Transcript of
Jumia Technologies AG
2Q 2025 Earnings Call
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Participants

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Francis Dufay - Chief Executive Officer, 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 Second Quarter of 2025. At this time, all participants are in a listen-only mode. And after the management's prepared remarks, there will be a question-and-answer session.

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 Investor Relations, Jumia Technologies AG
Thank you. Good morning, everyone. Thank you for joining us today for our second quarter 2025 earnings call. With us today are Francis Dufay, CEO of Jumia; and Antoine Maillet-Mezeray, Executive Vice President of 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 forward-looking statements. Moreover, these forward-looking statements may speak only to our expectations as of today. We undertake no obligations 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 now reported in accordance with IFRS. We can find reconciliation 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.

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Francis Dufay - Chief Executive Officer, Jumia Technologies AG
Good morning, everyone, and thank you for joining Jumia's second quarter of 2025 earnings call. We believe that this quarter marks a clear turning point in our journey. We continue to build on the disciplined execution that has defined our transformation over the past 2 years, with a strong focus on growth and operational efficiency to advance our path towards sustainable profitability.

This quarter, we delivered solid growth in physical goods with orders up 18% and GMV up 10% year-over-year, excluding the impact of our exits from South Africa and Tunisia. Excluding corporate sales, physical goods GMV grew by 24%, highlighting the strong underlying consumer demand across our markets.

Revenue rose by 25% year-over-year, demonstrating the resilience of our core business. We narrowed our loss before income tax to $16.3 million for the quarter and significantly reduced our cash burn to $12.4 million, driven by higher revenue across multiple streams and disciplined execution.

We ran a successful Jumia anniversary campaign, further strengthening consumer engagement and driving order growth. Strong top-line momentum enhanced unit economics and discipline cost management demonstrate our clear progress towards sustainable profitability and position as well on our path to breakeven.

Based on Q2 2025 results and the current quarter business trends, we are raising our full year 2025 guidance for loss before income tax to a range of $45 million to $50 million, while maintaining our full year 2026 targets for loss before income tax of $25 million to $30 million, and reaffirming our target to achieve full year profitability in 2027.

Let's now review our results for the second quarter. We delivered another quarter of solid usage trends, building on the momentum established earlier this year. Adjusted for perimeter effects, physical goods orders grew 18% year-over-year, driven by strong demand, affordability and assortment strategy, expansion to secondary cities, and effective use of efficient marketing channels.

As a quick reminder, our core business and strategic priority is physical goods, accounting for 99% of orders and approximately 100% of GMV this quarter. The remainder is made of digital products sold through the dedicated JumiaPay app. As part of our strategic focus on scaling physical goods e-commerce, we have reduced our emphasis on JumiaPay app transactions, which historically contributed high order volumes but minimal revenue. While this shift affected total orders growth in the quarter, physical goods orders remained very strong, reflecting healthy consumer engagement with our core marketplace.

Quarterly active customers ordering physical goods increased by 13% year-over-year, underscoring the positive impact of our customer acquisition and retention efforts. Customer loyalty also continued to improve. 42% of new customers who placed an

order in Q1 2025 made a repeat purchase within 90 days, up from 37% in the same period last year. Demands remain strong across key categories, including electronics, phones, home and living, fashion and beauty.

Please note, this quarter also marked the first time we have fully lapped the significant currency devaluations in Egypt and Nigeria, resulting in a cleaner year-over-year comparison and highlighting the underlying strength of our business.

Physical goods GMV grew 10% year-over-year in reported currency, and when excluding corporate sales, GMV increased by 24%, driven by healthy momentum in our core consumer business. The average order value for physical goods in Q2 2025 to that $36.3 down from $39.2 in Q2 2024, primarily reflecting the impact of reduced corporate sales in Egypt. We expect to see GMV growth to accelerate in the second half of this year.

Revenue for the quarter was $45.6 million, up 25% year-over-year. This growth was driven by increased usage and stronger monetization of our marketplace. Our revenue mix also shifted slightly towards first-party sales this quarter, accounting for 52% of total revenue, supported by strong performance from key partners, including Starlink in Nigeria and Kenya.

Advertising revenue was $1.9 million this quarter, accounting for 1% of GMV. We see meaningful upside as we scale this high margin revenue stream. This is a key operational priority, allowing us to increase marketplace monetization.

In addition to our Q2 performance, we are sharing early Q3 trends to provide further visibility into our current momentum. In July, adjusting for perimeter effects, physical goods orders grew approximately 32% year-over-year, while GMV increased 21%. These results reflect sustained consumer demand and the strong start of the second half, reinforcing our confidence in raising the full year outlook.

Now, let me provide a brief update on our progress towards profitability. We remain firmly on track to achieve our 2027 strategy goals, driven by decisive actions to build a leaner, more efficient organization. Our structural cost initiatives continue to progress across multiple areas, for example. Overall, headcount has declined by 5% since the beginning of the year, with just over 2,050 employees on payroll as of June, reinforcing our disciplined approach to cost management. Headcount's reductions were driven by a strict hiring discipline, enabled by operational efficiencies, automation, and business simplification. We expect G&A expenses to decline further in the second half of the year, as these organizational changes continue to take effect.

In technology, we are executing against our long-term efficiency roadmap. In Q2, we expanded AI implementation across key operational processes and successfully renegotiated major vendor agreements, such as our new AWS contract, effective May 1, 2025. These actions are expected to drive improved efficiency and technology spend over the coming quarters.

In fulfillments, cost per order increased 1% year-over-year to $2.19, down 5% year-over-year on a constant currency basis. We remain focused on reducing fulfillment unit costs through ongoing initiatives to improve warehouse staff productivity and consumer support operations.

Our narrowed adjusted EBITDA loss of $13.6 million and improved loss before income tax of $16.3 million compared to previous year were primarily driven by higher revenue growth across multiple streams. These structural efficiency initiatives are positioned to provide additional operational leverage as they reach full implementation in future periods. Cash burn improved significantly quarter-on-quarter, with net cash used in operating activities declining to negative $12.7 million for the quarter. This includes $4.1 million of positive working capital contribution.

Importantly, we achieved 18% growth in physical goods orders year-over-year while reducing our working capital requirements. While working capital may fluctuate in future quarters, we remain confident that our current cash position is sufficient to reach profitability without needing to raise additional capital.

A key driver of our growth this quarter was Jumia's 13th anniversary campaign. Held from May 5th to June 30th, across all nine countries, the event featured compelling deals across essential products as well as interactive, localized content including games, videos and offline marketing activities. Over 38,500 sellers participated, up from 36,400 in 2024, a testament to the growing confidence that both customers and sellers place in Jumia and to the strength of our commercial execution.

On the supply side, we deepened our relationship with international sellers, particularly from China, to further expand our assortment at competitive prices. In Q2, we sold $2.9 million gross items from international sellers, accounting for 36% year-over-year increase adjusted for perimeter effects.

We also continued to penetrate underserved upcountry regions outside of the main urban centers, unlocking significant growth opportunities. Orders from these areas now represent 59% of total volumes, up from 52% in the same quarter last year adjusted for perimeter effects. This expansion strategy continues to deliver high growth, low cost customer acquisition with minimal fixed cost investments.

Let me now provide some country level execution highlights. Nigeria posted impressive results with physical goods orders rising 25% year-over-year and GMV up 36% year-over-year. This performance reflects robust customer demand supported by an expanded assortment across key categories, deeper reach into secondary cities and continued fulfillment optimization, as our largest market opportunity remains focused on increasing penetration and scaling profitability in Nigeria.

Kenya also performs strongly with physical goods orders up 38% year-over-year, while GMV increased 31% in reported currency. Growth was broad-based across categories driven by upcountry expansion and strengthened our partnerships.

Kenya remains a high potential market for profitable growth, where we believe that we can build much bigger scale.

Ivory Coast delivered solid performance with physical goods orders growing 9% year-over-year and GMV increasing 11% in reporting currency. As a more mature market, Ivory Coast continues to grow at a more moderate pace as we focus on maximizing the value of our scale. We are actively leveraging our position in the market to deepen engagement and enhance monetization.

Egypt showed encouraging signs of recovery, while physical goods orders declined 6% year-over-year and GMV fell 50% in reporting currency. Excluding corporate sales, GMV grew 6% year-over-year reflecting progress in the core consumer business. Orders are trending positively quarter-after-quarter supported by stronger execution and improved fundamentals.

Notably, adoption of Buy Now, Pay Later, BNPL accelerated in Q2 boosting both conversion rates and average order value. Although the macro environment remains difficult, these improvements give us confidence in Egypt's near-term return to growth and long-term contribution to the portfolio. Our order market portfolio continued to perform well.

Collectively, the remaining countries where we operate delivered 27% GMV growth and a 19% increase in physical goods orders. Ghana was a standout with GMV up 110% year-over-year, underscoring the strength of our execution and the relevance of our value proposition. These results highlight our ability to serve Africa's budget-conscious customers, while driving sustainable growth across a diverse geographic footprint.

Now, let me provide an update on Jumia Delivery, our logistics platform as a service for third-party sellers, which leverages our last-mile infrastructure to serve vendors outside our marketplace while adding scale to our ecosystem. The service is now live in Ivory Coast, Nigeria, Ghana, and Kenya, targeting social commerce vendors and individual customers with our competitive advantages of wide coverage, affordable pricing, and high reliability.

Now, turning to the competitive landscape. We continue to observe similar dynamics as last quarter with some moderation in activity from international e-commerce platforms in Nigeria. Importantly, we are seeing increased scrutiny and awareness from local governments regarding the practices of these platforms, particularly following the recent U.S. decision to eliminate the de minimis loophole. This regulatory shift creates a favorable opportunity for local players like Jumia to further strengthen our market leadership position.

We're also expanding our public affairs effort this quarter. Our objectives are to help establish and improve local regulatory frameworks for e-commerce marketplace and communicate the benefits of domestic e-commerce platforms for economic development in contrast to international platforms.

Recent highlights include the Prime Minister integrating our new warehouse in Egypt, the Minister of Trade integrating our new warehouse in Ivory Coast, and high level meetings in Ghana to strengthen strategic partnerships. Our extensive local presence enables us to engage effectively with government authorities and support the development of sustainable e-commerce ecosystems across Africa.

In closing, we believe we remain well positioned on our path to profitability. We will continue focusing on sustainable growth initiatives, operational efficiency improvements, and cost reduction. We remain confident in our strategic roadmap and deeply committed to creating long-term value for our customers, partners, and shareholders.

I will now turn the call over to Antoine for review of our financials.

Antoine Maillet-Mezeray - EVP Finance & Operations, Jumia Technologies AG
Thank you, Francis, and thank you everyone for joining us today. Let me walk you through our financial results for the second quarter. Starting with our top-line performance, second quarter revenue was $45.6 million, up 25% year-over-year and up 22% on a constant currency basis. The year-over-year increase in revenue was driven by ongoing execution and strong demand for our platform.

Marketplace revenue for the second quarter was $21.6 million, up 8% year-over-year, and up 2% on a constant currency basis. The increase was driven by strong usage growth and increases intake rate, but partially offset by lower commissions from third-party corporate sales in Egypt. Revenue from first-party sales was $23.6 million, up 47% year-over-year, both on a reported and constant currency basis, driven by strong demand with key international brands, such as Starlink or Adidas.

Turning now to gross profit. Second quarter gross profit was $23.9 million, up 11% year-over-year, and up 5% on a constant currency basis. The year-over-year improvement was driven by stronger marketplace margins. Gross profit as a percentage of GMV for the second quarter was 13%. Jumia is executing a comprehensive strategy to enhance gross profit margins, with marketing on retail media as a key growth driver.

Our June launch of an advanced seller advertising platform positions us to significantly expand monetization opportunities. With advertising revenue at 1% of GMV, we see substantial upside potential as we scale this high margin revenue stream.

Turning to expenses. Why do we see some benefits from our cost initiatives? We expect to deliver more meaningful savings over the coming quarters. Let me walk you through the key expense lines. Fulfillment for the second quarter was $10.8 million, up 16% year-over-year and up 9% in constant currency.

Fulfillment expense per order, excluding JumiaPay app orders was $2.19, up 1% year-over-year or down 5% year-over-year on a constant currency basis. We remain focused on reducing fulfillment unit costs through ongoing initiatives to improve warehouse staff productivity and customer support operations and by leveraging automation.

Sales and advertising expense was $4.2 million for the second quarter, down 6% year-over-year and down 7% year-over-year in constant currency. This reduction reflects our continued cost discipline, while delivering usage growth, validating the effectiveness of our targeting marketing approach. As a percentage of GMV, sales and advertising expense remained flat at 2% compared to Q2 2024.

Technology and content expense was $9.2 million for the second quarter, representing an increase of 6% year-over-year and up 3% in constant currency. The increase was primarily attributable to currency translation effects. Looking ahead, we anticipate technology and content expenses to decrease as we realize benefits from ongoing workforce optimization and cost savings from recently renegotiated contracts.

Second quarter G&A expense, excluding share-based payment expense, was $16 million, down 9% year-over-year and down 14% on a constant currency basis. Staff costs within G&A expense, excluding share-based compensation expense, increased to $8.4 million, reflecting currency translation effects as well as organizational changes.

Professional fees temporarily increased due to audit and advisory services. These increases were more than offset by the favorable resolution of tax audit matters together with other cost reduction initiatives. We expect general and administrative expenses to decline further as organizational benefits materialize in the second half of the year.

Turning to profitability. Adjusted EBITDA for the quarter was a negative $13.6 million or negative $13.1 million on a constant currency basis. The loss before income tax was $16.3 million, a 28% decrease year-over-year or 17% decline on a constant currency basis. The loss in the quarter was primarily driven by a $2.3 million improvement in gross profits, alongside a $1.3 million lower operating expenses and a $2.5 million improvement in net financial results.

Turning to the balance sheet and cash flow. We ended second quarter with a liquidity position of $98.3 million, including $95.6 million in cash and cash equivalents and $2.7 million in term deposits and other financial assets.

Overall, Jumia's liquidity position decreased by $12.4 million in Q2 2025 compared to a decrease of $8.7 million in Q2 2024. Net cash flow using the breaking activities was $12.7 million in the quarter, including a positive working capital impact of $4.1 million. This result reflects our ability to deliver growth, while maintaining relatively

stable working capital levels. CapEx in Q2 2025 was $0.7 million, compared to $0.7 million in the second quarter of 2024.

In conclusion, we delivered robust operational results in this quarter, including strong double-digit physical goods orders growth in the quarter. We also continue to pursue structural cost reductions, further strengthening our path to breakeven. Looking ahead, we remain intensely focused on operational discipline and margin expansion, which we believe will position us not only for improved profitability this year, but also for sustainable long-term growth across our markets.

I'll now turn the call back over to Francis for a discussion of our updated guidance.

Francis Dufay - Chief Executive Officer, Jumia Technologies AG
Thanks, Antoine. Based on current business trends, we are raising our 2025 financial guidance as follows. We now expect PG orders growth to be in 25% to 30% range, revised upwards from the previous range of 20% to 25%. GMV is projected to grow between 15% and 20% year-over-year, revised upwards from previous range of 10% to 15%. We anticipate a loss before income tax to be in the range of negative $45 million to negative $50 million.

This revised outlook reflects accelerating usage growth in the second half of 2025, driven by two key factors. First, our long-term strategy continues to deliver meaningful improvements to our value proposition. Our logistics network is increasingly reliable and cost efficient, enabling broader geographic reach into underserved cities. We've also enhanced our assortment with better selection and more competitive price points, leveraging relationships with local, international and Chinese vendors to meet the needs of cost-conscious consumers across our markets.

Second, we are now better positioned to scale marketing in a disciplined ROI-focused manner. Over the past 18 months, we significantly reduced online marketing spend. With a strong platform in place, we're now reactivating both paid and free online channels, including CRM and SEO, while maintaining a disciplined approach to customer acquisition.

Our ability to grow active customers with limited spend gives us confidence that incremental marketing investment will further accelerate usage. We are already seeing these dynamics play out, with usage growth accelerating in July. Together, these dynamics reinforce our conviction in delivering the revised outlook for the year.

For 2026, we are maintaining targets for loss before income tax to be in the range of negative $25 million to negative $30 million, reflecting our continued improvement. We confirm our strategy goal to achieve breakeven on the loss before income tax basis in the fourth quarter of 2026, and deliver full year profitability in 2027.

I thank you all for your attention. We are now ready to take questions.

Operator
Certainly. At this time, we will be conducting a question-and-answer session. [Operator Instructions] Your first question for today is from Brad Erickson with RBC.

Q: Yeah. Thanks, guys. Good afternoon. Good morning. So, first off, you mentioned the July acceleration, just curious to learn a little more what's behind that between maybe macro and the consumer versus anything you guys are doing, whether it's on inventory or marketing or what have you?

Francis Dufay - Chief Executive Officer, Jumia Technologies AG
Hi, Brad. Thanks for the question. So, July acceleration is really driven by what we're doing. I mean, if I have to pick from the list that you suggested, on the macro side, there's not much change compared to Q2 or even to Q1. I mean, as we mentioned, we've obviously lapped the devaluations earlier this year, which makes the GMV hard currency comparison much easier, but I think that's pretty much that. And we are now looking at the macro that's fairly stable, which is good news for us anyway.

So, what's driving the July acceleration and what we expect to drive the H2 acceleration as well and hence the revised guidance is twofold, right? First of all, you have the continued fundamental improvement of the value proposition to customers, which is the output of the playbook we've been implementing for the past 2.5 years. So basically more reliable logistics, increased country coverage, better satisfaction rates, broader and more competitive assortment for those countries' customers, more payment options, and all that is building a way stronger customer value proposition than we had a couple of years back and actually stronger than last quarter and even the quarter before. It's really compounded impact.

And this better value proposition now enables us finally to start to resume a fresh focus on a number of online marketing channels that we had been prioritized in the past in a way that's very much ROI driven now very disciplined. I mean, you're starting to know us by now. So these channels include, of course, the main paid online channels that everyone knows, SEO, CRM, all the basics that had not been heavily prioritized over the past 2 years, when we've been rationalizing and rebuilding the value proposition.

In particular, paid online marketing has not been a focus and we saved a lot of money on that front. But we believe it's been the right time to reactivate now with what we see as great return on investment, thanks to, well, much better value proposition. And turns out it's working and we believe it's going to drive, I mean, it's going to be an important part of the acceleration forecasting for the second half of the year. So you can already see that in the July figures. So early Q3 is starting good, is looking good as we mentioned earlier in the call. So it's not just wishful thinking.

And one small addition as well, we know that the comps of Q4 will be softer, because last year we had massive decline in corporate sales. So we can already anticipate

that, I mean, we'll have softer comps at the end of the year as well, helping the year-over-year growth rates.

Q: Yeah, understood. That's great. And then maybe let's go there on Q4 since you brought it up. I know it's a little early, but as we look towards the holiday, how are you thinking about bringing on more inventory, kind of like what you guys did last year and maybe just any guardrails you can share around use of cash there that we should be thinking about?

Francis Dufay - Chief Executive Officer, Jumia Technologies AG
Yes. Sure. So I mean, as you know, over the past 2 quarters, we had been increasing the inventory in the working cap quite significantly. What you see this quarter doing Q2 is that the working capital is decreasing and is contributing positively to the cash burn, while we're still growing at a pretty good pace. So it means we're not dependent on adding always more working caps so we can grow faster, right? There's no direct correlation and we're able to manage our inventories and our working cap in a reasonable way while generating significant growth.

For the fourth quarter of the year, I mean, what happens typically, I mean, we have Black Friday running through most of the months of November, then we usually have a pretty big Christmas season across most of our countries that spreads until early January. So typically we start building inventories around early October and we'll be, well, saying those inventories until late December, early January. We forecast, I mean, there will of course be some volatility in working cap at the end of the year, but we don't see it being as meaningful, as significant as it was last year.

Q: Got it. That's helpful. And then you mentioned the faster growth on kind of these underserved areas outside of the urban areas. When you think about capacity there, how underutilized are you, would you say, and so I guess is there more capacity expansion going on there? Maybe how much runway do you have in that part of the business?

Francis Dufay - Chief Executive Officer, Jumia Technologies AG
You mean in upcountry areas, secondary cities?

Q: Correct. Yeah.

Francis Dufay - Chief Executive Officer, Jumia Technologies AG
Yeah. So, we've been very successful in secondary cities over the past couple of years. It started based on the playbook that we had built from Ivory Coast and Senegal back in the days. So, now, it's 59% of our orders being shipped to secondary cities outside of the capital cities, which is major increase year-over-year. But still there's a lot more potential, really a lot more potential. We believe we're still massively underpenetrated in more rural and secondary cities in very large countries like Nigeria, Kenya, even Egypt, definitely also Uganda, Morocco, or Senegal. So there's still a very large runway for growth. So I mean, I'm not even sure we're halfway through.

So, we're working right now on further expansion plans for the big countries to open logistics in new cities or to increase the penetration and the density of our coverage of pickup stations in dozens of cities that we're already covering. So, we were very far from the end of this project, and we still see massive upside in the rollout of these plans in most of the countries. I think an obvious example is Nigeria, and you see it in the numbers we showed today. Nigeria is still only 22% of our GMV, which remains smaller than Ivory Coast, while it's a much bigger country, I mean, by any KPI. And, we still see massive potential in enriching new cities in the coming months and quarters.

Q: Got it. And then just want to talk about kind of some of the international initiatives you guys have been putting in place. Obviously, I've been trying to work with more international suppliers for several years now. I guess you mentioned the tariffs, seems like that's the tailwind. Talk about your visibility on sort of securing greater selection from those suppliers and then separately just competitively any changes that you've seen as a function of the tariffs from the Chinese players maybe getting focused on regions a bit more outside the U.S.?

Francis Dufay - Chief Executive Officer, Jumia Technologies AG
So, I'll start with the second part. So, the whole tariff things. We see those tailwind, as you mentioned, indeed. We do believe that with higher tariffs in the U.S., a lot of Chinese manufacturers will have to rebalance a bit the markets, their focus to new markets, that Africa is going to become a bit more relevant, a bit more important in their mix. And that is going to help Jumia secure more supply, right? As you know, our main battle over the past 3 years has been focusing, I mean, we've been focused on securing supply, securing cheaper supply at scale for cost countries African consumers, which was very far from easy, because, well, manufacturers had other concerns, other markets in mind and so on. But, this is what's been driving the recovery of our top-line over the past 2 years.

Now that we believe that we're going to get a bit more attention from Chinese vendors and Chinese manufacturers, I mean, as the African continues overall, this is going obviously to be helpful for Jumia. We're the middlemen between Chinese manufacturers and African consumers, and we should benefit from this rebalancing of exports of Chinese consumer goods. But that's medium-term, right? It's not like we've seen a change overnight in the way our suppliers behave.

Then in the short-term, we do have much better visibility than we had 1-year ago or 2 years ago in terms of securing supply for several reasons. There are external reasons. First of all, the currency stability is really helping us when we had last year all those devaluations and this massive volatility with many currencies across the continent. It was really hard for Chinese vendors to make long forecasts and to ship abroad, and for African importers to commit and send hard currency to China for long-term purchases. So, I mean, it was very challenging for us to secure enough supply in the context of currency volatility.

Now, with much more stable currencies across Africa, it's a lot easier for our suppliers, Chinese vendors and local suppliers to commit to Jumia, to commit a long-term supply. And that's very, very helpful for us. And on the currency front, we're starting to see reports from serious [ph] bank's forecasting related stability for the months or quarters to come in the main African currencies, which is very good news for Jumia, which is something we haven't had over the past 3 years to put it this way.

And then, we're obviously very much helped by what we've done over the past 2 years. So, we are able to get a lot more visibility and supply and a lot more commitment, because Jumia has become a better company, is a more reliable partner for local importers and Chinese vendors. We have more volume, so better negotiating leverage. I mean, our teams are better trained to manage vendors. So basically, thanks to our hard work, we're also able to drive more commitment and working cap from vendors to commit supply to Jumia.

So it's a mix of many things, but we do see short-term improvements, and we can expect medium- to long-term improvement as well, partly thanks to the tariffs, but also thanks to expected stability in currencies.

Q: Got it. Okay. And then just one on Jumia Delivery brought it up in the prepared remarks. Can you just remind us on kind of how you think about like your general TAM for that, and also how we should think about margins on that business?

Francis Dufay - Chief Executive Officer, Jumia Technologies AG
Yeah. Sure. So just as a reminder, what we do with Jumia Delivery, I mean, it's the first time over the past 3 years that we slightly diversify away from physical goods, right? It's been a very careful decision. We thought it was the right time to do it. And we had finally built the right asset in logistics, so we could now monetize it without disrupting the core business. So right timing. The addressable market is basically anyone who has something to, has a parcel to ship. So, we're not doing bulk. We're not doing very large items. We don't really focus on letters and very, very light items, but we do parcel delivery. And it's a very broad market.

You need to imagine that in our markets, the national postal service is usually not really trusted by local consumers, to say the least. And there's no equivalent to UPS, DHL, or the U.S. Postal Services that you may have in the U.S. So, the ecosystem for parcels delivery is heavily unstructured and reliable and very opaque in a way. And that's also why we had to build our own logistics, right, we could not give it to anyone in the ecosystem.

So with that in mind, we're addressing anyone who has the parcel to ship that can be individuals, while shipping from one country – from one city to the other, to the capital – from capital to anywhere in the country, that can be small e-commerce players, that can be a lot of social merchants, social commerce merchants, saying on Facebook, saying on WhatsApp, and so on. So it's a fairly broad, fairly informal and unstructured customer base, but with very, very large volumes.

Marketing wise, we've decided to prioritize for the first steps for the launch of this service. We've chosen to prioritize social commerce vendors, some of them also being vendors in Jumia that are easier to find, that are easy to talk to, and that have significant volumes to start with already. But we already see a lot of individual customers using our service, just like they would use the U.S. Postal Services in the U.S.

Margins wise, it's a business that's profitable from the outset. I mean, we set the prices, we believe we can be a lot more competitive than existing options. We are low margins at the beginning to encourage quick adoption, but it's very easy for us to price it higher than our viable costs, that are already fairly low thanks to the massive volumes we're already managing in our logistics.

Q: Got it. That's great. And then I just had a couple more, if I could, for Antoine. Just first housekeeping, can you clarify within the raised GMV guidance, is any of that FX related versus just the higher volume? Maybe if you could just remind us what is in the GMV guidance in terms of FX?

Antoine Maillet-Mezeray - EVP Finance & Operations, Jumia Technologies AG
It's not related to FX, it's related to the trends we've seen in Q2, and what we are seeing in July. So nothing related with FX.

Q: Got it. Thanks. And then, when you think about just what's embedded kind of in the journey to breakeven by the end of 2026, how much does customer growth have to do with that in terms of marketing intensity necessary to hit that goal? Just curious.

Antoine Maillet-Mezeray - EVP Finance & Operations, Jumia Technologies AG
So the goal of profitability will be the consequence of the combination of the growth. And we are growing without significant marketing investment, as Francis said. We spent a bit of time over the last 3 months to improve the way we were doing paid online marketing, and this is working quite well. So we do not intend to significantly increase the marketing spend. And by the way, when we are recruiting new customers through paid online or returning customers that are coming back, we are generating profitable transactions since the outset. So it's working pretty well, and we do not expect significant additional marketing spend.

Then, we will hit profitability, thanks to the combination of the top-line increase and the cost control we've been implementing over the last 2 years, be it in tech, G&A, and also the scale that the volumes allow us to do in logistics. You might remember that we said that we could operate between 2 to 3 times the current volume with the current cost. And this is what we are doing.

Q: That's great. I will step back into the queue. Thank you, guys.

Antoine Maillet-Mezeray - EVP Finance & Operations, Jumia Technologies AG
Thanks.

Q: What is going on? Hello?

Ignatius Njoku - Head of Investor Relations, Jumia Technologies AG
Since there is no other question...

Francis Dufay - Chief Executive Officer, Jumia Technologies AG
Did we lose our moderator?

Operator
Yes. Tracy, your line is live.

Q: Thank you. I hope you can hear me clearly. A couple of questions from me. Just following on from the last question on the attribution of profit in the second half or the change in guidance for the second half. So are you seeing a scenario where your orders are going to – is it going to be more customers making orders, or at the same rate that you're seeing already are 2.3 orders or so, or are we going to see more – the same level of customer growth versus more orders per customer? Just because the revenue mix looks very different. I mean if you look at the second quarter and I'm just trying to understand how you're thinking of marketplace revenues and also how sustainable is your first-party growth that we've seen because it's looking quite strong.

And maybe if I could add to that as well on the GMV trajectory in terms of the mix between marketplace or 3P and 1P, how should we think of that going forward? I think my initial assumption was that we see 3P becoming even more prominent, but I'm not sure how the second quarter results have changed that.

Antoine Maillet-Mezeray - EVP Finance & Operations, Jumia Technologies AG
Maybe I can take the first half, Francis.

Francis Dufay - Chief Executive Officer, Jumia Technologies AG
Yeah. Sure.

Antoine Maillet-Mezeray - EVP Finance & Operations, Jumia Technologies AG
What we are seeing at the moment is we are recruiting more new customers, that's one. And the customers we are repurchasing more often. So, to answer your question, it's going to be a combination of both. And this is the flying wheel we've been running after.

Francis Dufay - Chief Executive Officer, Jumia Technologies AG
And I would add to that, it will be the combination of both, it's been the combination of both for the past quarters. But if you look at the long-term, the greatest potential will be for new customer's accretion, right? We need to serve a lot more customers.

We can increase frequency up to a point, but the big price will be a significant increase in the active customers, obviously.

And then Tracy, you mentioned, so you were asking about the growth of first-party this quarter and how it would look in the coming quarters in terms of mix between 3P and 1P in the GMV. So, as we said in the past, we're not guiding for specific mix between 1P and 3P, actually. I mean, we're very happy with the 1P has working capital requirements and we're very happy to push as much 3P as we can.

By G&A, we were a marketplace, so we're designed for 3P. But we adapt to local conditions, we adapt to opportunities. And what matters to us is to get sufficient stock, sufficient availability at the best prices for our customers. So sometimes it has to be done to 1P, so we can secure the best deals and the best supply. And we make sure that we do it with the right level of profitability. However, this quarter, so what happened this quarter is that we've been particularly successful with a few key brands that were doing 1P for us in large countries.

So we mentioned in the earnings starting, that's been quite successful with us. In Kenya, Nigeria, and that was 1P. We've had very good sales with other brands that were doing 1P, for example, Adidas in Egypt. And, I mean, it's of course a longer list, but that's the example I can mention. But again, we're not trying to optimize for more 1P or less either way. So looking forward, we're not planning for a significant shift in the ratio of 1P to 3P, although there will always be some level of limited volatility.

Q: Thanks. So, a couple of follow-up questions, well, different questions on the trajectory between, if I compare your scope in terms of sales of orders from outside capital cities, it looks strong on a year-on-year basis, but on a quarter-on-quarter basis, it looks pretty flat, 58% to 59%. And your shelf pickup station seems to have retained your trajectory from 67 to 70.

So, two questions there. First, I know you've already talked a bit about the hidden potential or the potential for the growth in outside capital cities orders. What did you say maintained the ratio from 1Q to 2Q? And yeah, are there any bottlenecks to unlock there? And then second, how much further can you push the needle in pickup stations? And maybe our last question on that is, how sticky do you see your fulfillment cost per order being? I'm just thinking going forward in terms of the reduction in expenses, is there any more reduction that you anticipate after this financial year? Or do you see a scenario now where it's very much customer-led or order-led, so that you now have a very stable cost this one, by the time, we see 4Q results?

Francis Dufay - Chief Executive Officer, Jumia Technologies AG
Yeah. So thanks, Tracy. Let me take them one by one. So first of all, on the share of sales going upcountry, so it's a nice increase year-over-year, but it's only 1 percentage point change quarter-over-quarter. I think 1 percentage point change quarter-over-quarter is still significant, because it's something that's very fundamental, it's

something that happens over time. It's not like we can change by 5 points quarter-over-quarter. I mean, we're opening delivery in new cities. There's a word of mouth for customers start to get to know Jumia and then start purchasing. I mean, it's something that takes time. It's a very long-term trend and just getting 1 or 2 percentage points quarter-over-quarter is quite significant already. And then, year-over-year, the change is very significant.

So we don't see anything slowing down at this stage. I mean, marketing wise, we're pushing both big cities and small cities. We don't want to give up on the big cities. That's absolutely not the point of this upcountry project. So, as a I was telling Brad just before, we believe there's still a lot more potential. And we do have countries that are way above 60% of orders being shipped upcountry. So there's still a lot of potential across the company.

And then, same when it comes to the share of deliveries in pickup stations, there's no absolute target. It will mostly be the consequence. I mean, it will largely be driven by our share of upcountry sales, because upcountry we're only delivering pickup stations. We don't offer the door delivery option. So that the evolution will largely follow the increase of the share of orders going upcountry.

And then to your last question about the reduction in fulfillment cost per order. So this quarter, as you may have noticed, we're stable, we're plus 1% in dollars' year-over-year in fulfillment cost per order, minus 5 in local currency, so still showing some improvement on the ground, but the domestic impact going the wrong direction this time. I mean, we still foresee significant improvements in efficiencies and unit costs, so we believe we can further reduce our fulfillment cost per order quite significantly over the coming years, for many reasons. The most obvious one is scale, right?

As we're scaling our volumes about 20% in order to grow year-over-year every quarter, scale is definitely going to help us reduce the unit costs. I mean, in logistics, it's fairly obvious. And then there are a lot of improvements that we are implementing as we speak, that are going to pay off in the next quarter and Q4 and so on. And we're never short of ideas to further improve efficiency in logistics. What I can talk about right now is definitely what we're doing in call centers, which are part of our fulfillment costs.

We're implementing new tools so we can automate a lot of interactions that were previously managed by agents, I mean, human agents in our call centers. We're rolling out new AI features so we can have conversational bots to run like real conversations with customers who don't need to talk to an agent anymore for all the simple requests and even some fairly complex ones. So we're able to further reduce the assessing in our call centers, while we're actually scaling the volumes. So that's a very obvious case of reducing our unit costs.

We also have a big plan, as we speak, to improve productivity in our warehouses. As you know, last year, we've consolidated our warehouses and moved to bigger places

in most of our countries. And this year, now, with a more stable setup, we're able to address productivity challenges, which we're doing at the moment.

So with all that, we still believe we can get maybe up to 10 percentage points of efficiency and the unit cost per order in fulfillment year-over-year and continue year-after-year.

Q: Thank you. My final two questions. First on Ivory Coast, I appreciate your statement on the fact that Ivory Coast is a much more mature market, but the 9% seemed quite slow compared to what we saw in 1Q, so what made the change then in terms of growth? And then second, maybe some detail on the finance cost line and how we should think about it going into subsequent quarters?

Francis Dufay - Chief Executive Officer, Jumia Technologies AG
Yeah. Let me take Ivory Coast and then I leave the floor to Antoine, when it comes to finance costs. So, as you mentioned, Ivory Coast to start with to give the context is a way more mature market for Jumia, right? We've used Ivory Coast as the playbook and the blueprint for the strategy we've been rolling out for the past 2.5 years.

And when you look at the numbers, you see that Ivory Coast. The GMV we're making in Ivory Coast is significantly bigger than the GMV we're making in Nigeria this quarter still, while Ivory Coast is only 30 million people. And it's a fraction of the GDP of Nigeria. So it's a market where Jumia is way more penetrated in the retail space than we are in all of the other markets. So, of course, it is smaller pockets for growth, obviously, and we can be impacted by some market events and the evolution of local consumption.

However, what you see in Ivory Coast this quarter, the slowdown. I mean, there's an improvement in GMV growth, but the slowdown in orders. We've been doing better in categories with [high IV] [ph], but we slowed down in a number of low value categories. That's mostly temporary. Part of it has been driven by increased intake rate commissions and fees. As we mentioned during the call, we have decided to monetize more our scale in Ivory Coast, given the lower potential for growth compared to a country like Nigeria. And we're really pushing profitability to put it this way.

So, we're making a conscious deliberate choice to strike the right balance between growth and profitability in this country that's by far the most penetrated for us. And we're making different choices across markets. So obviously, in a country like Nigeria, that still has massive potential for hyper growth for us, we're not setting the course in the same place when it comes to a monetization.

Antoine Maillet-Mezeray - EVP Finance & Operations, Jumia Technologies AG
And can you hear me?

Francis Dufay - Chief Executive Officer, Jumia Technologies AG
I hope that answers. Sorry, go ahead, Antoine.

Antoine Maillet-Mezeray - EVP Finance & Operations, Jumia Technologies AG
Yeah, when it comes to finance results, the movements you saw are coming from mostly from ethics movements, as well as some old investments that came to maturity. For the future, we do not predict the FX movement, but we do not expect significant impact from investment.

Q: Okay. Thank you very much.

Francis Dufay - Chief Executive Officer, Jumia Technologies AG
And I would just like to add, Tracy, regardless of everything I just said at Ivory Coast, we still believe it's a market that can deliver divergent growth on all KPIs in the coming years, right? The market is growing. It can be safe table. Jumia has very strong reputation. So, we're still going to be growing double digits, and we're very confident about our prospects here.

Q: Thanks, Francis.

Operator
We have reached the end of the question-and-answer session, and it also concludes today's conference call. You may disconnect your lines at this time, and thank you for your participation.