



answear.com

Answear.com S.A.

Investor presentation – Q2 2021 results

SEPTEMBER 2021

Summary H1 2021

Accelerating growth, further improving financial performance and operating ratios.

Revenue growth

56%

Revenue in H1 2021 amounted to PLN 269.6m

Gross margin increase

44.9%

compared to 40.7% in 1H20, increase in margin on sales by value from PLN 70.6m in 1H20 to PLN 121.1m in 1H21

Dynamic EBITDA growth

PLN 17.6m

versus PLN 12.2m in 1H2020

Large customer base

1,3m

unique active customers across 8 markets in CEE. An increase of 24% y-o-y

Continuously growing number of orders

1,6m

Dynamic y-o-y growth of 35%

Increased value of average order

PLN 259

PLN 222 in 1H2020. Increasing the value of the average order has a positive impact on business profitability

Logistic costs optimisation

15.0%

16.7% in 1H20 Ratio of logistics costs to on-line sales

Effectiveness of marketing activities

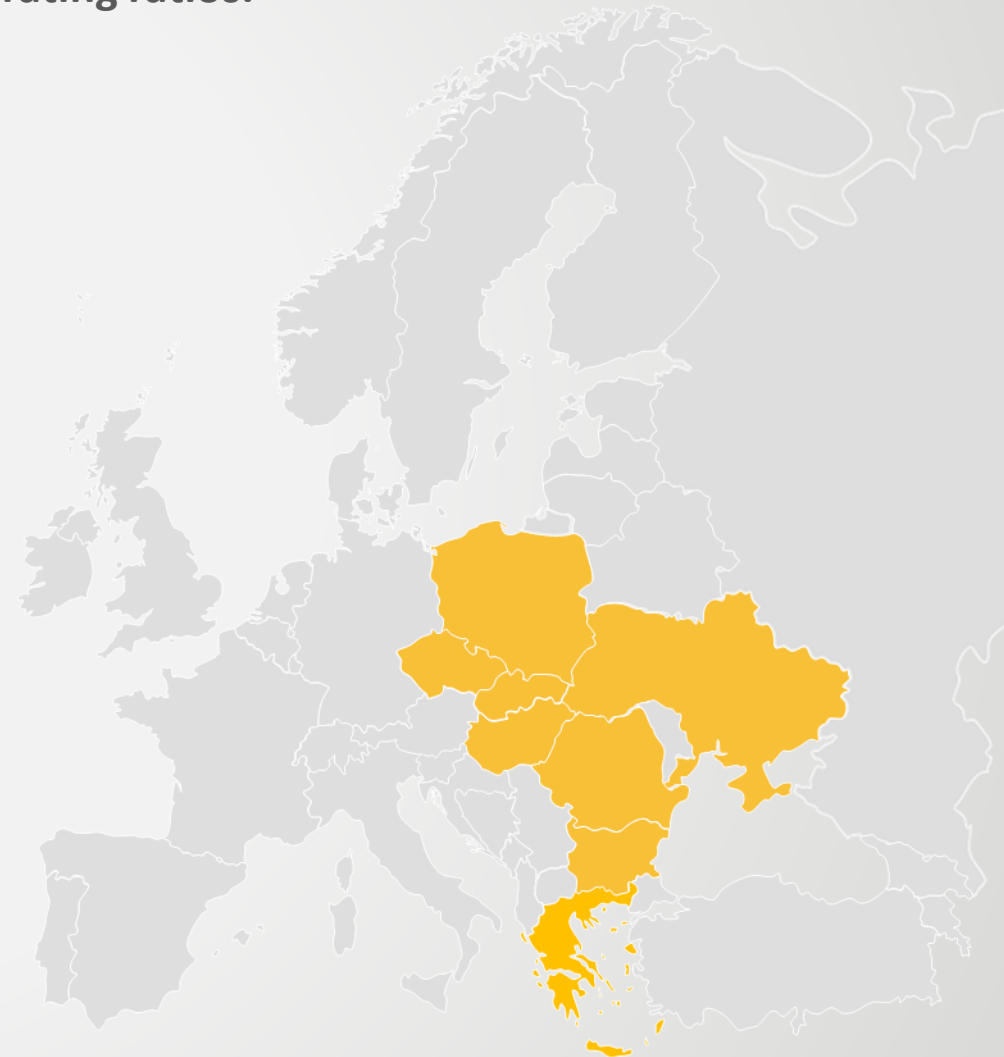
15.1%

11.1% in 1H2020. Marketing input costs in relation to on-line sales

Growth in SKUs

>116k

Steadily increasing width of offer on Answear website



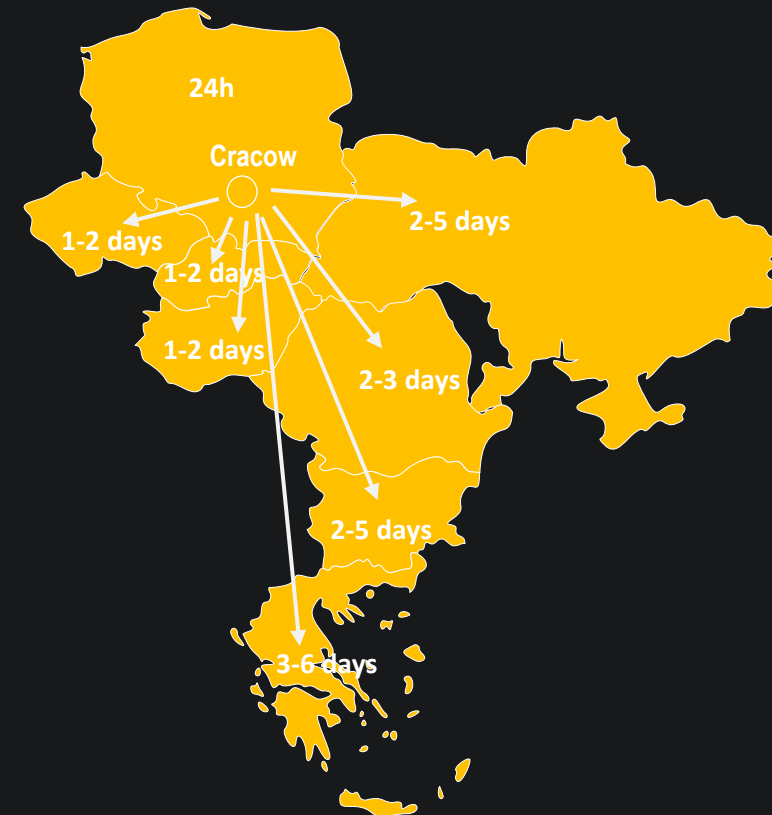
Entry to the Greek market

Consistent building of e-fashion leader in CEE region

The Greek market

- One of the largest markets in the CEE region
- Relatively wealthy with booming e-commerce and relatively little competition
- High awareness of premium brands, which will be reflected in the value of average baskets
- Natural logistical advantage over distant Western European countries results in limited presence of major European competitors
- In 2023 Answear aims to achieve EBITDA profitability in this market

The fastest delivery in CEE. „Customer-centrism”



Key events in Q2 2021

ANSWEAR.com



Moving to a new photographic studio

- Moving to a 4 times bigger studio
- Making product films
- An expanding dedicated team of photographers, graphic designers and stylists



Answer.com (PL) shop migrations to new platform

- A new independent platform, high UX, speed and an improved shopping process
- Refined product search system
- New look and layout based on the so-called Single Page Application



Celebrating 10 years of Answer.com

- Special limited collections for Answer.com customers, prepared by major brands
- Limited editions of Answer.LAB in cooperation with Paulina Krupińska
- Consistent achievement of IPO issue objectives



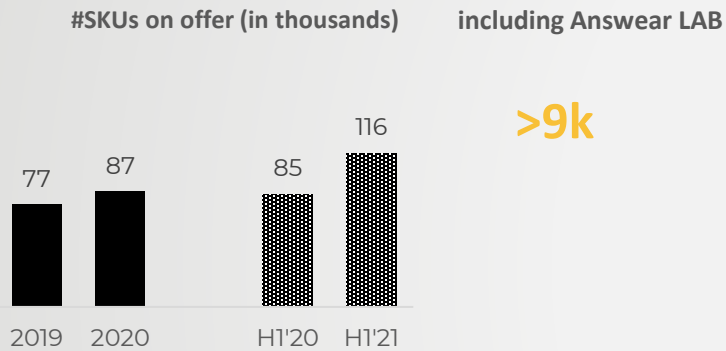
Extension of a 4-storey mezzanine

- Extension of the multi-level mezzanine floor in the central warehouse, increasing the goods storage area by a further 10,000 m².
- Installation work completed with ready-to-use acceptance received on 21 September this year.

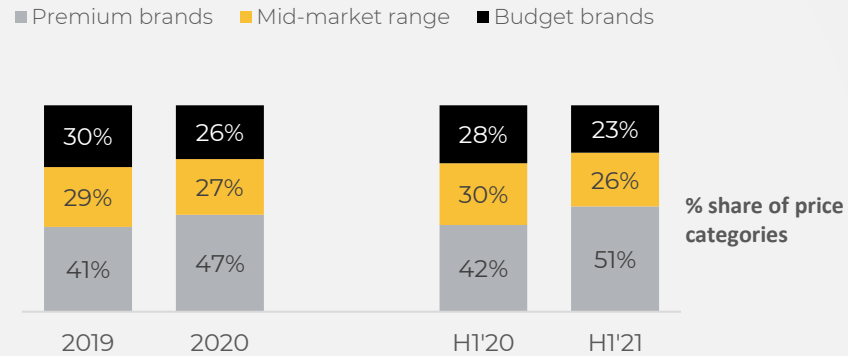
Development of the product range

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

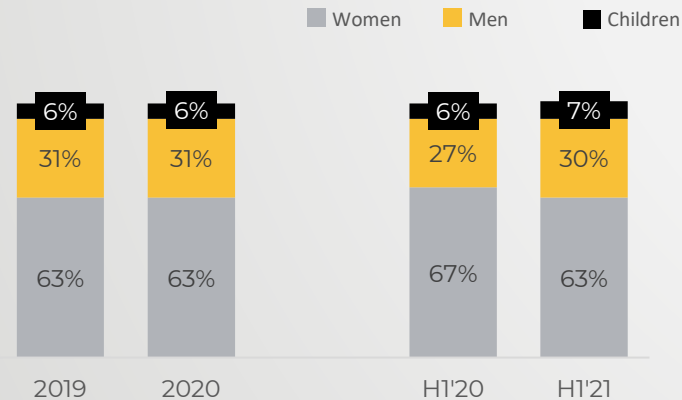
Increasing the range of offerings



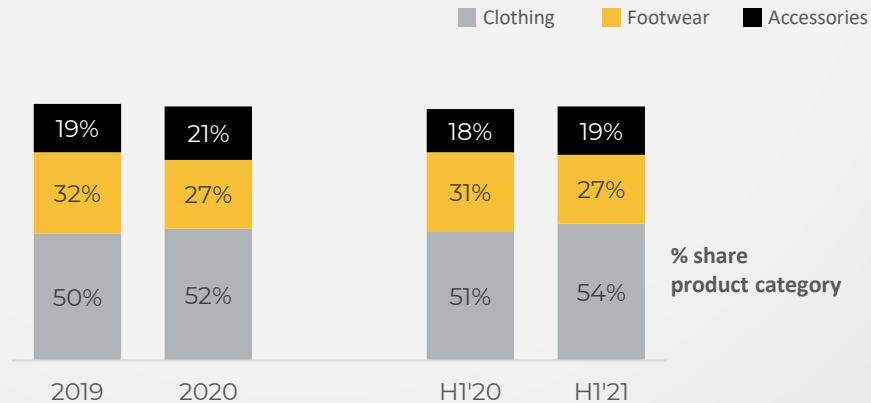
Concentration on Premium segment



Breakdown by gender



Dominant clothing



- Answear dynamically increases its product offer. In 2-3 years perspective, the offer is to increase by about 500 brands and 150 thousand SKU
- 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



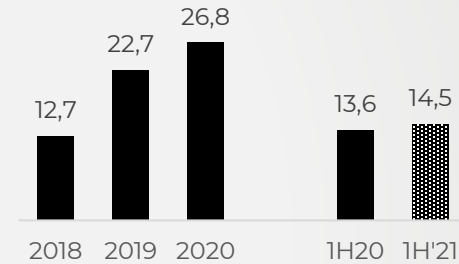
Basic information

- 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**

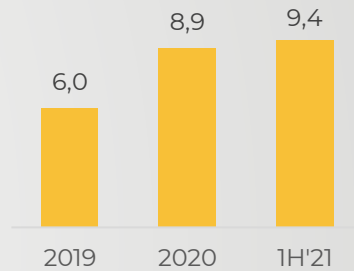
Current characteristics

- 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,,
 - „Girl Power”

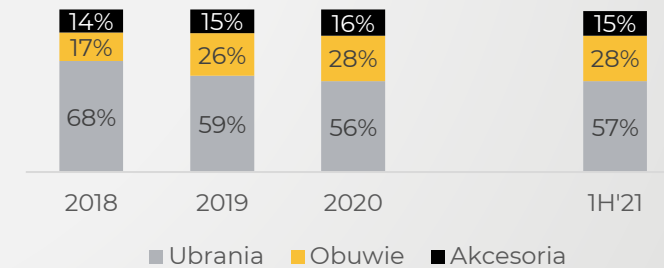
Sales (PLNm)



SKUs number (thou.)



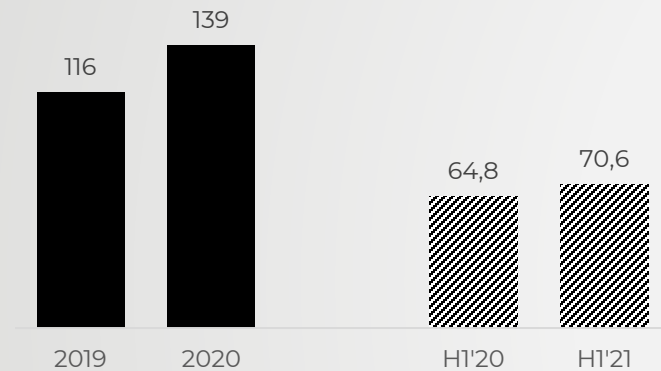
Development of the offer structure



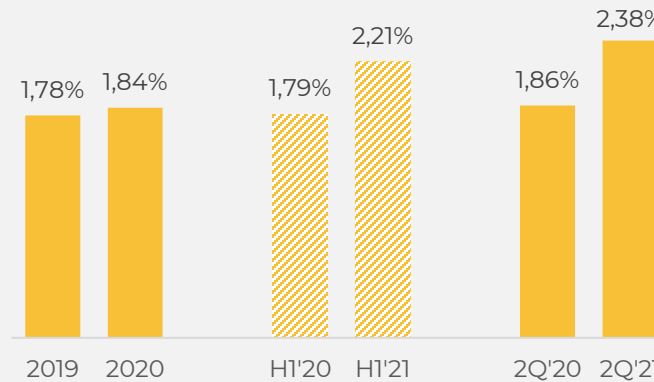
Operational indicators

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

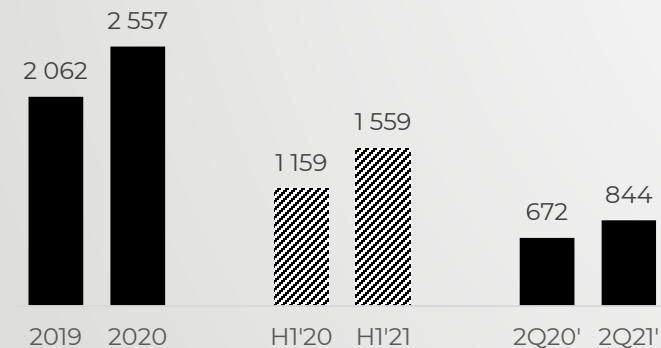
Number of visits (mn)



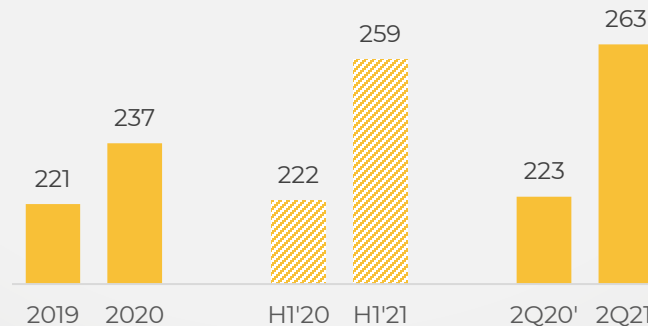
Conversion coefficient



Number of orders (thou.)⁽¹⁾



Average order value (PLN)⁽²⁾



- Systematic increase in the number of visits to the platform, on average 12 million visits/month were recorded in 1H2021
- 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 - our customers placed 1.6 million orders in 1H2021
- Strategic focus on mid-price and premium brand segments and appropriately profiled marketing activities have a positive impact on average order value performance

Explanations:

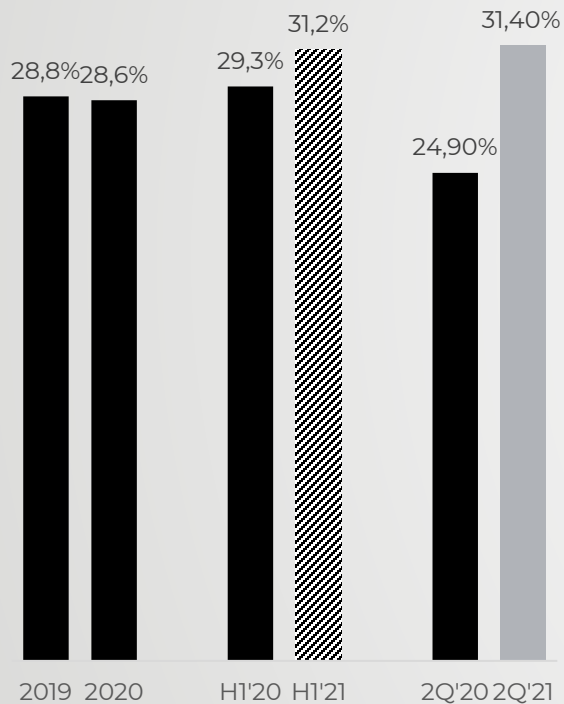
(1) Number of orders before returns

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

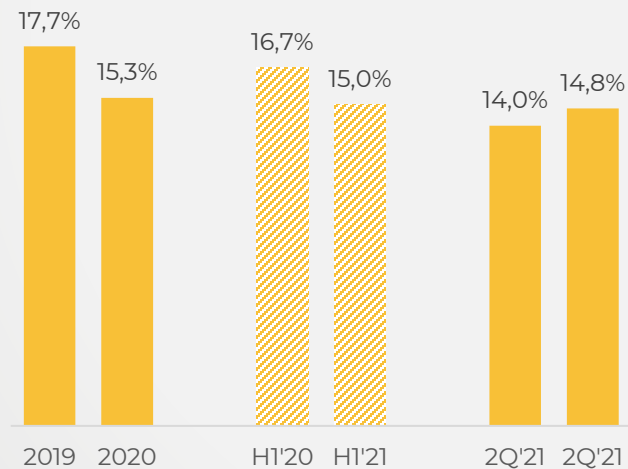
Operational indicators

Regularly improving cost efficiency of the business

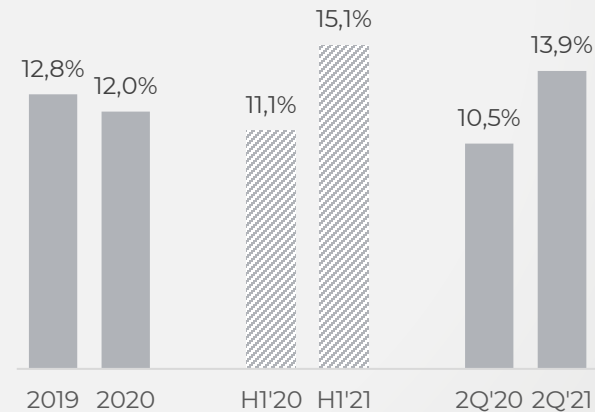
% of returns (1)



% of Logistics costs (2)



% of Marketing costs (2)



- Maintaining the return ratio stable, 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
- Thanks to the growing scale of operations, as well as the increasing number of active and returning customers, the Company has steadily reduced its marketing cost ratio in recent years

Explanations:

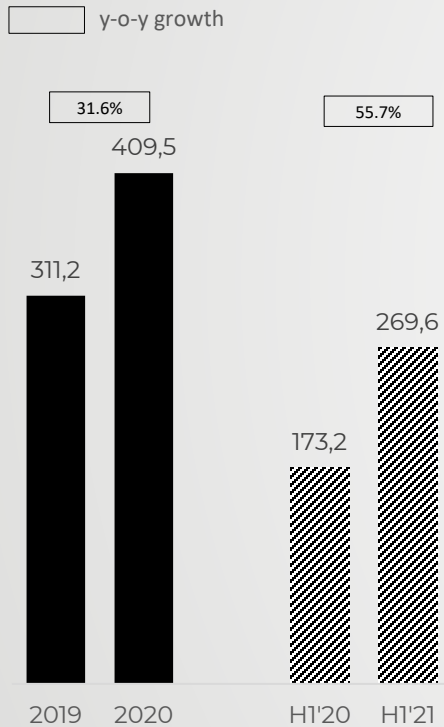
(1) % of on-line sales before returns

(2) % of on-line sales after returns

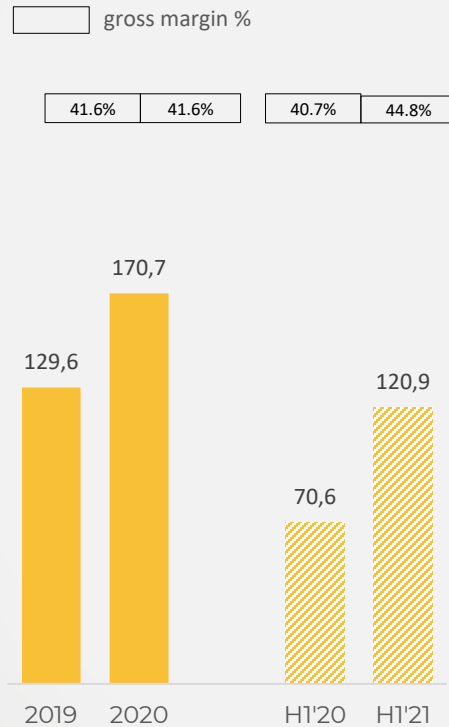
Financial results

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

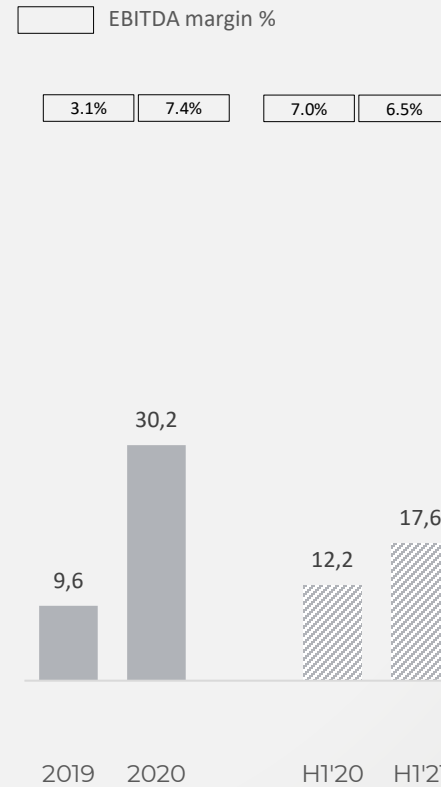
Total revenue (PLNm)



Net profit [PLNm]



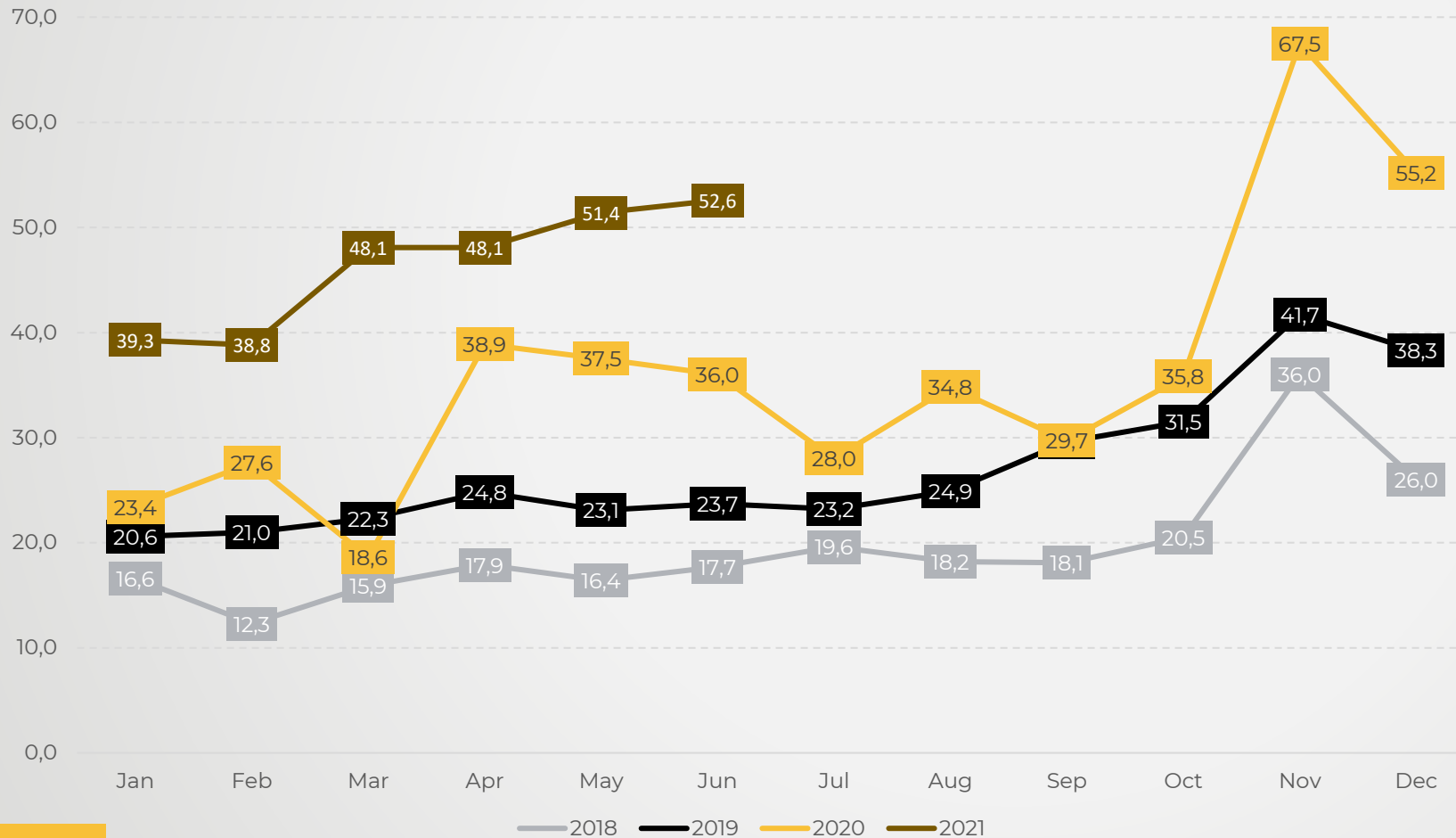
EBITDA [PLNm]



- Answer dynamically increases sales, 1H2021 with sales revenue growth dynamics on the level of 55,7%, in 2Q2021 the y-o-y dynamics reached 40,8%
- 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
- Second quarter and entire first half of 2021 with stable EBITDA profitability despite intensification of marketing activities aimed at further increases in sales revenues

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

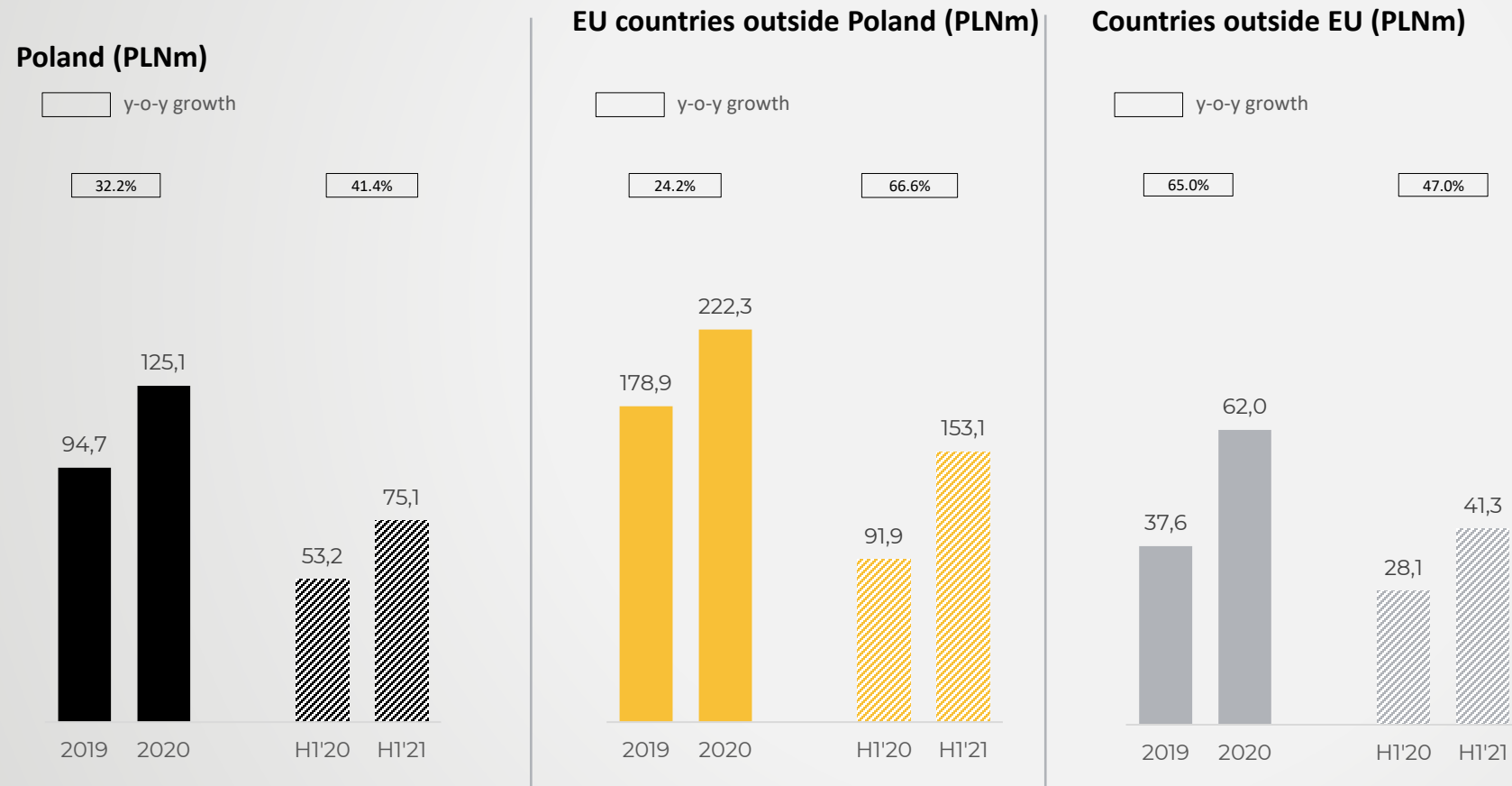


- In 2Q2021. The company reported an increase in online sales compared to Q1 sales of PLN26m, or 21%, despite the opening of shopping malls in early May
- Marketing efforts to strengthen the brand, technology changes to switch all marketplaces to the new e-commerce platform, technology improvements implemented with the new systems resulting in increased conversions and AOV resulted in further sales increases in 2Q2021
- Achieved results confirm, that Answear.com, as a multibrand shop operating only on-line, increases its sales regardless of pandemic situation

Financial results

Geographic diversification allows to effectively build business scale

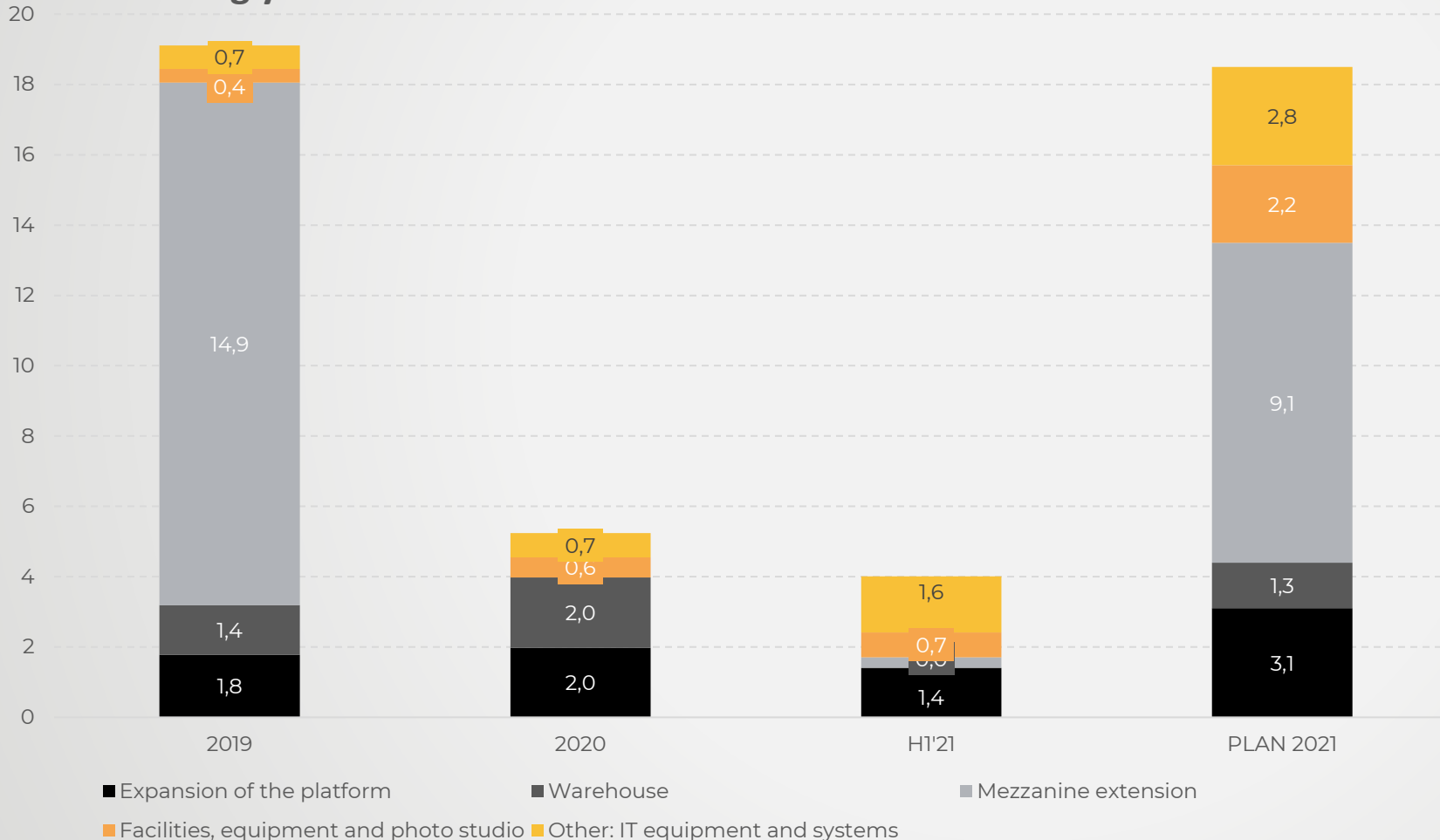
Revenue by segments



- Geographically diversified sales, where Poland is the largest market with a share of over 30% in revenue
- EU countries outside Poland grew by 67% y-o-y in 1H2021
- Revenues in the Ukrainian market increased by 47% in 1H2021 compared to 1H2020

Financial results

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

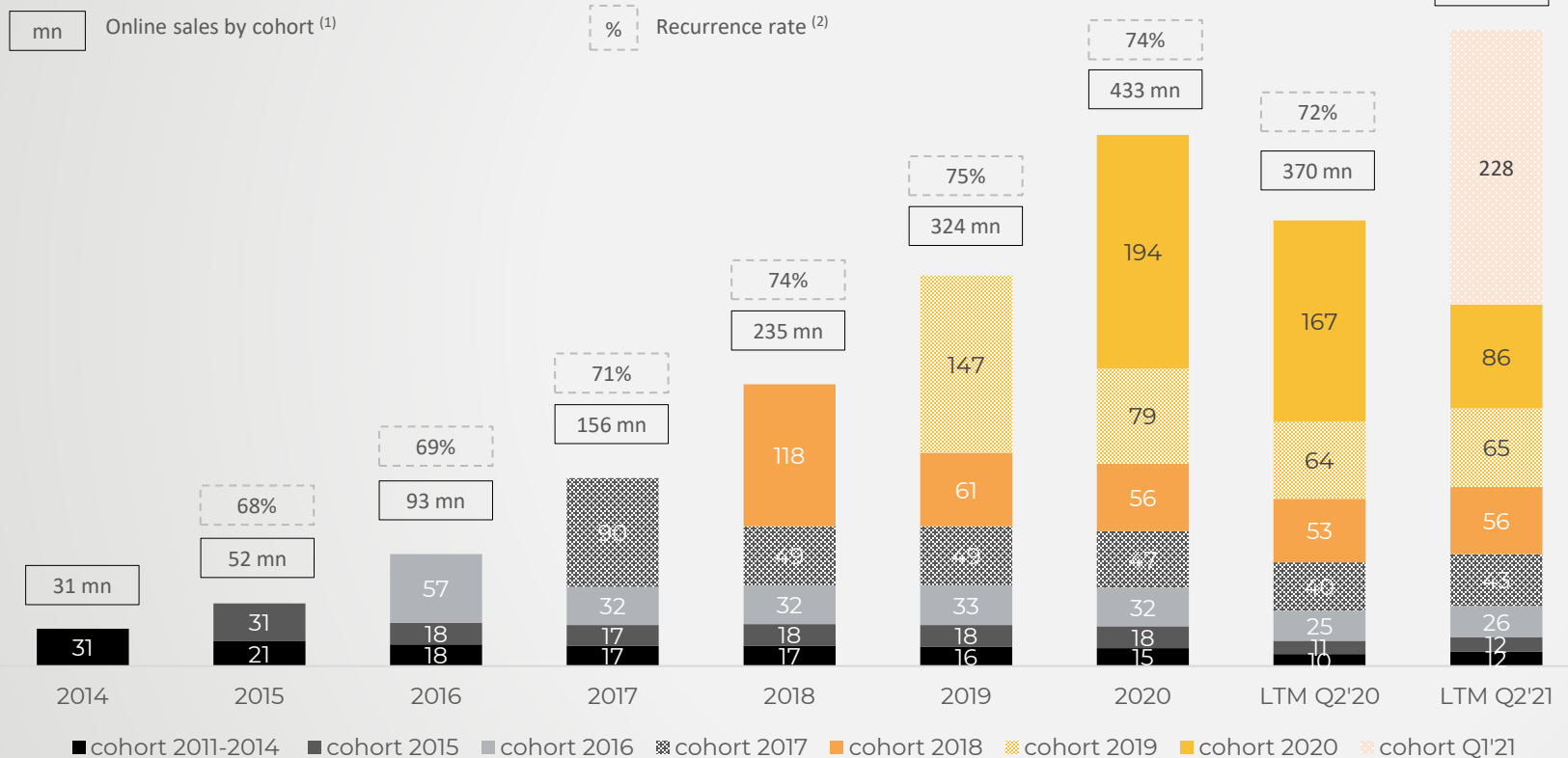


- Major capital expenditure was incurred in 2019 to move to a new warehouse near Krakow and equip it with a four-storey mezzanine
- In 2020, CAPEX expenditure was primarily directed towards the development of the sales site, the launch of a new platform in additional countries and further improvements 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)



- Answear has dynamically increased its sales in recent years and has consistently improved its return rate
- In LTM Q2 2021, the return rate was 81%, meaning that customers who shopped in the previous year ended 30 June 2021 generated in LTM Q2 2021 the equivalent of 81% of on-line sales in LTM Q2 2020
- Sales generated by each cohort stabilise in the second year and then remain relatively the same
- In LTM Q2 2021, an amount of PLN 228m was generated by new customers.

Explanations:

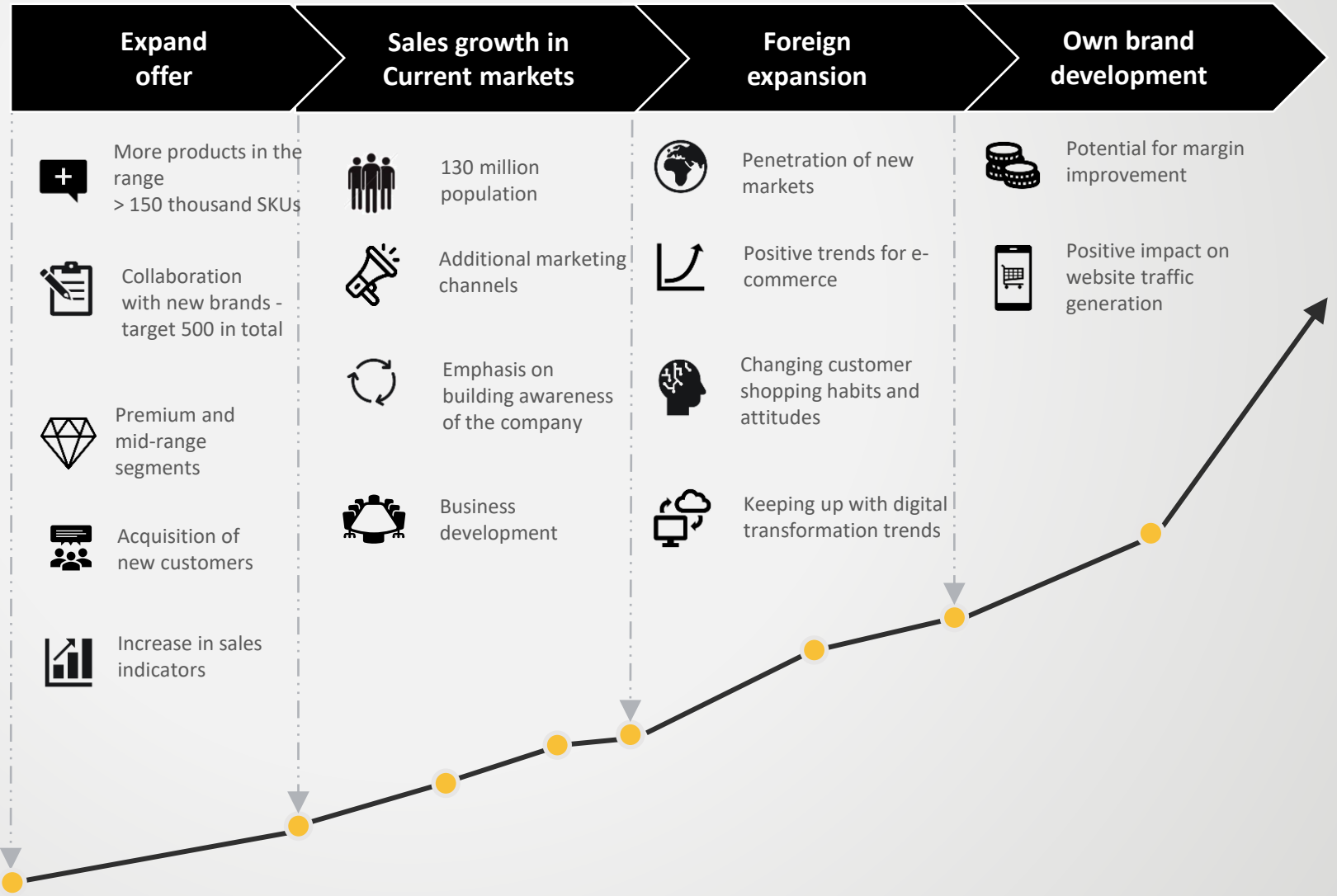
⁽¹⁾ Cohorts means customers grouped by the calendar year in which they placed their first order with Answear

⁽²⁾ 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

Development strategy

Main pillars of further development of Answear

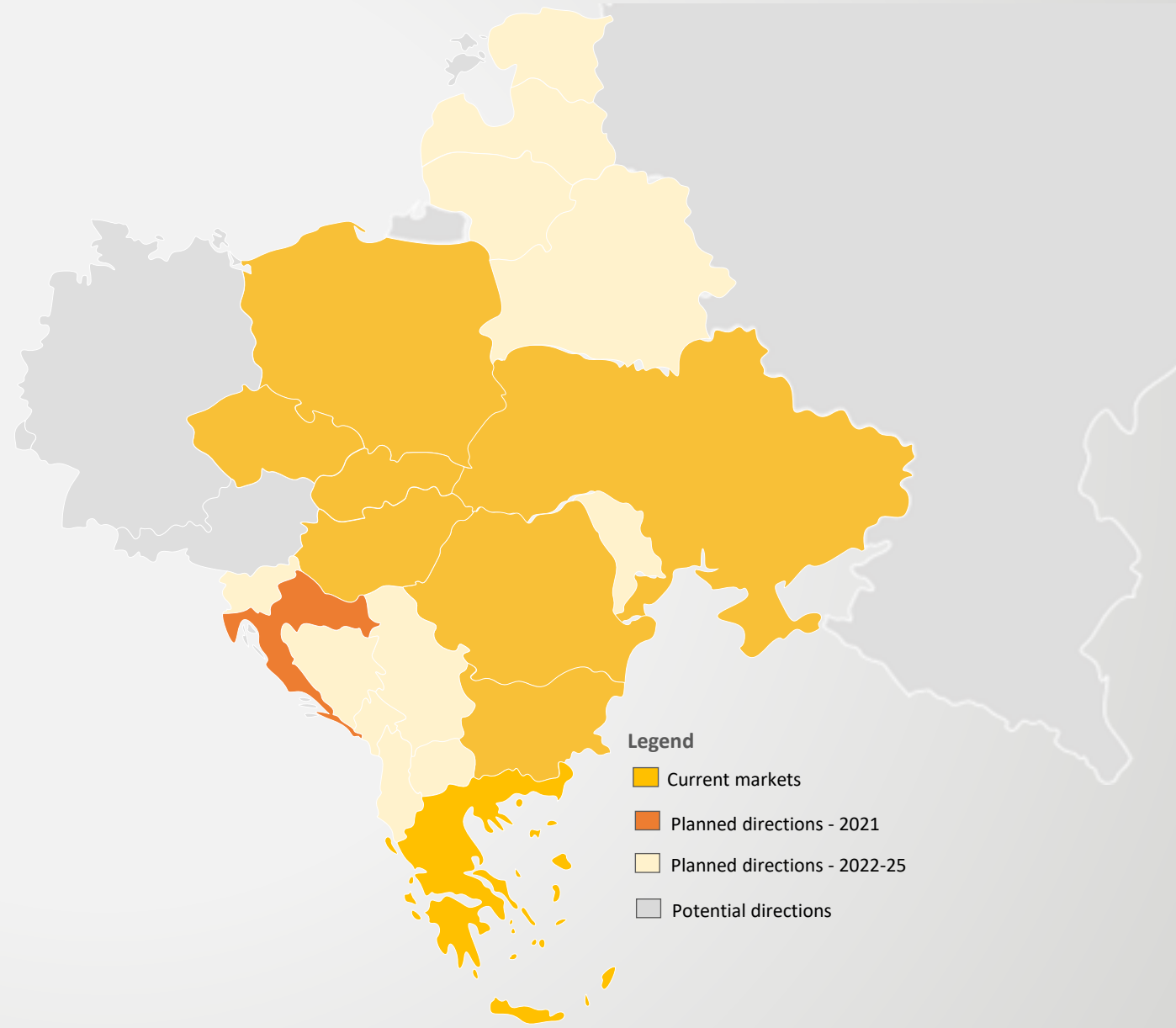
Development plan



Foreign expansion

New markets

- ▶ Greece and Croatia in the second half of 2021
- ▶ Other Baltic and Balkan countries to be launched 2022-25



Summary

Why Answear?

- Significant **strengthening of the brand position in the market.**
- **USP & Operational** Excellence reflected by quickest possible delivery with cross border logistics and – at the same time - limited carbon footprint, **cost efficiency**, in-house ecommerce system, loyalty program with a positive impact on shopping frequency
- **Confirmation of effectiveness** of the business strategy
- **Continued strong potential for further growth in current markets** and further improvement of operating indicators
- Planned expansion 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** of CEE market and target group, as well as in the development of the **own brand**
- Fast **development of the e-commerce market** and 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**

Feel free to contact us:

investor.relations@answear.com

p.strzyzewski@innervalue.pl