

fashionette

Strong re-acceleration required in Q421

fashionette's Q221 results demonstrated KPI trends that were consistent with previous quarters (growing customers and order numbers), but with lower average order values. Growth rates slowed versus Q121 owing to the tougher comparative due to the boost from COVID in Q220. Migration issues on the transition to a new logistics partner led to a recent downgrade in management guidance for FY21, but it is confident of a return to strong growth in Q4, the traditional peak selling period. The FY21 EV/EBITDA multiple of 30.5x is in line with online peer multiples.

Q221: Growth slowed versus strong comparative

Net revenue growth of 19% in Q221 was driven by an increase in the number of new customers (+30% y-o-y), active customers (+52%) and orders (+29%). The average order value declined by 7% due to category mix. Growth rates for revenue, new/active customers and number of orders slowed versus Q121, attributed to the strong Q220 comparative boost provided by COVID, as well as the challenges of servicing UK customers post Brexit (higher transport prices and longer delivery timelines). Gross margin declined by 264bp y-o-y to 37.1% (excluding other income) as competitors began the traditional Q3 discounting period in Germany in April – earlier this year than in prior years. The lower gross margin, higher marketing costs (+75%) and distribution costs (+29%), partially compensated by personnel costs, led to a lower adjusted EBITDA margin of 1.4% (8.9% in Q220). Negative free cash flow generation (inventory investment) led to a lower period-end net cash position of €21.3m (€31.8m at end FY20).

FY21: Management reduced guidance

On 26 August, management reduced FY21 guidance due to temporary issues on the migration to a new logistics partner (May to August). At the midpoint of the new ranges, the downgrades to revenue were 6% (to €133–143m from €141–150m previously) and adjusted EBITDA by 36% (to €3.3–4.3m from €5–6.9m previously). Management believes that the order volume, which is affected by the current logistical challenges, will return to the levels before migration by the end of September 2021 at the latest, ahead of the seasonally important Q4 trading period.

Valuation: FY21 premium to peers

Using consensus estimates, fashionette's FY21e EV/EBITDA multiple of 30.5x is in line with the average multiple of online fashion peers (29.8x) with a wide range of multiples, and the FY22e multiple of 10.6x is at a discount to the same peers (24.1x).

Consensus estimates

Year end	Revenue (€m)	PBT (€m)	EPS (€)	DPS (€)	P/E (x)	Yield (%)
12/19	73.2 **	3.1**	N/A	0.0	N/A	N/A
12/20	94.8	6.4	0.14	0.0	152.8	N/A
12/21e	138.5	0.0	0.11	0.0	194.5	N/A
12/22e	217.2	6.5	0.91	0.0	23.5	N/A

Source: Refinitiv, **Edison Investment Research

Retail

13 September 2021

Price €21.4
Market cap €133m

Share price graph



Share details

Code FSNT
Listing Deutsche Börse Scale
Shares in issue 6.2m
Last reported net cash at 30 June 2021 €21.3m

Business description

fashionette is an online platform for premium and luxury fashion accessories in Europe. Geographically, the DACH region is its core, representing c 85% of revenue in FY20. It is seeking to diversify by geography and product offering.

Bull

- Broad product and luxury brand offer.
- Fragmented markets with strong growth outlook.
- Data-driven processes expected to optimise the cost of acquisition and lifetime value of customers.

Bear

- Premium and luxury demand is sensitive to economic growth.
- fashionette brand name is less well known across new geographies that are targeted for growth.
- Profit growth may lag revenue as it invests to acquire market share in new geographies.

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