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Answear.com S.A.

Investor presentation - 2020 results

APRIL 2021

Today's hosts

Krzysztof Bajolek, CEO and Jacek Dziaduś, CFO

Management



Krzysztof Bajolek

CEO

Founder and co-owner

- Founder and CEO of numerous fashion 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 Company's growth strategy
- 25 years of professional experience



Jacek Dziaduś

CFO

- Group CFO, joined Answear in 3Q 2020
- Worked in furniture industry at Grupa Nowy Styl for the past 10 years, where he served as controlling and accounting director. Prior to that worked at KPMG Audit Polska
- Responsible for 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 of 2020

Leading e-fashion platform in the CEE region, active on 7 markets and rapidly expanding its scale of operations

Y-o-y revenue growth

32% *Revenues in 2020 totaled PLN 409.5m*

Stable profitability

42% *Stable gross profit margin*

Dynamic y-o-y EBITDA growth

214% *EBITDA in 2020 totaled PLN 30.2m*

Large customer base

1.2 million

Unique active clients on 7 markets in the CEE region. Y-o-y growth of 25%.

Constantly growing number of orders

2.6m *24% y-o-y growth*

High average order value

PLN 237 *The increase of average basket value has a positive impact on business profitability*

Optimization of logistics costs

15.3% *Share of logistics costs in online sales costs¹*

Effectiveness of marketing efforts

12.0% *Cost of marketing expenses as percentage of online sales*

SKU numbers

87k *Constantly expanding offering on Answear websites*

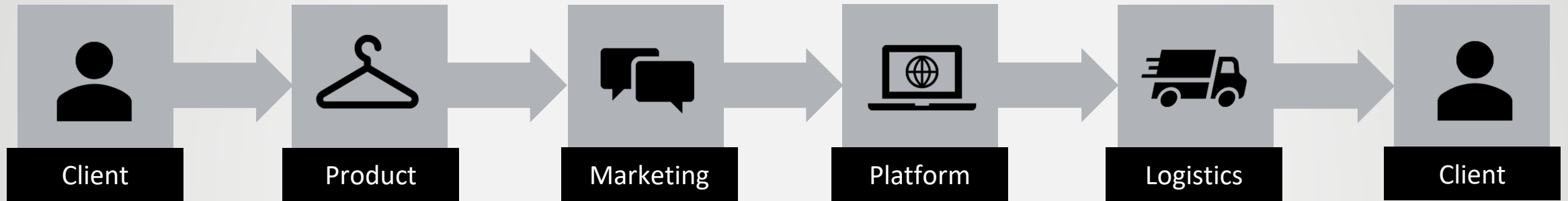


Notes:

(1) Online sales includes invoiced sales over a certain period (including credited returns), including commission sales at full value (sale price to clients) as well as client fees for shipping for orders that are under the free delivery threshold

Business Model & Value chain

Answer.com strives to be the closest to its clients at every stage



- Well-defined target group
- We know the individual needs and tastes of our clients

- We carefully select products from trusted suppliers
- Own brands offering

- We adopt our activities to our TG and specific markets
- We reach clients using various and the most efficient marketing channels

- We manage our own, modern platform with a high degree of UX
- The platform facilitates scaling up the business

- Reliable, fast and cost-efficient delivery system
- We offer the fastest delivery in the CEE

- We have regional teams on each market in order to offer customer service in local languages
- Attractive loyalty club

Efficient operating model

Unique, cost-oriented approach to execution coupled with the best SLA (delivery time) among competitors



Strategic location of the central warehouse

- Shortened assembly and packaging time
- Improved inventory management



Local logistic hubs

- Synergies in refund management
- Cost-effectiveness of the minivan fleet
- Flexibility of the minivan fleet



Local couriers

- Safety of reputable couriers
- Use of couriers' logistics hubs to handle returns (sublease)
- Reliable last mile delivery, pick-up points



Client

- Fastest delivery in the CEE
- Free deliveries and returns for orders above the free delivery threshold
- Deliveries and returns always in one package – eco friendly

Fastest delivery in the CEE



Workdays



24h



1-2



2-5



1-2



2-3



2-3



1-2

Key events in 2020



Improving business profitability and all KPI's

- Increase of traffic, revenue, margin, CR, AOV
- Decrease in ratio of logistics costs, marketing costs and general costs



Migration of the next local e-stores to the new Answear platform

- Continued migration of the next local platforms (Czech and Romanian) to the new e-commerce system
- The new platform offers a high degree of UX, speed and an improved shopping process



Expansion of the product portfolio

- Execution of a strategy to expand the product offering by adding premium and mid-market brands
- Increasing the share of premium brands from 41% to 47% of the portfolio
- Appearance of new brands including Max Mara Leisure, Elisabetta Franchi or Stella McCartney
- Expansion process of the product portfolio is continued in 2021.



Launch of the application on new markets

- Launching mobile apps on all of Answear's EU markets
- Noticeable trend towards growing use of mobile apps in overall sales
- Ukraine application launched in 1Q2021

Key events in 2020



Commissioning warehouse mezzanine space

- four-level, automated mezzanine floor with a dedicated conveyor and rack system with 5,300 sqm on each level
- Significant increase of the storage space - by 16,000 sqm
- Speeding up logistical processes related to merchandise picking and assembly
- Plans for further expansion of the mezzanine in the future



IPO and WSE debut

- Raising PLN 45m net for further growth from a public offering; total IPO value over PLN 80m
- WSE debut on January 8, 2021.



New photo/video studio

- Relocating the photo/video studio to a location with four times more space (1,660 sqm) housing a dedicated team of photographers, graphics artists and stylists
- Answear, as one of the few companies within the industry, makes product-focused short films to facilitate decisions by clients, a strategy that has positive impact on the conversion rate



TV and video online campaign

- Launching a wide-reach TV campaign raising awareness of the Answear brand on all seven markets
- Focusing activities to increase loyalty and customer repeat purchase rate, boosting the number of clients acquired from free sources and raising conversion and the level of confidence
- This process will be continued in the following time periods

COVID-19 impact

The pandemic is not a one-time event, it has accelerated e-commerce growth by several years



An uninterrupted distribution channel

While traditional stores were completely shut down for a certain period of time, Answear.com was able to execute its strategy and continue selling products.



**Acquiring and retaining new clients
(changing shopping behaviour)**

The trend of customers switching to online channels continued for years but the pandemic gave it a significant boost



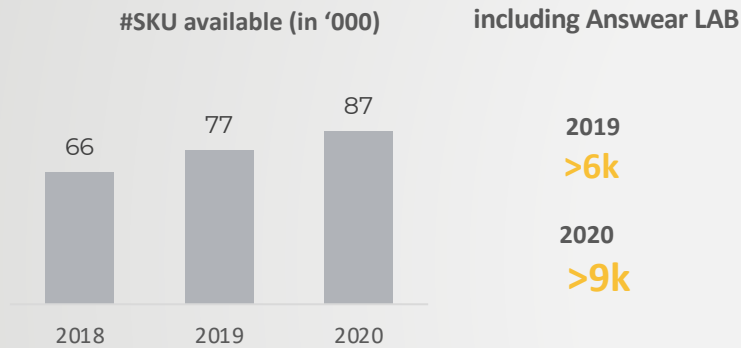
Greater sales of casual wear

Sale of comfortable, casual wear rose as people switched to home office at the expense of elegant clothing

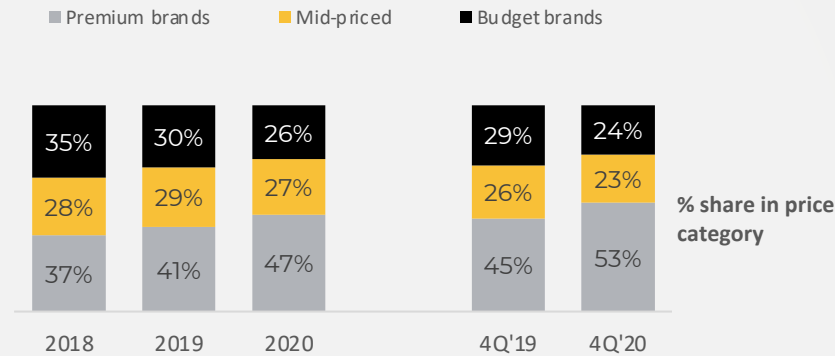
Key operating metrics

Constantly growing product offering that matches the taste of clients from CEE region

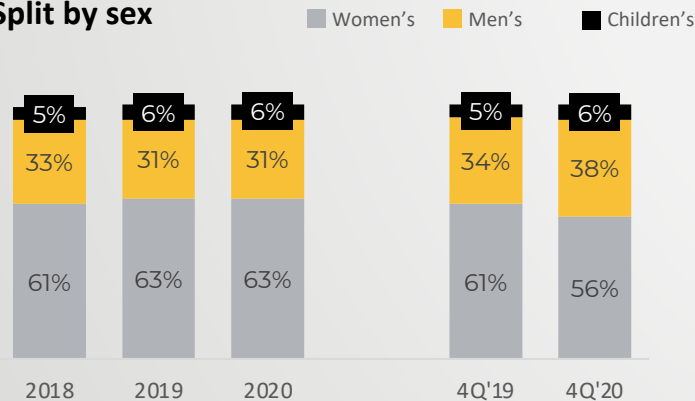
Boosting offering range



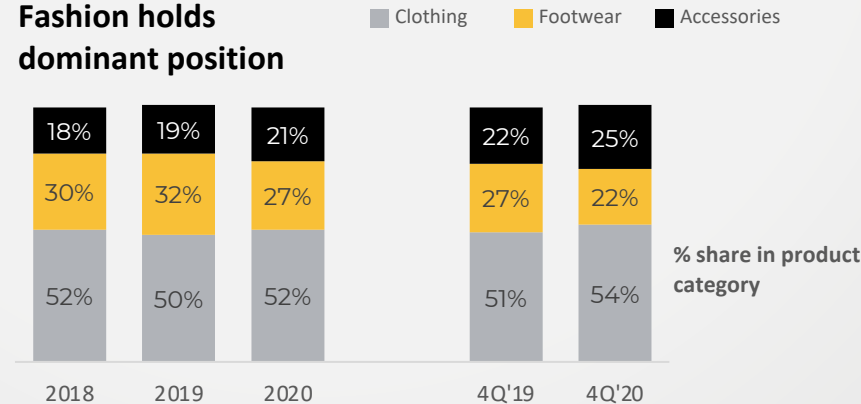
Drive towards premium products



Split by sex



Fashion holds dominant position



- Huge offering of more than 87,000 unique products available at the warehouse for an instant purchase
- Drive towards offering more expensive, premium products and a gradual replacement of cheaper brands with Answear LAB
- Dominant share of women's collections in the sales structure
- Footwear and accessories as an addition to the key fashion segment

Answer LAB

Own brand is the basis for our strategy, drives the margins, makes Answer offering distinct from its direct competitors and attracts clients

Growth of Answer LAB



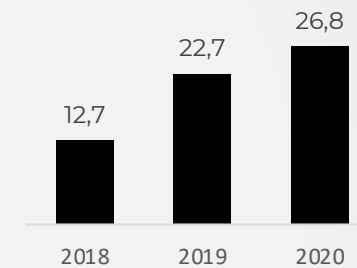
Basic information

- Set up in 2017, initially offered **clothing and accessories** that reflected the most recent trends in women's fashion
- The offering now includes fashionable and best selling products
- Basic choice among clients from **lower pricing segment**
- **Dedicated topical collections** – limited KRÓL collection

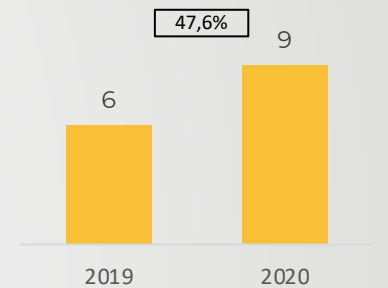
Characteristics

- One of the **best selling brands** within the portfolio (6.3% of sales)
- **Offers the most recent fashion trends** with short product series and within short amount of time (benchmark: Zara, Asos)
- **Dedicated team** of designers, buyers and merchandisers
- **Collaboration with local producers and designers.** Production takes place in Turkey, Poland and Asia
- Answer LAB products give us **an opportunity to generate relatively high margins**

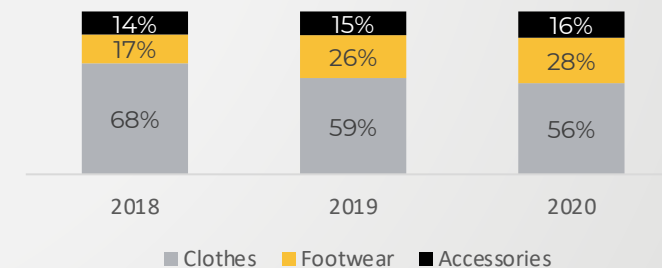
Sales (PLN, m)



SKUs ('000)



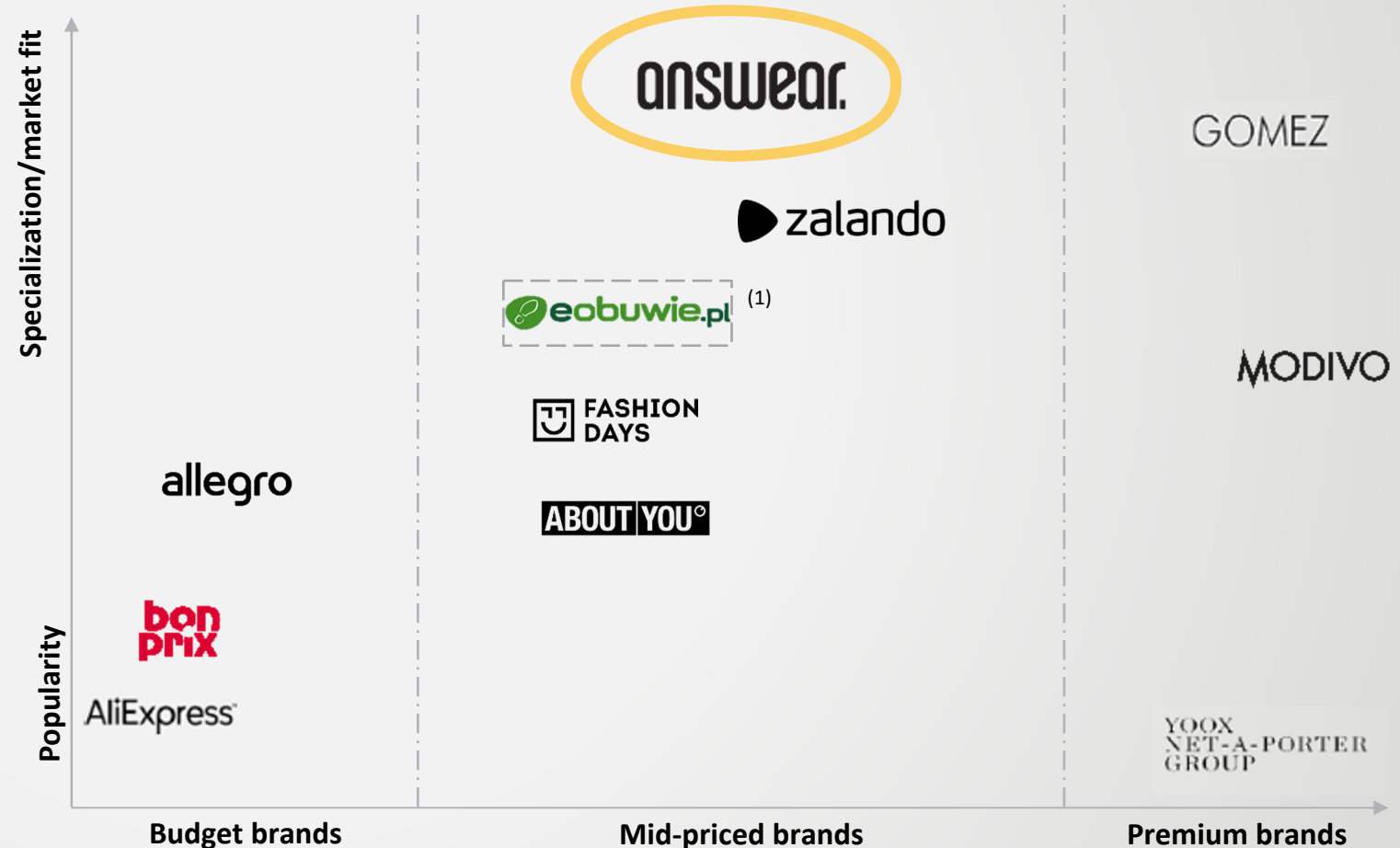
Portfolio development



Answer's competitive position

Clearly defined customer profile helps us adjust product offering and position it against the competition

- 01.** Answear's goal is to be the leader in the lifestyle brand segment for clients who are young in spirit, affluent and reside in countries of the CEE region
- 02.** Answear ensures curated product offering fitting needs of its target group in CEE
- 03.** Answear ensures high quality of services thanks to an efficient operating model. The clients always receive products ordered in a single shipment, within the shortest possible time
- 03.** The purchasing process is as simple as possible, quick and comfortable. Answear places a lot of emphasis on product presentation (own photos, films and descriptions)

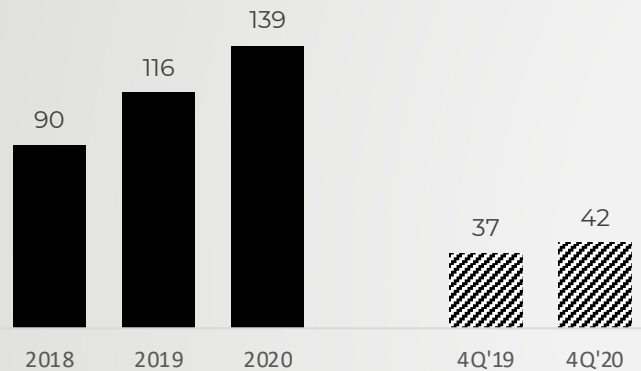


Notes
(1) E-obuwie – only sells footwear
(2) Specialization/market fit - Client taste and needs - Defined target group - Level of customer service

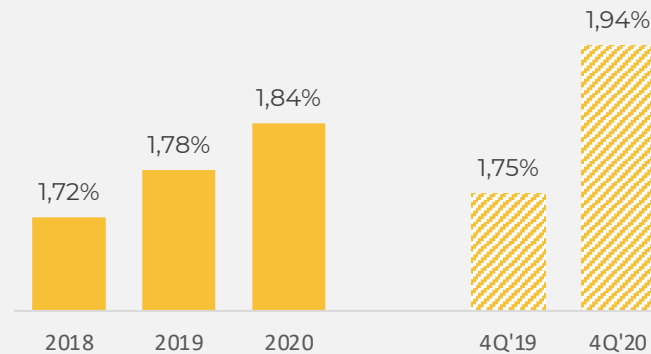
Operating results

Constantly improving main KPIs of the business are reflected directly by growing sales

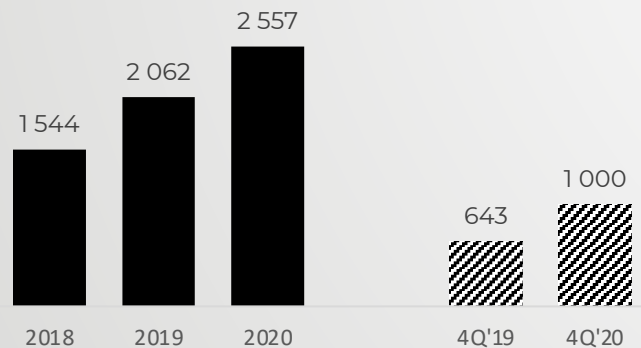
Visit numbers (in millions)



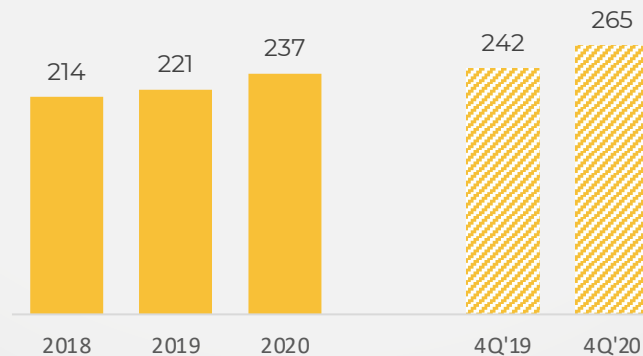
Conversion rate



Number of orders ('000)⁽¹⁾



Average order value (PLN)⁽²⁾



- Systematic increase in the number of visits to the platform; 14 million visits per month on average registered in 4Q 2020
- Increasing number of visits is accompanied by a rising conversion rate, also due to a greater popularity of the mobile app which is characterized by higher conversion
- Rising number of visits and conversion rate are directly reflected by growing number of orders
- Strategic focus on mid-priced and premium brand segment impacts average order value figures

Notes:

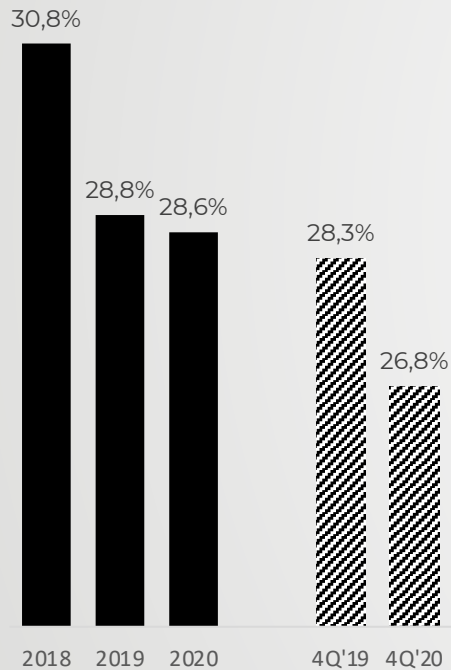
(1) Number of orders (excluding refunds)

(2) Based on sales and number of orders excluding refunds

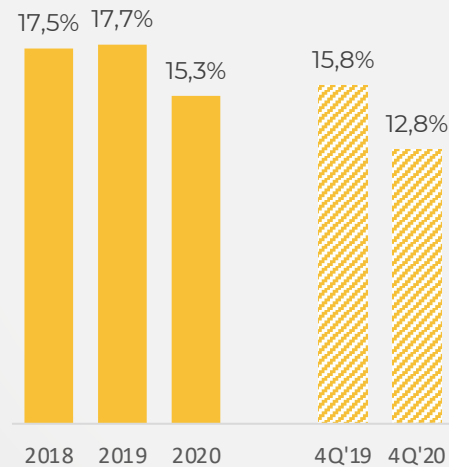
Operating results

Cost-effectiveness of the business keeps going up

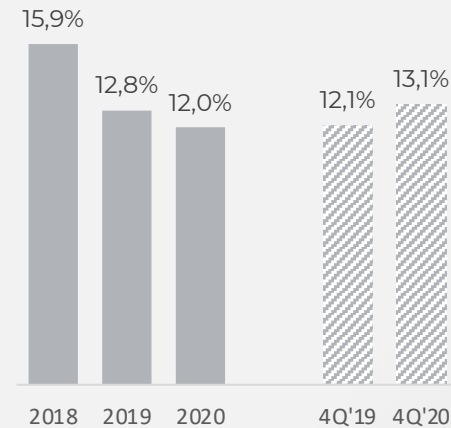
% returns (1)



% logistics costs (2)



% marketing costs (2)



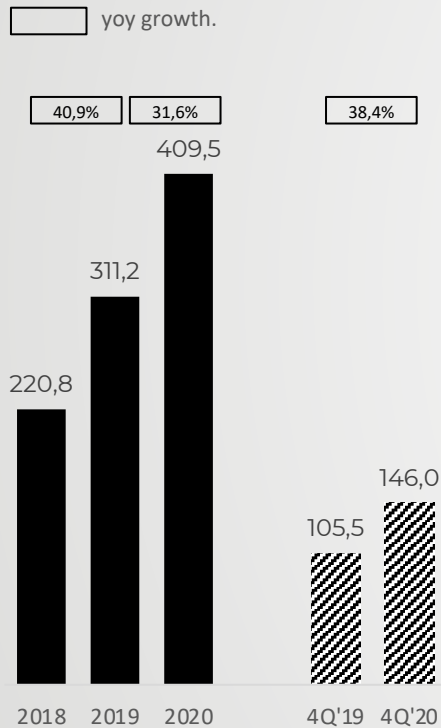
- Keeping the return rate at a stable level below 29% while increasing scale of business in Poland and abroad
- Optimizing logistics costs in relation to online sales as a result of an increase in scale, dilution of fixed expenses and an improved process effectiveness
- Reduction of marketing expenses thanks to growing scale and an increasing number of active and returning clients

Notes:
(1) % of online sales before returns
(2) % online sales after returns

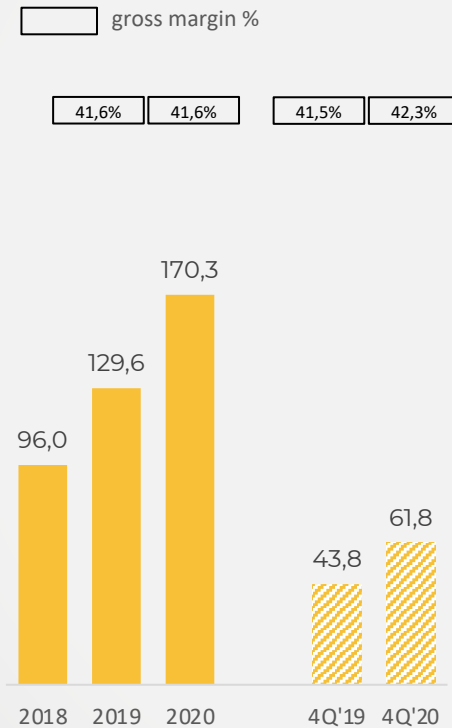
Financial results

Growth and well-established profitability gives us an opportunity to further scale up the business

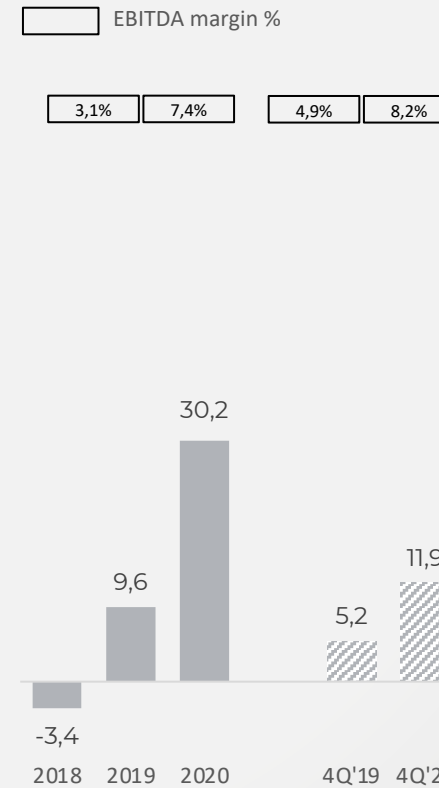
Total revenues (PLN, m)



Gross profit (PLN, m)



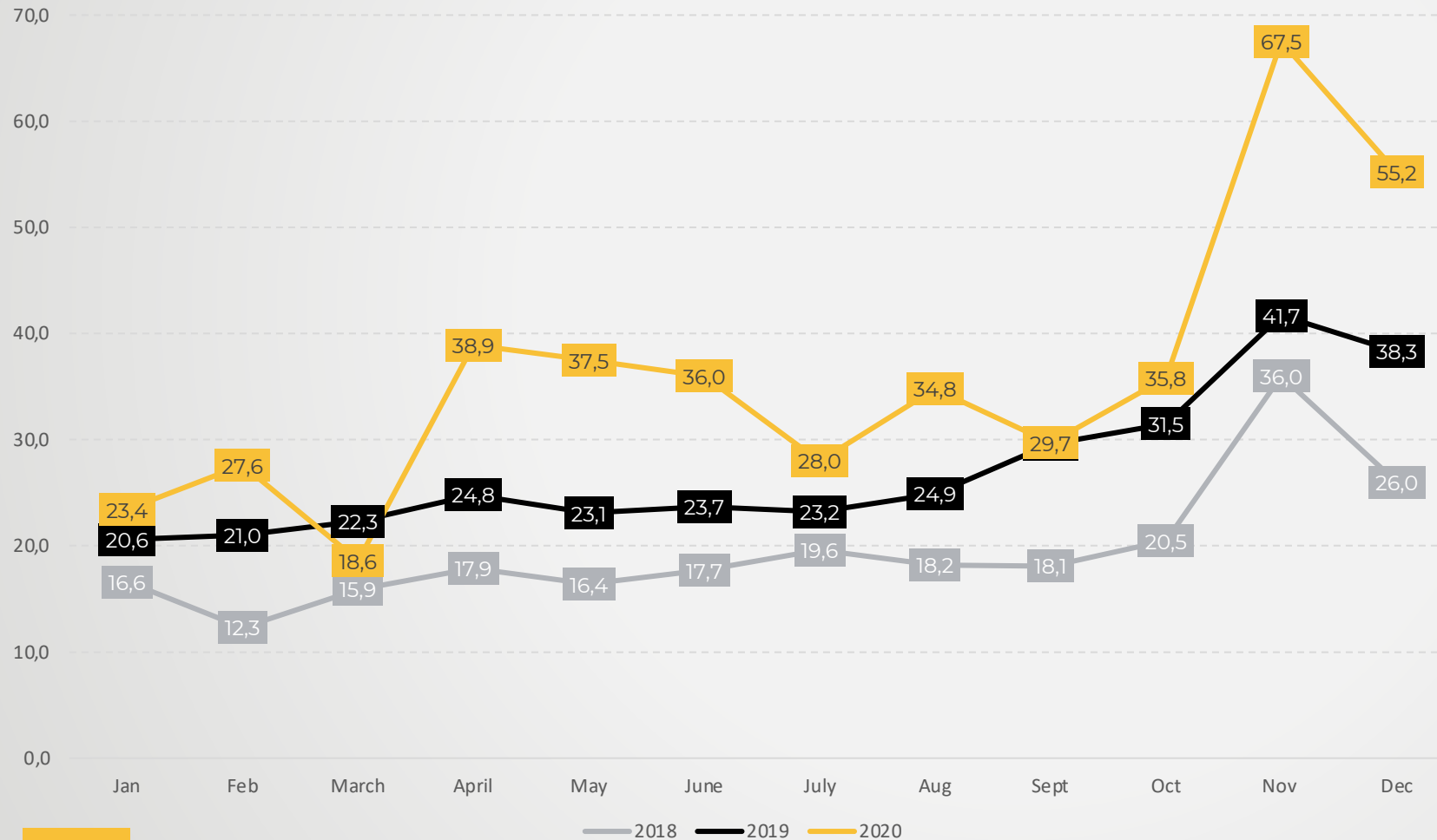
EBITDA (PLN, m)



- Answer is increasing its sales dynamically; in 4Q 2020 revenues rose by more than 38%
- Maintenance of stable gross margins thanks to growing scale, better commercial terms with suppliers and dynamic addition of new brands to the portfolio
- Year 2020 ended with the achievement of our target, i.e. growth and established profitability that gives us an opportunity to further scale up Answer.com

Financial results

Online sales (in millions of PLN) split by months shows the change of buyers' preferences and the switch of new clients from offline to online channel



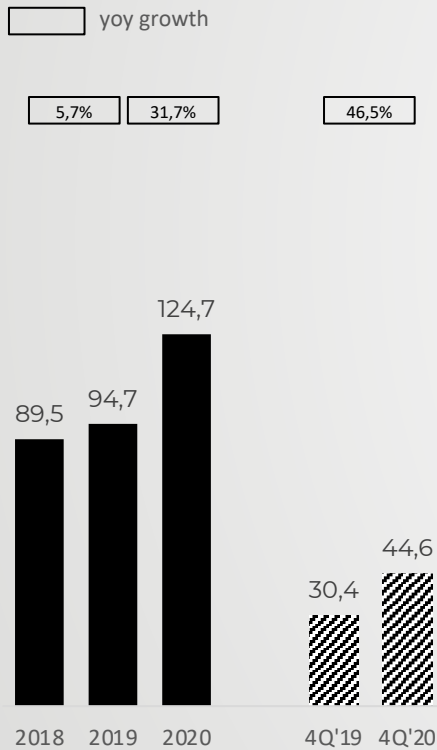
- Visible decline in sales in March due to COVID-19 pandemic which decreased client demand and led to a decline in order numbers, lasting several weeks
- Q2 is the time of dynamic sales growth due to a very strong shift of consumers from traditional to online stores reinforced by the lockdown
- Noticeable shortages in the product portfolio in 3Q; visible clients' saturation after a very strong 2Q. Additionally, September was unusually warm, which led to a shift in sales of AW20 collection into the subsequent months
- Q4 meant very strong November and December thanks to a successful Black Friday as well as having the right inventory in response to growing demand caused by another lockdown

Financial results

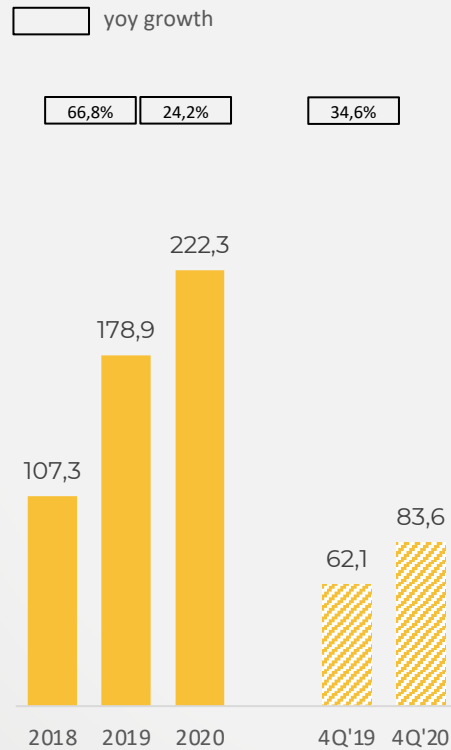
Geographical business diversification gives us an opportunity for effective value creation

Revenues by segment:

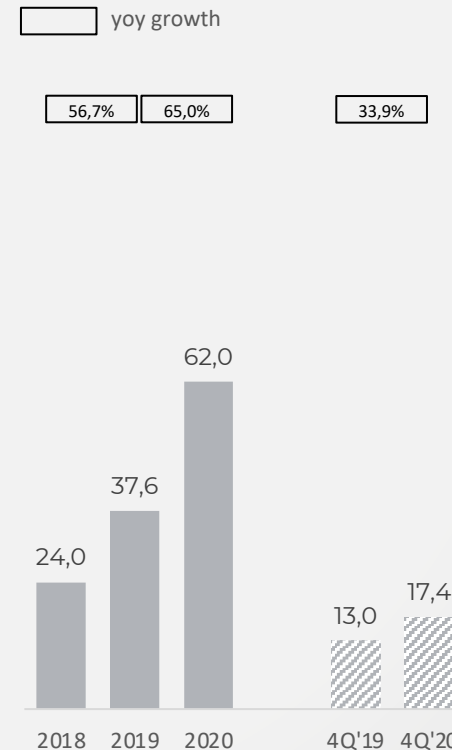
Poland (PLN, m)



EU ex-Poland (PLN, m)



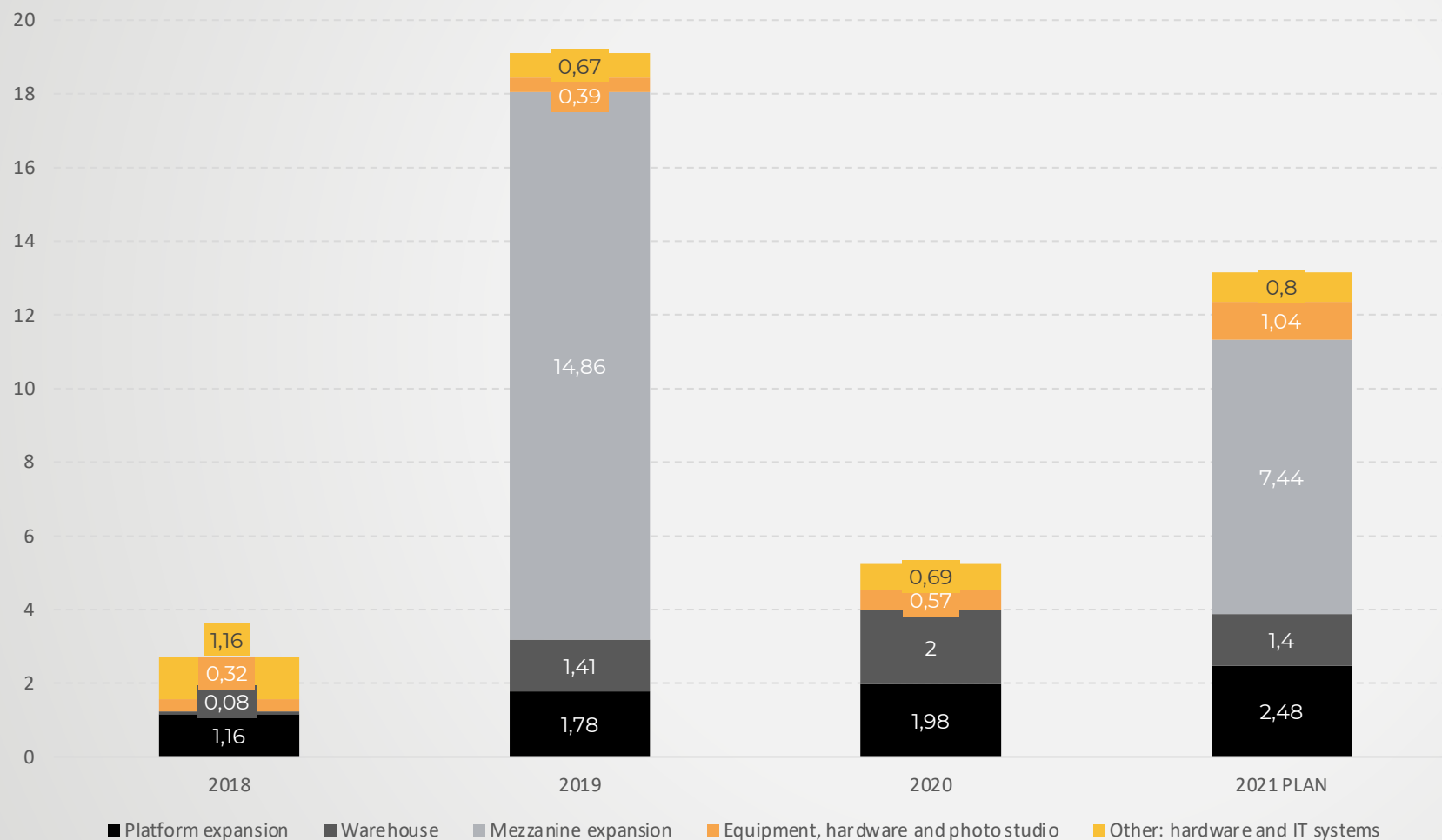
Non-EU (PLN, m)



- Geographically diversified sales where Poland is the biggest market with over 30% share in revenues
- EU countries (other than Poland) grew by 67% in 2019 as a result of opening up of new markets, no new markets were launched in 2020
- Flexible management over marketing budgets, as a consequence marketing spend in Poland and Ukraine was increased and these two markets registered faster growth
- Revenues on the Ukrainian market grew by a record 65% in 2020

Financial results

CAPEX (in millions of PLN) ensuring further dynamic growth



- The main capital expenditures related to the relocation to new warehouse near Cracow and fitting it with a four-level mezzanine were made in 2019.
- CAPEX in 2020 was directed primarily to the development of the website, launch of a new platform in the next countries and further improvements at the warehouse.
- In 2021 the main investment will be a further expansion of the warehouse mezzanine, increasing its warehouse storage area by another 10,000 sqm.

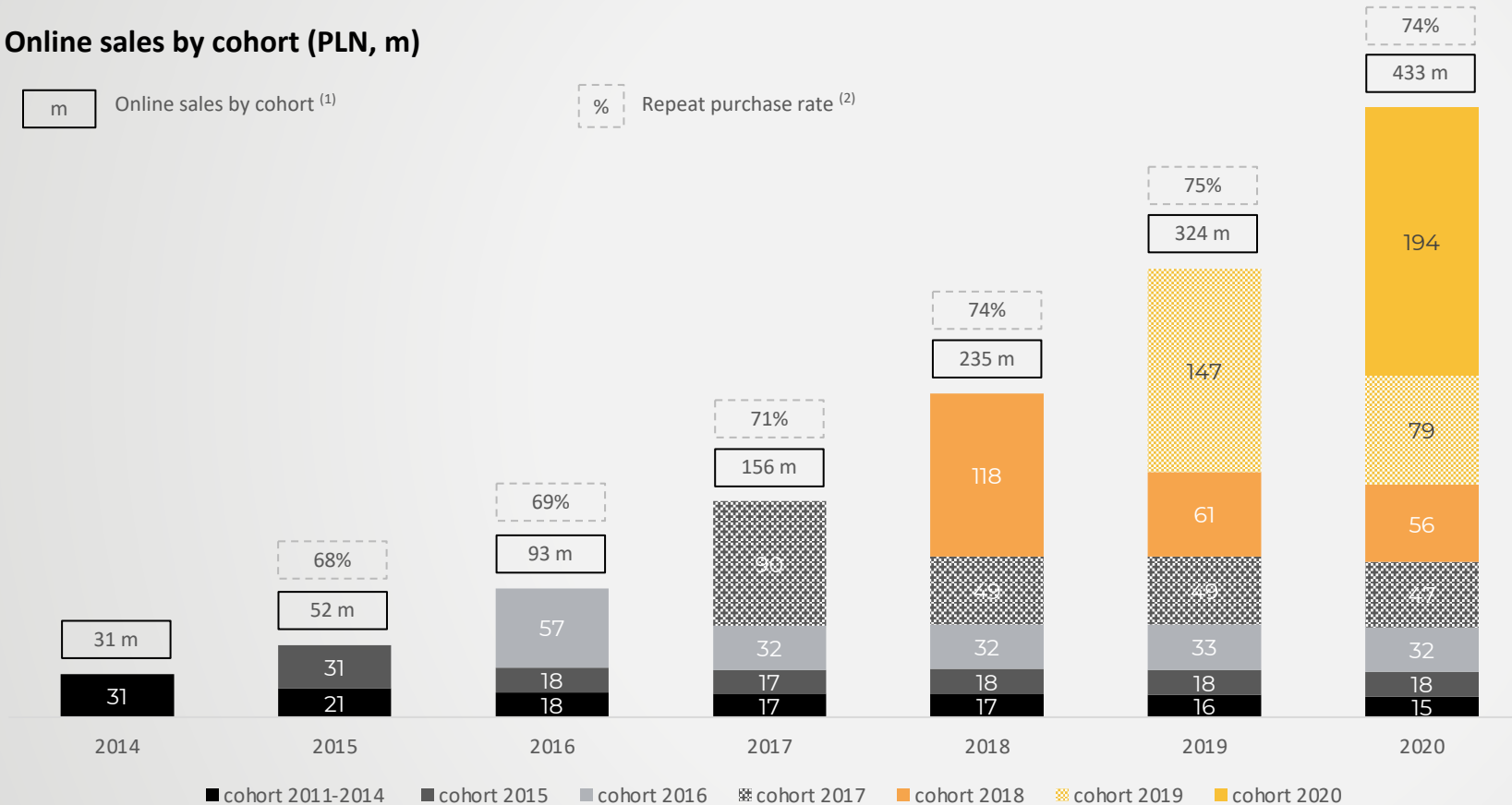
Financial results

High repeat purchase rate is a sign of high degree of loyalty and client retention

Online sales by cohort (PLN, m)

m Online sales by cohort ⁽¹⁾

% Repeat purchase rate ⁽²⁾



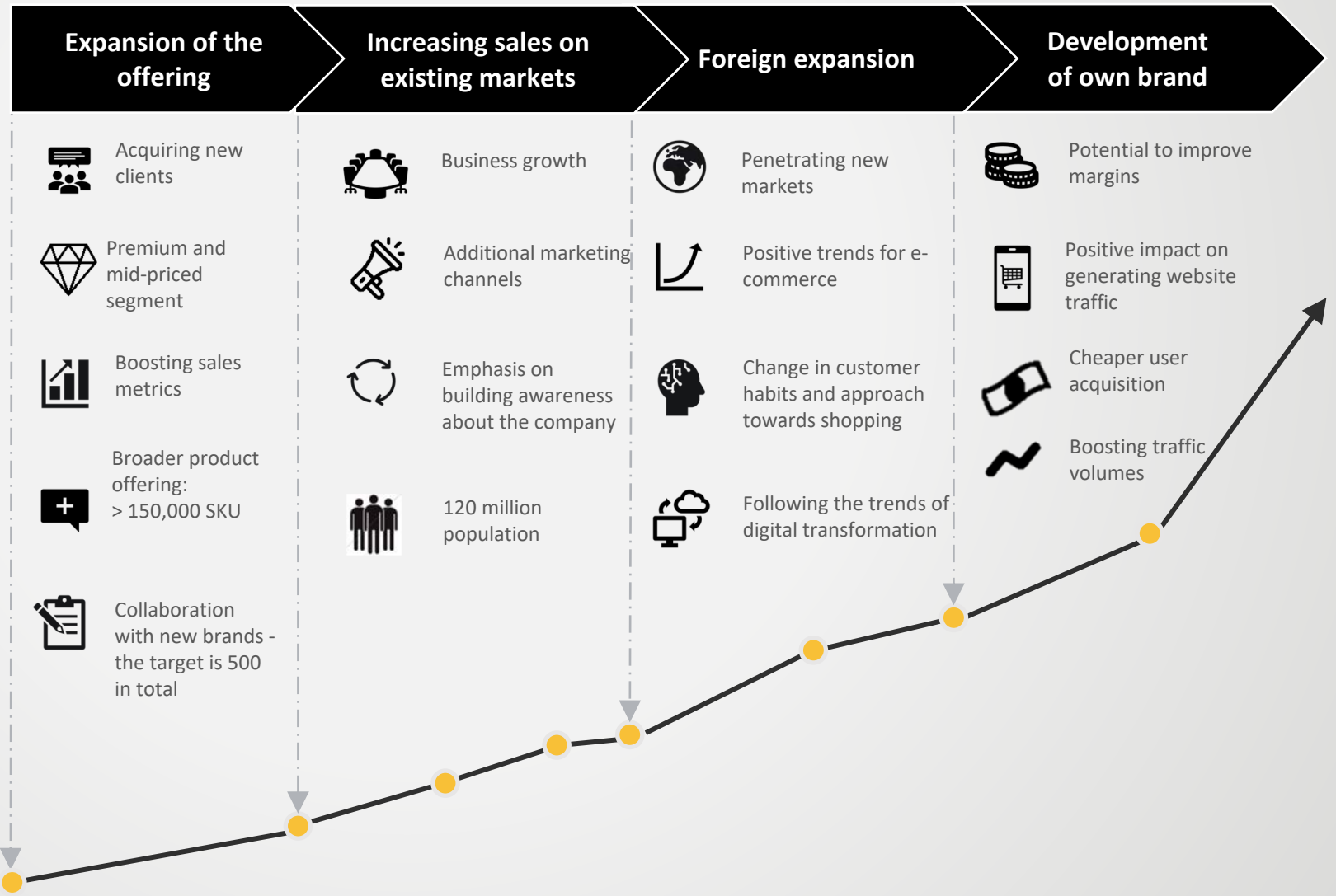
- Over the past few years Answear has grown its sales dynamically and consistently improved its repeat customer rates
- In 2020 repeat customer rate reached 74%, i.e. clients who made purchases the previous year generated the equivalent of 74% of revenues in 2020
- Sales generated by specific customer cohorts stabilizes in the second year and subsequently remains at a relatively similar level
- In 2020 new clients generated 45% of all sales

Note:
⁽¹⁾ Customer cohorts represent clients grouped by the calendar year in which they made their first order at Answear
⁽²⁾ Repeat purchase rate represents revenues generated by active clients in a selected year (excluding revenues generated by new clients from that year) and revenue generated by active clients in the previous year

Growth strategy

Key pillars of further Answear growth

Growth plan



Summary

Why Answear?

- One of the leading **e-commerce players** in the CEE region with the **fastest delivery in the CEE**
- **Pure e-commerce** business with 100% exposure to a dynamic market
- **Accelerated shift to online mode** caused by social changes due to COVID-19
- **Further high potential to increase revenues on existing CEE markets** and improving KPI's
- Dynamic company strategy related to **expansion on new markets**
- **Multi-brand offering** adopted to the needs of CEE market and rapid **scalability of own brand**
- Led by **executive with priceless sector experience** with a strong and experienced management team



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**Thank you for
your attention**

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Profit and loss account

<i>PLN '000</i>	2020	2019	Growth rate
Sales revenue	409 457	311 207	31,6%
Revenue from the sale of products and services	28 021	19 990	40,2%
Revenue from the sale of goods and merchandise	381 437	291 217	31,0%
Operating expenses	386 026	304 293	26,9%
Amortization	8 061	5 240	53,8%
Cost of materials and energy	4 201	4 316	-2,7%
Third party services	55 856	47 329	18,0%
Taxes and fees	501	510	-1,8%
Payroll and employee benefits	33 018	28 780	14,7%
Other expenses by category	45 250	36 487	24,0%
Cost of goods and materials	239 139	181 630	31,7%
Gross profit on sales	23 432	6 914	238,9%
Other operating income	3 650	468	679,6%
Other operating expenses	4 979	3 009	65,5%
Operating profit	22 103	4 374	405,4%
Financial revenues	57	343	-83,4%
Financial expenses	9 669	3 250	197,5%
Profit before tax	12 492	1 466	751,9%
Income tax	3 950	-9 408	-142,0%
Net profit from continuing operations	8 542	10 874	-21,5%
Net profit	8 542	10 874	-21,5%