Antoine. Based on our continued strong performance, we are reiterating our outlook for 2024. We remain committed to reducing our losses and accelerating our progress towards cash efficiency and profitable growth. Specifically, we aim to further reduce our cash utilization as compared to full year '23. And based on the positive impact of our growth strategy, Jumia projects an increase in both orders and GMV in 2024, excluding the potential impact of foreign exchange.

As we move forward, we are confident in Jumia's future and our ability to accelerate our growth. We have the right plan and the right team to advance on the path towards profitability and look forward to keeping you updated on our progress.

We can now open the call for Q&A.

Operator

Thank you. At this time, we will be conducting a question-and-answer session. [Operator Instructions]. Your first question for today is from Fawne Jiang with Benchmark.

Q: Hi. Hey, Francis, Antoine. Thank you for taking my questions. A couple here. So in terms of sustainability of your GMV growth, it seems like you have more countries growing in the second quarter versus first quarter. So are we looking for more countries to be growth countries or are we looking at higher growth on the existing growth countries? So in other words, whether it's from country perspective, category perspective, any color in terms of sustainability, as well as the magnitude of your GMV growth? That would be very helpful.

Francis Dufay - CEO, Jumia Technologies AG

All right. So thanks a lot, Fawne. So looking at GMV growth this quarter and overall usage growth, we are pleased to see continued acceleration on all usage KPIs that we see as most relevant, being the stabilization of the active consumer base, being growth in Orders by 7% year-over-year, which is a continued improvement over the past five quarters, and GMV growth in local currency, which is up by 35%, very close to what we had last quarter.

We do not foresee any reason why this would not be sustainable. And maybe let me remind you of some of the factors that are behind that, and that makes me say that we believe this is sustainable. We are rolling out the same actions and similar actions across all markets with what we see as similar impacts.

So we mentioned the example of other countries and the expansion that we're doing in smaller cities. And, as we push, we gave the example of Kenya and Nigeria. As we push -- I mean, as we roll out the same actions and tactics that we started in other countries before, we're seeing similar impacts and positive growth in those, in those cities.

So bottom line, as we roll out and we execute with the right quality of execution, our plan across countries, we see similar impact, and we benefit from kind of compounded impact of those actions. I think we've been operating in Africa for over 10 years now. We know how to navigate all macro challenges that have happened over the past two years. And we see very clearly that the action plan and the strategy that we've laid out for the Company is working in more and more countries.

So going forward, yes, we expect the Group to accelerate. We expect countries to be growing. I cannot comment or guide on numbers and number of countries or level of growth. But bottom

line, our actions that are being rolled out have delivered impact and will keep on delivering more impact. So we, we don't see any reason why we cannot sustain growth in the future.

Q: Understood. Thanks, Francis. Second question, especially regarding your monetization, your peak rate, if I calculate correctly, your marketplace commission rate, it was growing year-on-year, but it seems like a fairly big decline quarter-on-quarter. Any driver behind it? And how should we think about your commission rate the take rate going forward?

Francis Dufay - CEO, Jumia Technologies AG

So I will share the answer with Antoine. Looking at our marketplace and commissions, we've kept our commissions fairly stable across the marketplace over the past year and a half. We want to provide our vendors with stabilities, so we make sure that we incentivize them to bring more supply to our platform and we can enhance our assortment and value proposition. That's our very clear business priority, making sure we deliver a better value proposition. And it comes with providing stable environment for vendors. I will let Antoine comment on taking technical and financials here.

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

Yes. On the year-over-year variance, we are pretty stable because of what Francis just said. And if we compare to Q1 '24, the decrease is mainly due to the corporate sales in, in some countries like Egypt.

Q: Got you. Any color going forward?

Francis Dufay - CEO, Jumia Technologies AG

We intend to keep our GP1 stable around this quarter percentage, but we will keep working on capturing the opportunities incorporate sales, which may be a boost. But as Francis said, we do not want to increase monetization because it would hurt the vendors' participation to the ecosystem.

Q: Got you. My next question is actually regarding your sales and marketing. Noticed that there was a moderate uptake, and your sales and marketing spending quarter-on-quarter. I just wonder, how should we look at sales and marketing spending going forward, especially in combination with your capital raising? Are we expecting you're reaccelerating the growth? I mean, on sales and marketing activities? And secondly, what level of, I think, active customer growth could we anticipate?

Francis Dufay - CEO, Jumia Technologies AG

Yeah. So, indeed, you noticed that we spent a little more on marketing this quarter than, than in the previous quarter. In this specific quarter in Q2 '24, it was meant as a, as a slight boost, so we

could support our second biggest commercial event of the year, which is Jumia's Anniversary Sale, which worked well as you can see in the, in the usage KPIs.

Going forward, particularly in light of the new shares offering, we want to make sure that we have the opportunity to accelerate on customers acquisition, which may happen through increased spend in marketing, of course. So, we want to make sure that we can grow our customer base, which we've just stabilized this quarter, which is quite a milestone for Jumia because they've been shrinking for a while and, and we believe that now we can capture, of course, a lot more consumers across the African continent.

We're working within countries with over 600 million people, so we can have a much bigger customer base and definitely new customers acquisition will be an important topic for us in the coming quarters. As we believe that we've made significant progress on quality of service, expanding the supply chain and enhancing our assortment and value proposition, it may be the right time, indeed, to accelerate in customer value proposition which will mobilize marketing budgets, indeed.

Q: Got you. That's it. Thank you so much.

Francis Dufay - CEO, Jumia Technologies AG

Thank you, Fawne.

Operator

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

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