

**LPP**

4Q21/22



# 4Q21/22 RESULTS PRESENTATION

GDAŃSK, APRIL 21, 2022

RESERVED

CROPP

 **house**

M O H I T O

**sinsay**

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**LPP**

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**01**



## **Key corporate events**



# We support Ukraine

## LPP HELPS UKRAINE SINCE THE FIRST DAYS OF WAR

LPP, together with LPP Foundation, allocated PLN 20m to financial and material assistance to people affected by the armed conflict in Ukraine.

LPP first provided assistance to the company's employees in Ukraine and their relatives:

- 250 people were evacuated from the war zone and received financial, psychological and legal assistance in Poland,
- for people who decided to settle outside Poland, with the support of subsidiaries from Slovakia, Romania, Hungary, the Czech Republic, Lithuania and Germany, transport and accommodation were organized in the EU countries,
- in total, employees from Ukraine and their families were given over 500 vouchers for purchase of clothing worth PLN 50ths and 360 prepaid cards worth PLN 180ths.

- LPP is the main partner of the "Open hearts - open wardrobes" campaign (nationwide Wosh Wosh campaign), 130 thousand pieces of clothing and shoes were collected and donated to people in need from Ukraine,
- LPP, together with members of the Association of Polish Trade and Service Employers, joined the #Power4Ukraine campaign.

## Closed stores in Russia

- our stores and e-stores do not operate in Russia,
- we do not ship goods to Russia,
- goods that were to be shipped to Russia will be sold in other markets or transferred to subsequent seasons on other markets,
- as at January 31, 2022, after conducted write-offs, fixed assets were worth PLN 251m,
- inventories in Russia amounted to PLN 925m as at the balance sheet date.



**The process of closing down stores in Russia was finalised as of March 30, 2022.**



## So far result of closing down of stores on Eastern markets

closing down of

**553 stores**

in Russia

(writing down fixed assets related to 251 stores)

**PLN 335m**  
write-offs in 4Q21/22

closing down of

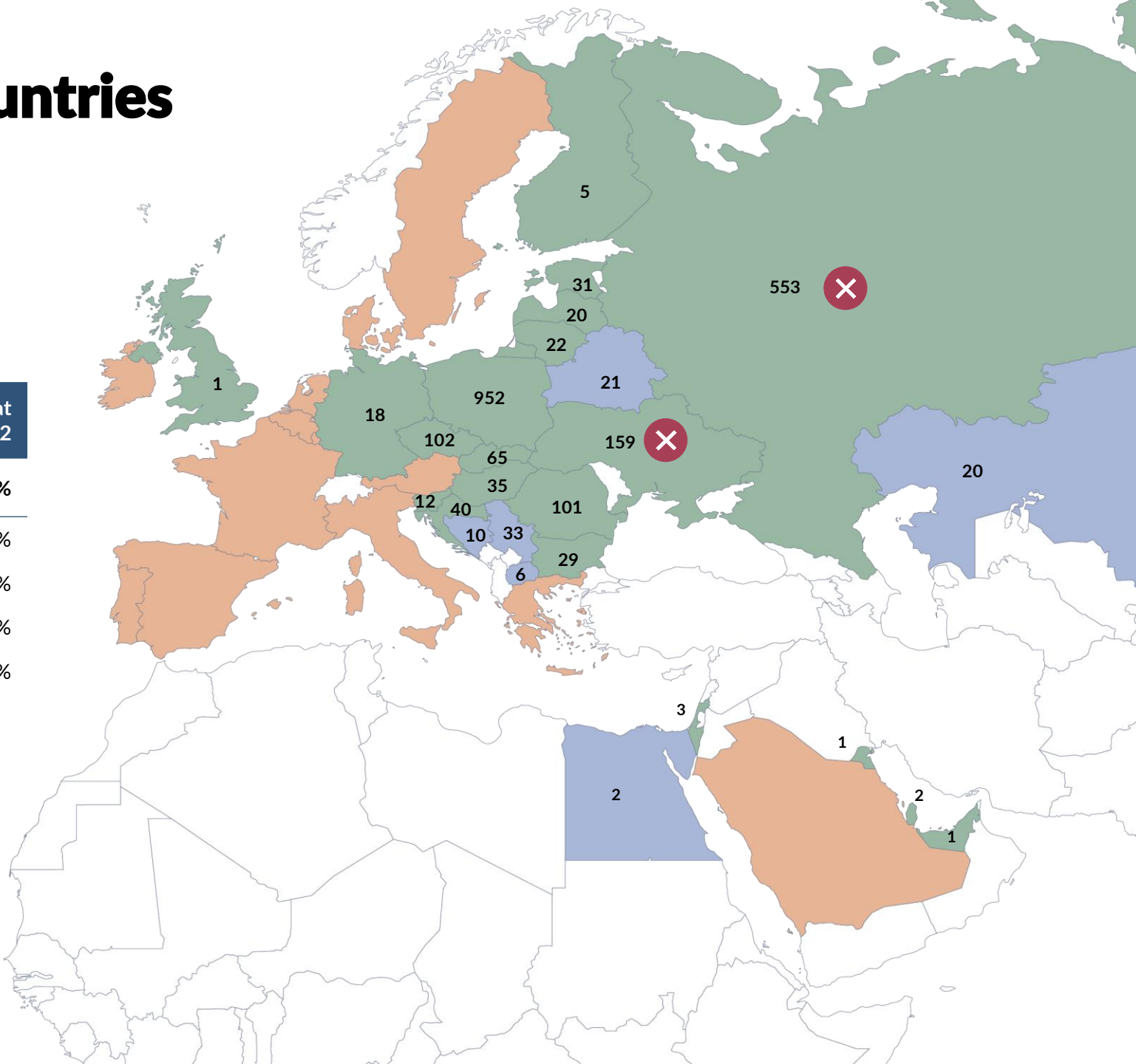
**159 stores**

in Ukraine

(PLN 156m write offs for stores, PLN 117m inventory write-offs - all possessed)

**PLN 273m**  
write-offs in 4Q21/22

# Presence in 39 countries



As at 31.01.2022	No of stores	Open as at 19.04.2022
<b>LPP GROUP</b>	<b>2,244</b>	<b>71%</b>
Poland	952	100%
Europe	530	100%
CIS	753	13%
ME	9	100%

**LPP**

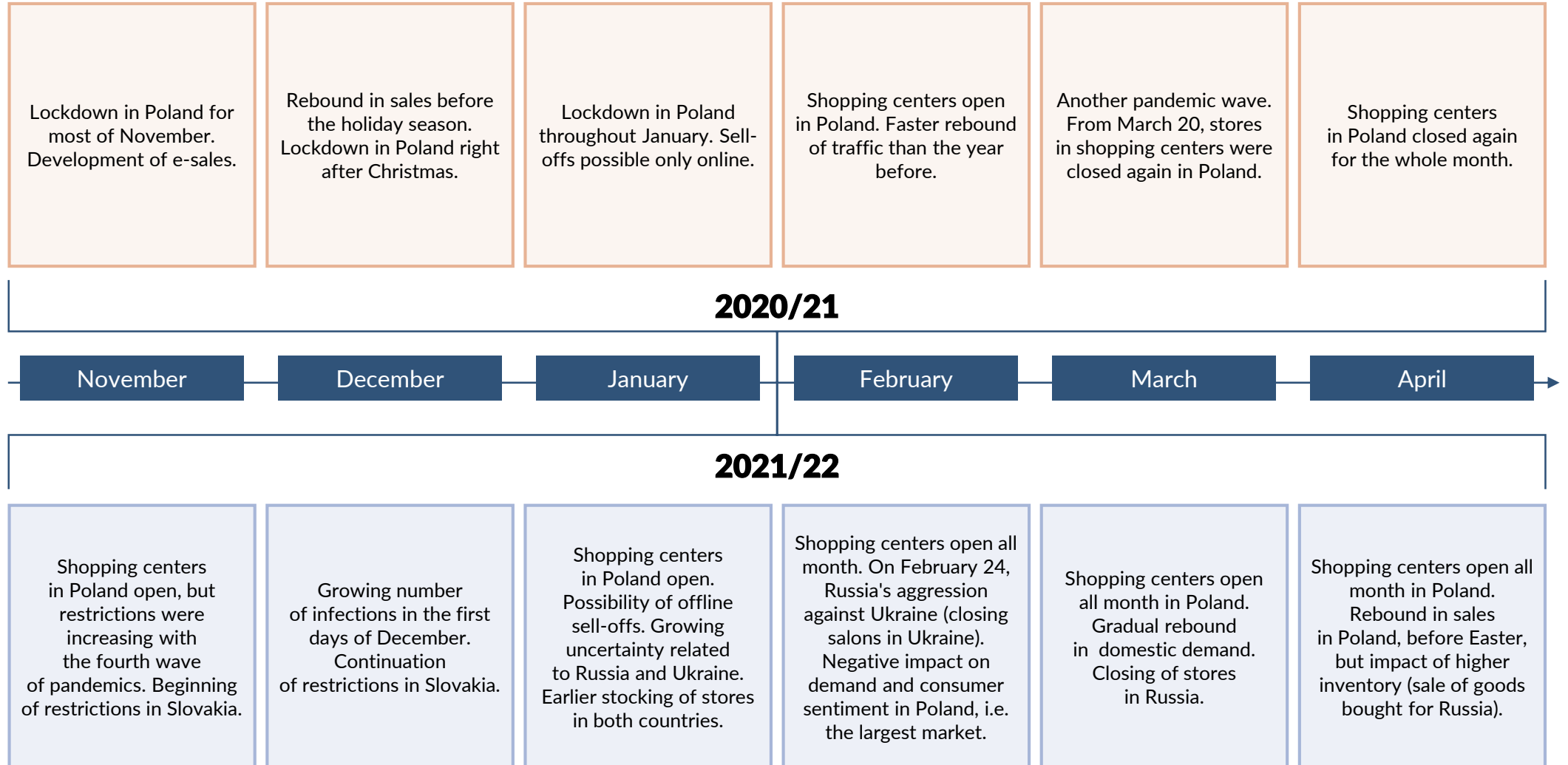
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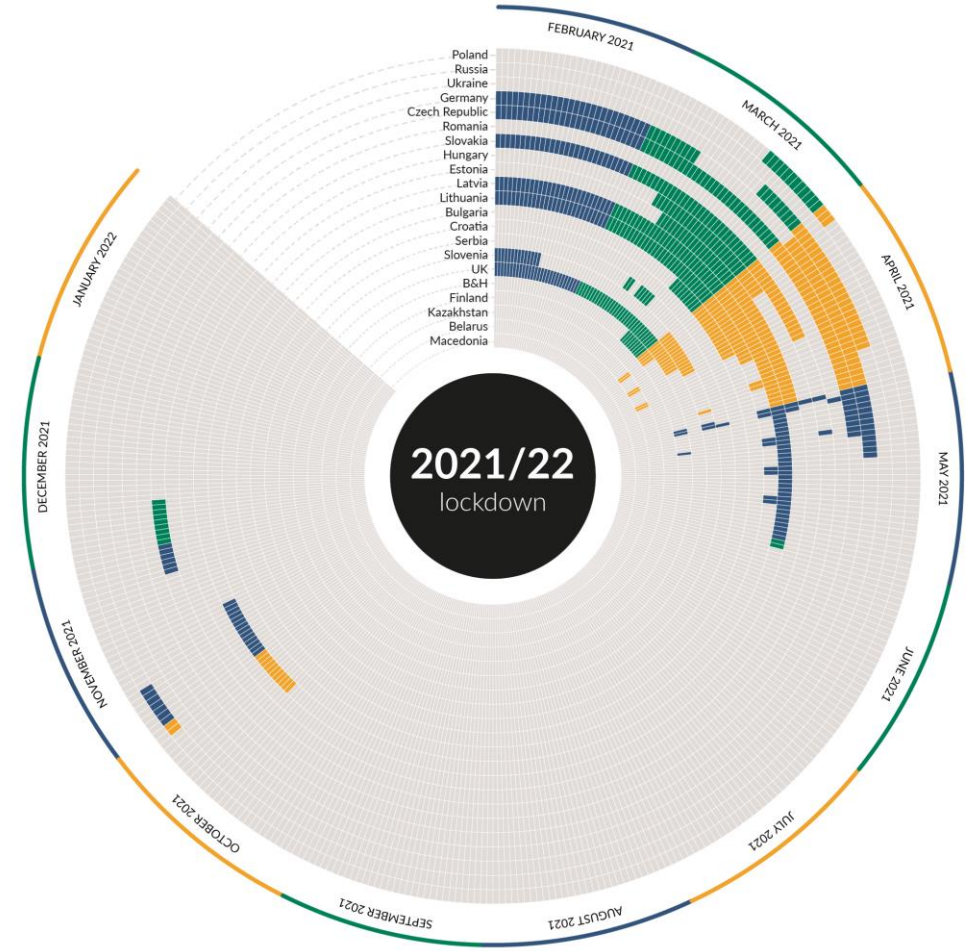
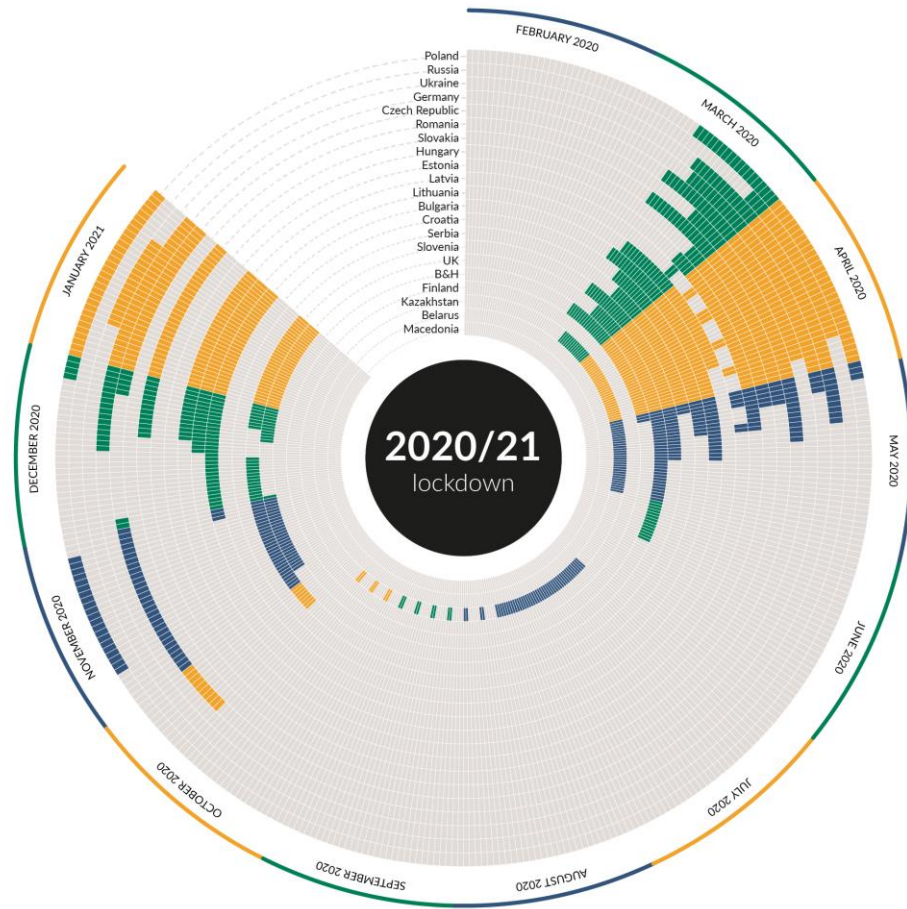
## **4Q21/22 financial results**



# Different YoY impact of pandemics and war



# Different YoY restrictions in 2021/22



# Towards omnichannel

## — OFFLINE

**2,244**  
stores

**+31.5%**  
m<sup>2</sup>

**+55.8%**  
LFLs

**26**  
countries

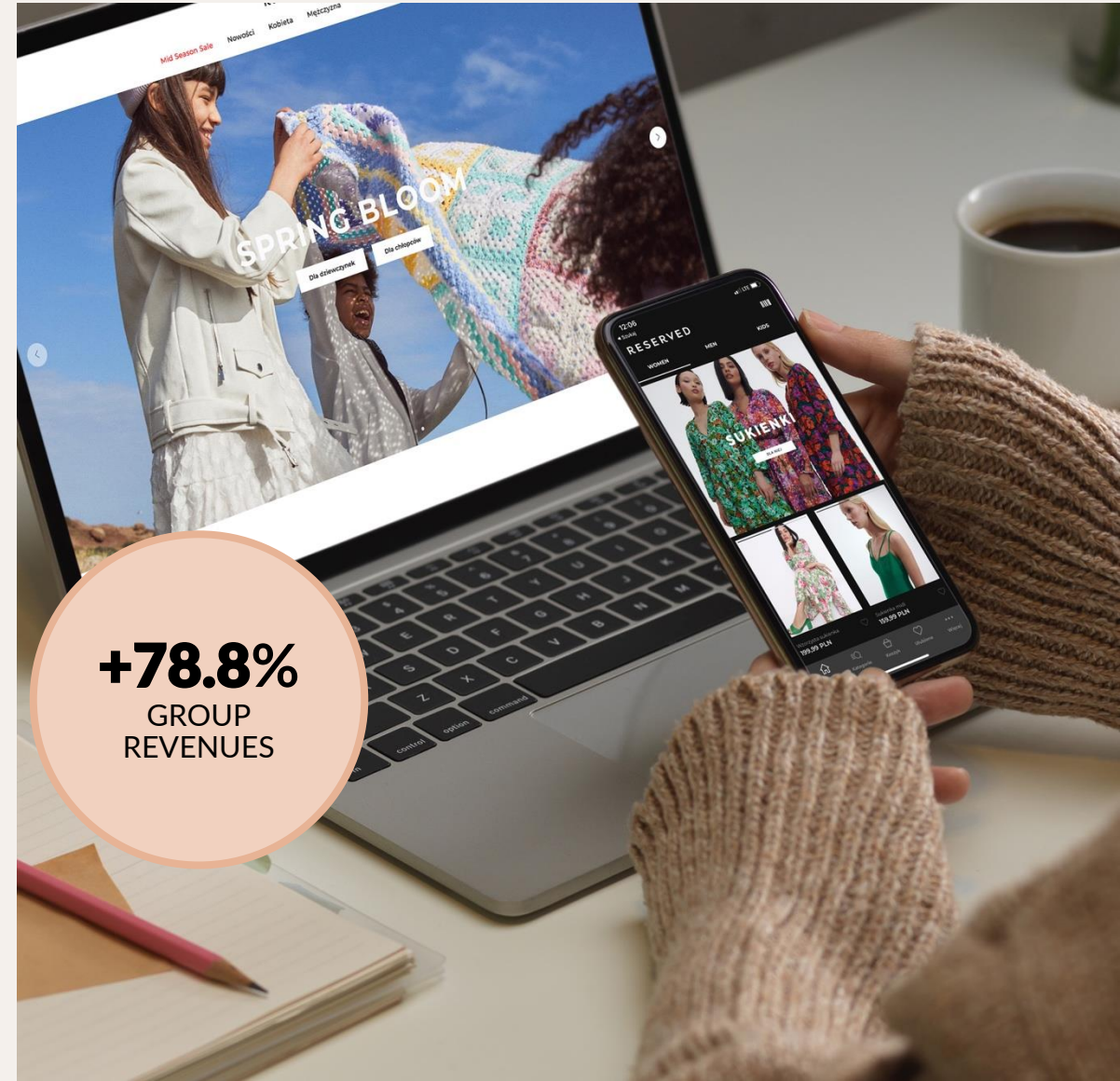
## — ONLINE

**33**  
countries

**+77.7%**  
sales

**39**  
COUNTRIES

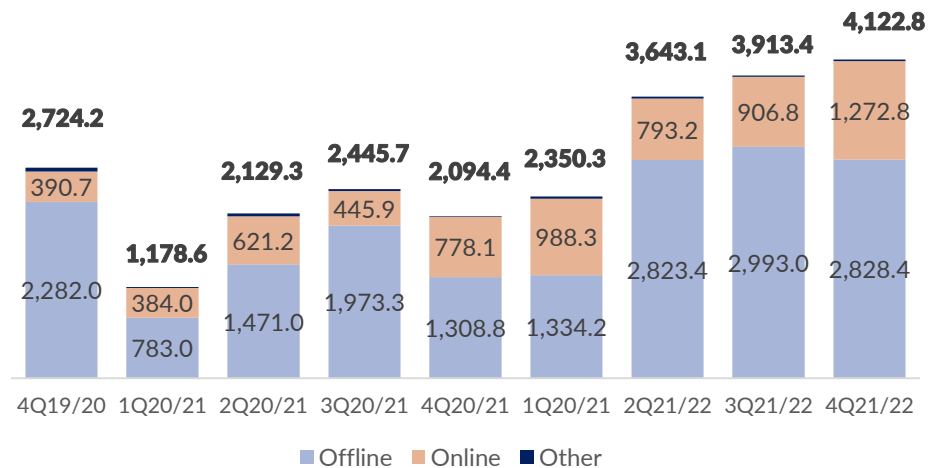
**+78.8%**  
GROUP  
REVENUES



# Doubling of Group revenues

## GROUP REVENUES

(PLN m)



## OMNICHANNEL REVENUES

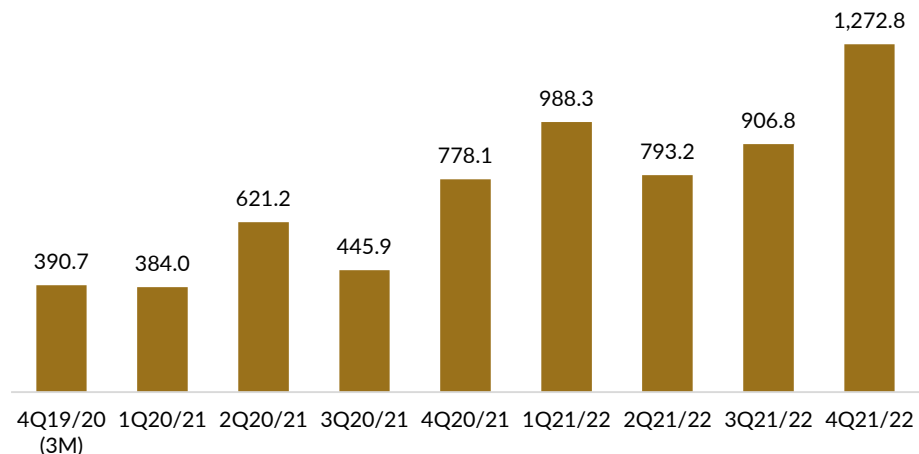
PLN m	4Q20/21	4Q21/22	YoY
<b>LPP GROUP</b>	<b>2,094.4</b>	<b>4,122.8</b>	<b>96.8%</b>
Reserved	904.6	1,508.1	66.7%
Cropp	259.8	411.2	58.3%
House	248.2	383.1	54.3%
Mohito	187.1	315.0	68.3%
Sinsay	486.1	1,483.3	205.1%
Other	8.6	22.0	156.6%

- Group's total revenues increased by 96.8% YoY in 4Q21/22. Dynamic growth of online sales, continuation of delayed demand for purchases in traditional stores and continuation of rapid floorspace development.
- 51.5% YoY increase in the Group's sales/ m2 in 4Q21/22 to PLN 750/ m2 due to favorable dynamics in both online and offline sales. 65.5% YoY increase in the Group's offline sales/ m2 to PLN 498/ m2 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.

# Over PLN 1bn e-commerce revenues in quarter

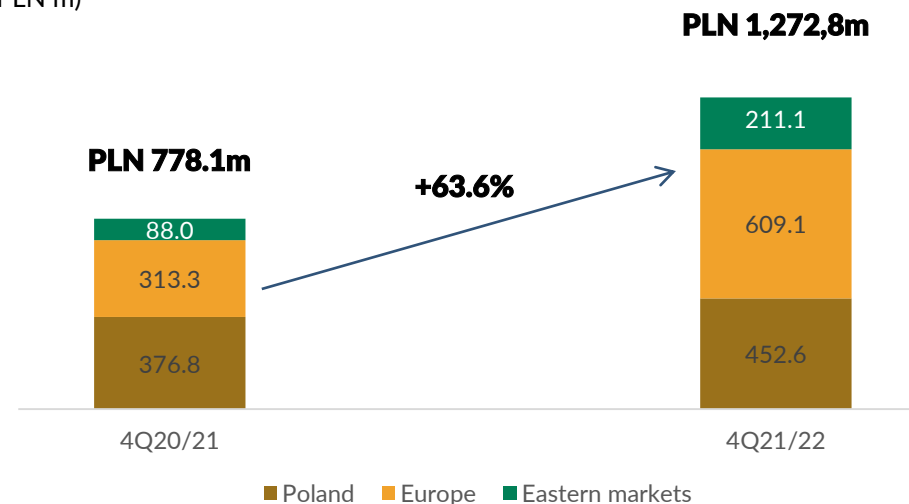
## ONLINE SALES

(PLN m)



## ONLINE BY REGIONS

(PLN m)



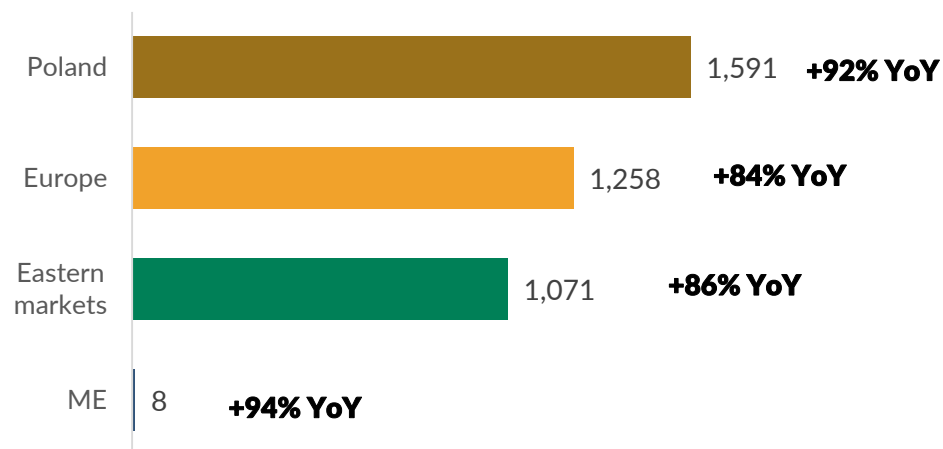
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- High double-digit online sales (63.6% YoY) in 4Q21/22, despite high demand in traditional stores. High double-digit dynamics in the number of visits to our brands' websites and double-digit increases in number of returning customers.
- Online sales in 4Q21/22 accounted for 28.4% of revenues from Poland (45.4% in 4Q20/21) and 30.9% of the Group's revenues (37.2% in 4Q20/21).
- YoY increases in 4Q21/22 in the European market (+ 94% YoY) and Eastern markets (+ 140%) were significantly higher than in Poland (+ 20% YoY). Middle East countries are not included as sales are made via partners' external platform.
- In 4Q21/22, 87% of visits and 73.5% of purchases were made via mobile devices.

# Foreign revenues higher than domestic ones

## REVENUES BY REGIONS IN 4Q21/22

(PLN m)



## 4Q21/22 FLOORSPACE

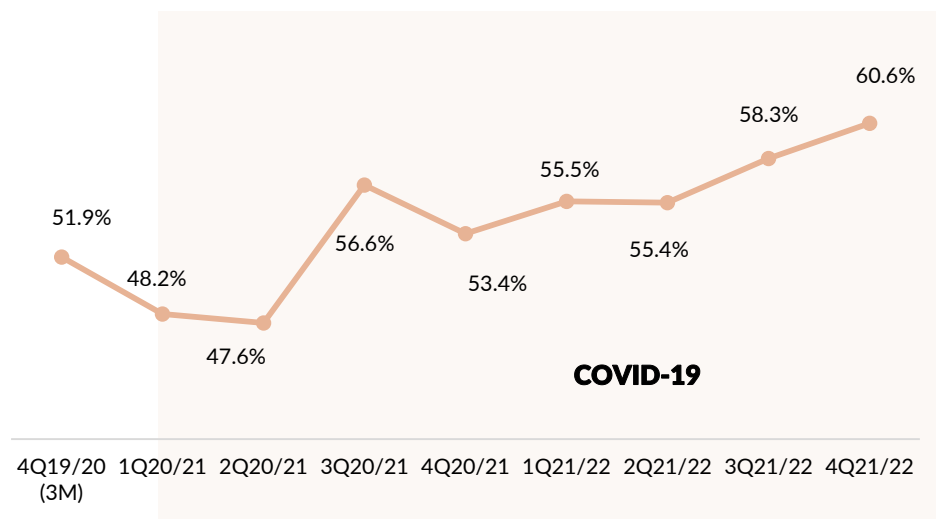
(by regions)

ths m <sup>2</sup>	4Q20/21	4Q21/22	YoY
<b>LPP GROUP</b>	<b>1,435.4</b>	<b>1,888.1</b>	<b>31.5%</b>
Poland	566.9	677.2	19.5%
Europe	432.6	522.8	20.9%
Eastern markets	426.1	678.1	59.1%
ME	9.9	10.0	1.7%

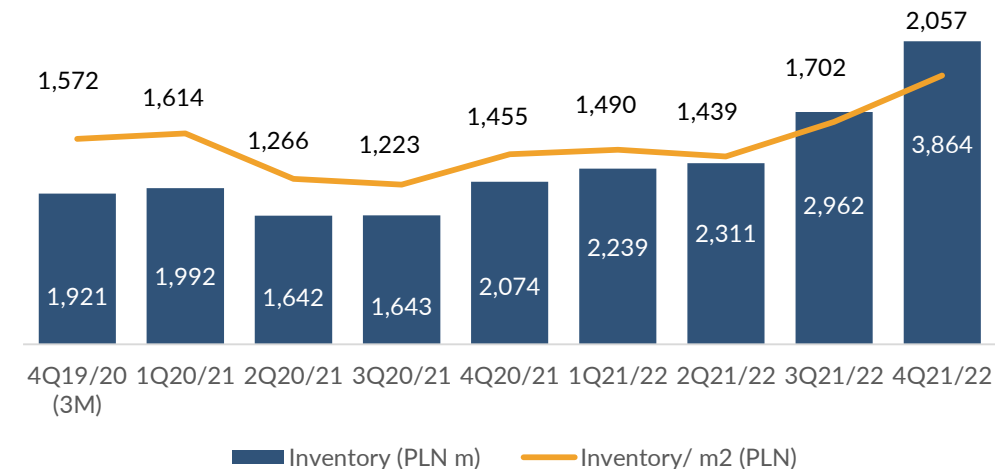
- Foreign revenues exceeded domestic ones in 4Q21/22. Poland constituted 38.6% of revenues.
- Sales growth in Europe in 4Q21/22 in all countries. Strong revenues in South Eastern Europe.
- Fivefold sales increases in the pan-European e-store.
- Over PLN 1bn revenues from the Eastern markets – the last quarter with such a high exposure.
- Increases in ME due to the opening of a second store in Cairo, Egypt.

# High gross profit margin and inventory

## QUARTERLY GROUP GROSS PROFIT MARGIN



## INVENTORY AND INVENTORY/M2

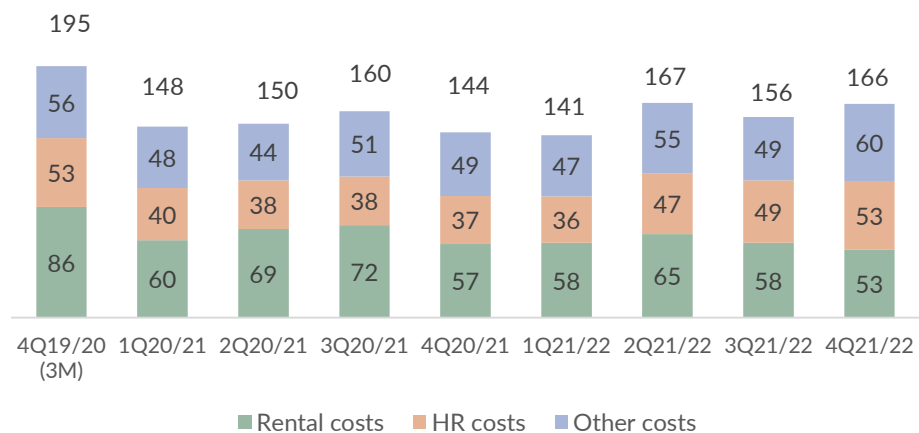


- Gross margin in 4Q21/22 was significantly higher YoY due to: (1) increased sales prices, (2) lower availability of goods on the market and related lower YoY discounts and (3) higher share of foreign sales with higher margins.
- 86.3% YoY increase in inventories results from: (1) greater stocking for the planned new stores and (2) acceleration of orders for goods from the Spring/Summer 2022 collection due to extended delivery times for goods from Asia. Scheduled semi-annual PLN 88.1m inventory write-offs in 4Q21/22. Write-offs for inventory in Ukraine in other operating costs.
- 41.4% YoY increase in inventories/ m2 due to faster import of goods, stocking up for stores to be opened in the following months and e-commerce development.

# Costs/ m2 growth below sales/m2 growth

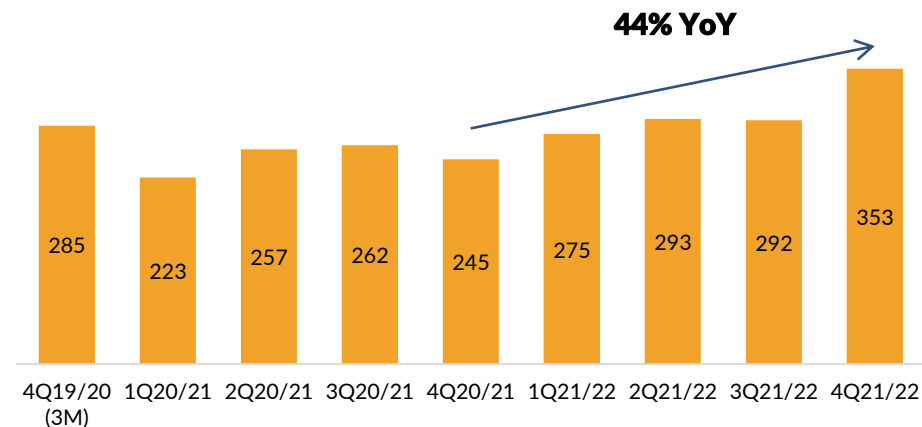
## COSTS OF OWN STORES/ M2

(IAS17)



## SG&A COSTS/ M2

(IFRS16)



- YoY decline in rental costs/ m2 → new stores (mainly Sinsay brands) opened on significantly better commercial terms.
- YoY increase in personnel costs/ m2 → impact of lockdown in 4Q20/21 (mainly base salary), 4Q21/22 increase in wages in December.
- YoY increase other costs/m2 → usage of external materials and services is a derivative of sales growth and new openings, higher energy costs.
- 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 49.1% in 4Q20/21 to 46.8% in 4Q21/22.
- In 4Q21/22, costs of stores amounted to PLN 914m, +51% YoY, while costs of HQs and e-commerce at PLN 1,017m, +140% YoY.



# Quarter impacted by write-offs

- High double-digit sales increases YoY due to good online and offline sales results. YoY increase in gross margin due to higher in prices. Operating expenses growth below sales growth due to cost savings made.
- Less favorable impact of other operating activities YoY in 4Q21/22. In 4Q20/21: PLN 17.9m in subsidies and PLN 15.1m from the liquidation of IFRS16 contracts, but PLN 26.4m write-offs for goodwill in Slovakia and PLN 31.6m for unprofitable stores. 4Q21/22: PLN 272.9m in write-offs related to Ukraine, PLN 335.0m to Russia, PLN 36.2m write-offs for other unprofitable stores, PLN 3.3m of profit on liquidation of stores (IFRS16) and PLN 3.4m in salary subsidies obtained.
- Net financial activity less favourable YoY. 4Q20/21: PLN 29.7m in FX gains under IFRS16, adjustment of the lease liability under IFRS16 - loss of PLN 54.4m, PLN 21.5m in FX losses under IAS17. 4Q21/22: PLN 93.0m FX losses (despite PLN 3.8m FX gains on IFRS16).
- Stronger YoY operating cash flows, due to more favourable trends on liabilities, despite growth in inventory. Favourable negative cash cycle. Over PLN 3.3bn of financing from reverse factoring.

PLN m, IFRS16	4Q20/21	4Q21/22	YoY
<b>Revenues</b>	<b>2,094.4</b>	<b>4,122.8</b>	<b>96.8%</b>
<i>Gross profit margin on sales</i>	53.4%	60.6%	7.2pp.
SG&A costs	1,029.1	1,930.3	87.6%
<b>EBIT</b>	<b>80.1</b>	<b>-20.6</b>	<b>N/M</b>
<i>EBIT margin</i>	3.8%	-0.5%	-4.3pp.
Net financial activity	-84.1	-144.9	N/M
<b>Net profit</b>	<b>-44.4</b>	<b>-154.7</b>	<b>N/M</b>
<b>EBITDA</b>	<b>337.4</b>	<b>306.2</b>	<b>-9.3%</b>
Working capital	-650	-958	N/M
Cash cycle (days)	-81	-67	+14
Operating cash flows	-83	348	N/M

# EBIT more favourable under IFRS16 than IAS17

PLN m, IAS17	4Q20/21	4Q21/22	YoY
<b>Revenues</b>	<b>2,094.4</b>	<b>4,122.8</b>	<b>96.8%</b>
<i>Gross profit margin on sales</i>	53.4%	60.6%	7.2pp.
SG&A costs	995.9	1,963.9	97.2%
<b>EBIT</b>	<b>67.0</b>	<b>-57.5</b>	<b>N/M</b>
<i>EBIT margin</i>	3.2%	-1.4%	-4.6pp.
Net financial activity	-24.8	-112.3	N/M
<b>Net profit</b>	<b>10.4</b>	<b>-158.8</b>	<b>N/M</b>
<b>EBITDA</b>	<b>205.6</b>	<b>139.6</b>	<b>-32.1%</b>

## EBITDA

PLN 156.6m of additional depreciation of the right-of-use asset.

4Q21/22

## EBIT

59% of rents under IFRS16 (PLN 190.3m). PLN 3.3m profit on the liquidation of contracts valued under IFRS16.

4Q21/22

## NET INCOME

Financial costs related to the asset (PLN -38.2m) and foreign exchange losses (-PLN 3.8m). Impact on deferred tax (PLN 0.2m).

4Q21/22

# Almost PLN 1bn net income in 2021/22

- High double-digit sales growth YoY due to the development of omnichannel. Significant increase in gross margin YoY: lower YoY sell-offs, more favorable purchase prices for Spring collection and strong demand. Operating expenses increase below sales growth.
- 2020/21 one-offs: PLN 83.3m in salary subsidies and PLN 29.5m profit on liquidation of IFRS16 contracts, PLN 70.6m in write-offs for unprofitable stores and PLN 26.4m in goodwill write-off. 2021/22 one-offs: PLN 45.6 million in subsidies to salaries, PLN 272.9m write-offs related to Ukraine and PLN 335.0m write-offs related to Russia and PLN 90.2m for other unprofitable stores.
- Stable YoY unfavourable impact of net financing activity. 2020/21: FX losses under IAS17 at PLN 75.9m and under IFRS16 at PLN 102.5m, were not compensated by the PLN 66.5m profit from rent reductions and rent abolition under IFRS16. 2021/22: PLN 89.8m FX losses under IAS17 and an additional PLN 3.9m under IFRS16.
- In 2021/22, store capex amounted to PLN 912m, + 11% YoY and capex on infrastructure PLN 413m, -34% YoY along with the completion of the construction of the Distribution Center in Brześć Kujawski.

mIn PLN, MSSF16	2020/21	2021/22	YoY
<b>Revenues</b>	<b>7,848.1</b>	<b>14,029.7</b>	<b>78.8%</b>
<i>Gross profit margin on sales</i>	52.0%	57.8%	5.7pp.
SG&A costs	3,847.6	5,960.9	54.9%
<b>EBIT</b>	<b>153.0</b>	<b>1,479.0</b>	<b>866.5%</b>
<i>EBIT margin</i>	1.9%	10.5%	8.6pp.
Net financial activity	-269.5	-247.0	N/M
<b>Net profit</b>	<b>-190.1</b>	<b>953.5</b>	<b>N/M</b>
<b>EBITDA</b>	<b>1,226.1</b>	<b>2,626.6</b>	<b>114.2%</b>
<b>Net debt (cash) IAS17</b>	<b>-272</b>	<b>-381</b>	<b>N/M</b>
Cash in money market funds and deposits	953	1 303	37%
Capex	947	1 325	61%

# Executive summary 2021/22

1

**High offline revenue dynamics** despite pandemics.

2

Double-digit online **sales growth**.

3

Gross profit and operating margin **improvement**.

4

Trade liabilities exceed inventory.

5

Net cash (IAS17).



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SUSTAINABILITY  
REPORT  
FOR 2021/22

—  
WITH ESG BROUGHT TO THE FORE

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RESERVED

CROPP

 **house**

MOHITO

**sinsay**

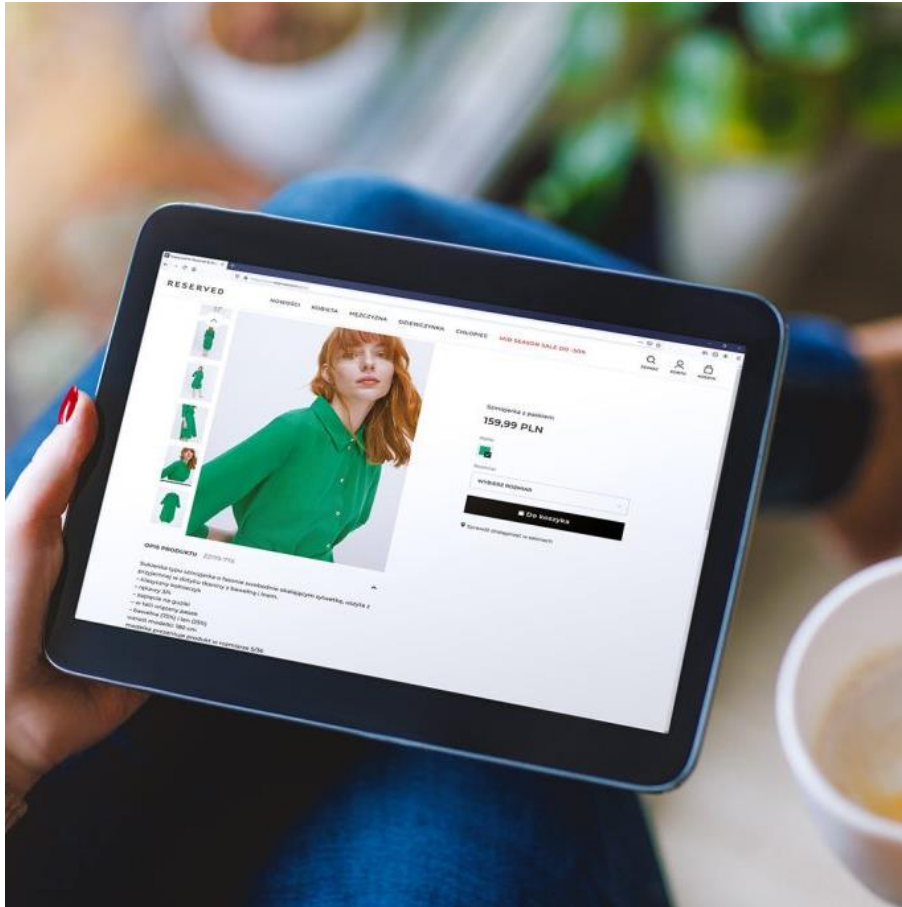
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**03**

**2022/23 + outlook**



## Strategic shift: from East to West

Along with Russia's invasion on Ukraine and closing down of two key Eastern markets, LPP sees its opportunity for development in the West.

We are prepared for development in the West:

- we have been developing e-commerce for several years, due to which we know the trends in individual countries of the European Union,
- we have proven brand concepts, we focus on Reserved and Sinsay,
- we put emphasis on the value for money segment - the right format for today's Europe, both for online and offline development.

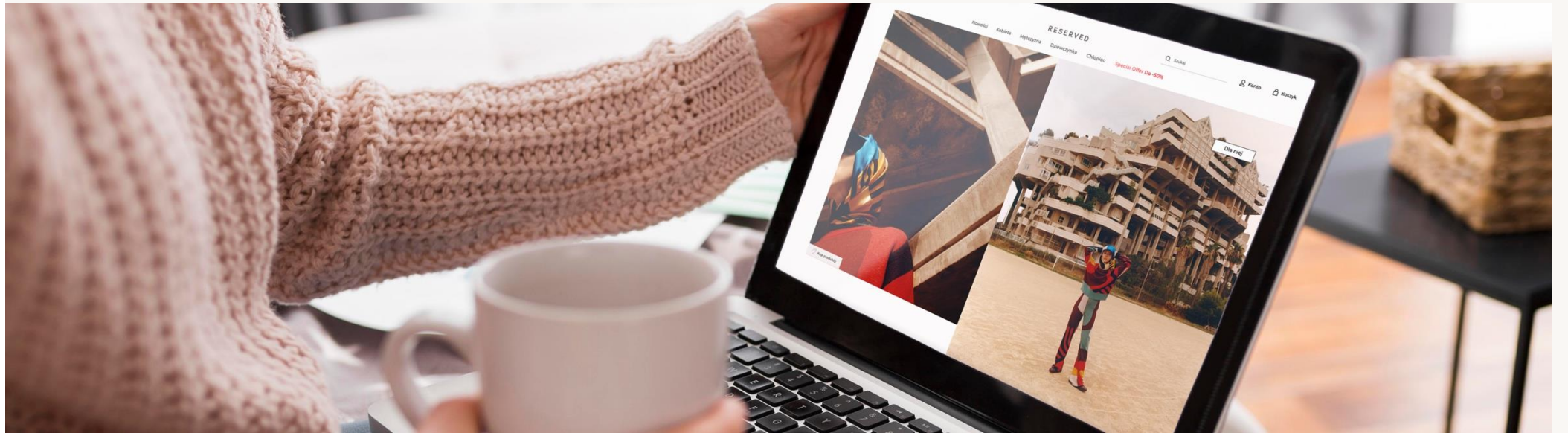
## 3 sources of LPP's growth

in upcoming years:

Reserved online brand development on European markets

Sinsay's network of traditional stores (smaller cities, retail parks, value for money concept)

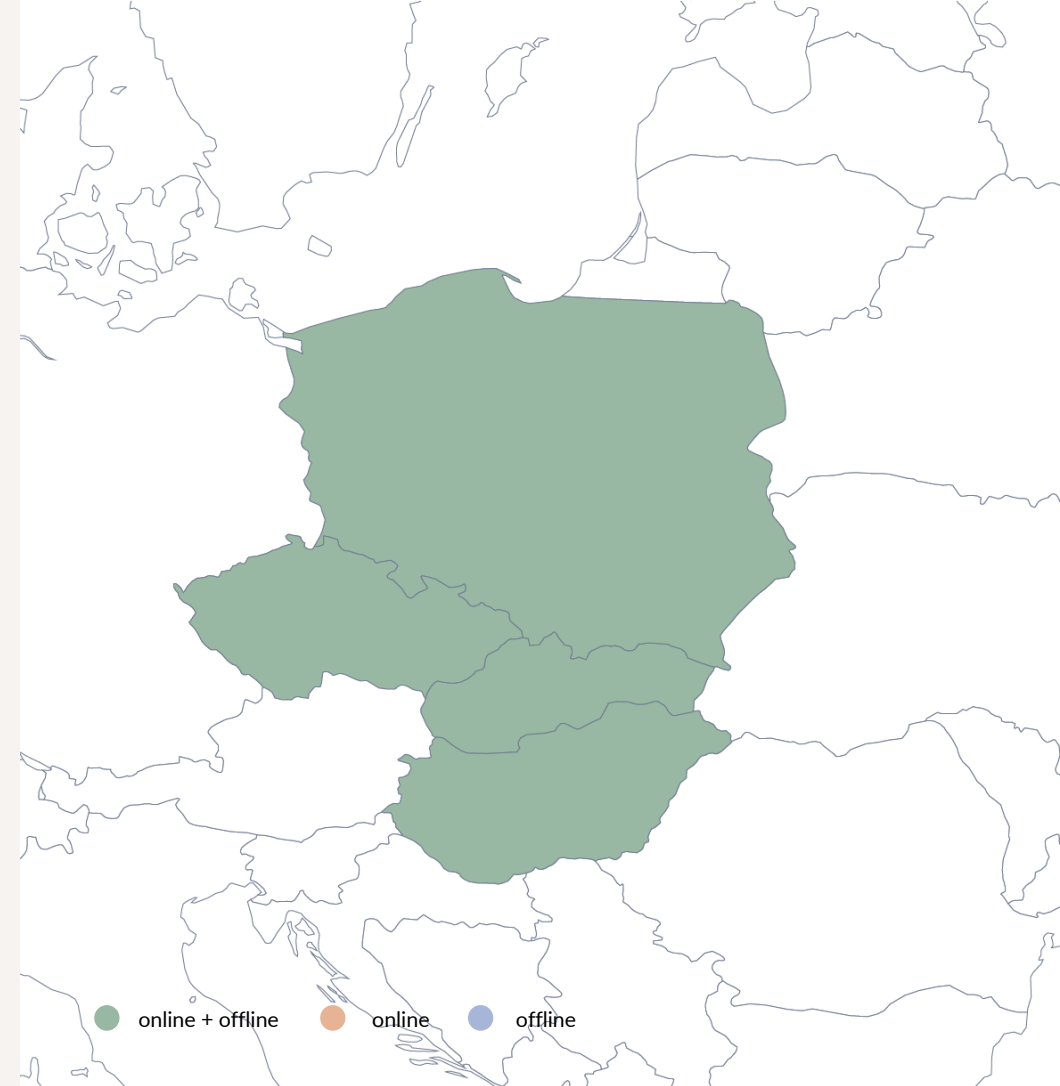
Sinsay online LPP's advantage lies in a proven online sales model in the value for money segment





## CEE - our key region

1. The CEE region will remain the largest
2. Sinsay should be the key growth driver (smaller towns, retail parks)
3. Dynamic online development (mainly Reserved and Sinsay)

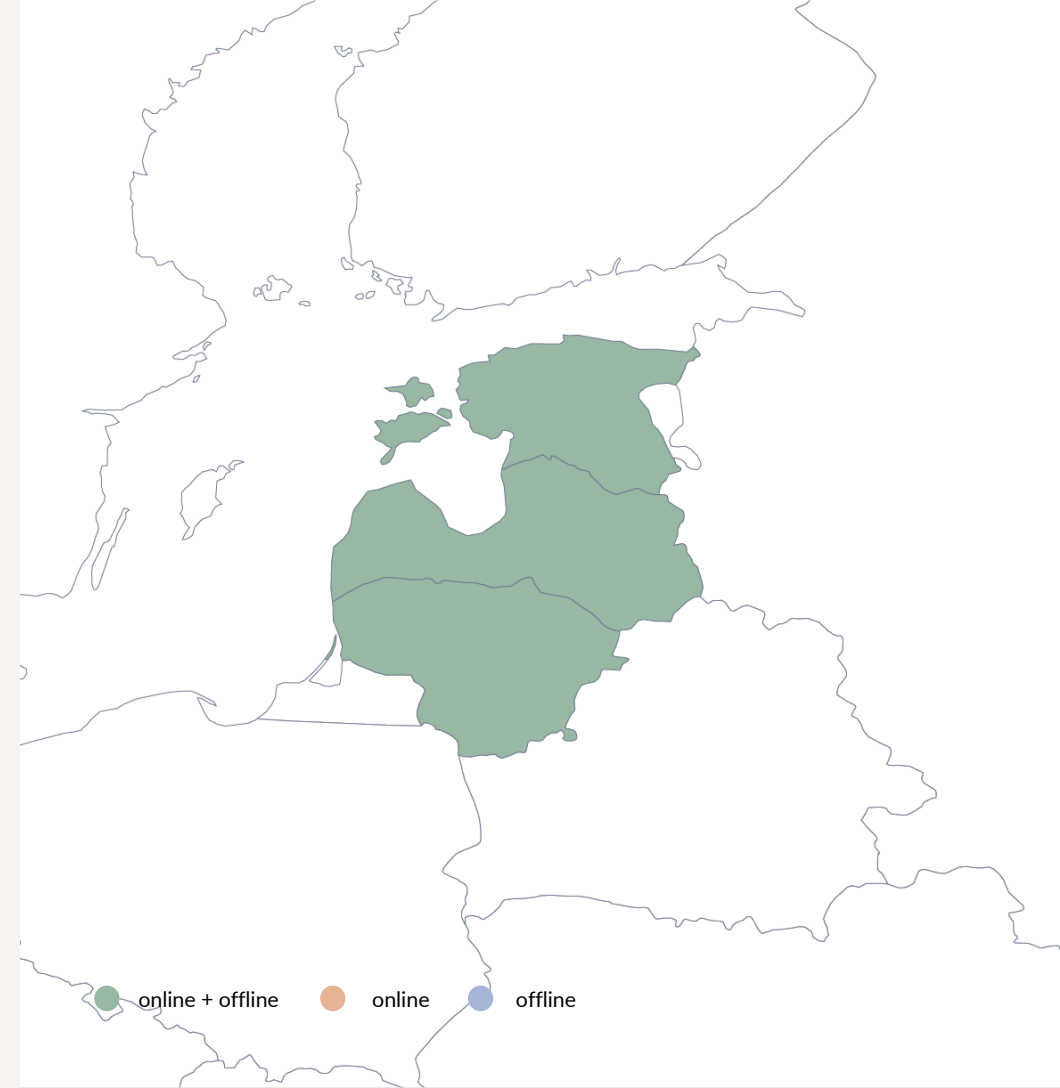


End of 2022/23:

- 1,123 ths m2 of floorspace
- 1,412 stores

## Baltic countries – a stable business

1. Dynamic Sinsay offline development
2. Online development, especially Sinsay
3. Stable traditional network of other brands

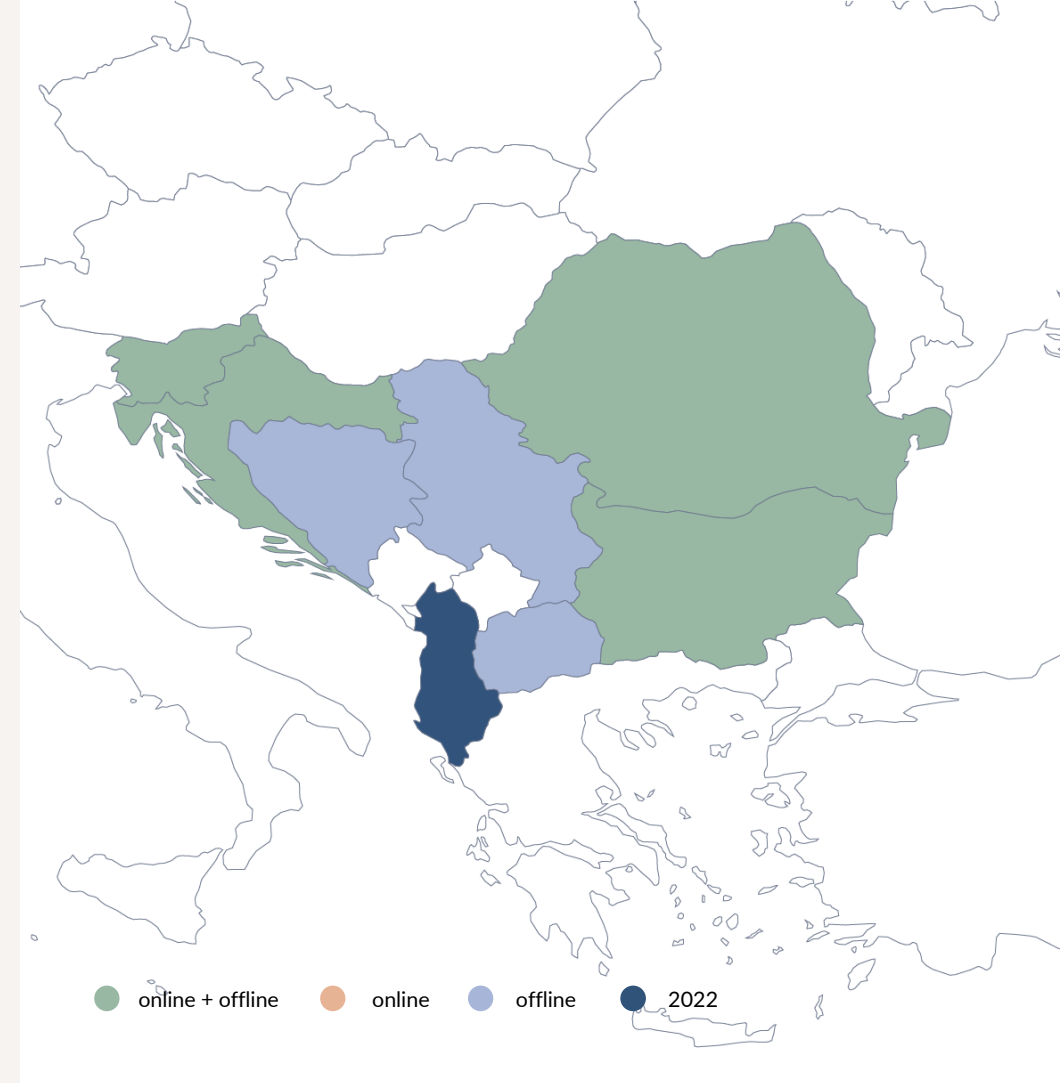


End of 2022/23:

- 89.4 ths m2 of floorspace
- 102 stores

## SEE – a growth region

1. Sizeable development potential of the traditional network, especially in Romania, Bulgaria and Serbia
2. Continuation of dynamic online development (benefiting from the logistics potential)
3. New offline market - Albania in 2022/23

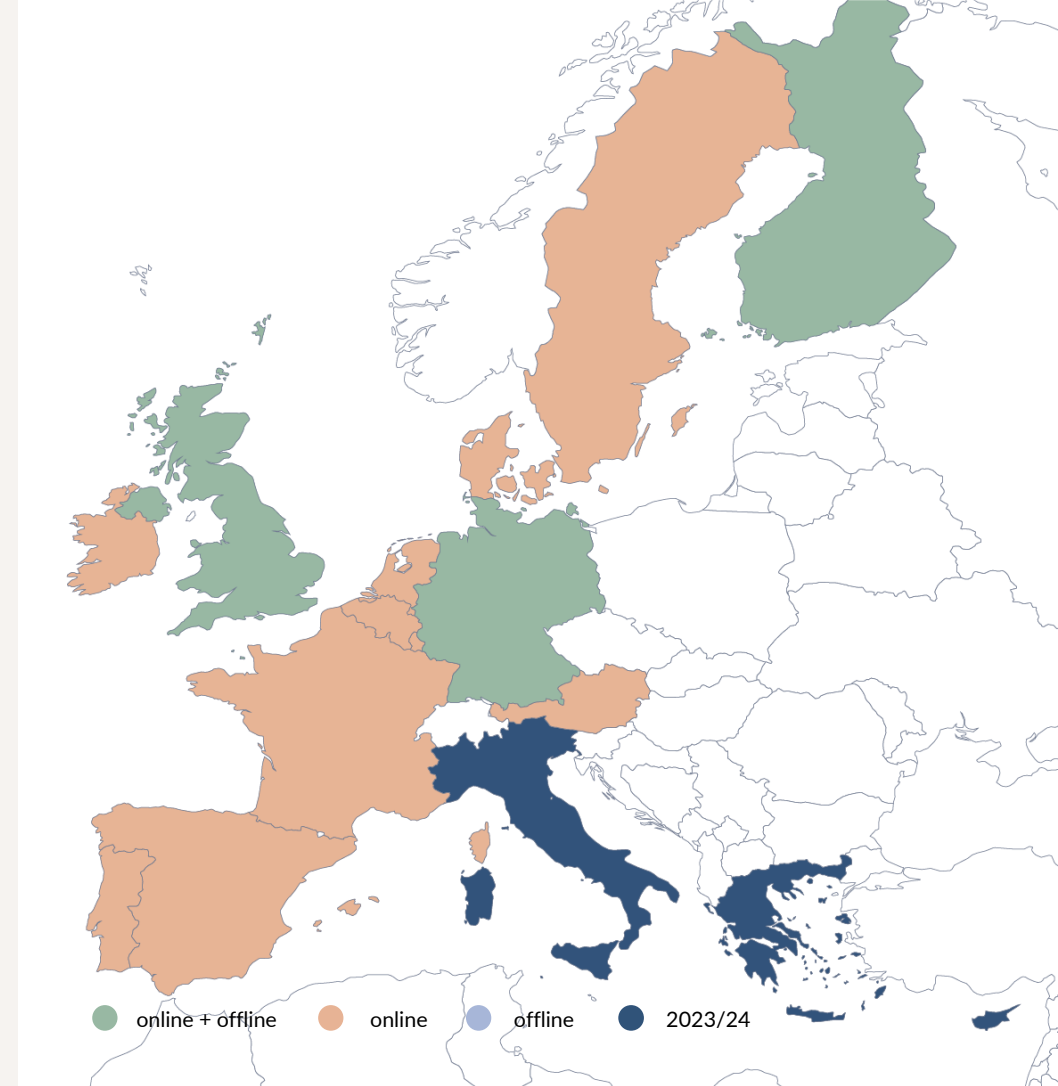


End of 2022/23:

- 454.9 ths m<sup>2</sup> of floorspace
- 453 stores

## WE countries – growing presence

1. Using the potential of a pan-European e-store (adding Sinsay, only Reserved so far)
2. Further online development in Germany and the UK
3. Three new offline markets in 2023/24: Italy and Greece (Sinsay, own stores) and Cyprus (Reserved, franchise stores)

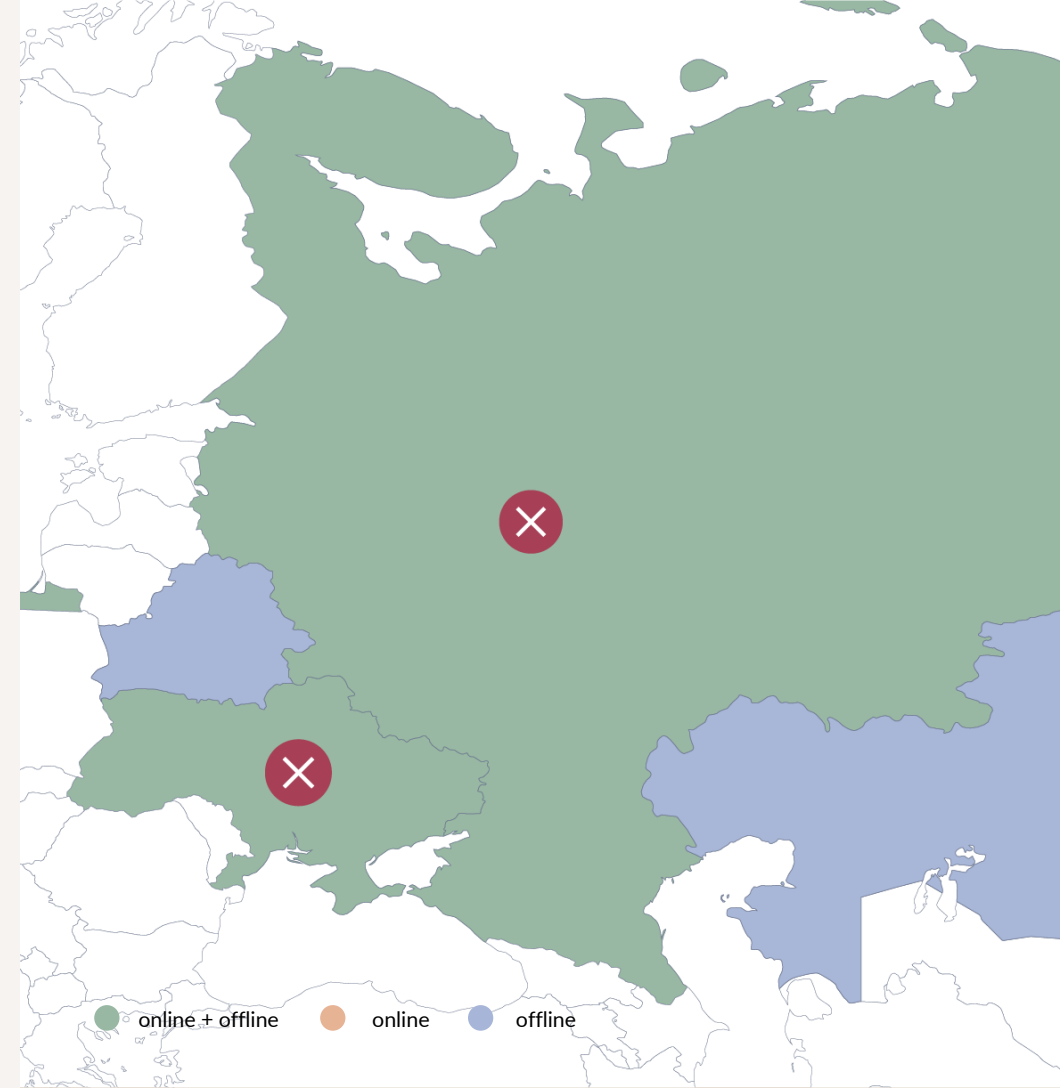


End of 2022/23:

- 51.3 ths m2 of floorspace
- 23 stores

## Eastern Europe – two largest markets closed

1. Closed stores in Russia and 65% of traditional stores in Ukraine
2. E-stores' operations suspended
3. There are no development plans in the region due to political situation

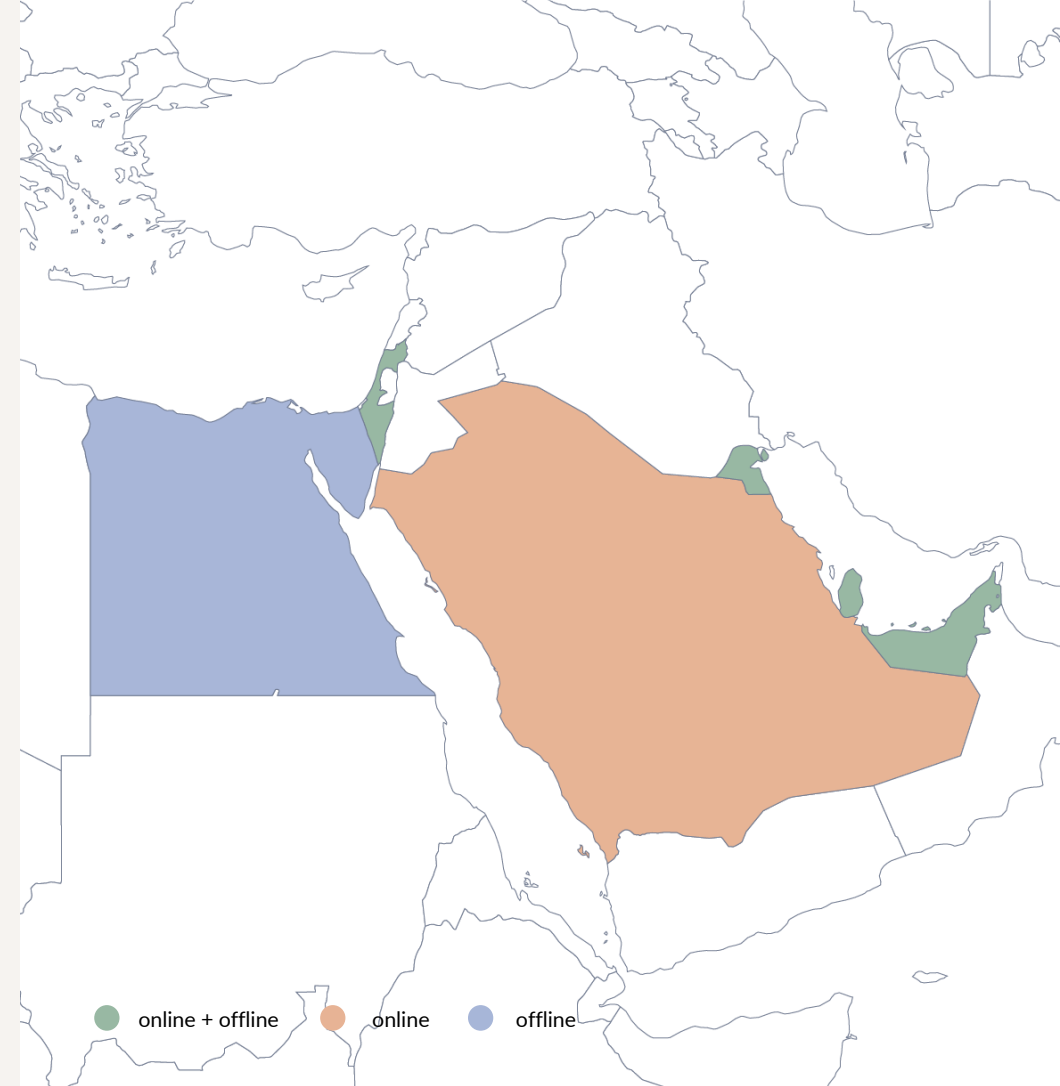


End of 2022/23:

- 49.1 ths m2 of floorspace
- 45 stores

## ME – stability

1. Stabilization in number of countries
2. Development of e-commerce through franchise partners
3. Potential for growth in number of stores in the medium-term



End of 2022/23:

- 10.6 ths m2 of floorspace
- 11 stores

# 2022/23 targets



## Targets

- Over PLN 16bn of revenues, +13% YoY.
- Fall in floorspace to 1,778 ths m2 (assuming no Russia and Ukraine). Emphasis on Sinsay, over 400 new stores this year.
- PLN 5bn online sales.
- Lower gross profit and operating margin.
- Maintenance of net cash.
- PLN 1 bn capex (out of which PLN 630m for stores, PLN 220m on logistics and PLN 150m for offices and IT).



## Opportunities

- A growing share of value for money segment online and offline.
- Translating inflation into prices.
- Completion of RFID implementation.



## Risks

- Supply chain disruptions.
- Impact of war in Ukraine on European economies.
- Continuation of the pandemic.





## A dividend paying company

The Management Board of LPP proposed that the separate net profit for the financial year 2021/22 in the amount of PLN 1,431.5m should be distributed as follows:

- PLN 648.3m to be distributed to shareholders as a dividend of PLN 350 per share;
- PLN 410.0m to cover the loss from the previous year,
- PLN 373.2m to be transferred to reserve capital.

The dividend date (i.e. the date on which the list of shareholders entitled to dividend is established) is May 30, 2022.

**Our goal is to regularly pay dividends in two tranches per year.**

Dividend will be paid in two equal tranches (PLN 175 per share):

- the first tranche on June 6, 2022,
- the second tranche on August 30, 2022.




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**Q&A**

# LPP

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