



May 27, 2024

National Stock Exchange of India Limited

BSE Limited

Symbol: NYKAA

Scrip Code: 543384

Dear Sir,

Subject: Q4 FY24 and FY24 Earnings Call Transcript

Please find enclosed the transcript of the Analyst / Investor Conference Call held on Wednesday, May 22, 2024 with regard to the Audited Standalone and Consolidated Financial Results for the quarter and year ended March 31, 2024.

This intimation is being submitted pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

Thanking You,

Yours faithfully,

For FSN E-Commerce Ventures Limited

Neelabja Chakrabarty

Company Secretary & Compliance Officer

FSN E-commerce Ventures Limited (Nykaa) Q4FY24 & FY24
Earnings Conference Call

Garima Mishra: Hi, good evening, everyone. I am Garima Mishra, Internet sector analyst from Kotak institutional equities.

Welcome to FSN E-commerce Ventures Limited's Q4 FY24 earnings call.

From the management at Nykaa we have:

Mrs. Falguni Nayar, Executive Chairperson, MD and CEO,

Mr. Anchit Nayar, Executive Director and CEO, Beauty E-Commerce,

Mrs. Adwaita Nayar, Executive Director and Co-Founder, CEO, Nykaa Fashion,

Mr. Vishal Gupta, CEO Nykaa Distribution,

Ms. Rozita Norouzi, CEO Nysaa, and

Mr. P Ganesh, CFO

Before we start, we would like to point out that some of the statements made in today's call may be forward looking in nature, and the disclaimer to this effect has been included in the earnings presentation shared by the company earlier. Please note that this call is meant for investors and analysts only. By participating in this event, you consent to such recording, distribution and publication. All participant lines will be in the listen only mode and there will be an opportunity for you to ask questions after the presentation from management concludes. With that, Falguni over to you for opening remarks.

Falguni Nayar: Thank you very much, Garima. It's a true pleasure to be here today and speak to everybody on the call about Nykaa's fourth quarter results. Also it's the end of the financial year and hence also the full year results for financial year 2024. So, I think I'll start with the first page on the performance highlights.

So, the Q4 performance summary for the Consolidated business shows that our GMV has grown at 32% year on year growth and is currently at Rs 3,217 crores for the quarter. That's fantastic growth, considering how the market has been in the fourth quarter. So really, at Nykaa we are very happy about the growth that we've seen in the GMV for the entire business. Revenue from operation is also grown pretty solid, and it's grown at 28% on a year-on-year basis, and for the quarter it has come out at Rs 1,668 crores. This has resulted in a healthy growth of gross profit to Rs 710 crores for the quarter and the margins have come out at 42.6%. What is very interesting is also below that line, EBITDA at Rs 93.3 crores for the quarter is a 32% year on year growth and the margins are at 5.6% and on an adjusted EBITDA basis, what we'd like to highlight is that adjusted EBITDA has come out to Rs 112.2 crores. That's almost 56% year on year growth with the adjusted EBITDA margins at 6.7%. I will explain little bit about what we mean by adjusted EBITDA. The difference between

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EBITDA and adjusted EBITDA is on three counts, one being the ESOP charge, second, being our investment in GCC through Nysaa, which is a new business that we have started, and third being some amount of corporate restructuring that had taken place during the year in terms of moving some of the assets within the group, and certain amount of stamp duty charge or restructuring charge on that account is included in that. Albeit it's a small amount, but it is indicative that the base business is showing strong growth momentum in margin improvement which has come out at 6.7%, if you were to consider it from an adjusted EBITDA perspective. At the profit before tax level that has come out at Rs 19.6 crores, which is about 126% year on year growth with margins coming out at 1.2% and finally PAT at Rs 9.1 crores, is almost a 298% year on year growth. So overall, very happy about a strong quarter that Nykaa has displayed at the Consolidated Level, and all of you will be able to see that each of the businesses have fared also well.

Moving on to the full year performance, Full year's story is similar albeit fourth quarter is stronger than the full year, which means that our growth has accelerated in the fourth quarter, as well as our profitability improvements have also accelerated in the fourth quarter. So on a full year basis, the GMV has come out at almost Rs 12,446 crores, a 28% year on year growth, revenue from operations at Rs 6,386 crores a healthy 24% year on year growth. Gross Profit for the full year at Rs 2,739.2 crores, which is 20% year on year growth, margins at 42.9%. EBITDA for the full year at Rs 346 crores, a 35% year on year growth. Adjusted EBITDA at Rs 381 crores 43% year on year growth, the adjusted EBITDA margins at 6.0% instead of 5.4%, which is the non-adjusted EBITDA means declared EBITDA and PBT at about Rs 69 crores for the full year, again a solid 80% year on year growth with margins coming at 1.1% and PAT at Rs 40 crores which is a 90% year on year growth.

Strong growth uptick across all verticals like I said. For the quarter BPC grew at 30% year on year, one of the strongest growths over last 3-4 quarters. We are happy that we've been able to push the growth at this level through new customer acquisition, and there'll be more, you'll hear from it, when Anchit goes into the details. But full year growth was also healthy at 25% for the BPC vertical.

On the fashion vertical, the growth was at about 27%, both for the full year as well as for the quarter. So, the quarter was in line with the full year number. However, if you recall the first half of fashion growth was not so strong, and third quarter was a strong quarter for fashion growth, followed by a decent growth in the fourth quarter. 27% is a healthy growth, considering where the industry is and we are happy with the growth in the fourth quarter, though seasonally it's not one of the strongest quarter.

Other businesses which primarily include the superstore and Nykaa Man, and few other businesses like LBB. Superstore business has shown almost 81% growth year on year if you were to consider the fourth quarter and on a full year basis, it's about 84% growth. On the other verticals again, similarly, the growth was 68% overall for the fourth quarter and 59% for the full year. You can now see that the GMV of these segments is also becoming quite significant with GMV for the full year at Rs. 835.3 crores which is a solid contribution to overall GMV activities for Nykaa. So, the diversification is

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helping Nykaa address a larger TAM and stronger growth. We come to the next slide which is exactly seeing that. So why did we embark on this journey of adding more businesses which was with a clear view to increase the TAM that we were addressing. As you know, the BPC market in India was 30 billion dollars market with only 10 billion dollars being online BPC, that is, in 2027. So, in 2021, it was even smaller. Organized offline BPC is expected to be about a 9 billion dollars by 2027 and unorganized offline BPC will be 11 billion dollars. We wanted to be present in each of those, and that's why we focused on adding both the retail part of the business as well as Superstore to our mix of the beauty and personal care business. Similarly, fashion, we believe, is a larger TAM at about 147 billion dollars, 5 times larger than beauty in 2027. We've said many times, and online fashion was as large as 49 billion dollars, and we thought that we had the customer, we had vertical commerce capabilities. We had many things with us to succeed in this business and that's how we decided to enter Fashion. Fashion now contributes about 26% of our GMV and it has been growing at 71%, if you look at 3 year CAGR. Other businesses also have been growing at 178% if you take 3 year CAGR. Latest to this diversification is entering the GCC market, which you can see is a 30 billion dollar market with much smaller population, and hence the per capita BPC consumption in GCC is at \$500 per capita, and hence very different and attractive business for someone like Nykaa to enter. So, we remain very excited about entry into GCC along with a partner and the business in GCC is called Nysaa, not Nykaa, similar to Nykaa, but yet a brand of its own called Nysaa. You know, I think with that I would like to hand over to Anchit to talk about the beauty multi brand retail.

Anchit Nayar: Yeah, thank you very much. So, I'll kick it off with the first slide. I think, as FN mentioned, it's been a solid quarter for the BPC multi brand beauty business that we have. If I look at GMV, we closed the quarter at almost Rs. 2,120 crores of GMV of which 79% of that business came from existing customers and 21% from new and this is a 30% growth year over year. So a full year growth of about 25% and Q4 at 30%. So, both strong performance on a quarterly basis as well as on a full year basis. What's most exciting is to see the trajectory of growth improving as we come out of the year. It should go well. If I look at the 3-year CAGR for the business, the GMV has grown at roughly 35%. GMV for the full year is at Rs. 8,341 crores on a full year basis. In terms of visits, we have been investing in driving more traffic to the platform as well as to our physical retail stores, and we get roughly 286 million visits in the Q4 and this is a 24% growth over last year. Overall, we got over a billion visits. So, 1.1 billion visits to the platform which is quite a significant amount for the fiscal year ended March 2024, and that's about an 18% growth on a full year basis. If I look at our Annual Unique Transacting Customers, there has been healthy growth as mentioned. There has been significant investment in new customer acquisition towards the second half of FY24 and that's reflecting in the healthy growth in AUTC and our AUTC now stands at about 11.7 million which is an 18% growth on a full year basis as well as on a quarterly basis. Finally, coming to the number of orders 11.1 million orders were placed on the platform in Q4, which is a 27% growth and 41.7 million orders cumulatively placed on the platform for FY24, which is about a 20% growth. So, you know, as

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you can see, each of our unique transacting customers are placing multiple orders on an annual basis on the platform, which shows a very high engagement rate and conversion rate as well. Next slide, please.

Anchit Nayar: So just to dive deeper into what were the key levers that enabled us to achieve this growth in Q4, as well as for the full year. As you can see, 30% growth in Q4 has been the highest growth for the BPC segment over the past several quarters, strongest growth actually in the past 6 quarters. In terms of what were those key levers? First and foremost, has been investment behind new customer acquisition and also ensuring that the metrics around the customers remains healthy across the funnel. Second is strong growth in our core categories of skin care and hair care and importantly, there has been a revival in the growth of makeup or color cosmetics. This was a category that saw slow growth first half of the year that has recovered nicely and has been a driver of this outsize growth. We're also seeing very promising growth from emerging categories, such as fragrances and bath and body. These categories are growing faster than the platform average, and albeit off a smaller base. But it's a very promising business for us. It is purely incremental business, it is us adding more items and more categories to the consumers cart, and they should go well again for growth as well as for customer metrics going forward.

Anchit Nayar: We had a good quarter in terms of new brand onboarding. There are some marquee brands which we added to the platform this quarter, which we will discuss in subsequent slides, and finally, last, but not least, there has been a healthy performance by Nykaa's owned brands as well. Some of which have grown faster than the platform as well and have taken market share.

Anchit Nayar: So just spending a minute on our Nykaa global store business. It's a business which we've discussed in the past but not in exhaustive details. So just giving you some more understanding behind this particular business that we run within the BPC segment. So Nykaa global store is a distribution and retail business whereby we provide end to end services for international brands looking to enter the Indian market. These are brands who may or may not have the bandwidth and resources to dedicate to building out an India operation on their own. So, they give us the rights to import and distribute these brands. Today, we have 39 brands who are working with us through the Nykaa global stores through the import and distribution model. These brands are growing at about a 56% CAGR over the past 3 years, which is double the overall growth of the platform.

Anchit Nayar: What has allowed us to become such an important importer and distributor for these brands in the country has been that we are in many ways a one stop shop for these go global brands. We help them with registration, compliance and logistics, market entry strategy, warehousing and operations, distribution both on platform as well as off platform, post order servicing and retention, and equally importantly localization and brand building through our marketing engines. It really is a 360-degree approach to helping these brands to establish themselves, build brand equity, and deliver revenue to them as they look to enter the India market.

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In terms of our distribution strength. I think it is quite unparalleled in India context. Our nykaa.com website and app get over a billion visits as I discussed on a previous slide, and we have 25 million transacting customers till date. And these customers have a much higher annual consumption value than the India BPC average. So, it's a very engaged, sophisticated, premium shopper, which is of immense value to a lot of brands looking to come into India.

Second, not only is the app a very, very strong platform and attractive option for the brands, but couple that with having the largest specialty network of physical retail stores, 187 stores that our company owned and operated across 68 cities is a very large physical network that is of immense value again, to brands as they look to really build an omni-channel presence in India.

We also offer select brands access to our superstore business, which is a Nykaa distribution business. So, for the brands more on the mass and masstige end of the spectrum, they get immense value from working with our Nykaa superstore business to get access to over 1.95 lakh retailers across 1,000+ cities. We are also offering brands in Nykaa global store the ability to build EBOs on their behalf. So, build exclusive stores for them on their behalf as well as run, manage, and operate their brand (.com) websites. We're also open and able to distribute brands across third party online retailers if that is a requirement, or if that is the right distribution strategy for the brand.

Anchit Nayar: So, moving on to the next slide. This is just a list of all the brands which we are currently serving as importer and retailer for. So, you can see, it's quite an extensive list. These are some of the most well-known brands in the world. Brands like Charlotte Tilbury, one of the best performing makeup brands globally, ColourPop, Elemis, Fenty Beauty, elf cosmetics, Pat Mcgrath Labs etc. So, it's a very extensive list of very blue-chip brands that are trending in the global context as well. I'll just spend a minute on one of the key brand launches we had this quarter, and that was Fenty Beauty. So, for those of you who may not know, Fenty Beauty is a brand that is developed by a celebrity artist Rihanna in collaboration with the LVMH group. This brand launched in India exclusively with Nykaa in Q4. This is one of the biggest celebrity makeup brands in the world. Now you know what was the thought process behind Fenty choosing to launch with Nykaa in India. I think it's quite simple. We have a very successful track record of launching and growing global luxury brands in the country over the past decade. Second, we have the largest base of premium beauty buyers in the country, as well as the largest assortment of luxury brands. Third, we see ourselves truly as brand custodians. What that means is that we really help the brands to be locally relevant and to grow their business in a sustainable way, and not just based on discounts and price. We really help to build brand equity on behalf of our brand partners, due to a very strong marketing and content platform which we built over the years. And finally, it's the Omni channel distribution strategy which we're able to offer, coupled with being a very vertically specialized platform which beauty brands appreciate. As we are also well-versed in terms of the category in the country. In terms of the launch, the launch was in March of 2024, it was a very successful launch. We saw 30x jump in searches for the brand on the

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Nykaa app prior to launch. We worked with over 100 influences to create 100 million reach which is one of the biggest amplification campaigns we've done in a while and on launch day itself the brand became the number one brand on the platform and the number one in certain key subcategories like Lip Gloss, Liquid Lipstick, Blush, and Highlighter, etc. So big win and reiterating Nykaa's dominance and importance to global brands as they look to enter the India market.

Anchit Nayar: So, spending a minute on Stepification of Beauty, this is a big campaign which we are running. We believe that there are 3 factors that drive consumption in the category: One is availability, Second is assortment, and sorry, Second is affordability, and the third is awareness, and I think we all believe that the affordability gap is being solved in India as household incomes rise. We believe that availability is also being solved, as platforms like Nykaa makes access to beauty brands a lot more available in smaller towns and smaller cities. But the biggest gap is on awareness. I think the reason why India has low per capita consumption of beauty is because awareness is low, and we've been using Stepification, we've been using education and content as a way to really expand the market through driving more demand. So, in skin care, I've spoken about this in the past. We launched a 4-step skin routine which we developed in partnership with dermatologists. It is a skincare routine that is tailored for Indian skin and that has allowed us to actually grow the category with from the India average for skin care consumption, which is only 1.5 items per cart, and ours has reached 3.5 because of this category expansion work we've done in the skincare side, and you can see, as a result of the education and marketing we did, both serums and sunscreen categories have become very fast-growing categories on our platform as well as in the industry both growing at 35% and 65% respectively. We've done similar work on haircare and color cosmetics. In haircare, we're pushing our customers to adopt a 3-step hair wash routine and not just a one step. We're calling that treat, wash, and nourish. On the color cosmetic side again, to drive a lot more consumption of subcategories within makeup, we have launched a stepification regime called prep, cover and set. And as a result, we're seeing some of the smaller categories that are being included in this certification routine are growing very rapidly, thanks to this education and content work which we're doing and it's reflecting nicely in terms of the consumption patterns which we're seeing from our consumers.

Anchit Nayar: Next slide, please. So, spending a minute on physical retail. You know, today Nykaa is the only truly scaled omni-channel retailer in the country. I've spoken about the size and scale of our online business, and I think it's equally formidable offline as well. Today, we have a 187 stores across 68 cities in India and over 1.7 lakh+ Sq. Ft. of retail space. Our physical retail business is not only growing rapidly and expanding the footprint, but it's also growing profitably. As you can see, this business, the GMV growth has been over 50% over the past 3 years and at the same time managing to deliver 105%+ growth on EBITDA, so, a very a good mix of growth and profitability being delivered by our physical retail business as well. One of the new stores we launched, just an example of how our new stores are getting revamped (plays video).

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Anchit Nayar: I hope you enjoyed the video. I think the message we're trying to share is as there is an influx of many more global brands into India and choosing Nykaa as the partner of choice. We do need to have slightly larger stores and much more impactful stores. So, linking road this is the first new flagship model which we've launched, and you'll see more of this type of store to launch in the coming months and years. You know, for us our physical stores are not just a platform on which to sell product to consumers. It goes back to our mission of truly educating Indians and driving much more awareness about the category. We believe that awareness is finally the only piece that's missing that once bridged will help to drive meaningful consumption of the category. And we've done. I spoke about the work we're doing online. This is some of the work which we do to our offline stores as well. So, allowing our brands to truly elevate the brand expression in store by doing shop in shops and also personalizing their own displays. Secondly, a lot of services in store, including a skin analyzer tool as well as a dry bar from Aveda, Dyson hairstyling and very, very well-trained beauty advisors were able to really recommend the right routines and the right products to our consumers. And finally, we do a lot of eventing across the country, especially in smaller towns and cities, where we host master classes and beauty bars where consumers can come and interact and learn a lot more about the category. And you can see from the videos that we get fantastic turnout from consumers.

Anchit Nayar: Next slide. Yeah. So, I just wanted to spend a minute on this, you know, I think, what we're seeing is India today is truly becoming a priority market for global beauty companies. They're realizing the potential that India has to deliver to them, not just growth, but also scale. And I think, given everything that happened in China over the past few years, There is a desire to de-risk and to find new avenues of growth. And India, of course, is first and foremost on that list. So, you know, we're very lucky at Nykaa to be seen as the trusted partner for all international brands, as they look to understand the India market, and as they look to set a set of operations in the country and to grow their business over a longer term, they realize that Nykaa is the right partner for them, because we can truly help these brands to build meaningful equity and to grow the business in a sustainable fashion. And you can just see a couple of examples of some of our partners who've come to visit us over the past few months. We had the Unilever global CEO, Hein Schumacher, who visited us in January the Estee Lauder global CEO, Fabrizio, who was also here in October, Amoria Pacific chairman and CEO in February, Beiersdorf, Unilever prestige as well as L'Oréal. So, we are seeing that, you know for us we believe that what differentiates us from other retailers is, we see our role truly as a client servicing mind and we are here to serve our brand partners, and here to serve our customers. And I think our brand partners realize that's the approach we take to doing business and as a result, not only are we delivering meaningful business to them in terms of revenue, but we're also helping them to establish their brands the right way, and they see us as truly collaborative partners, and not just a transactional platform. So, this is very difficult to replicate as a dis-intermediate, because this, of course, is relationships and this track record has been built over almost a decade. In

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the next slide, you'll just see a few more examples of other key brand partners and CEOs, who visited us over the past few months.

Anchit Nayar: Next slide, please. And with that I'll hand it over to Adwaita to take you through fashion.

Adwaita Nayar: Thanks, Anchit. So, in terms of fashion, quarter four's been very strong, and we've closed the quarter at Rs. 842 crores GMV, that's a 27% year on year growth. From an annualized full year perspective, FY24 has closed at Rs. 3,270 crores and similar growth through the year at about 27%. Similarly, NSV has also grown at, you know, a similar proportion, 25% for the quarter and 26% for FY24. I think we've made considerable improvements for the entire financial year on, you know, returns, RTOs, cancellations. So, you do see our NSV to GMV gap narrowing year on year and that's also leading to a lot of goodness through the PnL. The third chart here on the bottom left is the annual unique transacting consumers and here you can see a 20% growth for the, you know, full year, and FY24 has ended at 3 million annual unique transacting consumers. And from an orders perspective, quarter 4 had 1.7 million orders corresponding to a 20% growth and the full financial year had a 7 million orders corresponding to 16% growth. Moving on, the chart on the left shows the trajectory of the last couple of quarters, I think. You know. Q3 was extremely strong. It is also the festive season, and Q4 is generally a little bit slower than that. But in the context of the market, and what we're hearing from what the fashion growth has been in general, we are feeling quite good about 27% growth and we do feel we've taken share in Q4 as well. In terms of the right inside point we're trying to make is that we remain extremely committed to our positioning. I've spoken a lot about in the past, the positioning of the fashion business, which is very much focused on being premium being very curated, being very differentiated from any of the platforms that are out. Then we continue to lean into that.

Adwaita Nayar: The financial year has been all about focusing in on our strengths, which is women's Western wear, Indian wear, and some of these categories related to women like lingerie and active wear. And so, on the bottom right you can see that for these categories, we've actually outpaced the platform as well. So, we're sort of really focusing on the type of categories and the quality of growth that we want. A lot of these decisions together are leading to much better repeat behavior, conversion rates, and therefore profitability metrics which we'll see on this slide. This slide really tries to make the point that over the last couple of years we've really worked on the quality of the business that we have, and that's finally reflecting in the contribution margin, which is going up quite steadily. So, starting with the charts up top on the left-hand side to the top left you can see that the conversion rate which is ordered to unique visitors has gone up to 2.9% up from 1.8% 2 years ago. I think the next chart is the repeat behavior. So, you can see that 48% of our business in FY24 came from our existing customers and we are generally seeing a lot of improvement in the cohort through this past financial year, and then the next 2 charts show the focus on costs. So, we're working towards bringing

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fulfillment costs down and also marketing costs down. I would say the real highlight for us is this chart on the top right, which is marketing expenses so, you can see that there's been a significant decline in marketing expenses as a percentage of NSV and that is leading to a lot of the contribution margin expansion that we see in the chart on the bottom. So quite proud of the team for achieving the results on the bottom, which is the contribution margin expansion. So, year on year, the contribution margin has increased from 2.2% in FY23 to 4.9% FY24 and actually the exit of Q4 is even higher at 5.7%. So, in general, the trajectory of the contribution margin is upward from here and in the past, I have made statements about how you know, sort of the peak investment phase is obviously behind us, and really, with every quarter we're working to improve and increase contribution margin. You know, greatly on the back of marketing expenses coming down, which is the result of the whole proposition coming together quite well.

Adwaita Nayar: Moving on, we continue to, you know, focus on the proposition which I already spoke about, and as I've spoken in the past, we do have a couple of different initiatives that we work strongly on which is the global store, constantly traveling and bringing the best brands into the country. This business, again, has grown well, grown faster than the platform at 31% year on year growth. We have taken a conscious call over the last 6 months to also start building out our luxury store. So that's even more premium fashion than what we already offer. And we do think that this is a nascent part of India's consumption, and we want to be ahead of that curve. So, we've been onboarding aggressively in this space as well. And it's early days, but we do feel that a lot of future growth can come from this part of portfolio as well. And finally, the hidden gems portfolio, which is about those niche, homegrown Indian designers, and labels. We're creating incredible designs right out of this country, which again last year grew extremely well at 42%, which was higher than the platform. So, you know, we talk about this, just to give you a little bit of color on how we're building the differentiation and proposition through our assortment. On the right-hand side, we talk briefly about active wear. So, as you remember from last quarter, we have signed up the FootLocker deal for India, where we will be their online partner. And as we gear up for that, we're also getting really focused on building out our active wear assortment on the platform. And we're seeing a strong growth in women's active wear on the back of brands like Under Armour, Alo, New Balance, and so forth.

Adwaita Nayar: Moving on, we'll next talk about our house of brands business. So, you know, I think Nykaa is sitting on some really fantastic assets when it comes to our own brands. So, we have a whole bunch of brands close to 20 across beauty and fashion, and some of them have actually become incredibly sizable over the last couple of years. So, dot and Key, one of the acquisitions we did a couple of years ago has now become a Rs. 500 crores plus business. Nykaa cosmetics, our sort of flagship, you know, Cosmetics Brand with our name has become a Rs. 300 crores business. Kay beauty, which is the, you know, Bband that we own along with Katrina as a joint venture, that is again also hit over Rs. 150 crores and again in fashion, the brands were really finding great size and scale our brands like Nykd and 20 dresses. So, we're feeling very excited about this portfolio of brands that

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we have, and we do feel that we want to lean into some of the ones that have already hit scale and really accelerate over the next couple of quarters. We think there's a lot of value to unlock for the consumers in this strategy and then, of course, we'll also work on our up-and-coming younger brands, which you see, towards the bottom of this page, and you know, by investing smartly, we're hoping to find a couple of winners from these as well.

Adwaita Nayar: Moving on. On this side, we talk about the Beauty owned brand side. So, this has become a Rs 1,000 plus core business, and FY24, with a 47% 3-year CAGR, and year on year corresponds to a 39% growth. So again, very strong performance there, on the bottom of this first chart, you can see the contribution to the overall BPC GMV. So, over the last 4 years, it's increased from 10% to 13% contribution and Anchit also alluded to this that a lot of our owned brands are growing very fast on the platform. On the right-hand side, we make the point that our owned brands are not limited to just our platforms. So, you can see what portion comes from Nykaa online, what comes from like stores, but also, a significant portion comes from GT/ MT and other channels which include some other online platforms where we list. And so, you can see that, you know, as part of our overall strategy, we believe these are truly unique brands, and therefore they need to have distribution strategies of their own and some portion of that will be off the Nykaa platform as well, and we're leading into that distribution a little bit more.

Adwaita Nayar: So now, moving to fashion on the left-hand side, we can see that the fashion own brands business has now become a Rs. 400 crores+ business and I think over the last 4 years a very impressive trajectory of a 100%+ CAGR and you know, that was just we started it from scratch a lot of brands took off and we're feeling very good about where this portfolio is as well, and on the right-hand side you can see similarly, there's a significant portion of this business that comes outside of the Nykaa universe as well. And then about 57% or so, that comes from within the Nykaa universe.

Adwaita Nayar: We now talk about 2 brands in specific as case studies. So, first Dot and Key, I did insinuate this, we do feel as one of the incredible success stories coming out of our owned brands portfolio, and you can see in Q4 FY24, this business has now hit an annualized GMV of Rs. 580+ crores and as of March, showing even stronger momentum and incredible growth, and likely to annualize it to Rs. 700+ crores. This business has been profitable for a while now since Jan'23, ensuring very, very strong customer retention metrics and we're now starting to lean into offline distribution as well for this brand. But in general, the kind of trajectory we've seen over the last 3 to 4 years is really what we feel, one of a kind where the business has grown 10 x in the last 3 years. Moving on, Nykd a brand we've spoken about in the past is one that we remained incredibly excited about. It's been just 3 years since launch, but this business is almost hitting Rs 200 cores annualized turnover in terms of GMV and it's hit this scale in really a very short period of time. We're seeing incredible retention metrics here. It's the number one lingerie brand on Nykaa fashion. It's the top 3 bra category on Amazon, and we're also leaning into EBOs, both, company owned as well as

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franchise owned and operated and we are leaning into physical distribution as well, because we think there's a clear play in GT/ MT for this brand. This brand as well is profitable. So, with that, I'll hand-over to Vishal to take us through the superstore business.

Vishal Gupta: Hi! Good evening everyone. We had another great quarter for super store, and I want to land 3 messages. The first point is that we are scaling up really nicely. Second point, we are also very mindful of the quality of scaleup, which means that we are continuously improving the quality of our orders, so that the scale up is profitable. And thirdly, we are very conscious of our costs, and with scale going up, there is a significant improvement in our unit economics. So, coming onto our scale up and growth numbers, you can see from this chart that we had a 84% growth in our GMV, and it's now close to Rs. 600 crores in FY24, but a 120% growth in NSV, which is about Rs. 350 crores, and that is coming on the back of significant improvement in our pre delivery leakages by over 800 basis points, which just means that our quality of service to our retailers is improving, and therefore there are much less cancellations and therefore, we have better conversion between GMV to NSV. We have 75% increase in our transacting retailers. We have close to 2 lakhs transacting retailers, and we are now covering greater than 1,000 cities. So, it's a good scale up on plan. We are growing nicely. As you can see from the left box that our order growth was also upwards of 70%. You can see the order numbers, but also, importantly, our quality of the orders has improved as measured by the size of the orders and the mix of the brands in each order. So, our basket size increased by 33%, and our AOV went up by 23% and within that we moved our mix towards our high margin brands so as to improve our margins through mix. Yeah, so the quality of our growth is also quite nice and you can see that as we grow, and as we become big, we are also able to get more ad income because we have more, you know, visits and footfalls in our app. So, you can see that our service income improved by 165 basis points, and now starts contributing significantly to our profitability. Our fulfillment cost comes down by close to 700 bps our S&D cost close to 600 bps and overall, our contribution margin improved by 900 bps, right. So, scaling up nicely, but scaling up in the right way with significant quarter on quarter and year on year improvement in our unit economics. And I just want to remind all of you, I had spoken about it last year that you know we will achieve 3 to 5% EBITDA profitability at scale and what does scale mean for us when I compare it at FY24. Then if you see bottom left, in terms of quality of orders, we are actually almost there because of the significant work we did in FY24. And now we have a short journey ahead of us, which is 1.2x in terms of average order value, and then, you know, 9x in terms of GMV which is driven by 3x in terms of onboarded retailers, and 7x in terms of orders and just to remind you that last year these numbers were much more, but because our GMV doubled in FY24. Therefore, you know, we have covered a lot of our journey much more in quality of the orders, and a significant in terms of our physical scale. So, we are well on our path to, you know, profitable scale, which is 3 to 5% EBITDA. Yeah, over to Rozita for Nysaa.

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Rozita Rashid Norouzi: Good afternoon, everyone. Hi. So, I start briefly about GCC market, a very promising market. Currently, the market size is at 30 billion dollars and we're expecting on a year growth and throughout the 10% every year, and in terms of the beauty product per capita, each consumer is spending around \$500 in this region, and a female population is around 40% with having 40% population under the age of 25. Perhaps it will, and it's good to mention in here in this region as per the records that we have from previous years, female customers are spending around \$300 on a monthly basis on beauty products. So, it's a very promising market which has a great potential and year on year is growing in this region. Next slide please.

Rozita Rashid Norouzi: Moving to the next slide, we have launched Nysaa in Middle East in Dubai. Slide before, please, both online and offline in Jan'24 and in Mar'24 we officially launched a Nysaa store which has been an amazing launch, and we had so many viewers, so many reach outs. So basically, the stories already doing the retail business is already doing a really great business, and we have managed to onboard many brands which I will be taking through in the next slide. So, all the brands that we have onboarded for the past few months are all global brands we have partnered with. big brands, such as Coty, Kylie brand, which is an amazing brand in Gen Z. So, we have seen a significant interest among our customers, and the good news is that although the name is Nysaa in this region, everybody knows Nykaa and the customers coming to our stores, to our retail and online, and they all know that this is a Nykaa brand. We have seen a very, very great interest among all our customers, as I said, with 2030 vision in Saudi, and the great vision that we have in GCC, we see a great potential for Nykaa or Nysaa in this region. I pass it to Ganesh.

P Ganesh: Thank you Rozita and good evening to everyone.

P Ganesh: As we look back at the year gone by FY24, we are continued to focus on profitable sales growth. Our BPC business has continued to grow strongly while newer businesses, which are fashion and eB2B, they have been scaling up really well while improving on contribution margins. So, as we can see on this slide, we have reported healthy growth on revenue both for Q4 as well as fully year growth of 28% for the quarter and 24% for the full year. And this has been achieved while also expanding on EBITDA margins, which have improved to 5.6% versus 5.4% for the corresponding period the previous year, on a full year basis as well as an expansion of 40 basis points. I'd also like to highlight that if we were to compare a EBITDA on a like for like basis, given the fact that again, as Falguni mentioned earlier in the presentation, we have had ESOP costs sitting in the panel, also the new business GCC costs have come in and also, the corporate restructuring cost. If we were to strip these out and look, look at EBITDA on a like for like basis, then for the quarter the like for like adjusted EBITDA margins stands at 6.7% versus 5.5% in the corresponding quarter the previous year, and on a full year basis as well, adjusted EBITDA margins stand at 6.0%,

Going to the next slide. This is a snapshot of the P&L and this reinforces the point that on top of strong sales growth, EBITDA margins have continued to grow strongly, and this has also been aided

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by leveraging benefits which have started kicking in both on employee cost as well as on other expenses.

Now here we look at our vertical reporting, and, as we can see all the businesses have continued to perform strongly. In the BPC business, you would see with our focus on customer acquisition, there is an increased investment in marketing costs and what we would also see that the contribution margin of both fashion as well as the others vertical, which is primarily the eB2B Business, both have improved smartly during the quarter versus the quarter one year back.

Going to the next slide, Here we have a summary of the vertical performance for the full year FY24, which again reflects a similar position. If you look at fashion on a full year basis as well. The contribution margin has improved to 4.9%. The beauty business continues to perform strongly with contribution margin of 25.5%, whereas the contribution margin for the others vertical has also improved significantly from -19.9% to -10.6%.

P Ganesh: Moving ahead, while the BPC business continues to grow profitably, the fashion and eB2B business have been scaling up significantly, as we can see in the bottom right chart. The salience of the eB2B business, which was less than 2% couple of years back, is already at about 7%. So, what this is doing for us is that the BPC business continues to grow profitably, and is quite profitable, whereas at the same time, on the back of improving contribution margins, both in fashion as well as eB2B, all of this is actually filtering in into the improved EBITDA margins, and, as I just said, EBITDA Margins, we can see there's a continuous upward progression over the last 3 years.

On this slide, we actually bring out the scale efficiency that that have started coming in. So, as we can see, both on employee expenses as well as on other expenses, there is a significant improvement which is contributing to the overall profitability, and after stripping out the cost around ESOP expenses, around the GCC, which is a new business, and on the restructuring. It says expenses on a like for like basis, that's where you see a flow down coming from 5.4% for full year EBITDA margins improving to 6.0%.

Moving to the next slide, Here I would like to point out one factor, FY22 and FY23 were years of significant Capex investment for us and on the depreciation impact which you are seeing during this year, it's because of the full year impact of the investments in Capex made in the earlier couple of years. As far as net interest cost is concerned, with the IPO proceeds getting fully utilized, that's where the net income on that front is on the slightly lower side. And that's where from a 5.4% EBITDA margins, you see a flow down coming to a 1.1% in terms of PBT margins.

And as I was mentioning bulk of the Capex investments have happened between FY22 and FY23, as you can see on this slide. While physical retail stores, we continue to expand warehouse as well as office space has been more or less done. Again, the investments in FY22 and FY23 was in the back of coming out of Covid, where we had given up a lot of office spaces. So those pieces are largely

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done which again you will see in the next slide where we can see that overall Capex is significantly lower in FY24 versus what we have seen in FY23. Also, what we can see on this slide is that while the investment in office space and warehouses, etc. has come down significantly, we continue to invest in our retail expansion. Also, we continue to invest in tech capabilities.

To sum up the financials, we have a summary of the balance sheet and cash flow. You would see that the cash flows; Operating cash has improved significantly in the current year versus the previous year, and that's also resulting in an uptake and improvement in many of the balance sheet ratios. Whether it is fixed assets turnover ratio, whether it's working capital turnover ratio with improvement in inventory days and resulting in overall working capital days improving, as also ROCE going up on one Nykaa consolidated basis driven by the fact that the beauty business continues to perform strongly, and continues to grow on a large base, while the newer businesses have also been scaling up smartly, while also improving on contribution profit. Here I would like to just give an update in continuation of what we shared in the previous quarter. We had shared about the transition of the owned brand business of Nykd and Atleisure from fashion onto the parent company, which is FSN e-commerce after successful completion of this phase the board has approved the next phase, which is transfer of the Western wear and accessories business of fashion, by way of slump sale to Nykaa fashion. What this does is that it integrates the ownership of all owned brands, eventually into the parent company. In terms of process, this would be similar to the first phase by way of a slump sale. Also, as part of the overall streamlining activity, LBB, which is a content development company within the Nykaa fold is also being merged into Nykaa fashion so as to be able to draw synergies, whether it's on technology infrastructure as well as collaboration with brand partners. Thank you. With that, back to you, Garima.

Garima Mishra: Thank you, Ganesh. We will now begin the question-and-answer session. If you would like to ask the question, please raise your hand. Before asking the question, please introduce yourself, providing your name and your organization name. If possible, please switch on your video as well. Please limit yourself to a maximum of 2 questions, so we can accommodate as many questions as possible. We will wait for a moment while the question queue assembles.

Alright, we'll take our first question from the line of Kapil Singh. Please introduce yourself and ask your question.

Kapil Singh: Hi! Good evening. I hope you can hear me. Hi! This is Kapil from Nomura. Thanks for giving me the opportunity. My first question is on the margins, you know, we talked about adjusted EBITDA margins. If you could just help us understand whether these items that we are talking about; the ESOP expenses, and GCC business or other ex-corporate restructuring expenses, Are these non-recurring in nature and should we expect, they will not be there from next year, and also, how much is the revenue contribution from GCC right now?

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Falguni Nayar: I'll take the question. What I can say is that GCC, was literally launched in this quarter that we are talking about fourth quarter with the you know, website going live just in early January and the store going the official launch happening in March. So, I think the true results and revenue of GCC will start flowing in through this year, and as we progress in the year, we will share the information you know, with the investors. So, it's just you know, the business is just beginning, and we'd like to share that as that goes, we do believe that it can be a very significant business over period of time, because it's a market with a clear possibility and opportunity for a multi brand beauty retailer. And it's a market with high affinity for beauty, high per capita consumption, very rapid growth. The profile of the consumers is also changing. And also Nysaa's current launch has appealed to young consumers from all of the segments. So, I think early days to talk about the revenue, and the effort will be to give that information every quarter in a particular vertical called others vertical, which normally houses new businesses. On the other question that you asked about ESOP, you know, obviously, like you were asking more about adjusted EBITDA. So corporate restructuring is a one-time cost. So, I would say that the difference in margins, which is almost 120 basis points, about a third is clearly a one-time cost and non-recurring. The second one is ESOP, which is likely to continue at similar levels going forward, but a lot of companies highlight adjusted EBITDA after accounting for ESOP cost. So Nykaa, wanted to throw light on that. And the third one is GCC, which is obviously gonna continue. And we do believe that we can build this business. It's such a unique market that the business can be built in a manner with which there can be revenue and profits can materialize much faster than in other markets. But I think we'll throw more light on it on our annual day.

P Ganesh: Falguni mentioned the primary reason why we have shown this separately. Is that these elements were not there in the base. So just by way of reflection, in terms of the improvement which has come about in the base business. Again, as Falguni mentioned, some of these elements are non-recurring, some other elements will continue in the future. But there's more to give visibility given that they were not there in the base.

Kapil Singh: That's helpful. And I would assume most of these elements are not there in the gross margins. Everything is below the gross margin, right?

Falguni Nayar: Yes.

P Ganesh: Yeah, that's right.

Kapil Singh: Okay, So, I mean, what we have seen for the year is, you know, we've grown at about 25%, and we have seen an 80 bps improvement in adjusted margin. So is that the kind of trajectory we're looking at in profitability every year, or you think it can be much faster as we move ahead.

Falguni Nayar: I think we don't like to predict the future. But what we can say is that we have seen our growth momentum accelerate in the fourth quarter of this year. I think the growth momentum has accelerated, partly due to, you know, strategies that Nykaa is putting into place in terms of more

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aggressive customer acquisition, growth in many of the verticals, it is also coming from our businesses, becoming better with every passing year, and we getting better opportunities from the environment, like, we talked about a lot of new launches, a lot of exciting category growing initiatives that we are doing. So, it's a combination. Our technology continues to improve our personalization efforts and impact it has on our ability to grow business ahead of just the mere visits that we can deliver. So, I think there's a lot of contribution to that growth and we feel that we should be able to continue growth trajectory at a similar level is what we would aspire for. As far as the improvement and profitability is concerned, we do believe that the main a bit of margin improvement will come as our 2 of our new businesses, fashion and superstore business, they increase the contribution margin, you know, of both the businesses goes up from being small, currently, which we've shared, and it'll be there later but we share every quarter. So, it's quite small. In fashion, it's at about 5 to 6% level. It can gradually go up. And the main item that will where the cost will come down, besides many other elements. But one of the main cost-element would be marketing costs which can slowly and steadily come down over next couple of years and similarly, on eB2B also, which is, we call, the superstore business, there is a clear path to profitability and accretive margins.

Kapil Singh: And, just lastly, I wanted to check, you know, growth in fashion from existing customers was much stronger, I believe, than the new customers. And I think beauty also showed very strong growth from existing customers. So, what is driving this? And do you think that growth profile for the business can be similar in next few years, with their existing customers, have a lot more growth too often.

Falguni Nayar: Yes, Anchit, do you want to take this.

Anchit Nayar: Yeah. Yeah. What I can say is that it was a strong performance on both fronts, both new customers as well as existing. I think, we invested behind new customer acquisition this quarter, which is something which we'll also indicate in the past. There are many, many customers out there who are yet not shopping beauty online and Nykaa as their first destination for them to be introduced to the world of beauty. So, there is a lot of opportunity for us to continue to acquire new customers. I think we really accelerated that. And we saw the fruits of that labor play out in Q4. Existing customers for us, you know, we've always said we have a very, very loyal, sticky consumer base of existing customers. We do a lot of CRM initiatives to ensure that our existing customers continue to interact and engage with the platform. You can see that from the sheer number of visits we get. We get over a billion visits to our platform annually, and that comes from you know. That comes from obviously much fewer visitors. So, the number of visits per visitor on our platform is close to 50 times in a year, so almost 4 and a half times in a month. So very engaged, repeat customer who is also increasing their consumption on the platform. with every subsequent purchase, there is an improvement in the cohort. So existing customers already being a large base, highly engaged we are seeing that they

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continue to account for a lion share of the GMV. But that being said growing new customers is equally, if not more, important to us, and we are investing behind that.

Kapil Singh: Thank you.

Adwaita Nayar: Yeah. Similarly in fashion, I think. You know, actually, it was a serious effort we made over the last couple of quarters to improve the repeat rates. So, it's a lot of detailed work that's been going into improving every single part of the cohort. And this increasing share from existing customers corresponds to significant improvements in the cohort. So that was part of the strategy that we wanted to make sure that we were being able to get our repeat engines in place. Because I think at Nykaa we're a big believer that once you acquire the customer you need to make sure that they stick with you and deliver that long term value. So, we're feeling good about the mix actually repeat, and new and we sort of know that we can always pull the lever on accelerating new customer acquisition as well. But for us, we're always, you know, we kind of want all the metrics to move together. We want the repeat rates to go up. We want the new customer acquisition to go up, and we want the marketing expense to put come down. So, it's kind of a math and an equation that we're trying to do every quarter to deliver on the right mix.

Kapil Singh: Thank you very much.

Garima Mishra: The next question is from the line of Amit Sachdeva. Please go ahead.

Amit Sachdeva: Yeah. Hi, good evening, everyone, and thank you for taking my question. So, my first question is on, you know, gross margins, and I see, you know. Obviously, growth has accelerated in the fourth quarter, which is an excellent sort of, you know, basic acceleration, I would say Congratulations for that. But I also see that, you know, there's a gross margin journey for both at the company level as well as I think, at the BPC level it has, I would say, come down YoY. So, my question is that, is it a deliberate strategy? Or there is something which is at the part of the mix, or more discounting, or something else, as going on, that is, either one off or sustainable in nature. If you were to accelerate growth. That's the kind of more normalized gross margins, or how do we see? Because I agree that the growth acceleration is much more respectable. But how do we think about it? But what cost It is coming and how we should think about the next year on that aspect?

Falguni Nayar: I think I'll go from a marketing answer perspective, and then I'll ask Anchit to add if he'd like to. But what I can say is that you know from I think Nykaa has taken a call to pursue, you know, there was a time when, because the repeat customer behaviors were good, and repeat customer orders were growing, we were optimizing for overall revenue growth and not for new customer addition. I think clearly we've taken a call to pressurize equally for new customer acquisition. And at the moment, you know, we are saying that we will not, try to optimize for marketing costs, but grow both repeat customers and new customers at its individual pace of growth and that means some amount of investment is being made in new customer acquisition, which is funded from, you know,

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under the way the rules are, it's not. We are not able to put some of those expenses in marketing costs, and instead they go out from the gross margin line. So, there is some impact of that which is built into that also. The BPC segment is not just the pure e-commerce, but it is a combination of e-commerce physical retail, and our beauty private label brands. So, I think the number is very difficult to really exactly compare. It has influenced from a number of reasons. You know, new customer; acquisition can impact it. Private label growth initiatives can impact it. And also similarly, you know, it is a combination of number of things, including advertising income, also.

Amit Sachdeva: Got it.

Falguni Nayar: But I think we do believe that it can. It's at a good, healthy level, and it can definitely sustain. And, in fact, obviously every company will try to improve it.

Anchit Nayar: Maybe to close out the point at the Consolidated Level, Amit, It's predominantly a business mix change as you saw the Others segment is growing much faster than BPC and fashion segment, purely because it is a very large TAM, and it is coming off of a much smaller base. So as others segment continues to grow faster than BPC, and obviously that B2B superstore business has a lower gross margin profile that makes this kind of shaking out this way. But in the in the BPC segment in particular, as FN explained, it's 3 very different businesses online retail, offline retail, and owned brands. and there is, some impact of that makes within the BPC segment. There is also some impact of, as we mentioned, there is a new customer acquisition. An investment that we need to make that currently gets accounted for above NSV and not within the marketing expense line item, you know. So that is also playing a role. And third, you know, there is, you know, brands are choosing because of the muted demand environment. They have chosen to accelerate brand funded discounts which does come at the expense of advertising dollars right, because it's fungible for them whether they spend on discount or they spend on advertising. It's difficult for them to do both at scale. So, some money that used to go towards advertising is going has gone towards discount this year. I don't think it's a long-term trend. Brands do not like it at all. They are very keen to stop it, but they do need to see a revival in the overall demand outlook, not just on Nykaa for that to for that to change.

Falguni Nayar: I just want to remind that the gross profit margin is improved sequentially for the beauty business in the fourth quarter, compared to earlier quarter, third quarter. So, we're seeing some revival. But I think it should be clear to all of you that we are upping the investment in marketing, which is up from 7.9% a year ago in beauty to 9.0% now and overall, at the Consolidated Level also, it has increased from 10.8% to 11.3%. We would like to see this extremely positively, because our marketing investment pay off quick within a very short term. So, we think this should be taken as indicative of a strength that we see in our ability to recruit right customer with the right profile with the right unit economics for us to feel so confident, to recruit at this level.

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Amit Sachdeva: Thanks so much, FN, and I think that's I would agree with that. That's the right strategy. So, my related question, then, is that. Shouldn't we more double down on it, for example, you know, if I were to construct, a bit of simpler sort of analogy here that you are a business who's recruiting customers on behalf of every other branded that sales on the platform. And you do that by way of customer acquisition and marketing spend. In some sense, then brands should partner with you in recruiting those customers because they benefit from that. So, in some sense the advertising income is that a source of that spend indirectly or directly. So, what I was thinking was, is there another way to think about this, where advertising spends can be funded through, maybe co creation or value of some sort with brands that they need to also partner with you in that, and you double down on that investment rather than worrying about that investment. I would agree with that should be perhaps accelerated even more to retrieve, more consumer base. That raises the power of platform. So how do you think about that? You know, in terms of, you know, sourcing that money where the advertising, the, you know, marketing spend dollars comes from? And can it be passed on to brand slightly, more actively.

Falguni Nayar: It is being done. So, I think if you see the individual presentation in the beauty section we talk about talked about 3 big initiatives on CSMS, healthy hair habits as well as prep, you know, the makeup color cosmetic routine on, you know, Prep the skin and all of those had more than 200 million reach of the campaign, and led to pretty accelerated group of individual segments. So, I would say that we are doing exactly what you're suggesting and it's being accelerated clearly. This is the chart I was talking about and you can see the impact of it like sunscreen growing at 65% year on year on our platform, and as a result, a lot of sunscreen brands are also growing well in the ecosystem. You know the ones catering to this. So, I think there's a very big effort that Nykaa is doing, and we remain quite excited overall beauty consumption is so low that I think we could generate multi year growth and we don't see competition. We think that the market has enough play available to continue to grow it and benefit for as Nykaa as a frontrunner, and whether it is like this kind of marketing campaigns ability to have brand partners and brands that can benefit and grow on our platform as well as, you know, the tech platform and customer engagement and customer, you know, databases that we have where we can sell like we've always said that it's not about selling yet, you know, Kajal to the next marginal customer, but it's all about selling more products to the already existing database of customers, and that leads to repeat behavior. And we're trying to match the new customer growth also to that healthy repeat growth. So, I think we are really trying to optimize for the best possible outcomes.

Amit Sachdeva: Great good that's very helpful. Thank you so much. And lastly, if I may. Just advertising, we went to a new model of more tactical, and you know, from more valid based to being more tactical and view based. Has that started to, you know, make a big change in the way advertising was bought, and you were able to monetize it. Is there something that you would like to share.

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Falguni Nayar: Yeah. So, I'll ask Anchit to answer this, but before that, I always like what Anchit says that, you know, if we were to say that advertising income will go up, we are almost saying that the ROAS, for the brands will go down because we won't convert adequately. So, our effort is to keep capturing bigger and bigger marketing income, but deliver high revenues against that. So, I think with that I hand over to Anchit to say this, what do you exactly say at every meeting.

Anchit Nayar: Yeah, I think you summarized it. Well, I think Amit for us, you know, launching the ability for brands to buy more lower funnel ad real estate. So, PLAs and such was really a push towards giving brands more opportunity to serve ads, lower down in the consumer journey, when the intent to convert is higher. So, in a way, it is to try to help our brands to maintain and improve the return on ad spend on Nykaa, because longer term brands will prefer channels where they see a better ROAS. So, we we're not looking to increase the ad dollars and not see the same incremental growth in revenue. The real goal for us is to have revenue growth and ad dollar growth in line, and some of the features like PLAs that launched as well as some of the personalization work we're doing, and some more initiatives that you'll see soon are all in order to help brands realize better ROAS so that they are able to spend more absolute dollars on the platform and you know it is journey building an ad platform in houses is a tremendous amount of tech work and development, and I think a lot of the heavy lifting is done, features are now out and available to brands. There is a bit of change management to do for brands, to understand the value, and to really come up with the right marketing constructs for them. But there is very good early adoption, and we'll continue to focus on really moving ad dollars into these new ad opportunities and not being so heavily dependent just on selling banners on the homepage, as you said. So that is a process it takes time, but brands have appreciated that we're doing this for their benefit. And I think, as this price intensity that brands are facing amongst each other as that subdues, as that resides, then you'll start to see those dollars moving back into the ad income bucket.

Amit Sachdeva: Got it. Thank you so much, Anchit. Thank you, FN. Congratulations once again for great set of numbers. Thank you.

Garima Mishra: Alright next in line is Percy Panthaki. Please go ahead.

Percy Panthaki: Hi! Am I audible?

Garima Mishra: Yes.

Percy Panthaki: Yeah. Hi, this is Percy Panthaki from IIFL. So, firstly, I have to congratulate you on your category building efforts and your growth in the private brands. However, we are an audience of investors and analysts and profits do matter a lot in our evaluation framework. So, the FY24 EBITDA, I was just looking at the model I had 2 years ago. The actual FY24 EBITDA has come about 40% below the estimate I had 2 years ago. I don't think this would be too different versus what the consensus would have expected at that time, either. Apart from the losses in the other businesses.

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Even the BPC EBITDA margins seem to have peaked out at low double-digit levels versus earlier expectations of mid to high teens in the medium to long term. The overall company EBITDA margins has increased 100 basis points over 2 years. So, my question here is, are we, as analysts and investors, quite disconnected from reality on the profitability part of the business, or have your own EBITDA estimates too reduced versus your original expectations and in case it is the former, I think the IR function of the company should make some effort to not keep estimates completely divorced from reality. I can understand that you may not want to give a guidance, but if the consensus estimates are nowhere near achievable, maybe sharing your thought process on profitability will help. So, for example, consensus estimates for the company overall build 450 basis points EBITDA margin expansion over 3 years versus a hundred basis points over the past 2 years. Is this within a likely range of outcomes? Your thoughts on this, please.

Falguni Nayar: I think you are going back too far. I think, you know, during Covid times what the outcome and outlook was for e-commerce was very different, I think. We have said that e-commerce growth last year especially, you know, for this year ended March was little bit below long-term trajectory, and we expected to revive, and some more of work needed to be done. But I think, as we look at the near-term expectation of all the analysts for FY24. I think we are pretty much in line with what the analyst expectation. So, if you want, I think we can connect with our IR team, and we can show you what we see in terms of expectation and where we've come out at. So, I think, of course, you know, it's businesses are managed for long term growth and long term value creation, and sometimes a short term expectation of every analyst may be slightly, but I think overall, if you look at the consensus estimates, we are quite a bit in line from a near term perspective. For 2 years trajectory, it's difficult to say. I think what probably was not very well built in was you know, definitely in fashion where we thought that during the Covid time the growth came in very easily and post Covid, I think the physical fashion market was quite strong, and as a result, you know, the ability for fashion portals to grow and, you know, get to the right size, of course, slow down, and I think it's a very large business, and lot of it is marketing optimization. I keep seeing again and again, that marketing optimization to achieve the right results. And then the markets are larger. It takes time to get to those optimizations. And in the bargain, what very often happens is that you discover certain wrong categories, wrong customer segments that you may have betted on, and you choose to, you know, not focus on those and choose to focus on the right segments. So, in the market it looks like a noise, but underlying right segments are always growing the way we look at it. Sometimes, you know, entry and exit out of a segment that we reject ends up creating a noise of not adequate growth. So, quarter to quarter growth has seen from outside from an investor perspective tends to be slightly different than how we look at it internally where we look at it by category segments, and of course, you know, we obviously look at all of these, even versus android, IOS app versus mobile and versus mobile web. So, it's a combination of so many things that it's not a number, you know. It's a consolidation of a lot of numbers, and many things impacted.

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Percy Panthaki: Sure, Falguni. The only reason that I'm asking this and belaboring this point is that the consensus expectations is really a 450 basis points on the overall company level over a 3 year. I can understand quarterly estimates, etc. I'm looking at medium term, a 3 year basis of around 450 basis points versus the history of about a hundred basis points over a 2 year. So that's like, on a per year basis. What you've achieved is approximately 50, expectation is 150

Falguni Nayar: No. But why are we looking at the past? I can't go back to understanding what consumers understood then. Also, like I said, there is a private label brand component in there. There is a dot com component in there. There's a physical retail component in there. So, there is a lot of combinations there. So, it is not a very simplistic way to assume. I don't know from IPO time but definitely, if I look at the near term expectation of what were the expectation this year which we have looked at, we think that the investor understanding of our business model has improved over last one year, and we are trying to make sure that happens.

Percy Panthaki: Fair point. The only reason to bring up the past is that do we see an acceleration in the margin expansion versus what do we delivered? Or is that something that we should align with a historical number.

Falguni Nayar: It's very difficult to answer over this thing. If you want, we can meet for few minutes that we can commit.

Anchit Nayar: Maybe I can add, Percy, if I look at what was the BPC Segments margin, gross margin in Q4FY21 or even FY22, say 2 years ago, it was at 44.1%. That number is now at 46.8%. Right? So you're seeing almost a 270 basis point improvement and if we disclose contribution margin, if whoever's controlling the slides can show the contribution margins over the past 2 years the number was for BPC segment 2 years ago was, I think, yeah, so FY22, 2 years ago, the BPC Contribution margins is 21.7%, right? So even there, not only at gross margin, but even at the contribution margin level. The contribution margin for BPC has increased by almost 400, you know, 380 basis points. So more in line with what you had mentioned. And these are very, very healthy margins contribution margins for a retail business. Well, for a retailer plus their owned brands business that's still small, but growing within that. So, we feel that BPC segment margins are quite healthy in this range and you know, maintaining margins in this range, while also investing heavily behind new customer acquisition and you know, remember customers who are being acquired for the first time in Nykaa, generally tend to be new to the categories, so there is a lot of work to be done on them to improve their average order values over time, because, you know, they're new, they are shopping limited assortment there. They need a lot of work to get them to higher AOVs and higher ACV over time, and I think, the fact that we've managed to keep still deliver growth on margins, despite accelerating and acquiring many more millions of customers and continue to expand physical retail stores and take more and more brands shows you that. You know, it is clearly a focus area for us, and it has moved considerably at the Consolidated level. If the Delta is appearing less, it is in part, because eB2B has grown faster and

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has grown to a size and scale that, whereby now it is having an impact on the consol. margins, Right? So, some of it is business mix, some of it is also investment in customer acquisition, but still a very healthy growth over 2-year period.

Percy Panthaki: Very, very helpful. I'll just take this offline more with Namrata. Thank you. Thank you very much.

Garima Mishra: Next in the queue is Sachin Dixit. Please go ahead.

Sachin Dixit: Hi, so congrats on decent set of results. My first question was, largely on fashion. So, if we try to see where is a fashion segment headed? Right? Obviously, we are currently around 3 odd million customers. And I do understand our positioning, which is slightly premium more focus on having a curated assortment and all, where do you think like if let's say, potential customer base is X, what percentage of X have we captured. And where do we see reaching like? Maybe not in exact numbers, but more like vaguely, how do we see that.

Adwaita Nayar: Yeah, I think. You know, the kind of the kind of way we look at it is that we believe that we've captured about 15 to 20% of the premium fashion market in the country. So, we do feel that there's a lot of scope to continue growing within the premium segment. So, you know, for us, AOVs and so forth, are a good indicator of, you know, being focused on our positioning. And we feel that there's easily room to grow the new customer acquisition at least for the foreseeable future. While remaining focused on this positioning.

Sachin Dixit: And do you believe your marketing expenses can still continue to maybe see a show leverage while you do that?

Adwaita Nayar: 100%. I think today, like what we know about marketing and what we know about where to acquire customers, how to acquire the quality of customers, the quality of brands. How to bring down returns is all of that is now knowledge that we have. And we feel that, you know, using a lot of that, there's still loads of scope going into FY25 to reduce marketing in particular. And so, when we think a lot of our contribution margin expansion for FY25. There's a little bit of gross margin expansion on the back of ad income and so forth. But there's a lot of contribution margin expansion on the back of marketing expenses that we'll strive for.

Sachin Dixit: Understood. Thank you. My second question is on beauty global brands, basically. So, we did highlight a bunch of brands that work with us that we have imported and brought to India. On this right. Is there any sort of specific effort that you put in place to make these brands exclusive to Nykaa? Or are there any brands which are exclusive to Nykaa yet.

Anchit Nayar: Yeah. So, we have a very strong team that does a lot of business development and traveling around the world to identify very popular global brands, trending brands and convince them about the India opportunity and coming into the country. Out of these brands there are a significant

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number which are exclusively retail on Nykaa like Charlotte Tilbury, and Fenty Beauty and Dr. Barbara Strum, and Elemis, and so on. Here. So there are. Many of them are exclusive. Some of them used to be exclusive, like Huda Beauty, which is no longer exclusive, but it was with us exclusively for 3 years before they expanded their distribution beyond Nykaa. It's a mix. What I would also say is, there are some brands which we are importing through like a global store, which are more mass, masstige in nature, whereby it's actually in the best interest of the brand to have much wider distribution than Nykaa especially through what we call general trade and modern trade, and we would never look to stifle a brand's growth by not ensuring that they are available in the right channels, basis the brands, you know, mix or basis the brands positioning. So, sometimes we proactively guide the brand that they should have distribution through GTM or even through horizontal platforms, if it's relevant. To answer your question, it's a mix. Many of them are still exclusive. Some of them are no longer exclusive, and some from day one we recommend that they don't be exclusive, because that's the best way to maximize the potential.

Sachin Dixit: But do you proactively try to make some of them exclusive like? Do you push them.

Adwaita Nayar: Yes, yes, of course, especially for prestige and premium brands and for brands within color cosmetics or skin care, We are able to deliver a lion share of the revenue for the brand in the country, and we do recommend that they come exclusive, and they do obviously listen. And, as I said, most of the brands I just mentioned, a large number of them continue to remain exclusive with us.

Sachin Dixit: Just one.

Adwaita Nayar: Go ahead!

Sachin Dixit: Yeah, sure. Just one housekeeping question. Why do we have a customer acquisition expense that's above NSV, can you explain the nature of it?

Falguni Nayar: To do with the new customer acquisition coupons that can be given through company funded which is seen as a discount on the revenue rather than marketing costs.

Sachin Dixit: Got it. Got it.

Anchit Nayar: Customer acquisition coupon. So, coupon indicates that we're passing a certain, in a way, it's almost a discount at the cart level. So that's why it's been asked by the auditors to be booked as a discount and not as a marketing expense.

P Ganesh: It's an accounting requirement.

Sachin Dixit: Sure Sure, fair enough. Thank you.

Garima Mishra: Next question is from Vijit Jain. Please go ahead.

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Vijit Jain: Hello!

Garima Mishra: Yeah, we can hear you now.

Vijit Jain: Yeah. Sorry about that. Yeah. Just 2 questions. One you know, just looking at BPC and fashion business. And in terms of you know. The number of orders you get per annual transacting users in general fair to assume right that fashion should see more engagement over time. more orders per actual transacting customer per year for you guys right now, it's about maybe 2-2.5 for fashion, for beauty is about 4, 3 to 4. Now, I'm wondering. Because in fashion, you focus a lot on, you know right mixing your customer site, etc. Shouldn't we expect that order volume per transacting customer to go up? Your thoughts on that one, please.

Adwaita Nayar: Yeah. You know, I think broadly that, you know the math of how many transactions every customer does. We tend to look at it a little bit more in detail through the cohort view. But even, you know, just answering your question, do we in general see the transactions per customer will go up. That is definitely part of the whole repeat exercises that we're doing. So, we are pushing the average transaction per customer per year to go up, and I think by adding more categories, by being able to service more of their needs. I mean States are different points of time in the year and in their life is the way to do it. So, I definitely feel the platform is still young, the categories in so many ways still developing. So, there is 100% expansion on transactions per customer that can be expected.

Anchit Nayar: Yeah, maybe I can add, it's also a couple of things on the beauty side. As I said, we're doing a lot of work in terms of category expansion through what we're calling driving awareness for the stepification and regimentation of beauty so that can help orders per visit, orders per transacting customer. But 2 things; one is, please remember, this is not a grocery category where these products need to be replenished very frequently. In fact, if you've ever bought a perfume, or you ever bought eyeshadow palette, these are categories which these are SKUs that take time to finish and therefore replenish. So, it's not like a food category or a grocery category slightly different. So, number of orders per transacting customer would never have that same frequency and categories, like personal care, like shampoos and soaps and oral care, which would have a higher replenishment rate. Those are not our core, because those are not what we see as beauty. We see that more as personal care. And it's not something which we're overly focused on. It's important as cart fillers and other things. But it's not where our core lies. So that's another thing. And finally, it's about how low the per capita consumption of beauty is right. Average Indian spends less than 15\$ per annum. So, a lot of work for us to do to increase the per capita consumption which should reflect in orders. And the other thing is, you know, we also try to push consumers to increase the size of the order. So, the average order value for us is much higher than that of competitor platforms, both in fashion and beauty. we think that's a better model that, could we try to push consumers to do more orders for a customer, but a lower AOV we could. But that, then, doesn't make sense on the unit economics of the order. You know because there is a fixed cost of fulfillment as a fixed cost of acquisition. We'd rather try to maximize the return

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on that investment through trying to maximize the AOV, and not necessarily the sheer quantum of all those.

Vijit Jain: Got it. My last question, this is basically, if I just look at the store addition that you've done this year, right? You've mentioned some details around where you've opened them. Just looking at FY25 and onwards. If you can give a color on where your store additions is going to be, and with your owned brand do you have plans to go on to some of those quick commerce platforms? Thank you.

Anchit Nayar: Yeah, on store expansion. What I'll say is that, you know, we we've learned physical retail quite well over the past decade that we've been in the business of physical retail. And it's not always very easy for e-commerce companies to develop that physical retail muscle. And you know, I can ask you to, maybe let me know if some other online retailers who manage the transition well. But we have managed it quite well, and as a result, you know, we're delivering profitable growth in our physical retail segment. So, it's working very well for us. We think physical retail is a huge opportunity, so much of beauty retail in India still being done offline and so the potential for store additions is huge. What we've said publicly in the past that basis, our e-commerce data and our consumer data. We believe there's an opportunity for about 350 to 400 stores in the country. We're not even halfway there yet. You will see a similar pace, if not a slightly accelerated pace, of store addition over the next several years. In terms of cities, today, we have stores across 68 cities and 106 out of our 187 stores come from non-metros. So, we are very well diversified. We've penetrated quite deep into tier 2 markets and in terms of new store openings and FY25, I think you again see a similar mix of non-metro, and metros.

Vijit Jain: Got it. Thanks, Anchit, and just wondering also. Sorry I missed the part. I don't know if you reply to the quick commerce bit, and also on besides tier 2, tier 3 cities are there other kinds of retail so that you could open like travel retail in airports and those kinds of things. Thoughts on that segment of the business. Thank you.

Anchit Nayar: Yeah. So, it's a good question. What I will say is, we're always we're always thinking about, can we try a different format that could be more scalable because our existing format is very specialty. It's a relatively premium. And as a result, it's important to be in premium destinations. Could we do a slightly more drug store like format for beauty products? We could. And it's something which we will evaluate, and we are evaluating that could, of course, increase the expansion of our network. But we will obviously disclose that as and when it's the right time, if we are going ahead with that. In terms of quick commerce, what I would say is quick commerce, the assortment. See? We see that quick commerce is not a demand generation channel. It just needs existing demand. It doesn't create new demand because customers don't discover products. They don't learn about brands. They kind of just replenish SKUs that they're already aware of. So the demand generation work, we will have to continue to do. In terms of yeah, for very limited assortment of very basic SKUs quick commerce could be a channel for certain brands of ours. I think one of our brands Dot and Key is already

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retailing a limited assortment through quick commerce. So, it's something that again, we're evaluating, and we will, you know, as in when that happens, we can disclose more.

Vijit Jain: Great. Thank you so much.

Garima Mishra: Thank you. That was the last question we can take today. There were a few questions on the chat box. These may be taken up separately with Nykaa's investor relations team. I would now like to hand the conference over to the management for closing comments.

Falguni Nayar: Thank you. Thank you, Garima and thank you everyone for being with us today, I just also wanted to mention about one more announcement that you'll see in our filings with exchange. There is a board member who has come onto the board. His name is Santosh Desai. He brings with him immense marketing experience and can add a value to and contribute to Nykaa. So, you'll hear about that. We are quite happy and proud to have him as part of our board members, and yes, some of the restructuring announcement that we talked about again have been intimated to the Exchange, and we do see that at the parent level, you know, getting FSN E-commerce, which is the stand-alone company of the listed entity. We want to make it stronger. It needs to be under the structure of Indian own and manage company needs to be a manufacturing and a brand company rather than a retailer. And as a result, when the brand show promise of being quite sizable and having a journey of its own. We are restructuring it all under at the top level, and we are really happy to say that in this house of brand, is the word we don't like, but because it is a collection of beauty and fashion brands, you're not able to say like a consumer company, but we are really proud to say that close to Rs 1,500 crores of GMV can be now reported amongst our brands that we manage in our building for the long term. We remain excited about the future promise that these hold. So, if I may say that at this juncture, with a pretty recent performance in third quarter against market expectation, and a stronger performance in fourth quarter for all our businesses, and a lot of work towards having a cost structure for new businesses like fashion and eB2B, which tells us that we are able to get scale with right unit economics. We remain very excited about what the future holds for Nykaa. And as part of that we are investing clearly in customer acquisition. We've always strongly supported customer acquisition in post covid, but if I may say so, it is accelerating a bit. Our physical retail also is a very exciting opportunity, thanks to the market creation, that Nykaa has done so far. So, when we entered the market it was per capita consumption of beauty in 2012 was only \$6 per capita. Today it stands at \$15 per capita and with that I do believe that today it surprises us when we go to smaller states smaller cities like Bareilly or other smaller cities Jamshedpur or others, we are quite surprised to see the kind of revenue momentum we see. So we do feel that since we already had a well laid out part on what we wanted to do towards 350 stores, we're accelerating that and you'll see a good growth in the coming year. You can see that the 5-year GMV of physical retail business, also 50% plus. And we think we will continue to accelerate that. And obviously, we are premiumizing certain high end stores with largest store footprint again shows our confidence. And then beyond that also, we are obviously

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putting our thinking hat on to see whether we would like to do more services. You know we already have some salons in Aveda. We may do more some services. Not, I mean, I'm not making big announcement about what we do. But I think, as a beauty retailer, whatever opportunities lie in the industry. I think we remain ready to capture, be it in form of additional stores. You know, be it investment and technology that we will make towards greater, you know, investment in our platform or in personalization, Gen AI, Chat GPT, all of those can be very interestingly leveraged. So I'm just back from the US and I feel that India is a big in a beneficiary of a tech revolution, that we are seeing India and US a big beneficiary, and I remain very excited about what future holds for us. With that I thank everyone.

Garima Mishra: We'll end the webinar now.

Falguni Nayar: Thank you.