

LPP

2Q21/22



2Q21/22 RESULTS PRESENTATION

GDAŃSK, OCTOBER 6, 2021

GLOBAL ASPIRATIONS

RESERVED

CROPP

 **house**

M O H I T O

sinsay

Disclaimer

This presentation (the “Presentation”) was prepared by LPP SA (the “Company”) with a due care. Still, it may contain certain inconsistencies or omissions. The Presentation does not contain a complete or thorough financial analysis of the Company and does not present its standing or prospects in a comprehensive or in-depth manner. Therefore, anyone who intends to make an investment decision with respect to the Company should rely on the information disclosed in the official reports of the Company, published in accordance with the laws applicable to the Company. This Presentation was prepared for information purposes only and does not constitute an offer to buy or to sell any financial instruments.

The Presentation may contain 'forward-looking statements'. However, such statements cannot be treated as assurances or projections of any expected future results of the Company. Any statements concerning expectations of future financial results cannot be understood as guarantees that any such results will actually be achieved in future. The expectations of the Management Board are based on their current knowledge and depend on many factors due to which the actual results achieved by the Company may differ materially from the results presented in this document. Many of those factors are beyond the awareness and control of the Company or the Company’s ability to foresee them.

Neither the Company, nor its directors, officers, advisors, nor representatives of any such persons are liable on account of any reason resulting from any use of this Presentation. Additionally, no information contained in this Presentation constitutes any representation or warranty of the Company, its officers or directors, advisors or representatives of any of the above persons. The Presentation and the forward-looking statements speak only as at the date of this Presentation. These may not be indicative of results or developments in future periods. The Company does not undertake any obligation to review, to confirm or to release publicly any revisions to any forward-looking statements to reflect events that occur or circumstances that arise after the date of this Presentation.

LPP

2Q21/22

3

01



GLOBAL ASPIRATIONS

Key corporate events



Disruptions in supply chain

2Q21/22 results were exceptionally good due to:

- delayed demand for goods in traditional stores after lockdowns,
- favorable gross margins due to very low purchase prices (orders to factories placed during the pandemic),
- low transportation costs (cannot be repeated).

These favorable trends may not be repeated in upcoming quarters due to:

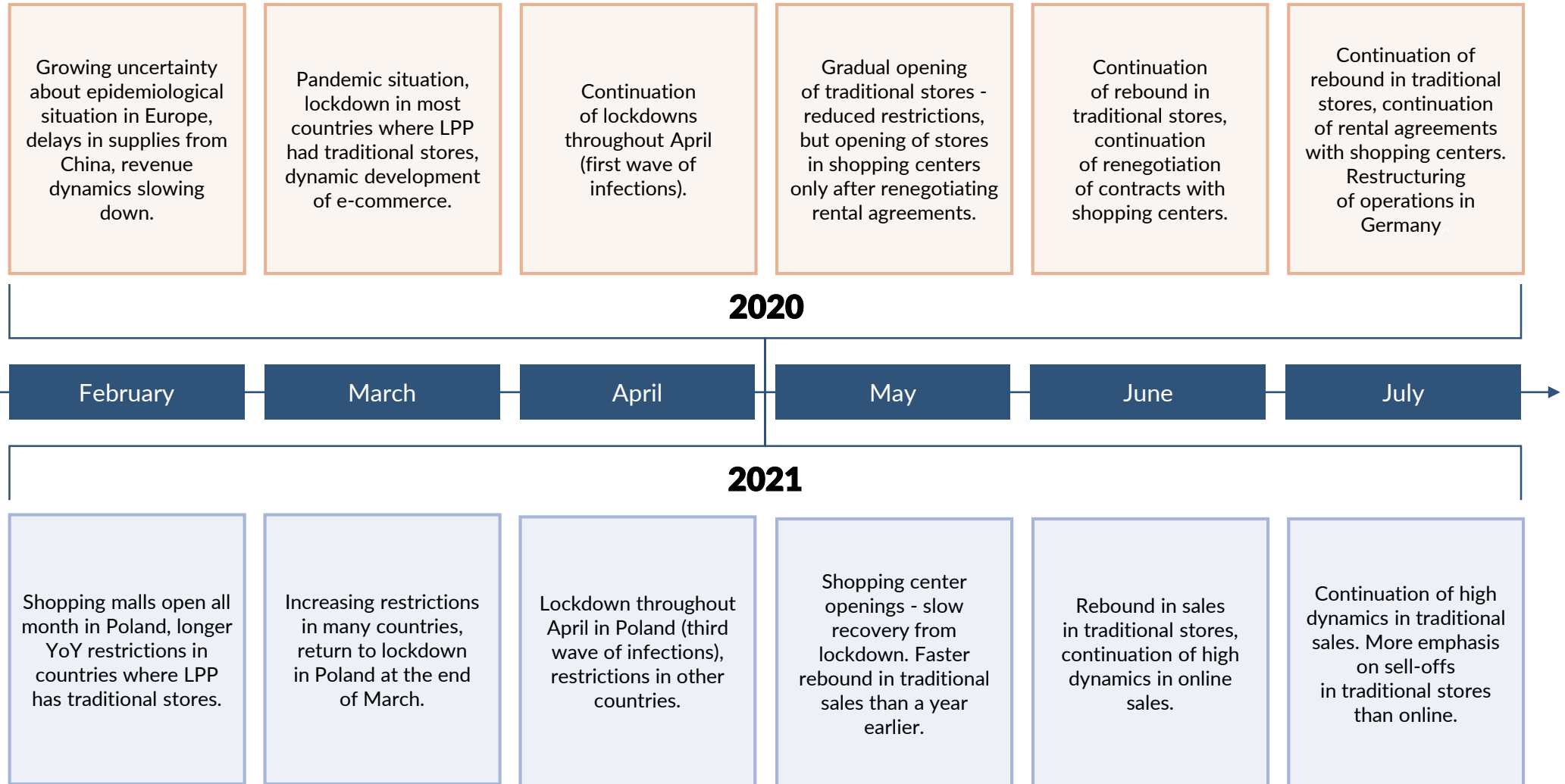
- delays in maritime transport,
- increase in transportation costs,
- higher production prices,
- disruptions in production in Asia,
- increase in salaries,
- shortages of electronic equipment and building materials.



Impact of pandemics on 1H20/21 and 1H21/22

2Q21/22

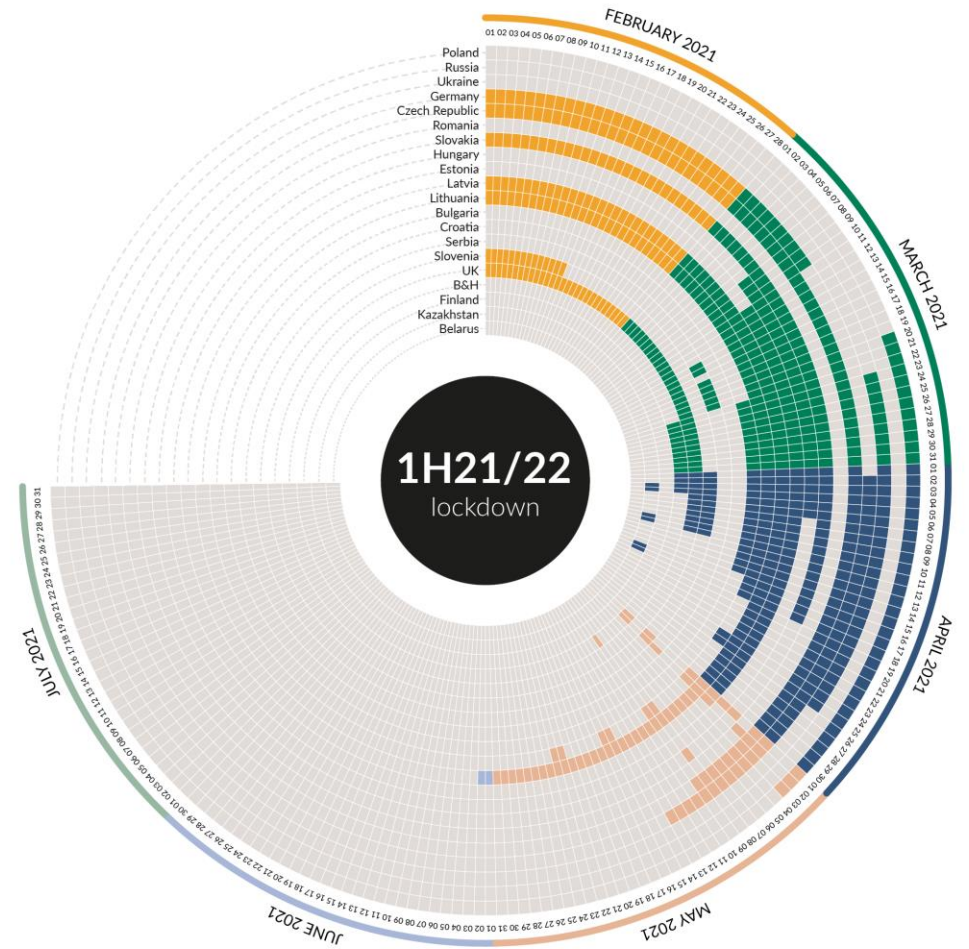
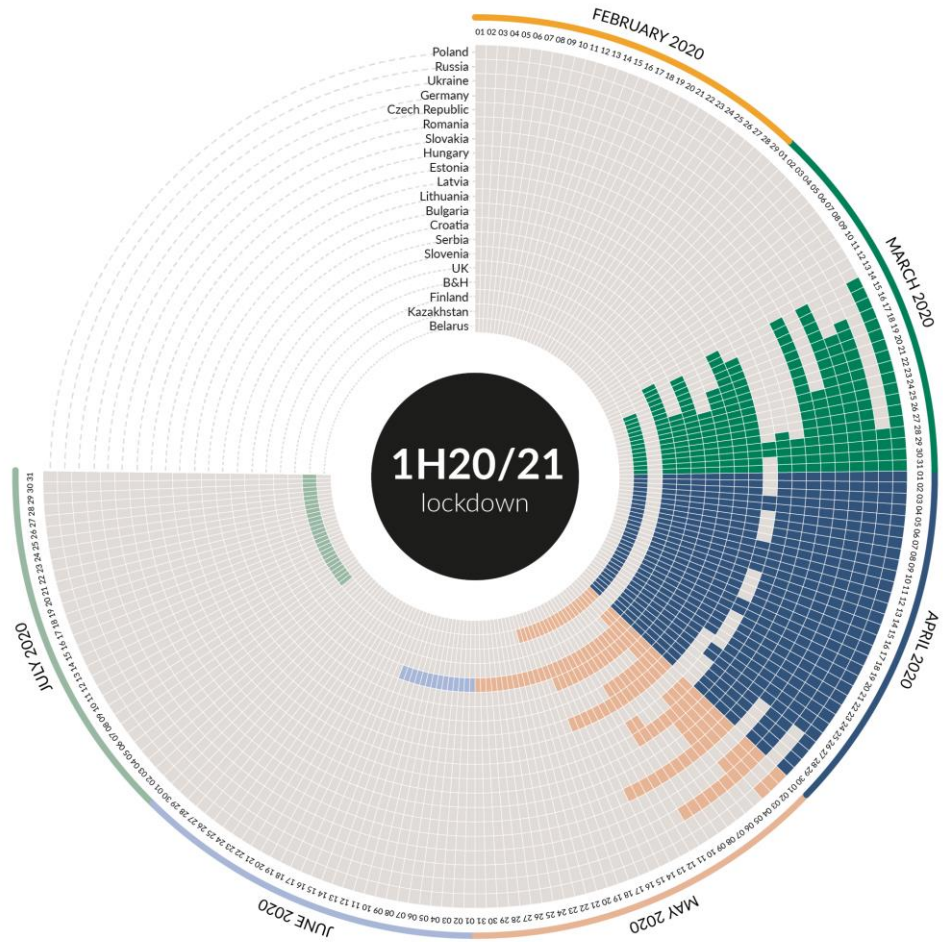
5



Longer YoY restrictions in 1H21/22

2Q21/22

6



Key corporate events

2Q21/22

7



07.21



08.21



09.21



09.21

LAUNCH OF WAREHOUSE IN RUSSIA

New warehouse near Moscow to triple the efficiency of e-commerce.

SUSTAINABLE DEVELOPMENT

LPP neutralizes its impact on the environment by switching to renewable energy.

STRENGTHENING THE RESERVED COLLECTION

Expanding the range of assortment in a key brand.

EXPANSION IN THE BALKANS

Launch of the first Reserved store in Northern Macedonia.
Launch of e-stores of all brands in Bulgaria.



New warehouse near Moscow

Warehouse specification:

- area of 30 ths m2 (target area 40 ths m2),
- possibility to fulfil up to 95 ths orders daily,
- tripling the efficiency of online sales in Russia.

New Fulfillment Center with an area of 30 ths m2 replaced the existing, half the size smaller, facility supporting online sales on this market.

Advantages of the new FC:

- greater efficiency due to modern warehouse management system (WMS PSI) based on artificial intelligence algorithms, which among others significantly improves the process of shipping orders by shortening their picking path,
- transition to internal standards of e-commerce logistics management compared to the less effective solutions of the previous operator,
- response to the local needs of Russian customers.



Letter of intent for wind energy

SIGNING A LETTER OF INTENT FOR GREEN ENERGY:

- planned 10-year contract, effective from January 1, 2023, with the possibility of extending it for another 5 years,
- covering energy demand for domestic operations (0.4 TWh in 10 years) - most office buildings and the Distribution Center in Pruszcz Gdański,
- energy will come from wind farms - contract with Figene Energia.

The next step to achieving the goals of our sustainable development strategy for 2020-2025.

Our commitment is to neutralize our environmental impact. The measures taken are expected to reduce CO2 emissions by 15% by 2025 (scope 1 and 2).



Solar energy in Brześć Kujawski

4 thousand photovoltaic panels on the roof of our Distribution Center in Brześć Kujawski.

Own photovoltaic panels:

- installation of 4,000 panels on the roof of the Distribution Center in Brześć Kujawski - the installed capacity is 1.5MW,
- possibility of selling surplus to the power grid,
- possible further expansion of the PV installation.

ADDITIONAL SOLUTIONS IN BRZEŚĆ KUJAWSKI DC:

- recuperation system in offices, recovery of up to 95% of heat,
- advanced BMS (Building Management System), functional integration of automation modules, components for monitoring the operation of devices and energy consumption, as well as technical installations of the facility: lighting, heating, air conditioning and ventilation,
- progressive LED lighting system that adjusts the light intensity to the weather conditions and time of day - providing the interior with comfortable work while minimizing energy consumption.

New collections in Reserved offer

2020/21

11

NEWBORN

A collection for a baby from the first days of life. In addition to classic baby bodysuits, the offer also includes comfortable clothes and accessories that allow to create many complete sets for every day.

COLLECTION FOR MOMS

The collection was created with the everyday style of pregnant women in mind. Pants, T-shirts and dresses are distinguished by the comfort of wearing and universal, subdued colors.

ATHLEISURE

Multifunctional, comfortable, perfect for those who live here and now, catch a moment in the city or camping - this is a style that will stay in trends for longer.



Continuation of development in the Balkans

Debut in Northern Macedonia with the first Reserved store.

Northern Macedonia is the 7th offline country in South-Eastern Europe and the 26th offline country for the Group.

The first store opened was of the flagship Reserved brand with an area of over 1,900 m² **in Skopje City Mall, 3 km from the city center.**

Launch of stores of other LPP brands towards the end of October. The total area of these stores is 8 ths m².

Launch of e-store of all brands in Bulgaria - the 31st online market for LPP.



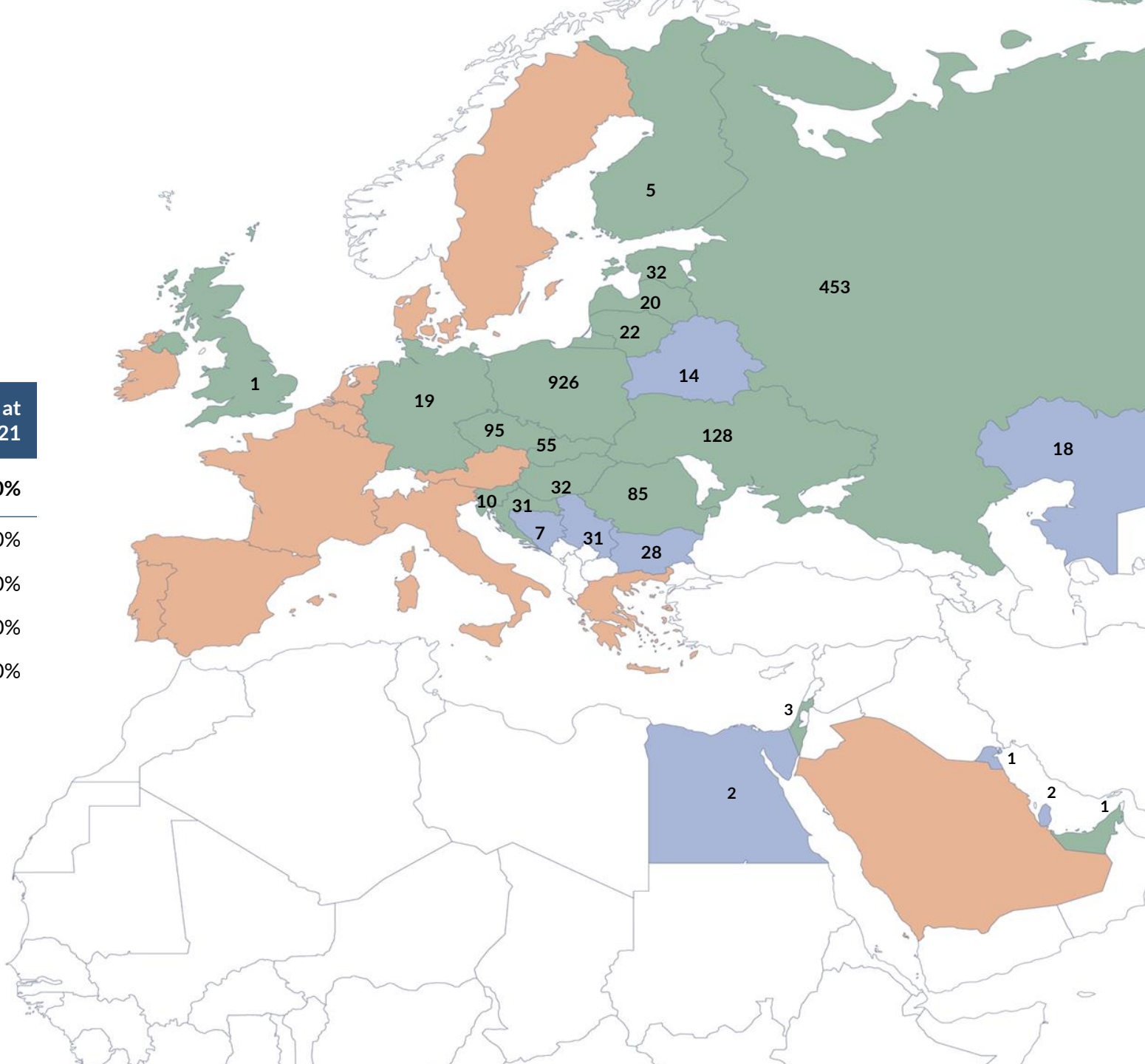
LPP

Over 2 ths stores

2Q21/22

13

As at 31.07.2021	No. of stores	Open as at 5.10.2021
LPP GROUP	2,021	100%
Poland	926	100%
Europe	473	100%
CIS	613	100%
ME	9	100%



● online + offline ● online ● offline

Towards omnichannel

2Q21/22

14

— OFFLINE

2,021
stores

+23.9%
m²

+72.8%
LFLs

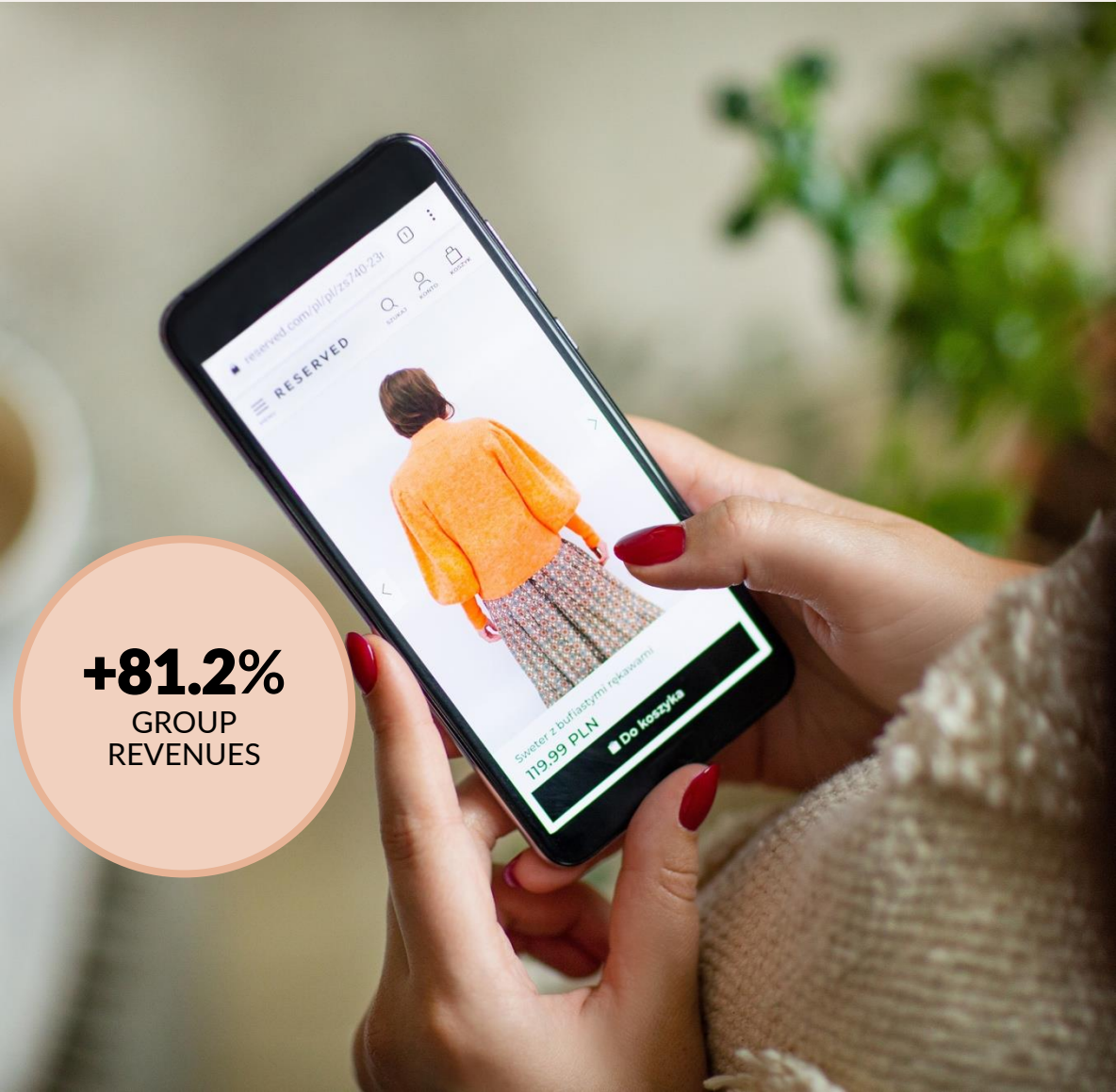
25
countries

— ONLINE

30
countries

+77.2%
revenues

38
COUNTRIES



+81.2%
GROUP
REVENUES

LPP

2Q21/22

15

02

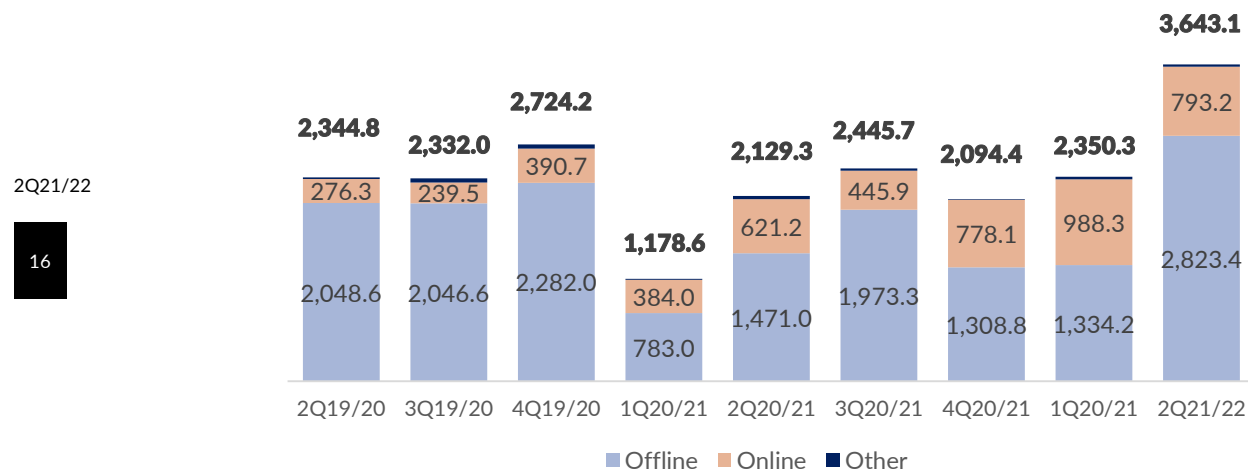
2Q21/22 financial results



High Group revenue dynamics

GROUP REVENUES

(PLN m)



OMNICHANNEL REVENUES

PLN m	2Q20/21	2Q21/22	YoY
LPP GROUP	2,129.3	3,643.1	71.1%
Reserved	938.9	1,439.6	53.3%
Cropp	256.6	448.4	74.7%
House	236.5	381.8	61.4%
Mohito	181.9	312.3	71.7%
Sinsay	477.6	1,033.9	116.5%
Other	37.8	27.1	-28.2%

- The Group's total revenues increased by 71.1% YoY in 2Q21/22. Dynamic growth in online sales and rebound in offline revenues due to realisation of delayed demand and desire to make purchases in traditional stores.
- 56.2% YoY increase in group offline sales/ m² in 2Q21/22 to PLN 592/ m² due to more favourable dynamics in offline than online sales. 37.7% YoY increase in group sales/ m² to PLN 773/ m² due to higher offline than online growths in 2Q21/22.
- All brands generated more revenues from abroad than from Poland, except for House brand. Sizeable growth in Sinsay due to floorspace expansion.

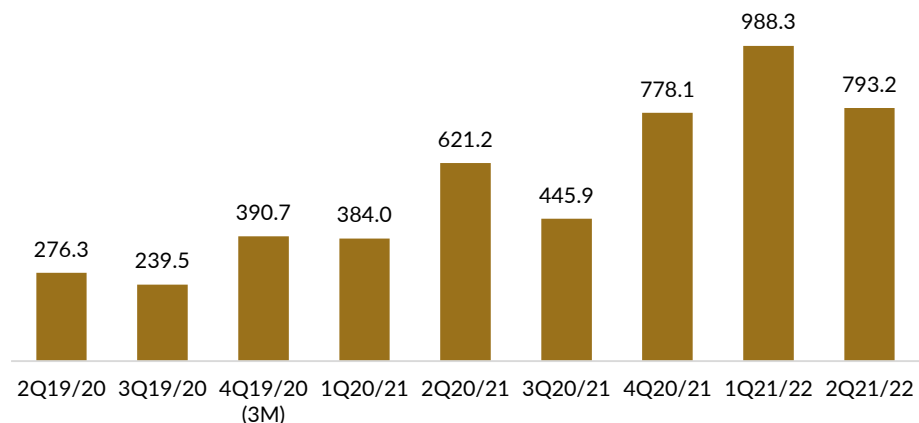
Continuation of e-commerce growth

ONLINE SALES

(PLN m)

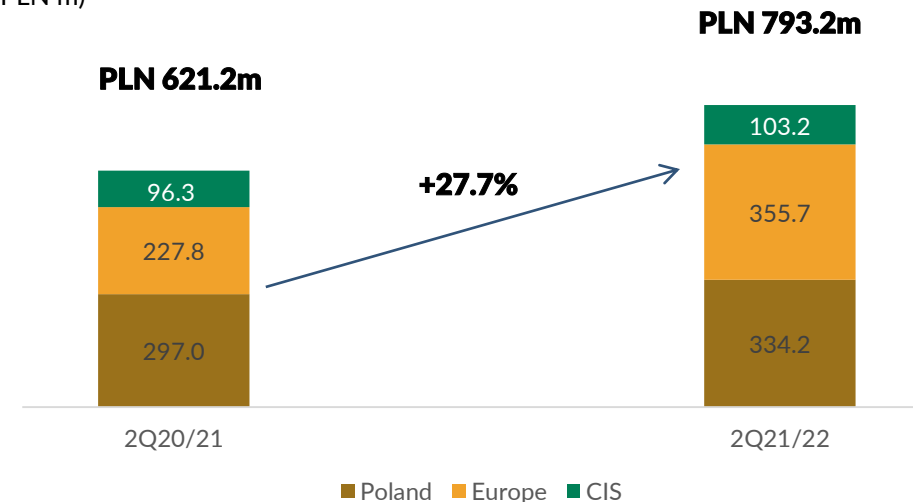
2Q21/22

17



ONLINE BY REGIONS

(PLN m)



- Double-digit growth in online sales (27.7% YoY) in 2Q21/22, lower QoQ due to delayed demand materialising in traditional stores. Double-digit dynamics of the number of visits to our brands' websites and double-digit increases in the number of returning customers.
- Online sales in 2Q21/22 accounted for 42.1% of revenues from Poland (22.5% in 2Q20/21) and 21.8% of the Group's revenues (29.2% in 2Q20/21).
- The highest YoY increases in 2Q21/22 were visible on the European market (+56% YoY). Middle East countries are not included as sales are made on the partners' external platform.
- In 2Q21/22 86% of visits and 69% of purchases were made via mobile devices.

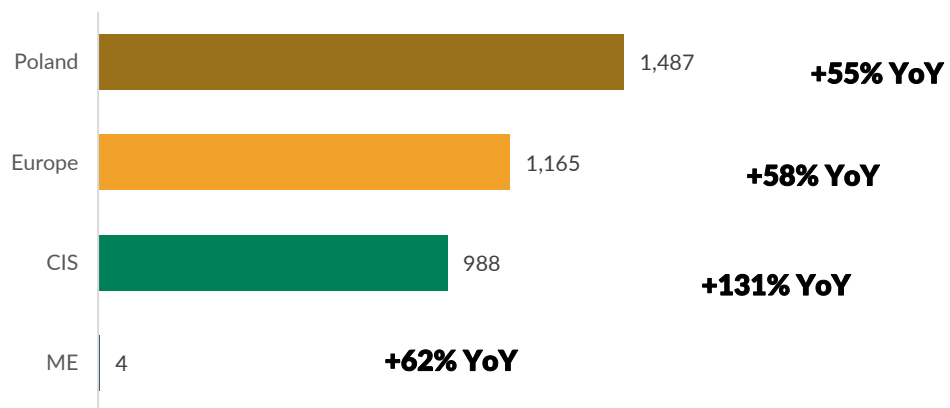
Foreign revenues exceed Polish ones

REVENUES BY REGIONS IN 2Q21/22

(PLN m)

2Q21/22

18



2Q21/22 FLOORSPACE

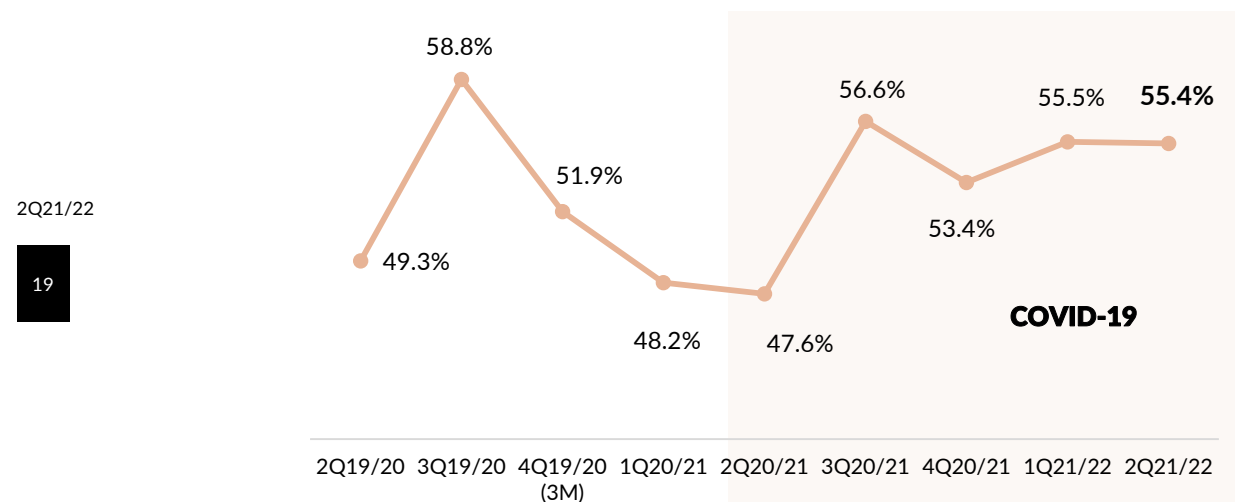
(by regions)

ths m ²	2Q20/21	2Q21/22	YoY
LPP GROUP	1,304.9	1,616.5	23.9%
Poland	534.0	619.6	16.0%
Europe	403.6	457.9	13.5%
CIS	358.8	529.0	47.4%
ME	8.4	10.0	19.0%

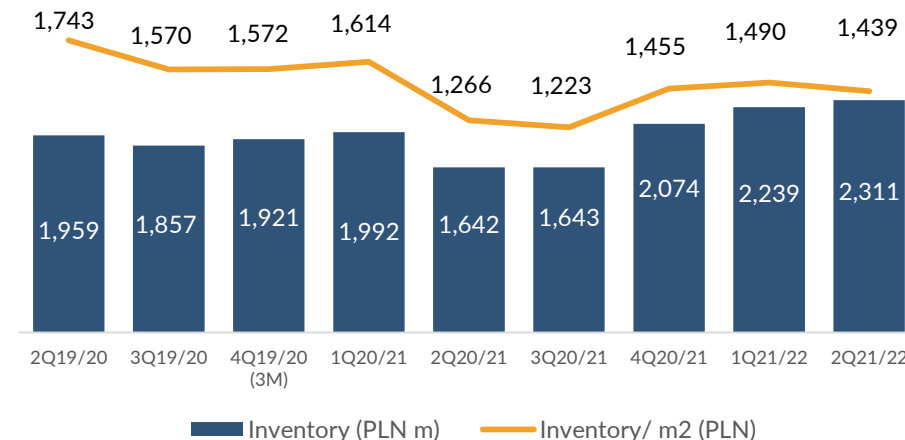
- Foreign revenues exceeded domestic ones in 2Q21/22. Poland constituted 40.8% revenues.
- Sales growth in Europe in 2Q21/22 in all countries, in particular in the Balkans.
- A six fold increase in sales of pan-European e-store.
- Sales doubled in the CIS region - high increases in each country.

Gross profit margin due to low purchase prices

QUARTERLY GROUP GROSS PROFIT MARGIN



INVENTORY AND INVENTORY/M2



- Gross margin in 2Q21/22 was significantly higher YoY due to: (1) more favorable purchase prices - orders for the Spring collection were placed at the peak of the pandemic and (2) lower YoY discounts.
- Higher YoY write-offs for inventories in gross profit on sales in 2Q21/22 recognized due to delays in deliveries in connection with the pandemic. As a result, most of the delayed inventory may be sold below the purchase price.
- 40.8% YoY increase in inventories results from stronger stocking up for the planned increase in the sales network. 13.6% YoY increase in inventories/ m2, due to accumulation of deliveries to stores scheduled to open in 2H21/ 22.

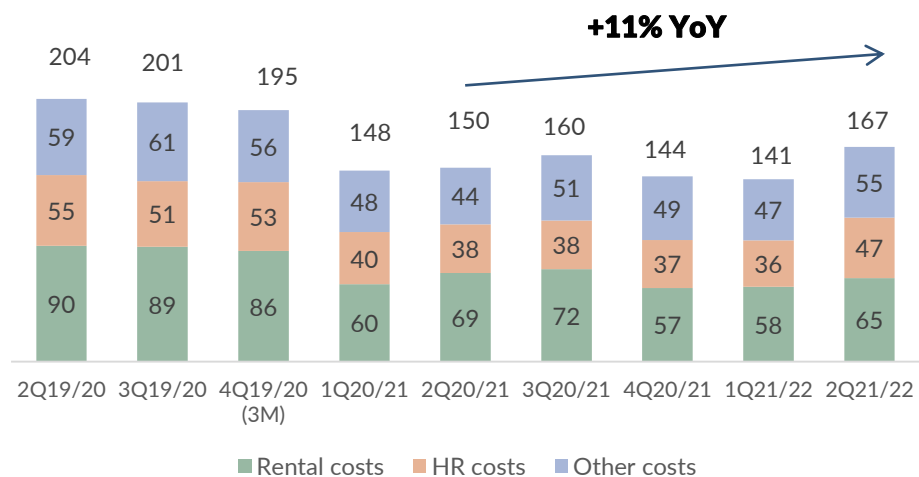
A small growth in costs/ m2

COSTS OF OWN STORES/ M2

(IAS17)

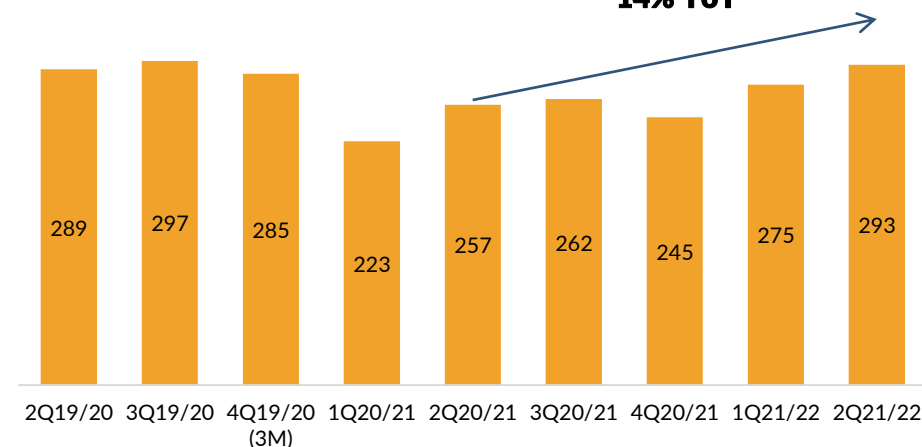
2Q21/22

20



SG&A/ M2

(IFRS16)

14% YoY

- Lower YoY rental costs/ m2 → renegotiation of rental agreements to new reality in shopping malls, turnover rentals; recognition of rentals since 2Q20/21, new agreements signed on more favourable conditions.
- YoY growth in HR costs/m2 → adjusting number of personnel to higher sales levels in traditional stores.
- Higher YoY other costs/m2 → usage of materials and third party services dependent on higher sales, impact of new openings.
- Growth in SG&A costs/ m2 despite higher floorspace due to growing costs of online sales. SG&A costs as percentage of revenues fell from 45.4% in 2Q20/21 to 37.7% in 2Q21/22.
- Costs of stores amounted to PLN 789m, +38% YoY, while costs of HQs and e-commerce at PLN 584m, +48% YoY, in 2Q21/22.

Almost PLN 0.6bn EBIT in the quarter

- High double-digit sales increases YoY due to higher online sales and realisation of deferred offline demand.
- Significant increase in gross margin YoY due to favorable purchase prices. Increase in operating costs significantly below growth in sales due to cost savings made.
- Other operating activities in 2Q21/22: PLN 21.6m in subsidies to salaries in other operating income (in 2Q20/21: PLN 49.8m), and PLN 54.0m in write-offs for 34 unprofitable stores mostly in Czech Republic and Romania (in 2Q20: PLN 38.8m of write-offs for unprofitable stores, mainly in Germany) in other operating expenses.
- Less favorable YoY net financial activity - less favorable YoY balance on foreign exchange differences and lower profit from reduction of rents and rent abolition under IFRS16 (PLN 65.4m in 2Q20/21 versus PLN 16.5m in 2Q21/22).
- Strong operational flows, due to increase in pre-tax profit and higher level of trade liabilities. Significant improvement in cash cycle. Over PLN 2bn from supply chain financing.

2Q21/22

21

PLN m, IFRS 16	2Q20/21	2Q21/22	YoY
Revenues	2,129.3	3,643.1	71.1%
<i>Gross profit margin on sales</i>	47.6%	55.4%	+7.8 pp.
SG&A costs	966.9	1,372.3	41.9%
EBIT	32.3	595.0	1,742.1%
<i>EBIT margin</i>	1.5%	16.3%	+14.8 pp.
Net financial activity	33.7	-26.0	N/M
Net profit	-30.6	459.1	N/M
EBITDA	308.1	863.8	180.3%
Working capital	-450	-1,038	N/M
Cash cycle (days)	-25	-53	28
Operating cash flows	756	1,379	82%

Better results under IFRS16 than IAS17

PLN m, IAS17	2Q20/21	2Q21/22	YoY
Revenues	2,129.3	3,643.1	71.1%
<i>Gross profit margin on sales</i>	47.6%	55.4%	+7.8 pp.
SG&A costs	898.0	1,403.3	56.3%
EBIT	96.8	560.9	479.7%
<i>EBIT margin</i>	4.5%	15.4%	+10.9 pp.
Net financial activity	-33.5	-7.0	N/M
Net profit	-28.8	447.1	N/M
EBITDA	217.4	686.0	215.6%

EBITDA	PLN 143.6m of additional depreciation of the right-of-use asset.
2Q21/22	
EBIT	45% of rents under IFRS16 (PLN 130.6m). PLN 3.2m profit on the liquidation of contracts valued under IFRS16.
2Q21/22	
NET PROFIT	Financial costs related to the asset (PLN -33.3m) and foreign exchange differences (PLN 8.4m). PLN 16.5m profit from reduction of rents and rent abolition. Impact on deferred tax (PLN 3.1m).
2Q21/22	

Almost PLN 0.5bn income in 1H21/22

- High double-digit sales growth YoY due to the development of omnichannel. Significant increase in gross margin YoY due to lower YoY sales in 1Q21/22 and more favorable purchase prices for the spring collection ordered at the height of the pandemic.
- Increase in operating costs significantly below the increase in sales due to the cost savings made.
- Other operating activities in 1H21/22: PLN 34.0m in subsidies and co-financing to employee salaries (in 1H20: PLN 54.8m) in other operating income, and PLN 54.0m in write-offs for 34 unprofitable stores mostly in Czech Republic and Romania (PLN 39.0m in 1H20/21, mainly in Germany) in other operating expenses.
- More favorable YoY net financial activity: lower YoY profit from reduction in rents and rent abolition under IFRS16 (PLN 16.5m in 1H20/21 vs PLN 16.5m in 1H21/22), but significantly lower YoY losses on exchange rate differences.
- In 1H21/22, capex on modernization and opening of stores amounted to PLN 373m, + 57% YoY, and expenditure on infrastructure PLN 164m, + 42% YoY, with the return to work on the construction of Distribution Center in Brześć Kujawski.

2Q21/22

23

PLN m, IFRS16	1H20/21	1H21/22	YoY
Revenues	3,307.9	5,993.5	81.2%
<i>Gross profit margin on sales</i>	47.8%	55.5%	+7.7pp.
SG&A costs	1,782.6	2,573.0	44.3%
EBIT	-228.2	682.2	N/M
<i>EBIT margin</i>	-6.9%	11.4%	+18.3pp.
Net financial activity	-124.8	-64.1	N/M
Net profit	-392.6	480.6	N/M
EBITDA	325.7	1,208.1	270.9%
Net debt (cash) IAS17	-736,0	-579,6	N/M
Cash in money market funds and deposits	0	1 023	N/M
Capex	353	537	52%

Executive summary

1H21/22

The results of 1H21/22 are a combination of both the actions taken by LPP and many positive external factors outside of LPP's control.

2Q21/22

24

1

Growing offline sales despite the pandemic.

2

Double-digit online sales growth.

3

Operating margin **improvement**.

4

Trade liabilities exceed inventory.

5

Net cash (IAS17).



LPP

2Q21/22

25



03

Outlook for 2021/22



Challenges

- Disruptions in supply chain: rising transport costs, delivery delays and interrupted production processes.
- New model of customer behavior after COVID-19, possible ending of deferred demand for purchases in traditional stores in 2H21/22.
- Another wave of infections in 2H21/22.
- Increase in HR costs, inflation.
- High USD and EUR exchange rates, low RUB.



Targets

- Continuation of double-digit floorspace growth (1,820,4 ths m2, + 27% YoY, + 50% YoY in CIS, + 14% in Poland, +22% YoY in Europe).
- Dynamic online increases (over PLN 2.8bn in sales).
- Double-digit revenue growth YoY.
- YoY operating margin improvement.
- Safe liquidity situation.
- Planned capex at PLN 1.2bn (of which 0.95bn for stores).



Opportunities

- Successful collections of all brands - favorable price-quality ratio.
- Further development of e-commerce on new markets.
- Using RFID implementation for omnichannel development.



2021/22 targets

LPP

2Q21/22

27



04


GLOBAL ASPIRATIONS


Q&A


Glossary

Poland	Retail sales in Poland and other sales of LPP SA.
CEE	Region including: Czech Republic, Slovakia, Hungary.
Baltic	Region including: Lithuania, Latvia, Estonia.
CIS	Region including: Russia, Ukraine, Belarus and from 2018 also Kazakhstan.
SEE	Region including: Bulgaria, Romania, Croatia, Serbia, from 2018 also Slovenia and from 2019/20 B&H, while from 2021/22 Northern Macedonia.
WE	Region including Germany and the UK, while from 2019 also Finland.
ME	Region including: Egypt, Qatar, Kuwait, UAE, while from 2018 also Israel. Until mid-2017 the region also encompassed Saudi Arabia.
Europe	Region including: CEE, Baltic, SEE and WE.
EBITDA	EBIT + depreciation from cash flow statement.
Average monthly revenues/m2	Revenues of segment or brand / average working total floorspace / 3.
Average monthly costs of own stores/m2	Quarterly costs of own stores / average working floorspace of own stores (ie. excluding all franchise stores which represent c. 2.6% of the working floorspace) / 3.
Average monthly SG&A PLN/m2	Quarterly SG&A costs/ average working total floorspace excluding stores located in ME/ 3.
Inventory/ m2	End of period group inventory/ total floorspace without foreign franchise stores.
Cash turnover cycle	Receivables (in days) plus inventories (in days) minus liabilities (in days). Calculations on average amounts of receivables, inventories and liabilities.

LPP

 discoverlpp

 company/lpp-sa

 discoverlpp

 discoverlpp



WWW.LPPSA.COM

Contact



GDAŃSK HQs

Łąkowa 39/44, 80-769 Gdańsk
Tel. +48 58 76 96 900
Email: lpp@lppsa.com

CONTACT FOR INVESTORS

Email: LPP.investor.relations@lppsa.com

CONTACT FOR MEDIA

Email: media@lppsa.com