Allegro posts Adjusted EBITDA rise and accelerates top-line growth in Q3, as it readies for the peak shopping season

Financial highlights

- **Growth in gross merchandise value (GMV)**, or the gross value of goods sold via Allegro, accelerated to 21% YoY at the group's Polish business in Q3, reaching PLN 12bn, as GMV grew across all major categories and showed the resilience of demand for Allegro's offer to consumers.
- The group's focus on ever widening selection and working to offer the best prices raises its appeal among customers amid worsening macroeconomic conditions and rising inflation, translating into **revenue growth** of 32% YoY to PLN 1.63bn for the Polish business.
- **Number of Allegro's active buyers rose** by over 400k YoY to a new high of 13.8m in Q3, while **GMV per active buyer was 13.3% higher** YoY at PLN 3,449. Shoppers now more than ever appreciate competitive pricing and fast delivery offered by Allegro, with the group's relational NPS - the measure of customer appreciation - at an industry-high of 83.
- **Adjusted EBITDA** (the operating result before depreciation, amortization and impairment losses of non-current non-financial assets, excluding non-recurring items) **for the Polish business grew** by 24.6% to PLN 588m in Q3, driving EBITDA growth also on the consolidated level as MALL Group losses narrowed QoQ.[1]
- Allegro continues its **step-by-step turnaround of MALL's first-party (1P) business**, with preparations ongoing for the **commercial roll-out of Allegro's successful third-party (3P) marketplace model in Czechia** next year.
- **Including the MALL Group and WE|DO**, consolidated GMV grew by 30.4%, revenue jumped by 88%, while Adjusted EBITDA was 13.9% higher YoY in Q3.
- **Take rate** at Allegro's Polish business grew by 0.76pp YoY to 11.05% in Q3, boosted by co-financing and success-fee initiatives. At the same time **advertising revenue** generated at the Polish business jumped by 30.5% YoY, widening its GMV share.
- **Allegro reiterates its full-year expectations**, targeting GMV growth for its core Poland-based business between 15-17% and revenue growth of 23-26%. Full year Adjusted EBITDA is seen up by 10-12% YoY, with CAPEX at PLN 650-700m in Poland. GMV on the consolidated level, including the results of the new MALL segment, is seen 22-24% up and revenue growth at 67-71%. Expectations for the group's Adjusted EBITDA stay at +2-6%, while full-year CAPEX is seen at PLN 720-800m.
- **Q3 results include a write-down on MALL Group assets**. This non-cash impairment adjustment reduced the group's Q3 net income, but it does not affect its EBITDA nor its cash flow generation. This accounting event does not have any impact on the stability of Allegro's business, nor the business priorities. Allegro remains fully committed to its

[1] Allegro has included certain alternative performance measures in this Press release that are not measures defined within the International Financial Reporting Standards. Definitions of alternative performance measures used by Allegro can be found in the quarterly management report, page 11, available at https://about.allegro.eu/financial-results.

strategic goal of building a leading marketplace platform for European customers and merchants and Mall Group and WE|DO remain key assets in delivering this vision.

“Our third-quarter results show that Allegro continues to be the best place to shop online. In the face of economic uncertainty and inflation, customers have less to spend, but they know that they can find great value when they shop with us. We have a plan and the right set of priorities in place to build our business and growth further,” said **Roy Perticucci, Allegro CEO**. “Our underlying aim is to strengthen in Poland and build our share abroad by growing our base of loyal merchants and consumers. Allegro Pay is scaling up into a self-funding operation. We want to capture the full business potential of Smart! and our delivery strength. The key goal now is to roll out our marketplace model internationally - starting from Czechia next year. We are moving at speed to achieve this goal. At the same time we are focusing on cost management and capital discipline across the group to fund our objectives. Allegro has a huge opportunity to continue its growth. Our business model proves to be the best solution for both buyers and merchants facing inflationary pressures. We have built a growth platform ready for use by any merchant, as well as a platform full of everyday shopping bargains for any consumer concerned about keeping their costs in check.”

Allegro’s Polish-based operations, which make up the lion’s share of the overall business, accelerated GMV and revenue growth in Q3 to 21% and 32% YoY, respectively, as new key brands like Triumph, Coty, Porsche, or Iveco onboarded and the number of active offers surpassed 260m. Rising selection provided by the widening merchant base, seasoned with Allegro’s unwavering focus on attractive pricing, helped boost the number of active buyers to a new high of 13.8m, while the average GMV they generated jumped by a further 13.3% YoY to PLN 3,449 in Q3. The results show that Allegro remains the best solution when it comes to tackling the rising everyday costs, as confirmed by the best-in-class overall rNPS (relational net promoter score) of 83. At the same time, monetization initiatives and higher advertising revenue helped Allegro’s Adjusted EBITDA at its Polish business returned to positive growth in Q3, driving EBITDA YoY growth also on the consolidated level. Allegro’s buy-now-pay-later offer Allegro Pay continued to post robust growth, with the value of extended loans at >PLN 1.4bn in Q3 (+156% YoY). Allegro Smart! will soon be seeing improving margins thanks to the higher minimum order value as well as the benefit program’s first ever subscription fee increase announced earlier this month, more than four years after it was launched. The overall offer is enhanced by the group’s own network of over 2,100 One Box parcel lockers, as Allegro brands - already bywords for comfortable and affordable shopping - continue to boost one another’s appeal and convenience while propelling Allegro’s business.

As the most popular e-commerce player in Poland, Allegro wants to continue strengthening its position at home and win abroad, focusing on integrating the recent acquisitions which widen the group’s geographical footprint across Central and Eastern Europe. Progress in leveraging the group’s joint strengths is underway, with gradual turnaround in MALL Group’s first-party (1P) operations helping curb its losses and boost GMV in Q3. Allegro is now readying the international roll-out of its successful marketplace model based mostly on third-party (3P) offers, starting from Czechia next year as it aims at solidifying its status of the go-to platform for all customers - buyers and merchants alike - also beyond Poland. MALL's GMV from its 3P business increased by almost 40% YoY already, reaching nearly 14% share of the total. Constant focus on retail basics, buyer engagement, as well as inventory and capital management across the group help shield Allegro amid tougher macroeconomic conditions facing most businesses today. The results allow Allegro to keep its full-year expectations unchanged.

"Allegro's Polish marketplace platform remains the go-to e-commerce choice for both consumers and merchants even as economic pressures continue to build, enabling Allegro to sequentially accelerate its GMV growth to over 21% YoY in Q3. The steps we have taken to improve our margins over recent months resulted in a return to Adjusted EBITDA growth and its Q3 YoY improvement of 25% for the Group's Polish operations," **says Allegro CFO, Jon Eastick**. "In the face of rising costs of capital, a full scale cost of living crisis and the macroeconomic challenges across Europe, compounded by the continuing war in Ukraine, we have taken the decision to recognize a fall in value of our investment in MALL Group and WE|DO by more than half. Many e-commerce companies have fallen in market value by between 50 and 70% since we committed to the acquisition a year ago. Having said that, MALL managed to grow GMV in the third quarter and reduce its Adjusted EBITDA losses and we remain committed to leveraging the assets and capabilities we acquired to help us take the Allegro marketplace beyond Poland, starting with the Czech Republic. Recent measures taken to improve the profitability of our Smart! offering in the face of high inflation and rising delivery costs, together with refinancing of all short term borrowings and a return to falling financial leverage, places the Group in a strong position to navigate the uncertain trading environment expected in the next few quarters."

Business highlights

Retail basics

- Allegro broadened the selection of everyday shopping bargains that help customers cut everyday costs, with Triumph, Coty, Porsche, Iveco, as well as toy producers Haba and Tomy among the 30 key new brands onboarded in Q3.
- Number of active offers exceeded 260m, with 9 out of 10 best-sellers available on Allegro at the lowest market prices in Poland. Furthermore, the scope of buyers protection has been extended to two years, with the maximum compensation amount doubled to PLN 20.000.
- The appeal of Allegro Smart! and Allegro Pay resulted in expanding both services' user base and drove consumer engagement. Buyers originated PLN 1.41bn worth of loans via Allegro Pay in Q3, a 156% YoY rise as they applaud the offer with sector-leading NPS of >95.

Delivery experience

- Together with partners, Allegro continues to strengthen its Poland-wide and immensely scalable delivery network, which has proven resilient to economic distortions, as evidenced by the further improvement in next-day delivery.

- The group's own One Box network already counts more than 2100 machines, with >2500 contracted sites.

International expansion

- Preparations for integrated marketplace launch in Czechia next year are ongoing. Allegro wants to add value to the new organization with two immediate levers: the planned launch of a 3P platform in the Czech Republic and improving MALL's 1P performance.
- Allegro started Friends & Family testing of its platform adjusted to Czech specifics, with nearly 100m Allegro.pl offers ready for export. All Czech local payment methods are already prepared, available and ready for local platform launch.
- The group's model of providing the best shopping experience to buyers and merchants is gaining greater scale via Allegro.com, which is now available in English, Ukrainian, and Czech.

ESG

- Climate engagement: Allegro is the first e-commerce and tech company (fourth overall) from Poland, and one of 1,900+ companies around the world with science-based climate targets for reducing emissions in line with the Paris Agreement now approved by Science Based Targets Initiatives (SBTi). Targets include Allegro's commitment to reduce absolute scope 1 and 2 GHG emissions 38% by 2030 vs 2021.
- Solidarity with Ukraine: PLN 11.7m collected so far via the Allegro Charity platform, along with PLN 2.9m donated this year by Allegro Group directly to the Polish charities providing support to war refugees.
- Volunteering: Allegro has implemented an extra day off for employee volunteering since August.

About the Allegro Group

Allegro Group is the go-to e-commerce platform for European consumers and has delivered strong revenue growth, profitability and cash flow at scale. Based in Luxembourg and listed on the Warsaw Stock Exchange, the group operates a leading online marketplace across Central and Eastern Europe. Its Allegro.pl domain is one of the world's top ten e-commerce websites, also ranking among top 100 websites in the world by visits per month. The group's Merchants sell across a variety of categories, covering electronics; home and garden; sports and leisure; kids; automotive; fashion and shoes; health and beauty; books; media; collectibles and art. Its platforms facilitate sales of mainly new products by Merchants, particularly via a business-to-customer model, giving European Consumers easy access to millions of offers at most competitive prices.