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**LIFESPIRATION
STARTS
HERE.**

Investor presentation 1H 2022

September 2022



TODAY'S PRESENTERS

Jacek Dziaduś and Kamil Bajotek

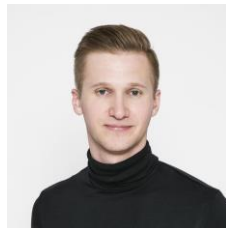
MANAGERS



Jacek Dziaduś

CFO

- Joined Answer in Q3 2020
- For the last 10 years he has been associated with the furniture industry in the Nowy Styl Group where he held the position of Director of Controlling and Accounting. Previously, he worked at KPMG Audit Polska.
- Responsible for the finance and controlling of the Company
- 17 years of professional experience



Kamil Bajotek

Business
Development
Manager

- Started career at BrandBQ, where he was responsible for developing the ecommerce store wearmedicine.com from scratch
- Currently responsible for evaluation and implementation of new projects in Answer as well as market research and ideas in line with business strategy
- Supports investor relations with foreign investment funds
- 7 years of professional experience

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EXPERIENCE



Nowy Styl Group

EXPERIENCE

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medicine
EVERYDAY THERAPY

ABOUT US

01. The first Polish online **multibrand** shop offering a wide selection of clothes, shoes and accessories of over **400 global brands**, also developing its **own brand Answear Lab**.
02. We operate in **11 markets in Central and Eastern Europe**, with plans to launch in more.
03. We have over **1.6 million active customers**. For our regular customers we dedicate loyalty programme **Answear Club**, which allows you to do shopping in even more attractive prices.
04. We focus on **fast delivery** (even on the same day in selected Polish cities) and quality service (**high rating among customers - 4.8 on Opineo**).
05. We have our **own e-commerce platform** and mobile application, which is developed within the organisation by our **own development team**.
06. We rely on our own logistics centre located in **Kokotów**, which allows us to optimise costs and streamline logistics.



MILESTONES

Rapid expansion providing a solid basis for further growth in the near future.

HISTORICAL EVENTS



SUMMARY 1H 2022

Dynamic growth of one of the fashion e-commerce leaders in the CEE region

Revenue growth

39%

Revenues in 1H 2022 amounted to PLN 376 million and online sales of PLN 364 million – 31% growth.

Gross margin

41%

In 2Q 2022 alone, the margin was 43% compared to 39% in 1Q 2022, an increase of 4 percentage points. In 1H 2021, the margin was 45%

EBITDA

**20,2m
PLN**

versus PLN 17.6 million in 1H 2021. Normalized EBITDA⁽¹⁾ in 1H 2022 was PLN 23.7 million, or 6.3% of sales revenue, versus PLN 20.5 million in 1H 2021

Growth in AOV

**PLN
294**

vs. PLN 259 in 1H 2021 – 14% growth

Conversion rate

2,08%

in 1H 2022 vs. 2,21% in 1H 2021
Conversion in „old” markets without UA increased from 2,16% to 2,23%

Increase in the number of customers

27%

1,6m unique active customers across 11 markets in the CEE region

Logistic costs optimisation

14,7%

to online sale vs. 15,0% in 1H 2021

Effectiveness of marketing activities

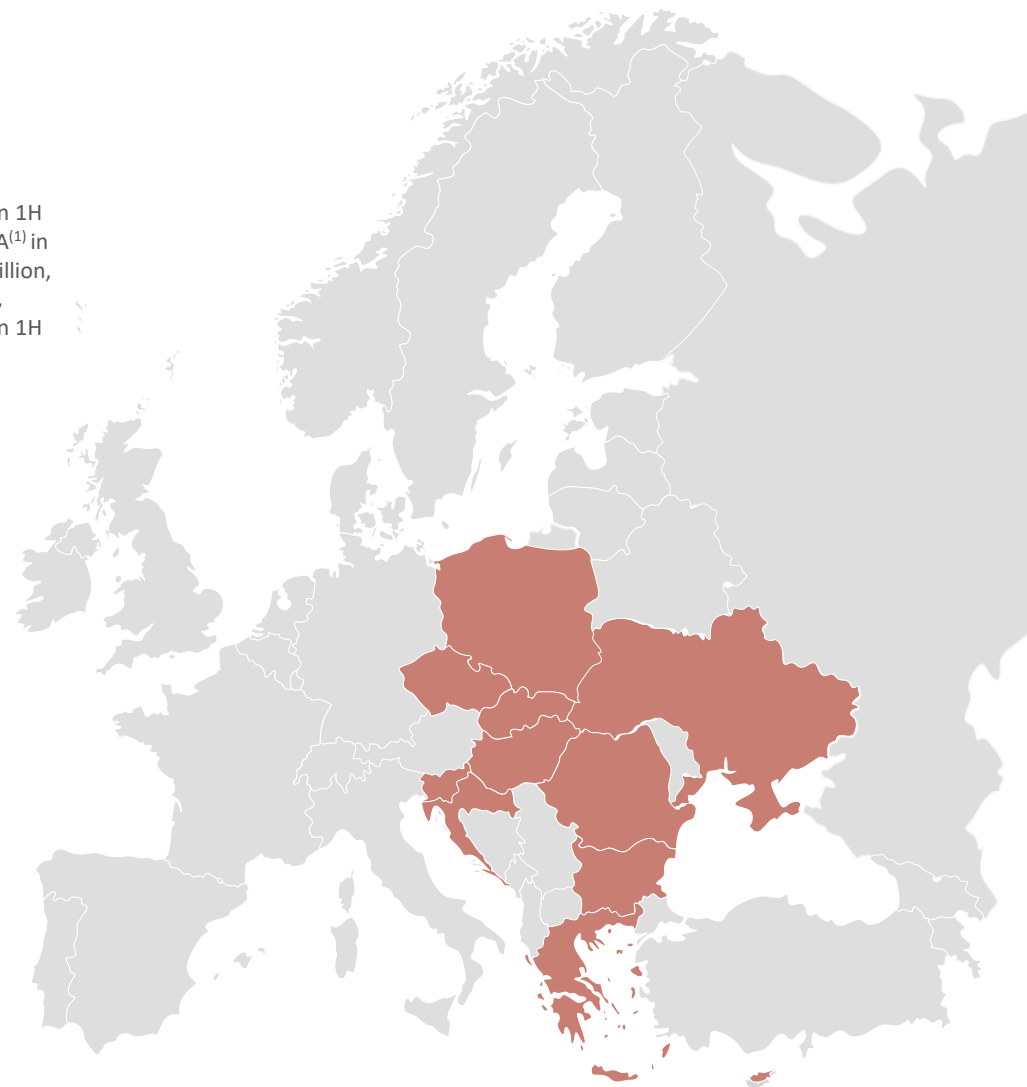
15,8%

vs. 15,1% in 1H 2021 (in relation to online sales)
In 2Q2022 alone, the ratio was 14.6%

Growth in SKUs

193k

Steadily increasing width of offer on Answear website



KEY EVENTS

MAINTAINING HIGH GROWTH RATES AND IMPROVING PROFITABILITY DESPITE CHALLENGING MARKET CONDITIONS

- Growth of revenues by almost 40% y/y.
- Improving profitability parameters
- Produce adj. EBITDA of PLN 23.7 million vs. PLN 20.5 million a year earlier

RECOVERY OF THE UKRAINIAN MARKET

- After more than 2 months of suspended sales, the Company resumed regular sales in Ukraine in early May
- Back to pre-breakout situation - revenue in 1H'22 at similar level to 1H'21

ENTRY TO THE SLOVENIAN MARKET

- One of the most wealthy and economically developed country in Central and Eastern Europe
- Strongly developed and rapidly growing e-commerce market
- Opening a second market in the Balkans will also optimise the logistics process

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KEY EVENTS

CONSISTENT DEVELOPMENT AND ENHANCEMENT OF THE PRODUCT RANGE

- Rapid expansion of product offering - increase in SKU's by over 66%
- Successful launch of new home & lifestyle category
- Development of Answear Lab own brand

FURTHER TV CAMPAIGNS IN ALL MARKETS

- Brand awareness TV campaign implemented in all markets of activity
- Actions aimed at increasing customer loyalty and retention
- Very good "share of voice" - in most markets Answear was the leader or one of the leaders in our category

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KEY EVENTS

INCREASE THE LEVEL OF BANK FINANCING

- Among other things, mBank extended and increased its line for financing current operations from PLN 44 million to PLN 80 million.
- Answear.com increased its credit limit in PKO BP from PLN 33 million to PLN 53 million and concluded reverse factoring agreements with PKO BP Factoring for PLN 15 million
- In recent days, signed an agreement with Santander Factoring to the amount of PLN 10 million

EXTENSION OF THE LEASE AGREEMENT FOR THE CENTRAL WAREHOUSE

- Under the new agreement, the lease term has been extended by 8 years from the original agreement.
- This means that the lease will run until July 13, 2037.
- Optimal use of expenditures related to storage infrastructure, including the development of an automated multi-level mezzanine floor

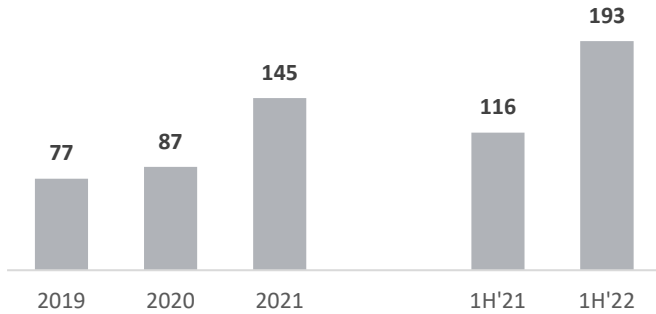


FURTHER EXPANSION OF THE PRODUCT PORTFOLIO

Tailored to the target group, needs and tastes of customers in the CEE region, optimised for sales and margins

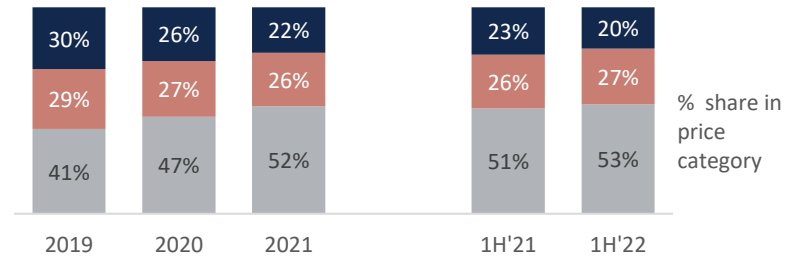
Increasing the range of offerings

#SKUs on offer (in thousands)



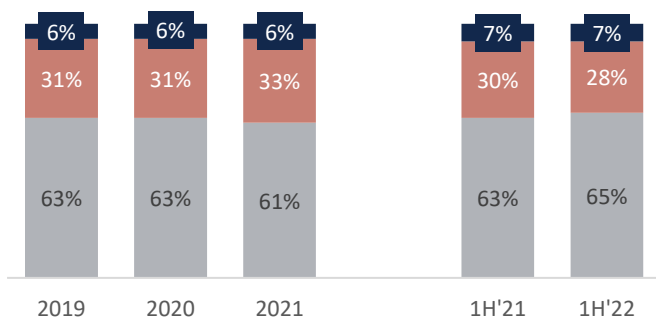
Focus on Premium segment

■ Premium brands ■ Mid-market range ■ Budgets brands



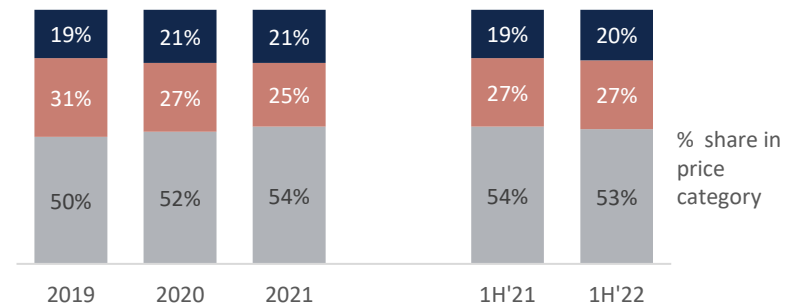
Breakdown by gender

■ Women ■ Men ■ Children



Dominant clothing

■ Clothing ■ Footwear ■ Accessories



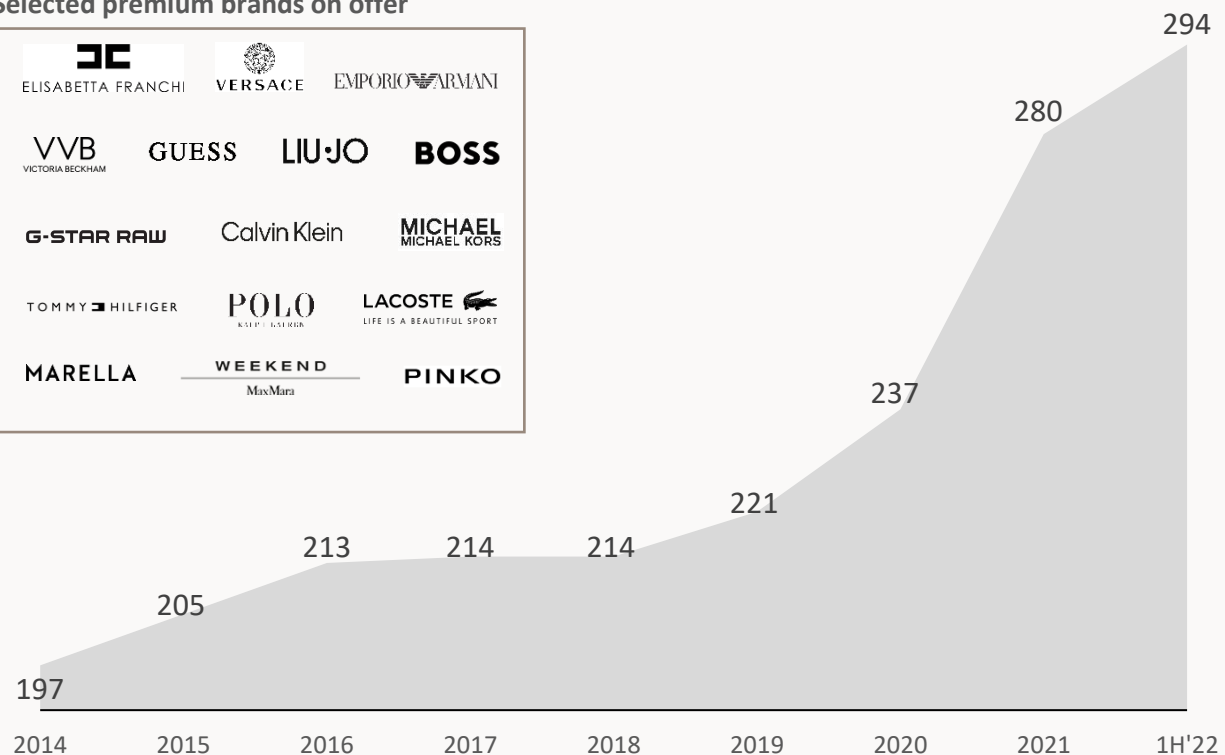
- Large range of 193,000 unique products available in warehouse for immediate shipping
- Consistent development of the premium segment, which has a positive impact on the average order value
- Dominant share of women's products

CONSISTENT IMPROVEMENT IN AOV

The steadily increasing average order value is the result of consistent development of the product offering, especially in the premium segment

Average order value (PLN)

Selected premium brands on offer



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An important part of the strategy, it drives margins, differentiates Answear's offering from its direct competitors and attracts customers

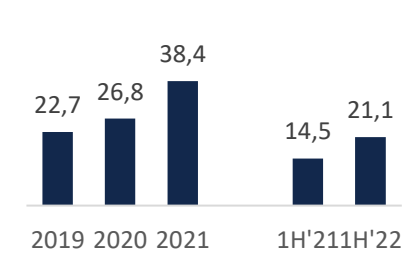
GROWTH OF ANSWEAR LAB



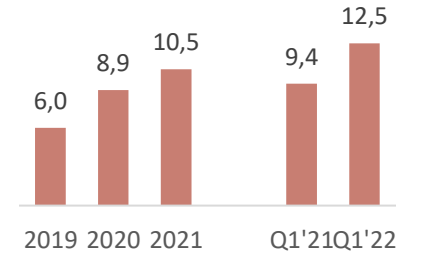
Characteristics

- **One of the best-selling brands** in the portfolio (5.6% of sales)
- The primary choice of customers in the **lower price segment**
- An opportunity to generate **relatively high margins**
- **Delivering the latest fashion** trends in short batches and time (benchmark Zara, Asos)
- **Dedicated thematic collections** - limited collection „No shame. No fear.” whose face was Sasha Sidorenko, as well as the latest collection „Be Brave”

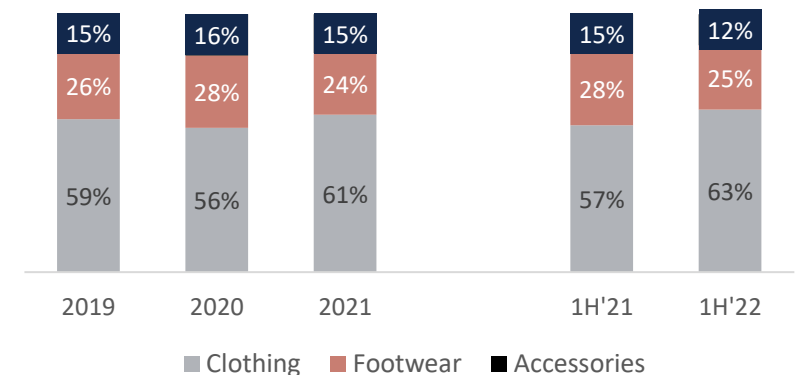
Sales (PLNm)



SKUs number (thou.)



Development of the offer structure



NEW PRODUCT CATEGORY

Opens up new sources of revenue generation, the potential to increase AOV, purchase frequency and reaching new customers

HOME & LIFESTYLE



Characteristics

- Interesting, designer products with potential, e.g. as gifts
- Diversifying the offer and expanding into **areas complementary to fashion**
- **Attractive product margins** - uniqueness of offer, "at 1st price" sales without promotions
- **Low level of returns** - products without sizes
- **Good rotation** - products less susceptible to seasonality

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MARKETING CAMPAIGNS

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Consistent building of brand awareness and strengthening Answear's position as one of the leaders on the CEE fashion market

MARKETING STRATEGY



Characteristics

- Distinctive, "lifespining" marketing messages
- Focus on strong and independent women
- New product categories

Activities in 1H'22

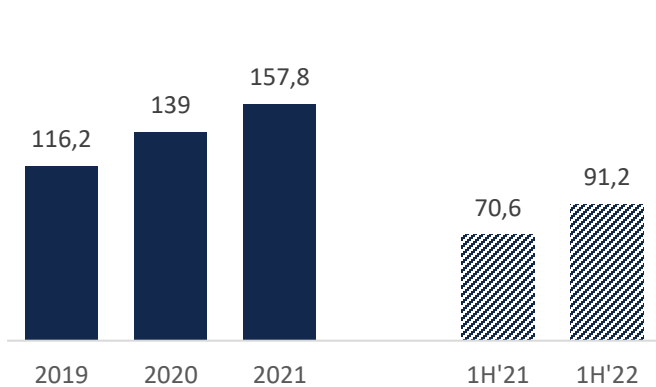
- **Campaign in January on TV and VOD in all 10 markets** focused on building brand awareness
- **Very good 'share of voice'** - on most markets Answear was a leader or one of the leaders in our category
- **High success of the campaign** - increases in brand awareness
- Launch of next, **even stronger TV campaign** in March



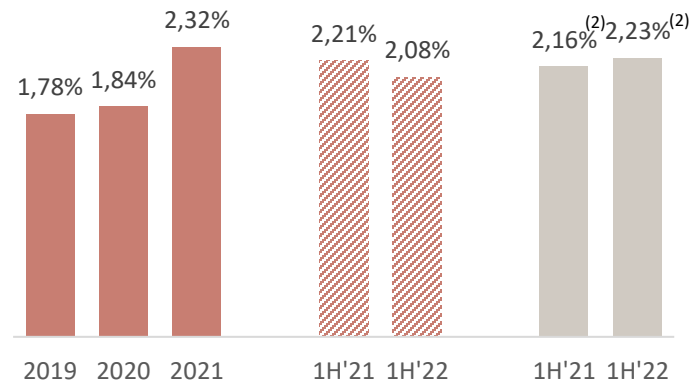
OPERATIONAL KPIs

Steadily improving key business KPIs have a direct impact on sales growth

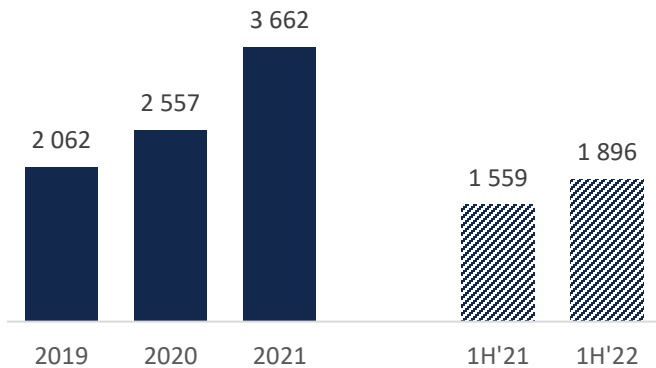
Number of visits (mn)



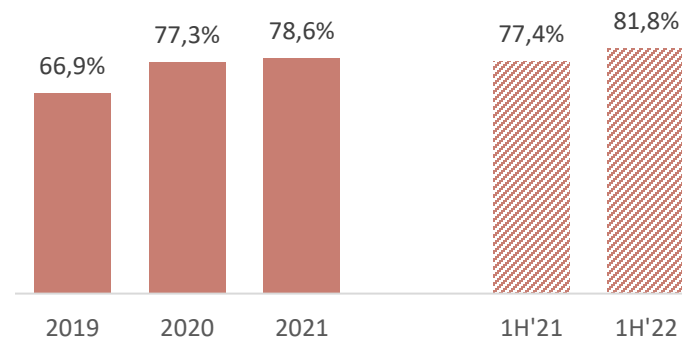
Conversion coefficient



Number of orders (thou.)⁽¹⁾



„Mobile“ visits as a % of total visits



- The number of visits to the Company's platform is growing systematically, on average in 1H2022 we recorded more than 15 million visits/month
- Slight decrease in conversions, due to weakened demand due to the outbreak of war in Ukraine and the presence at three new markets
- The improvement in the share of visits to the mobile channel is due to the launch of the mobile app in all EU markets. The mobile app is also the best converting source of customer order acquisition

Explanation:

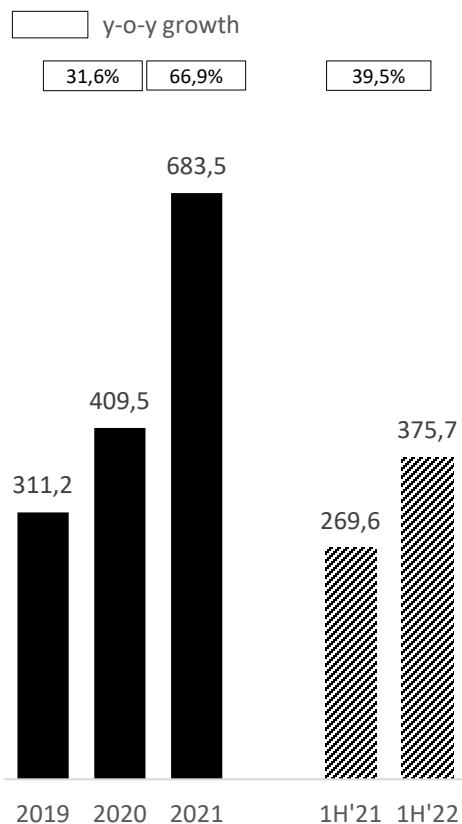
(1) Number of orders before return

(2) Conversion in "old" markets without Ukraine

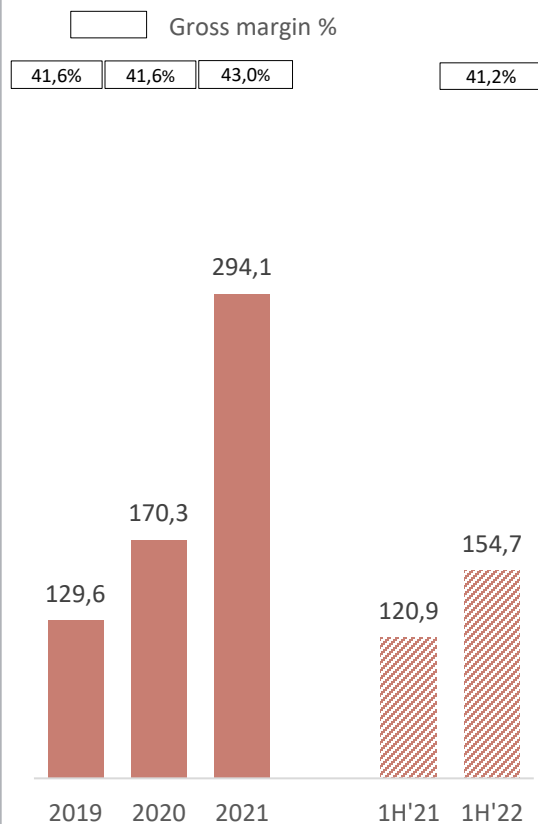
DYNAMIC GROWTH OF RESULTS

Growth opens up space to further scale the business

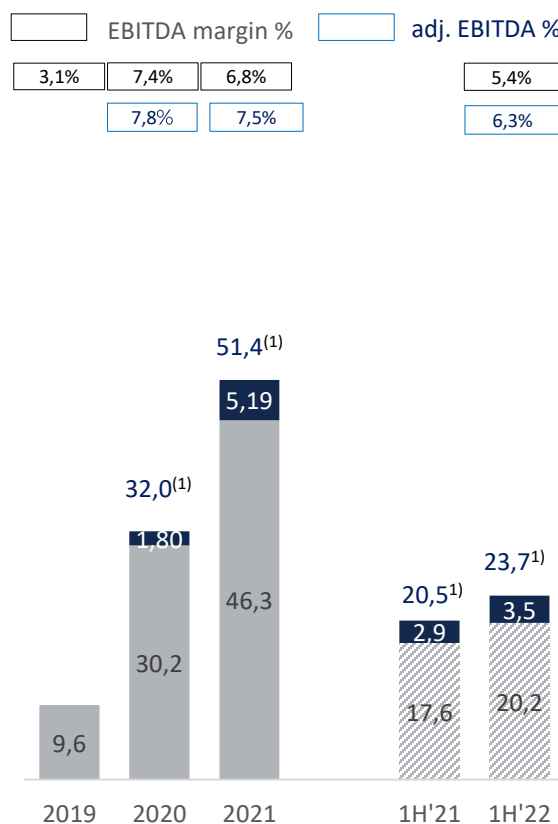
Total revenue (PLNm)



Gross profit (PLNm)



EBITDA (PLNm)⁽¹⁾



- Dynamic sales growth of nearly 40% in 1H'22 despite challenging market environment
- Margin was positively impacted by sales in Q2'22 of the new SS22 collection
- Increase in EBITDA due to increased sales, dilution of fixed costs and improvement in key operational performance indicators

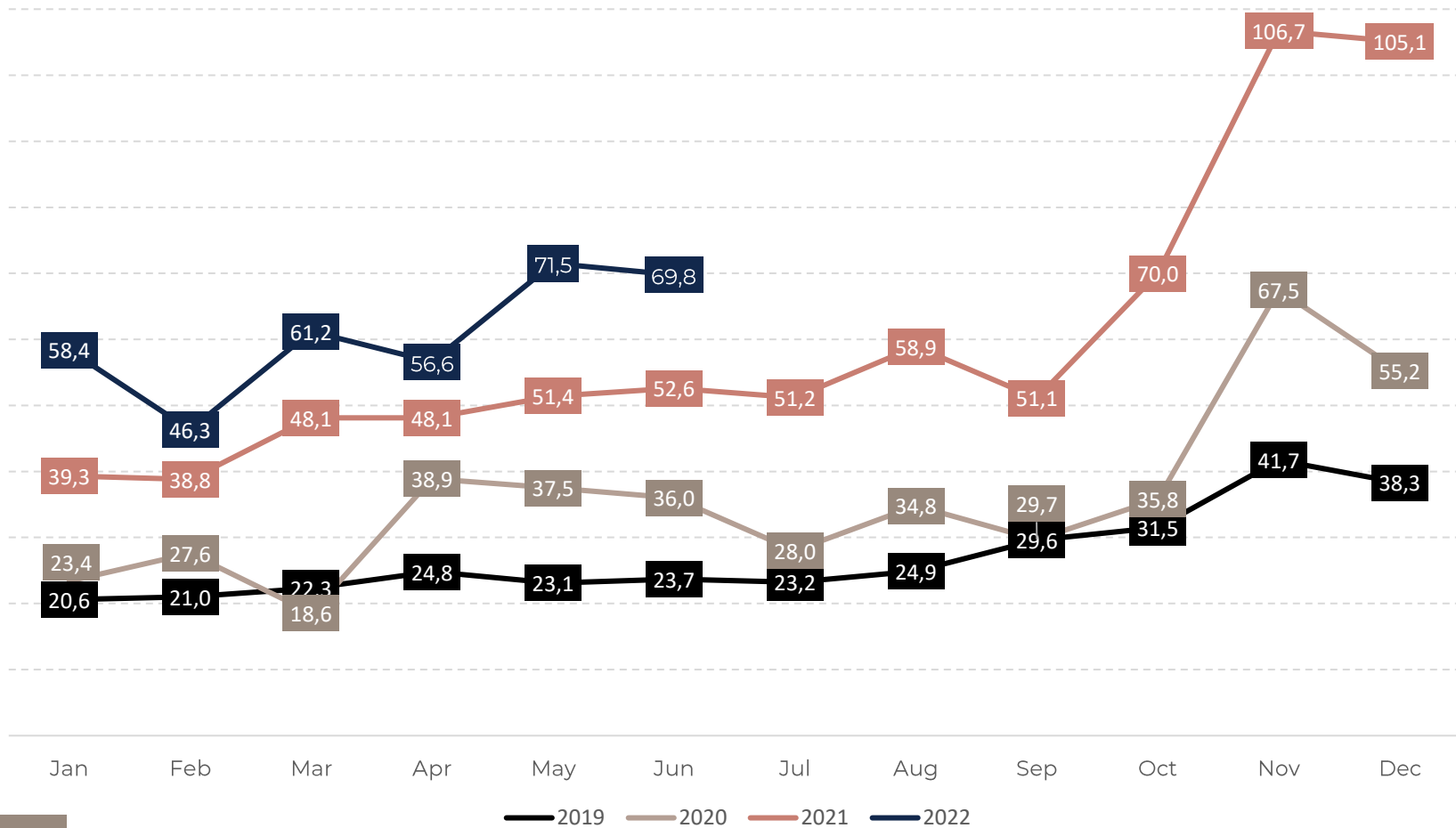
Explanation:

(1) Normalized EBITDA is the profit from operations excluding the costs of the incentive program (which is a non-cash expense) and non-recurring events (aid to Ukraine PLN 1.1 million) and increased by depreciation and amortization

ONLINE SALES

Online sales by month show a sustained strengthening of the market position

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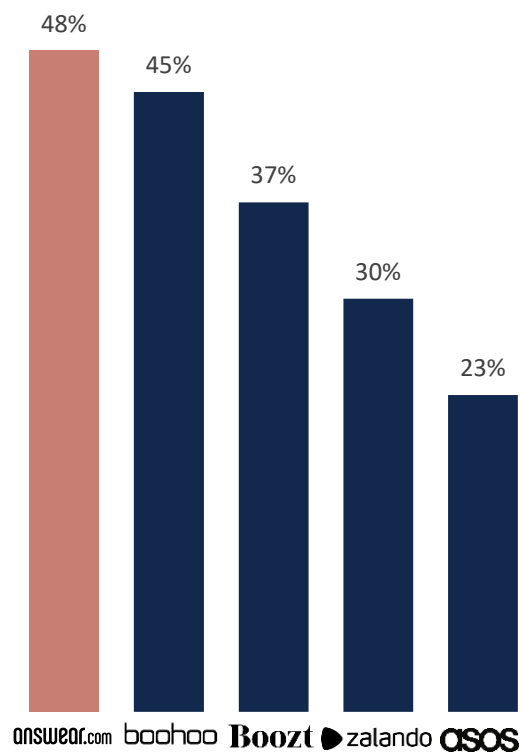


- Increased sales in January and the first days of February, making good use of the period of ongoing sales during this time
- Suspension of supplies on the Ukrainian market with the outbreak of war
- Gradual recovery in sales since March
- Return to order processing for Ukrainian customers in May
- Opening of a new, 11th market for Answear's business - Slovenia

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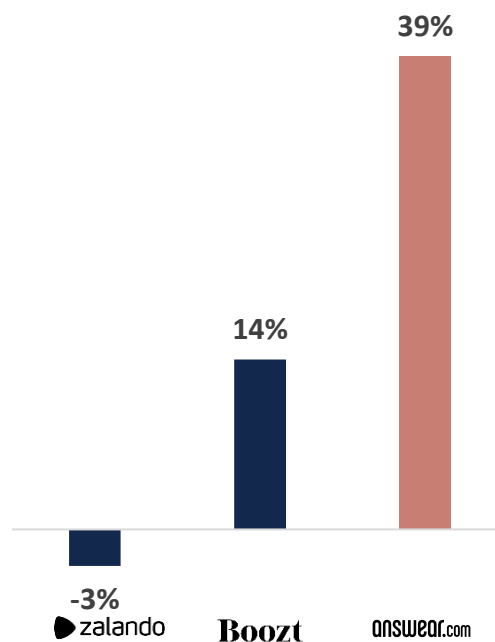
Fastest growing company in the sector

Revenue CAGR 19-21



Source: Bloomberg

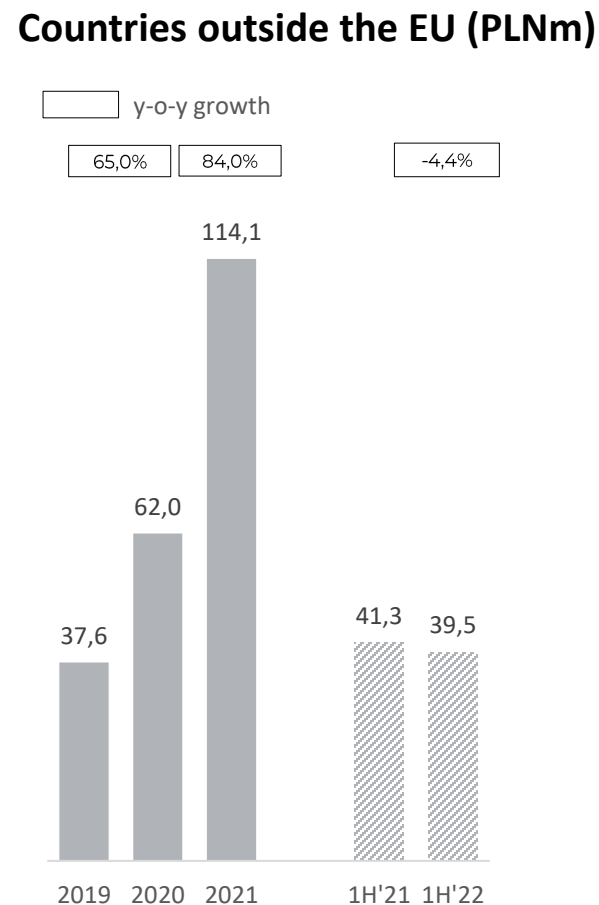
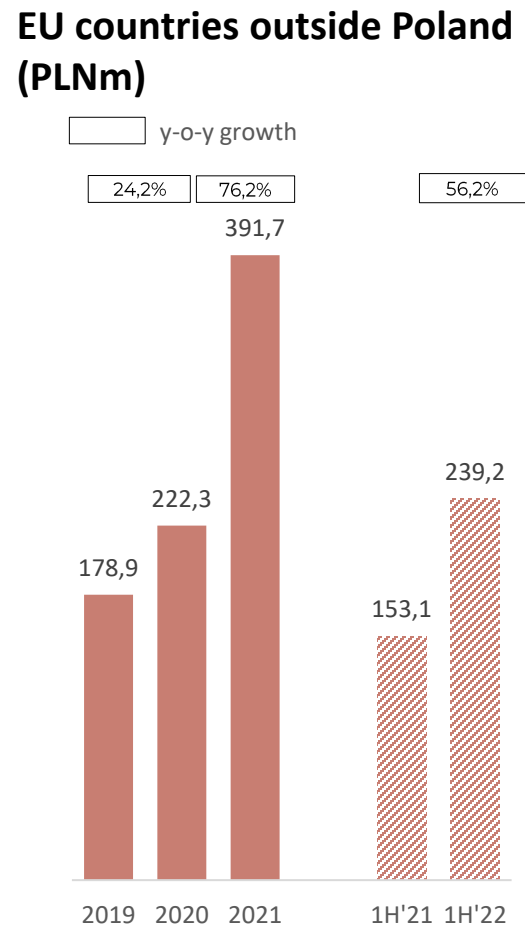
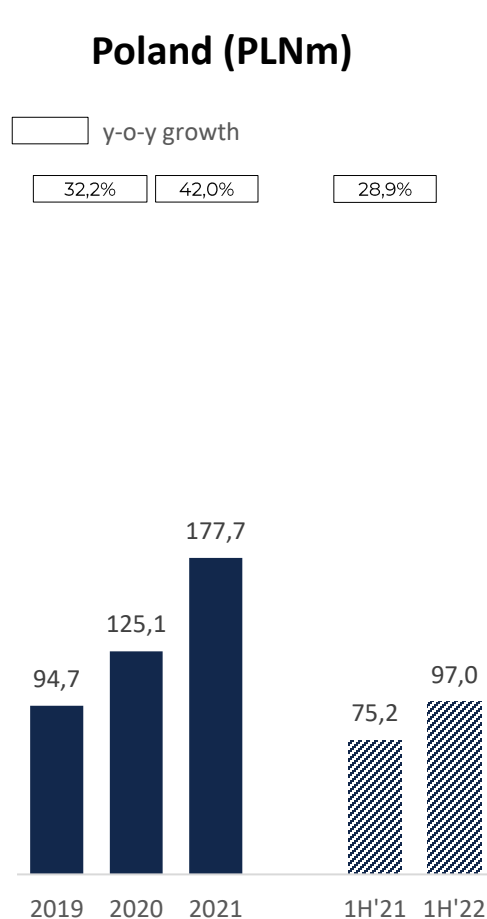
Top-line dynamics in 1H'22



GEOGRAPHICAL DIVERSIFICATION OF BUSINESS

Geographical diversification of the business allows growth to be built effectively

Revenue by segment:

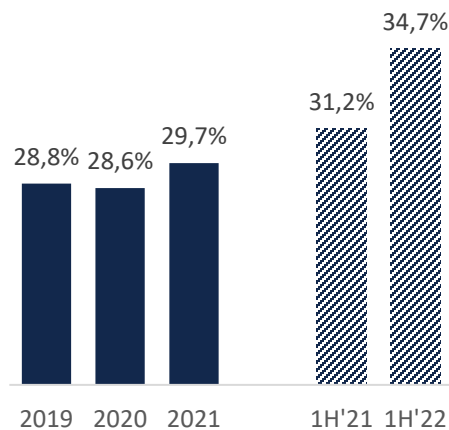


- Sales are geographically diversified
- Poland is the largest market and accounts for nearly 26% of total revenues
- Dynamic growth of over 56% y-o-y EU markets (excluding Poland)
- Revenues in the Ukrainian market declined by only 4.4% despite of lack of ongoing sales for more than 2 months in 1H2022

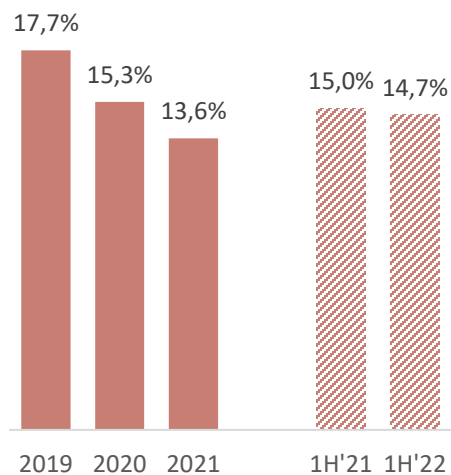
BUSINESS EFFICIENCY

Key business performance parameters hold steady

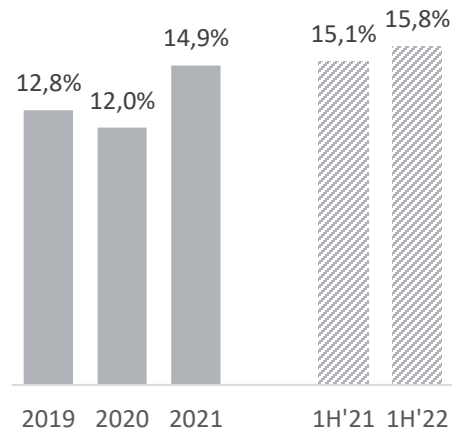
% of returns (1)



% of Logistics costs (2)



% of Marketing costs (2)



- Overstated return ratio due to large difference in 4Q2021 vs. 1Q2022 sales levels, returned to expected levels in 2Q2022 at 32.5% - a low level in light of high sales growth rates
- Operational leverage through increasing scale of operations keeps costs stable and steady
- The increase in marketing costs from 2021 is a result of TV campaigns

Explanations:

- (1) % of on-line sales before returns
- (2) % of on-line sales after returns

EFFECTIVE BUSINESS MODEL

"Client-centricity" combined with high operational efficiency and cost minimisation



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- Self-sustainable business model focused entirely on customer satisfaction and loyalty
- High levels of customer satisfaction, in a market that favours diversity - this offers the potential for high business profitability
- Knowledge of customer needs and tastes and of local market trends
- In-house IT team and modern platform with high UX
- Fastest possible delivery in CEE

EFFICIENT OPERATING MODEL

OWN INFRASTRUCTURE



NEW WAREHOUSE

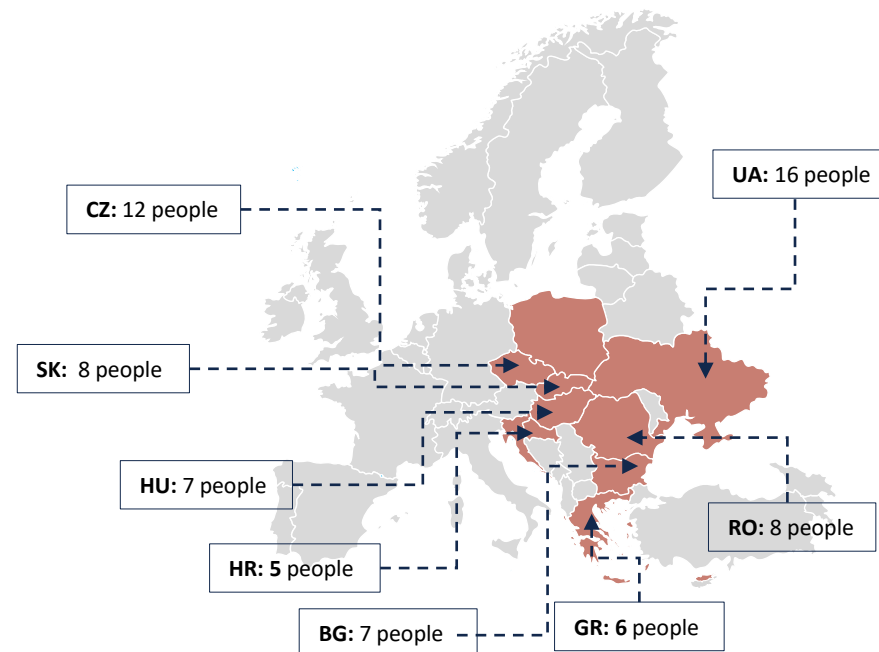
- Kraków, Kokotów 7R Solution Park
- 39,000 m2 (with gradual subletting of unused space)
- 500 million GMV - potential revenue, 4-storey mezzanine floor



NEW PHOTO STUDIO

- 2,000 m2, 9 photo-video studios, 2 image content studios, 8 packshot positions
- 4 500 SKU - current maximum weekly capacity

LOCAL STRUCTURES

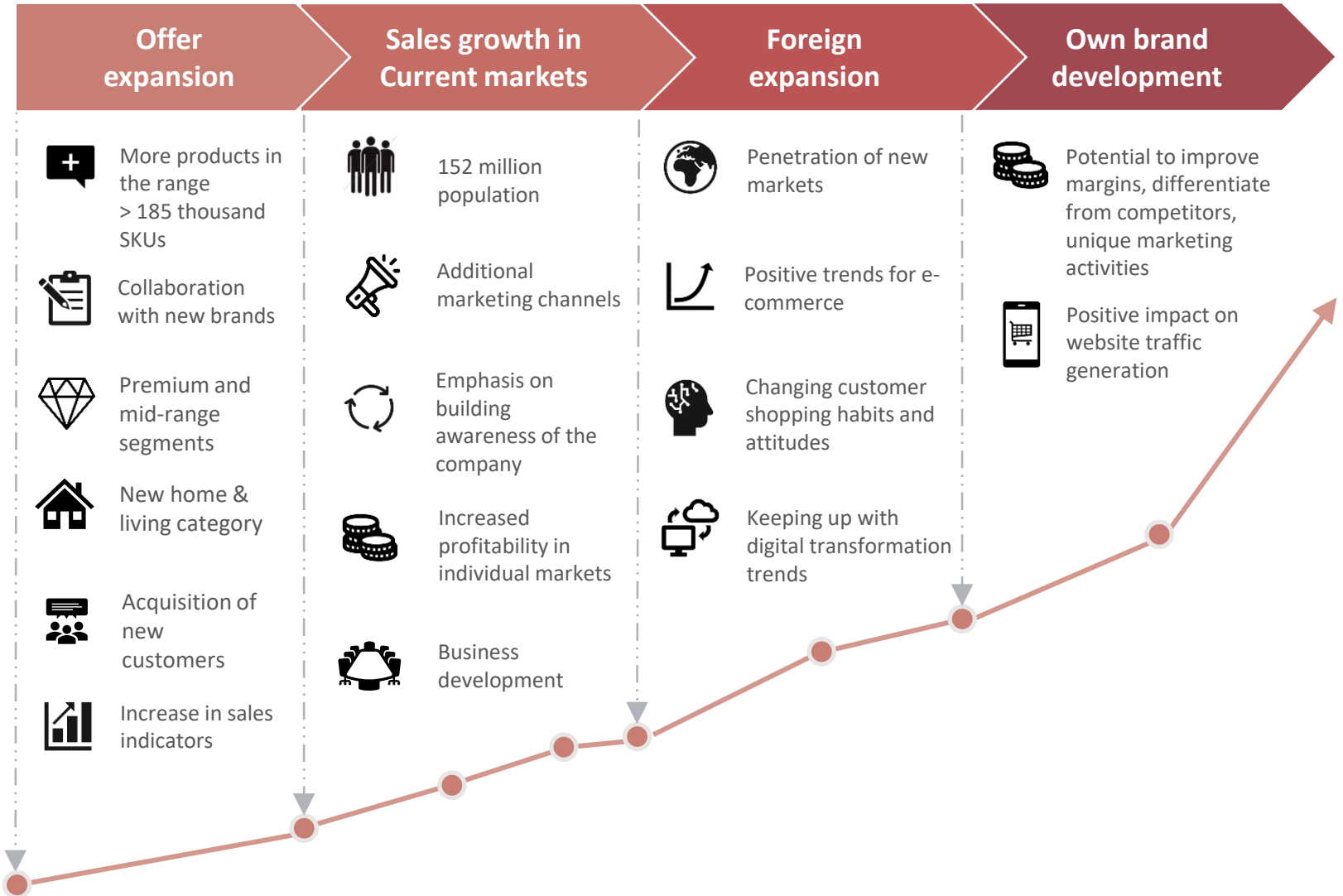


THE FASTEST DELIVERY TIME



DEVELOPMENT STRATEGY

Strategy and development outlook



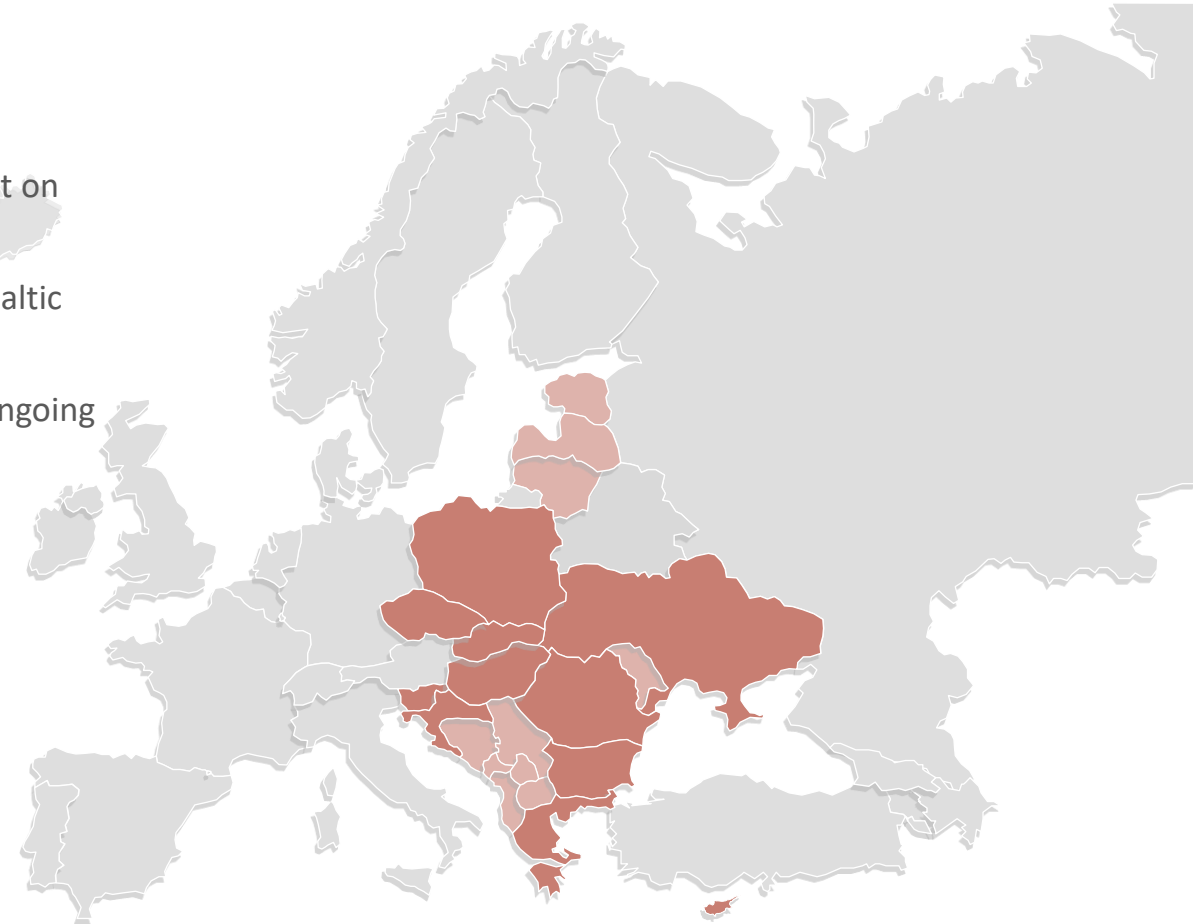
FURTHER FOREIGN EXPANSION



NEW MARKETS

Further foreign expansion

- Entry into further markets dependent on market situation and prosperity
- Prospect of entering the remaining Baltic and Balkan countries by 2025
- Decisions taken dynamically, on an ongoing basis



Legend ■ Current markets ■ Potential directions

CONSISTENT BUILDING OF LEADERSHIP IN CEE

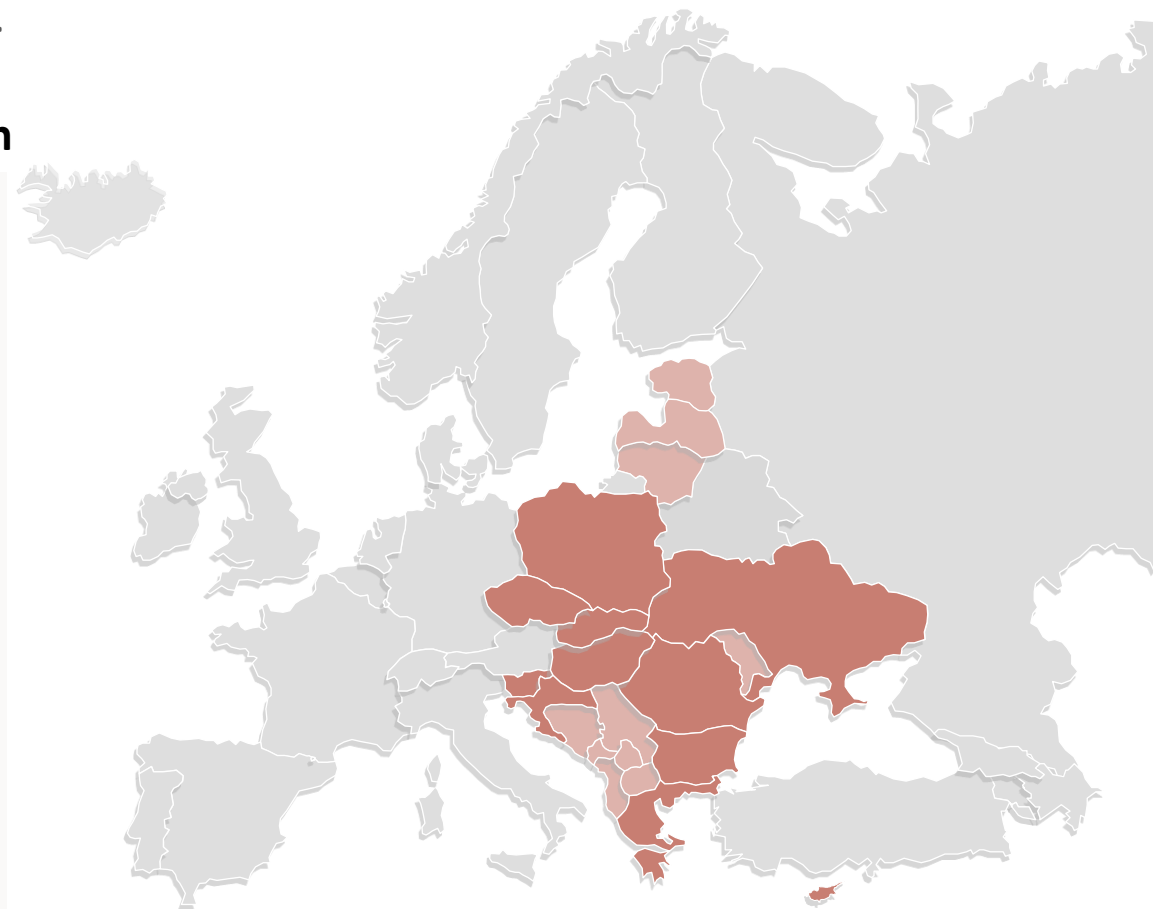
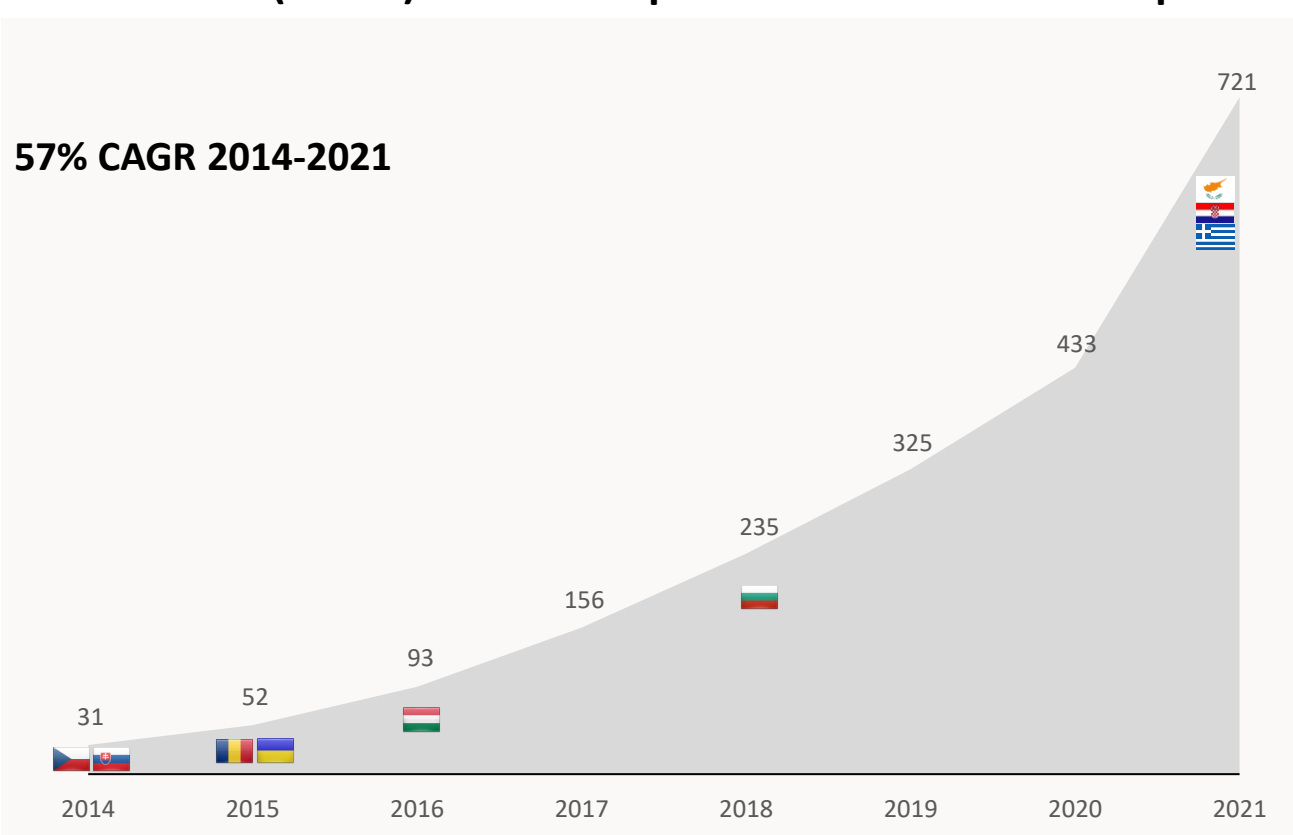
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Dynamically growing business, scaled to additional markets in the CEE region.

New markets are the fuel for dynamic growth in the years to come.

Online sales (PLNm) and development of international expansion

57% CAGR 2014-2021



Legend ■ Current markets ■ Potential directions

SUMMARY

Why Answear.com?

- **Maintained high growth rate (+39% of sales revenue)** despite challenging market environment
- **Improved profitability** due to increased scale of business
- **Recovery of the Ukrainian market** - returning to the situation before the outbreak of war
- **Strengthening positions in old markets** - high growth rates
- **Potential of newly opened markets;** Greece, Cyprus, Croatia, Slovenia + others in 2022 - 2025
- **Steady increase in the value of the average order** resulting from the expansion of the product range and the growing share of premium brands
- **Expanding the product range** - new brands, new product categories and the development of private label, enabling the company to **reach new customers more widely**

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A woman with short dark hair, wearing a sleeveless, tiered, light yellow dress with a subtle floral pattern, is walking on a cobblestone street. She is looking to her right. The background shows a paved area with some fallen leaves.

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**THANK YOU
FOR YOUR
ATTENTION**

FEEL FREE TO CONTACT US:

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