



**answear.com**

## **Answear.com S.A.**

Investor presentation - Q1 2021 results

**MAY 2021**

# Today's presenters

Krzysztof Bajolek, CEO and Jacek Dziaduś, CFO

## Managing personnel



**Krzysztof Bajolek**

CEO

Founder and co-owner

- Founder and CEO of numerous clothing companies including Artman (listed on the WSE in 2004, today has over 500 offline stores across Poland) - sold in 2008 to the Polish clothing giant LPP
- Responsible for the Company's growth strategy
- 25 years of professional experience



**Jacek Dziaduś**

CFO

- Group CFO, joined Answear in Q3 2020
- Worked in furniture industry at Grupa Nowy Styl for the past 10 years, where he served as controlling and accounting director. He previously worked at KPMG Audit Polska
- Responsible for the finances and controlling at the Company
- 15 years of professional experience

**answear.com**

Experience

M O H I T O



house

**medicine**  
EVERYDAY THERAPY

Experience



**Nowy Styl Group**

# Summary Q1 2021

Accelerating growth, further improving financial performance and operating ratios.

## Y-o-y revenue growth

**78%**

Revenue in Q1 2021 amounted to PLN 123.5m

## Y-o-y gross margin increase

**45.4%**

compared to 36.8% in 1Q20, increase in margin on sales by value from PLN 25.6m in 1Q20 to PLN 56m in 1Q21

## Dynamic y-o-y EBITDA growth.

**PLN 8m**

versus PLN -3.5m in Q12020

## Continuously growing number of orders

**715k**

y-o-y sales higher by 47%

## Increase in conversions

**2.03%**

1.69% in 1Q20

## Increased value of average order

**PLN 255**

PLN 221 in 1Q20  
Increasing the value of the average basket has a positive impact on business profitability

## Logistic costs optimisation

**15.2%**

21.1% in 1Q20  
Ratio of logistics costs to on-line sales<sup>1)</sup>

## Increased spending, increased marketing activity

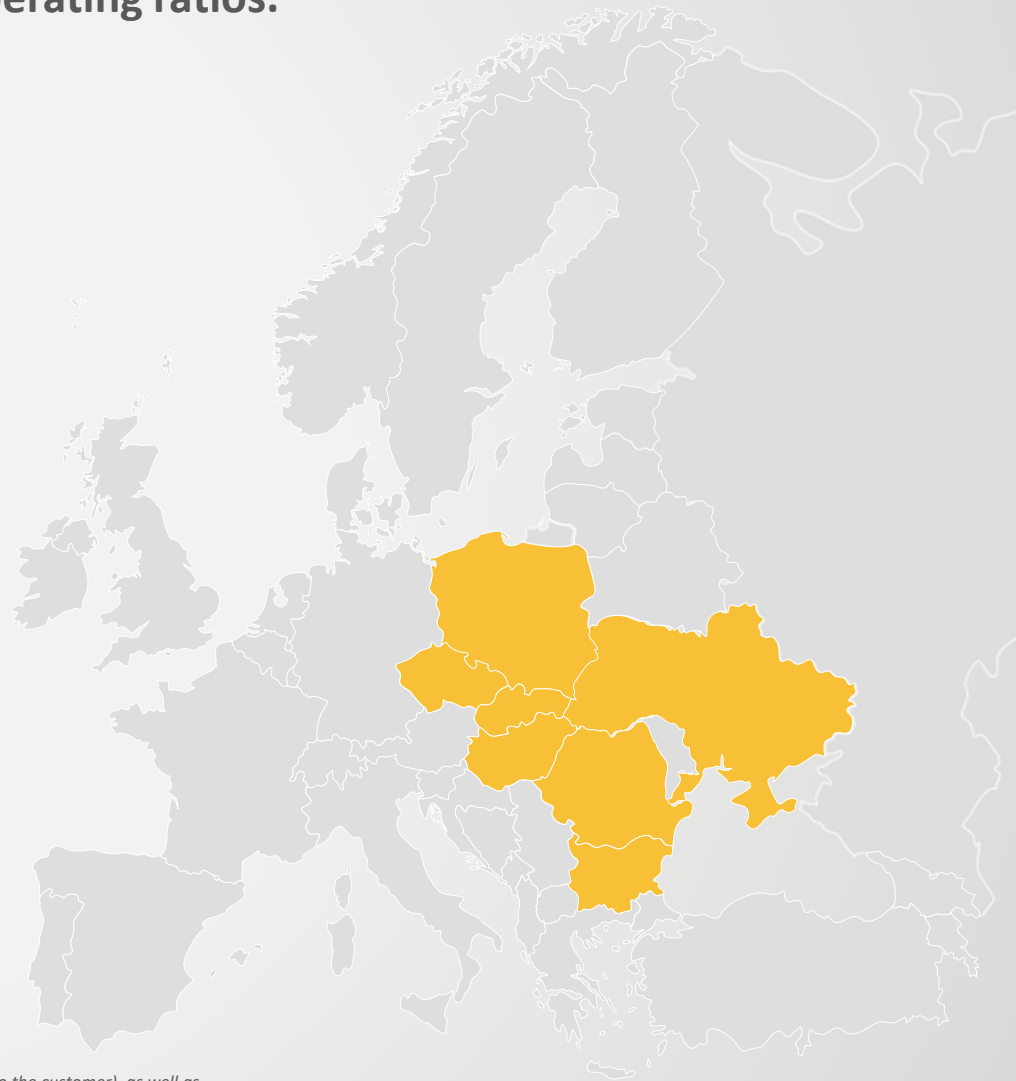
**16.5%**

Marketing input costs in relation to on-line sales

## Growth in SKUs

**94k**

Steadily increasing width of offer on Answear website

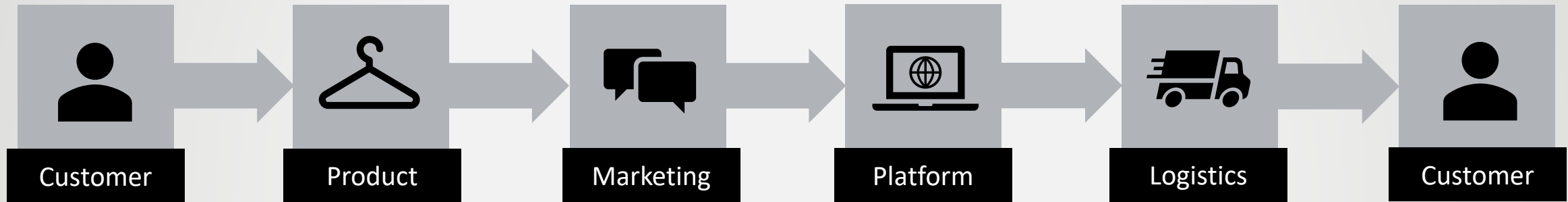


Explanations:

(1) On-line sales include invoiced sales during the period (including invoiced returns), including commission-based sales expressed in full value (at the selling price to the customer), as well as customer charges for transporting shipments below the free delivery threshold

# Business Model & Value chain

Effective business model, high operational efficiency, high levels of customer satisfaction, cost minimisation.



- Precisely defined target groups and markets
- Knowledge of TG customers' needs and tastes, and of local market trends

- Carefully selected brands and products, matching the portfolio, from the most reputable and profitable suppliers
- Own labels

- Local, most effective marketing activities, tailored to TG, and to specific markets.

- Own modern platform with high UX
- Potential for further rapid and flexible growth, scaling the business without significant cost increases.

- Fastest possible delivery in the region
- high level of customer satisfaction
- Minimising logistics costs

- Attractive loyalty programme
- Local marketing teams in each market
- Local SCS - customer service in local languages

# Effective operating model

"Customer-centrism" in order fulfilment;

-maximum convenience, best delivery times, while minimising costs and carbon footprint



## Strategic location of the central warehouse

- All products stored and shipped from one location
- Reduced order picking and delivery times
- Simple, effective inventory management



## Local logistics hubs

- Guaranteed delivery of every product ordered
- All products always in 1 pack
- All returns in 1 parcel, no agents, same return route
- Fastest delivery times in CEE



## Local couriers

- Cost efficiency, speed and flexibility at every stage of the supply chain
- No unprofitable orders
- Environmental protection - lowest possible carbon footprint



## Customer

## The fastest delivery in CEE



### Working days



24h



1-2



2-5



1-2



2-3



2-3



1-2

# Key events in Q1 2021

ANSWEAR.com



## Increase in profitability of the company and improvement of all operational indicators

- Growth in traffic, revenue, margin, CR, AOV
- Decrease in logistics costs and overheads relative to revenue



## Answer.ua shop migrations to new platform

- New platform, 2 languages UA and RU, better UX, speed and improved shopping process
- Planned PL changeover in May/June
- Further development, improvement of the system, without a significant increase in costs



## Widening of the product range

- Implementation of the strategy of expanding the offer with premium and mid-market brands
- Increase in sales in the premium segment from 43% to 51%
- The emergence of new brands including Elisabetta Franchi, Tory Burch, Penny Black, Max Mara Leisure, The Kooples, Liviana Conti, Stella McCartney, 4F, Wolford, Samsøe Samsøe, Uvex and CMP
- The process of expanding the product range will continue in the following quarters



## Launch of mobile application on the Ukrainian market

- Currently, mobile applications have been launched on all markets where Answer operates
- Further development, improvement of the system
- Increasing downloads and sales

# Key events in Q1 2021



## Conducting a wide-range media campaign

- Activities on TV, VOD and YouTube in all 7 markets, from late December to mid-February 2021.

Objective:

- Increase brand awareness, attract new customers, increase loyalty and return of existing customers, increase conversions, AOV.

The video-on-line campaign was a success:

- Sales results and operational indicators
- Increase in (supported) brand awareness by approximately 10%
- Reach of the TV campaign - over 10 000 GRP, reaching over 60 million people
- The number of times the spot was displayed in on-line campaigns has exceeded 132 million, with 55 million non-skippable ad viewing (over 40%)

The success of the campaign caused that on the 15th March Answer started another media campaign, this time in a form of sponsorship billboards, lasting until the middle of May this year.



## IPO and WSE listing

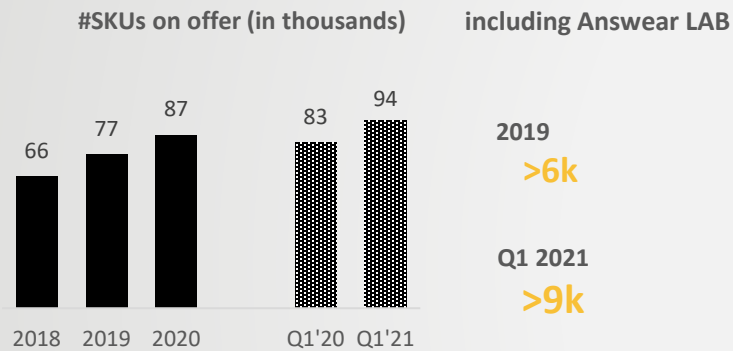
- Acquisition of PLN 45m net from the Public Offering of Shares for further development, the total value of the Offering amounted to over PLN 80m
- The IPO on the WSE took place on 8 January 2021.



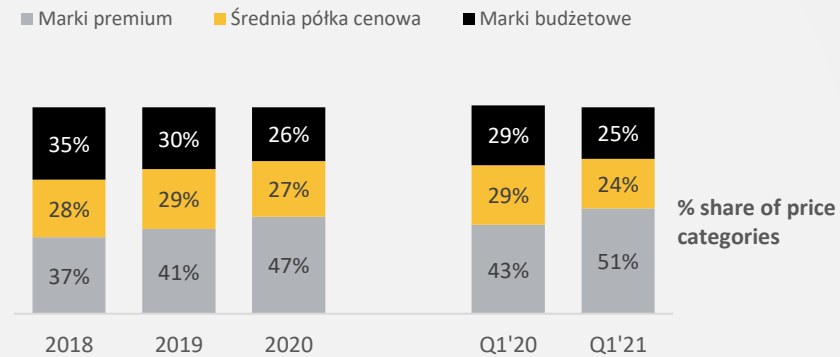
# Development of the product range

Accelerating growth, optimising the offer to maximise margins and sales profitability

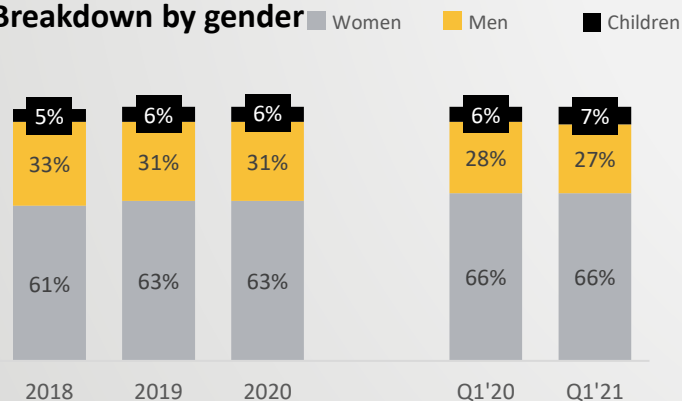
## Increasing the range of offerings



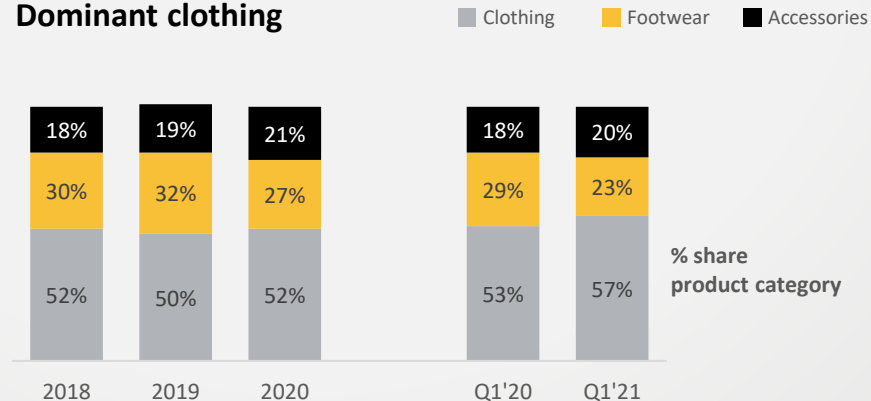
## Concentration on Premium segment



## Breakdown by gender



## Dominant clothing



- Huge range of over 94k unique products available in stock for immediate order
- Focus on offering more expensive premium products and gradual replacement of cheaper and weaker brands by Answear LAB
- Dominant share of products from women's collection in the company's sales structure
- Footwear and accessories in addition to the key clothing segment.



# Answer LAB

Objective: higher margins, differentiation from competitors, attracting customers

## Growth of Answer LAB



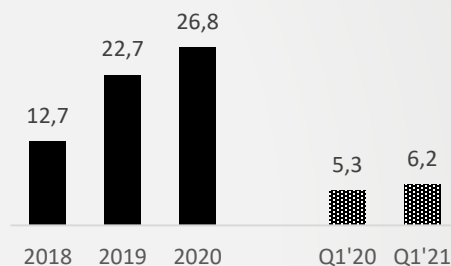
### Basic information

- Established in 2017
- Collection characteristics; **the latest trends, best-selling products**, in short series and at short notice.
- Dedicated team** of designers, buyers and merchandisers
- Cooperation with local production companies**, designers. Production takes place in Turkey, Poland and Asia
- The primary choice of customers in the **the lower price segment**

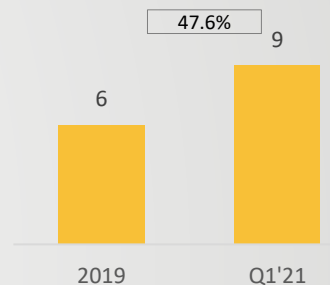
### Current characteristics

- One of the **best-selling brands** in the portfolio (6.3% of sales)
- Focusing on the qualitative development of the collection,
- Increase in % margin, improvement of product rotation
- Development of dedicated thematic collections;
  - "KING" - Canal+,
  - "Paulina Krupińska - birthday collection".

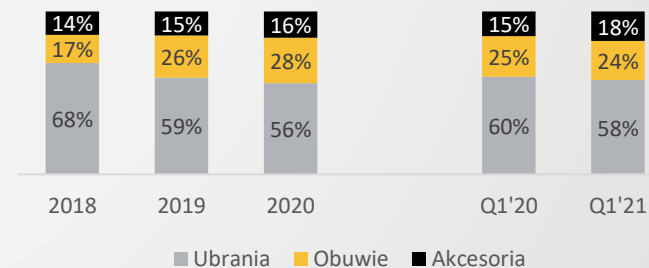
### Sales (PLNm)



### SKUs number (thou.)



### Development of the offer structure



# Answer's position compared to the peers

A precisely defined customer profile helps strengthen the brand's position in the market

Answer's goal is to become a leader in the segment of lifestyle brands for the young at heart, affluent consumer living in the CEE countries

We want to achieve this through:

- Concentration on a selected market segment,
- "Customer-centric" approach to sales development
- Tailoring the product offering to the selected segment,
- Optimisation of the offer in terms of sales and margins,
- Development of own labels dedicated to the segment
- Continuous improvement of the operating model, maximising the convenience and comfort of purchases, while ensuring high profitability of sales
- Development of services and creation of added value for customers
- Answer Club community development
- Profiled marketing activities

Explanations:

(1) E-obuwie - Only shoes

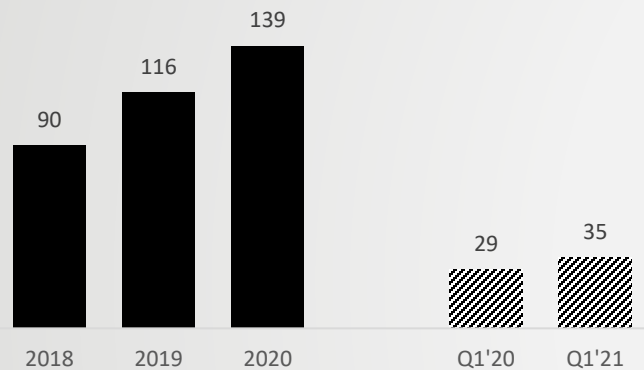
(2) Specialisation/market fit: - Customer taste and needs - Specific target group - Level of customer service



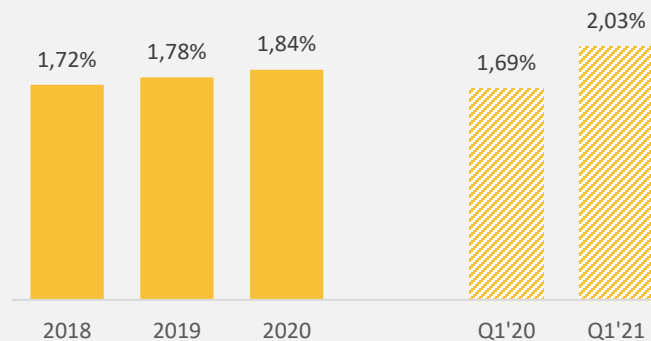
# Operational indicators

Significant improvement in key KPIs catalyses growth in sales and company profitability

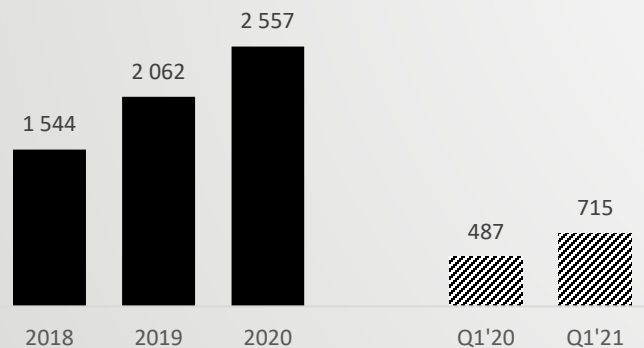
Number of visits (mn)



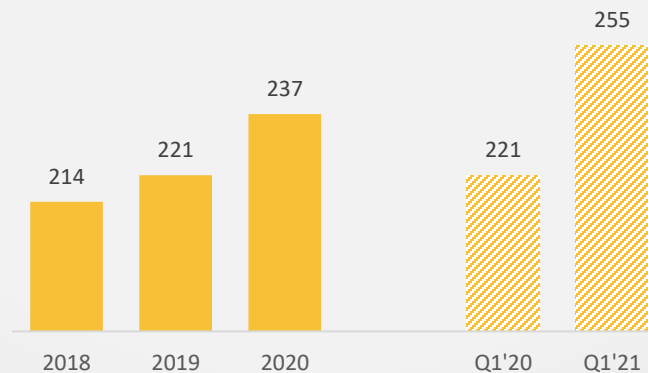
Conversion coefficient



Number of orders (thou.)<sup>(1)</sup>



Average order value (PLN)<sup>(2)</sup>



- Systematic increase in the number of visits to the platform, on average 12 million visits/month were recorded in Q1 2021
- The increasing number of visits is accompanied by an increase in the conversion rate, also due to the growing popularity of the mobile app, which has a higher conversion rate
- Increasing number of visits and conversion rates translate directly into dynamic growth in the number of orders
- Strategic focus on mid-price and premium brand segments influences the results of the average order value - a basket worth PLN 255 net in Q1 2021.

Explanations:

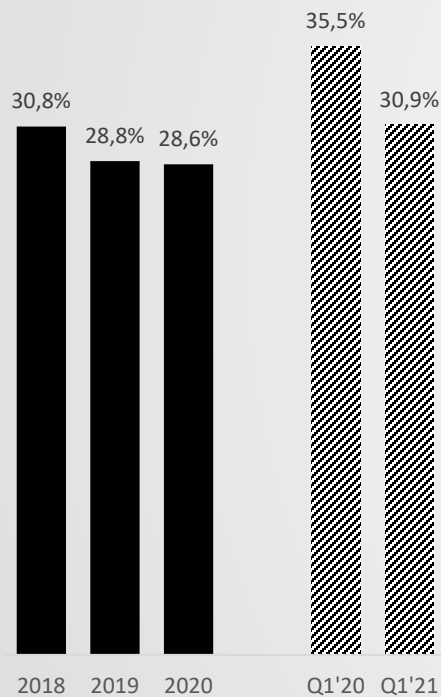
(1) Number of orders before returns

(2) Based on sales and number of orders before returns

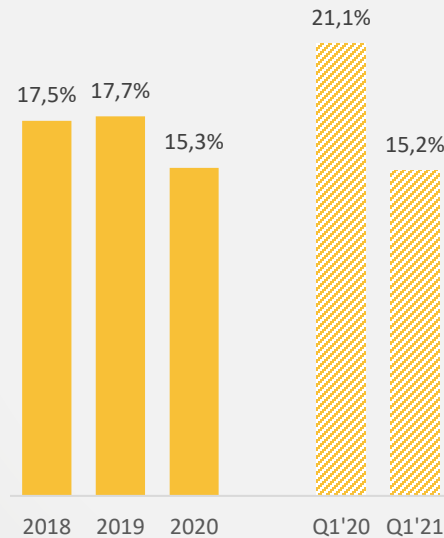
# Operational indicators

Regularly improving cost efficiency of the business

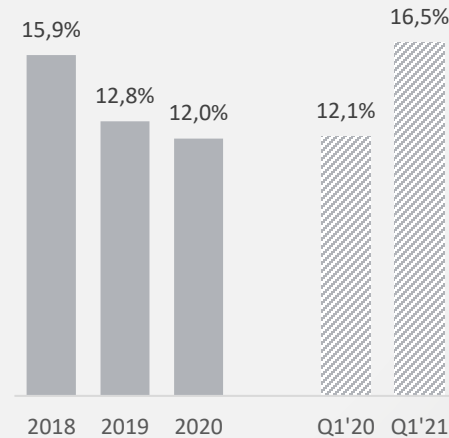
% of returns (1)



% of Logistics costs (2)



% of Marketing costs (2)



- Maintaining the return ratio stable at around 30%, while increasing the scale of operations at home and abroad
- Optimisation of logistics costs in relation to on-line sales due to the increase in the scale of operations, dilution of fixed costs and improvement of process efficiency
- The increase in marketing costs is due to the advertising campaign.

Explanations:

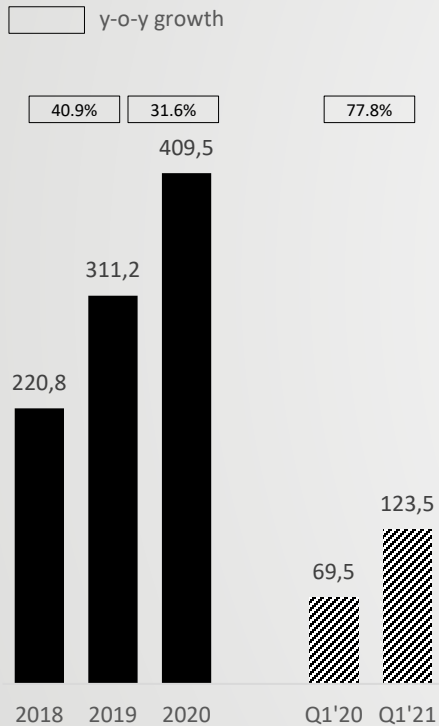
(1) % of on-line sales before returns

(2) % of on-line sales after returns

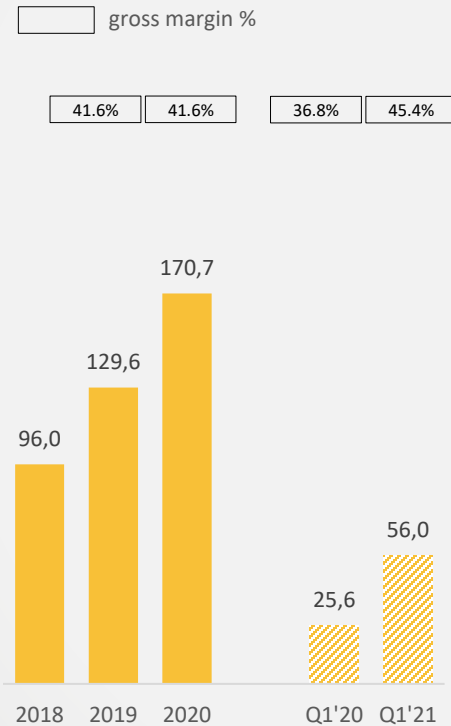
# Financial results

Growing and establishing profitability provides the opportunity to further scale the business

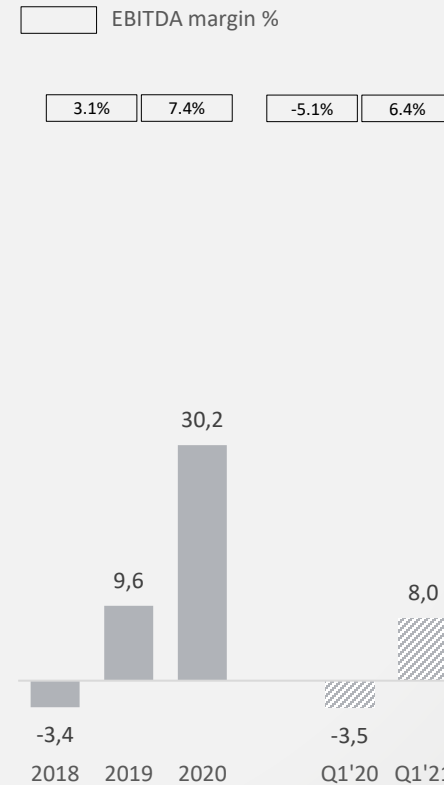
Total revenue [PLNm]



Net profit [PLNm]



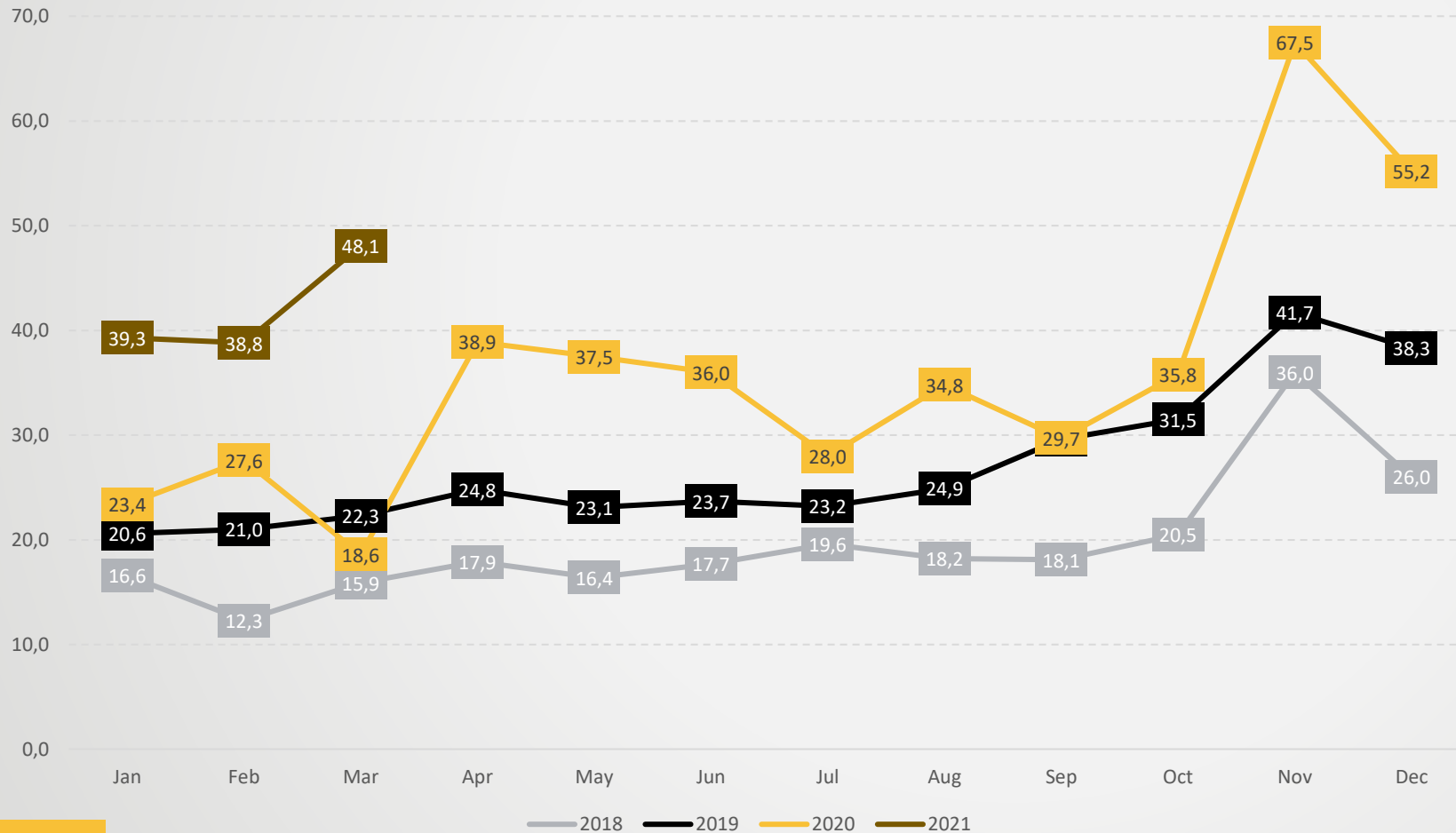
EBITDA [PLNm]



- Answer dynamically increases sales, in Q1 2021 sales revenue increased by almost 78%
- Increased gross margin due to increased share of premium brands in sales, ability to purchase goods from brand distributors on favourable terms, effective use of payment options with discounts to suppliers and less use of price discounts
- Q1 2021 ended with high EBITDA.

# Financial results

On-line sales (million PLN) by month indicate strengthening of Answear.com position and change of consumer preferences, systematic transition of customers from off-line to on-line channel



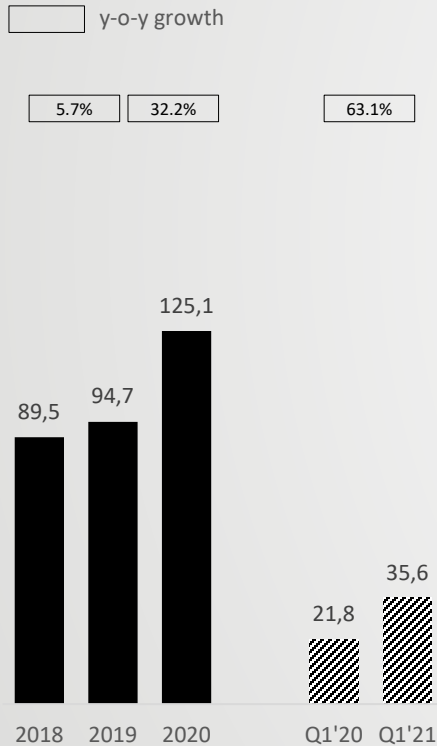
- In Q1 2021, Answear successfully drove sales of its AW'20 collection, which proved to be its best in years. In addition to a rich and constantly expanding product range, sales were supported by exceptionally cold temperatures and closed shopping malls
- January and February are generally weaker months with historically low sales dynamics
- March sees a marked increase in sales due to the COVID-19 pandemic and the closure of brick and mortar shops.

# Financial results

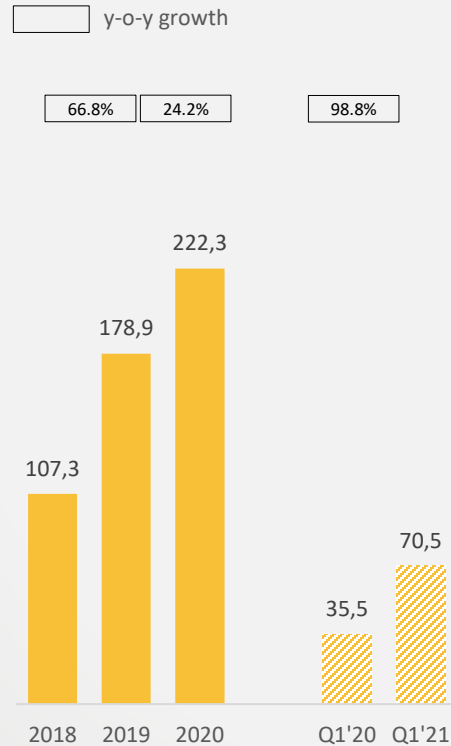
Geographic diversification allows to effectively build business scale

## Revenue by segments

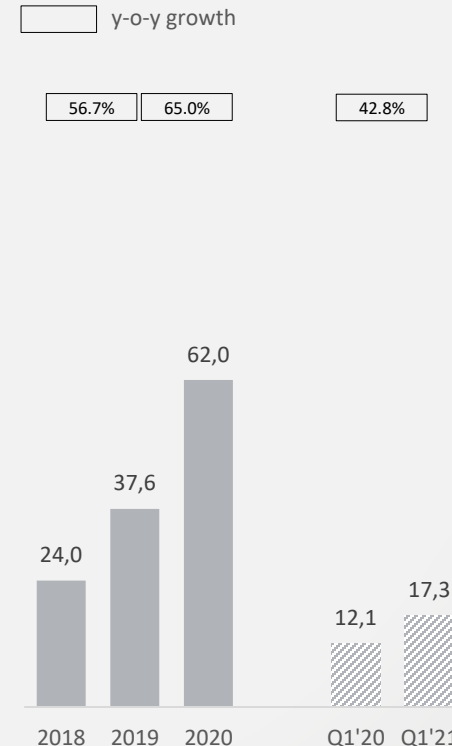
### Poland (PLNm)



### EU countries outside Poland (PLNm)



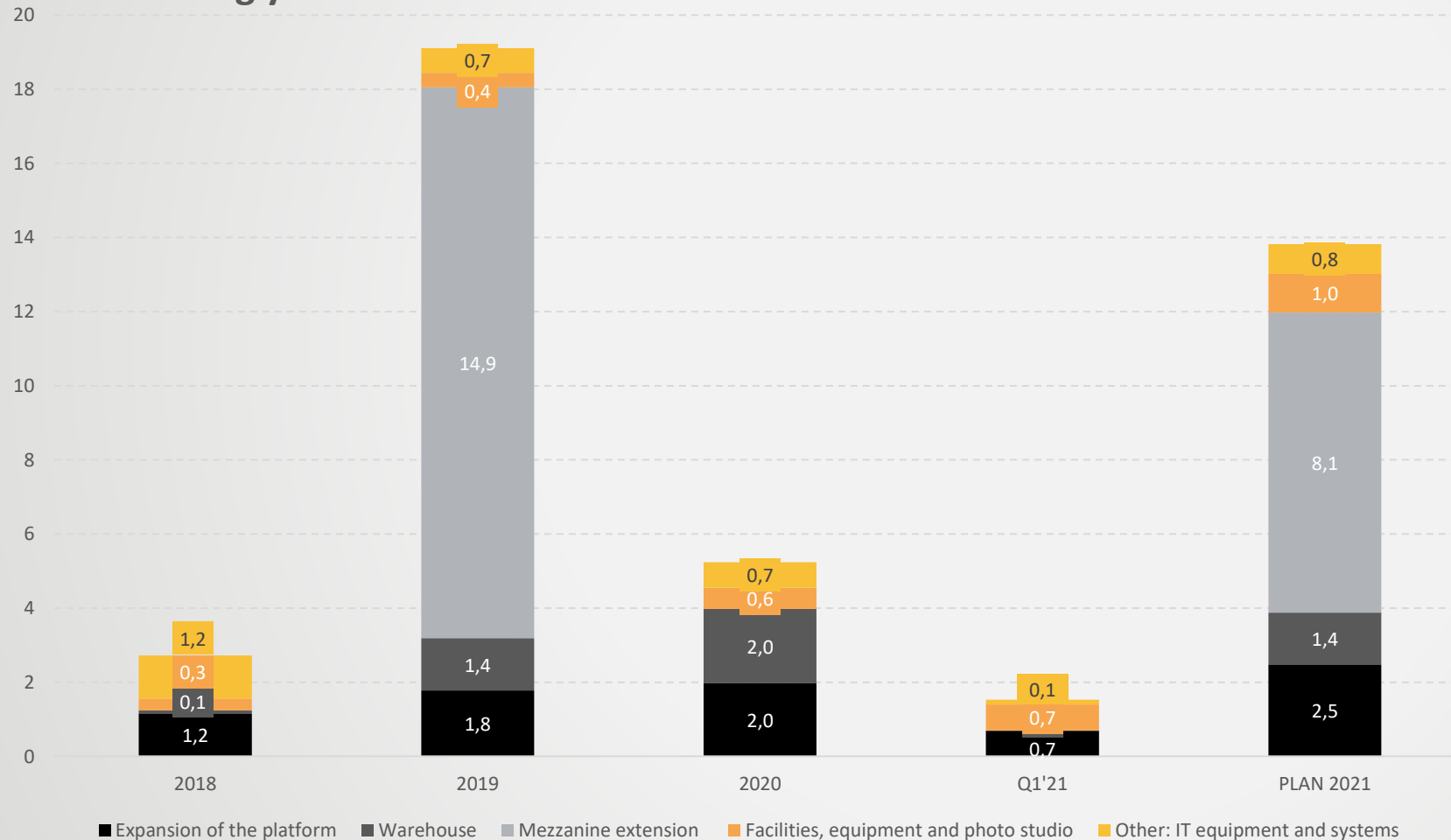
### Countries outside EU (PLNm)



- Geographically diversified sales, where Poland is the largest market with a share of over 30% in revenue
- The lock downs introduced in Q1 2021, in all the markets where Answear operates, supported the achievement of high sales dynamics, contributing to the consolidation of the observed trend of transition of customers from off-line to on-line shopping
- Noteworthy is the nearly 2-fold increase in revenue in EU countries (excluding Poland).

# Financial results

## Investment expenditures (million PLN) to ensure further dynamic development in the coming years



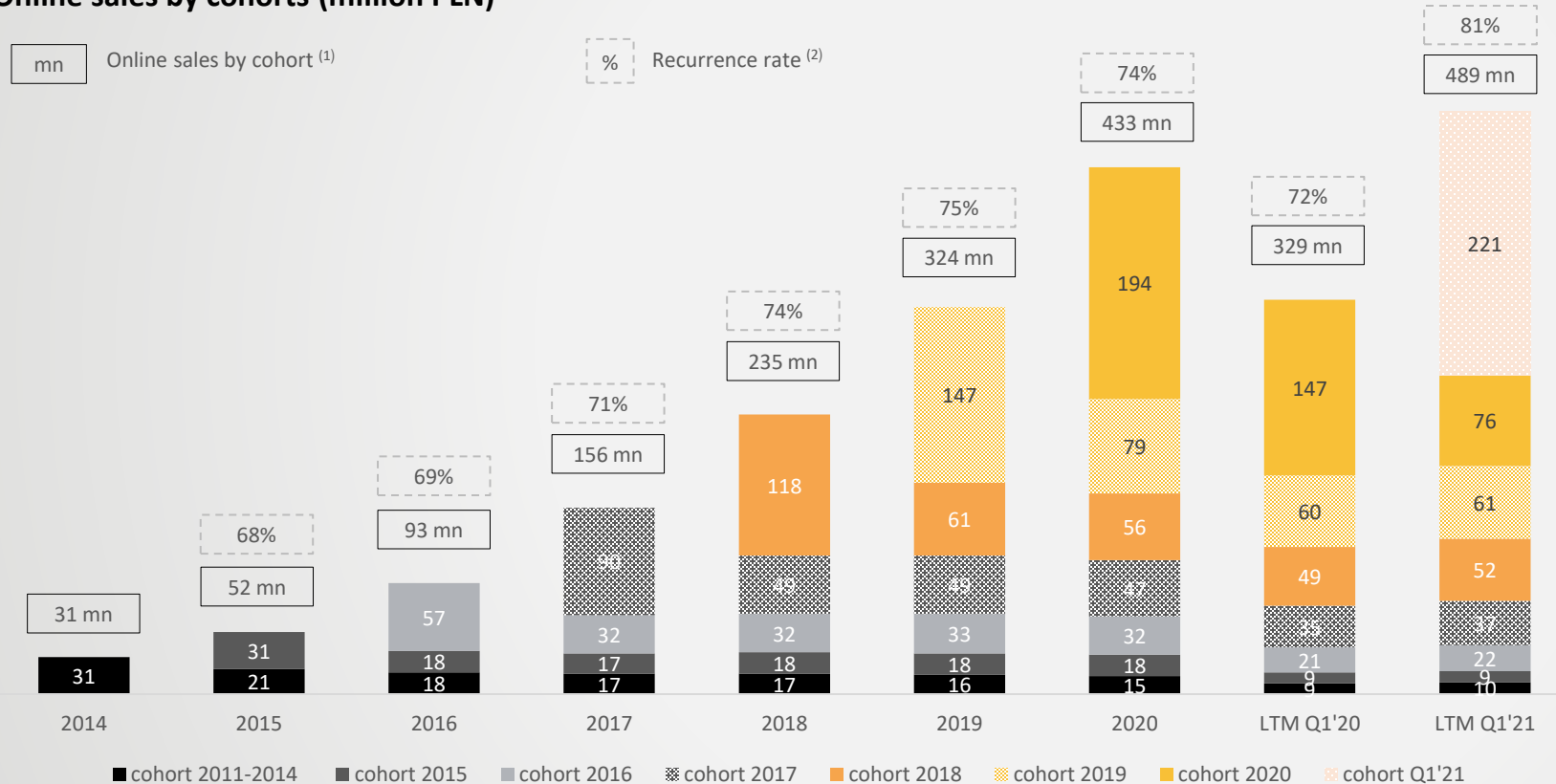
- Major capital expenditure was incurred in 2019 to move to a new warehouse near Krakow and equip it with a four-storey mezzanine
- In 2020, CAPEX expenditure was primarily directed towards the development of the sales site, the launch of a new platform in additional countries and further improvements to the warehouse
- In 2021, the main investment will be the further expansion of the mezzanine floor in the warehouse, increasing its goods storage area by a further 10,000 m2



# Financial results

Increase in the "return" rate, increasing customer loyalty and retention

## Online sales by cohorts (million PLN)



Explanations:

<sup>(1)</sup> Cohorts means customers grouped by the calendar year in which they placed their first order with Answear

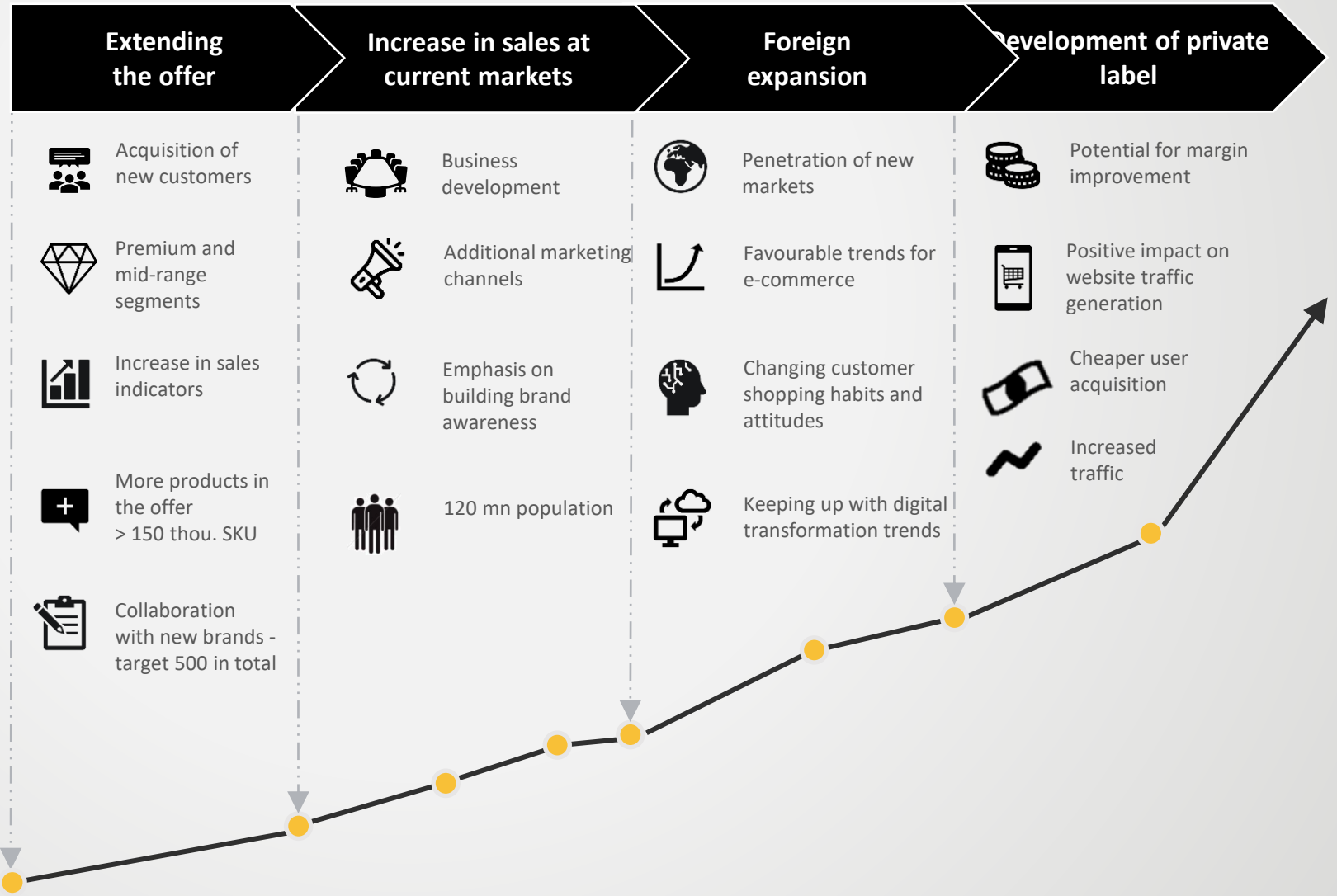
<sup>(2)</sup> Return rate is the result of dividing the revenue generated by active customers in a given year (excluding revenue generated by new customers from that year) by the revenue generated by active customers in the previous year

- Answear has dynamically increased its sales in recent years and has consistently improved its return rate
- In LTM Q1 2021, the return rate was 81%, meaning that customers who shopped in the previous year ended 31 March 2021 generated in LTM Q1 2021 the equivalent of 81% of on-line sales in LTM Q1 2020
- Sales generated by each cohort stabilise in the second year and then remain relatively the same
- In LTM Q1 2021, an amount of PLN 221m was generated by new customers.

# Development strategy

Main pillars of further development of Answear

## Development plan



# Summary

## Why Answear?

- Significant strengthening of the **brand position in the market,**
- **Confirmation of effectiveness** of the business strategy
- **Continued strong potential for further growth in current markets** and further improvement of operating indicators
- Planned entries into new markets should be **a catalyst for further revenue growth of the company** related to the scale of the business
- Potential for further **development of the product offer, optimisation and adaptation to the needs** CEE market and target group, as well as in the development **own brand**
- **Fast development of the e-commerce market"** accelerated **transition of consumers from offline to online** caused by the social changes brought about by COVID-19



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**Thank you for  
your attention**

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