



answear.com

Answear.com S.A.

Investor presentation – Q3 2021 results

1 DECEMBER 2021

Summary Q3 2021

Accelerating growth, further improving financial performance and operational ratios.

Revenue growth

72% Revenue in 3Q21 amounted to PLN 154,8m

Gross margin

40,9% Margin in 3Q21 vs 42,1% in 3Q20
Margin in 9M21 was 43,4% vs. 41,2% in 9M20

Dynamic EBITDA growth

10,1m Adj. EBITDA (1) in 3Q21 amounted to PLN 11.6m.
EBITDA and adj. EBITDA in 3Q20 amounted to PLN 6.0m

Logistic costs optimisation

14,5% 16,7% in 3Q20
Ratio of logistics costs to on-line sales

Effectiveness of marketing activities

11,3% 11,8% in 3Q20
Marketing input costs in relation to on-line sales

Increased value of average order

PLN 267 PLN 227 in 3Q20
Increasing the value of the average order has a positive impact on business profitability

Improved conversion rate

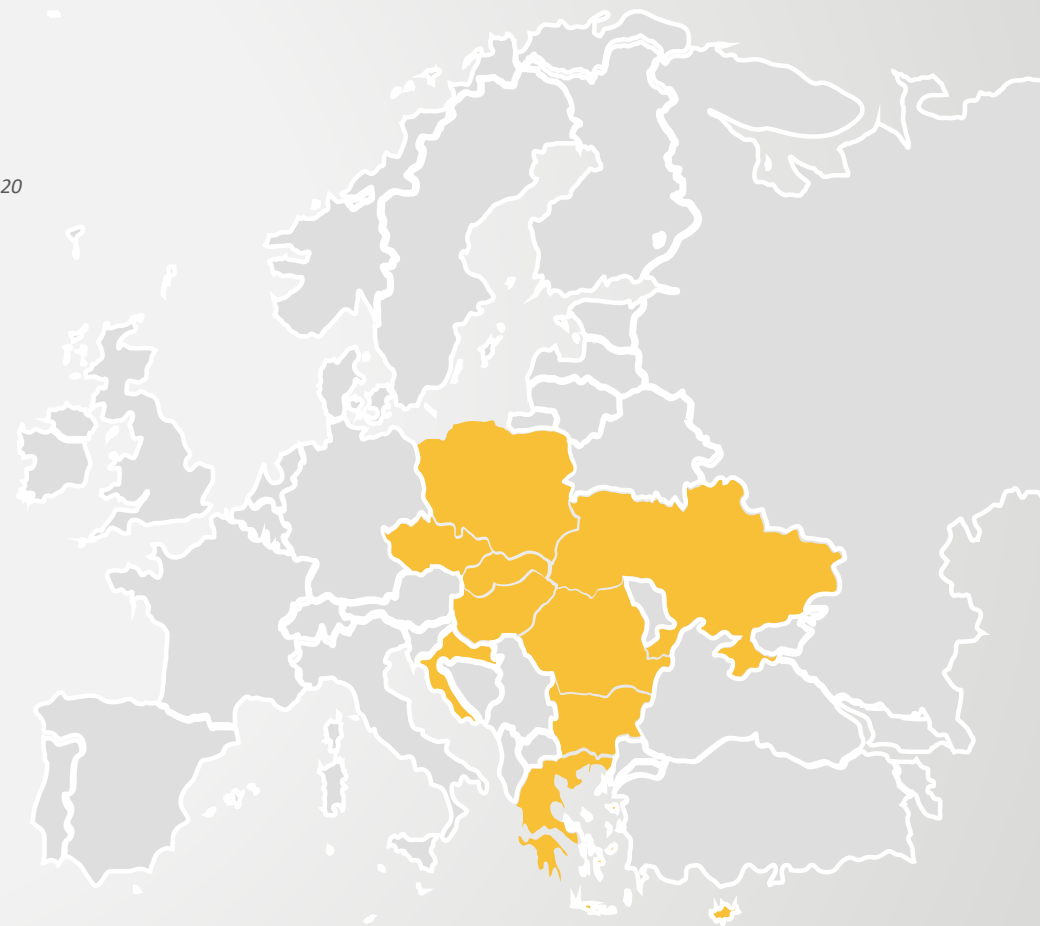
2,43% 1,87% in 3Q20
Mobile apps and all stores on a new e-commerce platform on all Answear markets

Continuously growing number of orders

873k Dynamic y-o-y growth of 50%

Growth in SKUs

>147k Steadily increasing width of offer on Answear website



Entry to the new markets

Consistent building of e-fashion leader in CEE region

New markets

- Expanding the scale of operations to new markets:
 - **Greece** (August 2021)
 - **Croatia** (September 2021)
 - **Cyprus** (November 2021)
- High sales potential
 - the total number of potential new customers is over 15 million
- Markets with high internet penetration and high interest in fashion products

Operations in 10 international markets



Key events in Q3 2021



Increase of warehouse space (July)

- The company increased the available warehouse space in the central warehouse in Kokotów by termination of the agreement in relation to Brandbq sp. z o.o. and consequently Answear.com SA became the only user of the 39 000 m2 warehouse space.
- At the same time Answear.com and Brandbq sp. z o.o. (as solid tenants) signed a contract of lease of the warehouse-office area with a total surface of 18 000 m2 located in the same warehouse park in Kokotów. Under this contract, Brandbq sp. z o.o. uses the whole rental area from the date of its transfer, and Answear.com S.A. has a right to demand access to a specific rental area when needed.



Completion of mezzanine extension in warehouse (September)

- Completion of the extension of the multi-level mezzanine floor in the central warehouse, increasing the goods storage area by a further 10,000 m².



Entry to the Greek market (August)

- Market with high internet penetration and high interest in fashion products.
- one of the largest markets in this part of Europe, with a population of around 10.5 million and dynamic e-commerce growth
- With its experience and logistics capabilities in supplying southern European countries, the Company hopes to leverage its competitive advantages against competitors.



Entry to the Croatian market (September)

- Market with high internet penetration and high interest in fashion products.
- With its experience and logistics capabilities in supplying southern European countries, the Company hopes to leverage its competitive advantages against competitors.

Increase of storage space



Changes in warehouse space

- January 2021: 19,5 thousand sqm of warehouse space expanded with 16,1 thousand sqm of additional space on the mezzanine.
- Commissioning of the new mezzanine section: + 9,3 thousand sqm.
- Relocation of BrandBQ warehouse to the new hall: + 6,5 thousand sqm.
- Release from sublease of part of the hall as of 31 December 2021: + 3,2 sqm.



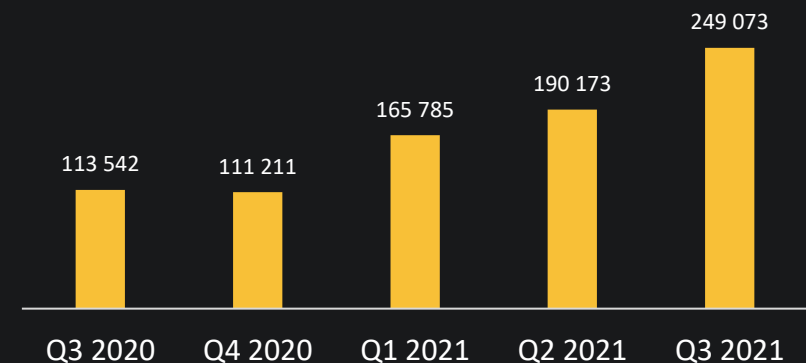
Inventories

- Secured stocking of collections for the autumn-winter season
- No negative impact of risks associated with supply disruptions from Asia

Fastest delivery in CEE

Working days			
	24h		1-2
			2-5
	1-2		2-3
			2-3
	1-2		3-6
			1-4
	7-9		

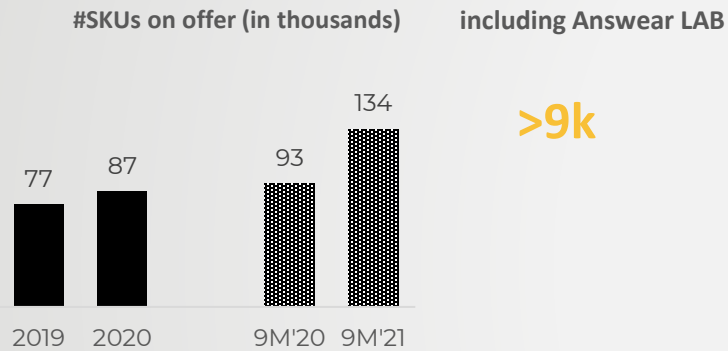
Value of inventories (in thousands PLN)



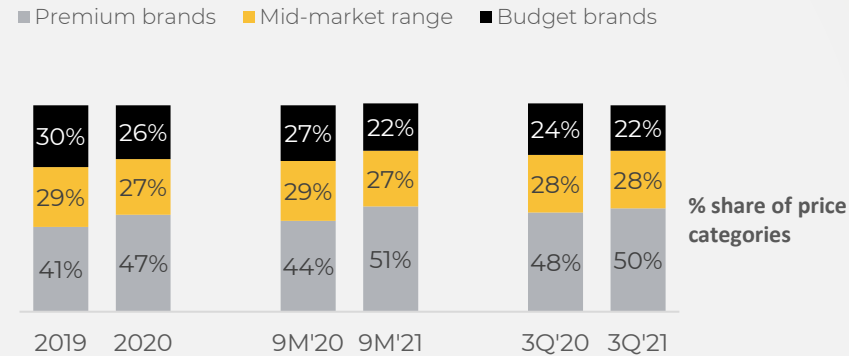
Development of the product range

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

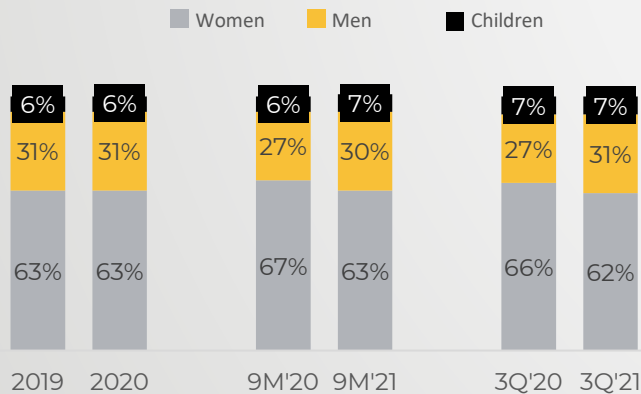
Increasing the range of offerings



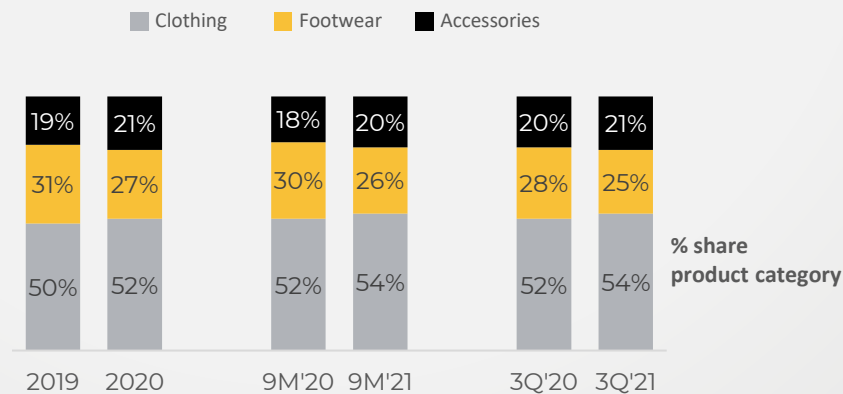
Concentration on Premium segment



Breakdown by gender



Dominant clothing



- Answear dynamically increases its product offer - the offer is to increase to 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



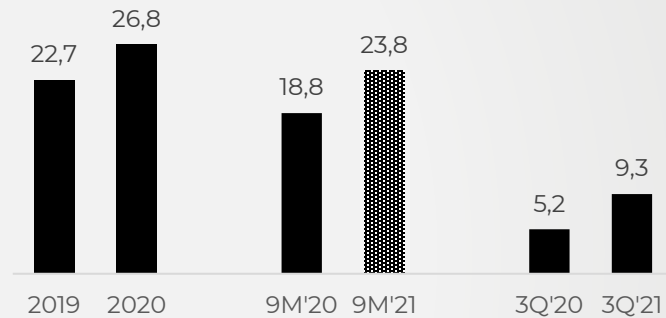
Basic information

- Established in 2017
- Collection characteristics; **the latest trends, best-selling products**, in short series and at short notice while maintaining **good value for money of the products**.
- 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 **lower price segment**

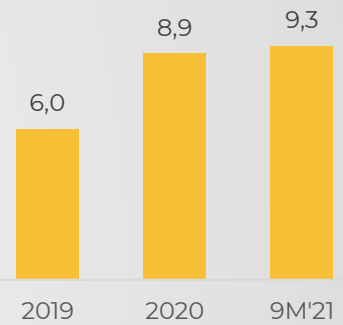
Current characteristics

- One of the **best-selling brands** in the portfolio
- 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”
 - “My body My choice”

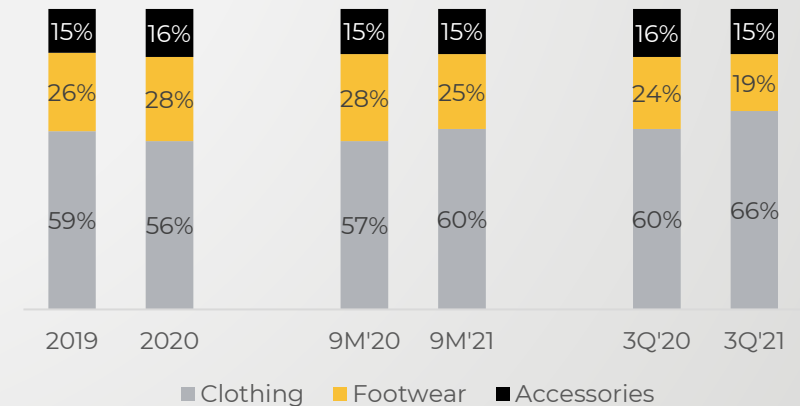
Sales (PLNm)



SKUs number (thou.)



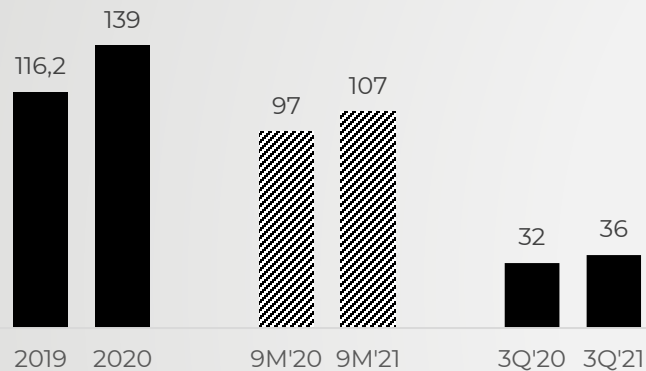
Development of the offer structure



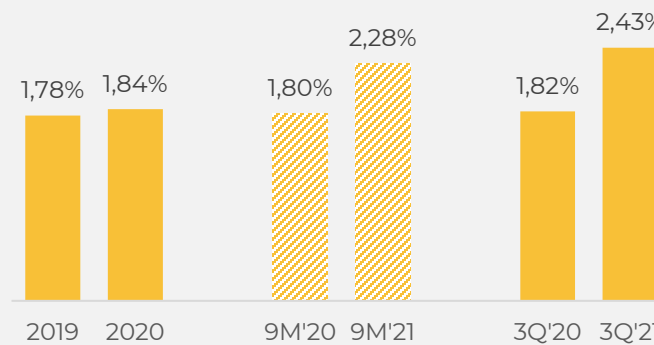
Operational indicators

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

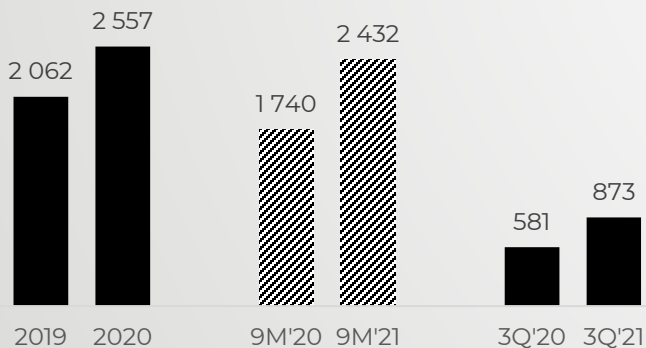
Number of visits (mn)



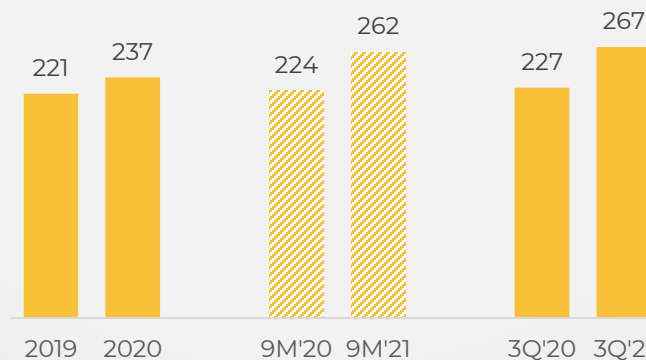
Conversion coefficient



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 3Q2021
- The increasing number of visits is accompanied by an increase in the conversion rate, also due to digital marketing optimisation and 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 almost 900k orders in 3Q2021
- Strategic focus on mid-price and premium brand segments and appropriately profiled marketing activities have a positive impact on average order value performance

Explanations:

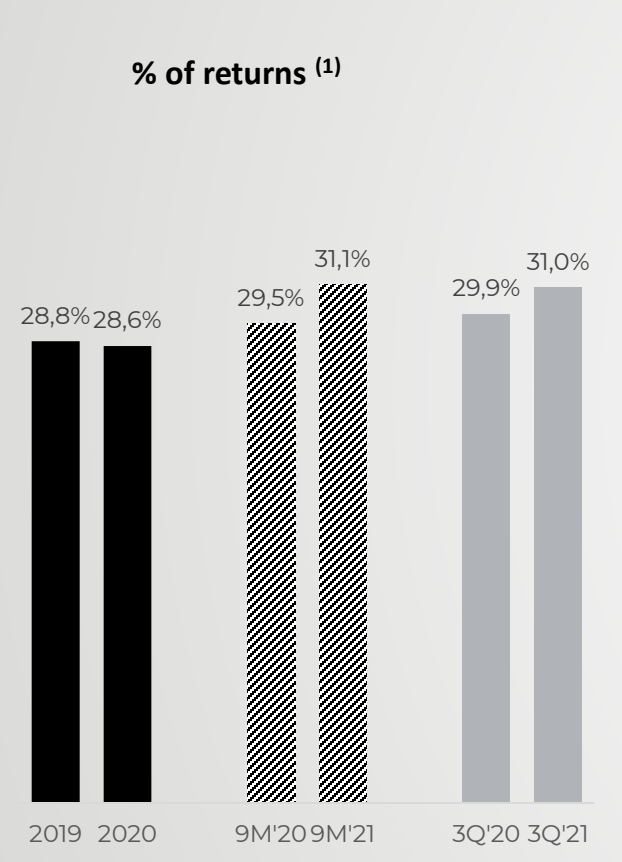
(1) Number of orders before returns

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

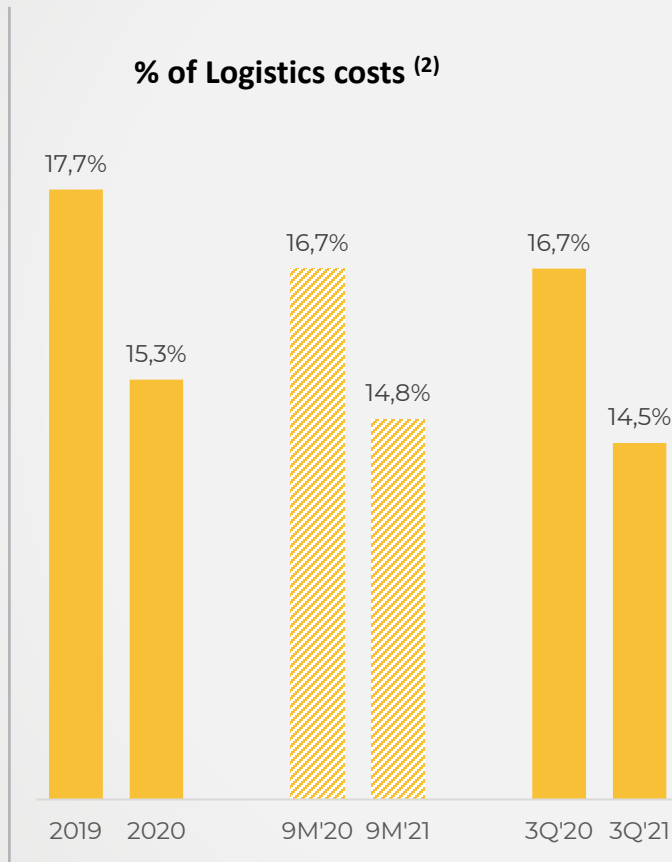
Operational indicators

Regularly improving cost efficiency of the business

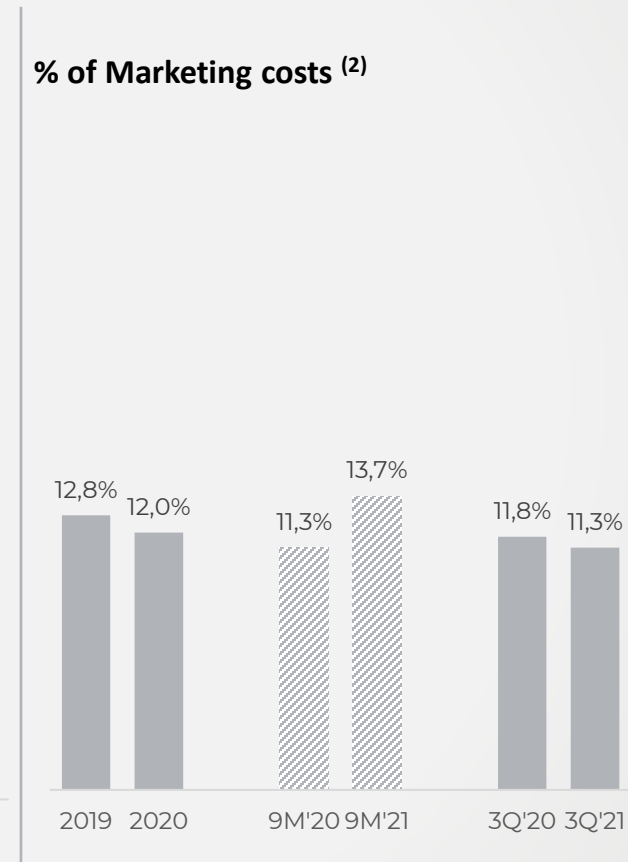
% of returns (1)



% of Logistics costs (2)



% of Marketing costs (2)



- Maintain the return ratio at a stable level, while increasing the scale of operations at home and abroad
- Optimization of logistics costs in relation to online 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 recurring customers, the Company has systematically reduced the marketing cost ratio in recent years

Explanations:

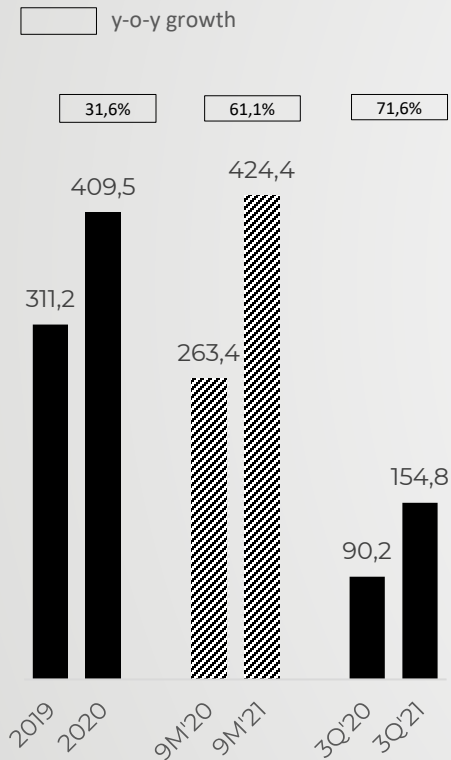
(1) % of on-line sales before returns

(2) % of on-line sales after returns

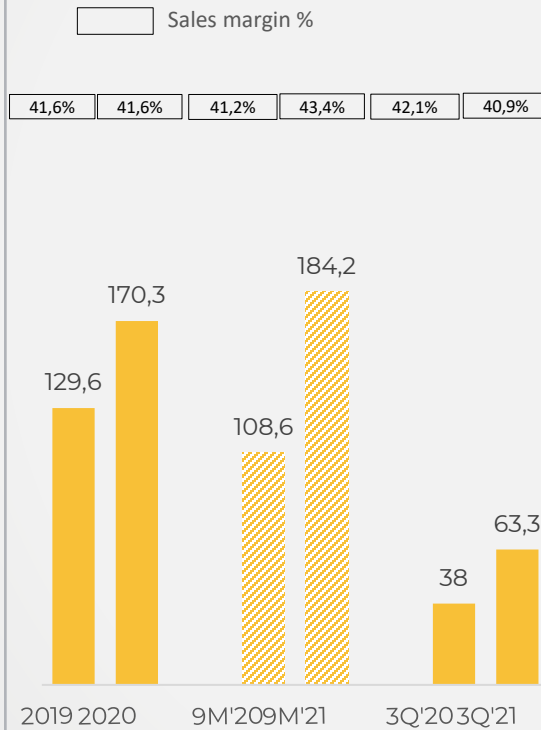
Financial results

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

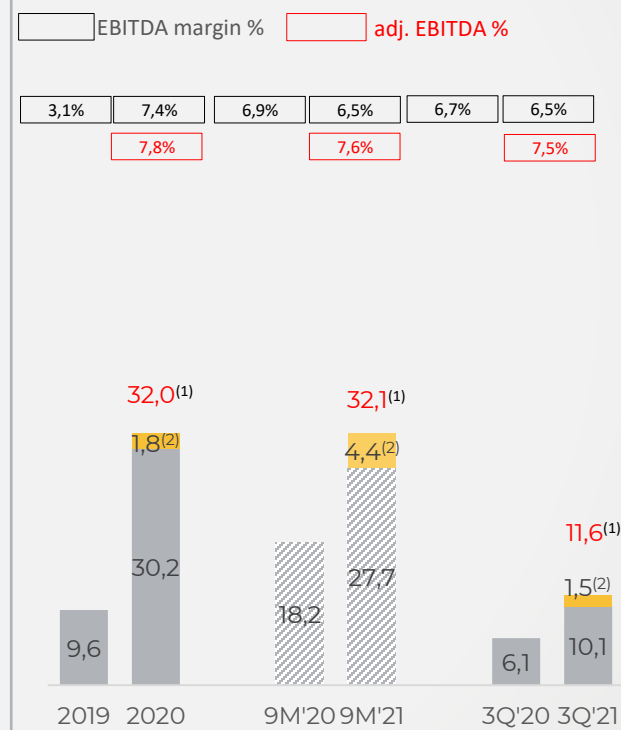
Total revenue (PLNm)



Net profit [PLNm]



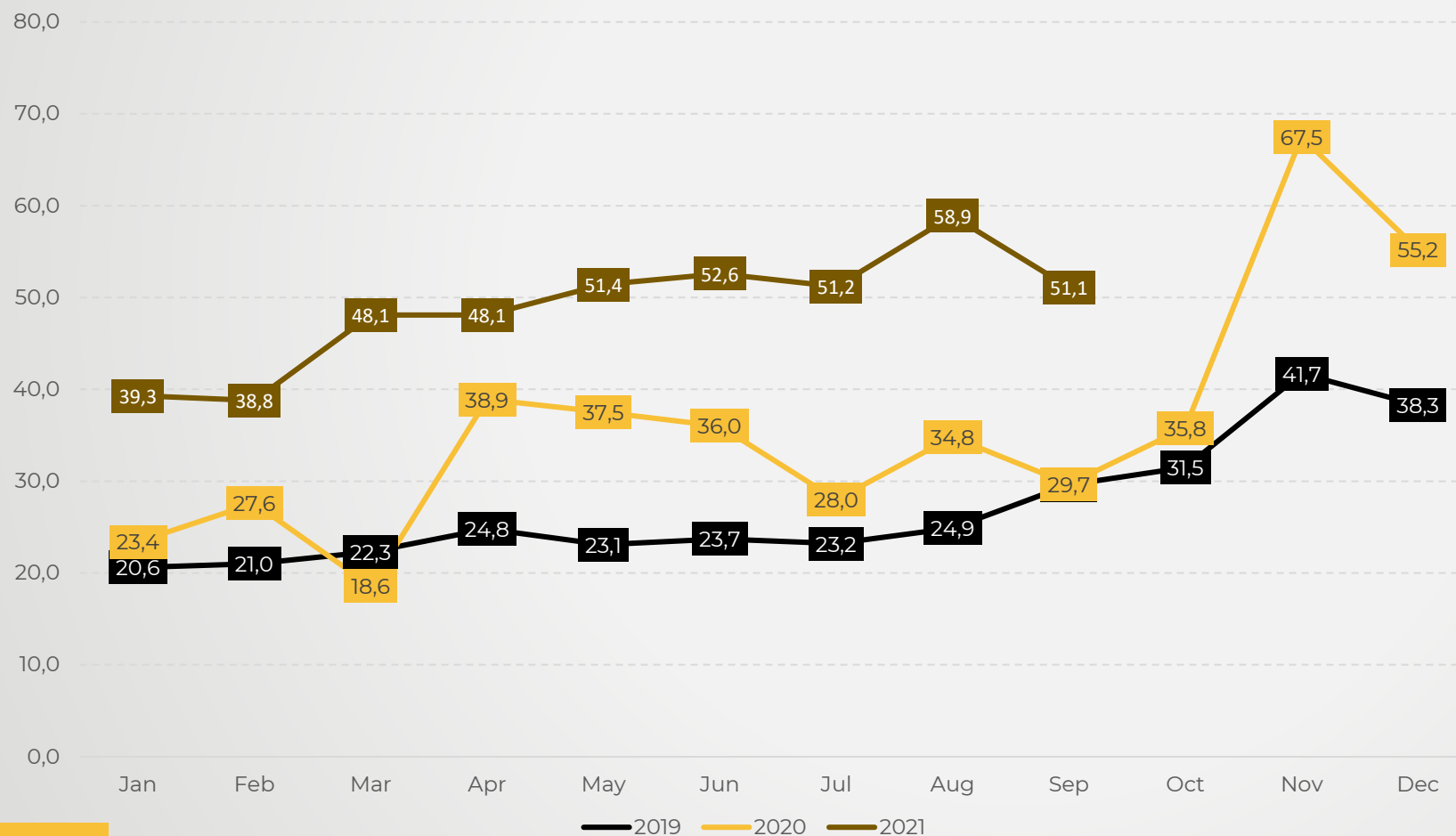
EBITDA [PLNm]¹⁾⁽²⁾



- Answer dynamically increases sales, 9M2021 with sales revenue growth dynamics on the level of 61,1%, in 3Q2021 the y-o-y dynamics reached 71,6%
- Third quarter and full 9 months of 2021 with stable EBITDA profitability despite intensified marketing activities aimed at further growth of sales revenues
- Increase in adj. EBITDA profitability, i.e., operating profit excluding costs of the incentive program (which are non-cash expenses) plus depreciation and amortization. Incentive program as an important element of building engagement of key personnel in the development of Answer.com

Financial results

Online sales (million PLN) in particular months indicate permanent strengthening of Answear.com position on the market, supported by market trends, systematic transition of customers from offline to online channel

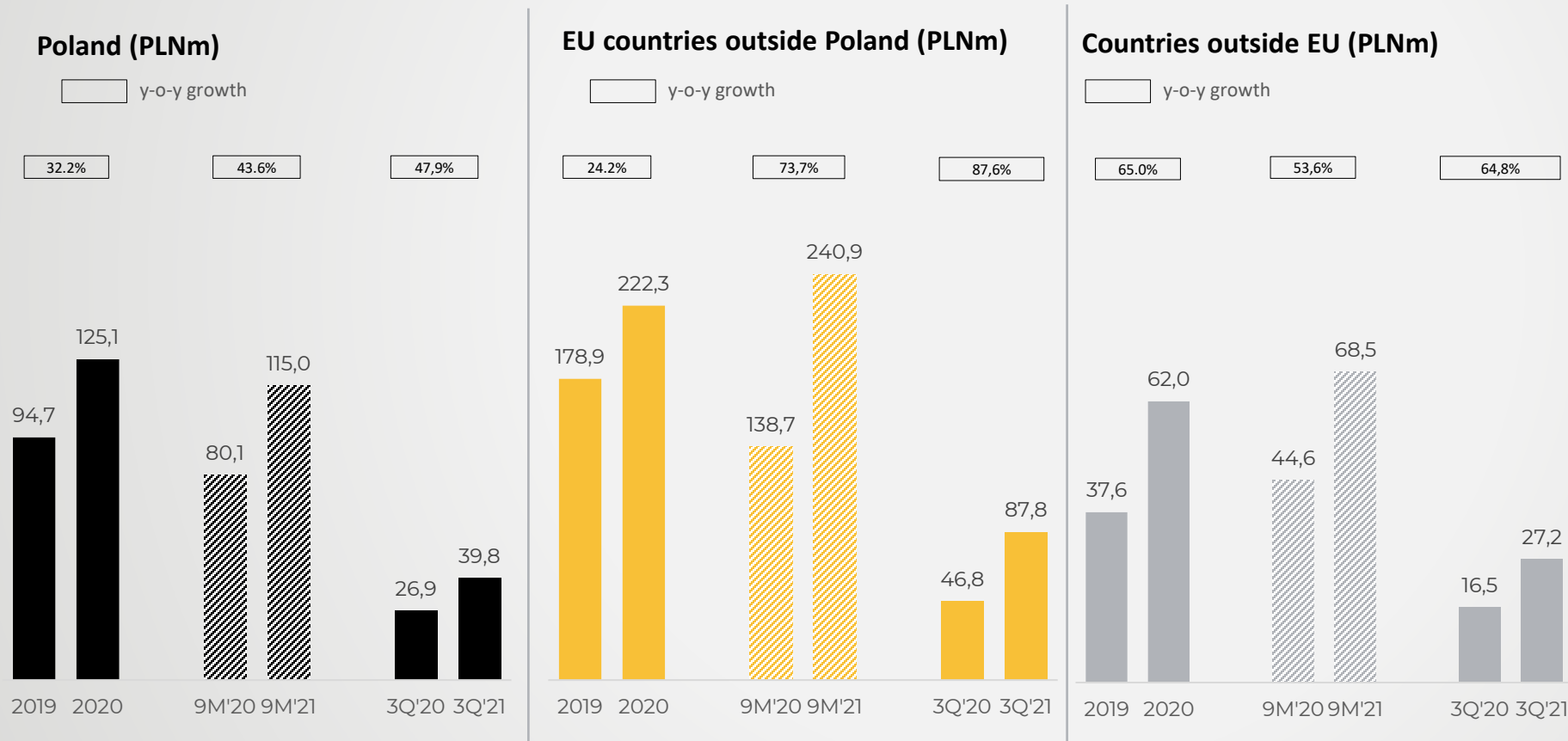


- In 3Q2021, the company reported an increase in online sales compared to Q2 sales of PLN 9,1m, or 6%.
- High sales level in August as „Final Sale” campaign was successful this year
- Achieved results confirm, that Answear.com, as a multibrand shop operating only on-line, increases its sales regardless of pandemic situation.

Financial results

Geographic diversification allows to effectively build business scale

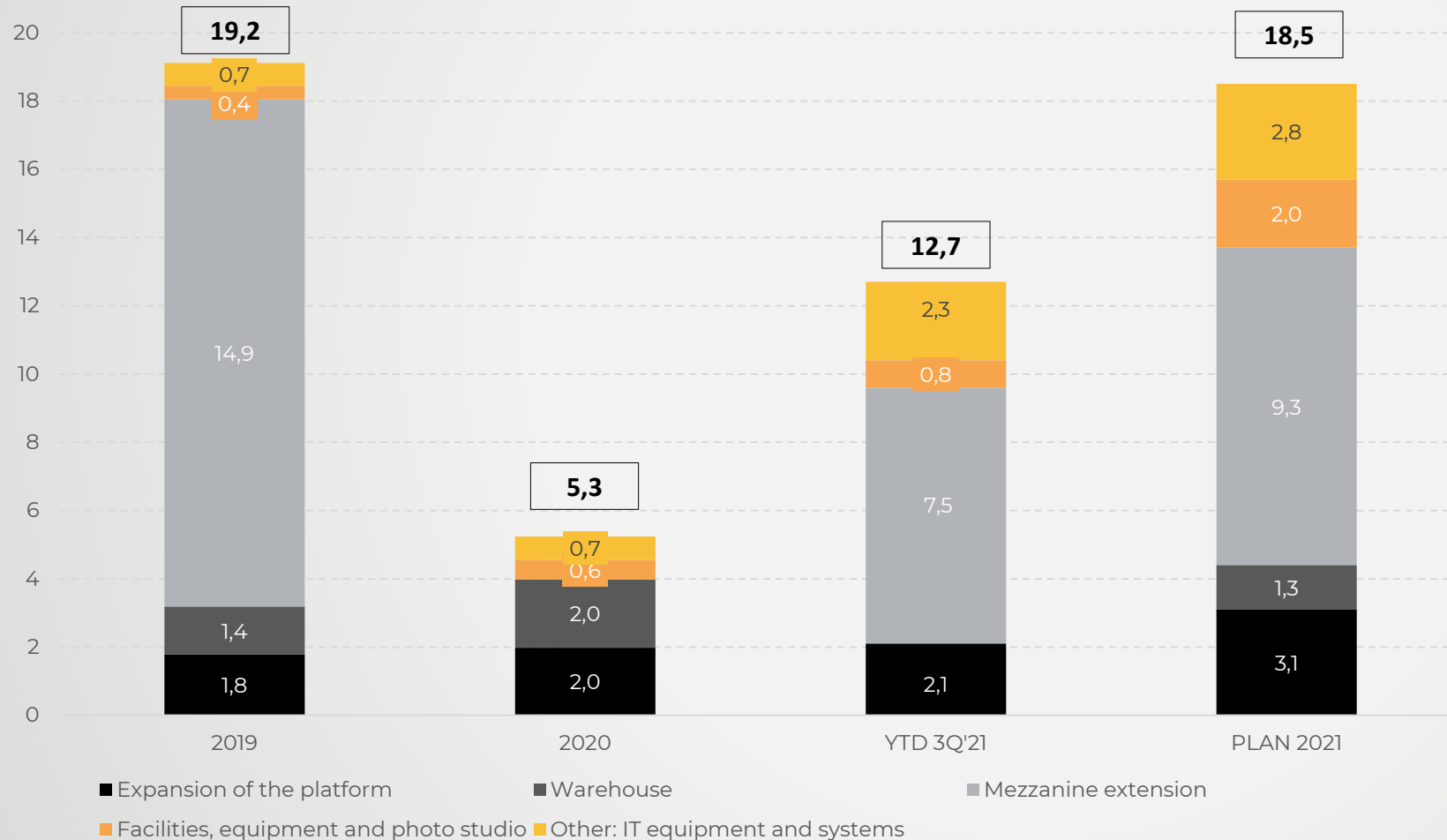
Revenue by segments



- Geographically diversified sales, where Poland is the largest market with a share of 27% in revenue.
- EU countries outside Poland grew by 87,6% y-o-y in 3Q2021
- Revenues in the Ukrainian market increased by 64,8% in 3Q2021 compared to 3Q2020

Financial results

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

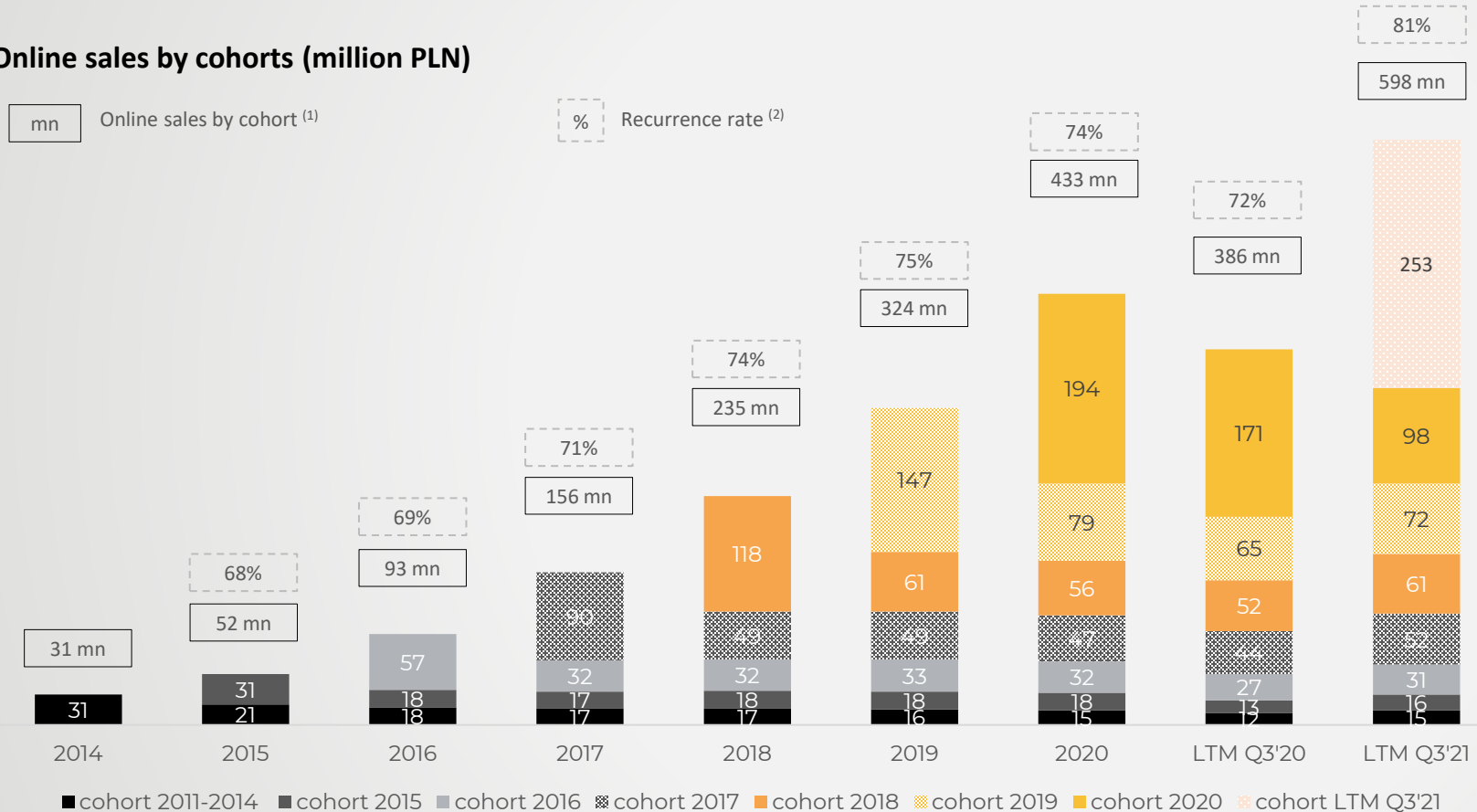


- In 2020, CAPEX expenditure was primarily directed towards the development of the sales site, the launch of a new platform in additional countries and further improvements to the warehouse
- In 2021, the main investment is the further expansion of the mezzanine floor in the warehouse, increasing its goods storage area by a further 10,000 m²
- Other investments include the development of a sales website to new markets, further improvements to the warehouse, the purchase of IT equipment and the equipment of the photo studio.

Financial results

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

Online sales by cohorts (million PLN)



Explanations:

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

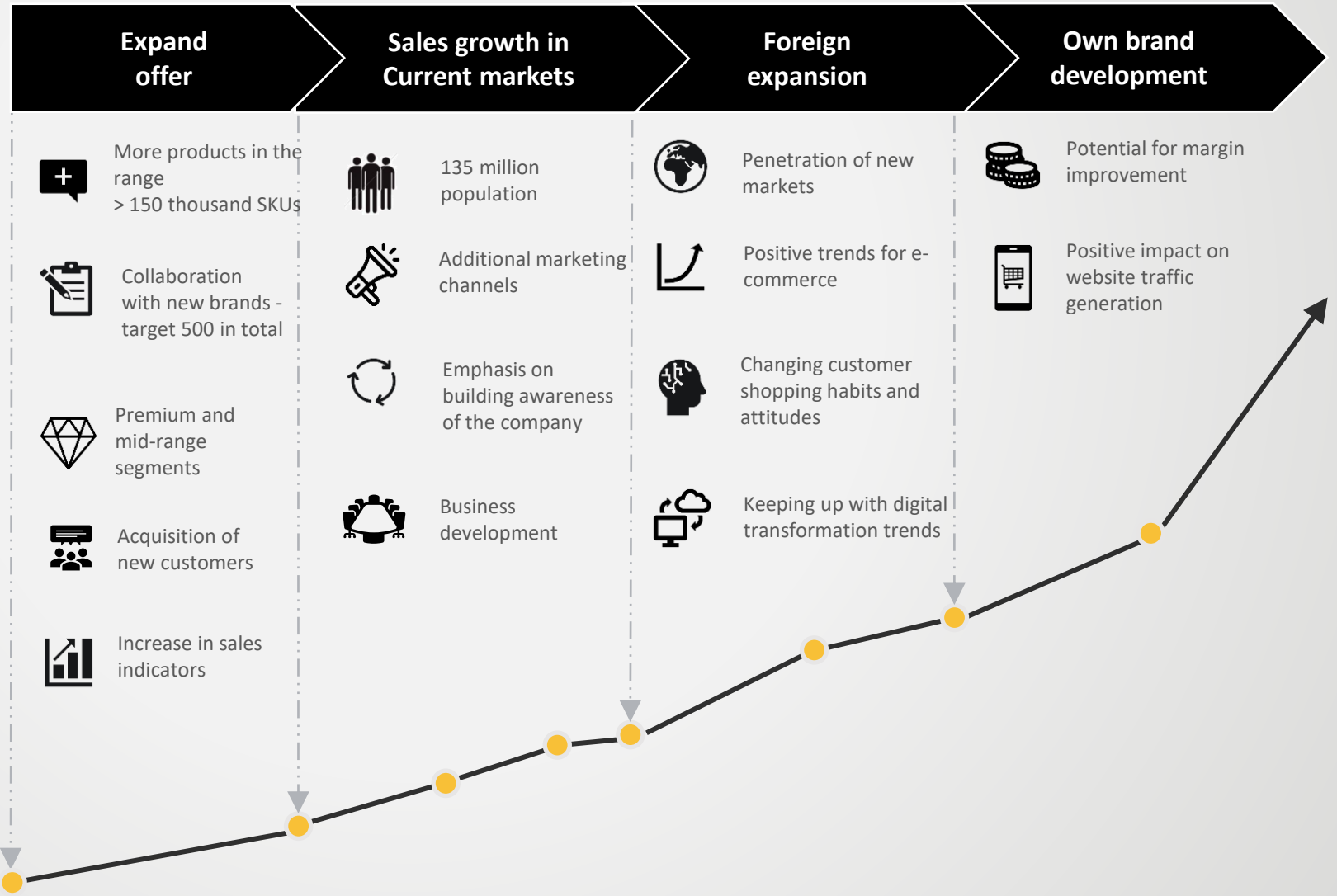
⁽²⁾ Recurrence rate is the result of dividing the revenue generated by active customers in a given year (excluding revenue generated by new customers from that year) by the revenue generated by active customers in the previous year

- Answear has dynamically increased its sales in recent years and has consistently improved its return rate
- In LTM Q3 2021, the return rate was 81%, meaning that customers who shopped in the previous year ended 30 September 2021 generated in LTM Q3 2021 the equivalent of 81% of on-line sales in LTM Q3 2020
- Sales generated by each cohort stabilise in the second year and then remain relatively the same
- In LTM Q3 2021, an amount of PLN 253m was generated by new customers.

Development strategy

Main pillars of further development of Answear

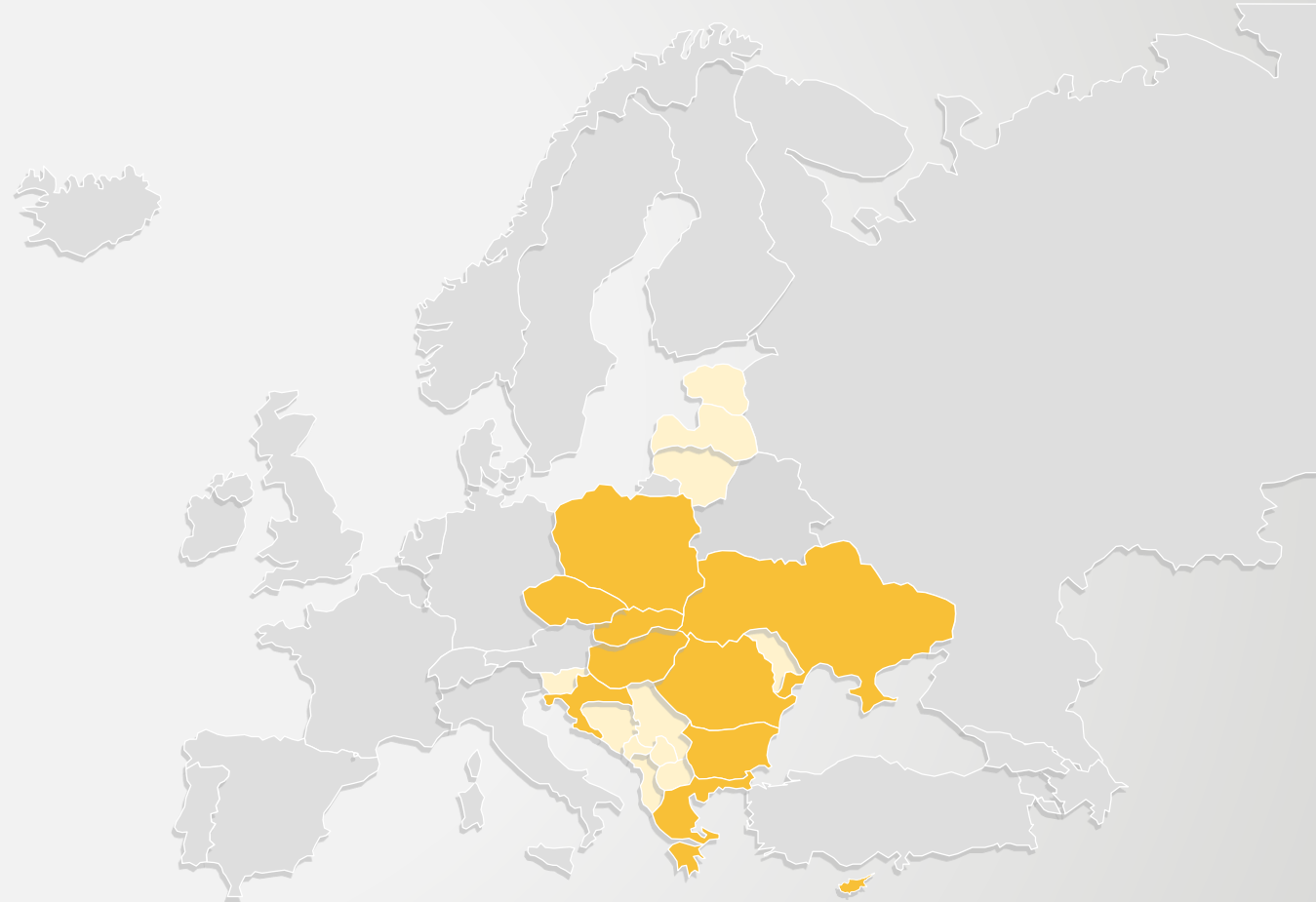
Development plan



Foreign expansion

New markets

- ▶ Entering three new markets: Greece (August 2021), Croatia (September 2021) and Cyprus (November 2021)
- ▶ Other Baltic and Balkan countries to be launched 2022-25



Legend ■ Current markets ■ Potential directions

Summary

Why Answear.com?

- **Increased awareness and strengthening** of brand position in the market. Still low penetration of the **existing 7 markets**
- **Potential for new markets**, current (Greece, Croatia) and future
- Product offer development, **new brands, product categories, number of SKU's, depth of the stock. Optimization of the product offer**, better management of supplies and warehouse stock
- **Own brand** development
- Optimize marketing efforts, **supported by larger budgets**
- **Technology development**, redeployment to **new e-commerce system**, improved **mobile app** in all markets
- Good quality of service, **increase in returning customers**
- Favorable **market trends**, consumer shift to online, increased demand for **branded products**

The above-mentioned should further support sales growth, improvement of AOV and CR, potential for profitability growth in the future.

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**Thank you for
your attention**

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