



# COVID19 – BUSINESS UPDATE

GDAŃSK  
15<sup>TH</sup> APRIL 2020

## LPP



RESERVED

CROPP

 house

MOHITO

sinsay

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1. Current actions

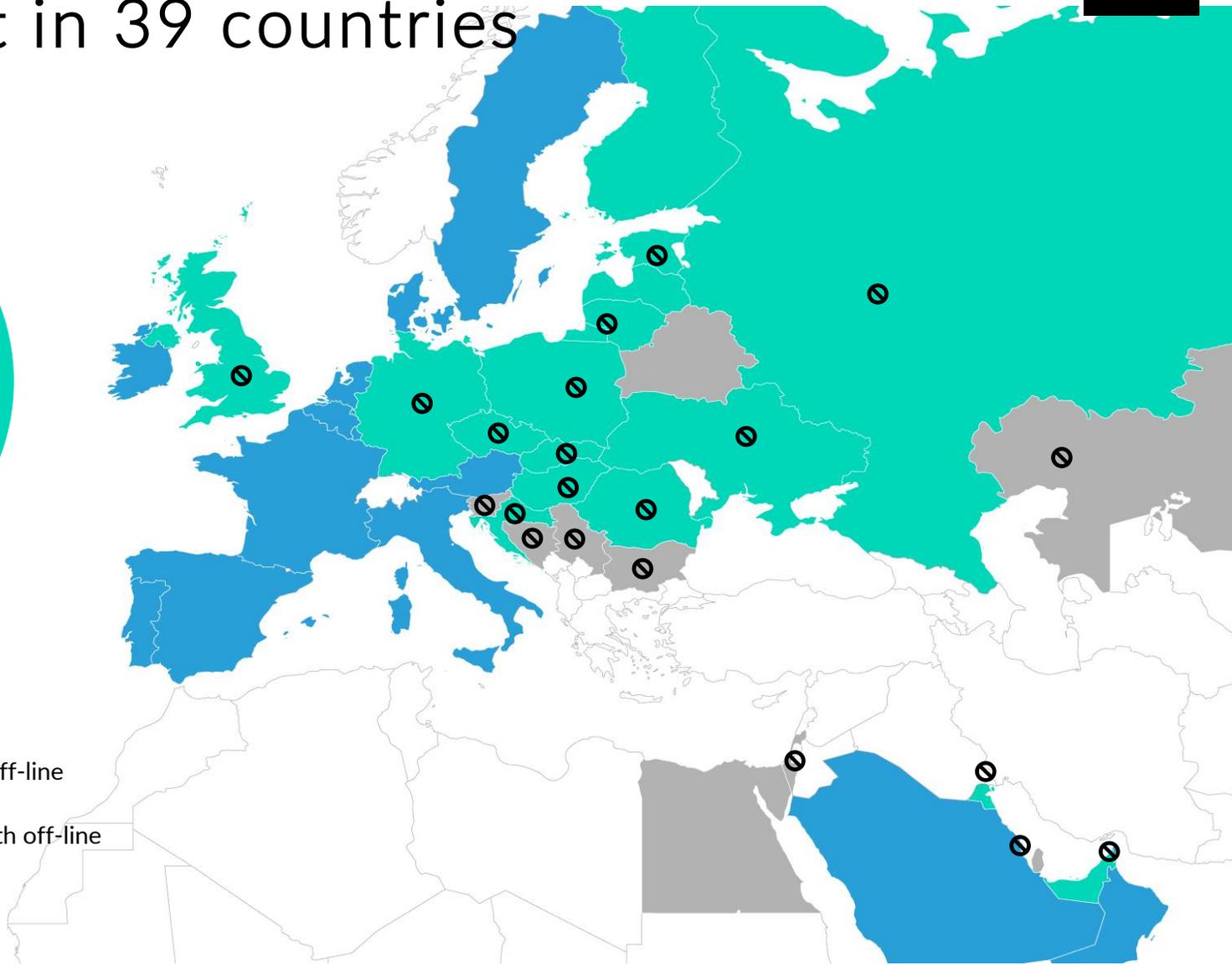
2. Outlook

3. Back-up

#LPPOMAGA

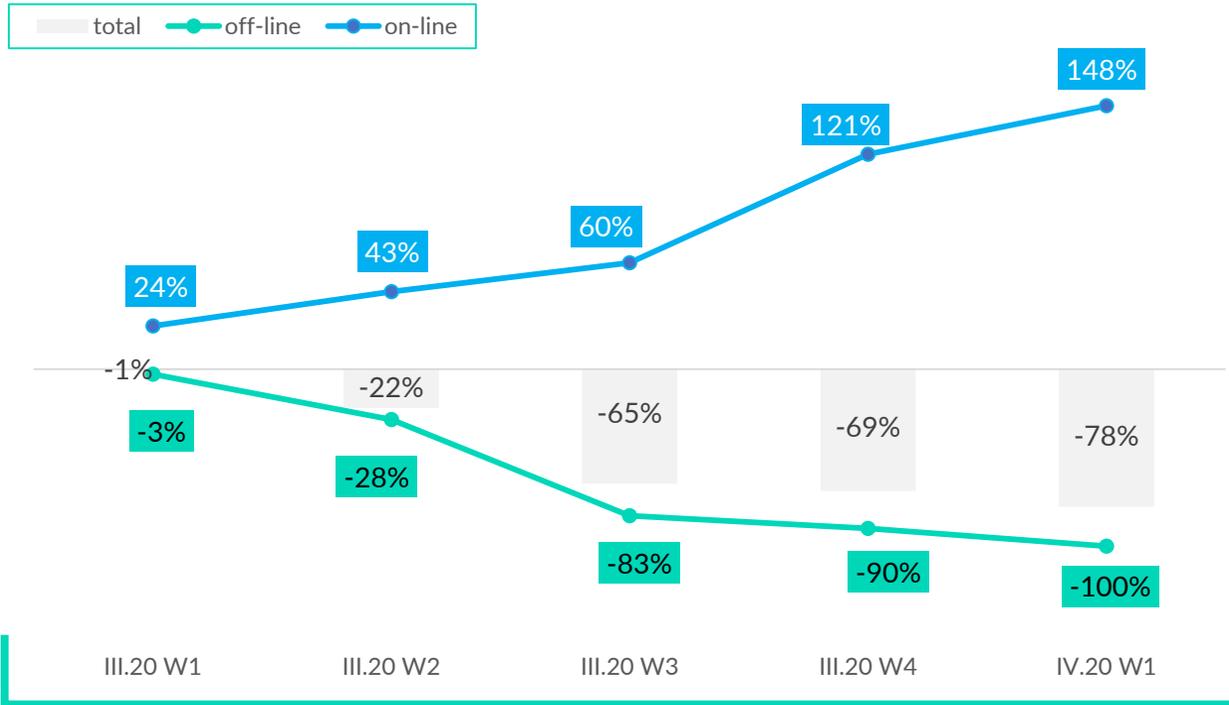
# LPP is present in 39 countries

Shopping malls are closed in 21 out of 25 countries in which LPP has traditional stores.



- on-line + off-line
- on-line
- off-line
- ⓧ closed shopping malls in countries with off-line

# Current situation: growth on-line, falls off-line

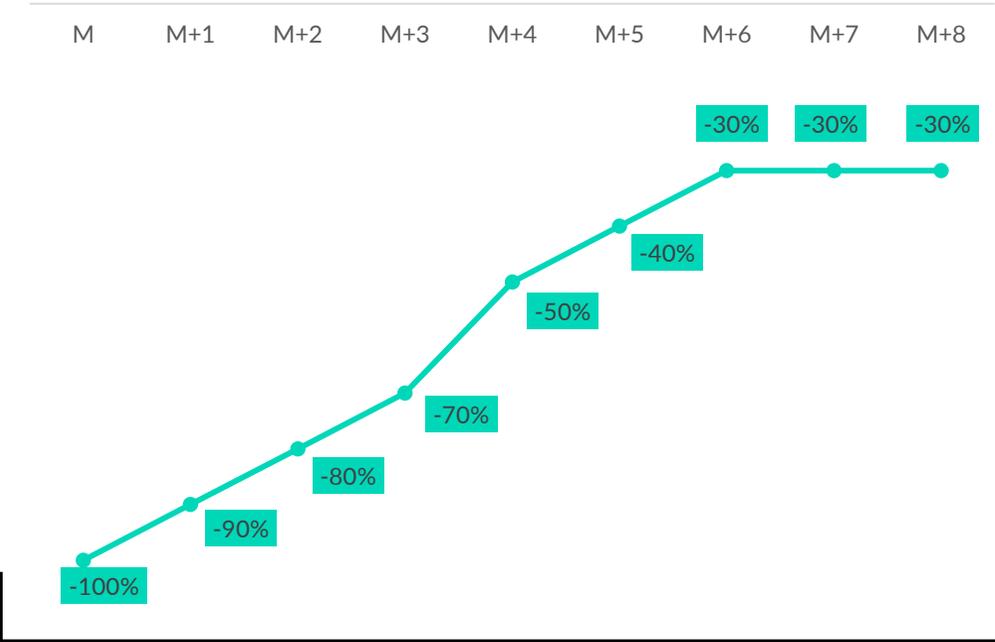


Our e-stores operate without restrictions in 30 countries and show sales growth.

All our traditional stores are open only in four countries. Traffic falls range up to 90%.

# LPP is prepared for an unfavourable base case scenario

Base case scenario: YoY change in sales/ m2 after shopping malls are opened



We assume a gradual return to shopping malls openings, varied across countries. All LPP stores may be opened only in the fourth week of June 2020.

We assume a gradual rebound in sales of traditional stores after restrictions are lifted in each of the country where LPP has traditional stores.

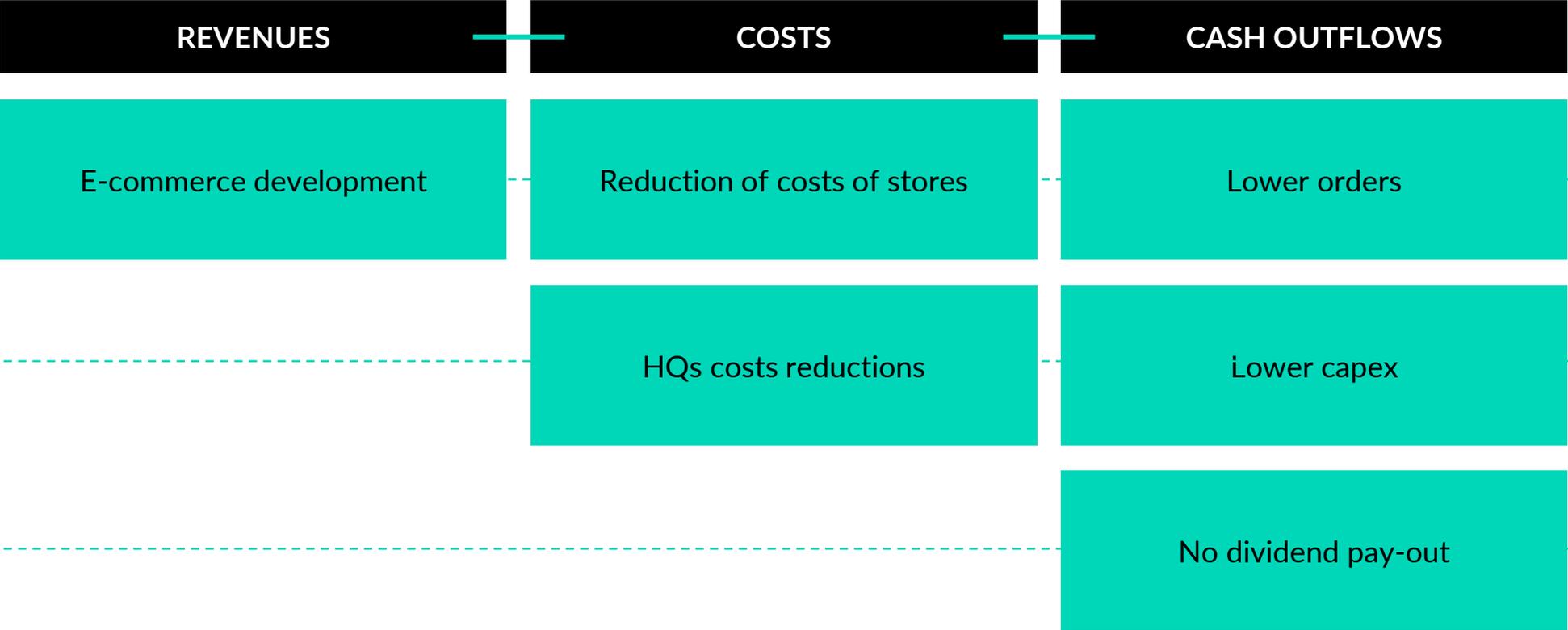
We expect dynamic triple-digit development of on-line sales to continue until reopening of shopping malls.

We assume some slowdown in e-commerce dynamics after reopening of shopping malls. However, they should remain at high double-digit levels.

M+1 means YoY sales/ m2 dynamics in the first month after shopping malls have been reopened in selected country.

# Liquidity is the key to a stable situation

ACTIONS TAKEN TO **MAINTAIN A STRONG LIQUIDITY POSITION** OF THE GROUP



# Focus on e-commerce development



Triple-digit e-commerce growth in recent weeks.

Higher outlays on on-line marketing and brand positioning.

Streamlining of distribution centre operations while ensuring the safety of employees.

Attractive promotions: -25% for new collections, up to -50% for selected items.

Streamlining of e-commerce logistics.

# Our aim is to decrease the operating leverage

	Costs of stores	HQ costs
Fixed	<p>rental agreements (70% of these are fixed), media and D&amp;A</p> <p>base salary for store personnel</p>	<p>purchasing and designing departments, finance</p> <p>distribution centre employees</p>
Variable	<p>rental agreements (30% of are variable, i.e. turnover-based)</p> <p>one fifth of remuneration is linked to sales levels</p>	<p>courier companies paid per parcel delivered</p>

73% of SG&A costs were fixed in 2019.

# Rentals reductions

Lower opening plans for 2020/21 (10% YoY growth, 6 pp. fewer).

Shifting part of the openings for 2021/22 (including entry to new countries).

Renegotiation of lease agreements in shopping malls in all countries.

Aim: turnover-based rentals as a standard.

Monthly level of rentals for the Group at some PLN 100m.

Rental relief in Poland during the period of closed shopping malls.  
Reopening of stores will resume rental payments – it will be crucial to renegotiate rentals.

Support of the Polish State in terms of rentals one of the strongest in the region.  
Almost no support of local governments in terms of rentals on other key markets.

# Reductions in personnel costs

Support in Poland in the form of subsidies for minimum wages, available also for larger companies. Varied level of support in other countries in which LPP has traditional stores.

Estimated monthly amount of support for the Group at some PLN 18m.

## HQs

## Stores

Employees on holidays, this year's and overdue. In Poland, the use of so-called 'demurrage' and 'solidarity' support (pay cut by 20%). Use of support in other countries upon availability.

Reduction in remuneration of all employees, including management.

Base salary, no variable pay, i.e. linked to revenues.

Monthly level of salaries for the whole Group at some PLN 90m (before pay cuts).

# Streamlining of logistics



## Fixed costs

own and rented  
distribution centres for  
stores and e-stores

## Variable costs

shipping costs to  
traditional stores  
(currently suspended)

–

costs of shipping goods  
from warehouses to  
e-commerce customers

Focus on e-commerce.

# Reasonable inventory management

Inventories at the end of January 2020 amounted to PLN 1,921m and came in at PLN 2,049m at the end of March 2020. Inventory consists solely of the Spring/Summer 2020 collection.

At present, inventory is sold via e-commerce, the only fully operational sales channel of the Group.

After reopening shopping malls, LPP's goal will be to effectively sell part of the inventory.  
Unsold part of the Spring/Summer 2020 collection will be transferred to Autumn/Winter 2020 or Spring/Summer 2021 collection.

Orders for Autumn/Winter 2020 collection have been reduced by **40%**.

Our goal is to reasonably manage the inventory at hand. In 2020, a reversal of trends in working capital is possible. Return to normalized NWC relations in 2021.

# Sizeable capex reduction

At the end of January 2021, LPP's floorspace should come in at 1,362 ths m2, 10% higher YoY.

## Actions:

continuation of key upgrades and modernisations, shifts and reductions in store openings, yet continuation of Group's development,

Planned store capex at PLN 400m,

withholding the HQs expansion in Gdańsk and shifting outlays for the distribution center in Brześć Kujawski to further years.

HQs capex at PLN 0m,	logistics capex at PLN 50m,	IT outlays at PLN 50m.
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Reduction of capital expenditure compared to previous plans for 2020/21 in the amount of **PLN 620m.**

Planned capex in 2020/21 (12 months) at some PLN 500m.

# Safe financing

## Banks

We have PLN 1.4bn in credit lines.

Timely service of current indebtedness.

## Bondholders

Timely service of interest payments from bonds issued in 2019 (interest will be paid according to schedule).

We do not plan issuance of new bonds.

## Shareholders

The management decided not to recommend dividend payment from 2019 earnings to the AGM.

We do not plan share issuance.

LPP is in a good liquidity standing.

The aim of the Management is to **run the Group through the difficult times.**



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# LPP's offer as the answer to new trends

After reopening of shopping malls, we expect customers to:

- pay attention to more affordable brands,
- make more selective purchases focused on basic models,
- pay attention to the ecological nature of clothing, whether the materials are recyclable or not,
- focus more on homewear.

LPP's brands are positioned in medium price range.

- Mohito EUR 15
- Cropp EUR 13
- Reserved EUR 13
- House EUR 12
- Sinsay EUR 5

Average price tag in 2019/20

The offer of LPP brands is a good response to these anticipated trends.

# Acceleration of omnichannel development

Greater use of RFID  
for on-line integration.

Further improvements  
in the use of e-stores.

Further and faster  
integration of on-line  
with off-line  
(omnichannel).

Acceleration of floorspace  
growth in 2021/22.

Development in centers  
offering fit-outs and  
turnover-based rentals.

Sinsay development  
to continue.

# Maintaining a safe balance sheet

LPP is prepared for its conservative market scenario.

The Group is also able to react quickly to a better than expected situation.

The Group's goal will be to maintain a safe balance sheet and return to development after the crisis.

A medium-term goal for the Group is to increase the share of variable costs.

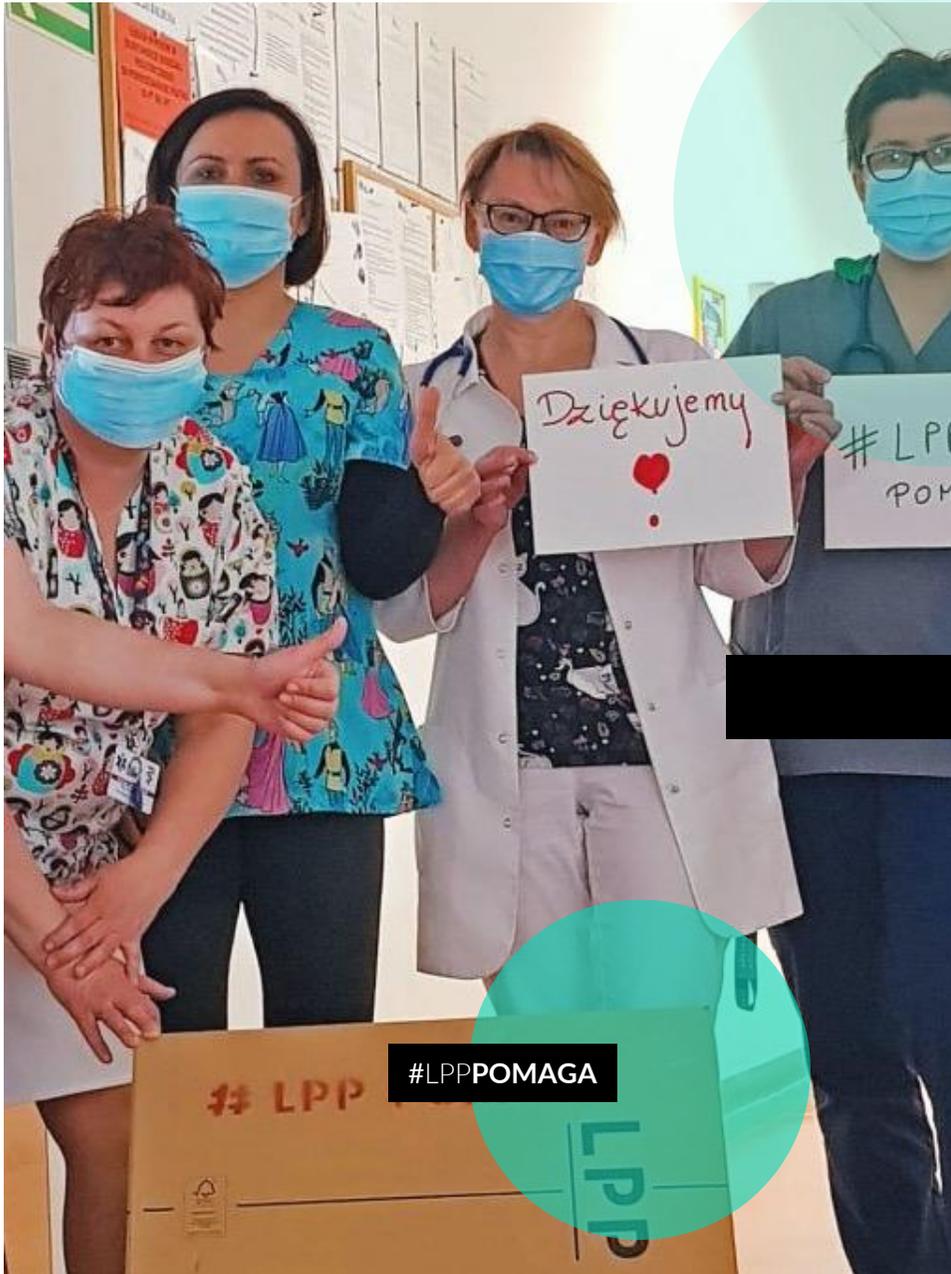
# Further communication

## KEY DATES

- ▶ 04.05.2020  
Preliminary 1Q20/21 data
- ▶ 21.05.2020  
Annual report for 2019/20

Due to the outbreak of the epidemic, the financial goals for 2020/21 are not up to date.

New goals will be published in the annual report and discussed at the accompanying conference.



#LPPOMAGA

## Q&A



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# Restrictions in shopping malls operations

#	Country	Shopping mall operations		
		weekdays	weekends	closing period
<b>Central and Eastern Europe</b>				
1	Poland	closed	closed	from 14.03, update on 16.04
2	Czech Republic	closed	closed	from 14.03 until 11.05
3	Slovakia	closed	closed	from 16.03 until further notice
4	Hungary	closed	closed	from 28.03 until further notice
<b>Baltic countries</b>				
5	Lithuania	closed	closed	from 16.03 to 17.04
6	Latvia	open between 12.00 and 20.00	closed from 28.03	-
7	Estonia	closed	closed	from 27.03 until further notice
<b>CIS</b>				
8	Russia	closed	closed	from 28.03 to 30.04
9	Ukraine	closed	closed	from 17.03 to 24.04
10	Belarus	open, no restrictions	open, no restrictions	-
11	Kazakhstan	closed	closed	from 16.03 to 30.04
<b>South Eastern-Europe</b>				
12	Bulgaria	closed	closed	from 13.03 to 13.05
13	Romania	closed	closed	from 23.03 until further notice
14	Croatia	closed	closed	from 19.03 until further notice
15	Serbia	closed	closed	from 22.03 until further notice
16	Slovenia	closed	closed	from 16.03 until further notice
17	Bosnia & Herzegovina	closed	closed	from 16.03 to 27.04
<b>Western Europe</b>				
18	Germany	closed	closed	from 17.03 until further notice
19	UK	closed	closed	from 21.03 until further notice
20	Finland	open between 10:00 and 19:00	open between 10:00 and 19:00	-
<b>Middle-East</b>				
21	Egypt	open between 10:00 and 19:00	open between 10:00 and 19:00	-
22	Kuwait	closed	closed	from 18.03 until further notice
23	Qatar	closed	closed	from 18.03 until further notice
24	UAE	closed	closed	from 25.03 until further notice
25	Israel	closed	closed	from 15.03 until further notice

Data gathered as at 14th April 2020.

# Updated capex plan

PLN m	2020/21	2021/22	2022/23	2020/21- 2022/23
<b>Stores</b>	400	600	500	1,500
Stores domestically and abroad	400	600	500	1,500
<b>HQs</b>	0	40	140	180
New HQs Gdańsk Łąkowa – Building 2	0	40	0	40
New HQs Gdańsk Łąkowa – Building 3	0	0	140	140
<b>Logistics</b>	50	650	160	860
New DC in Brześć Kujawski	50	650	160	860
<b>IT &amp; other</b>	50	50	50	150
<b>TOTAL</b>	<b>500</b>	<b>1,340</b>	<b>850</b>	<b>2,690</b>

# Supply chain continues to operate

Factories are open/ partially open in:

China

Turkey

Cambodia

Myanmar

Pakistan

Factories are closed in:

Bangladesh

India

Supply chain will be modified on an ongoing basis, depending on the evolving situation.

# 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, from 2019 B&H and from 2020 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. 3.9% of the working floorspace) / 3.
Average monthly SG&A PLN/m2	Quarterly SG&A costs/ average working total floorspace excluding stores located in ME and Belarus / 3.
Inventory/ m2	End of period group inventory/ total floorspace without franchise stores in ME and Belarus.
Cash turnover cycle	Receivables (in days) plus inventories (in days) minus liabilities (in days). Calculations on average amounts of receivables, inventories and liabilities.



#### **GDAŃSK HQs**

LPP SA  
Łąkowa 39/44  
80-769 Gdańsk, Poland  
Tel. +48 58 76 96 900  
Fax.+48 58 76 96 909  
Email: [lpp@lppsa.com](mailto:lpp@lppsa.com)

#### **DISTRIBUTION CENTRE**

LPP SA  
Tczewska 2  
83-000 Pruszcz Gdański, Poland

#### **CONTACT FOR INVESTORS**

Email: [LPP.investor.relations@lppsa.com](mailto:LPP.investor.relations@lppsa.com)

#### **CRACOW BRANCH**

LPP SA  
Bagrowa 7  
30-733 Cracow, Poland  
Tel. +48 12 39 25 000

#### **CONTACT FOR MEDIA**

Email: [media@lppsa.com](mailto:media@lppsa.com)

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