



answear.com

Answer.com S.A.

Investor presentation

DECEMBER 2021

About us



01.

Poland's first online **multi-brand** store offering a wide selection of clothing, shoes, and accessories from over **400 global brands**.

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It operates in **10 Central and Eastern European markets** and plans to launch in more.

02.



03.

It has more than **1.3 million active customers**.

It focuses on **fast delivery** (even on the same day in selected Polish cities) and quality of service (**high rating among customers – 4.8 on Opineo**)

04.



05.

For regular customers **Answear Club** loyalty program is dedicated, which allows you to do shopping in even more attractive prices

It has its **own e-commerce platform and application**, which is developed within the organization by its own development team.

06.



Develops own brand **Answear Lab**.

07.



08.

It is based on its own logistics centre located in **Kokotów**, which allows for optimization of costs and streamlining of logistics.

Corporate milestones

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Rapid historical expansion giving solid base for further growth in the near future

Achievements and directives



Key events of the current year



424m PLN sales data for 9M 2021



3 wide-ranging media campaigns



Completion of Answear.com shops migration process to own e-commerce platform

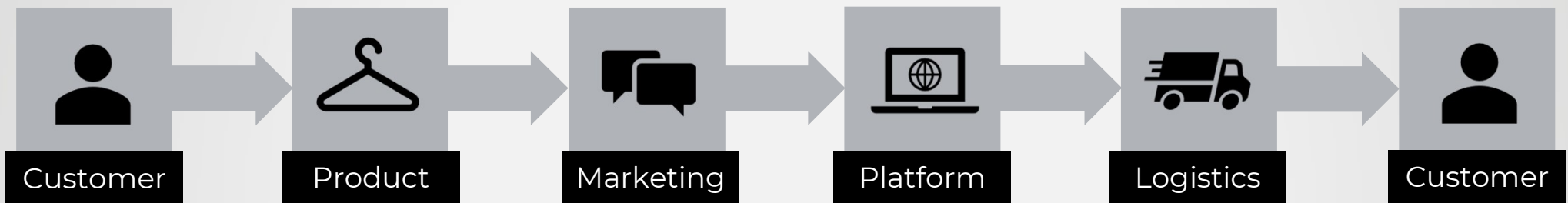


New marketing communication strategy of Answear, focusing on inspiration and women

Business Model & Value chain

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Effective business model, high operational efficiency, high level of customer satisfaction, cost optimisation



- Well-defined target group
- 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 a high degree of UX
- Potential for further rapid and flexible growth, scaling the business without significant increases in costs

- Fastest delivery in the region
- High level of customer satisfaction
- Minimising logistics costs
- Limited carbon footprint – one package delivery

- Attractive cashback loyalty programme increasing shopping frequency
- Local marketing teams in each market
- Local CS - customer service in local languages

Efficient operating model

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"Customer-centrism" in order fulfilment;

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



Strategic location of the central warehouse

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



Local logistics hubs

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



Local couriers

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



Customer

5

The fastest delivery in CEE



Answer LAB

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Objective: higher margins, differentiation from competitors, attracting customers

Growth of Answer LAB



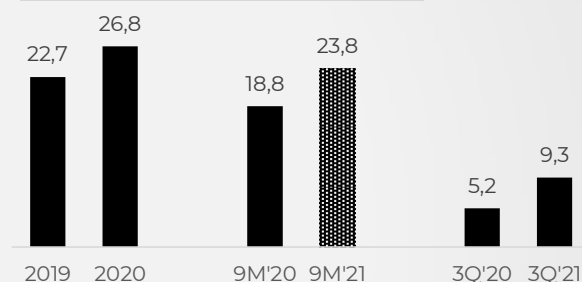
Basic information

- 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**

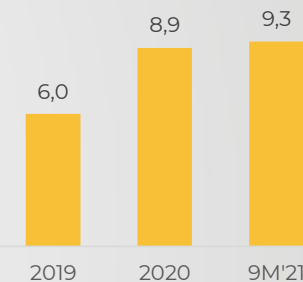
Current characteristics

- 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”

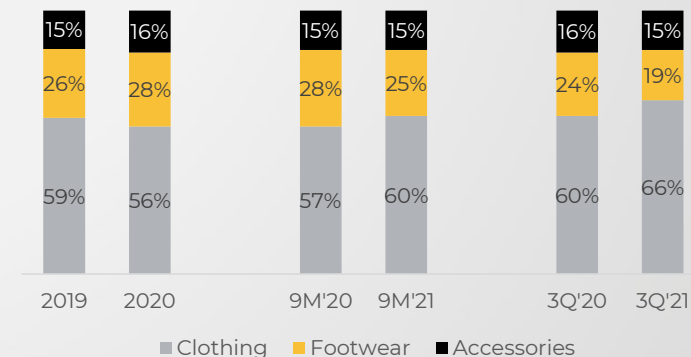
Sales (PLNm)



SKUs number (thou.)



Development of the offer structure



Answer's competitive position

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Clearly defined customer profile helps us strengthen the brand's position in the market

Answer's goal is to be a leader in the lifestyle brand segment for clients who are young at heart, affluent and reside in countries of the CEE region

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
- Targeted and profiled marketing activities

Explanations:

(1) E-obuwie - Only shoes

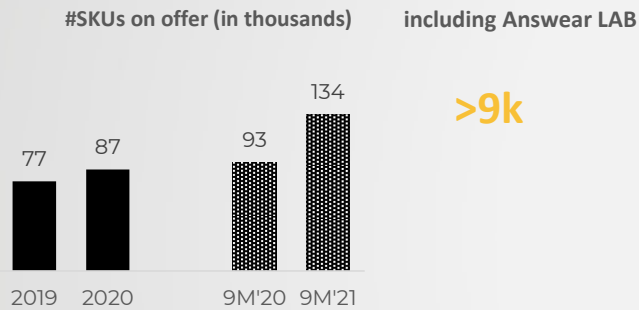
(2) Specialisation/market fit: - Customer taste and needs - Specific target group - Level of customer service



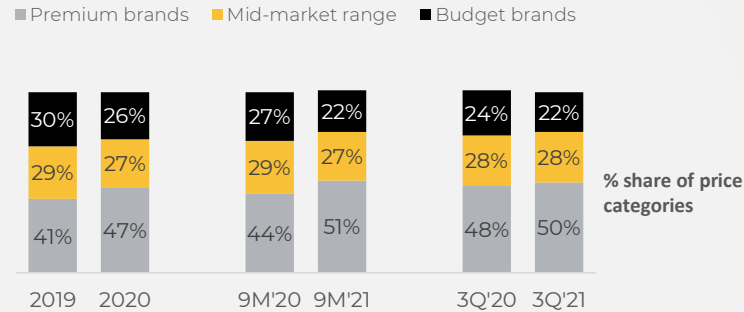
Development of the product range

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

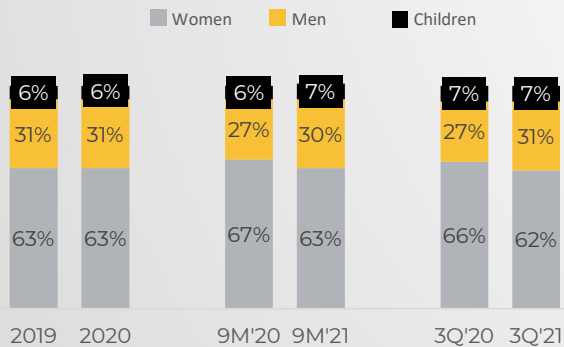
Increasing the range of offerings



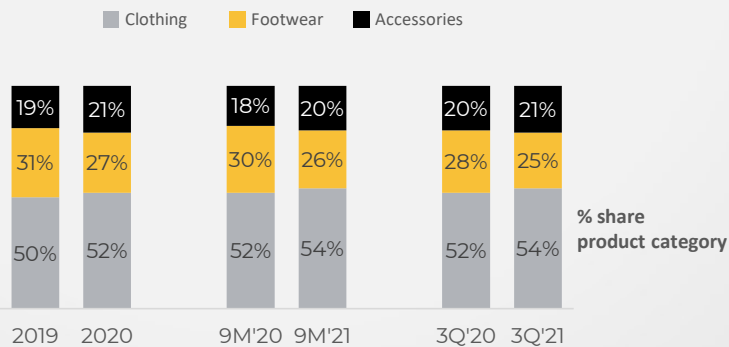
Concentration on Premium segment



Breakdown by gender



Dominant clothing



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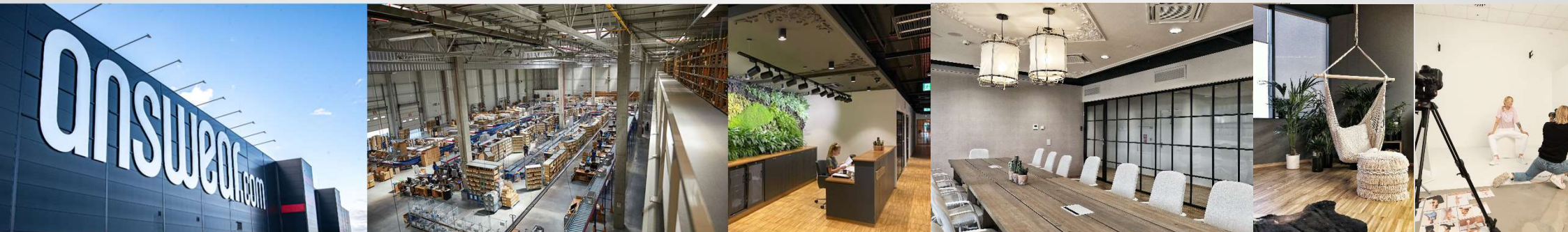
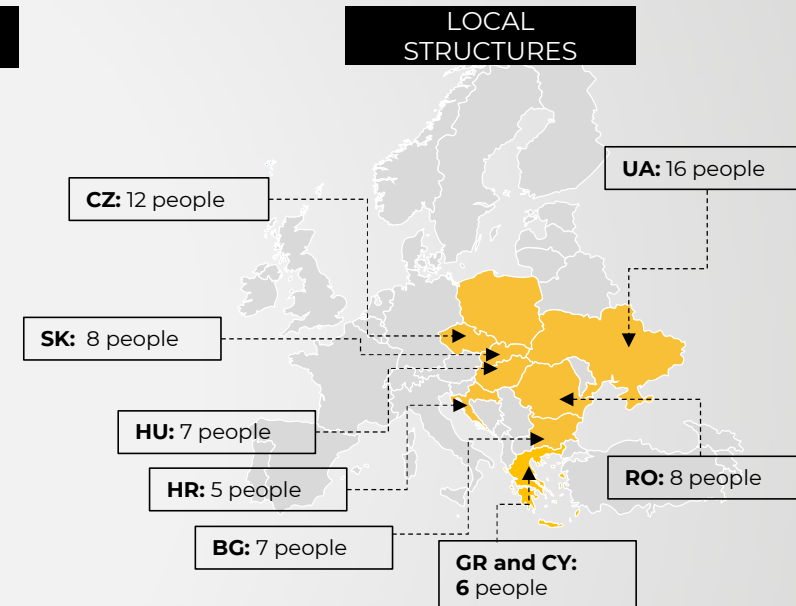
- Answear dynamically increases its product offer - the offer is to increase to about 500 brands and 150 thousand SKU
- Focus on offering more expensive premium products and gradual replacement of cheaper and weaker brands by Answear LAB
- Dominant share of products from women's collection in the company's sales structure
- Footwear and accessories in addition to the key clothing segment.

Ready-to-scale infrastructure

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New automated warehouse enables further fast scale-up of the business and increases operational efficiency. Photo&video studio and office creates a modern working environment and good infrastructure to scale the business further.

	NEW WAREHOUSE	NEW OFFICE	NEW PHOTO&VIDEO STUDIO
Location	▶ Cracow, Kokotów 7R Solution Park	▶ Krakow, City Centre, Fabryczna Office Park	▶ Krakow, City Centre Kazimierz Shopping Mall
Space	▶ 39,000 sqm (with phased subleases of unused space)	▶ 3,000 sqm	▶ 1,600 sqm 9 photo&video studios 2 image content studios 8 packshots stands +400 sqm from 01.2022
People	▶ 460 people	▶ 250 people	▶ 40 people
	▶ 500m GMV – potential revenue, 4 levels mezzanine	▶ Additional local offices in countries of operations	▶ 4,500 SKUs – current weekly maximum capacity



Summary Q3 2021

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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

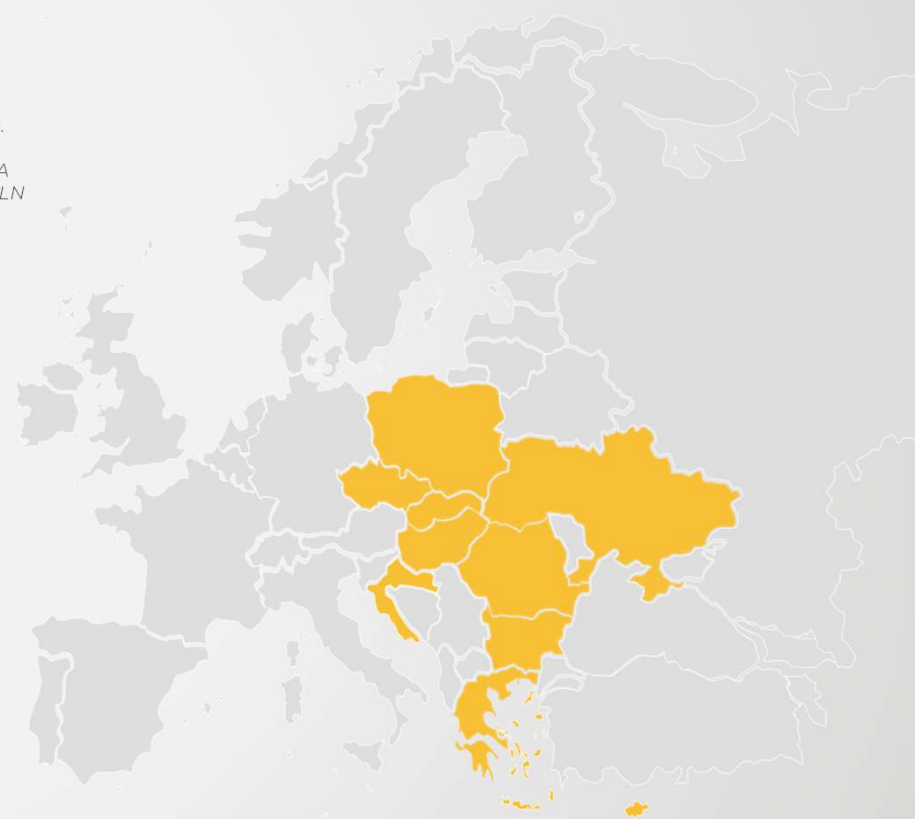
873k

Dynamic y-o-y growth of 50%

Growth in SKUs

>147k

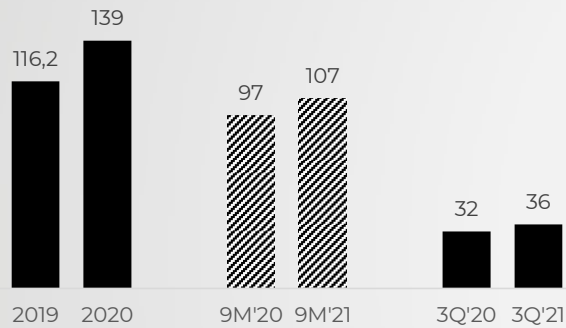
Steadily increasing width of offer on Answear website



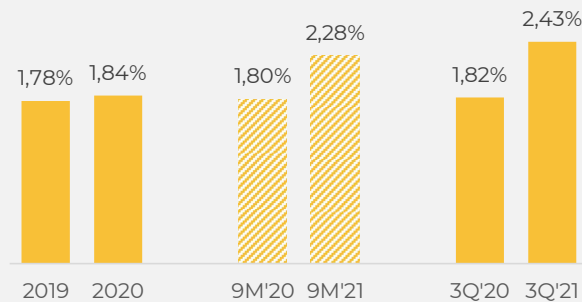
Operational indicators

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

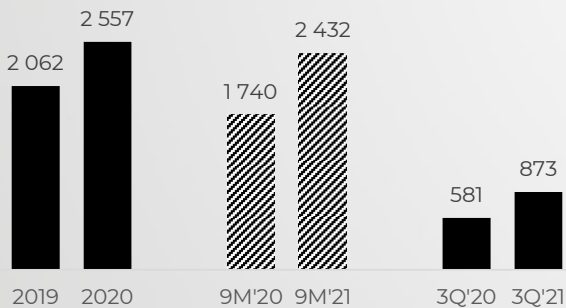
Number of visits (mn)



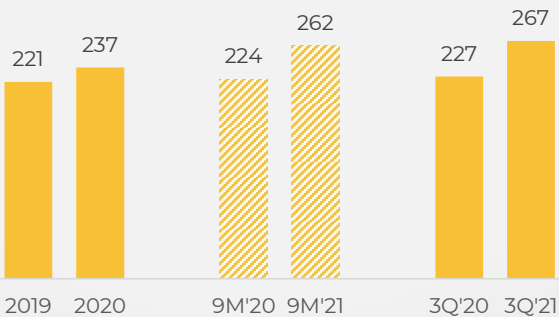
Conversion coefficient



Number of orders (thou.)⁽¹⁾



Average order value (PLN)⁽²⁾



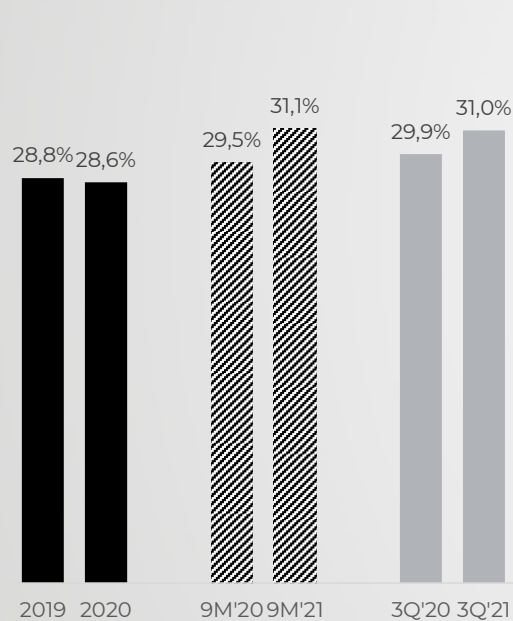
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- Systematic increase in the number of visits to the platform, on average 12 million visits/month were recorded in 3Q2021
- The increasing number of visits is accompanied by an increase in the conversion rate, also due to digital marketing optimisation 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

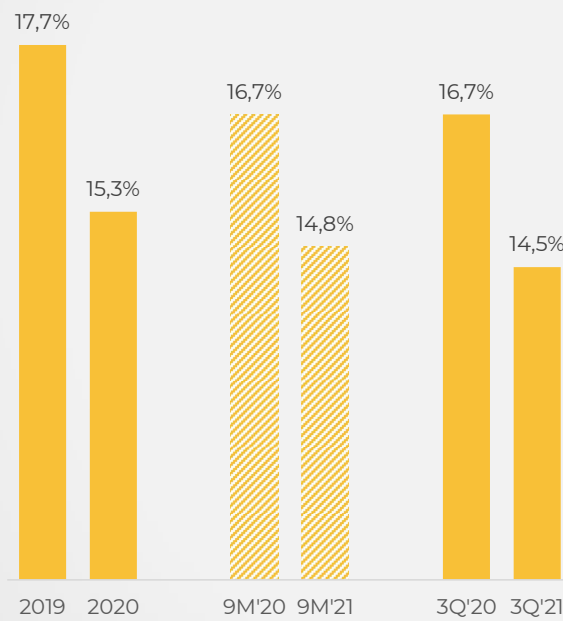
Operational indicators

Regularly improving cost efficiency of the business

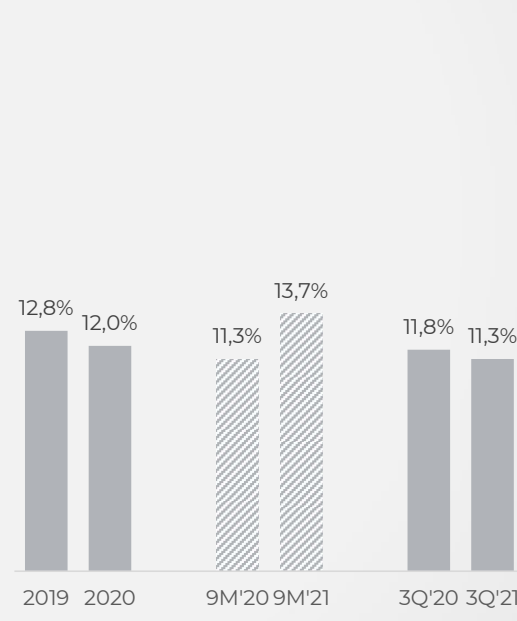
% of returns ⁽¹⁾



% of Logistics costs ⁽²⁾



% of Marketing costs ⁽²⁾



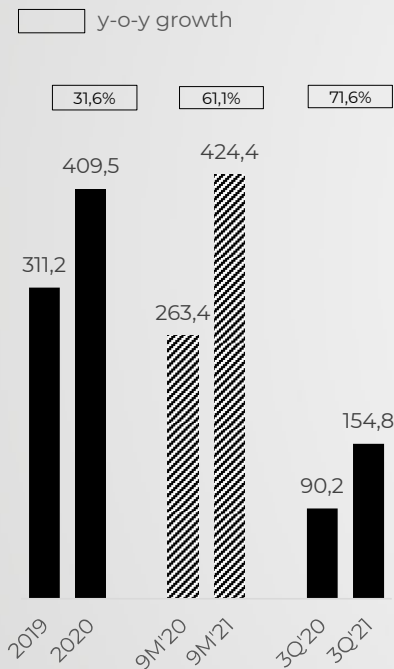
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- Maintain the return ratio at a stable level, while increasing the scale of operations at home and abroad
- Optimization of logistics costs in relation to online sales due to the increase in the scale of operations, dilution of fixed costs, and improvement 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

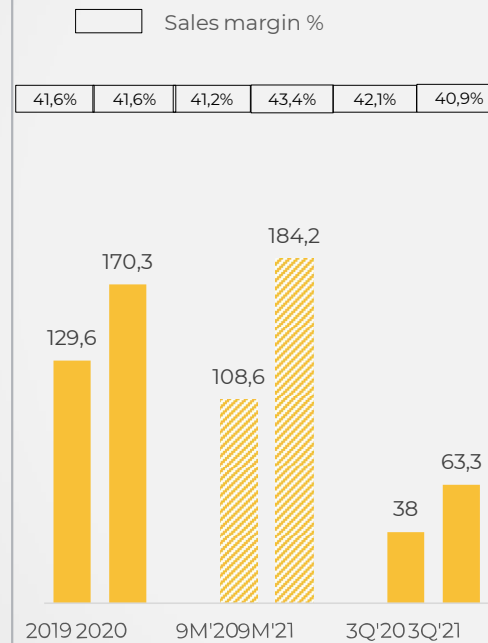
Financial results

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

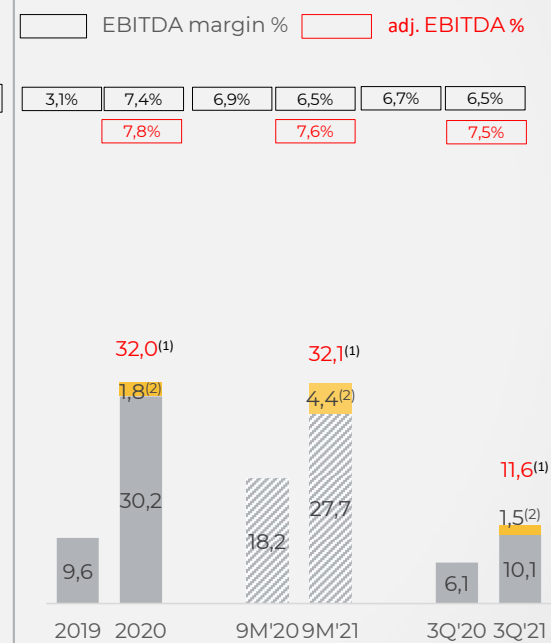
Total revenue (PLNm)



Net profit [PLNm]



EBITDA [PLNm]¹⁾⁽²⁾

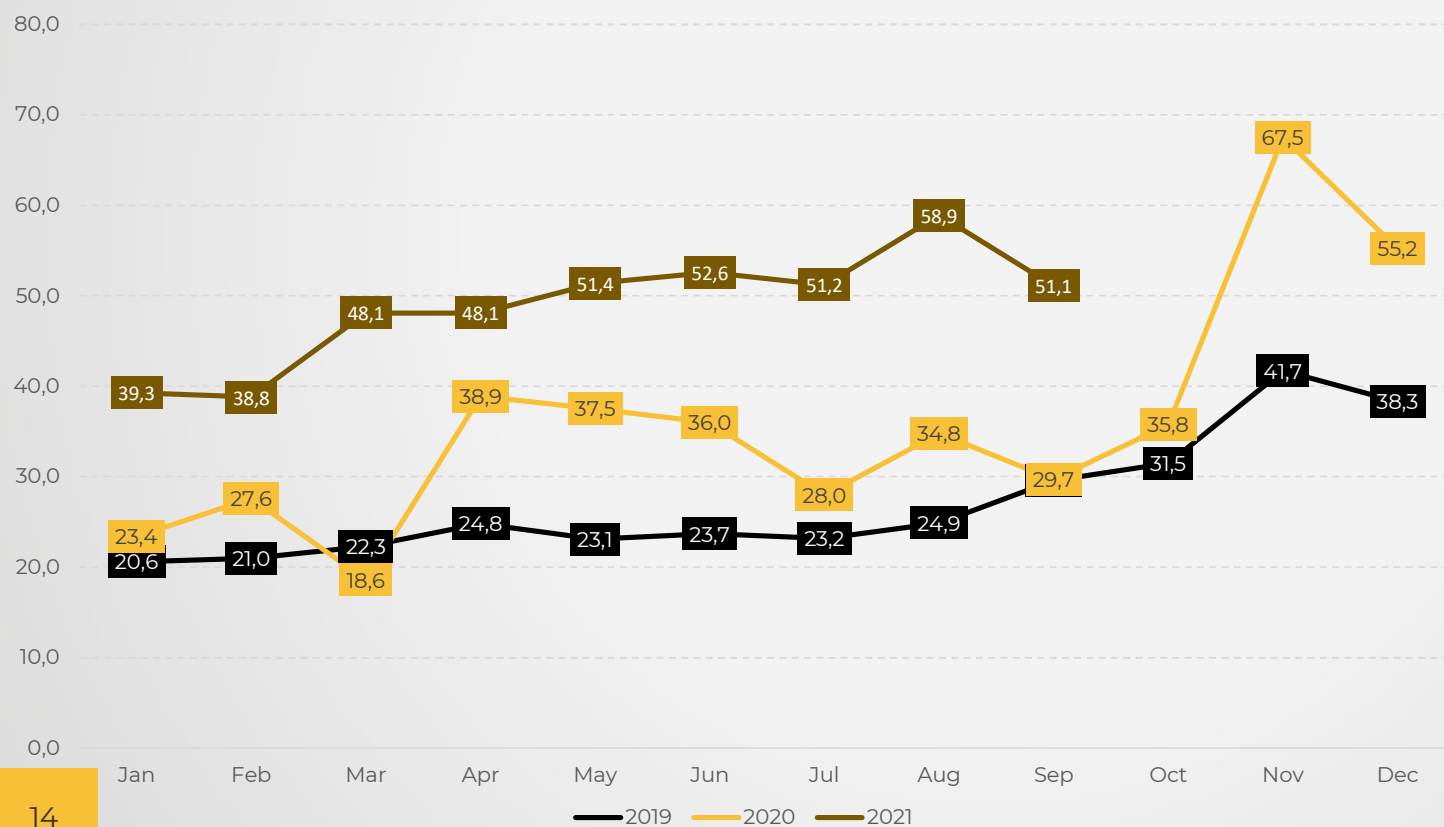


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- Answer dynamically increases sales, 9M2021 with sales revenue growth dynamics on the level of 61,1%, in 3Q2021 the y-o-y dynamics reached 71,6%
- Third quarter and full 9 months of 2021 with stable EBITDA profitability despite intensified marketing 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



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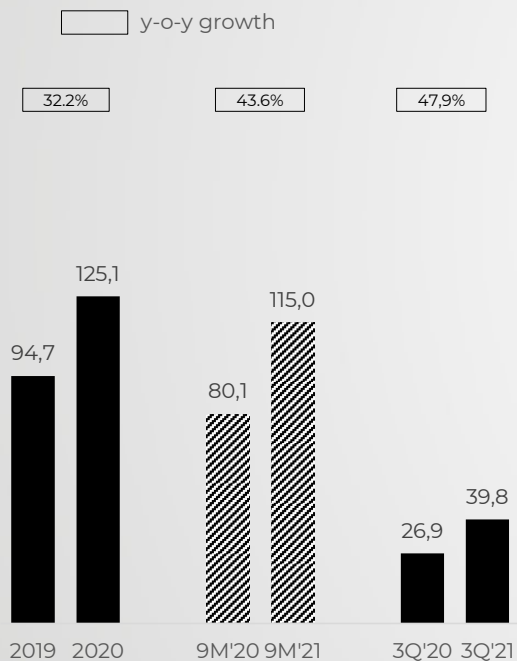
- In 3Q2021, the company reported an increase in online sales compared to Q2 sales of PLN 9,1m, or 6%.
- High sales level in August as „Final Sale” campaign was successful this year
- Achieved results confirm, that Answear.com, as a multibrand shop operating only on-line, increases its sales regardless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

Financial results

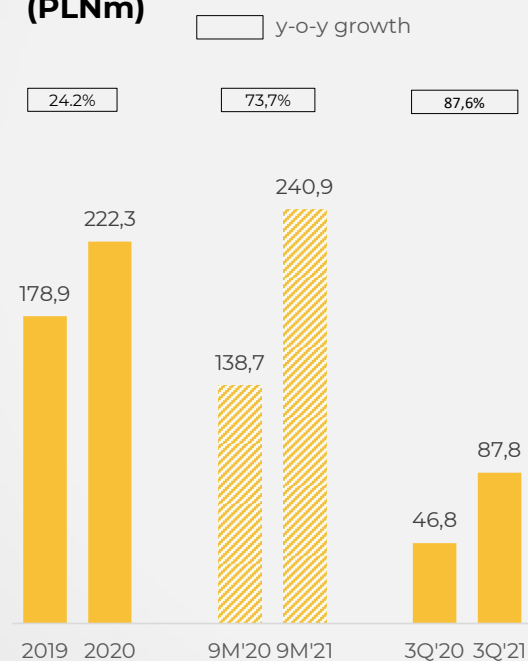
Geographic diversification allows to effectively build business scale

Revenue by segments

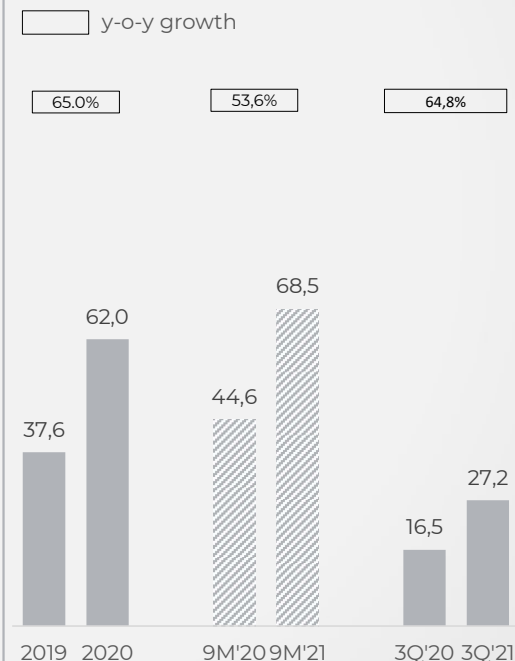
Poland (PLNm)



EU countries outside Poland (PLNm)



Countries outside EU (PLNm)

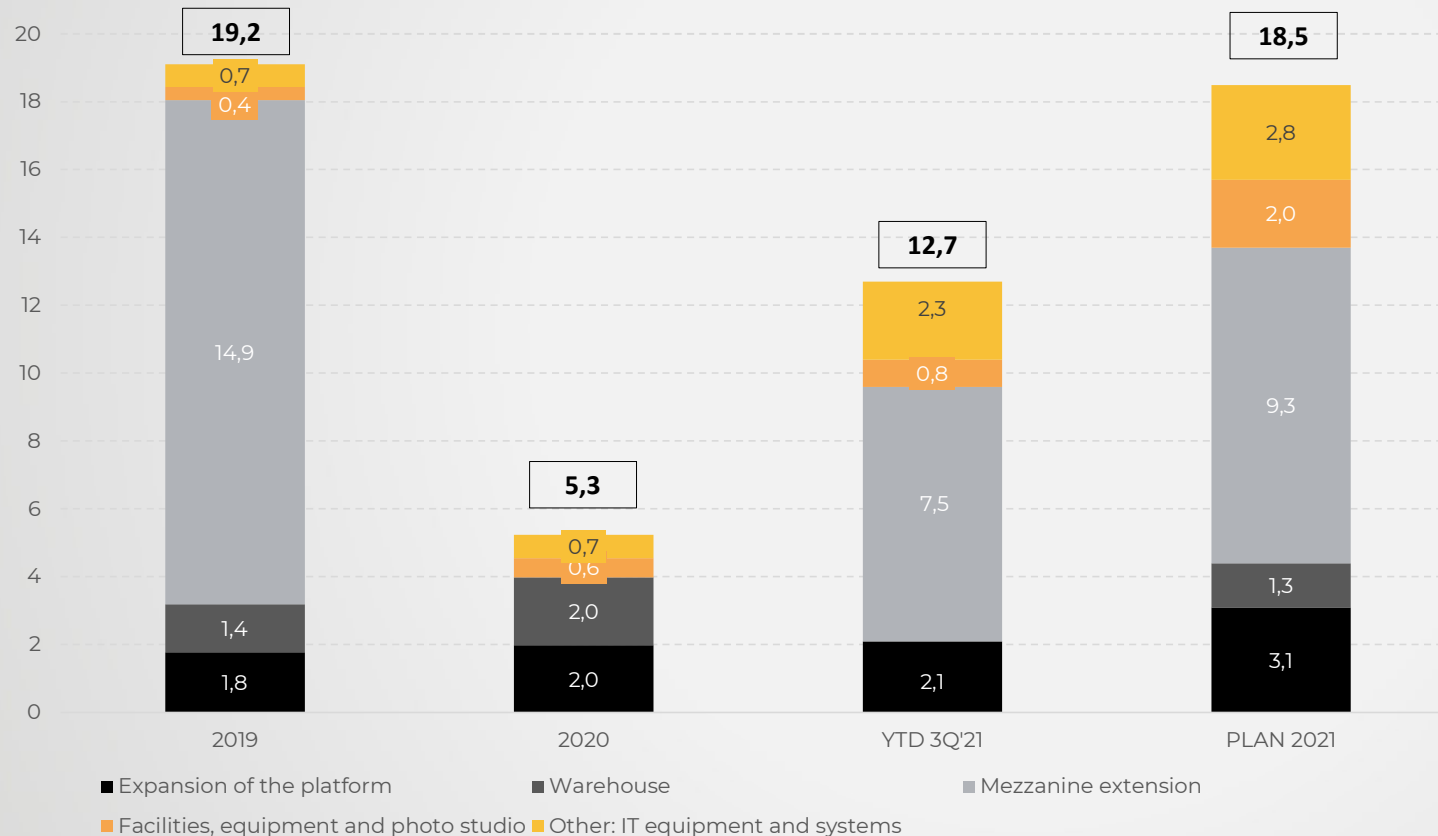


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- Geographically diversified sales, where Poland is the largest market with a share of 27% in revenue.
- EU countries outside Poland grew by 87,6% y-o-y in 3Q2021
- Revenues in the Ukrainian market increased by 64,8% in 3Q2021 compared to 3Q2020

Financial results

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



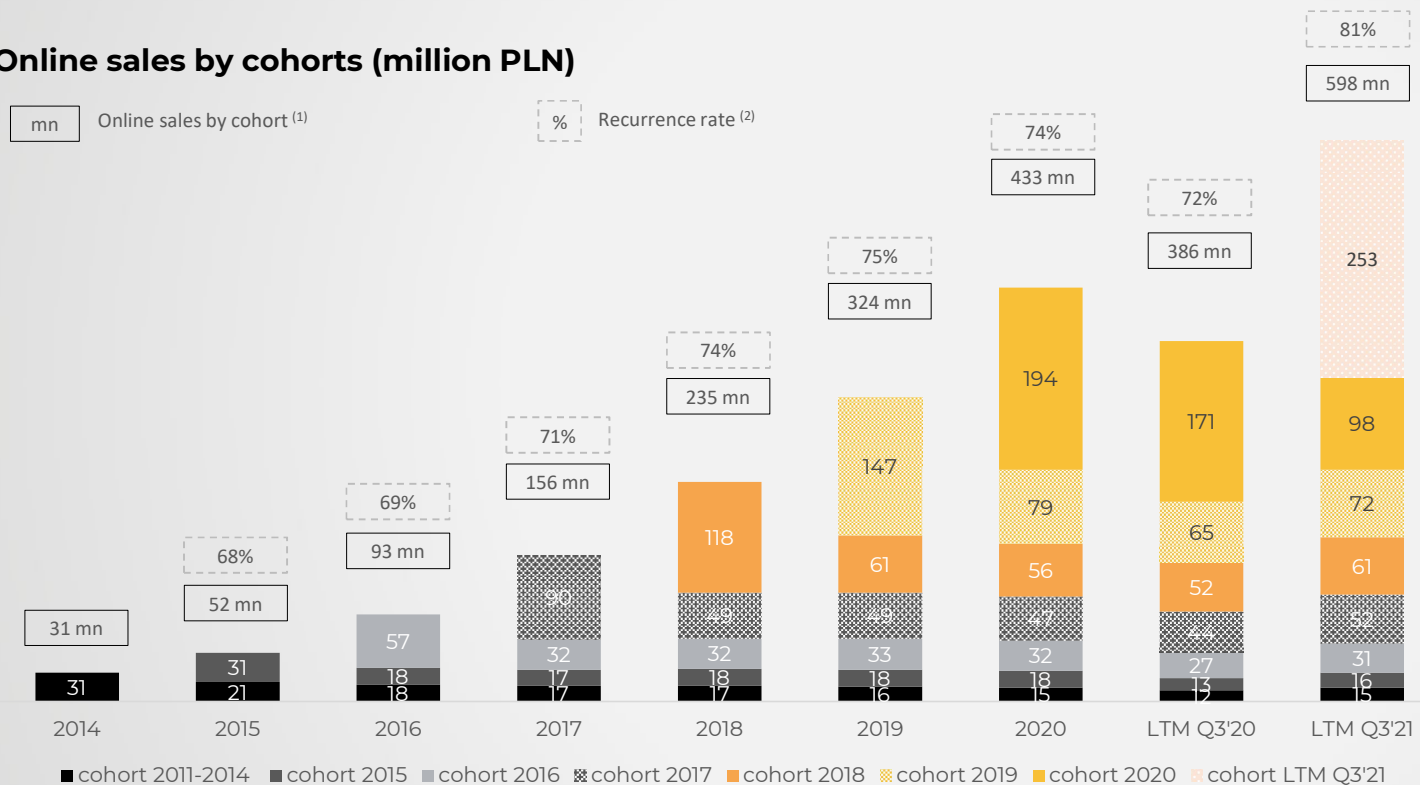
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- In 2020, CAPEX expenditure was primarily directed towards the development of the sales site, the launch of a new platform in additional countries and further improvements to the warehouse
- In 2021, the main investment is the further expansion of 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

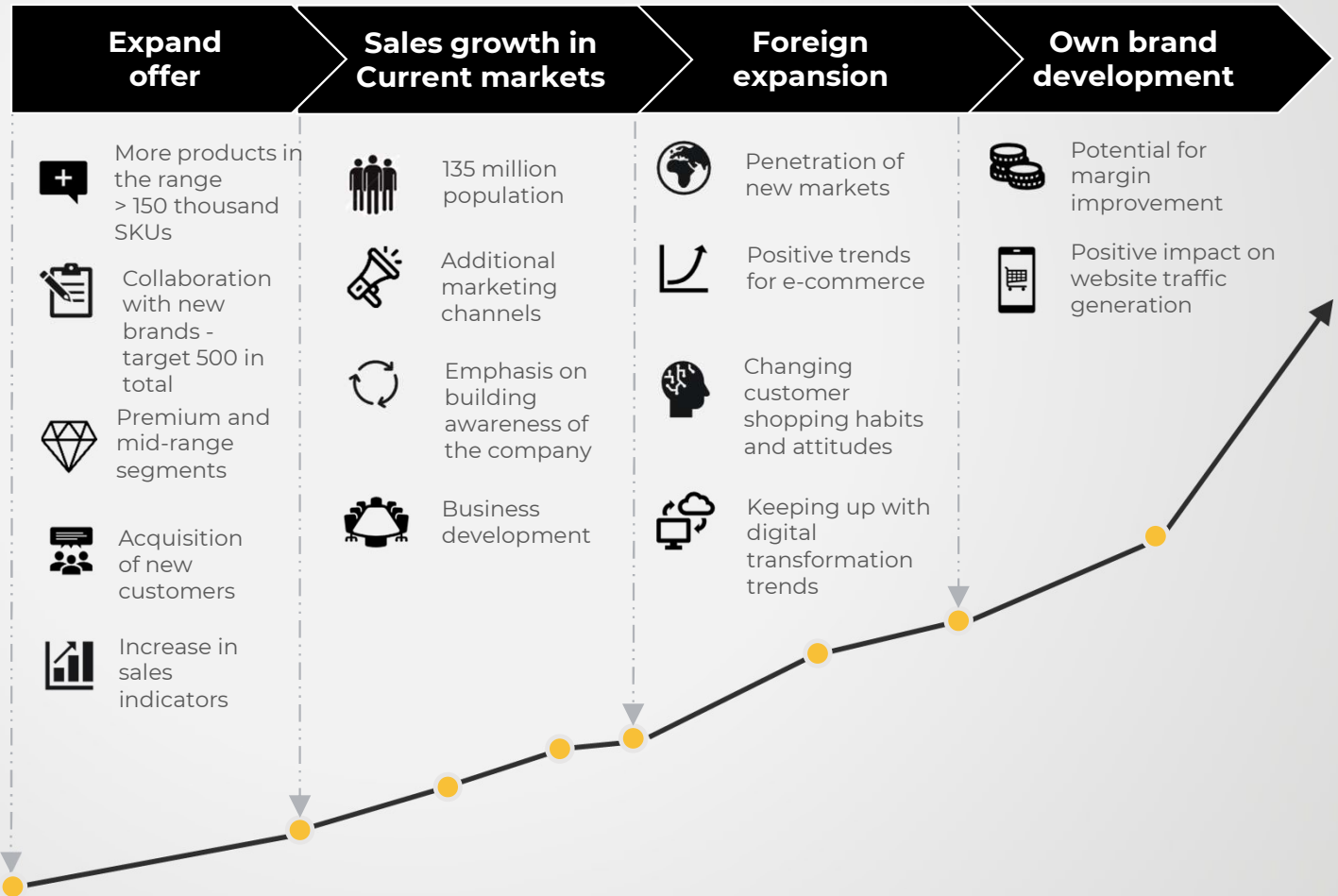
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- Answear has dynamically increased its sales in recent years and has consistently improved its return rate
- In LTM Q3 2021, the return rate was 81%, meaning that customers who shopped in the previous year ended 30 September 2021 generated in LTM 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



Marketing

Strong investment in TV and offline marketing to support further sales growth, increases brand awareness, and improves Answear's leading position in the fashion CEE market.

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First online video campaign was a success:

- Increase in sales 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 online campaigns has exceeded 132 million, with 55 million non-skippable ad viewings (over 40%)

TV SPOT SPRING '21



BBS SPRING '21



BBS SPRING '21



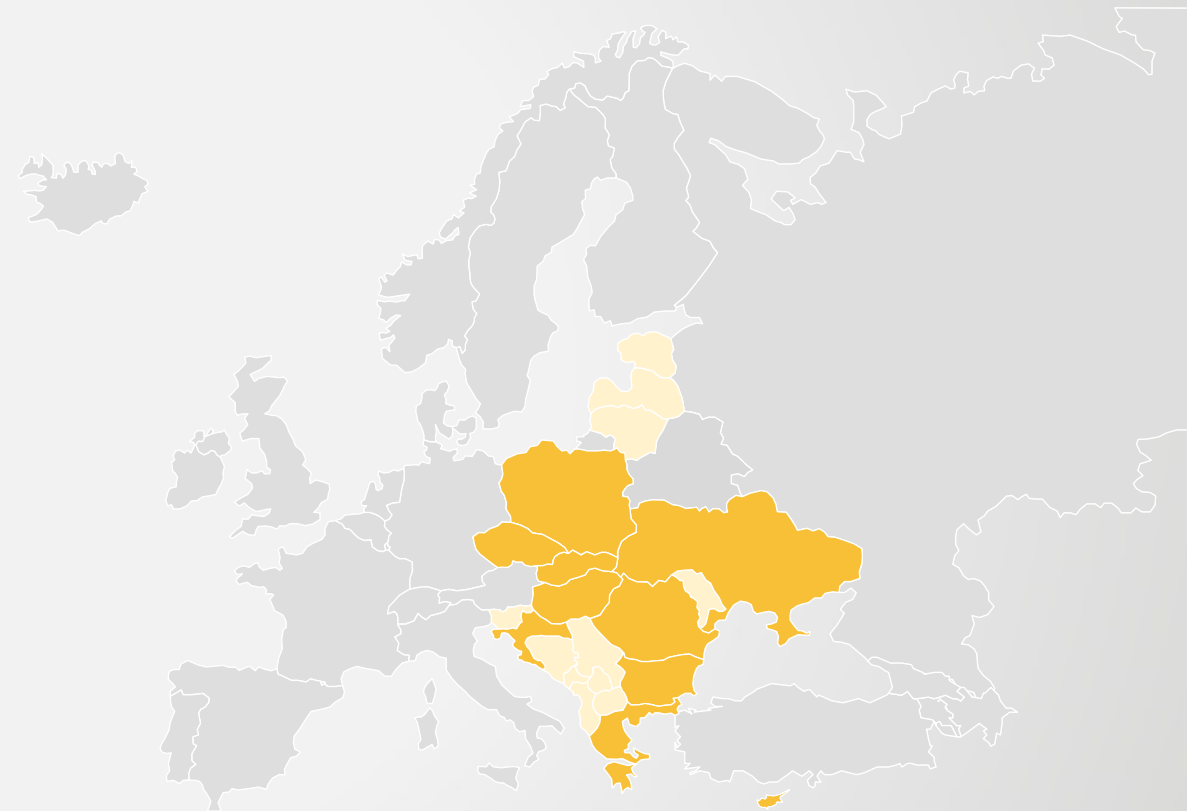
New Marketing Strategy

- Focusing on active women and lifestyle
- More distinguished and attractive to client communication and visuals
- New product categories

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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Appendix 1. Key events in 2021

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Increase in company's profitability and improvement of all KPI's

- Growth in traffic, revenue, margin, CR, AOV
- Decrease in ratio of logistics costs and overheads



Extension of 4-floors mezzanine

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



New Foto- studio

We moved to studio being 4 times larger than previous one (1,660 m²):

- own photo/video studio and a dedicated team of photographers, graphic designers and stylists
- We take a photo of every product that appears on our website.
- In 2020, we took over one million photos that appeared on our platform.

Answer prepares product videos to help customers make decisions, which positively impacts our conversion



Appendix 1. Key events in 2021

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Answer.ua and Answer.com (PL) shops migration to new platform

- New platform, 2 languages for UA and RU, better UX, speed and improved shopping process
- Completed PL shop migration – the most complex platform on the biggest Answer market - in June
- Further development, improvement of the system without a significant increase in costs



Launch of the mobile application on the Ukrainian market

- Mobile applications have been launched on all markets where Answer operates
- Further development and improvement of the app system
- Increasing number of downloads and sales



Market entry in Greece and Croatia

Realisation of strategy and IPO goal:

- Croatia and Greece is one of the largest markets in the Balkan region with 10.5 million inhabitants
- very high internet penetration with a strong e-fashion segment
- The company has high competence and logistical capacity in supplying Southern European countries



Appendix 1. Key events in 2021

ANSWEAR.com



Further expansion of the product offering

- Execution of the strategy to expand the offer with premium and mid-market brands
- Increase in share of sales of the premium segment from 43% to 51%
- Appearance of new brands including Elisabetta Franchi, Tory Burch, Penny Black, Max Mara Leisure, The Kooples, Liviana Conti, Stella McCartney, 4F, Samsøe Samsøe, Uvex, CMP, Sisley, United Colors of Benetton, Eton, Deha, Hype, YAS, Rip Curl, Hoff, Buff, Lyle&Scott
- Expansion process of the product offering will be continued in the following quarters



Conducting a wide-range media campaign

- TV, VOD and YouTube activities in all 7 markets from late December to mid-February 2021
- Objective: Increase brand awareness, acquisition of new customers, increase in loyalty and return ratio of existing customers, increase in conversions and AOV
- The success of the campaign caused that on the 15th March Answear started another TV campaign, this time in a form of sponsorship billboards, lasting until the middle of May



Celebrating 10th anniversary of Answear.com

Limited collections prepared by main brands to our clients.

Two special Answear.LAB limited editions prepared together with Paulina Krupińska:

- „Dare to dream”
- Ethical Wardrobe project which launches the private label's eco line



Appendix 1. Key events in 2021

ANSWEAR.com



Increase of warehouse space

- 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

- 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

- 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

- 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.