

**LPP**

3Q21/22



# 3Q21/22 RESULTS PRESENTATION

GDAŃSK, DECEMBER 9, 2021

GLOBAL ASPIRATIONS

RESERVED

CROPP

 **house**

M O H I T O

**sinsay**

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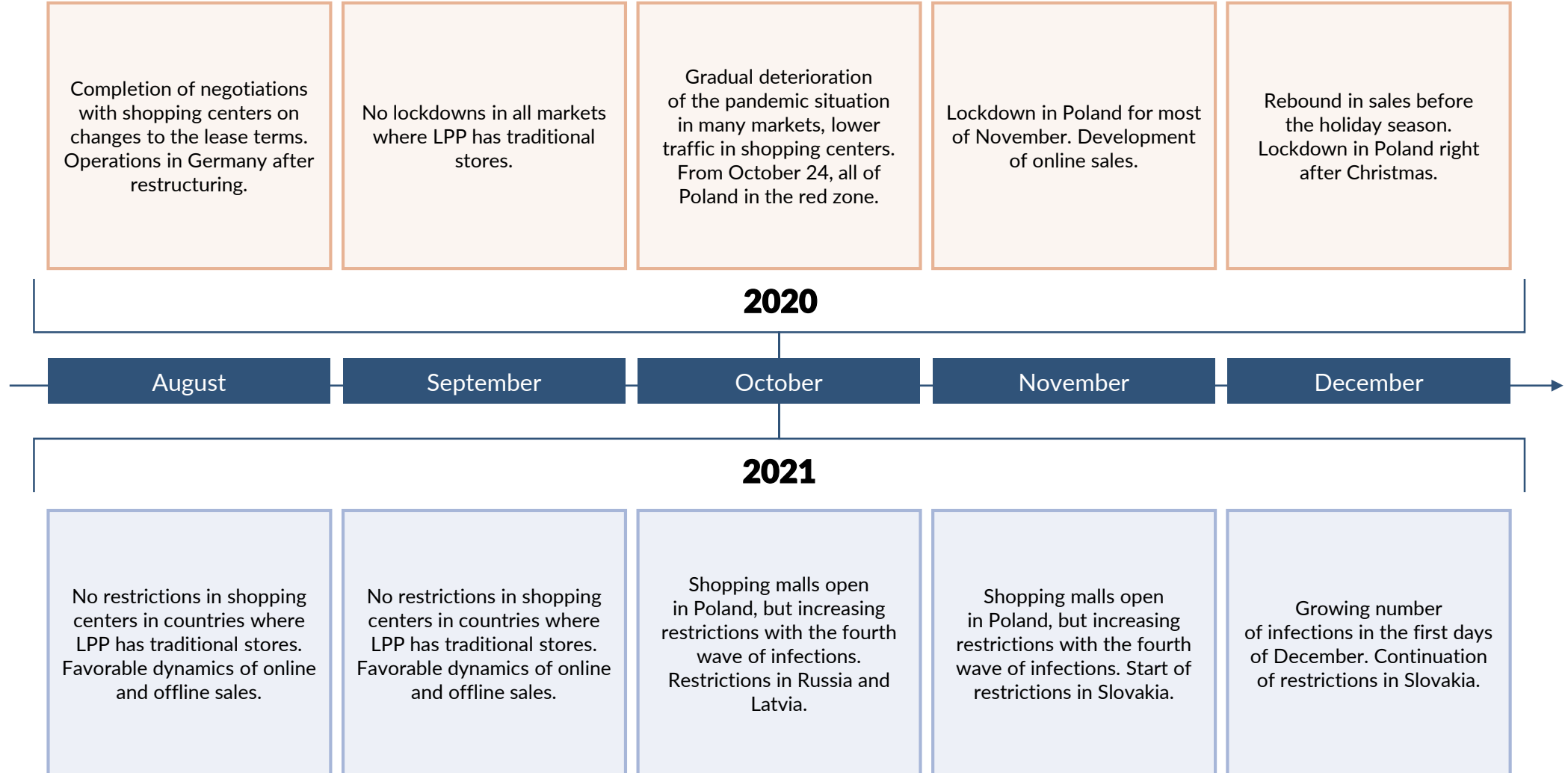
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## **Key corporate events**

# Different YoY impact of the pandemic

3Q21/22

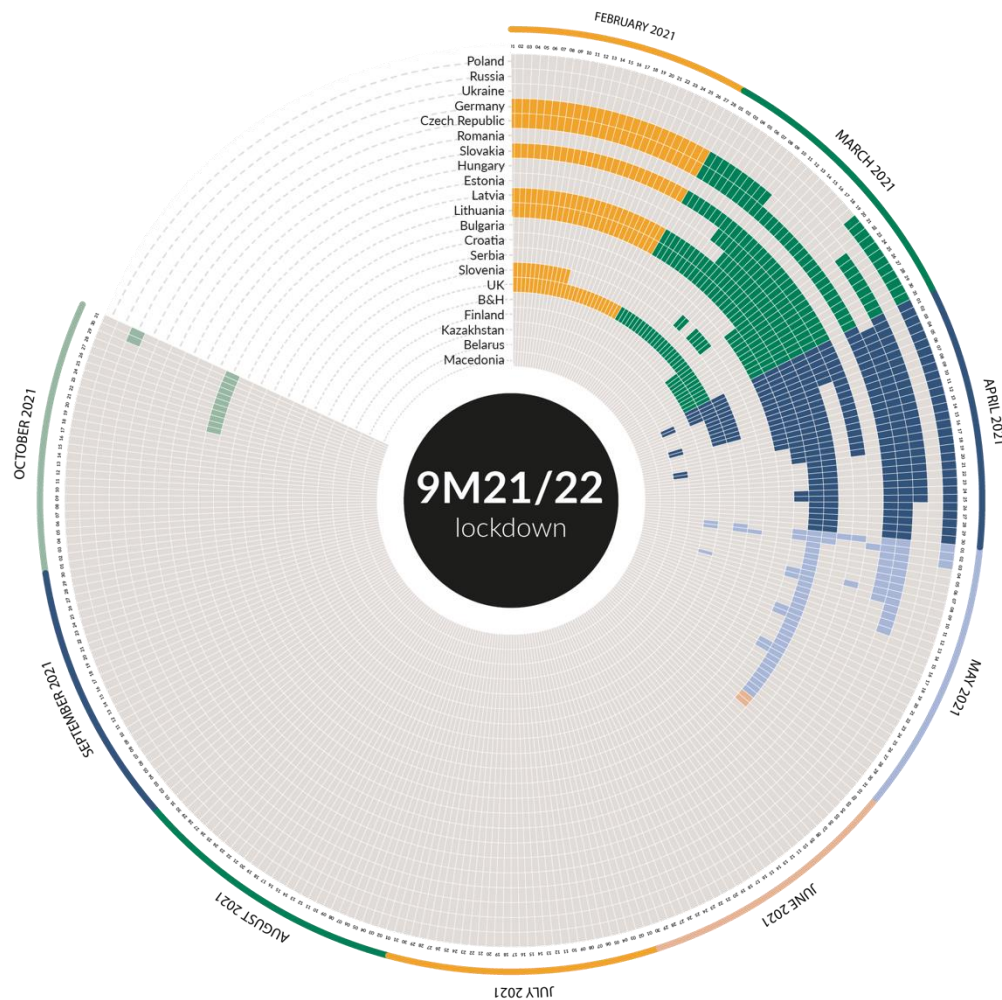
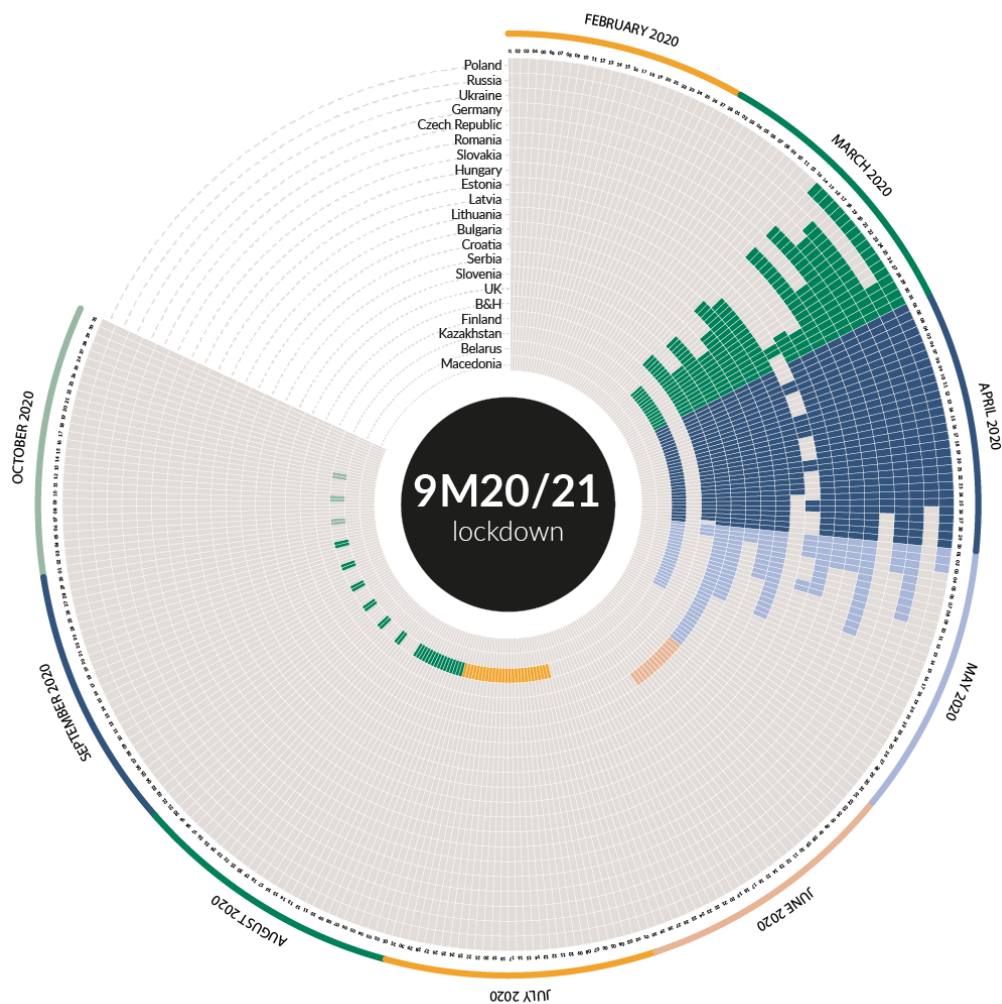
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# Different YoY restrictions in 9M21/22

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# Key corporate events

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9-10.21

## **COOPERATION WITH ARTISTS AND INFLUENCERS**

Monika Brodka with a limited collection for Reserved.

Influencers of the Z generation - Kinga Sawczuk and Antonina Flak for Cropp.



10.21

## **ECO-BUILDINGS**

Cracow branch building with BREEAM certificate.

Gdańsk headquarters of LPP "The Best Office in the Tri-City".



10-11.21

## **IMPROVEMENTS IN LOGISTICS IN POLAND**

Completion of construction works at DC in Brześć Kujawski.

New e-commerce warehouse in Pruszcz Gdański.



11.21

## **FC AUTOMATION IN SLOVAKIA**

Automatic sorting system at Fulfillment Center in Slovakia.

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## Brodka X Reserved

- > Cooperation with singer Monika Brodka on a limited collection of extravagant casual clothing.
- > The collection is made from natural materials such as alpaca, wool, silk, organic cotton and environmentally friendly Naia™ Eastman and LENZING™ ECOVERO™.
- > The collection was sewn entirely in European countries, mostly in Poland.

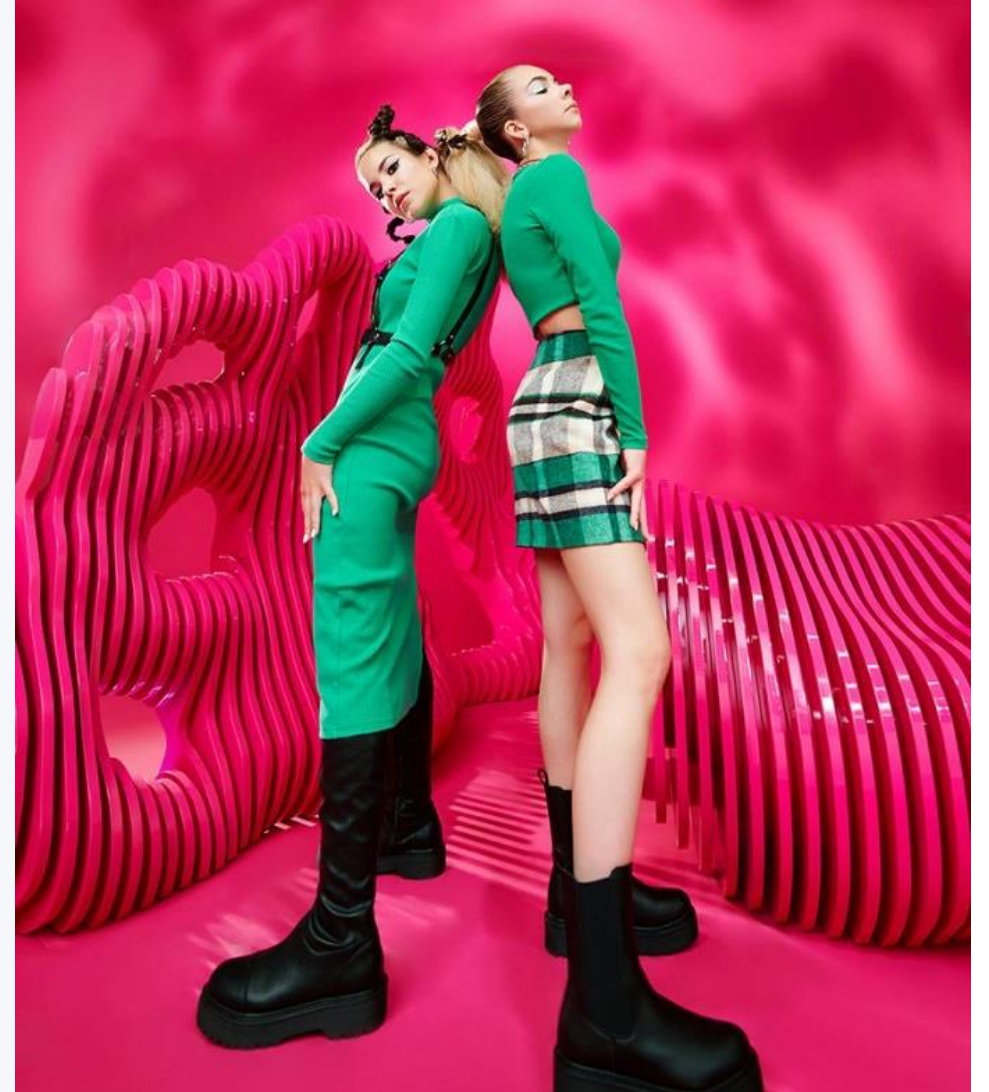
**COLLECTIONS FOR YOUNG GENERATIONS**



## Magic. We have it.

A new campaign by Cropp under the slogan: Magic. We have it. The faces of the campaign were two top Polish influencers from the Z generation - Kinga Sawczuk @kompleksiaraxx and Antonina Flak @samosiaa\_yt, famous for their TikTok presence.

The new collection shows changes that have occurred in the brand's offer and its stores.



**KINGA SAWCZUK AND  
ANTONINA FLAK FOR CROPP**



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# Collections for Christmas

#RESERVEDFORXMAS

SINSAY CHRISTMAS COLLECTION

3Q21/22

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GLOBALNE ASPIRACJE



## LPP's CRACOW OFFICES WITH BREEAM CERTIFICATE

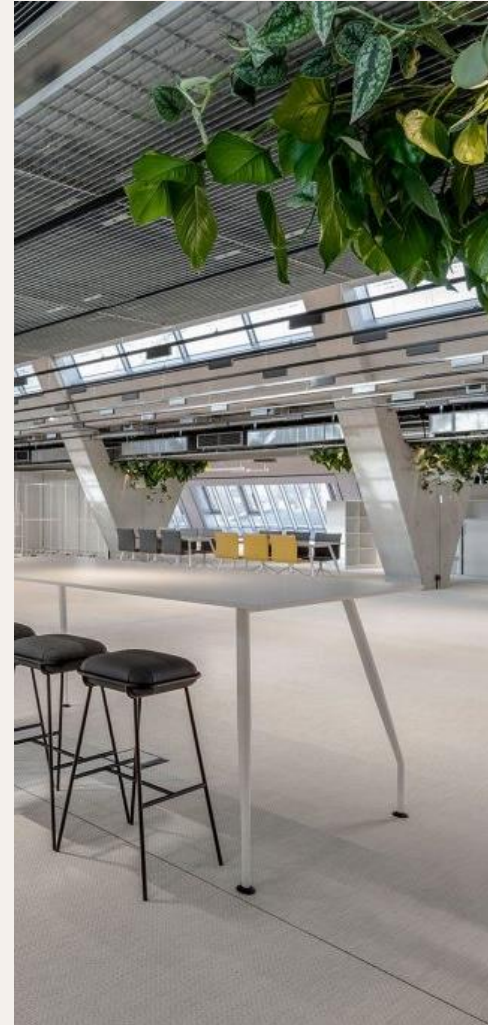
House and Mohito design offices meet BREEAM requirements, i.e. one of the most frequently used methods of assessing buildings in terms of environmental standards.

The sustainable construction solutions implemented in the facility are one of the elements of the "For People For Our Planet" strategy for 2020 - 2025, according to which all new LPP buildings will be BREEAM or LEED certified by 2023.

## LPP's GDAŃSK HEADQUARTERS "THE BEST OFFICE IN THE TRI-CITY"

The Gdańsk office building, Fashion Lab 2, received the main prize in the Office Superstar competition. The building was designed as part of LPP's office complex, located at Łąkowa Street in Gdańsk and was opened for use by employees at the beginning of this year.

The building has successfully passed BREEAM certification, and from 2023 it will be additionally powered by wind energy.





## Completion of works in Brześć Kujawski

After 10 months of construction works, we are preparing to launch a Distribution Center, located in the Brześć Kujawski community.

In this 75 ths m2 large facility, assembly of the main hall equipment and finishing works are currently underway.

At the beginning of 2022, gradual launch of the warehouse will begin, preceding attainment of full functionality of the Center.

According to the schedule, our new facility is to be operational in the first quarter of 2022.





# E-commerce warehouse in Pruszcz Gdański

EXPANSION OF NETWORK OF WAREHOUSES DEDICATED TO E-COMMERCE OPERATIONS - RENTAL OF A NEW FULFILLMENT CENTER IN PRUSZCZ GDAŃSKI WITH A TOTAL AREA OF 64 THS M2.

Two warehouse halls:

- the first one, occupying 12 ths m2, has been operating since July this year and is intended to handle returns,
- launch of the second hall, with an area of 49 ths m2 and over 2 ths m2 of office space, dedicated to shipping online orders is planned for April 2022.

The warehouse will increase LPP logistics' efficiency, among others in Poland, the Baltic countries and Ukraine.

This rented facility will meet the BREEAM certification requirements, taking into account high environmental standards and solutions increasing the comfort of work.



# Automation of FC in Slovakia

## WE INVEST IN TECHNOLOGY TO IMPROVE LOGISTICS PROCESSES IN THE FULFILLMENT CENTER IN SLOVAKIA.

A modern pocket sorter installed in the warehouse along with a conveyor system and a posisorter all support the order completion process and optimize the use of the facility's space.

Warehouse automation also significantly speeds up handling of e-commerce shipments and supports implementation of deliveries in the "next business day" mode.

The implementation was needed due to dynamic growth in online orders volume in the Central Europe region. FC plays a key role in our distribution network, providing service to customers of online stores not only in Slovakia, but also in Germany, the Czech Republic, Croatia, Hungary and Slovenia.





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## **3Q21/22 financial results**



# Towards omnichannel

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## — OFFLINE

**2,125**  
stores

**+29.5%**  
m<sup>2</sup>

**+48.3%**  
LFLs

**26**  
countries

## — ONLINE

**31**  
countries

**+85.3%**  
revenues

**39**  
COUNTRIES

**+72.2%**  
GROUP  
REVENUES



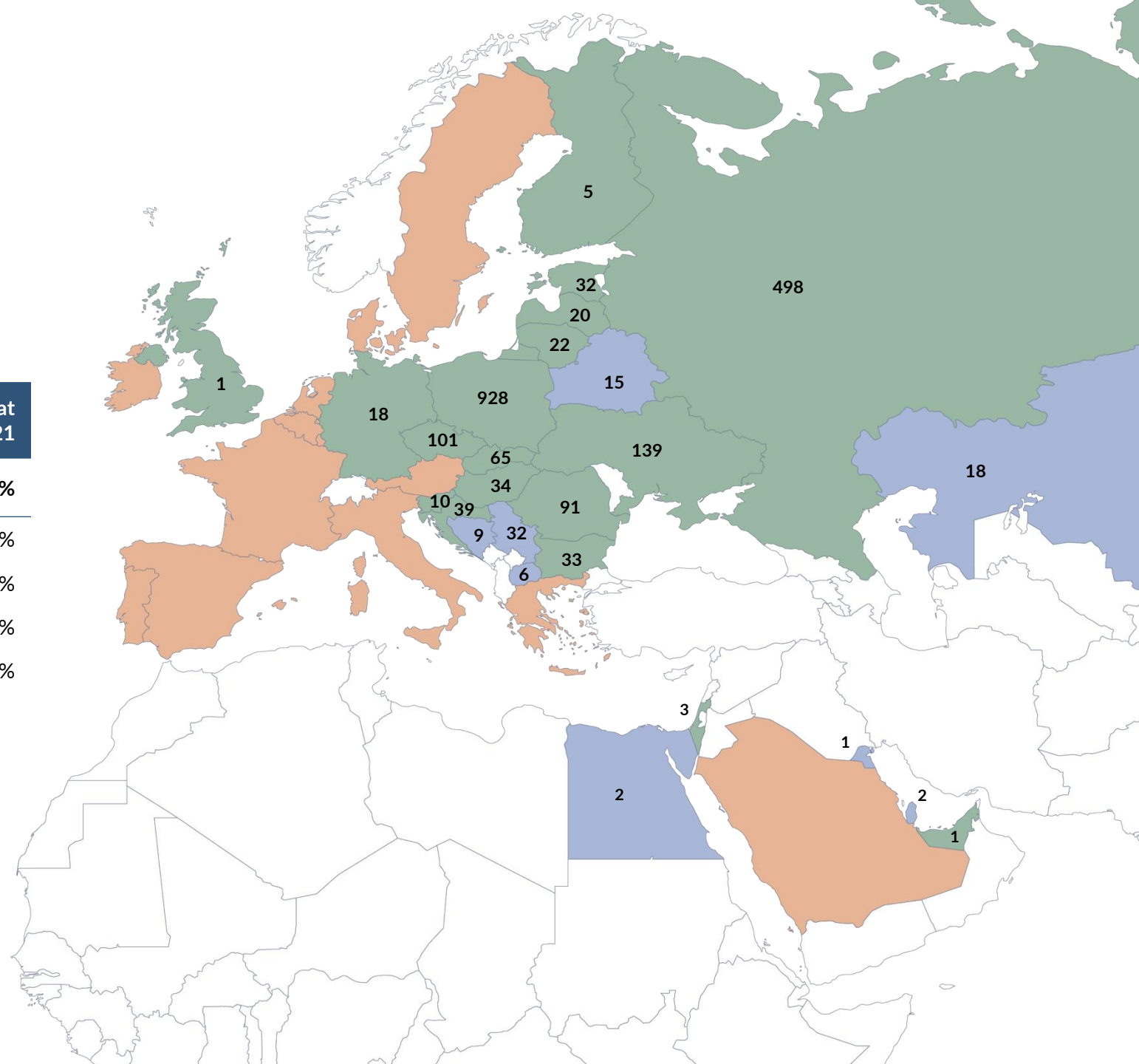
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# Over 2 ths stores

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As at 31.10.2021	Number of stores	Open as at 6.12.2021
<b>LPP GROUP</b>	<b>2,125</b>	<b>97%</b>
Poland	928	100%
Europe	518	89%
CIS	670	100%
ME	9	100%

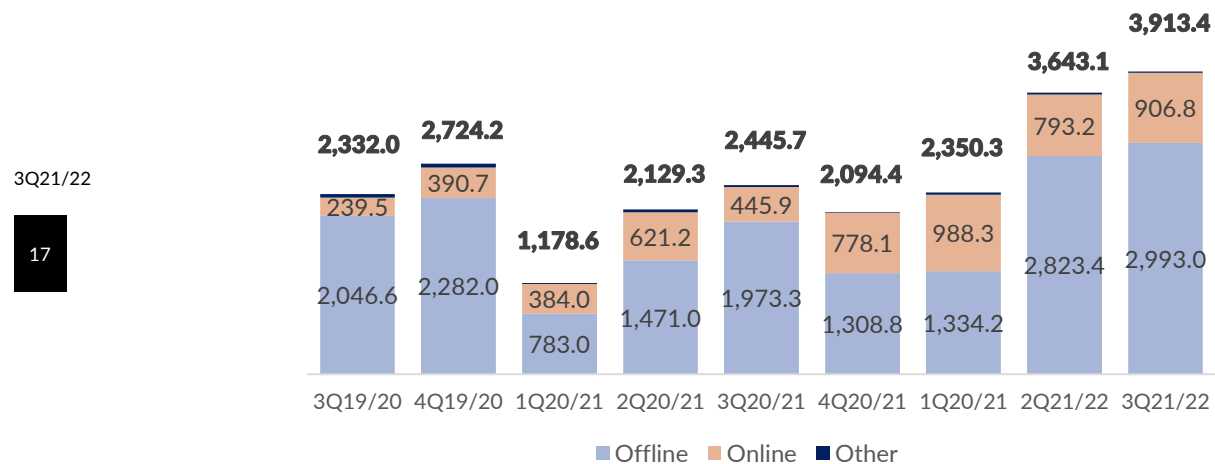


● online + offline ● online ● offline

# High Group revenue dynamics

## GROUP REVENUES

(PLN m)



## OMNICHANNEL REVENUES

PLN m	3Q20/21	3Q21/22	YoY
<b>LPP GROUP</b>	<b>2,445.7</b>	<b>3,913.4</b>	<b>60.0%</b>
Reserved	1,069.0	1,482.3	38.7%
Cropp	321.4	415.1	29.2%
House	271.5	333.8	23.0%
Mohito	213.0	338.3	58.8%
Sinsay	543.0	1,329.7	144.9%
Other	27.8	14.1	-49.2%

- Group's total revenues increased by 60.0% YoY in 3Q21/22. Dynamic growth of online sales, continuation of delayed demand for purchases in traditional stores and continuation of rapid floorspace development.
- 26.7% YoY increase in the Group's sales/ m<sup>2</sup> in 3Q21/22 to PLN 778/ m<sup>2</sup> due to more favorable dynamics in online sales than offline. 19.6% YoY increase in the Group's offline sales/ m<sup>2</sup> to PLN 586/ m<sup>2</sup> due to positive reception of the collection by customers and return to shopping in traditional network.
- All brands generated more revenues from foreign than from domestic operations. Significant growths at Sinsay due to floorspace expansion.



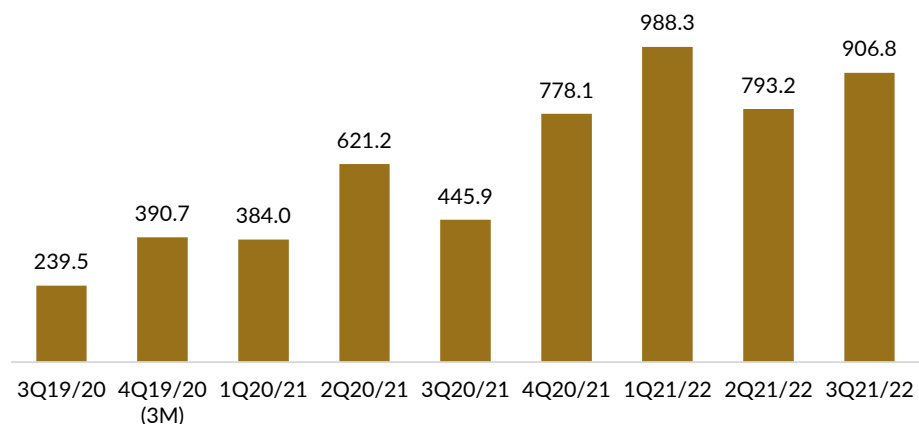
# Doubling of e-commerce revenues

## ONLINE SALES

(PLN m)

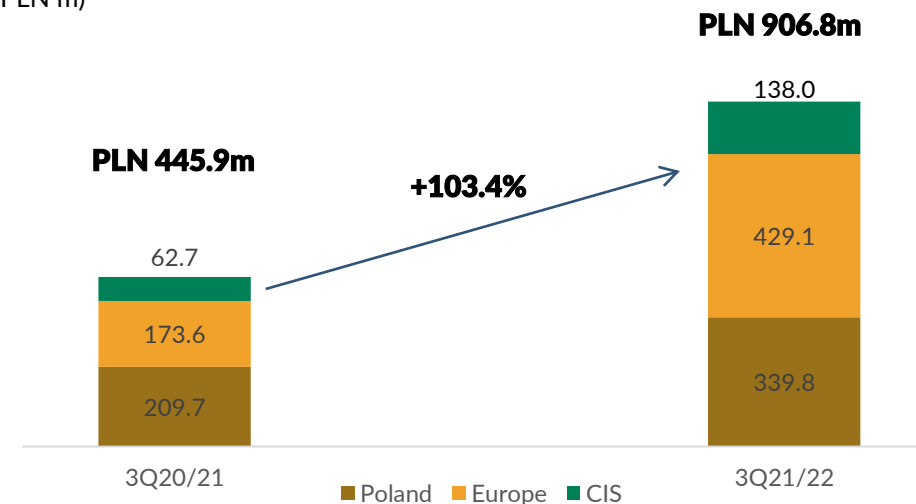
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## ONLINE BY REGIONS

(PLN m)

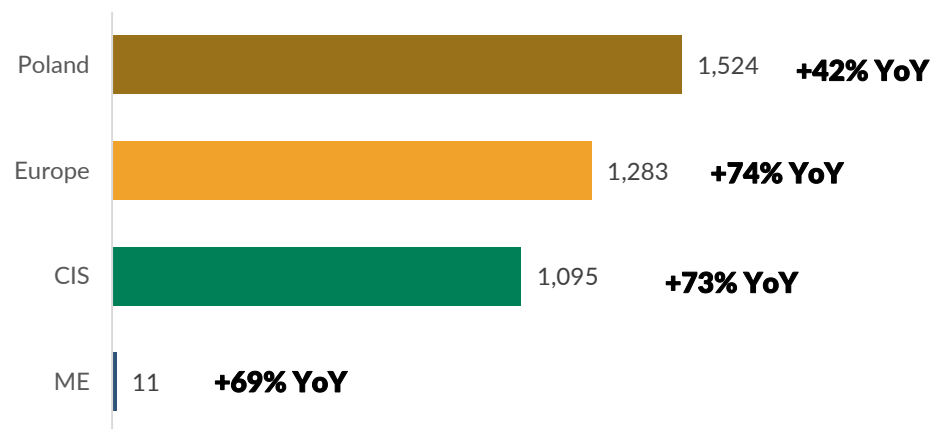


- Online sales doubled (103.4% YoY) in 3Q21/22, despite high demand in traditional stores. High double-digit dynamics in the number of visits to our brands' websites and triple-digit increases in number of returning customers.
- Online sales in 3Q21/22 accounted for 22.3% of revenues from Poland (19.6% in 3Q20/21) and 23.2% of the Group's revenues (18.2% in 3Q20/21).
- YoY increases in 3Q21/22 in the European market (+ 147% YoY) and CIS (+ 120%) were significantly higher than in Poland (+ 62% YoY). Middle East countries are not included as sales are made via partners' external platform.
- In 3Q21/22, 87% of visits and 72% of purchases were made via mobile devices.

# Foreign revenues higher than domestic ones

## REVENUES BY REGIONS IN 3Q21/22

(PLN m)



## 3Q21/22 FLOORSPACE

(by regions)

ths m <sup>2</sup>	3Q20/21	3Q21/22	YoY
<b>LPP GROUP</b>	<b>1,351.8</b>	<b>1,750.4</b>	<b>29.5%</b>
Poland	551.5	645.0	16.9%
Europe	417.5	505.2	21.0%
CIS	374.4	590.2	57.6%
ME	8.4	10.0	19.0%

- Foreign revenues exceeded domestic ones in 3Q21/22. Poland constituted 43.4% of revenues.
- Sales growth in Europe in 3Q21/22 in all countries. Doubling of revenues in Czech Republic, Bulgaria, Croatia, Slovenia and B&H.
- Eightfold sales increases in the pan-European e-store.
- Sales doubled in the CIS region - high increases in each country – especially in Kazakhstan and Belarus.
- Increases in ME due to the opening of a second store in Cairo, Egypt.

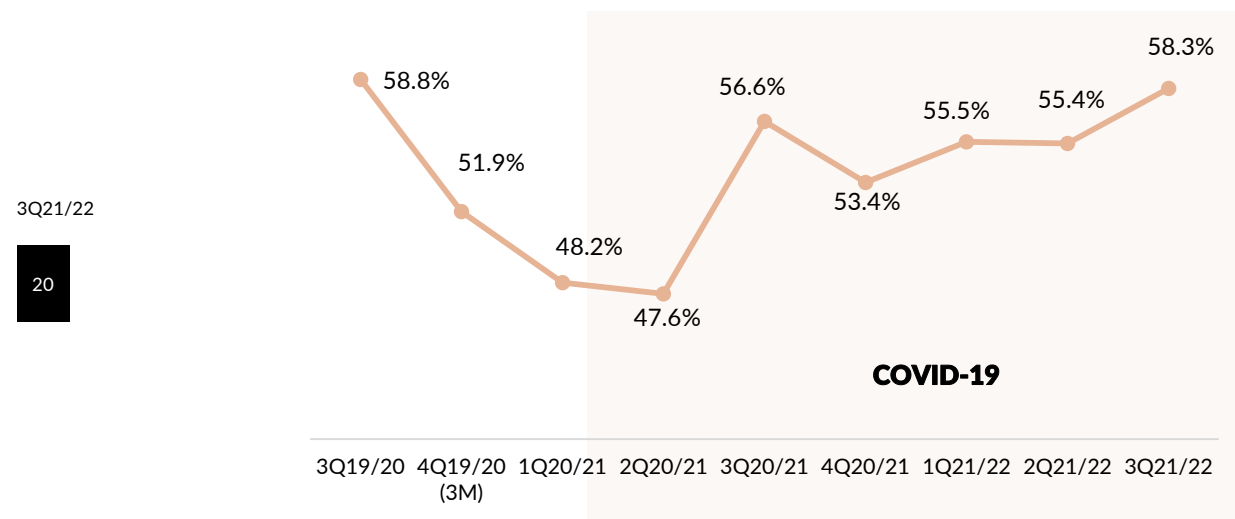
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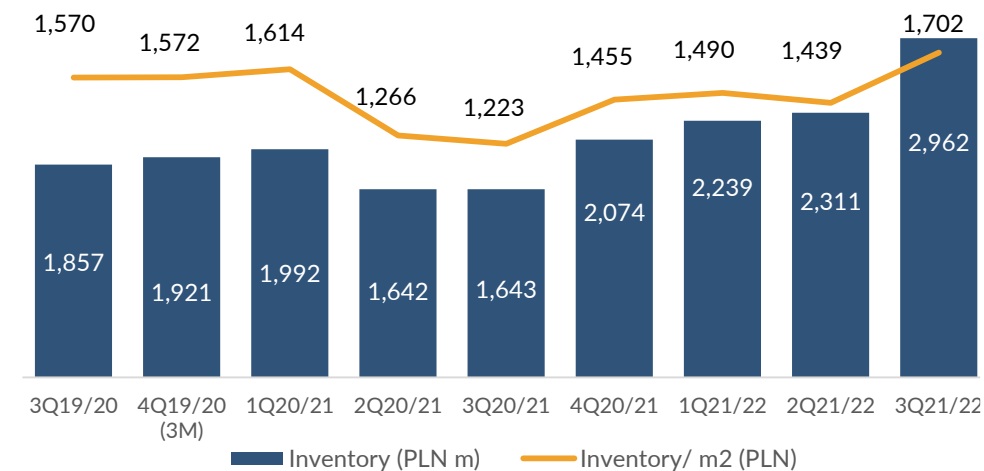


# High gross profit margin and inventory

## QUARTERLY GROUP GROSS PROFIT MARGIN



## INVENTORY AND INVENTORY/M2



- Gross margin in 3Q21/22 was significantly higher YoY due to: (1) favorable purchase prices for orders for the Autumn/Winter collection, (2) increased sales prices and growing foreign revenues, (3) lower availability of goods on the market and related lower YoY discounts.
- 80.2% YoY increase in inventories results from: (1) greater stocking for the planned floorspace growth (new stores) and (2) acceleration of orders for goods from the Spring/Summer 2022 collection due to extended delivery times for goods from Asia. No write-offs for inventories - write-offs are made at semi-annual intervals.
- 39.1% YoY increase in inventories/ m2 due to faster import of goods, stocking up for stores to be opened in the following months and the seasonally best quarter in e-commerce.

# Slight increase in costs/ m2

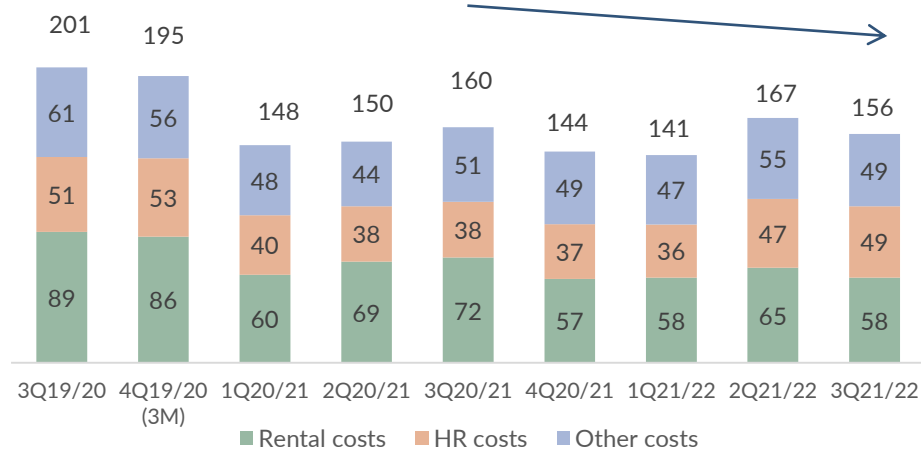
## COSTS OF OWN STORES/ M2

(IAS17)

-3% YoY

3Q21/22

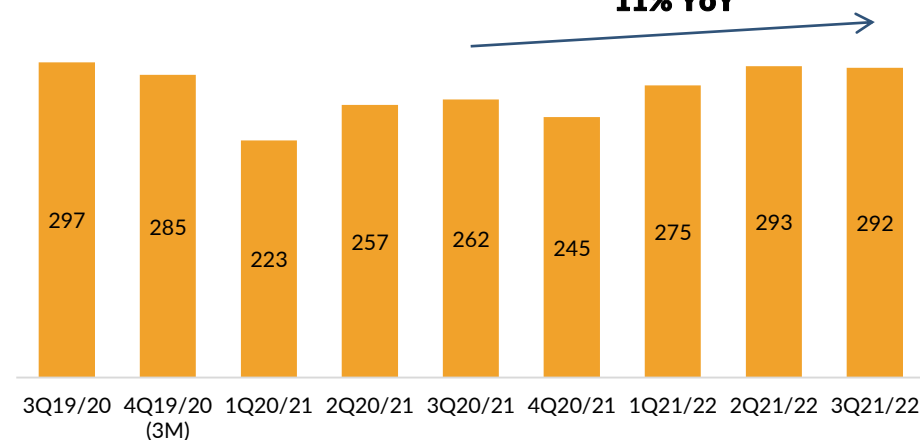
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## SG&A COSTS/ M2

(IFRS16)

11% YoY



- YoY decline in rental costs/ m2 → annexes to lease agreements to new conditions in shopping centers, turnover rentals; renegotiation of rents with shopping centers from 2Q20/21; new agreements signed on more favourable terms.
- YoY increase in personnel costs/ m2 → increase in the number of employees due to higher sales in traditional stores.
- Stable YoY other costs/m2 → usage of external materials and services in line with sales growth, yet lower YoY depreciation.
- 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 42.4% in 3Q20/21 to 37.2% in 3Q21/22.
- Costs of stores amounted to PLN 788m, +23% YoY, while costs of HQs and e-commerce at PLN 670m, +69% YoY, in 3Q21/22.



# Over PLN 0.8 bn EBIT in the quarter

- High double-digit sales increases YoY due to good online and offline sales results.
- YoY increase in gross margin due to favorable purchase prices. Operating expenses growth below sales growth due to the cost savings made.
- More favorable impact of other operating activities YoY in 3Q21/22. In 3Q20/21: PLN 30.4m in write-downs related to reclassification of rental agreements under IFRS16. PLN 8.2m in subsidies in 3Q21/22 (PLN 10.6m in 3Q20/21).
- More favorable YoY net financial activity. 3Q21/22: PLN 3.2m of FX gains compared to PLN 77.4m FX losses in 3Q20/21. 3Q21/22: PLN 7.6m from profit from reduction of rents and rent abolition under IFRS16 (3Q20/21: PLN 55.6m).
- Stronger YoY operating flows, incl. due to the increase in gross profit, despite the greater involvement in inventories. Stable negative cash turnover cycle. Over PLN 2.8bn of financing from supply chain financing.

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PLN m, IFRS16	3Q20/21	3Q21/22	YoY
<b>Revenues</b>	<b>2,445.7</b>	<b>3,913.4</b>	<b>60.0%</b>
<i>Gross profit margin on sales</i>	56.6%	58.3%	1.7pp.
SG&A costs	1,035.9	1,457.6	40.7%
<b>EBIT</b>	<b>301.2</b>	<b>817.3</b>	<b>171.4%</b>
<i>EBIT margin</i>	12.3%	20.9%	8.6pp.
Net financial activity	-60.7	-38.0	-37.4%
<b>Net profit</b>	<b>246.9</b>	<b>627.6</b>	<b>154.2%</b>
<b>EBITDA</b>	<b>563.0</b>	<b>1,112.3</b>	<b>97.6%</b>
Working capital	-970	-1,156	N/M
Cash cycle (days)	-68	-67	+1
Operating cash flows	685	873	27%

# EBIT more favourable under IFRS16 than IAS17

PLN m, IAS17	3Q20/21	3Q21/22	YoY
<b>Revenues</b>	<b>2,445.7</b>	<b>3,913.4</b>	<b>60.0%</b>
<i>Gross profit margin on sales</i>	47.6%	58.3%	10.7pp.
SG&A costs	975.8	1,462.3	49.9%
<b>EBIT</b>	<b>383.7</b>	<b>810.8</b>	<b>111.3%</b>
<i>EBIT margin</i>	4.5%	20.7%	16.2pp.
Net financial activity	-14.3	2.9	N/M
<b>Net profit</b>	<b>328.2</b>	<b>655.8</b>	<b>99.8%</b>
<b>EBITDA</b>	<b>472.3</b>	<b>946.4</b>	<b>100.4%</b>

<b>EBITDA</b>	PLN 159.4m of additional depreciation of the right-of-use asset.
<b>3Q21/22</b>	
<b>EBIT</b>	57% of rents under IFRS16 (PLN 164.0m). PLN 1.9m profit on the liquidation of contracts valued under IFRS16.
<b>3Q21/22</b>	
<b>NET PROFIT</b>	Financial costs related to the asset (PLN -36.0m) and foreign exchange losses (-PLN 12.5m). Impact on deferred tax (PLN 6.1m).
<b>3Q21/22</b>	

# Over PLN 1.1 bn of profit in 9M21/22

- High double-digit sales growth YoY due to the development of omnichannel. Significant increase in gross margin YoY due to lower YoY sales, more favorable purchase prices for the Spring collection ordered at the height of the pandemic and strong consumer demand.
- Growth in operating costs significantly below sales growth due to cost savings made. Other operating activities in 9M21/22: PLN 42.2m in subsidies to employee salaries (in 9M20/21: PLN 65.4m) in other operating income, and PLN 50.2m in write-offs for unprofitable stores (PLN 38.7m in 9M20/21 mainly in Germany) in other operating costs.
- More favorable YoY net financial activity. PLN 0.7m of negative exchange rate differences in 9M21/22 as compared to PLN 186.5m in the 9M20/21. PLN 24.0m profit from rent reductions and rent abolition in 9M21/22 (9M20/21: PLN 121.0m).
- In 9M21/22, outlays on modernization and opening of stores amounted to PLN 648m, + 69% YoY, and outlays on infrastructure PLN 298m, + 99% YoY, with the return to work on the construction of the Distribution Center in Brześć Kujawski.

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PLN m, IFRS16	9M20/21	9M21/22	YoY
<b>Revenues</b>	<b>5,753.7</b>	<b>9,906.9</b>	<b>72.2%</b>
<i>Gross profit margin on sales</i>	51.5%	56.6%	5.1pp.
SG&A costs	2,818.5	4,030.7	43.0%
<b>EBIT</b>	<b>73.0</b>	<b>1,499.5</b>	<b>1,955.2%</b>
<i>EBIT margin</i>	1.3%	15.1%	13.9pp.
Net financial activity	-185.5	-102.1	N/M
<b>Net profit</b>	<b>-145.8</b>	<b>1,108.2</b>	<b>N/M</b>
<b>EBITDA</b>	<b>888.7</b>	<b>2,320.5</b>	<b>161.1%</b>
<b>Net debt (cash) IAS17</b>	<b>-1,102</b>	<b>-708</b>	<b>N/M</b>
Cash in money market funds and deposits	2	991	N/M
Capex	533	947	78%



# Executive summary 9M21/22

3Q21/22

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1

**High offline revenue dynamics** despite pandemics.

2

Triple-digit online **sales growth**.

3

Gross profit and operating margin **improvement**.

4

Trade liabilities exceed inventory.

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Net cash (IAS17).



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03

GLOBAL ASPIRATIONS

# Outlook for 2021/22+





## 2021/22 targets



3Q21/22

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### Challenges

- Disruptions in supply chain: rising transport costs, delivery delays and disrupted production processes.
- Another wave of infections in 4Q21/22 and possible lockdowns.
- Increase in HR costs, inflation.
- High USD and low RUB exchange rates.

### Targets

- Continuation of double-digit floorspace growth (1.9m m2, +29% YoY, +53% YoY in CIS, + 19% in Poland, +22% YoY in Europe).
- Dynamic online growth (PLN 4.0bn revenues, +80% YoY).
- Double-digit revenue growth YoY.
- YoY operating margin improvement.
- Safe liquidity situation.
- Planned capex at PLN 1.35bn (of which PLN 1.0bn for stores).

### Opportunities

- Successful collections of all brands - favorable price-quality ratio.
- Further development of e-commerce on new markets.
- Effective logistics on all markets, allowing to fulfil mounting online and offline orders.



# Albania - 27. offline market

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— In 2022/23, we plan to open stores of all 5 LPP brands in Albania.

— It will be the Group's 27<sup>th</sup> offline market. It will strengthen our presence in the Balkans.

— Planned opening of stores with c. 6,000 m<sup>2</sup> of floorspace in 2H22/23.

## OFFLINE PRESENCE IN THE BALKANS



# 2022/23 targets



## Targets

- Continuation of double-digit floorspace growth: + 25% YoY to 2.3m m2 (out of which 0.7m m2 in Poland and 0.8 m2 in CIS).
- Double-digit online sales growth (40% + YoY).
- High double-digit Group sales growth.
- Maintaining the operating margin.
- Net cash to continue.
- Capex at the level of PLN 1.25bn (of which PLN 1.1bn for stores).



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## Opportunities

- Ability to handle the growing number of e-commerce orders.
- Translating inflation into prices.
- Completion of RFID implementation.



## Risks

- Continuation of the pandemic.
- Supply chain turmoil.
- Currency volatility.



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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, Slovenia, B&H, from 2021/22 Northern Macedonia while from 2022/23 Albania.
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. 2.5% 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.

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