

**LPP**

1Q22/23



# 1Q22/23 RESULTS PRESENTATION

GDAŃSK, JUNE 15, 2022

**RESERVED**

**CROPP**

 **house**

**MOHITO**

**sinsay**

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3



## **Key corporate events**

## Return to business operations in Ukraine



re-opening of e-store  
in Ukraine in April 2022  
(limited range, only  
prepayments)

resuming operations  
of stores in western Ukraine

deliveries of new collections  
to traditional stores  
from June 2022

At the same time, we continue to support our employees and citizens from Ukraine. The total value of support amounts to **PLN 20m.**



## Disposal of the Russian subsidiary

The sale agreement includes, among others:

- the buyer's inability to use LPP brand names and trademarks both in offline and online stores (logos in stores have been changed);
- recovery by LPP of receivables from inventories in Russia (regular repayment along with the liquidation of the goods).

**DETAILS OF THE TRANSACTION WILL BE PRESENTED IN THE SEMI-ANNUAL REPORT, AFTER THE AGREEMENT IS SETTLED.**

Closed Russian stores generated

**c. PLN 50m**

of losses on average per month between April-May

# Presence in 38 countries

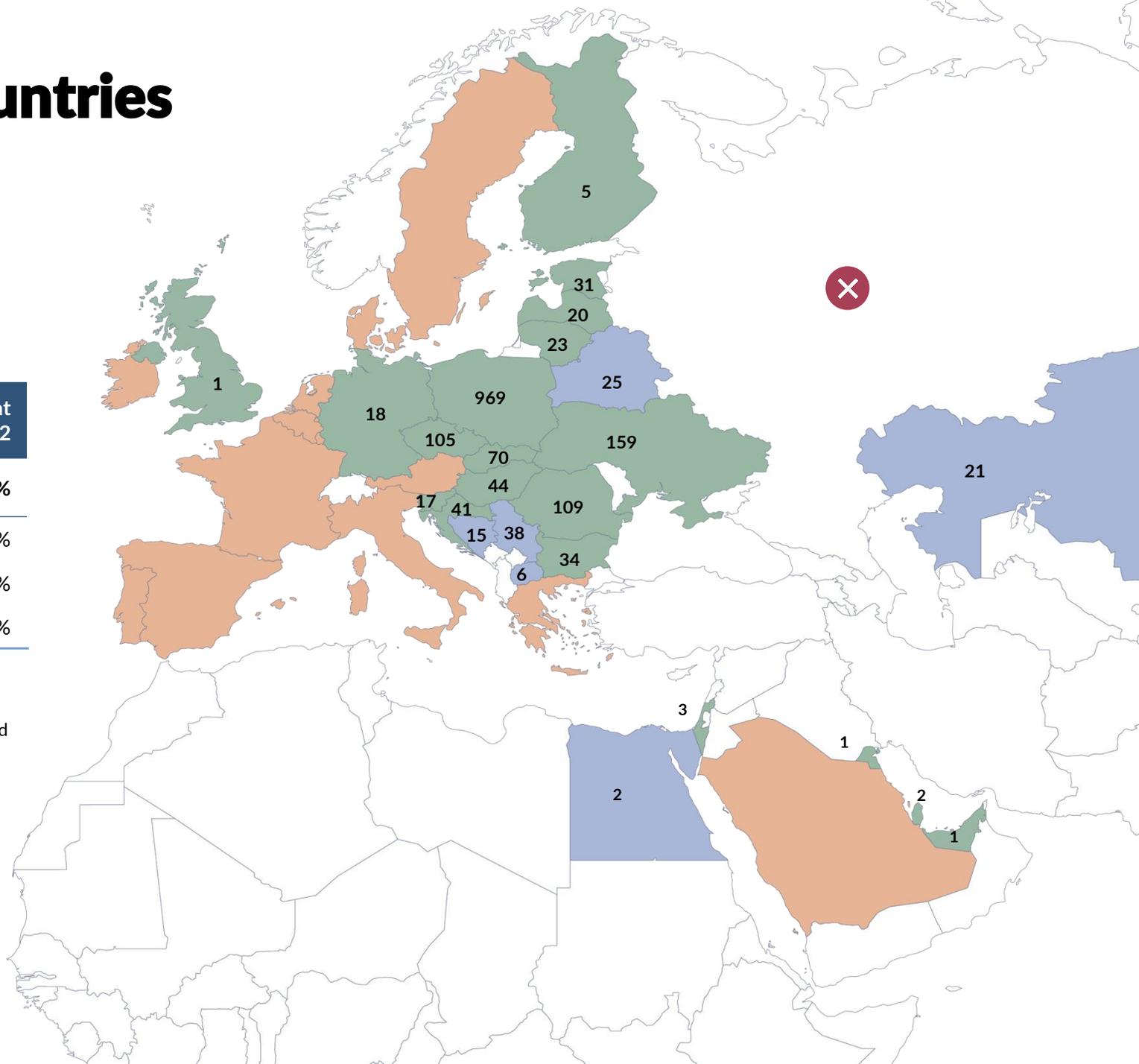
1Q22/23

6

| As at 30.04.2022 | No. of stores | Open as at 13.06.2022 |
|------------------|---------------|-----------------------|
| <b>LPP GROUP</b> | <b>1,760</b>  | <b>94%</b>            |
| Poland           | 969           | 100%                  |
| Europe           | 577           | 100%                  |
| Other regions    | 214           | 49%                   |

Number of stores at the end of 1Q22/23 does not include stores in Russia, sold in 2Q22/23. Other regions include CIS and Middle East.

● online + offline   ● online   ● offline





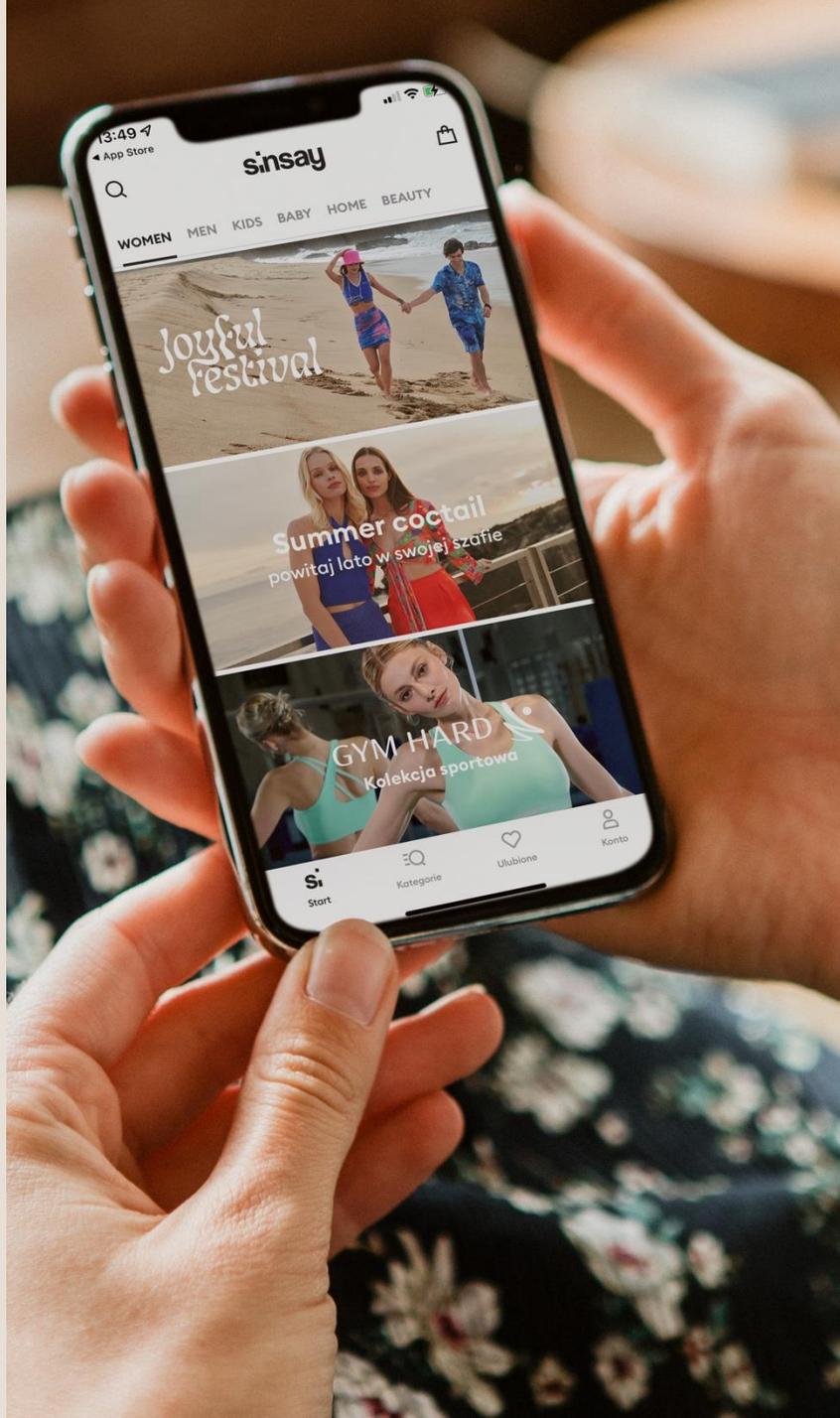
# Logistics improvements

## LAUNCH OF BRZEŚĆ KUJAWSKI DISTRIBUTION CENTRE

- Storage capacity: 40m pieces of goods
- Servicing up to 1,000 stores simultaneously
- 700 employees
- 75 ths m2 of floorspace
- Capacity to send up to 8m pieces of clothing and accessories per week
- Undergoing BREEAM certification
- 1.5MW solar panels

## CONSTRUCTION OF E-COMMERCE WAREHOUSE IN PODKARPACIE REGION (JASIONKA, NEAR RZESZÓW)

- Floorspace: 69 ths m2
- Planned launch: by the end of 2022
- New Fulfillment Center should allow to streamline many distribution processes in online sales.



# Sinsay online development

Launch of own Sinsay application - the second brand after Reserved. Sinsay in TOP5 most popular mobile applications in Poland.

Launch of Sinsay e-commerce in **Greece, Italy and Spain** on April 19, 2022.

Strong sales results: PLN 6.5m in May 2022 (the first full month of Sinsay e-stores' operations on new markets).



## Back to formal

After two years of pandemic, we see a noticeable increase in interest in formal clothing (with the return to office and business meetings).

Demand favors more formal collections like the ones offered by **Reserved** and **Mohito** brands.

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1Q22/23

10



## **1Q22/23 financial results**

# Impact of pandemics on 1Q21/22 and war on 1Q22/23

2021

2022

February

Shopping centers open in Poland.  
Faster recovery of traffic than the year before.

Shopping centers open all month. On February 24, Russia's aggression on Ukraine (closing stores in Ukraine). Negative impact on demand and consumer sentiment in Poland, the largest market.

March

Another wave of pandemics. From March 20, stores in shopping centers closed again in Poland.

Shopping centers in Poland open all month. Gradual rebuilding of domestic demand. Closing of stores in Russia.

April

Shopping centers in Poland closed again for the whole month.

Shopping centers in Poland open all month. Rebound in sales in Poland, before Easter, but impact of high inventory visible (selling out inventory purchased for Russia).

May

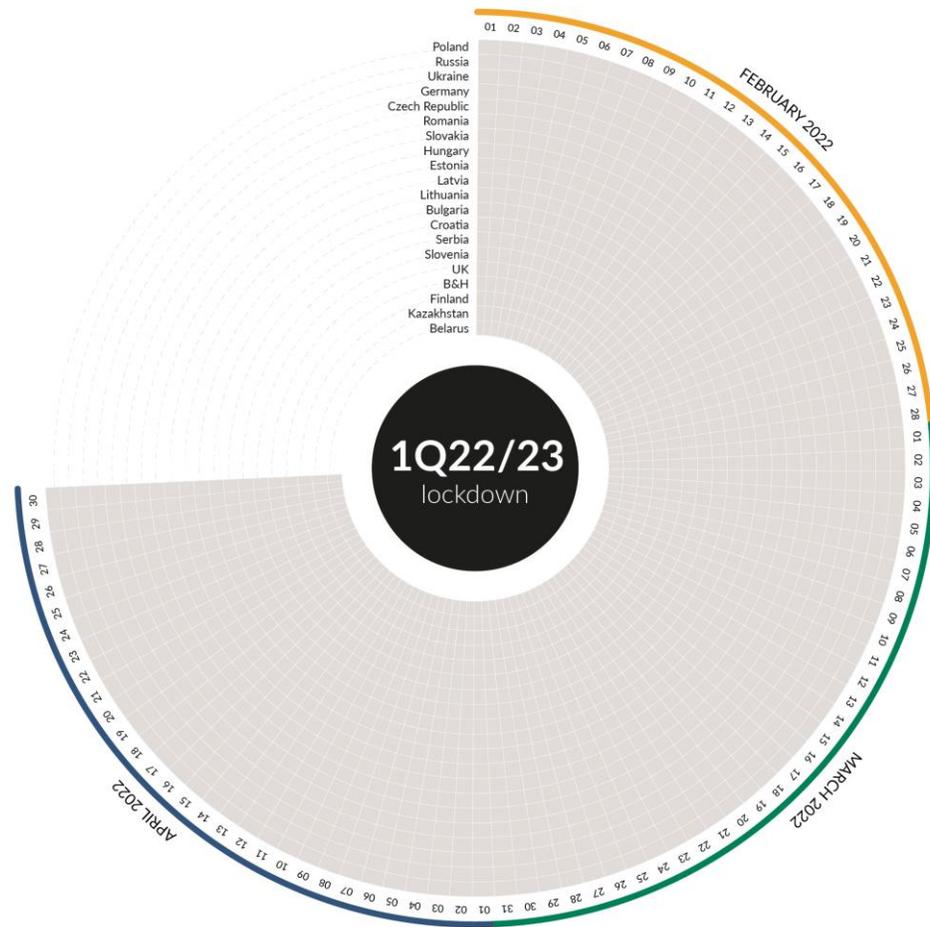
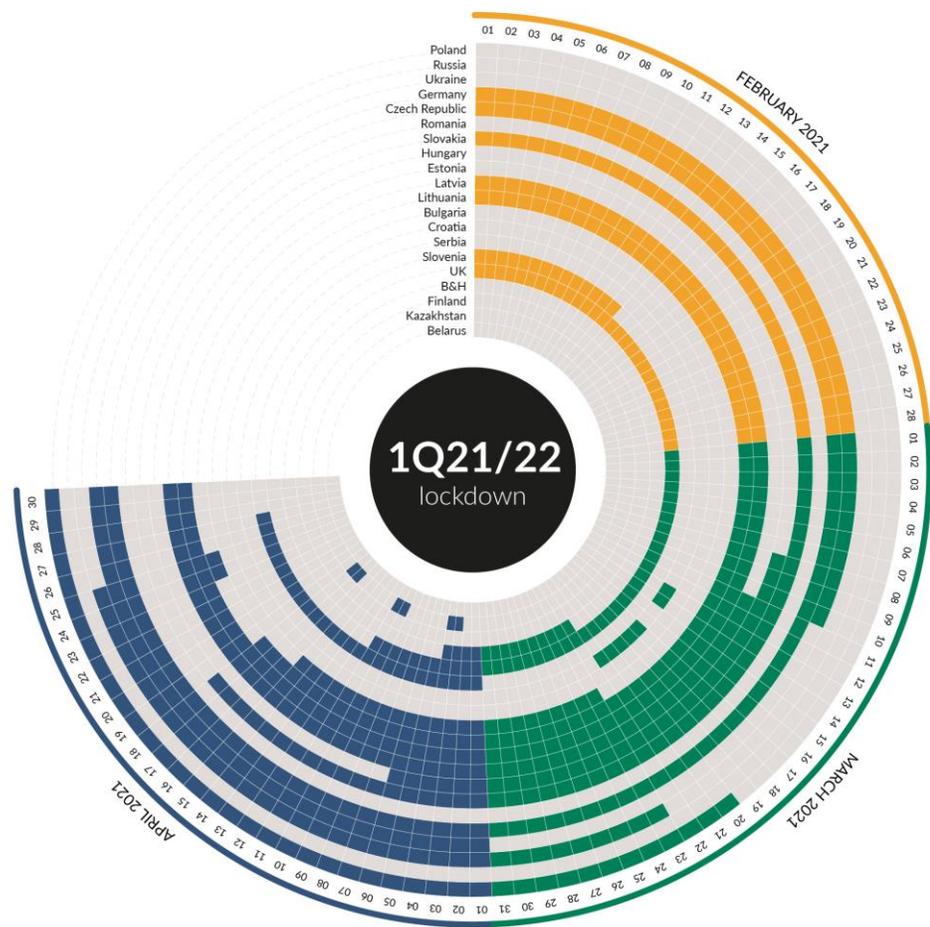
Shopping centers open in Poland after the prolonged May weekend.

Shopping centers open all month. Limited impact of the conflict on consumer demand.

# No more restrictions in 1Q22/23

1Q22/23

12



# Disposal of the Russian subsidiary has a sizeable impact on financial statements

1Q22/23

13

|   | 1Q21/22<br>(before restatement, full consolidation of the Russian subsidiary)                        | 1Q21/22<br>(after restatement, Russian subsidiary as assets held for sale)  | 1Q22/23<br>(Russian subsidiary as assets held for sale)  |
|---|--|---|--|
| Statement of comprehensive income               | Russian company as part of continuing operations, results published in 1Q21/22 financial statements. | Russian subsidiary shown as assets held for sale, not part of continuing operations, in 1Q22/23 financial statements. | Russian subsidiary shown as assets held for sale, not part of continuing operations, as the decision to sale was announced before the balance sheet date.            |
| Statement of financial position (balance sheet) | Russian company as part of continuing operations, results published in 1Q21/22 financial statements. | Russian subsidiary shown as continued operations, not as assets and liabilities held for sale.                        | Assets and liabilities of the Russian subsidiary shown as assets and liabilities held for sale, as the decision to sale was announced before the balance sheet date. |
| Statement of cash flows                         | Russian company as part of continuing operations, results published in 1Q21/22 financial statements. | Russian subsidiary shown as assets held for sale, not part of continuing operations, in 1Q22/23 financial statements. | Russian subsidiary shown as assets held for sale, not part of continuing operations, as the decision to sale was announced before the balance sheet date.            |

# Towards omnichannel

1Q22/23

14

## — OFFLINE

**1,760**  
stores

**-3.5%**  
m<sup>2</sup>

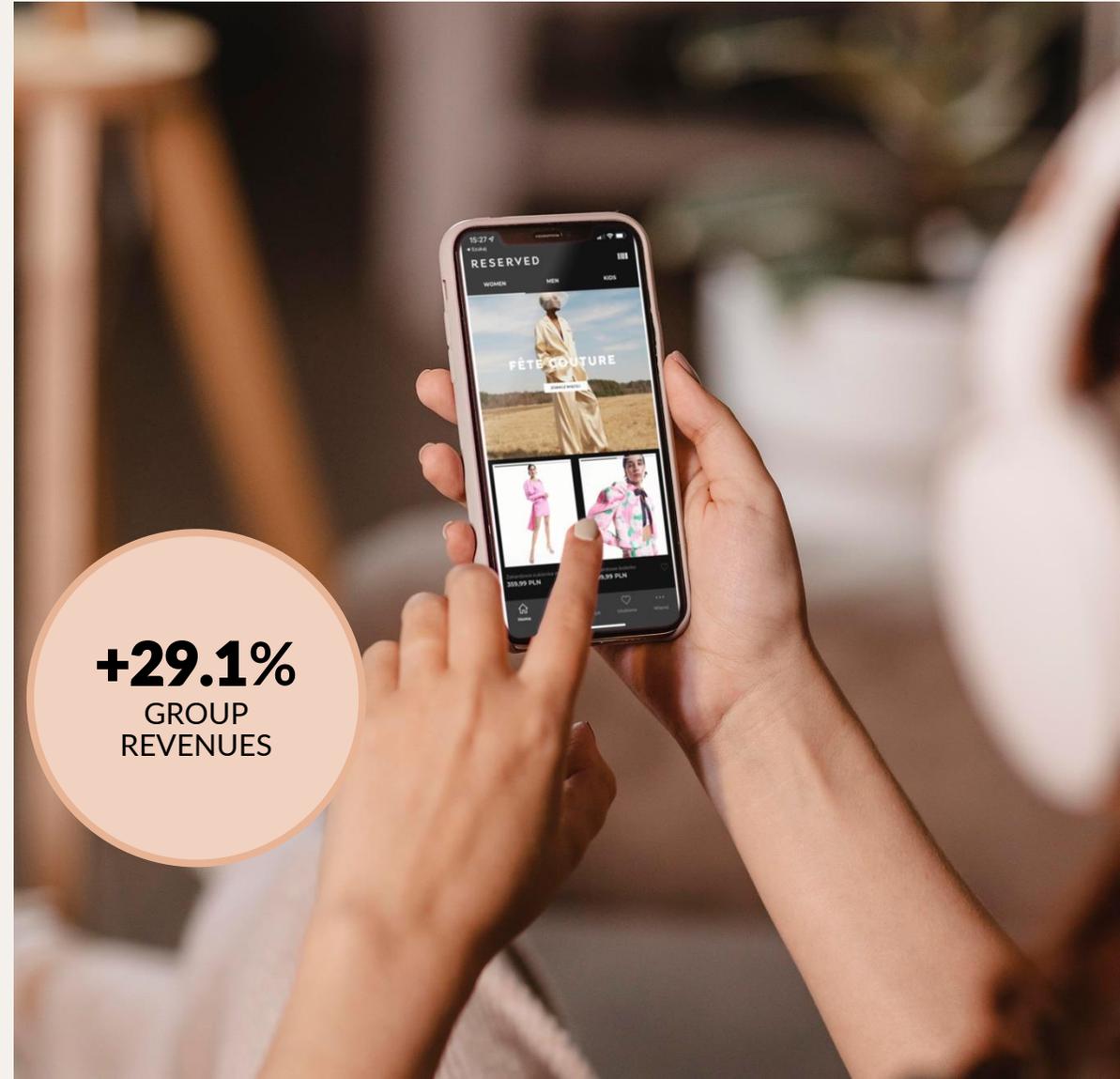
**+51.3%**  
LFLs

**25**  
countries

## — ONLINE

**32**  
countries

**0.0%**  
revenues

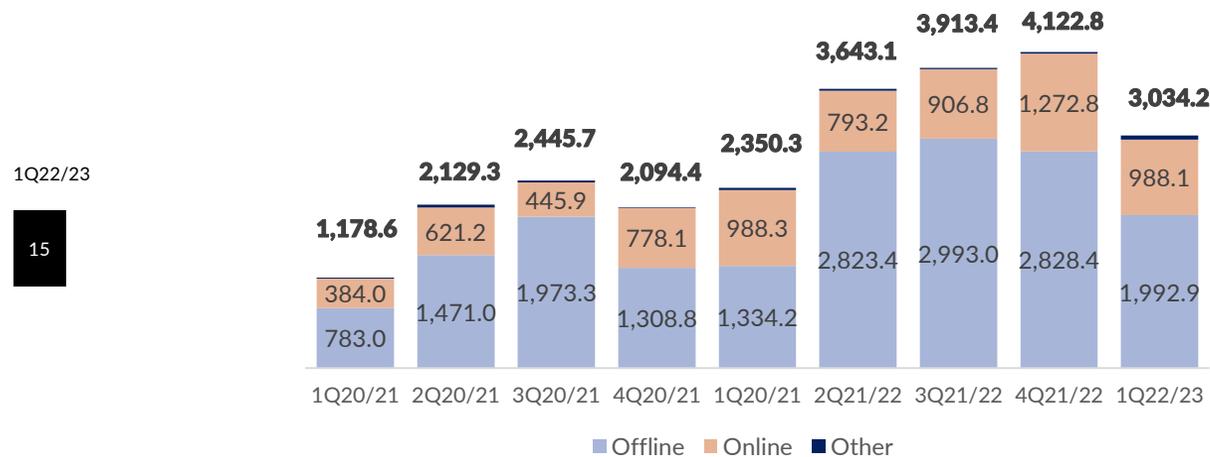


Data for 1Q22/23 does not include Russia, the YoY dynamics refer to data for 1Q21/22 before restatement.

# Growth in Group revenues despite limited Russian sales

## GROUP REVENUES

(PLN m)



## OMNICHANNEL REVENUES

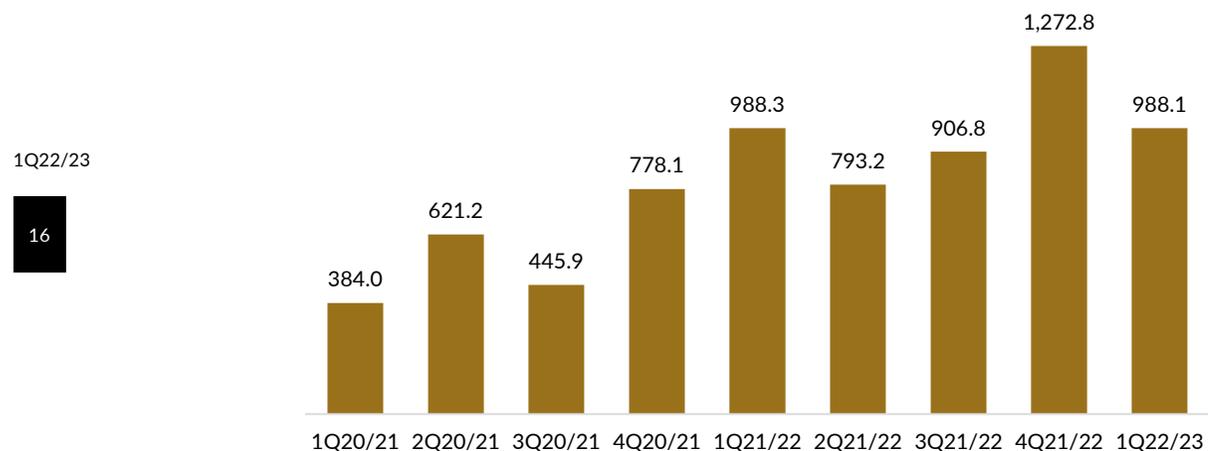
| PLN m            | 1Q21/22<br>before restatement | 1Q22/23        | YoY          |
|------------------|-------------------------------|----------------|--------------|
| <b>LPP GROUP</b> | <b>2,350.3</b>                | <b>3,034.2</b> | <b>29.1%</b> |
| Reserved         | 956.4                         | 1,078.1        | 12.7%        |
| Cropp            | 251.7                         | 223.1          | -11.4%       |
| House            | 196.1                         | 212.8          | 8.5%         |
| Mohito           | 178.3                         | 263.4          | 47.8%        |
| Sinsay           | 739.6                         | 1,203.3        | 62.7%        |
| Other            | 28.3                          | 53.5           | 89.1%        |

- Despite limited sales from Russia and Ukraine in 1Q22/23, Group revenues increased by 29.1% YoY. Growth after restatement came in 67.1% YoY.
- Revenues of Reserved, Cropp and House brands were impacted by closing down of stores in Russia and partial closing down of stores in Ukraine. Revenues of Cropp and House brands were additionally adversely affected by stronger consumer interest in formal than casual clothing. Recovery in demand for formal clothing was noticeable in particular in Mohito brand.
- Significant increases in Sinsay brand revenues benefiting from growing popularity of the value for money segment. Sinsay foreign revenues exceeded domestic ones.
- Increase in Group revenues/ m<sup>2</sup> in 1Q22/23 by 35.2% to PLN 717/ m<sup>2</sup> (excluding Russia). Group's offline sales/ m<sup>2</sup> increased by 80.5% to PLN 456/ m<sup>2</sup> due to positive reception of collection by customers, return to shopping in traditional network and growing interest in Sinsay brand (data does not include Russia).

# Billion revenues from e-commerce

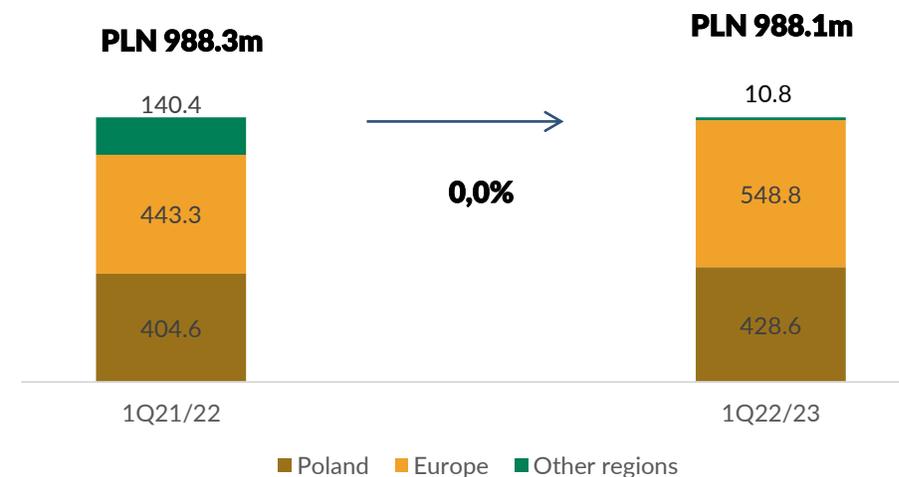
## ONLINE SALES

(PLN m)



## ONLINE BY REGIONS

(PLN m, 1Q21/22 before restatement)

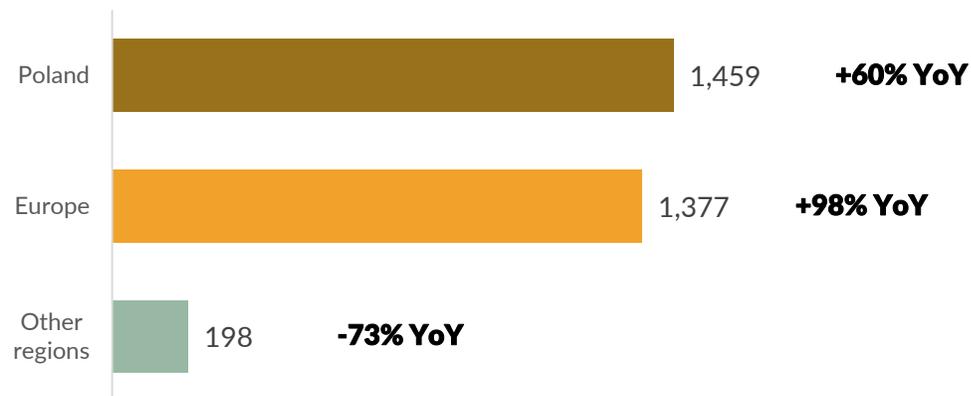


- Strong online sales (PLN 1 billion in revenue) in 1Q22/23, stable YoY, due to high level of online sales last year resulting from closings of traditional stores (lockdown).
- Online sales in 1Q22/23 accounted for 29.4% of revenues from Poland (44.4% in 1Q21/22) and 32.6% of the Group's revenues (42.0% in 1Q21/22).
- YoY growth in 1Q22/23 on the European market (+ 23.8% YoY) - Sinsay online development abroad, increase in sales in Poland (+ 5.9%) and a significant YoY decline in Eastern Europe due to store closings websites in Russia and Ukraine.
- In 1Q22/23 88% of visits and 72% of purchases were made via mobile devices.

# Foreign revenues similar to domestic ones

## REVENUES BY REGIONS IN 1Q22/23

(PLN m, 1Q21/22 before restatement)



## 1Q22/23 FLOORSPACE

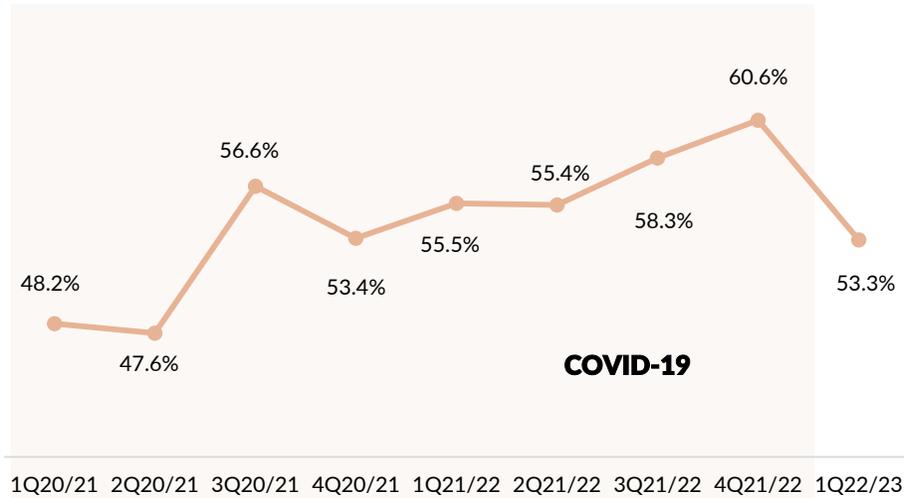
(by regions, 1Q21/22 before restatement)

| ths m <sup>2</sup> | 1Q21/22        | 1Q22/23        | YoY          |
|--------------------|----------------|----------------|--------------|
| <b>LPP GROUP</b>   | <b>1,511.7</b> | <b>1,458.1</b> | <b>-3.5%</b> |
| Poland             | 584.4          | 687.7          | 17.7%        |
| Europe             | 442.0          | 568.9          | 28.7%        |
| Other regions      | 485.3          | 201.5          | -58.5%       |

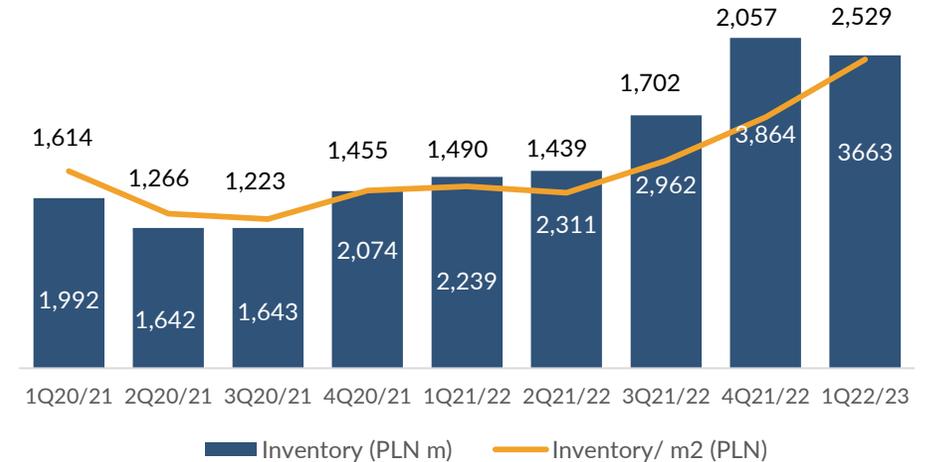
- Sales abroad exceeded those in Poland in 1Q22/23. Poland accounted for 48.1% of sales.
- Sales growth in Europe in 1Q22/23 in all countries as a result of good reception of collection and floorspace development (especially Sinsay).
- The three largest countries excl. Poland in terms of sales are: Romania (PLN 274.4m), Czech Republic (PLN 219.4m) and Germany (PLN 148.5m).
- 30.8% YoY increase in sales in pan-European e-store.
- Significant drop in sales in other regions due to the outbreak of the war and a decrease in floorspace (stores in Russia are closed).

# LPP Gross margin and inventory impacted by situation in the East

**QUARTERLY GROUP GROSS PROFIT MARGIN**



**INVENTORY AND INVENTORY/M2**



- Gross margin in 1Q22/23 was lower YoY due to: (1) higher YoY promotions for Spring/Summer 2022 collections (goods intended for Russia and Ukraine), (2) higher share of the Sinsay brand diluting the gross profit margin, (3) unfavorable US\$/PLN exchange rate YoY.
- 63.6% YoY increase in inventories and a 69.7% YoY increase in inventories/ m2 are due to inability to sell goods ordered for the Russian and Ukrainian markets on these markets due to the outbreak of the war (the goods remained in Poland).
- Inventories as at the end of 1Q22/23 do not include operations held for sale, i.e. inventories in Russia. They include the Spring/Summer 2022 collection and the first deliveries of the Fall/Winter 2022/23 collection.

# Costs/ m2 growth below revenue

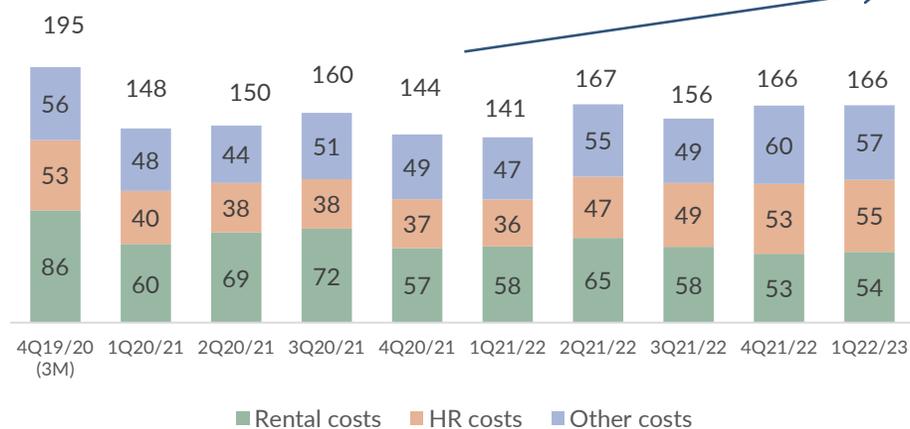
## COSTS OF OWN STORES/ M2

(IAS17)

+17.4% YoY

1Q22/23

19



## SG&A COSTS/ M2

(IFRS16)



- Historical data present values with Russia until 4Q21/22. Costs in Russia were lower than average SG&A/m2.
- 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 salary increase and return of store personnel to work after lockdowns.
- YoY increase in other costs/ m2 → usage of external materials and services, a derivative of sales growth and new openings, higher energy costs.
- Increase in SG&A costs/ m2 by 22.8% YoY, but fall in SG&A costs as percentage of revenues from 51% in 1Q21/22 to 47% in 1Q22/23.
- In 1Q22/23 costs of stores came in at PLN 697.1m, +12.9% YoY, while HQs and e-commerce costs at PLN 721.5m, +23.7% YoY.

# Quarter impacted by war on the East

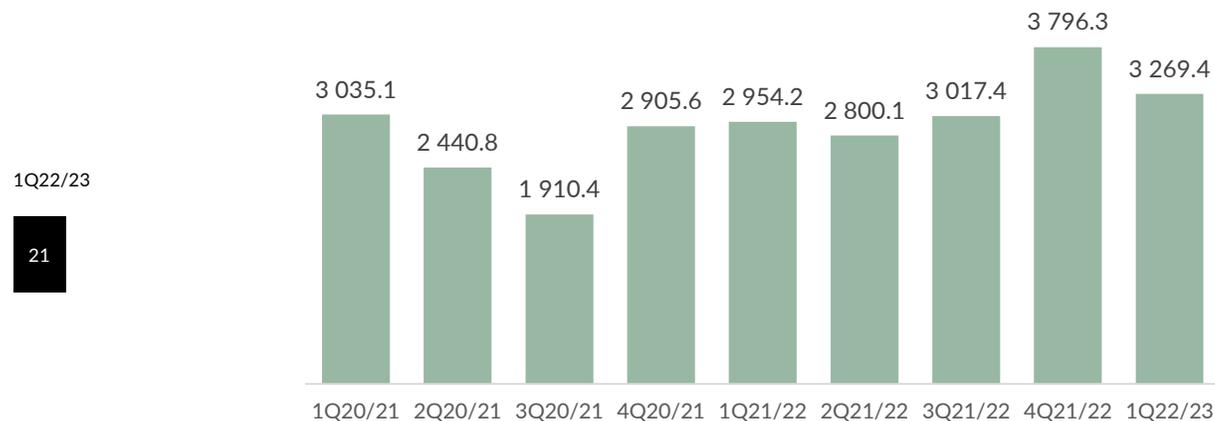
- Double-digit YoY increases in sales despite closing down of stores in Russia in March and partial discontinuation of operations in Ukraine. High double-digit offline sales in traditional stores and stabilization in online.
- YoY fall in gross profit margin due to the need to introduce stronger YoY promotions for goods dedicated to the Russian and Ukrainian markets, unfavorable US\$/ PLN exchange rate and an increase in the share of Sinsay brand sales, diluting the gross profit margin.
- Increase in operating costs resulting from development of sales network, but at the same time lower than the increase in sales - effect of maintaining the cost savings policy.
- Less favorable YoY net financial activity, despite a lower FX losses (1Q22/23: PLN 7.7m, 1Q21/22: PLN 10.3m) due to the PLN 8.6m profit on adjustment of the lease liability in 1Q21/22.
- Net profit on assets held for sale includes PLN 287m of the reversal of the write-off for stores in Russia.
- Stronger YoY operating flows, incl. due to increase in pre-tax profit, despite higher inventories. Stable negative cash cycle. PLN 3.8bn of financing from reverse factoring.

| PLN m, IFRS16                               | 1Q21/22<br>(before<br>restatement) | 1Q21/22<br>(after<br>restatement) | 1Q22/23        | YoY           |
|---|------------------------------------|-----------------------------------|----------------|---------------|
| <b>Revenues</b>                             | <b>2,350.3</b>                     | <b>1,815.3</b>                    | <b>3,034.2</b> | <b>67.1%</b>  |
| <i>Gross profit margin on sales</i>         | 55.5%                              | 54.6%                             | 53.3%          | -1.3pp.       |
| SG&A costs                                  | 1,200.7                            | 1,042.6                           | 1,418.5        | 36.1%         |
| <b>EBIT</b>                                 | <b>87.2</b>                        | <b>-62.4</b>                      | <b>186.6</b>   | <b>N/M</b>    |
| <i>EBIT margin</i>                          | 3.7%                               | -3.4%                             | 6.2%           | 9.6pp.        |
| Net financial activity                      | -38.1                              | -28.8                             | -42.4          | N/M           |
| <b>Net profit from continued operations</b> | <b>21.5</b>                        | <b>-79.9</b>                      | <b>96.9</b>    | <b>349.8%</b> |
| <b>Net profit from assets held for sale</b> | <b>-</b>                           | <b>101.5</b>                      | <b>171.0</b>   | <b>68.6%</b>  |
| <b>Net profit</b>                           | <b>21.5</b>                        | <b>21.5</b>                       | <b>268.0</b>   | <b>N/M</b>    |
| <b>EBITDA</b>                               | <b>344.4</b>                       | <b>153.6</b>                      | <b>438.2</b>   | <b>185.3%</b> |
| Working capital                             | -669                               | -669                              | -1,547         | N/M           |
| Cash cycle (days)                           | -63                                | -80                               | -87            | -7            |
| Operating cash flows                        | 404                                | 373                               | -220           | N/M           |

# Safe indebtedness level

## NET DEBT

(PLN m, IFRS16)



## CAPEX

(PLN m)



- At the end of 1Q22/23, cash under IAS17 was equal to the debt (calculations do not include the Russian company intended for sale). Additionally, PLN 1.3bn in cash in: cash funds (PLN 0.65m) and collateral and security deposits (PLN 0.68bn) - values not included in net debt.
- Liabilities from IFRS16 leases (excluding the Russian company intended for sale) amounted to PLN 3.3bn at the end of 1Q22/23.
- In 1Q22/23, capital expenditure amounted to PLN 263.3m, up 47.6% YoY after excluding the expenses of the Russian company put up for sale. Outlays for stores mostly in Poland. Logistics outlays include completion of works on construction of the Distribution Center in Brześć Kujawski.

## Executive summary 1Q22/23

1Q22/23

22

1

**High sales dynamics** despite the situation related to the outbreak of the war in Ukraine.

2

**Rebound in sales in traditional stores.**

3

**Billion e-commerce revenues.**

4

**Liabilities exceeding inventory.**

5

**Disposal of Russian business.**



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1Q22/23

23



**03**

**2022/23 + outlook**

# 2022/23 targets



## Targets

- Over PLN 16bn of revenues, +13% YoY.
- Fall in floorspace to 1,878 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.
- PLN 1 bn capex (out of which PLN 630m for stores, PLN 220m on logistics and PLN 150m for offices and IT).



## Opportunities

- Higher willingness of customers to buy clothes from the value for money segment (Sinsay brand).
- Development of Sinsay brand on new markets in the offline and online channels.
- Translating inflation into prices.



## Risks

- Negative impact of the war in Ukraine on European economies.
- Lower willingness of customers to buy clothes in the situation of lower disposable income.
- PLN exchange rate in relation to USD, EUR.





## 3 sources of LPP's growth

in upcoming years :

### //RESERVED ONLINE

Brand development on European markets.

### //SINSAY STORES

Network of Sinsay's 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.



## A dividend paying company

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

General Meeting of LPP's Shareholders held on May 20, 2022 decided on net profit distribution.

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

Dividend payment (PLN 350 per share) in two equal tranches (PLN 175 per share):

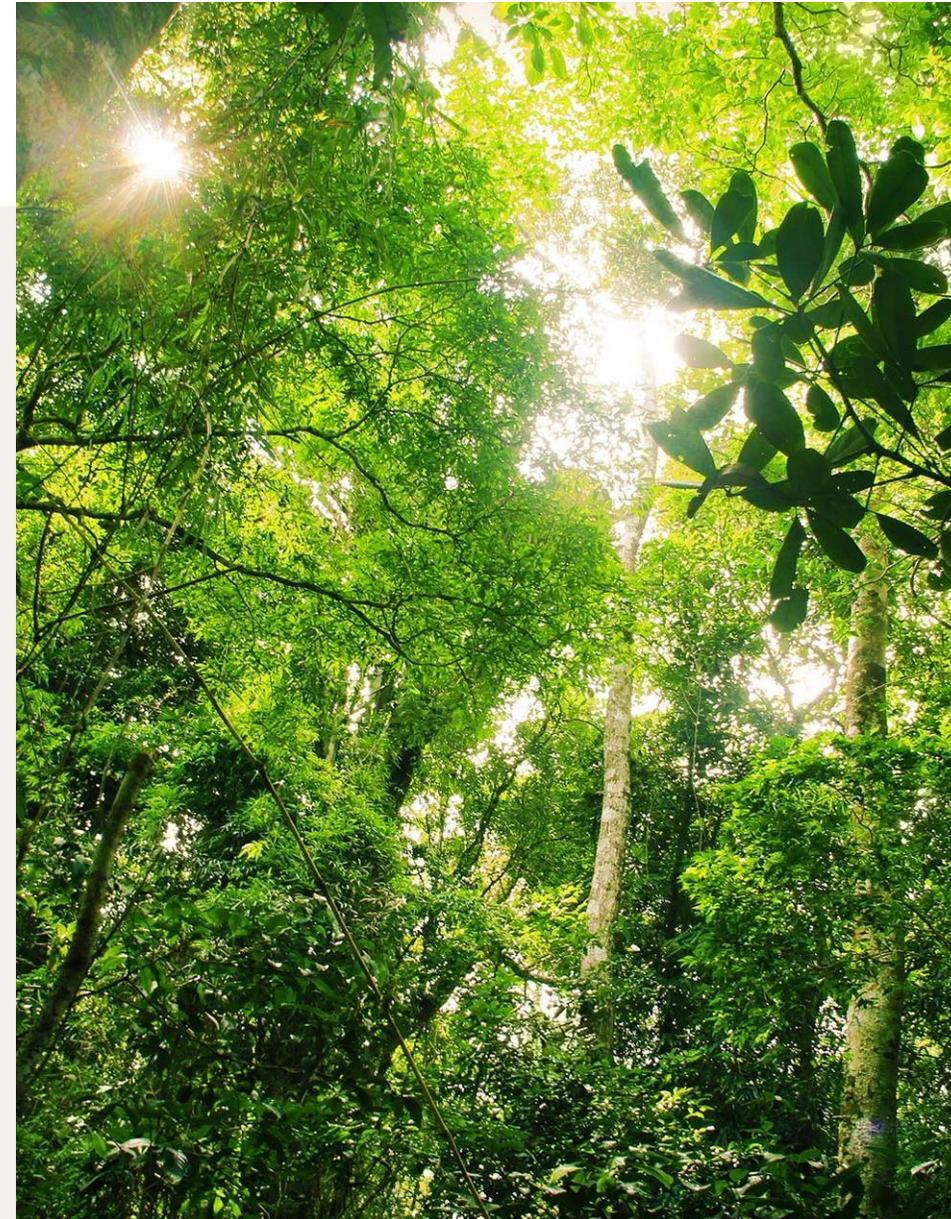
- the first tranche on June 6, 2022,
- the second tranche on August 30, 2022.

# Towards decarbonisation

In May 2022, LPP was the first Polish clothing company to join the global **Science Based Targets initiative supporting the private sector in efforts to combat global warming.**

Objective:

- short-term - creating a decarbonisation strategy whose goals will be verified according to the SBTi methodology this year,
- long-term - achieving climate neutrality by 2050.



**CONTINUATION OF OUR ACTIVITIES, INCLUDING CALCULATION OF CARBON FOOTPRINT IN SCOPE 3.**

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1Q22/23

28



**04**

**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 (in 1Q22/23 as assets held for sale, sold in 2Q22/23), 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.   |
| Other regions                          | With the decision to sell the Russian company, the remaining CIS activities and activities in ME are shown jointly as Other regions.                                 |
| 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. 2.7% 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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