Allegro starts to consolidate Mall Group and WE|DO and accelerates top-line growth in Q2, as it readies for tougher economic conditions ahead

Financial highlights

- Growth for gross merchandise value (GMV), or the gross value of goods sold via Allegro, accelerated to 16% YoY at its Polish based business in Q2, reaching PLN 12.1bn. The group's focus on ever widening selection and keeping prices in check raises its appeal among customers and shows resilience amid worsening macro conditions.
- Number of Active buyers rose by 2.1% YoY to 13.6m in Q2, resuming quarter-on-quarter growth. GMV per active buyer rose by 13.9% YoY to PLN 3,350, as shoppers now more than ever appreciate competitive pricing and fast delivery offered by Allegro.
- Allegro's relational NPS - the measure of customer appreciation - rose to an industry-high of 82, strengthened by the NPS of 92 for the group's benefit program Allegro Smart! and the NPS of 94 for its buy-now-pay-later offer Allegro Pay.
- Revenue growth for the Polish business accelerated to PLN 1.6bn in Q2, a 22.3% YoY rise which helped improve Adjusted EBITDA (the operating result before depreciation, and amortization, excluding non-recurring items) performance to -1.5% YoY from -13.6% in the first quarter, reaching PLN 551m in Q2.[1]
- Very challenging trading conditions in Mall's markets impacted Mall's GMV growth and margins. Including Mall, consolidated GMV widened by 23.5% YoY in Q2, while joint Adjusted EBITDA came in 13.5% lower. Allegro is already preparing its third-party marketplace for commercial roll-out in the Czech Republic and is working to stabilize margins at Mall's currently loss-making first-party business.
- Take rate at Allegro's Polish business grew by 0.35pp YoY to 10.81% in Q2, in line with expectations thanks to a full quarter impact of monetization initiatives implemented in the first quarter.
- Allegro updates full-year expectations for its core Polish-based business, now targeting GMV growth between 15-17% and revenue growth of 23-26%. Full year Adjusted EBITDA is seen up by 10-12% YoY, with CAPEX trimmed to PLN 650-700m. On the consolidated level, GMV is seen 22-24% up, with revenue growth expected at 67-71%. Group's Adjusted EBITDA is seen at 2-6%, with CAPEX at PLN 720-800m. The group's mid-term expectations are now under review, as Allegro wants to reflect the changing business environment in its cost structure and focus on boosting efficiency going forward.

"With the prospect of a significantly more challenging environment driven by high inflation and the rising costs of living, we are putting increasingly more focus on cost efficiency on our side, while we continue to drive growth through strong trading performance in Poland and international expansion," says **Roy Perticucci, Allegro CEO**. "Our business model is

[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.

the best solution for both customers 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 needing to keep costs in check. Allegro wants to be taking care of both of these groups and in order to do this effectively, we need to prioritize and maximize our long-term cashflows. Substantial investments of the past few years, reflected also in rising costs, have markedly changed our capital structure. While most of those investments have been worthwhile, going forward we will prioritize the most value accretive projects, account for realization risk, and make sure that we don't pursue anything that we don't have the bandwidth to finish effectively. Allegro has a huge opportunity to continue its growth - we just want to be even smarter in how we go about it. The aim is to strengthen in Poland and win beyond. As a consistently successful marketplace for over two decades, I'm convinced we have the proper know-how to do that. We are a company of builders who tackle challenges head-on and we want to grow as e-commerce expands, serving existing customers even better and reaching out to new ones across Europe."

The group's Q2 results are fully in line with the preliminary announcement made in early August. Allegro's Polish-based operations, which make up the lion's share of the overall business, accelerated GMV and revenue growth to 16% and 22.3% YoY, respectively, with more than 200 new brands onboarded in Q2. These include Honda, Yamaha, Sharp, Gardena, as well as popular Polish beauty brands such as Ziaja. Thanks to the widening selection provided by the widening merchant base and Allegro's unwavering focus on attractive pricing, the number of active buyers reached a new high of 13.6m in Q2, while the average GMV they generated jumped by 13.9% YoY to PLN 3,350. Al-in-all we improved the margin trend on an annual basis for the Polish operations to -1.5% versus -13.6% YoY in the previous quarter. The results show that Allegro is the best solution when it comes to tackling the rising costs of everyday living, as confirmed by its best-in-class overall rNPS (relational net promoter score) of 82, strengthened by above-90 scores for the group's benefit program Allegro Smart! and its buy-now-pay-later offer Allegro Pay. The number of Allegro Pay users surpassed 1 million, while its simplicity and safety translated into a 260% YoY leap in loans originated in the second quarter. Hand-in-hand with over 2000 of the green One Box parcel lockers, Allegro brands have become bywords for comfortable and affordable shopping, as well as undeniable benchmarks, boosting one another's appeal and convenience while propelling the group's business.

As the most popular e-commerce player in Poland, Allegro wants to continue strengthening its position at home and win abroad thanks to >70m EU-wide offers on Allegro.com as well as the recent acquisitions which widen its geographical footprint. The group started the second quarter by buying Mall and WE|DO and since then has been taking major steps towards becoming a united organization operating in not just one but across six countries. Weaker than expected consumer demand impacted Mall's GMV and margins in the second quarter, but the progress of leveraging the group's joint strengths is underway: first Polish merchants have started trading on Mall.cz, the first Czech merchants debuted on Allegro.pl, and Mall's 3P-generated GMV was already 53.6% higher YoY in Q2. Allegro's aim is to implement its successful marketplace model based mostly on third-party (3P) offers across the region, aiming at solidifying its status as the go-to platform for all customers - buyers and merchants alike - also internationally. Allegro.com is already available in Czech and the group is set to integrate its platform across the CEE next year, while focusing on retail basics, buyer engagement, as well as inventory and capital management in the months ahead. In the light of tougher macroeconomic conditions facing all businesses, Allegro has updated its 2022 expectations both for the Polish-based business and the group, narrowing growth seen for key measures and trimming down CAPEX plans to reflect the changing trading environment. Mid-term expectations are now under review to analyse the impact of the current performance.

"We err on the side of caution with our newest expectations, which take into account a conservative view on the months to come. While the macroeconomic environment is changing rapidly, our marketplace model has proven successful and resilient, because it provides consumers with great selection, great prices and a great buying experience," says **Allegro CFO, Jon Eastick**. "Our mid-term expectations, prepared in last year's planning round, were published on the very day Russia invaded Ukraine, and the world has become a much more uncertain place over the past seven months. Our new CEO is leading the management team through a prudent and logical pivot towards balancing growth objectives with efficiency and return on investment to fully prepare for the likely more difficult economic times ahead and we have put our mid-term expectations under review while we finish this very important planning round. That said, the Polish operations improved their margins trend in Q2 and are set to further accelerate GMV growth and return to Adjusted EBITDA growth in the current quarter. This strength of performance helps to absorb headwinds to our group results caused by our newly acquired Mall business as we aim to stabilize their GMV in a tough trading environment."

Business highlights

Retail basics

- Allegro broadened the selection of everyday shopping bargains that help customers cut everyday costs, with Honda, Yamaha, Sharp, Gardena, as well as popular Polish beauty brands such as Ziaja among the >200 new brands onboarded in Q2.
- Successfully launched Allegro Days in June - a periodical promotion aimed at helping boost sales for merchants and offering best pricing for buyers.
- The appeal of Allegro Smart! and Allegro Pay resulted in expanding the services' user base and drove consumer engagement. Buyers originated PLN 1.26bn worth of loans via Allegro Pay in Q2, with PLN 273m of installments sold to AION to reduce working capital requirement.

Delivery experience

- Together with partners, Allegro continues to widen its Poland-widest and immensely scalable delivery network which has proven resilient to economic distortions, as evidenced by the further 6pp YoY increase in the share of orders delivered the next day in Q2.
- The group's own network of One Box green parcel lockers already counts more than

2000 machines, while One Kurier launched same-day and next-day deliveries to One Box and One Punkt.

International expansion

- Preparations for integrated marketplace launch in Czechia next year is moving at full speed, with the platform being adjusted to the Czech market. One fifth of allegro.pl offers are export-ready, aiming for one third at Czech launch.
- The group's model of providing the best shopping experience to buyers and merchants is now gaining an even greater, EU-wide scale via Allegro.com, now available in English, Ukrainian, and Czech.
- 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 bottom line.

ESG

- Climate engagement: science-based targets for reducing emissions in line with the Paris Agreement have been approved by the Board and are now pending approval by the Science-Based Targets Initiatives (SBTi).
- Solidarity with Ukraine: almost PLN 11m collected so far via the Allegro Charity platform, along with PLN 2.1m donated in Q1 and Q2 by Allegro Group directly to the Polish charities providing support to war refugees.
- Accessibility: Allegro co-funded the Business Accessibility Forum, a cooperation platform for the exchange of good practices and raising awareness in the area of accessibility.
- 23 employee initiatives as part of the third edition of the "Pomagamy bo umiemy / We help because we can" volunteer program sponsored by the Allegro Foundation. Allegro now grants its employees one additional off day for voluntary actions.
- 2022 ESG Report published in May, compliant with international reporting standards.

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.