

# Etail – eMAG<sup>1</sup>

## Operational performance



### Key statistics

<b>Revenue</b> <b>US\$2.2bn</b> <small>(FY23: US\$2.0bn)                  (14% YoY growth in US\$)                  (8% YoY growth in local currency, excluding M&amp;A)</small>	<b>Number of employees</b> <b>8 041</b>
<b>Trading loss</b> <b>US\$36m</b> <small>(FY23: -US\$61m)                  (-2% trading profit margin)</small>	<b>Adjusted EBITDA</b> <b>US\$21m</b> <small>(FY23: -US\$10m)                  (1% EBITDA margin)</small>

### 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 eetail 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.

<sup>1</sup> 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 robust growth in the Romanian eetail 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<sup>2</sup> 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.

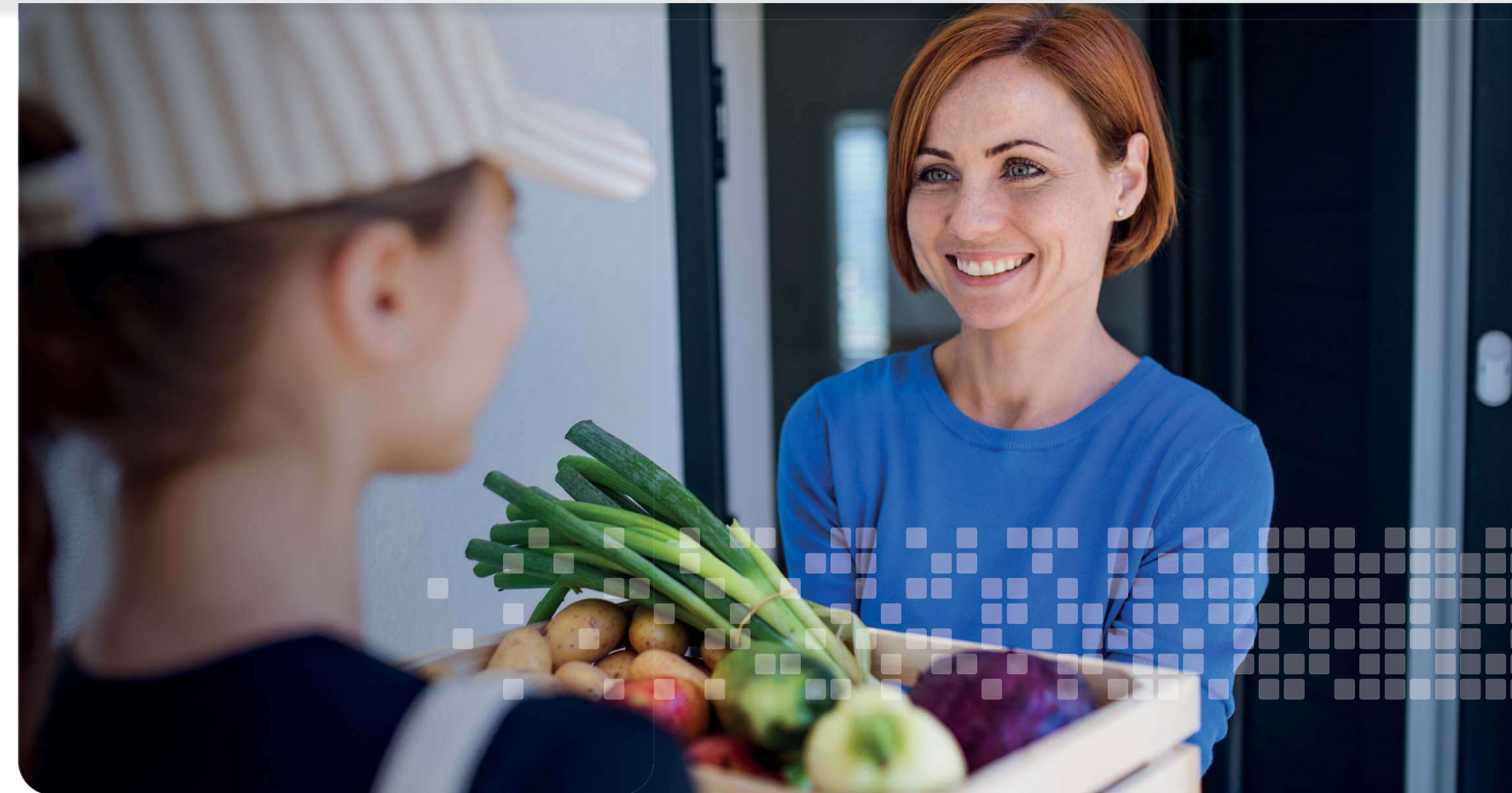
This group's growth extensions recorded strong growth. Revenue grew 57% (19%) driven by its food extensions: Freshful and Tazz. Freshful increased revenue 86%, reflecting order growth and an expanded customer base (79%). Tazz's revenue grew 18%, on increased average order value and extended geographical 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

<sup>2</sup> 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 €600bn<sup>3</sup>. 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

<sup>3</sup> Source: Economist Intelligence Unit (EIU) March 2024.

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.

## 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 eetail experience

To fulfil its mission of giving customers the best eetail 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 sector 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 sector 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 sector 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.

## Etail – eMAG

- 1 eMAG Genius**  
Loyalty programme
- 2 eMAG easybox**  
Automated lockers
- 3 Sameday**  
Inhouse courier service
- 4 Fulfilment by eMAG**  
Fulfilment for 3p merchants
- 5 Tazz by eMAG**  
Food and multivertical delivery
- 6 Fintech solutions**  
Consumer credit solutions
- 7 Advertising solutions**  
Sponsored merchant listings
- 8 Freshful by eMAG**  
Large-basket grocery delivery

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.

Another initiative is the eMAG buyback programme that helps customers dispose of old home appliances in exchange for a voucher to buy a new energy-efficient appliance. eMAG picks up the old appliance for free and takes care of recovery through an authorised recycling partner. In FY24, over 96 000 appliances were purchased by our customers through this programme.

Flip refurbishes and sells secondhand mobile phones and tablets, preventing quantities of electronic devices going to landfill. It expanded into Bulgaria and Hungary in FY23, and to Greece in FY24, increasing sales by 53%.

The newest programme developed in FY24 by eMAG and Flip is Flip Buyback. Customers can sell their old mobile phones to Flip in any eMAG showroom and receive an eMAG voucher reflecting the value of the device after an evaluation that only takes minutes. Flip then refurbishes the devices and resells them on its platform. The main goal of the programme is to transform used mobile phones into a financial resource, while prolonging the life cycle of the devices.

The Depanero repair service is a circular service that repairs appliances and electronic devices sold by eMAG. This prolongs the life cycle of the appliances, lowering their environmental impact. In FY24, almost 247 000 appliances were repaired for customers in Romania, Hungary, and Bulgaria. In FY25, Depanero will expand its activities to installing solar panels and charging stations for electric vehicles.



### 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.

