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Jumia Technologies AG
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Presentation

Operator

Good morning, ladies and gentlemen. Thank you for standing by. Welcome to Jumia's Results Conference Call for the First Quarter of 2025 [Operator Instructions] I would now like to turn the call over to Ignatius Njoku, Head of Investor Relations for Jumia. Please go ahead.

Ignatius Njoku - Head of IR, Jumia Technologies AG

Thank you. Good morning, everyone. Thank you for joining us today for our first quarter 2025 earnings call. With us today are Francis Dufay, CEO of Jumia; and Antoine Maillet-Mezeray, Executive Vice President, Finance and Operations.

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 7, 2025, 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 Jumia's first quarter 2025 earnings call. We enter 2025 with a clear mandate, reduce losses, drive efficiency, and deliver measurable financial improvements. And we have started executing decisively. While we have materially reduced our losses in recent years, we know our profitability is not yet where it needs to be. The gap is clear and closing it is our top priority. Accelerating usage trends during the quarter, combined with the return to positive end-user GMV growth in March, are a strong signal of renewed momentum.

However, overall GMV and revenue remain pressured by one, currency headwinds, which continue to affect profitability, and two, by a sharp decrease of corporate sales in Egypt, which generated significant volumes in Q4'23 and Q1'24. That's why we're laser-focused on margin expansion and financial discipline. We are executing against our plan to slash cash burn and structurally improve margins.

Usage growth is important, but in Q1 our focus was clear, take costs out of the system. We have launched targeted, company-wide initiatives across logistics, fulfillment, technology, and G&A expense. That impact will scale through the rest of the year. As a result, we are raising our full year 2025 guidance and now expect a loss before income tax of $50 million to $55 million, an improvement from our prior range of $65 million to $70 million. For 2026, we forecast a loss before income tax of $25 million to $30 million, and we believe to be on track to reach profitability on a loss before income tax basis in the fourth quarter, with full year profitability targeted for 2027. Reflecting Q1 results and solid early Q2 momentum, we are also increasing our physical goods orders growth guidance to 20% to 25%, up from 15% to 20%.

Before discussing the quarter's financial results, let me now provide additional context around the proactive steps we are taking to reduce the cost base. Although, we have made significant strides towards becoming a leaner and more efficient organization, considerable work remains to achieve our goal of becoming a sustainable, cash flow positive organization. To accelerate our progress, we are cutting costs across the business, with execution already underway in logistics, fulfillment, staffing, and tech. Changes are already visible in our numbers. In fulfillment, we are executing a detailed action plan focused on reducing physical goods costs per order. In Q1, we successfully renegotiated nearly all of our third-party logistics contracts, unlocking improved unit economics, especially in markets where volume scale is strong.

We also reduced staffing levels in our warehouses and achieved meaningful profitability gains. We are also consistently optimizing line haul routing and reducing the number of trucks moves. These actions have already delivered a meaningful reduction in fulfillment expense per order, excluding JumiaPay app orders, to $2.1 in Q1'25, a 14% reduction year-over-year. We expect further progress as this initiative scales through the remainder of the year. On staffing, we are managing attrition and reallocating resources to high-priority areas. We have implemented a highly restrictive hiring policy that will remain in effect through 2025.

And since the beginning of the year through the end of April, we have already reduced our total headcount by about 3%, demonstrating our commitment to cost control and organizational efficiency. In technology, we are cutting costs where it matters without touching growth enablers. We have renegotiated or terminated several key software and hosting contracts, targeting meaningful cost savings starting in the second half of 2025.

Based on existing timelines, we expect license-related costs in Q1'26 to be significantly lower than in Q1'25. These savings are already secured, reinforcing the concrete and measurable nature of our cost plan. For example, in technology, and more specifically regarding hosting costs, we have a yearly contractual commitment of $13.7 million in 2024, whereas our current 12-month commitment is now reduced to only $10 million, without limiting our growth potential. On G&A, we conducted a comprehensive line-by-line review of our expenses earlier this year. We expect that this review will progressively yield tangible savings across several expense categories. On the gross profit front, we have very moderately increased marketplace take rates across most markets, leveraging our growing scale to enhance profitability, without materially impacting our price positioning.

Let me be clear. We firmly believe that these savings and monetization efforts are not coming at the expense of growth. They are the result of simplification, smarter execution, better technology, and the relentless focus on return on investment. For example, in the first quarter of 2025, lower fulfillment costs have not impacted customer satisfaction. Technology costs reductions do not constrain our ability to scale traffic or handle higher orders growth. And smaller teams are operating more efficiently with sharper focus and improved tools.

Cash burn for the quarter was $23.2 million, including $8 million in working capital. With this level of execution and continued cost discipline, we expect to significantly reduce cash burn in the coming quarters and remain confident that we can do so without raising additional capital.

Let's now review our usage and financial results for the first quarter. We delivered solid usage metrics, building on the momentum from the previous quarter. In the first quarter, adjusted for perimeter effects, physical goods orders grew 21% year-over-year, driven by strong demand and continued execution. Quarterly active customers ordering physical goods grew by 15% year-over-year. These are both our highest growth rates over the past two years, showing the impact of our plan. Customer loyalty remains strong, as 45% of new customers adjusted for perimeter effects who placed an order in Q4'24 made another purchase within 90 days, up from 40% in Q4'23.

Demand remains robust in key categories such as electronics, phones, home and living, fashion and beauty. Quarterly active customers increased from 1.9 million in Q1'24 to 2.1 million in Q1'25, reflecting deeper customer engagement. GMV declined 11% year-over-year, primarily due to the currency headwinds and lower corporate sales, particularly in Egypt. Excluding corporate sales, GMV would have grown 10%

year-over-year, highlighting underlying trends in our consumer business. The average order value for physical goods orders was $35.4 in Q1'25 compared to $46.2 in Q1'24. Importantly, as of March, we have fully lapped the significant currency headwinds from Egypt and Nigeria, which provides a cleaner year-over-year comparison moving forward.

As a reminder, the Nigerian Naira experienced a devaluation in February'24, followed by a devaluation of the Egyptian pound in March'24. To clearly illustrate our underlying growth trends after lapping currency devaluations, we are providing additional data points for March, adjusted for perimeter effects. Physical goods orders grew 21% year-over-year, and physical goods GMV increased 16%. These positive trends align with our expectations for sustained growth. Revenue for the quarter was $36.3 million, down 26% year-over-year and down 18% in constant currency. Our adjusted EBITDA loss was $15.7 million in Q1'25 compared to a loss of $4.3 million in Q1'24. Loss before income tax was $16.5 million, a significant improvement from $39.6 million in the same period last year.

Let's now turn to operational highlights and execution at the country level. First, on supply. We have significantly strengthened our relationships with international sellers, especially from China, expanding our assortment at attractive prices. In Q1, we sourced 2.6 million gross items internationally, adjusted for perimeter effects, representing 61% year-over-year increase. Our Chinese vendor base is scaling rapidly, and the supply pipeline is more robust than ever. Second, on geographic reach, we're expanding beyond major cities into underserved upcountry regions. Orders from these areas grew sharply and now represent 58% of total volumes, up from 50% last year, adjusted for perimeter effects. This expansion is unlocking high growth, low cost customer acquisition with minimal fixed-cost investment.

Our asset-light model, built on partnerships with third-party logistics providers and pickup station operators, is delivering results, reducing fulfillment costs per order, and enhancing customer convenience at scale. This quarter, we're introducing more detailed country-level disclosures to give greater visibility into how our strategy is performing across our largest markets. Specifically, we'd like to show a breakdown of our largest markets by GMV in Q1 2025. Ivory Coast, Nigeria, Kenya, and Egypt represented approximately 26%, 22%, 15% and 10% of company GMV respectively, with the remaining countries grouped under order markets contributing 27%.

The same four countries also accounted for 21%, 30%, 15% and 9% of total physical goods orders respectively, with other markets making up the remaining 25%. This breakdown highlights our strong execution in key markets and highlights the significant opportunity that exists across our Pan-African footprint.

In Ivory Coast, physical goods orders increased year-over-year by 25% and GMV by 4% and 8% in constant currency. The pace of growth in orders reflects success in lower value categories such as fashion, while growth in GMV is slower after a very successful Q1 2024 in high value categories such as TV and appliances, driven by the African Cup of Nations that took place in Ivory Coast last year. This market has served as a blueprint for our current strategy, where we began executing our commercial and operational playbook several years ahead of most countries. As a result, Ivory Coast stands as our leading market by GMV, with strong consumer engagement, a well-established brand and strong scale effects. Our focus is now on leveraging our scale to drive higher profitability.

In Nigeria, physical goods orders grew by 22% and GMV increased 18% year-over-year and 46% in constant currency. The momentum is clear, especially in March, where GMV surged 43% and physical goods orders growth accelerated to 32%. This performance is the result of disciplined execution, driven by expanded product assortment, improved quality of service and deeper penetration into upcountry regions. After a successful turnaround in 2024, Nigeria remains our largest and most strategic market, and it's still significantly under-penetrated. Despite rising competition, Jumia maintains a clear leadership position with substantial runway of continued growth.

In Kenya, physical goods orders grew 36% year-over-year and GMV increased 44% and 25% in constant currency. This performance reflects strong execution of our playbook, driven by upcountry expansion, a more competitive assortment and increased contributions from international sellers. Like Nigeria, Kenya underwent a meaningful turnaround in 2024 and is now well-positioned for sustained growth. This is a significant opportunity in this market to increase our penetration while driving profitability.

In Egypt, physical goods orders were down 15% year-over-year and GMV decreased 69% in USD and 54% in constant currency. GMV was mostly impacted by a sharp decline in corporate sales due to shifting market dynamics, as well as the lagging impact of March 2024 devaluation. That said, we're in full execution mode on the business resets, driving forward the comprehensive restructuring plan launched in early 2024. While volumes remain below our expectations, we're seeing tangible operational progress. Despite a highly competitive landscape, we believe we can unlock long-term growth by focusing on affordability and delivering a value proposition tailored to the large, lower-middle class segments.

In addition to our core geographies, we continue to see encouraging momentum across our order markets portfolio, which includes countries like Ghana, Uganda and Morocco. Collectively, these markets delivered GMV growth of 17% and 23% in constant currency, with physical goods orders up 24% year-over-year. Our playbook in these countries is essentially the same as in the bigger markets, with increased focus on cost management as we adapt to smaller market size. We notice in this group very successful countries such as Ghana, growing 65% in GMV year-over-year.

Finally, on platform expansion, we are rolling out Jumia Deliveries, our in-house, last-mile logistics platform as a service for third-party sellers, including social commerce merchants, as well as individuals. After successfully piloting this service in Ivory Coast and building the relevant IT tools, we have recently opened in Nigeria, where we will make our network of 494 pickup stations available for individuals and third-party merchants to ship packages nationwide. We are currently securing the relevant licenses to expand to more markets. This is a major strategic step that allows us to monetize our logistics infrastructure beyond the core marketplace. By opening our delivery network to external volume, we are improving route density, enhancing cost efficiency, and creating a scalable logistic business that extends our value proposition across the whole digital economy.

Let me also touch briefly on the competitive landscape. We see three types of competitors in our African markets. First, local social commerce merchants. They will always be around, and we are looking at this pool of merchants as an opportunity for Jumia. We are working to onboard them to our marketplace and help them generate more sales. We are also looking to sell them our Jumia delivery services and generate profits from them. Second, full-fledged e-commerce players. Some of them focused on one market, such as Conga in Nigeria, and some international platforms, such as Amazon and noon in Egypt. We believe that our scale gives us an edge in sourcing and technology against players focusing on only one market.

Looking at international platforms, we believe that we have deeply adapted our model to African markets, making us very relevant for the lower middle classes. And third, non-resident platforms, such as Temu and Shein, have been making moves in selected African markets over the past years. We acknowledge the low prices and vast assortment, making them very worthy competitors. Our main assets to compete with them are, one, our own very competitive assortment from Chinese vendors, two, our broad and highly efficient delivery network, and three, the tailoring of our value proposition to local preferences, such as offering payment on delivery or pickup station deliveries.

Before closing, I'd like to touch on recent global developments and their potential impact on Africa and on Jumia. While global trade tensions and geopolitical uncertainty continue to shape the broader microenvironment, we do not expect material impact on consumer demand in our core markets. Exports to the U.S. remain limited, particularly in manufactured goods, and the conclusion of certain international aid programs, such as U.S. aid funding, is expected to have only a very marginal effect in a few of the countries where we operate. What we do anticipate, however, is a meaningful improvement in supply availability for African markets. As Asian manufacturers look for alternative distribution channels and new consumer markets, Africa is becoming increasingly attractive. Jumia is well positioned to serve as a strategic partner of choice, offering manufacturers direct access to millions of consumers for established logistics and commercial infrastructure.

This creates a potential tailwind for business, as improving supply has been a central pillar of our recent transformation. The shifting global trade landscape may also ease pressure on local currencies and open new sourcing opportunities, reinforcing our strategic focus and strengthening our long-term positioning.

In closing, we remain fully focused on our key objective of becoming a profitable company. Our disciplined approach to cost management is delivering what we believe to be real, sustainable results, validating our business model across multiple markets. We remain confident in our strategy direction and our clear path towards profitability. I would like to sincerely thank all stakeholders, our investors, partners, and particularly our dedicated Jumia team for your ongoing support. I will now turn the call over to Antoine for review of our financials.

Antoine Mezeray - EVP, Finance & Operations, Jumia Technologies AG

Thank you, Francis, and thank you everyone for joining us today. As Francis outlined, we have taken decisive actions to structurally lower our cost base while preserving our ability to grow. From renegotiating logistics and technology contracts to streamlining warehouse operations and tightly managing discounts, every initiative is designed to drive lasting margin expansion and improve cash efficiency. With that context in mind, let me now walk you through our financial results for the first quarter. Let's start with a review of our top line performance.

First quarter revenue was $36.3 million, down 26% year-over-year and down 18% on a constant currency basis for the quarter. The year-over-year decline in revenue was driven by lower corporate sales in Egypt and the continued impact of currency devaluation. Please note, Jumia benefited from higher corporate sales in Egypt during the fourth quarter of 2023, which contributed to the year-over-year comparison. As of March, we fully lapped the currency headwind experienced in early 2024 in Egypt and Nigeria. This provides a clearer year-over-year comparison and sets the stage for revenue growth moving forward. Marketplace revenue for the first quarter was $18.1 million, down 30% year-over-year and down 26% on a constant currency basis. Revenue from first party sales was $17.8 million, down 21% and down 9% on a constant currency basis.

Turning now to gross profit. First quarter gross profit was $19.9 million, down 36% year-over-year and down 32% on a constant currency basis. Gross profit margin was impacted by continuing macroeconomic headwinds, particularly currency devaluation and reduction in corporate sales. Gross profit margin as a percentage of GMV for the first quarter was 12%, compared to 17% in Q1 2024.

Turning to expenses. Our structural cost initiatives launched this year are not yet fully reflected in the first quarter, but are set to deliver savings over the coming quarters. That said, we continue to benefit from prior cost actions, particularly in fulfillment efficiency and more targeted marketing spend. Let me walk you through the key expense lines. Fulfillment expense for the first quarter was $9.4 million, flat year-over-year and up 8% in constant currency. However, fulfillment expense per order excluding JumiaPay app Orders decreased to $2.07, down 14% year-over-year or down 7% year-over-year on a constant currency basis, driven by operating leverage and continued improvement in efficiency.

Sales and advertising expense was $3.1 million for the first quarter, down 17% year-over-year and down 8% in constant currency. The decline reflects continued discipline and the effectiveness of our more targeted marketing strategy. As a percentage of GMV, sales and advertising expense was 2%, or 14 basis points decreased from Q1 2024. Technology and content expense was $9.6 million for the first quarter, representing an increase of 6% year-over-year and up 9% in constant currency. We expect this line to decline in the coming quarters, as we begin to capture savings from both closed and ongoing contract negotiations.

First quarter G&A expense, excluding share-based payment expense, was $16.1 million, up 5% year-over-year and 11% on a constant currency basis. The first quarter of 2024 benefited from a reduction in tax provisions, an effect that did not recur in the first quarter of 2025. Staff cost components of G&A expense, excluding share-based compensation expense, decreased to $7.8 million as a result of ongoing headcount optimization.

Turning to profitability, adjusted EBITDA for the quarter was a negative $15.7 million, or negative $16.4 million on a constant currency basis. The loss before income tax was $16.5 million, a 58% decrease year-over-year, or 25% decline on a constant currency basis. The loss in the quarter was primarily driven by $11.3 million decline in gross profits, largely reflecting lower corporate sales in Egypt, alongside a $1 million lower operating expenses and a $33.5 million improvement in net finance results.

Turning to the balance sheet and cash flow, we ended first quarter with a liquidity position of $110.7 million, including $61.6 million in cash and cash equivalents, and $49.1 million in term deposits and other financial assets. Overall, Jumia's liquidity position decreased by $23.2 million in Q1 2025, compared to a decrease of $19.1 million in Q1 2024. Net cash flow used in operating activities was $21.2 million in the quarter, including a working capital impact of $8 million, largely reflecting higher inventory levels to ensure product availability and assortment ahead of the Jumia anniversary campaign, which is set to launch in early May.

CapEx in Q1 2025 was $0.9 million compared to $0.2 million in the first quarter of 2024, primarily reflecting investments in infrastructure and facility enhancements to support business growth. In addition, I would like to remind you that Jumia remains debt-free. The borrowing you see in our findings relates solely to liabilities recognized under IFRS 16 accounting standards and do not represent financial debt.

In conclusion, despite ongoing macroeconomic headwinds, we delivered strong usage growth and made progress on cost reduction, a clear evidence that our strategy is taking hold. We remain intensely focused on operational discipline with structural cost savings and margin expansion at the core of our 2025 priorities. These efforts are positioning us not just for improved profitability this year, but for long-term sustainable growth. I now turn the call back over to Francis for a discussion of our updated guidance.

Francis Dufay - CEO, Jumia Technologies AG

Thanks Antoine. Based on current business trends, we are updating our 2025 financial guidance as follows. We are raising our physical goods orders growth range to 20% to 25% from prior 15% to 20%. GMV is projected to be between $795 million and $830 million in 2025, a year-over-year increase of 10% to 15% respectively, excluding foreign exchange impacts. We are updating our loss before income tax to be in the range of negative $50 million to negative $55 million, a year-over-year decrease of 49% and 44% respectively.

For the second quarter, while we are not issuing formal guidance, we expect continued momentum building on the strong exit trend for March. We are anticipating physical goods orders growth in the range of 20% to 25%, along with double-digit top line growth and further reduction in losses.

Looking into 2026, we anticipate further significant cost efficiencies, projecting our loss before income tax to be in the negative $25 million to $30 million range, marking continued improvements. This trajectory is aligned with our long-term plan. We believe to be on track to achieve breakeven on the loss before income tax basis in the fourth quarter of 2026 and deliver full year profitability in 2027. Thank you all for your attention. We are now ready to take questions.

Operator

[Operator Instructions]. The first question today is coming from Brad Erickson from RBC Capital Markets.

Q: Thank you. Good morning, guys. So maybe to start out, recognize the corporate sales weakness in the quarter, but can you remind us on the relationship where between orders, which I guess were up 11% versus GMV down 2% constant currency, recognize GMV would have grown, I think you said 10% in the prepared remarks, but can you kind of just remind us the relationship between the corporate sales and the disconnect there between orders and GMV?

And then secondarily, maybe just on corporate sales in general, clearly, you've got some nice visibility and improving growth on the orders and physical orders in particular. How should we think about the volatility on corporate sales coming up here? And then I'll follow up.

Francis Dufay - CEO, Jumia Technologies AG

Hi, Brad. Thanks for your question. So let me take the first question about the disconnect that corporate sales create between orders and GMV. It's quite straightforward. Corporate sales are typically high value orders to generate a lot of GMV with a very small number of orders. So as corporate sales decrease significantly, we typically lose a lot of GMV, but very few orders. So that's why you see very healthy trends on orders, while GMV, total GMV is down because of the impact of corporate sales.

Then if you remove the impact of corporate sales, as we explained, you see that GMV is up 10%, which is consistent with our increase in orders of 21%, with a slight reduction of the average value, mostly due to mixed effects and a very successful -- very good progress in the lower value categories. So that explains the disconnect, and that's also why we want to control the numbers without corporate sales for GMV.

And then the volatility of B2B to your second question. So definitely corporate sales are a more volatile type of activity, especially in a market like Egypt where the macroeconomics play a very important part. I mean, we had a devaluation last year, for example, and still a lot happening. So we definitely see it as a more volatile business than the B2C business that's by definition a lot more stable, a lot more robust on fundamental trends. And we're not forecasting massive, I mean, we're not forecasting massive volumes of corporate sales going forward.

Q: Got it. That's super helpful. And then I guess when you think about maintaining this order volume and obviously taking the guidance up there, how should we think about the kind of use of cash from an inventory level perspective necessary to fulfill those levels of growth? And you mentioned, I think you gave some color on this, but maybe just any other details you're able to share in terms of the shape of use of cash and inventory levels through the year.

Francis Dufay - CEO, Jumia Technologies AG

Yes, absolutely. So as you've seen this quarter, a significant part of our cash burn is due to increased working capital that was mostly used to build up inventories ahead of significant commercial events, especially the junior anniversary campaign that we're starting today. I mean, this week in some countries. We believe that we have sufficiently increased our inventory levels and that we have sufficiently invested in working capital going forward. And we anticipate much lower impact of working capital in the coming quarters.

Q: Got it. And then that was interesting. You mentioned you're seeing some of the, or you expect to see some of these tailwinds from the supply front from Asia associated with the U.S. tariffs and all that. Is it fair to say you're already seeing an uptick in this? And does that have anything to do with the raised physical order guidance?

Francis Dufay - CEO, Jumia Technologies AG

We're already seeing an uptick from international vendors, mostly Chinese, right? I mean, we've had very, very strong trends in item sales over the past quarters from our Chinese vendors. This quarter we're up 61% on gross items sold by international vendors. So the trend has already been very, very strong for the past couple of quarters. Going forward, what we're saying is that while the fact that the American market becomes maybe a bit more difficult to access, maybe also other markets will be a tailwind for us because it will make our access to supply from Asia easier. I mean, and Jumia will be a real partner of choice to distribute to the large African consumer pools.

I cannot say that we saw an impact overnight, right? It's something that will be a bit more medium term. But this business is, part of the business is already faring extremely well thanks to fundamental work that's been done over the past two years. And we anticipate that the macro events will be in our favor when it comes to getting more supply from China.

Q: Got it. And then the setup here through the year, given kind of the shape of the order volumes and some of the supply tailwinds and everything, it would suggest you're kind of set up and long and you're, I think pointing to at least stable growth if not maybe a slight acceleration, but it feels like you're set up to maybe lean into marketing at some point. And I recognize you're being really prudent with expenses and you mentioned some of the headcount stuff and I appreciate the line item detail. But as we get towards the holiday and everything, how do you think about maybe leaning into marketing where you might have product availability to do so?

Francis Dufay - CEO, Jumia Technologies AG

So, that's a very good question. So, as you know, we spent the last two years fixing the basics, significantly improving the product offering and price competitiveness, which is definitely step one when you're dealing with very cost-conscious customers like we do in Africa. We've been massively improving logistics quality of service and customer satisfaction. And now in many markets we're in a situation where the fundamentals are fairly strong, which you can see in the numbers that we've disclosed for Ivory Coast, Nigeria, Kenya, for example. You really see the impact of the deep transformation we've delivered on, well, basically on the value proposition without investing much in marketing and much less than in the past and you see it in the numbers at country level even in those big markets.

So, now we're at the stage where in many markets our fundamentals are strong enough, our value proposition has massively improved and we're able to reopen the box on marketing. So, while in many instances we choose to save and we choose to be very conservative due to some specific context, value proposition or external events in the country, we may also choose to be a bit more aggressive in some instances. I can give you an example. In Nigeria, we recently started a TV and radio campaign which we had not done for many years, which is an additional investment. So, we're being more tactical and we're being more open to pushing marketing in the markets where we know that the fundamentals are in place, the value proposition is much stronger and we're already seeing traction.

Q: Got it. Okay. And then, shifting to the logistics expansion, I guess I'd be curious to understand why now is the right time to roll that out. What did you see in the test that sort of led you to roll this out? And then, talk about any sort of lag between investment to roll that out versus revenue coming in and any kind of a drag on margins here maybe near or medium term.

Francis Dufay - CEO, Jumia Technologies AG

Sure. So, why now? That's a very good question because in the past two years we've been very clear about the fact that we were refocusing the business. We're not opening new boxes; we're closing many boxes actually. Still, we believe that we, I mean, one of our most important assets we've built over the past 10 years in Africa is definitely our logistics network. And it's also the most relevant and the easiest for us to monetize with external customers outside of our existing marketplace. We've been piloting this in the Ivory Coast for many years already. And we recently developed the right IT tools to scale it very efficiently across more markets.

And we've come to a point where our logistics network has been turned around in many markets that is stable enough, strong enough and we are now able to open this box and start monetizing outside of the marketplace. This is something we could not have done two years ago. We had too much to fix internally. But now we're ready for that. So timing is important. The tools that we've developed to do it very seamlessly are very important.

So that's why we're expanding now in Nigeria and we're in the process of getting the licenses to do so in many more markets. So with that, there's of course a lag between the moment we launch and the moment we see meaningful revenues. There's time to build up the business, to create some awareness, to communicate to vendors and customers that we have starting from our database of vendors and customers, but also to the broader market.

So it will take time. It will take a few months or a few quarters to scale significantly. However, we do not forecast any negative impact on margins. I mean, there will be no drag on our economics. It's an additional business that will be profitable from day one that comes with pretty much zero CapEx and very, very limited additional expenses. So no negative impact on the focus of the organization and no negative impact on short-term profitability.

Q: Got it. That's great. And then you mentioned significantly reducing cash burns in upcoming quarters. I think there's still a little bit of a gap there to kind of the loss before tax and the guidance and everything. So maybe you could just bridge that gap or remind us on what that gap comes from. Thanks.

Francis Dufay - CEO, Jumia Technologies AG

Yes, of course. So there are three elements here to understand the gap. One is working capital, right? We do not intend to keep on adding more working capital. We had over, but plus 13.7 last quarter, plus eight this quarter, we've reached a point where we don't need to increase working capital in any significant way going forward. So that's one. Second, a lot of the cost management measures that we have taken over the past three, four months will have impact throughout the year. Not everything is impacting Q1 as you can imagine. We have lots of, for example, tech licenses that have been renegotiated and the anniversary date of the contract is later in '25. So these savings will become more and more significant through 2025.

And lastly, we also have some level of seasonality. And to give you the most obvious example, Q4 is usually our biggest quarter with very significant volumes. It's a high, it's a peak consumption season, even if we do, if we spend limited amounts in marketing or we maintain fairly good margins. So typically Q4 will deliver better economics than the rest of the year. So we expect further improvements purely due to seasonality as well.

Q: Got it. And then -- go ahead.

Francis Dufay - CEO, Jumia Technologies AG

Sorry, Antoine.

Antoine Mezeray - EVP, Finance & Operations, Jumia Technologies AG

All right. Maybe to give a bit color on that issue, if you think of technology, for instance, and more precisely about hosting, in 2024, we had a yearly commitment of $13.7 million. And our current 12-month commitment is around $10 million. So we're going to see in the coming quarters some significant savings in this line. And the same will apply, as Francis said, on software licenses that were either renegotiated or terminated in Q1. And this will play out in the coming quarter.

Q: Great. And then final question for me. You gave the 2026 guidance. Talk about the visibility there and maybe any updates to kind of your profitability algorithm in terms of volume levels relative to reaching breakeven. I guess you're pointing to that, hitting those levels at the end of '26. Maybe just help kind of give us a sense for what gets you there.

Francis Dufay - CEO, Jumia Technologies AG

Yes, so as we've said, our ballpark volumes that we would need to reach profitability is more or less times two. And we're working hard to lower this bar by working on the cost base so we can get there faster. We believe it can be achieved by Q4 of '26, partly thanks to the growth that we'll get by then, and also due to the seasonality of Q4, which is usually a very strong quarter for consumption in our markets. So, yes, Q4 '26, we will reach that bar.

And then we believe we are in good position to reach profitability over the full year of 2027 on a loss before income tax basis. And that will be a mix of cost management and volumes increase with growth levels in '25, '26, '27. That gets us more or less to that times two impact.

Operator

The next question will be from Tracy Kivunyu from SBG Securities.

Q: Thank you. Congratulations, gentlemen, on the good results and in spite of the environment and the upgraded guidance. So just a couple of follow-up questions from the topics already discussed. To start with Asia, with the entry with the anticipated higher supply, have you seen any sort of guidelines in terms of competition increasing from Asian players as well, seeing that demand or rather supply might be shifting more towards Africa? So have you seen any increase in competition? And in line with that question as well, what's the scope of your international orders as a percentage of GMV currently and how does that compare to the last quarter?

Francis Dufay - CEO, Jumia Technologies AG

Hi, Tracy. Thanks for your questions. So on the first part of your question, looking at the pivot of manufacturers and supply from Asia, looking for new markets and heading towards Africa. So we believe it will help us as the middleman between supply and demand for Africa. There's also definitely the risk that it creates more competition from, for example, non-resident platforms or new entrants looking to push into Africa.

We believe, I mean, as we touched upon this topic during the presentation today, we believe we are in a strong position to fight that kind of competition, specifically if we speak of competition from Chinese non-resident platforms like Temu. We believe we're in a very strong position because, one, we have a very strong and respected brand. We have built the right assortment to fight them on all categories, including some categories that we cannot sell, such as appliances, smartphones, and so on.

We believe that we have built the delivery network, the logistics platform that is enabling us to deliver nationwide cash on delivery with great economics, which they do not have at this stage. And another thing that we're starting to see across markets in Africa is that the regulation is tightening when it comes to non-resident platforms and international dropshipping. So we've seen that.

We've seen some African countries regulating more tightly against non-resident vendors and platforms, such as Ivory Coast recently. And we've seen some countries regulating more tightly around the de minimis thresholds, such as Uganda recently. So they're addressing the topic in different ways, but we believe that regulation will become more and more challenging for non-resident platforms over the coming months and quarters for sure. Does that answer your first question?

Q: It does. Thanks, Francis.

Francis Dufay - CEO, Jumia Technologies AG

Sorry, can you remind me of the second one?

Q: It was, how much international orders are as a percentage of GMV this quarter?

Francis Dufay - CEO, Jumia Technologies AG

Yes, sorry. So we have not disclosed international orders items as a percentage of GMV. What you can fairly assume though is that the average item value from international vendors is lower than from the local marketplace because they're typically focused on categories like fashion, accessories, home accessories, electronic accessories, and so on. So the kind of the Temu product range. And these are lower value on average than the local categories, such as TV, appliances, and smartphones. So it's about one third of the items we sell, but it's understandably a lower percentage of the GMV.

Q: Understood. Thank you. I have some follow-up questions as well on the Jumia delivery business. I think in some conversations with clients, this has come up as a very attractive proposition and it's good to hear that it's coming online. I just wanted to understand the monetization behind it. I know you've already said that it's leveraging already a lot of the existing infrastructure. So it's mostly stood for stability, but how does the monetization look compared to marketplace revenue, for example? Would you say it's more of a high volume, thin margin, or would you say that the sort of tick rates, so to speak, would be similar?

And maybe in line with that as well, just to understand, how long did the pilot process take in Ivory Coast before you saw it to become a viable business? So maybe what I'm trying to understand is, what would be your sort of scale for you to say, okay, this business is viable in this country? Thanks.

Francis Dufay - CEO, Jumia Technologies AG

Yes. So let me explain how it works. That's very straightforward. So in practice, any individual or small social commerce vendor can go to a Jumia pickup station, drop five packages to ship to other cities in the countryside, and Jumia will deliver. As simple as that. And they pay when they drop, so they will pay a fee per package, depending on the size and weight of the package. This is definitely a business that's higher margin and lower volume than the marketplace because the price points, the pricing has been designed to generate very significant margins on our viable costs in logistics. But we know that we're not going to match the marketplace volumes anytime soon. So higher margin, lower volume, definitely.

It's designed to be profitable from day one because the viable costs for shipping are very well known for us. It's typically the fee that we pay to a 3PL plus a bit of line haul cost. And we've priced accordingly with fairly high margin to make sure that it's profitable from the first package. So that's why we know that it's something that's viable in any country. The pilot in Ivory Coast lasted many years, actually, but we kept it going for many years. One, because we didn't really have the right IT tool at the time to scale across more countries, and we didn't want to create a mess. And the logistics network in the other countries were not ready yet to open this new box. So it was not about proving the viability of the project. We already knew that it was profitable.

It was mostly about being sure that we could scale seamlessly across more countries in a well-integrated, well-managed way. Yes, so you can expect something that's profitable from day one. There's no drag on the margins. That will not be anywhere close to the scale of the marketplace, of course, in the coming months, but that will definitely help on the margin ratios.

Q: Maybe just an additional follow-up on that. How significant is the delivery business to revenue for Ivory Coast at the moment?

Francis Dufay - CEO, Jumia Technologies AG

I cannot comment because we have not disclosed. So it's definitely lower than the marketplace revenues, of course. It's something we still believe we can scale further in the Ivory Coast, but it's a very profitable business by design.

Q: Thanks. My last two questions are regarding the customer growth and profitability in your subsidiaries. I really appreciate the additional color on contributions from your top countries. I just wanted to understand the dynamics of customer growth, which was the regions, especially in the top four, that you started to see strong acceleration in Nigeria, for example, than Ivory Coast, which has been much stronger for longer. And maybe a reminder of where we are sitting in terms of profitability for the businesses. Are there any of those top four businesses that have broken even? And in terms of your profitability, which of those countries do you think are releasing the drag on performance to drive the upgraded guidance you've given for FY26 and FY27 as well?

Francis Dufay - CEO, Jumia Technologies AG

Sure. So let me take active customer growth to start with. So you see this quarter, we're growing active customers by 15% year-over-year, excluding discontinued operations, which is our highest growth rate in about two years. So we're very happy with the acceleration of pace in active customers growth. When you look at country level, so since we've disclosed orders growth in the top four markets, you can fairly assume that active customers growth is closely linked to the growth of orders, right. What we've seen in the numbers is that the number of orders per active customers is increasing, but the trends are very similar between orders growth and active customers growth, which gives you a proxy for the four markets that we have disclosed.

Of course, a market like Ivory Coast, is much more penetrated than a market like Nigeria. So going forward, we have a much greater runway for active consumer growth in a country like Nigeria, and in some ways in a country like Kenya. Now when it comes to breakeven at country level, so we have not disclosed financials at country level, and we're not looking to do so. What you may remember is that a few quarters back, we mentioned that several countries had been repatriating cash, and we're talking of Ivory Coast, Kenya, and Nigeria. So one thing that we're seeing across the board is that scale really drives profitability and really drives strong economics and strong bottom line in our markets. So that's why we're really insisting on continuing on those accelerating growth trends.

Q: Thanks, Francis. My very last question would be back on customer growth. I mean, it is indeed quite a strong performance. What would you say is the overarching contributor to that? Is it an improving operating environment? Is it higher diversity? What would be the strongest contributor to that customer growth performance?

Francis Dufay - CEO, Jumia Technologies AG

So at this stage, customer growth is driven by improved product offering, better price points, and better supply, both from the local marketplace and international vendors, and up-country expansion. That's really the two pillars of our customer growth, as simple as that. These have been the same for a few quarters already, but that's really what's driving customer growth. Going forward, as we discussed before, we have not really tapped yet potential accelerations in marketing that could help us go faster in the countries where we have the right fundamentals in place.

Operator

Thank you. This does conclude today's Q&A session. And also this does conclude today's conference. You may disconnect your lines at this time. Thank you for your participation.