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Answear.com S.A.
Investor presentation – FY 2021

29 March 2022

Today's hosts

Krzysztof Bajolek, CEO and Jacek Dziaduś, CFO

Management



Krzysztof Bajolek

Prezes Zarządu

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
- 27 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
- 17 years of professional experience

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Experience

M O H I T O



HOUSE

medicine

EVERYDAY THERAPY

Experience



Nowy Styl Group

Summary 2021

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Leading e-fashion platform in CEE region, operating on 10 markets and rapidly expanding the scale of operations

Revenue growth

67% Revenues in 2021 amounted to PLN 683,5 million, and online sales of PLN 721,2 million

Gross margin

43% Percentage margin on sales up from 41,6% in 2020. Value margin increased by 73% to PLN 294,1m in 2021 from PLN 170,3m in 2020

Dynamic EBITDA growth

46,3m PLN Adj. EBITDA (1) in 2021 amounted to PLN 51,4m, while in 2020 it reached PLN 32m.

Growth in AOV

18,1% PLN 280 in 2021 vs. PLN 237 in 2020. Positive impact on business profitability.

Increase in conversion rate

2,32% in 2021 vs. 1,84% in 2020. Increase by 0,48 pp

Increase in the number of customers

32,0% 1,5 million unique active customers across 10 markets in the CEE region.

Logistic costs optimisation

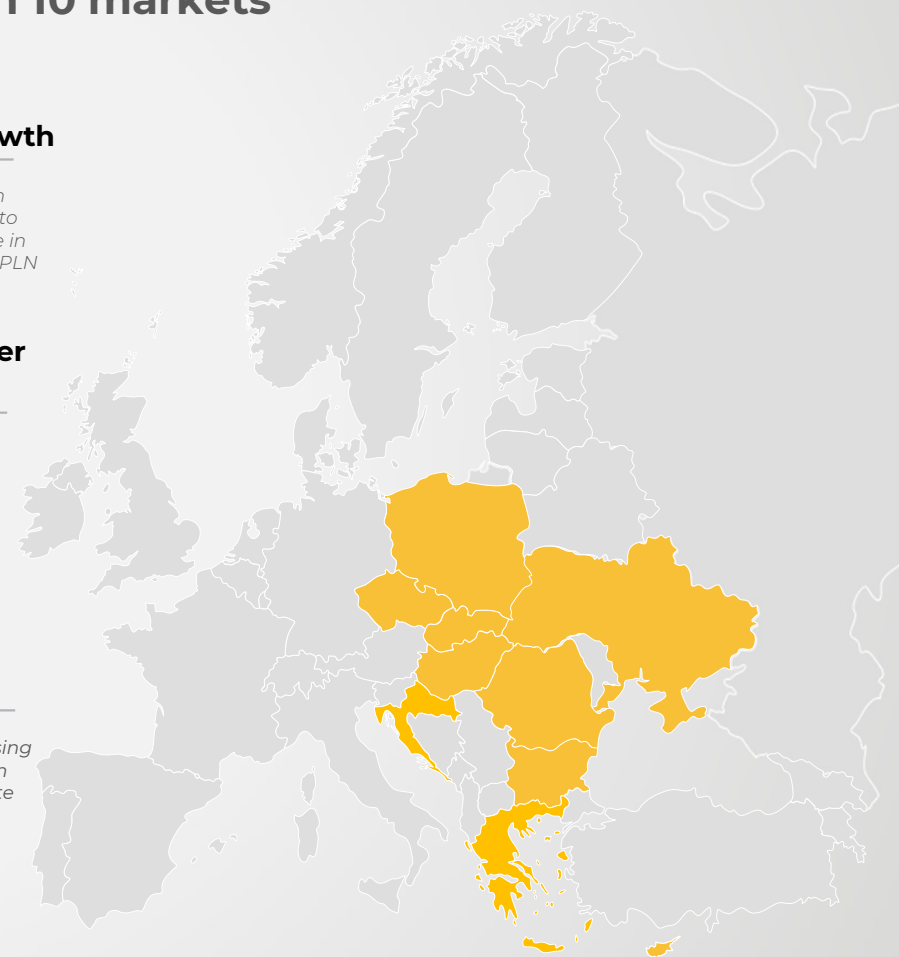
13,6% 15,3% in 2020. Ratio of logistics costs to on-line sales

Effectiveness of marketing activities

14,9% 12,0% in 2020. Marketing costs in relation to online sales

Growth in SKUs

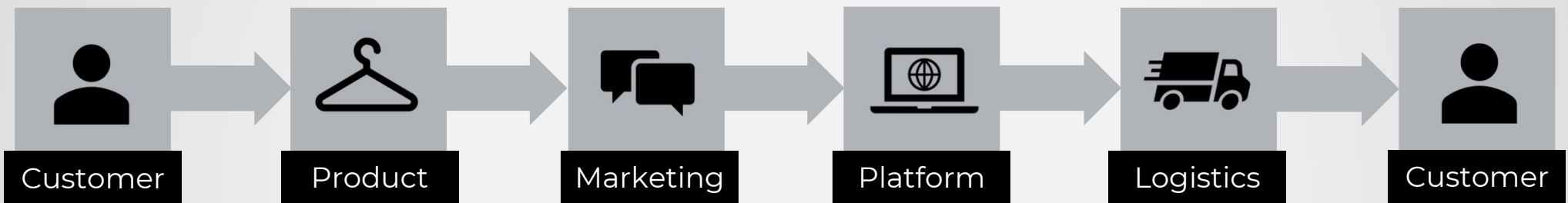
~ 145k Steadily increasing width of offer on Answear website



Business Model & Value chain

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"Client-centricity" combined with high operational efficiency and cost minimization, resulting in high levels of customer satisfaction and potential for high business profitability.



- Knowledge of TG customers' needs and tastes, and of local market trends
- Well-defined target group

- Carefully selected brands and products, matching the portfolio, from the most reputable and profitable suppliers
- Own labels - higher margins, unique products, wide, constantly developed collection of clothes

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

- In-house IT team
- Modern platform with high UX
- Dedicated mobile apps in all markets.
- Potential to scale the business without significant cost increases

- Fastest delivery in the region
- At the lowest logistics cost
- High level of customer satisfaction
- Limited carbon footprint – one package delivery

- Attractive loyalty program to increase frequency of purchases
- Local marketing teams in each market
- Local CS - customer service in local languages

Efficient operating model

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Customer Focus - speed of delivery - convenience - minimizing costs - reducing carbon footprint



Strategic location of the central warehouse

- All products stored and shipped from one location
- Guaranteed delivery of every product ordered
- Fastest delivery times in CEE



Local logistics hubs

- Products shipped and returned always in 1 package
- No unnecessary intermediaries, by the shortest route
- Control over every stage of the purchasing process



Local couriers

- Satisfied, returning customers
- High-cost effectiveness
- No unprofitable orders
- Simple, effective inventory management
- Environmental protection – the lowest possible carbon footprint



Customer

5

The fastest delivery in CEE



Key events in 2021

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Revenue growth, profitability and investment in further development



Dynamic growth of revenues by 67% y/y



Increase company profitability and improve all operating metrics

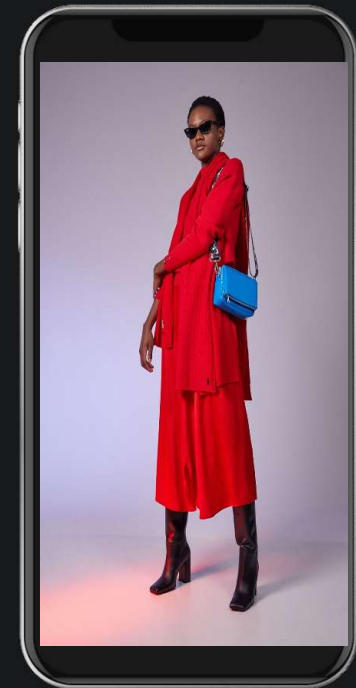
- Increase in margin, traffic, CR, AOV, customer return
- Dilution of logistics and overhead costs



Entering 3 new markets

Execution of IPO strategy and objective:

- **Greece** is one of the largest markets in the Balkan region with 10.5 million inhabitants
- **Croatia** has a very high internet penetration with a strong e-fashion segment
- **Cyprus** – low competition, entry using Greek solutions and structures



Key events in 2021

ANSWEAR.com

Investment in product and marketing



Further expansion of the product portfolio

- Increase in number of SKUs from 87 thousand to 145 thousand
- Dozens of new brands on offer such as; Penny Black, Max Mara Leisure, The Kooples, Stella McCartney, Samsoe Samsoe, Sisley, Benetton, Superdry, Boss, Paul&Shark, Victoria Beckham, Tiger of Sweden, Aeronautica Militare, Marella,, Chiara Ferragni, Weekend Max Mara, Eton, Deha, Lyle&Scott, Burton and many more
- Increase premium segment sales from 41% in 2019 to 52% in 2021.
- Development of Answear LAB own brand
- Introduction of a new Home & Living category
- The process of expanding the product offer will continue in the following quarters



Three outreach media campaigns

- TV, VOD and YouTube in all markets
- Goal: Increase brand awareness, acquire new customers, increase loyalty and return rate of existing customers, increase conversions and AOV



10th anniversary of Answear.com

- Limited collections prepared by main brands for our customers
- Two special limited editions of Answear.LAB prepared together with Paulina Krupińska:
 - "Dare to dream"
 - Ethical Wardrobe project, which launched an ecological private label line

Key events in 2021

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Investments in infrastructure and IT



Completed migration process to a new e-commerce platform

- Improved UX, speed and shopping experience
- PL shop migration
- New platform for Ukrainian market, 2 languages UA and RU
- Further development, improvement of the system without a significant increase in costs



Launching a mobile app in all markets

- Launch of the application in the Ukrainian market and all new markets opened in 2021
- Further development, improvement of the system
- Increasing the number of downloads and sales



New photo studio

1660 sqm. - 4 times bigger than previous one

- In-house team of photographers, graphic designers, animators and stylists.
- More than 1 million product images
- Several hundred thousand films
- Production of image materials



Key events in 2021

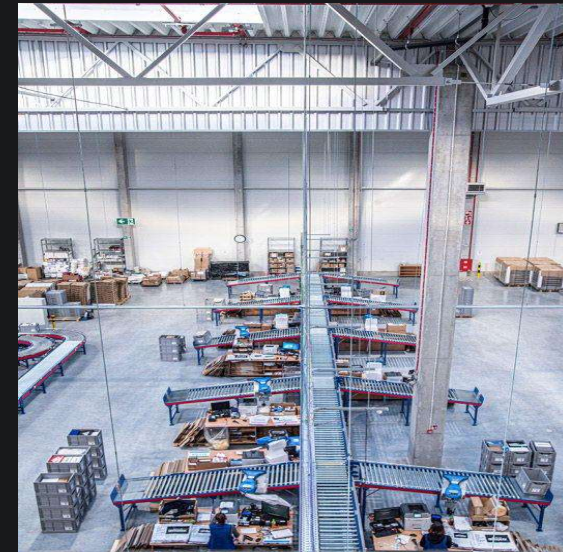
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Investments in logistics



Increase of warehouse space

- January 2021: 19,500 sqm. of warehouse space expanded with 16,100 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 thousand sqm.
- Total floor area on all levels 54,6 thousand sqm



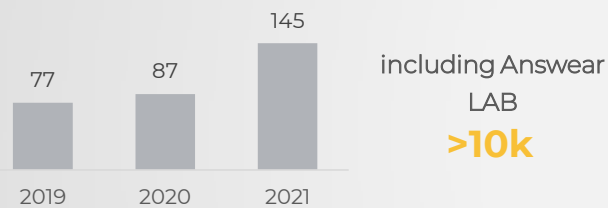
WMS system development, process optimization

Development of the product range

Constantly developed product offer, tailored to the target group and tastes of customers from the CEE region

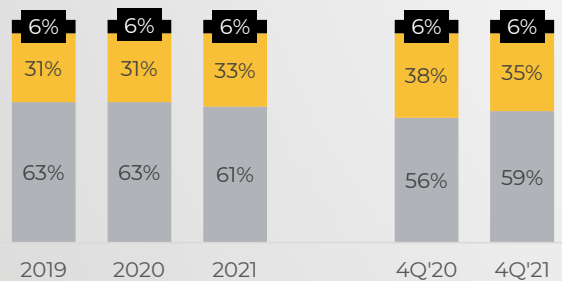
Increasing the range of offerings

#SKUs on offer (in thousands)



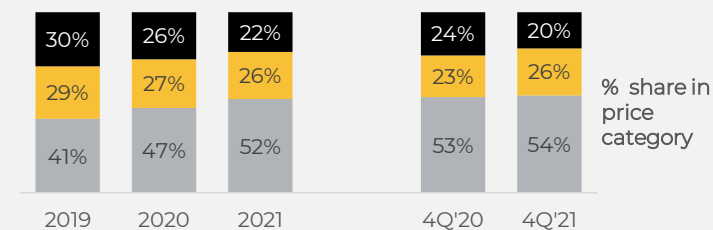
Breakdown by gender

■ Women ■ Men ■ Children



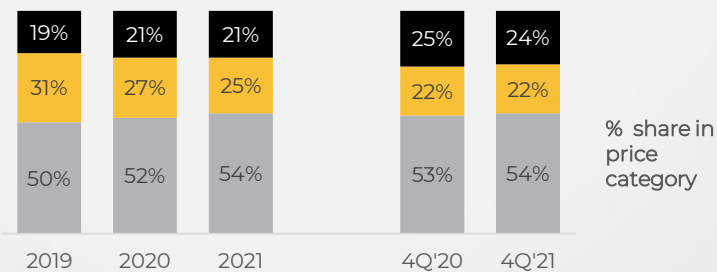
Concentration on Premium segment

■ Premium brands ■ Mid-market range ■ Budget brands



Dominant clothing

■ Clothing ■ Footwear ■ Accessories



- Answear dynamically increases the product offer. During the year, the offer increased to over 500 brands and 145 thousand SKUs.
- The premium brand segment is growing fastest, from 41% in 2019, to 52% in 2021. The women's collection dominates in 2021 and accounted for 61% of total online sales in 2021.
- An element of the company's strategy is also the growth of Answear_Lab's own brand in the Entry segment so that it would eventually constitute 10% - 15% of the total sales, with a higher margin adequate to the margins achieved on own brands in the industry

Answer LAB

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Objective: higher margins, differentiation from competitors, attracting customers

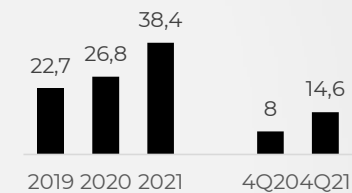
Growth of Answer LAB



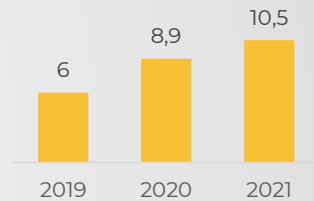
Current characteristics

- One of the **best-selling brands** in the portfolio (5.3% of sales)
- The primary choice of customers in the **lower price segment**
- Delivering the latest fashion** trends in short batches and time (benchmark Zara, Asos)
- Cooperation with local production companies**, designers. Production takes place in Turkey, Poland and Asia
- Dedicated thematic collections (marketing)**- limited collection „Król”, a collection created for women under the slogan "Dare to dream", Ethical Wardrobe project – „The power of conscious choices”, and collections "Girl Power", "My body My choice" and "No shame. No fear".
- Answer LAB products give an opportunity to **generate relatively high margins**

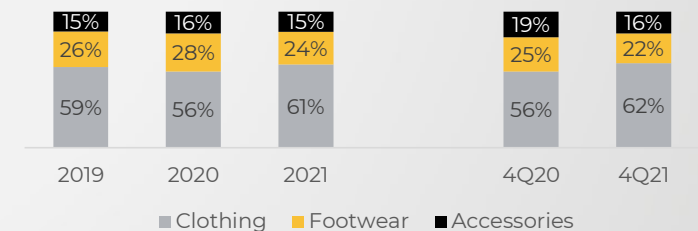
Sales (PLNm)



SKUs number (thou.)



Development of the offer structure



Answer's competitive position

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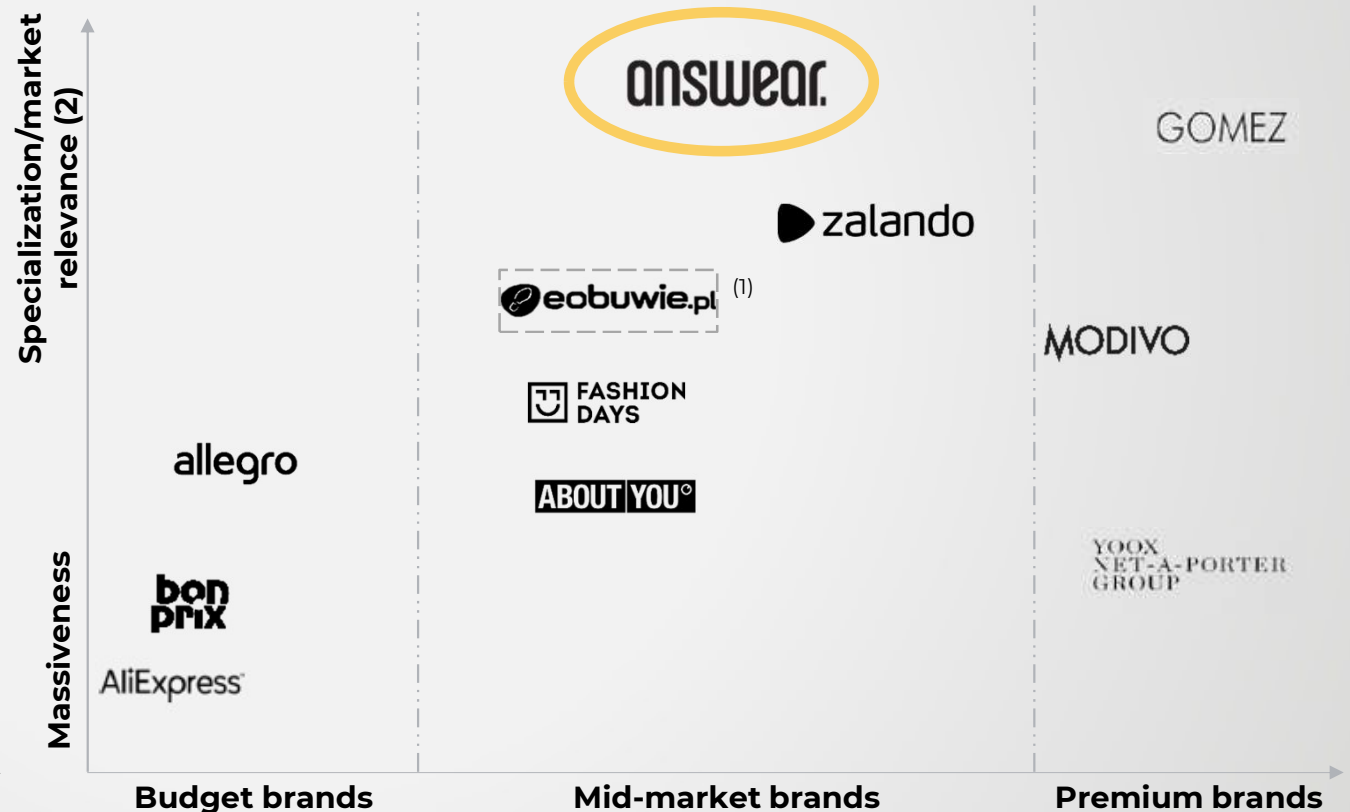
Clearly defined customer profile helps us strengthen the brand's position in the market

01. 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
02. Answer provides a high level of tailoring the product offer to the needs of its target group and customers in CEE
03. Thanks to an efficient operational model, the customer always receives the ordered products in one package and in the shortest possible time
04. Purchase process is as simple, fast and comfortable as possible. Answer pays a lot of attention to products presentation (inspirations, movies and author's photos of the products).

Explanations:

(1) E-obuwie - exclusively shoes

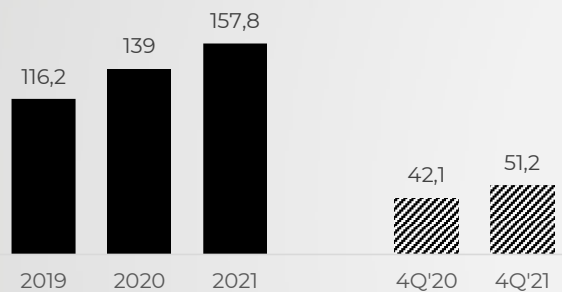
(2) Specialization/market fit: - Customer taste and needs - Specific target group - Level of customer service



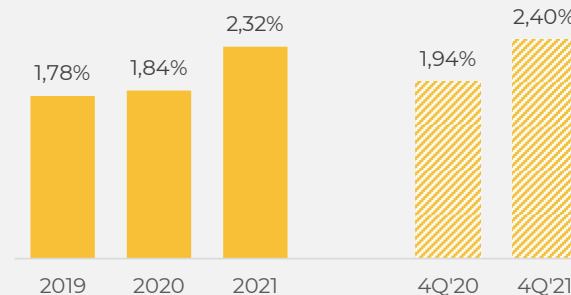
Operational indicators

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

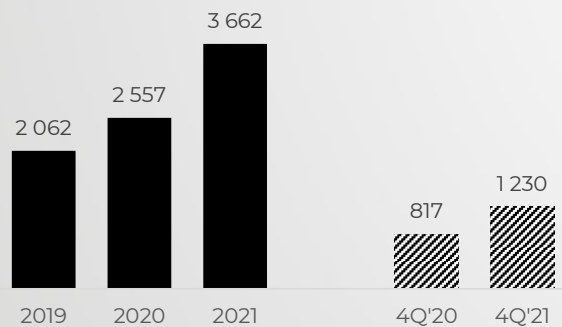
Number of visits (mn)



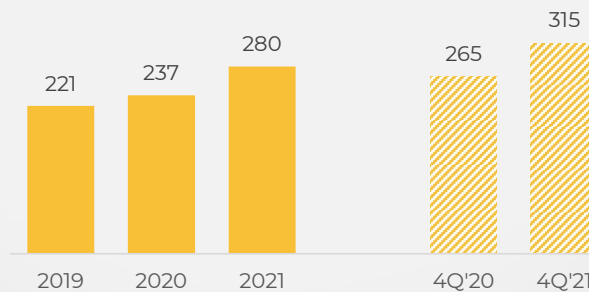
Conversion coefficient



Liczba zamówień (tys.)⁽¹⁾



Average order value (PLN)⁽²⁾



Explanations:

(1) Number of orders before returns

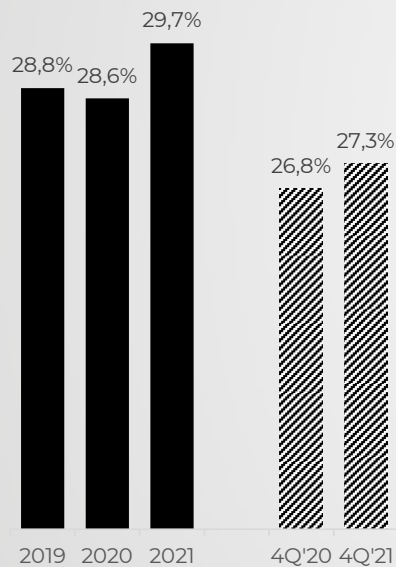
(2) Based on sales and number of orders before returns

- The number of visits to the Company's platform is growing systematically; on average in 4Q2021 we recorded 17 million visits/month.
- The growing number of visits is accompanied by an increase in the conversion rate, also due to the growing popularity of the mobile application, which is characterized by a higher conversion rate.
- The growing number of visits and the conversion rate translate directly into a dynamic increase in the number of orders. In 2021, customers placed nearly 3,7 million orders.
- Strategic focus on mid-price and premium brand segments and appropriately profiled marketing activities have a positive impact on average order value results.

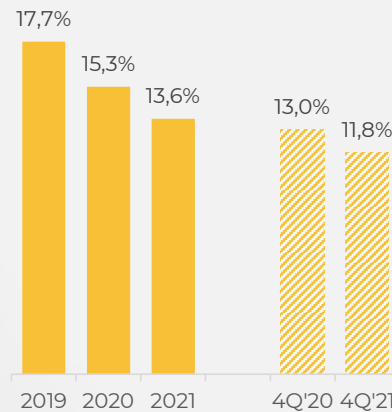
Operational indicators

Regularly improving cost efficiency of the business

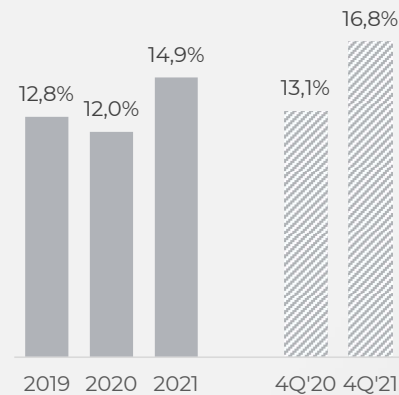
% of returns ⁽¹⁾



% of Logistics costs ⁽²⁾



% of Marketing costs ⁽²⁾



Explanations:

(1) % of on-line sales before returns

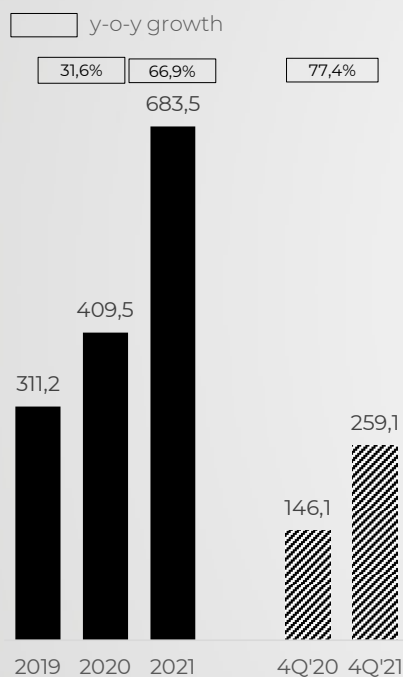
(2) % of on-line sales after returns

- Despite the strengthening trend of increasing return rates in online businesses - particularly visible in Western Europe - the Company managed to keep its return rate growth at a minimum while dynamically increasing the scale of its operations both domestically and internationally.
- Optimization of logistics costs to 13,6 percent in relation to online sales, due to increased scale of operations, improved process efficiency and dilution of fixed costs, and aggressive international expansion.
- Reduced marketing costs due to the growing scale of operations and an increasing number of active and returning customers.

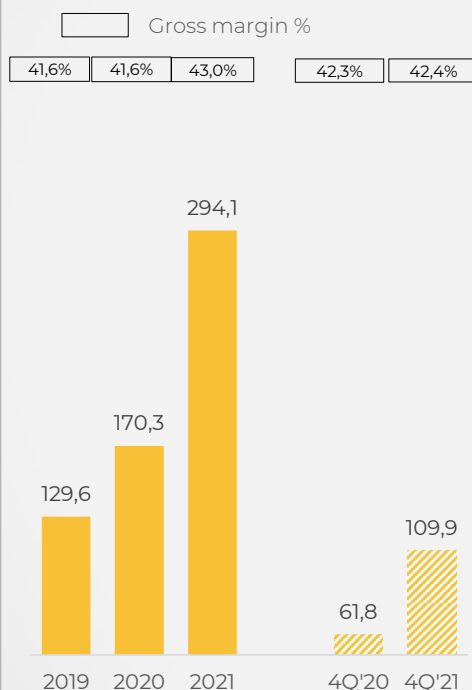
Financial results

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

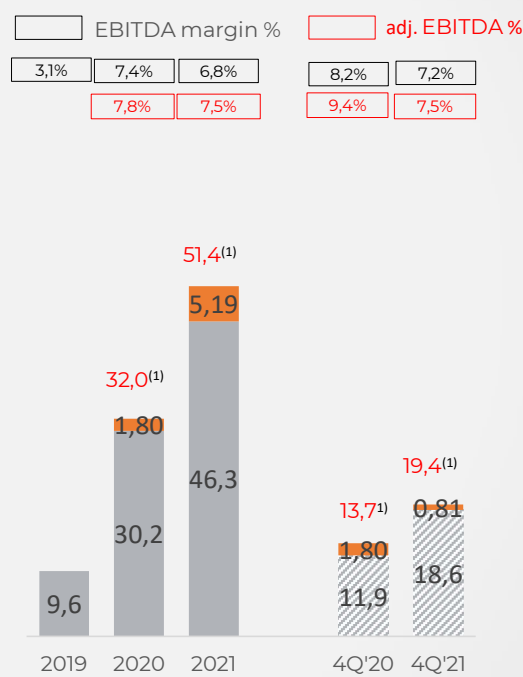
Total revenue (PLNm)



Gross profit (PLNm)



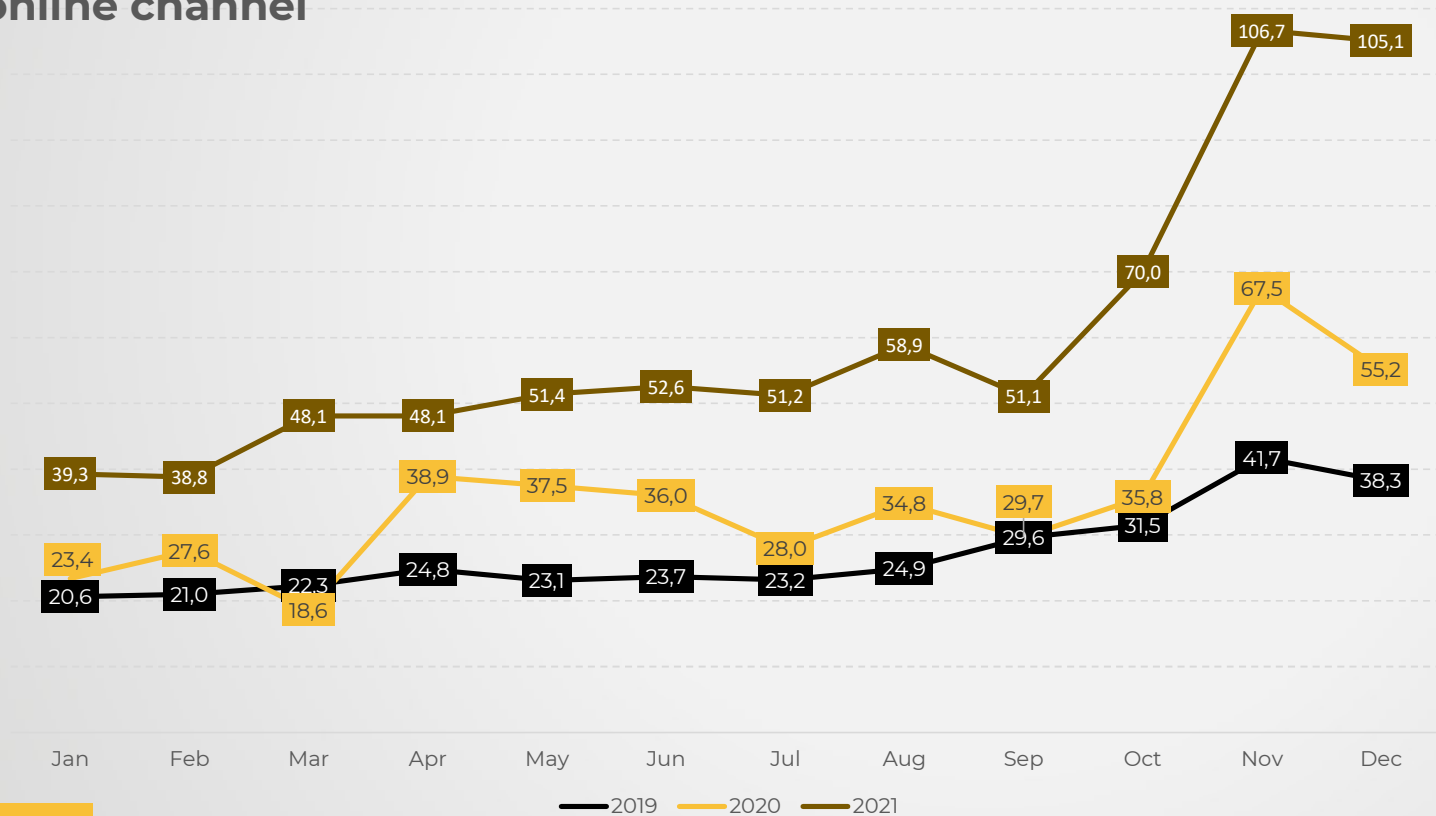
EBITDA (mln zł)⁽¹⁾⁽²⁾



- Answer dynamically increases sales, in 2021 with sales revenue growth dynamics on the level of 66,9%, in 4Q2021 itself year to year dynamics was 77,4%.
- Increase of gross margin thanks to much better stocking and higher sales in so-called "first prices", improvement of margin on own-label goods, increase of premium brands share, using payments with discount.
- Despite a significant increase in marketing expenses, the increase in the scale of operations and dilution of fixed costs as well as improvement of key operational efficiency ratios resulted in a 6.8% EBITDA margin, which corresponds to PLN 46,3m EBITDA achieved in 2021 and PLN 18,6m in 4Q2021 alone.

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



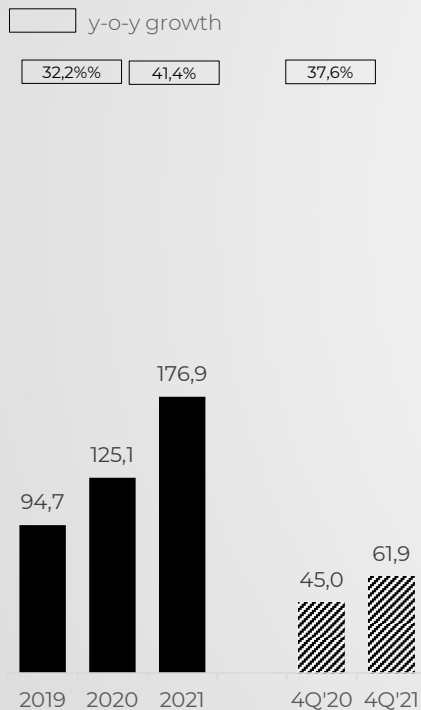
- In Q1 2021 Answear successfully sold the AW'20 collection, which turned out to be the best one in years. Apart from extensive and constantly extended product offer, the sale was supported by exceptionally low temperatures and closed shopping galleries.
- January and February are generally weaker months with historically low sales growth. March shows a marked increase in sales due to the COVID-19 pandemic and the closure of physical stores.
- In Q2 2021, the Company recorded an increase in online sales compared to online sales in Q1 by PLN 26 million, or 21%, despite the opening of shopping malls in early May.
- In Q3 2021. The Company recorded an increase in online sales compared to online sales in Q2 by PLN 9,1 million, or 6%, while recording a high level of sales in August thanks to the success of the "final sale" campaign.
- In Q4 2021. The Company recorded an increase in online sales to PLN 281,8 million. New marketing strategy, good stocking, opening of new markets - these are the factors supporting sales in the last quarter of the year.

Financial results

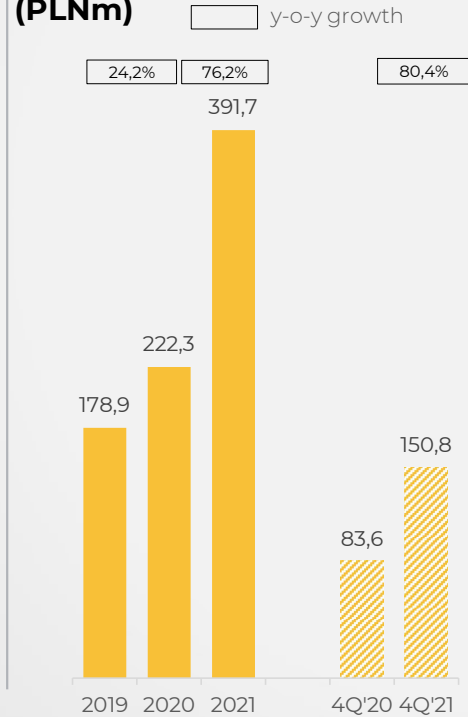
Geographic diversification allows to effectively build business scale

Revenue by segments:

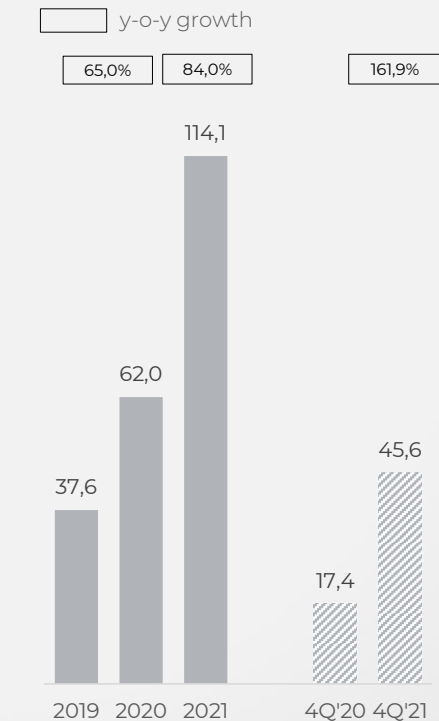
Poland (PLNm)



EU countries outside Poland (PLNm)



Countries outside EU (PLNm)

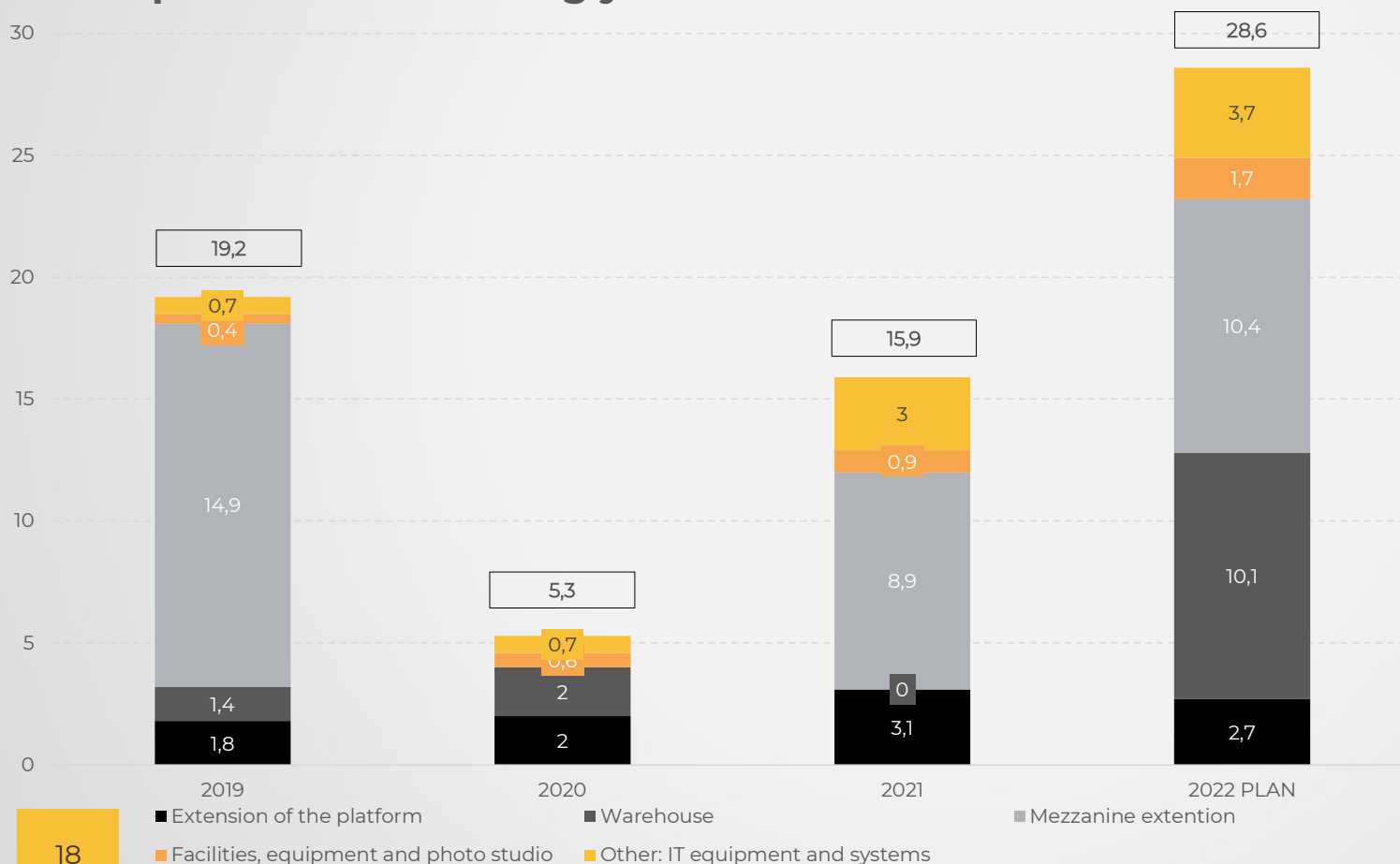


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- The Company's sales are geographically diversified. Poland is the largest market and currently accounts for 26% of total revenues.
- EU countries (excluding Poland) grew in 2021 with the dynamics of 76% y/y.
- Flexible management of marketing budgets, resulting in increased spending on marketing in Poland and Ukraine, which resulted in higher market growth
- Revenues on the Ukrainian market grew by 84% in 2021 compared to 2020.

Financial results

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



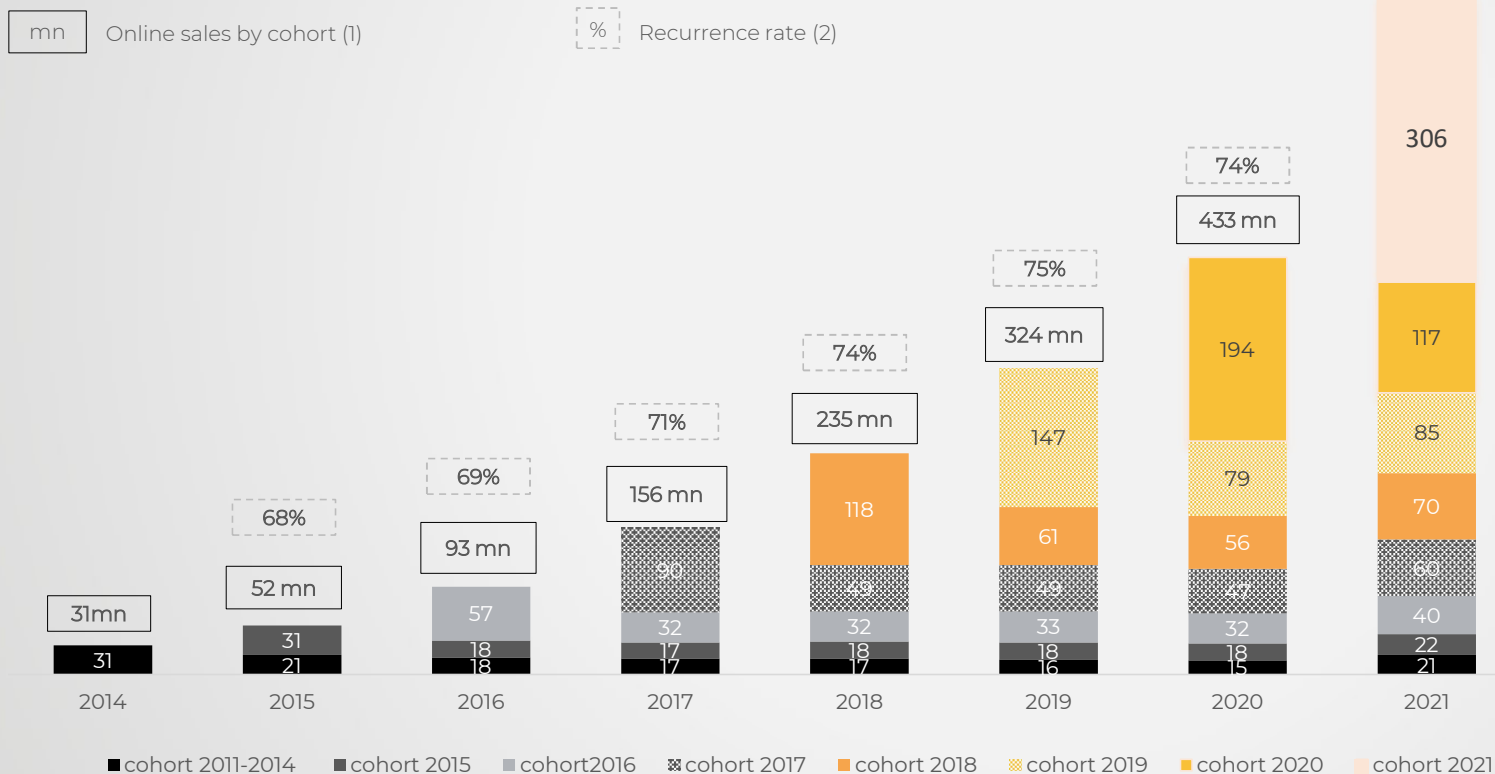
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- In 2021, major capital expenditures were incurred in connection with the further construction of a multi-level mezzanine in the central warehouse - increasing the storage area for goods by another 10,000 sqm.
- Other CAPEX expenditures were primarily directed towards the development of a sales website to be launched in additional countries, further improvements to the warehouse, the purchase of IT equipment and the equipping of a photo studio.
- For 2022, in addition to the further development of the IT platform and new stores in connection with the planned expansion, investments are planned for the third stage of the mezzanine extension, investments related to warehouse equipment, purchase of photographic equipment and software for HR and payroll and other applications.

Financial results

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

Online sales by cohorts (million PLN)



Explanations:

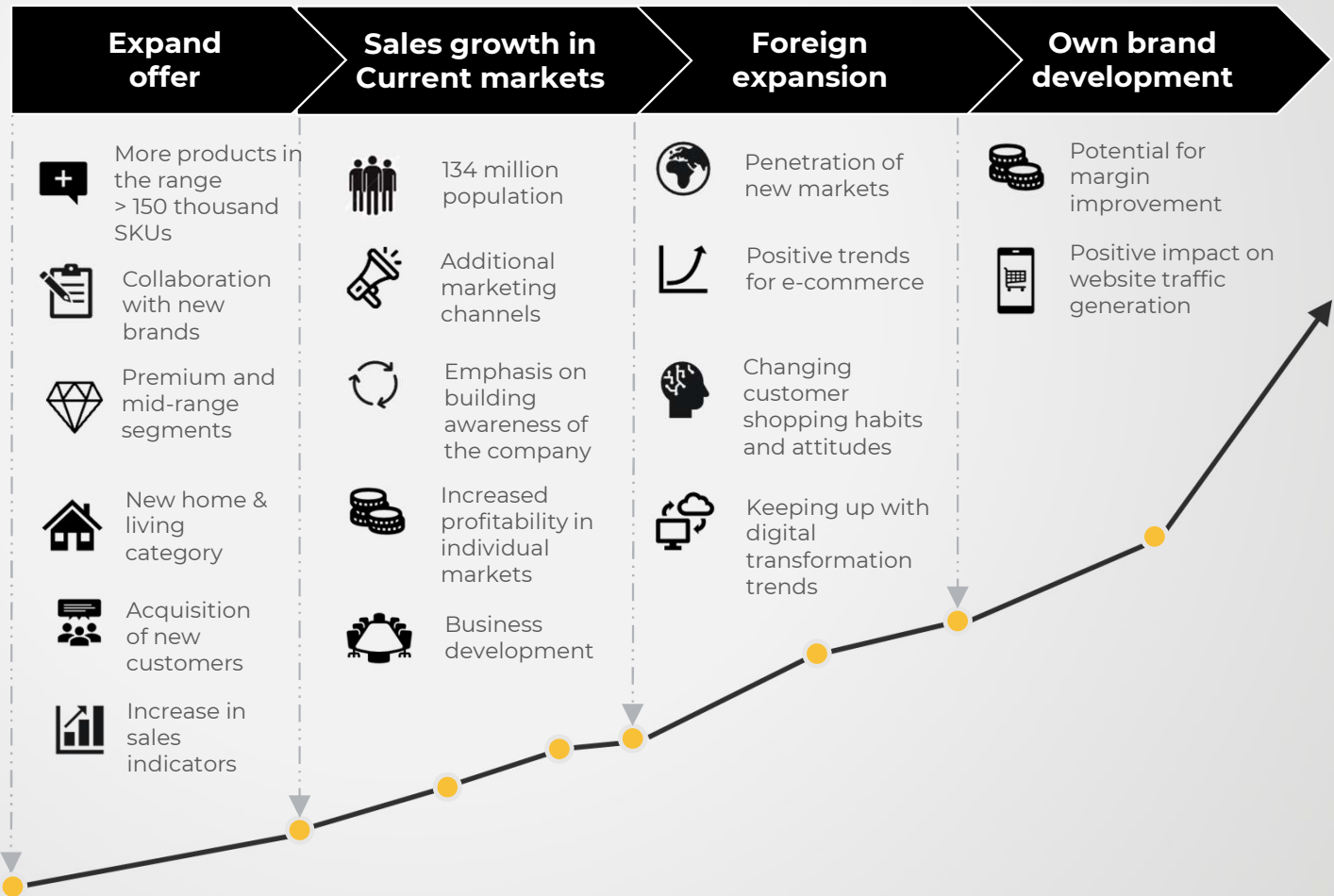
(1) Cohorts means customers grouped by the calendar year in which they placed their first order with Answear

(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 been rapidly increasing sales and consistently improving its customer return rate over the past few years.
- For the 12 months ended December 12, 2021, this ratio was 96%, meaning that customers who shopped in 2020 generated in 2021 the equivalent of 96% of the sales revenue generated in the previous year.
- Analyzing the cohorts, it can be seen that online sales generated by each cohort stabilizes in the second year and then remains at the same level in subsequent years, and increases in 2021, which only confirms the successful process of retaining customers in Answear store.
- At the same time in the last year 306 million PLN - or 42% of online sales - was generated by new customers. It means, that Answear with its offer is able to attract new buyers, which combined with a high return rate of customers gives a basis for further dynamic sales growth.

Development strategy

Strategy and development outlook



Marketing

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Investments in TV and online video support further sales growth, increase brand awareness and strengthen Answer's position as one of the leaders on the CEE fashion market

- 3 TV campaigns in 2021 (spots and BBS) and online video
- Reach of the TV campaign - over 36 000 GRP, reaching over 180 million people
- The number of impressions of the spot in online campaigns exceeded 500 million
- Increase in spontaneous awareness in Poland by 46% and assisted brand awareness by 16%

TV SPOT „MASZ ANSWEAR”
SPRING '21



BBS SPRING '21



„LIFESPIRATION STARTS HERE”
JESIEŃ '21



BBS AUTUMN '21



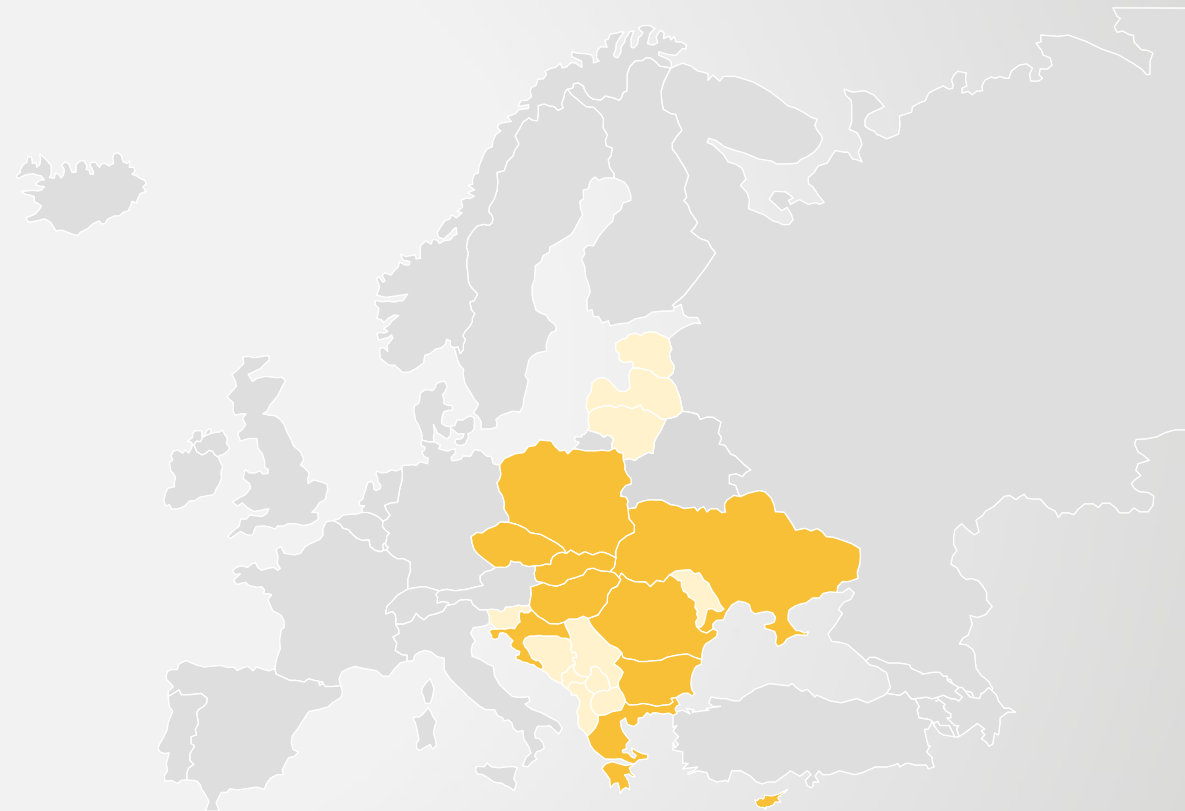
New Marketing Strategy

- 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? What in 2022... ?

- **War in Ukraine** - lack of sales in that market
- **Declining consumer sentiment** - war, inflation, rising cost of living, rising exchange rates

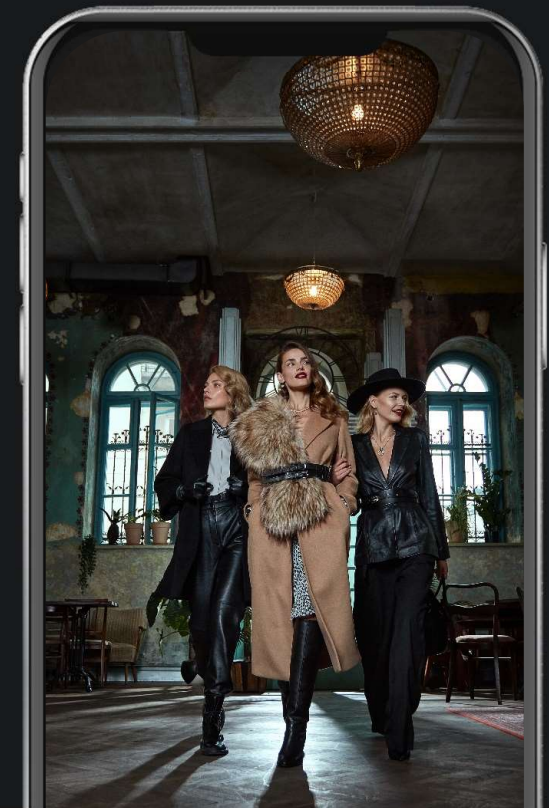
SHOULD BE LEVELED BY:

- **Continue to strengthen** the brand position in all markets in which it operates.
- **Potential of newly opened markets**, current (Greece, Croatia, Cyprus) and future
- Development of product offer optimization, 145 thousand SKU's - versus 87 thousand in 2020, many **new strong brands**, **Home & Living category**, development of own brands.
- Optimize marketing efforts, **supported by larger budgets**
- **Better technology, new e-commerce system, improved mobile app** in all markets
- Continued growth in operational KPIs and **customer returns**
- Favorable **market trends**, consumer shift to online, increased demand for **branded products**

The aforementioned further should foster sales growth, improved AOV and CR, potential for increased profitability in the future.



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Appendix 1.

Profit and loss account

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<i>PLN'000</i>	2021	2020	% Change
Sales revenue	683 525	409 458	66,9%
Revenues from sales of products and services	39 327	28 021	40,3%
Revenue from sale of goods and materials	644 198	381 437	68,9%
Operating expenses	646 523	386 026	67,5%
Amortisation	9 878	8 061	22,5%
Cost of materials and energy	6 525	4 201	55,3%
Third party services	86 953	55 856	55,7%
Taxes and fees	679	501	35,5%
Payroll and employee benefits	51 792	33 018	56,9%
Other expenses by category	101 307	45 250	123,9%
Cost of goods and materials	389 389	239 139	62,8%
Gross profit on sales	37 002	23 432	57,9%
Other operating income	2 279	3 650	-37,6%
Other operating expenses	2 864	4 979	-42,5%
Operating profit	36 417	22 103	64,8%
Financial revenue	124	57	117,5%
Financial expenses	6 226	9 669	-35,6%
Profit before tax	30 315	12 491	142,7%
Income tax	7 430	3 949	88,1%
Net profit	22 885	8 542	167,9%
Net profit attributable to: - Shareholders of the subject entity	22 885	8 542	167,9%

Other information

USE OF PROCEEDS FROM THE ISSUE OF SHARES

In February 2021, the Company received PLN 44.8 million net proceeds from the issue of 1,841,000 series D ordinary shares with a par value of PLN 0.05 each, in connection with the capital increase registered on January 28, 2021. The Company in 2021 fulfilled all the assumptions communicated in the prospectus, achieving each of the announced issue objectives, namely:

- Increasing the offer to 150 thousand SKUs and 500 brands - the goal planned for a period of 2-3 years was realized within one year
- Own brand development - increase of Answear_LAB sales by 43% in 2021.
- Marketing actions on existing markets - realization of three wide range TV and video on-line campaigns, which is an unprecedented achievement in the history of the Company
- International expansion - opening 3 new markets in one calendar year
- Infrastructure development - migration of stores to new e-commerce platform, expansion of mezzanine in the central warehouse, moving and equipping the new photo-video studio, launching mobile application on all markets where Answear.com SA is present.

MATERIAL EVENTS AFTER THE BALANCE SHEET DATE

Impact of the armed conflict in Ukraine on the Company's operations::

The following material events occurred after December 31, 2021:

As stated in the current report No. 2/2022, the Management Board of Answear.com S.A. reported on the impact of the armed conflict in Ukraine on the Company's operations. According to this report and as of the moment of publishing this stock exchange report, the logistics operator servicing the Ukrainian market stopped deliveries to customers on this market. Currently, the possibility of resumption of shipments in selected regions of the country is being analyzed.

Furthermore, the Company informed that the business model used in the Ukrainian market resulted in the generation of variable costs and does not involve significant fixed costs, while flexible management of marketing budgets provides an opportunity to reduce expenses or redirect them to the other nine markets in which the Company operates. As of the date of this report, revenues generated by the Company in Ukraine amounted to PLN 114,1 million, representing approximately 16,7% of the Company's total revenues in that period.

The war in Ukraine has no impact on the reported financial data as of 31 December 2021. The balance of accounts receivable from a logistics operator handling deliveries to customers and collecting payments was repaid subsequent to the balance sheet date. The Company has no fixed assets or leases in the Ukrainian market and the inventory of goods, including those for sale in the Ukrainian market, is stored in a central warehouse near Krakow. The effect, if any, of the conflict on the Company's results in 2022 will be assessed in the quarterly report for the period ending 31 March 2022.

The Company's management is reviewing the situation with respect to the escalation of the armed conflict in Ukraine on an ongoing basis. Until the armed conflict ends, the Company is redirecting marketing budgets to the remaining markets where the Company's operations, as of the date of this report, are, to the best of the Company's knowledge, on track for 2022.



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**Thank you
for your
attention**

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