Etail – eMAG[1]

Operational performance

Key statistics

Revenue
US$2.2bn
(FY23: -US$2.0bn)
(14% YoY growth US$276m)
(8% YoY growth in local currency, excluding M&A)

Number of **employees**
8 041

Trading loss
-US$26m
(FY23: -US$63m)
(-2% trading profit margin)

Adjusted EBITDA
-US$21m
(FY23: -US$10m)
(1% EBITDA margin)

Stakeholder material matters

Employees
- Job opportunities. Skills development. Company culture.

Regulators
- Compliance across all regulatory areas (fiscal, financial, environment and competition).

Merchants
- Growth and cross-border initiatives.

Consumers
- User experience, including fast delivery. Range of products. Quality, efficiency and reliable service at the right price.

Strategic focus

- Marketplace growth
- Category expansion and product selection
- Accelerating core etail services: Genius and Wallet
- Increasing delivery speed at affordable prices
- Develop the consumer financing product (HeyBlu)
- Focus on monetisation.

Value drivers

- Enhanced value, convenience, and pricing with Genius loyalty programme for frequent users
- Affordability through HeyBlu/wallet
- Wider selection (1p and 3p, better price index, lower average selling prices, quicker delivery)
- Convenience/delivery experience through out-of-home network
- Continue to develop advertisings and fulfilment services for the marketplace sellers.

Risks

- Macroeconomic downturn and higher interest rates
- Competition from specialists in verticals, and entry of regional players in the market
- Availability and cost of labour.

1 *In presenting and discussing our performance, we use certain alternative performance measures not defined by IFRS, referred to as non-IFRS-EU financial measures, alternative performance measures or APMs. Such measures include economic-interest-basis information; trading profit; adjusted EBITDA; headline earnings; core headline earnings; and growth in local currency, excluding acquisitions and disposals. Segment reviews in this report are prepared showing revenue on an economic-interest basis (which includes consolidated subsidiaries and a proportionate share of associated companies and joint ventures), unless otherwise stated. Numbers included in brackets represent the equivalent measure on the basis of growth in local currency, excluding acquisitions and disposals. For further explanation of the use of APMs, refer to 'About this report' in the governance section.*

SDG 12 SDG 13 SDG 17

Building a leading ecommerce ecosystem across Central and Eastern Europe

eMAG grew consolidated revenue 14% (8%) to US$2.2bn, driven by growth in the Romanian etail business, as well as in emerging businesses such as logistics (courier and lockers) and grocery. Trading losses improved by US$27m to US$26m, as the business progressed to profitability. The group's GMV grew 9% (in local currency) in FY24, led by Romania (11% in 4p[2] which also generated trading profit of US$40m for the first time and partially offset by Bulgaria and Hungary. Both Bulgaria and Hungary are now managed by the Romanian team, acting as a single organisation across all three territories.

eMAG's Sameday courier business increased revenue by 32% (32%) and halved trading losses while expanding in Hungary and Bulgaria.

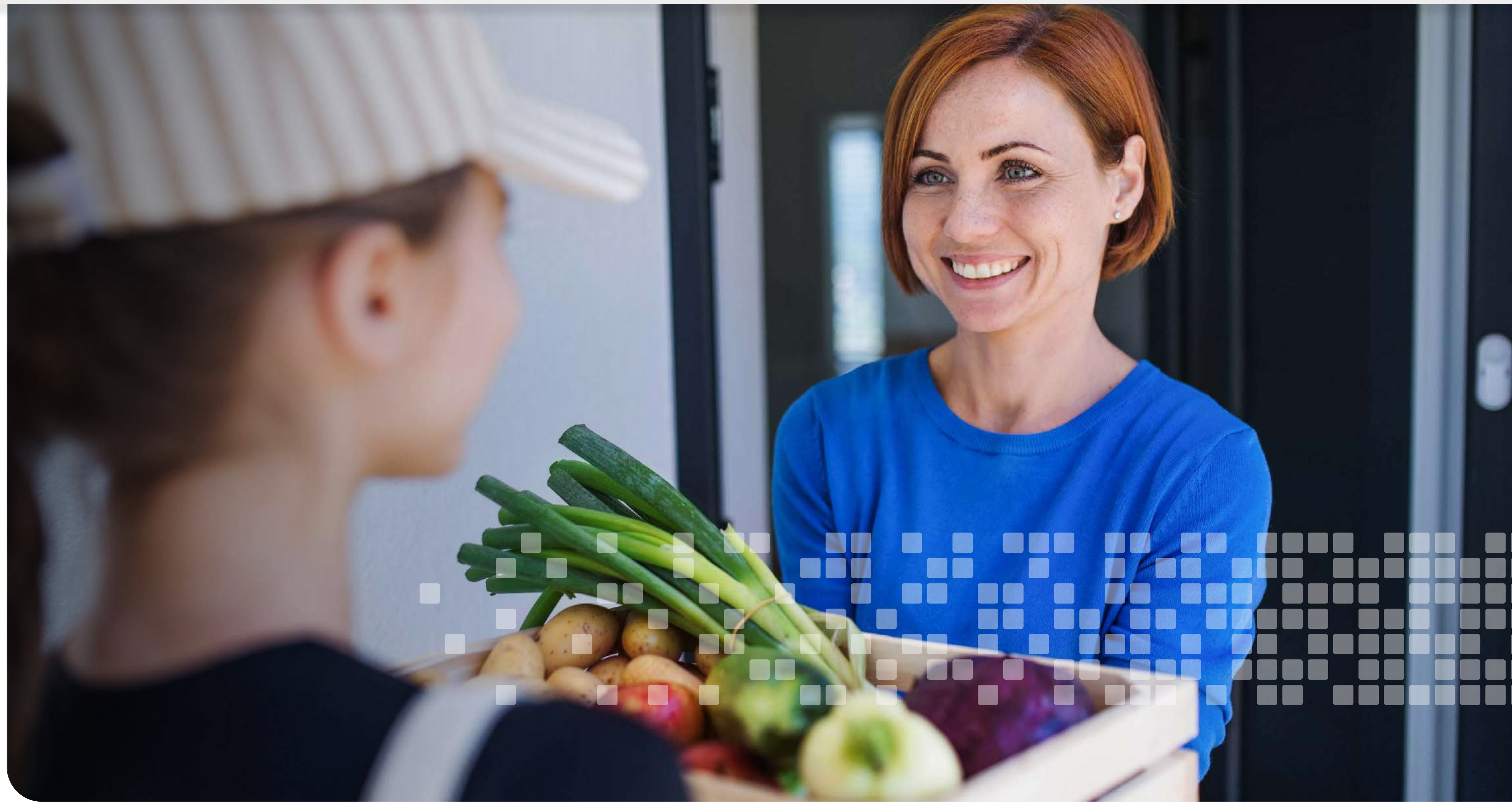
This group's growth extensions recorded strong growth. Revenue grew 57% (19%) driven by its food extensions: Freshful and Tazz. Freshful increased revenue 86%, reflecting order growth and an expanded customer base (79%). Tazz's revenue grew 18%, on increased average order value and extended geographical footprint. Tazz has made satisfactory progress in improving its order economics, contributing to a US$7m reduction in trading losses while Freshful maintained the same trading loss level for a business almost double the size. Overall, the trading losses for its food extensions improved from US$62m to US$50m.

The opportunity

eMAG is our leading ecommerce platform in Central and Eastern Europe. Over the years, it has built an ecosystem of complementary businesses on top of its vibrant eMAG Romania platform. From this 1p/3p business-to-consumer or B2C marketplace core, eMAG extended into other categories:

- Fashion through Fashion Days
- Food delivery through Tazz
- Grocery delivery through Freshful

2 *4p – total of 1p, 2p and 3p.*



- Logistics infrastructure across the group through Sameday
- Credit through HeyBlu
- Recommerce through Flip
- eMAG's unique customer account and Genius loyalty programme that unites the customer experiences of these businesses
- To maintain its status as a preferred one-stop regional ecommerce platform, it also operates PC Garage (specialised online gaming retailer), Depanero (repairs appliances and electronic devices) and Conversion Marketing (performance marketing).

eMAG maintains its position as a leading ecommerce platform in Central and Eastern Europe (CEE). Beyond Romania, eMAG has implemented similar strategies in Hungary and Bulgaria. These three territories have a combined population of over 36 million and a combined GDP of over €600m[3]. Romania and Hungary's nominal GDP per capita CAGR forecast for 2024–2027 is around 11%, the highest growth among CEE countries.

In contrast, personal disposable income for Romania, Hungary and Bulgaria is among the lowest in the EU, representing about half the EU average. Accordingly, over 2023–2027, disposable income growth is expected to exceed CEE and EU averages, with sustained economic development being the main driver for private consumption.

A strong growth driver for the Ecommerce segment in Romania, Hungary and Bulgaria would be the successful conversion of internet users to online shopping, to reach levels similar to other CEE countries.

One out of three **internet users** in Romania is an eMAG client, while two out of three **online shoppers** in the country are eMAG clients.

By upscaling eMAG's digital solutions in its regional network, and replicating the Romanian success story, similar penetration levels could be reached in Hungary and Bulgaria.

eMAG is the ecommerce flagship in three countries, driving ecommerce penetration since 2001 in Romania, 2011 in Bulgaria and 2013 in Hungary. The business model originated from 1p electronics and evolved into a marketplace that blends both 3p and a fast-accelerating 2p business, from the Bucharest warehouse. Currently, over 50 000 sellers, domestic and international, offer their extended selection of products in all categories through eMAG's platform. All product listings are offered under a unified front-end catalogue for a seamless user experience.

3 *Source: Economist Intelligence Unit (EIU) March 2024.*

Etail – eMAG

The first pillar of eMAG's strategy for its core business is **marketplace acceleration** in the region. The marketplace business extends eMAG's selection beyond what 1p can offer and generates profits that support the larger business. eMAG Romania's 3p business has grown its share of GMV, with the goal to reach 46% by FY29. eMAG has grown its 3p business by focusing on the fundamentals: selection, pricing and convenience.

The second pillar is **category expansion** and **increased selection** to enlarge the total addressable market, improve customer engagement, and bring economies of scale and scope. Selection is being increased from the current 20 million to 50 million offers through strong international resourcing, technological upgrades of the marketplace platform and developments in listing processes with AI tools.

A foundational step in realising the benefits of eMAG's ecosystem was to enable customers to navigate freely across its platforms. Customers can now access eMAG, Fashion Days, Tazz and Freshful through a single account. The convenience of a single log-in raises customer engagement, which leads to higher conversion rates for eMAG.

eMAG's top priorities in FY24 were delivering trading profit and improving revenue. Revenue improvement was achieved through 3p acceleration, developing non-electronic categories, Genius, ramped-up campaigns, selection and pricing policies. During the year, eMAG Romania, Hungary and Bulgaria were integrated, creating a full regional organisation covering all functions. Trading profit delivery was also in focus through cost-saving initiatives as well as better monetisation of rendered services.

Giving customers the best etail experience

To fulfil its mission of giving customers the best etail experience, eMAG focuses on four key pillars: enhancing convenience; helping customers make the right decisions; delivering on its promise; and making the difference in society while engaging customers on this journey.

Integral to reaching its goals is increasing customer engagement. The largest business, eMAG Romania, increased orders 11.3% YoY. While purchases of higher-priced items were lower amid protracted economic uncertainty, engagement on the platform continued to increase. This is a key positive long-term trend for eMAG, given its commitment to play an ever-bigger role in meeting people's everyday needs across Central and Eastern Europe.

Key strategic initiatives supporting this commitment are summarised below:

Growing Genius

Genius, eMAG's subscription programme, is the flagship proprietary service offering, providing free priority delivery and extended return to over 716 000 eMAG users in Romania. It fuels the group's ecosystem by expanding its benefits to the other group businesses (Tazz, Fashion Days and Freshful). It is the top driver in retention and growing 3p and 2p, as it removes the barriers of delivery costs and delivery time. In the next three years, Genius aims to reach 1 million clients in Romania and will be launched in Hungary and Bulgaria in the first quarter of FY25.

Growing Sameday

eMAG continued to strengthen its Sameday courier business, which aims for a 99% on-time delivery rate. In FY24, Sameday grew revenue 28%, meeting increased demand for deliveries from eMAG and other businesses in Romania and Hungary, while growing its business in Bulgaria. Within these countries, Sameday is already addressing a population of 36 million consumers. The borderless courier ecosystem will become an enabler for the online ecommerce segment in the region, by offering consumers a large selection of products, high delivery speed (24–48 hours) and affordable prices (instead of expensive international fees). Sameday's value proposition for the ecommerce segment is the opportunity to increase sales by accessing an extended pool of consumers without the need for sellers to store inventory in each country, with marginal delivery costs and using only one courier network across the three countries.

Expanding easybox network and increasing delivery speed

The popularity of Sameday's automated easybox lockers continues to grow – 81% of Genius orders are delivered via easybox, for example. These lockers give customers 24/7 service, pickup flexibility and over 99% on-time delivery rates. They are also cost-effective to operate and more environmentally friendly as they reduce the need to deliver to multiple individual addresses.

Sameday continued to expand the easybox network. In FY24, 5 000 lockers were available across the region, with plans to double the number by FY27.

The easybox service offers added convenience. Next-day delivery is a gold standard that Sameday plans to extend, on the back of increased out-of-home network in all three countries. Customers can return items when it suits them via the lockers, with an instant electronic refund once they close the door. Called 'magic return', this method is quicker, safer and greener – and a good example of improving everyday life.

In addition, 37 lockers now have their own solar panels – making the service even more environmentally friendly. The plan is to roll out more solar-powered lockers.

Fulfilling orders for third-party partners

The company continues to invest in and grow its Fulfilment by eMAG programme, where it manages delivery logistics for 3p partners. This enables eMAG to ensure delivery quality for customers and deepen relationships with merchants.

Added convenience from food delivery

eMAG's food-delivery service, Tazz, is now one of the top participants in the highly competitive Romanian market, growing GMV by 16% from a year ago. Capitalising on investments to build the brand and customer base, Tazz is focused on growing its order volumes and improving quality of service, while continuing to address profitability targets.

Added value from grocery delivery

Freshful, the leading e-grocery player in Romania, offers a comprehensive range of 17 600 items, focused on local producers for truly fresh food. Setting it apart in the market, Freshful has a dedicated warehouse and refrigerated delivery fleet to ensure customers get exactly what they want, quickly and conveniently.

After operating for only two years, from 75 000 orders per month in FY23, Freshful grew to 95 000 monthly orders delivered in March 2024. High customer satisfaction reflects the range and quality of groceries on offer, coupled with the reliable ordering and delivery service.

Expanding to financial services

eMAG's HeyBlu vision is to become a leading player by offering financing products to ecommerce segment merchants and consumers, to empower them in financing tools that extend purchasing power, in an easy and convenient way based on fair and transparent lending rules.

The short-term business goal is to offer simple, easy-to-access credit solutions to eMAG users, based on unique scoring capabilities developed by eMAG. The programme started by offering eMAG's customers two products: buy-now/pay-later (BNPL) with 30 days' grace period; and Slice4 (three-month instalments with upfront downpayment). In FY24, the product portfolio was supplemented by Slice12 (11-month instalment offer with upfront downpayment).

Sustainability – promoting a circular economy

eMAG continued to develop its initiatives to promote a circular economy. For instance, it encourages customers to select returned and resealed 'second-chance' products. Currently, 95% of eligible returned products are being resealed and reintroduced to the market with a discounted price through this initiative. The adoption rate for this product category remains high, with over 410 000 resealed products sold in FY24.

Looking forward

eMAG will continue to grow by extending the Genius loyalty programme, expanding financial services, expanding the out-of-home network, repairing more products, increasing the delivery of food and groceries, and doing more to support the circular economy. Building on its mission to give customers across Central and Eastern Europe the best retail experience, the group is set to broaden and deepen this experience and provide it in ever-more sustainable ways.

Etail – Takealot Group

Operational performance

takealot com SUPERBALIST.COM MR D

Key statistics

Revenue
US$792m
(FY23: -US$808m)
(-2% YoY growth US$16m)
(8% YoY growth in LC, excluding M&A)

Number of **employees**
2 471

Trading **loss**
US$14m
(FY23: US$22m)
(-2% trading profit margin)

Stakeholder material matters

Employees
- Job opportunities and skills development, increased diversity across workforce.

Regulators
- Changing regulatory environment. Building relationships and transparency with regulatory bodies in trading environment.

Merchants
- Adoption of merchants onto the platform.

Consumers
- Providing value, affordability, selection and convenience.

Strategic focus

- Maintaining profitability while continuing GMV growth
- Customer experience and personalisation
- Advanced supply chain and logistics capabilities
- Sustainable retail player.

Value drivers

- Expanding delivery-service levels geographically and reducing turnaround times
- Entry to new verticals, including grocery delivery and general merchandise dark stores
- Expansion of services offered to marketplace sellers with dedicated account support
- Growth and expansion of retail media offers to suppliers and sellers
- Launch the 'takealot more' loyalty programme across all Takealot platforms.

Risks

- High inflation, particularly fuel and energy costs, as well as nationwide staged electricity loadshedding increasing the cost of doing business
- Continued expansion of new entrants with aggressive and disruptive business models.

SDG 8 SDG 10 SDG 12 SDG 13 SDG 17

The Takealot Group is a group of leading ecommerce businesses in South Africa, comprising: Takealot.com, Superbalist.com and Mr D. Takealot.com is a general online retail and marketplace platform. Superbalist.com is an online apparel and footwear retailer and Mr D is a convenience delivery platform for restaurants and groceries.

There was increased competition throughout the year as competitors continued to invest heavily in ecommerce capabilities. Global competitors have made strong inroads into a price-conscious South African market and new entrants could further intensify competition.

Despite this, the Takealot Group delivered 13% growth on GMV and 8% growth on revenue in local currency.

Takealot.com grew GMV by 13% and reduced trading losses by US$4m in local currency, excluding M&A from the previous financial year. Its marketplace seller base exceeded 10 000 active sellers in March 2024 and is a key channel for many small businesses.

Mr D grew GMV by 16% in local currency, despite tough trading conditions in its traditional middle-income market. The business reached profitability for the first time, with a trading profit of US$3m for the financial year.

Building a convenient, enabling ecosystem across South Africa

Takealot is a leading 1p/3p ecommerce platform in South Africa, with impressive GMV growth of 26x over the past eight years. It expects steady growth to continue, despite the country's macroeconomic challenges, as the major growth driver is switching from offline to online. Among these challenges, rising interest rates and inflation depressed consumer demand while loadshedding created strain throughout the economy. Online penetration in South Africa, estimated by Euromonitor at 4.8% in FY24, still has room to grow compared to international benchmarks.

Although Takealot's base of higher-income consumers is more financially resilient than the average consumer, the competition for share of online wallet is intensifying, with new entrants to the market. Marketplace is a key pillar of Takealot's growth strategy. Takealot.com's 3p share of GMV is projected to increase as more sellers are brought onto the platform and the company expands the breadth and depth of its selection. Takealot aims to empower small and medium businesses by supporting and coaching new sellers, while managing and helping underperforming sellers.

Superbalist continued to focus on optimising its product offering by limiting private label to certain subcategories and partnering with global fashion retailers to offer a wider assortment of products. Tough trading conditions have increased competition from local players due to aggressive pricing to stimulate consumer depressed demand. The acceleration of international players has also impacted Superbalist.com's revenue growth.

Mr D has built a leading two-sided food-delivery marketplace in South Africa by providing superior service and better restaurant selection to customers, as well as an economically attractive channel to increase sales with minimal incremental cost or effort for restaurants. In addition to the partnership with offline grocer Pick n Pay, Mr D expanded its product categories to include petfood and accessories, gifts and flowers as well as general merchandise, moving to a convenience-delivery model.

Takealot's top priorities for FY24 were improving profitability and managing competition. Although operating costs increased due to the prior-year impact of new warehouses and new hires, costs were contained by scaling down activities, driving efficiencies and implementing a hiring freeze. In addition, Takealot has taken action to mitigate the effects of higher fuel prices by installing diesel tanks at distribution centres, and encouraging self-collection by customers at convenient pickup points.

Customer satisfaction

Takealot tracks customer satisfaction using NPS and a CSAT (yes/no) scoring matrix. Every interaction with a customer ends in a brief survey on whether they are satisfied with the solution or outcome presented. NPS is used as a mirror to the business and is sent randomly to over 30 000 customers a week to gauge customer satisfaction levels. The same is done for Takealot marketplace sellers. There is constant iteration in the way surveys are presented to ensure maximum response rates, as well as aligned data to assist in improving customers experience, ie in-app pop-up surveys have recently been launched.

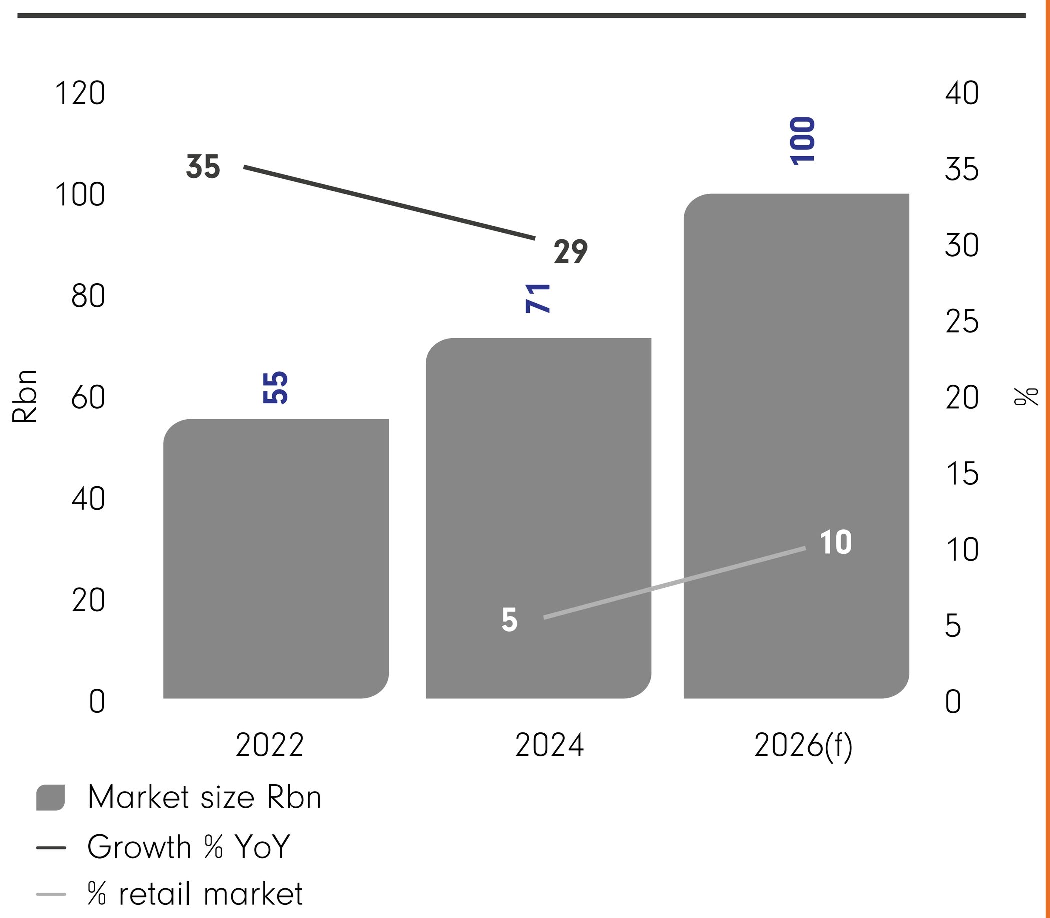
Etail – Takealot Group

Online shopping is gaining momentum in South Africa

'As one of the leading online retailers, Takealot is at the forefront of this shift, offering a wide range of products and services that cater to the evolving needs of consumers.'

– Fred Zietsman, CEO Takealot

Online retail in SA



South Africa's online retail sector grew 29% to R71bn last year, and is rapidly becoming a significant portion of total retail sales. A new study by World Wide Worx forecasts that the online retail sector will pass the R100bn mark to account for 10% of total national retail sales in the next two years. Much of this growth is attributed to the strategic shift by traditional (bricks-and-mortar) retailers towards competitive ecommerce and enhanced customer service, supported by sophisticated AI-driven tools. In combination, this is fundamentally transforming the local retail landscape.

The Takealot Group has been instrumental in developing the ecommerce sector in South Africa. Founded in 2015, its three platforms – Takealot, Superbalist and Mr D – are popular, trusted brands. Importantly, over the years, the group has developed in-depth knowledge of the specifics and diversity of the domestic market, underpinning takealot.com's continued growth in South Africa.

This understanding of the market was one of the reasons behind the Takealot Township Economy Initiative, launched in May 2024 in partnership with the Gauteng provincial government. The overarching objective is to ignite economic empowerment by fostering local manufacturing, supporting small businesses, and creating jobs in underserved South African communities. We aim to transform townships into hubs of innovation and opportunity through strategic partnerships with the provincial government, empowering youth and historically disadvantaged individuals to drive community development. Through a R150m investment in township ecommerce in the province, we will enable entrepreneurs in townships to develop a national reach online while creating job opportunities for young people as resellers on the Takealot platform.

Levelling the playing field in South Africa's ecommerce sector

Takealot's pioneering impact and the need for fair competition

The Takealot Group firmly believes that fair competition benefits everyone – it enhances consumer choice, bolsters South Africa's fiscal health, and stimulates growth of the ecommerce sector.

Since its inception, Takealot has been a trailblazer in the ecommerce sector in South Africa – introducing a range of innovative services and products that have significantly broadened the scope of online shopping for consumers. As a staunch advocate for micro-enterprises, the Takealot platform proudly hosts over 11 000 marketplace sellers. Additionally, the company is dedicated to enhancing ecommerce accessibility in some of the most isolated areas of South Africa, promoting economic inclusion across the country.

The entry of international players like Amazon, Shein and Temu to the local market underscores the robust confidence in this sector. At the same time, it is testament to the groundwork laid by pioneers like Takealot.

The rise of ecommerce platforms such as Shein and Temu in South Africa underscores a growing concern that threatens the nation's reindustrialisation and localisation efforts. These platforms contribute to a market imbalance by flooding the market with inexpensive imports. This influx is particularly noticeable in the local apparel sector due to Shein, and in the wider general merchandise market, affected by both Shein and Temu. Such trends pose significant challenges to the development and sustainability of domestic industries.

Regulatory gaps in South Africa's ecommerce sector

These ecommerce platforms exploit outdated regulations and loopholes by using shipping methods that allow them to offer products at exceptionally low prices while avoiding duties, taxes and other government fees imposed on conventional retailers. Collectively, this hinders government initiatives focused on revenue generation and collection, and undermines South Africa's sense of sovereignty.

The current governance landscape in ecommerce does not sufficiently address the need for fair competition – a disparity that leads to significant revenue losses and reduced capacity for local job creation. It also leaves domestic retailers, both online and offline, at a disadvantage. It is imperative that policy-makers craft regulations to level the playing field, ensuring all participants adhere to the same standards and practices and contributes fairly to the national economy.

The consequences of maintaining the current regulatory framework are significant. If unaddressed, the disparities will continue to widen, placing local businesses at a further disadvantage. This will not only inhibit their growth potential but also perpetuate a significant economic drain. Such a scenario threatens the vitality of the local economy and undermines sustainable development efforts.

In addition, without reform, potential new international investment could be deterred by the risk of an unstable and unbalanced market. Importantly, beyond the regulatory environment, these businesses selling into our country do not invest in physical infrastructure locally, nor do they employ locally – a net loss to South Africa. We believe it is crucial to quantify the significant current impact of offshore ecommerce on the South African economy, particularly in the manufacturing sector.

This form of commerce extracts value from South African consumers without contributing to local communities, ultimately harming small businesses, local manufacturers and the limited job opportunities available.

Every company operating in South Africa should have the opportunity to thrive, provided they adhere to the law and contribute to the local economy.

The call for reform

Takealot has engaged with key stakeholders to underscore the importance of fostering fair competition, enforce existing regulations on new offshore players that skirt these rules, and consider additional measures to address ecommerce challenges comprehensively, ensuring a level playing field for all participants. Globally, regulators in major economies are doing just that.

This call for fairness is not just about maintaining competitiveness; the goal is to safeguard the integrity of South Africa's retail, including small businesses (regardless of whether or not they sell on the Takealot's marketplace) and ensure sustainable growth for all.

Ultimately, what is needed is a balanced, inclusive and competitive marketplace where local and international businesses thrive by contributing equitably to the nation's economic growth and job creation and where consumers enjoy a wide range of high-quality, affordable products and services.

Looking forward

Takealot Group is investigating opportunities to expand its platform and services while increasing investment in its logistics and supply-chain infrastructure. The group's focus on delivering profitable growth across all businesses remains the leading priority while competing robustly with market incumbents as well as new entrants.

The group has embarked on a major programme to upgrade much of its platform, to ensure the business can easily handle continued growth and expanding services. The objective is to produce a business that is more resilient and more flexible – one that can scale quickly and effectively, and in new ways, to meet the needs of customers and partners.

It will also continue to look for more ways to support all participants in its ecosystem. This includes exploring ways to help more new businesses participate and succeed. The aim, as ever, is to enable as many people and businesses as possible across South Africa to benefit from Takealot.