



photo: CCC, collection SS'20 – JENNY FAIRY women's shoes & bag

CCC

GROUP

for

unicef 

# Q1 2020

Preliminary  
results

**OVERVIEW OF COVID-19'S  
IMPACT ON THE GROUP'S BUSINESS**

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photo eobuwie.pl, collection SS'20 – Armani Exchange bag

## 02 AGENDA

**EFFECT OF COVID-19  
EPIDEMIC ON GROUP'S BUSINESS**

**PRELIMINARY ESTIMATES  
OF 2020 Q1 FINANCIAL RESULTS**

**CONCLUSIONS**

Q1  
2020



photo: DeeZee, collection SS'20 - bag and shoes DeeZee



photo: CCC, collection SS'20 – REEBOK sneakers

**EFFECT OF  
COVID-19  
EPIDEMIC  
ON GROUP'S  
BUSINESS**

## 04 CCC GROUP IN NUMBERS – FY20 Q1 (yoy) RESULTS UNDER PRESSURE OF THE EPIDEMIC

INCREASE IN E-COMMERCE  
REVENUE

**+39%**

HIGHER SHARE OF ONLINE  
REVENUE

**28%** ▶ **43%**

LFL IN BRICK-AND-MORTAR  
STORES

**-32%**

GROSS MARGIN

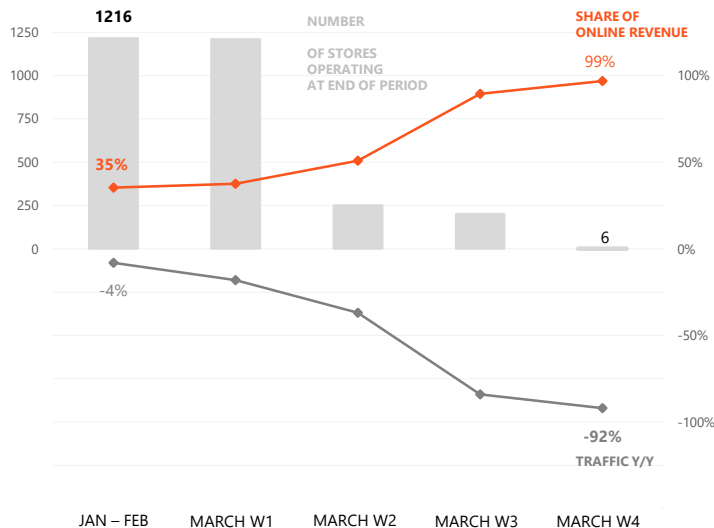
**-4.0** p.p.

**DECLINE  
IN GROUP'S  
REVENUE**

**-9%**

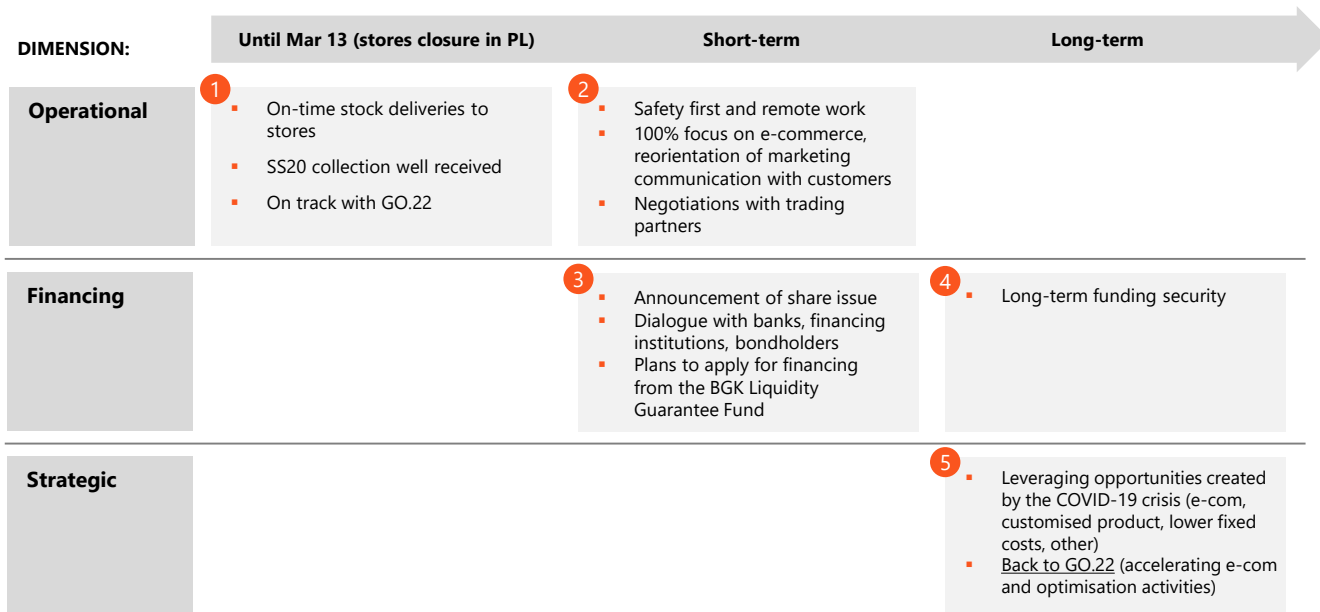
# 05 IMPACT OF BAN ON SALES AT SHOPPING CENTRES THE GROUP'S BUSINESS

## E-COMMERCE AS MAIN SALES CHANNEL IN MARCH



- **Closures of Group stores since March 14th 2020**  
– at the end of the month only 6 stores in Latvia were open
- Consistent **decrease in traffic** from early March onwards, **to about -90% yoy in the last week of the month (data for ~120 stores)**
- **Surge in the share of e-commerce** in the Group's revenue following the closure of brick-and-mortar stores (in mid-March already **to more than 90% of total revenue**)
- **Very fast** (three-digit at times) **growth in e-commerce immediately following the closure of brick-and-mortar stores**, with a slowdown in the latter half of March

# 06 KEY STEPS TAKEN IN RESPONSE TO PANDEMIC FAST ADAPTATION TO REALITIES OF CURRENT BUSINESS ENVIRONMENT



# 07 OPERATIONAL DIMENSION

## ENSURING CONTINUITY OF KEY BUSINESS PROCESSES

DIMENSION:

Operational

Financing

Strategic



### CRISIS MANAGEMENT MEASURES

- ✓ **Appointment of crisis management team**
- ✓ Implementing remote work arrangements (extensive digital tools usage)
- ✓ Employees taking ~10 thousand days of carried-over leave
- ✓ **Developing relevant procedures** and internal protocols
- ✓ **Regular disinfection** of rooms, door handles, handrails, etc. everywhere on CCC premises
- ✓ Secured stocks of disposable gloves and disinfectants for stores

### SUPPLY CHAIN



- ✓ SS20 collection deliveries **fully secured**
- ✓ Plants in China have resumed operation (**accounting for 29% of the supply chain**), with capacity to deliver orders on time
- ✓ **Reducing AW20 collection orders by approximately 10–15%**
- ✓ Renegotiated payment methods for AW20 season

### E-COMMERCE & DIGITAL COMMUNICATION



- ✓ **Upgrade** of the eobuwie.pl e-commerce platform
- ✓ **Very high reliability of e-commerce shipping operations** (~90% of shipments still sent within 24 hours)
- ✓ Secured **capacity** of the e-commerce logistics centre in Zielona Góra (including support for CCC warehouse employees)
- ✓ Acceleration of new **sales channels** – www.ccc.eu in Romania (since Mar 18) as well as in Hungary and Austria (by mid-April); CCC mobile app to be launched on five new markets in May
- ✓ **Strengthening of digital marketing communication** (social media, etc.)



# E-COMMERCE & DIGITAL COMMUNICATION



**CCC**  
GROUP

# 09 FINANCIAL DIMENSION

## ENSURING LONG-TERM FINANCING SECURITY FOR THE GROUP

DIMENSION:

Operational

Financing

Strategic

### Comments

### Timeline



<b>Shareholders (share issue)</b>	<ul style="list-style-type: none"> <li>PLN 400–500m</li> <li>Working capital financing</li> <li>Planned support from the Main Shareholder</li> </ul>	<b>Notice of EGM</b> (Current Report No. 8/2020)	<b>EGM (Apr 17)</b>
<b>Banks / financing institutions</b>	<ul style="list-style-type: none"> <li>PLN 1.5bn credit facilities</li> <li>PLN 0.6bn supplier financing</li> <li>BGK (potential financing of PLN 250m)</li> </ul>	<b>Agreement struck on Mar 31</b> (Current Report No. 14/2020)	<b>Negotiations</b> to amend financing terms, including extending maturities of current liabilities until June 2021 and securing continued availability of the existing limits  <b>Potential BGK guarantees</b>
<b>Bondholders</b>	<ul style="list-style-type: none"> <li>PLN 210m</li> <li>Interest servicing</li> <li>Redemption by maturity dates</li> </ul>	<b>Notice of Bondholders' Meeting</b> (Current Report No. 12/2020)	<b>Bondholders' Meeting (Apr 15)</b>

# 10 STRATEGIC DIMENSION

## CONTINUING TO MEET STRATEGIC OBJECTIVES AFTER 2020 AND SEIZING EVERY OPPORTUNITY

DIMENSION:

Operational

Financing

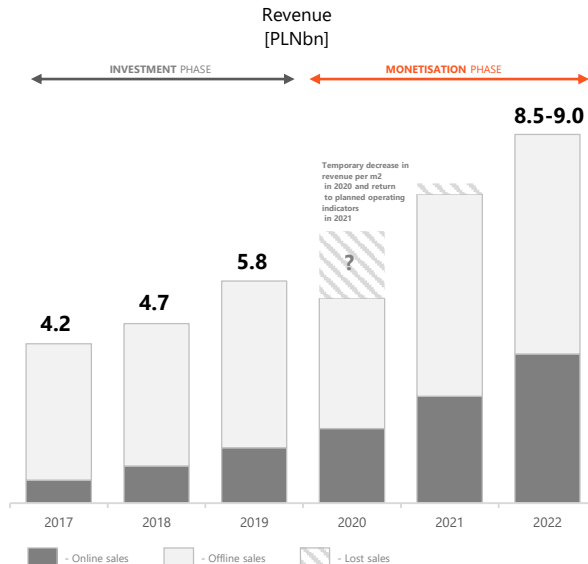
**Strategic**

### POSSIBLE IMPACT ON THE MARKET

- Decline in value of the market in 2020 (scale of the decline will depend on how long stores will be closed and on consumer behaviour after re-opening) followed by recovery in 2021
- Possible sustainable increase in online penetration
- Possible consumer shifts towards lower prices (lower disposable incomes – macro situation)
- Potential imbalance/disruptions in supply chains
- Likely acceleration of market concentration (~15% market share of independent shops/open-air markets in Poland)

### CCC's OUTLOOK

- Acceleration of e-commerce** – leveraging CCC strong position
- Larger consumer interest in attractive-prices offer** – which is also to CCC's advantage
- Weakened competition** – in terms of financial strength and ability to stock up
- Cost savings and acceleration of restructuring of less profitable operations**

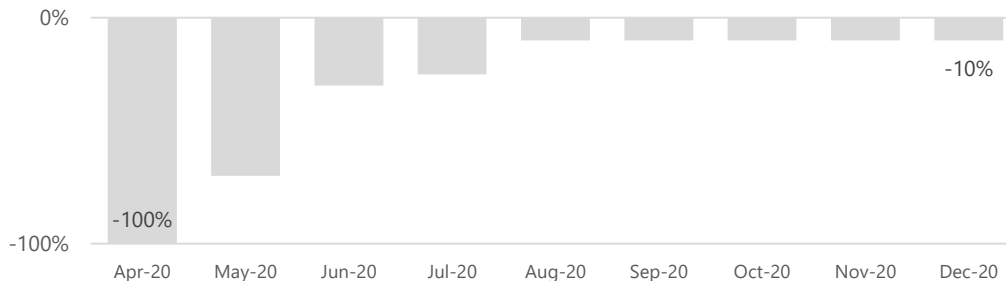


# 11 SUMMARY OF SCENARIO OF COVID-19 IMPACT ON GROUP'S PERFORMANCE

## POTENTIAL SALES DYNAMICS IN 2020

	Short-term (shuttered period)	Medium/long-term
SALES	<ul style="list-style-type: none"> <li>100% e-commerce</li> </ul>	<ul style="list-style-type: none"> <li>Continued growth in e-commerce sales</li> <li><u>Gradual</u> rebuilding of sales in traditional channels (B&amp;M and wholesale) following re-opening of stores</li> </ul>

**Delivery of budgeted sales in traditional channels (retail and wholesale) in base-case scenario<sup>1</sup>**



1 - The scenario assumes re-opening of traditional stores in May 2020 and gradual recovery of consumer demand; however, these developments are independent and are beyond the Group's control, thus hypothetical.

# 12 SUMMARY OF SCENARIO OF COVID-19 IMPACT ON GROUP'S PERFORMANCE ADJUSTMENTS TO COST BASE AND EXPENDITURE – ACTIONS TAKEN (1/2)

		Short-term (shuttered period)	Medium/long-term
STORES' OPERATING COSTS (EXCLUDING D&A)	Rent	<ul style="list-style-type: none"> <li>Expected cost phase-out (normalised, historical level: ca. PLN 60m/month)</li> <li>Negotiations with landlords + regulations</li> </ul>	<ul style="list-style-type: none"> <li>Cost flexibility (OCR)</li> <li>Closure of selected locations</li> <li>Negotiations with landlords</li> </ul>
	Wages and salaries	<ul style="list-style-type: none"> <li>Adjusting staffing levels to sales</li> <li>Use of public relief schemes</li> <li>Use of accrued/current leave entitlements</li> <li>Total estimated cost reduction of ca. PLN 25–30m per month i.e. 50-60% vs normalised budget</li> </ul>	<ul style="list-style-type: none"> <li>Adjusting staffing levels to sales – a reduction in salaries and wages of ca. 10%–15% yoy</li> </ul>
	Other	<ul style="list-style-type: none"> <li>Major cuts (transport, stores services, in-store marketing, etc.)</li> <li>Est. reduction by ca. PLN 12–13m per month, or ca. 50% vs normalised historical level</li> </ul>	

# 13 SUMMARY OF SCENARIO OF COVID-19 IMPACT ON GROUP'S PERFORMANCE ADJUSTMENTS TO THE COST BASE AND EXPENDITURE – ACTIONS TAKEN (2/2)

		Short-term (shuttered period)	Medium/long-term
HQ OPERATING EXPENSES (other SG&A)	Wages and salaries	<ul style="list-style-type: none"> <li>Use of public relief schemes – estimated cost reduction by ca. PLN 5m per month</li> <li>Use of accrued/current leave entitlements</li> </ul>	<ul style="list-style-type: none"> <li>Optimisation of staffing levels (estimated reduction of ca. PLN 5m–10m per year)</li> </ul>
	Other	<ul style="list-style-type: none"> <li>Operating cost savings (logistics operations, non-store marketing, all other costs of the head office) or approximately PLN 10m per month, or by ca. 10% vs normalised historical level (ca. PLN 90m per month)</li> </ul>	<ul style="list-style-type: none"> <li>Marketing cost reduction (sponsorships)</li> </ul>
FINANCE COSTS/ DEBT REPAYMENT		<ul style="list-style-type: none"> <li>Temporary postponement of current interest payments</li> <li>Intended extension of due dates of current liabilities until June 2021 and maintenance of available lines of credit</li> </ul>	<ul style="list-style-type: none"> <li>Payments as per contracts</li> </ul>
PUBLIC CHARGES		<ul style="list-style-type: none"> <li>Applications to defer CIT/PIT/ZUS payments (ca. PLN 60m) and accelerated VAT, CIT refund (ca. PLN 62m)</li> <li>Ultimately, settlement of deferred payments</li> </ul>	
CAPEX		<ul style="list-style-type: none"> <li>Capital expenditure reduction – by ca. 60% in Q2–Q4 2020 vs GO.22 (ca. PLN 80m), depending on store reopening date</li> <li>Focus on e-commerce development expenditure (eObuwie warehouse)</li> <li>Reducing the scale of planned expansion</li> </ul>	

# 14 CONCLUSIONS

- 1 Operating cost savings resulting from store closure, optimisation measures and relief schemes

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- 2 Securing access to and extending maturities of existing financing

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- 3 Reduction of capital expenditure

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- 4 Ensuring business continuity in a scenario of a long shuttered period, based exclusively on cash flows generated by e-commerce sales

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- 5 Securing funding for AW2020 collection



photo: **Gino Rossi**, SS'20 collection – Gino Rossi bag

**PRELIMINARY  
ESTIMATES  
OF 2020 Q1  
FINANCIAL  
RESULTS**



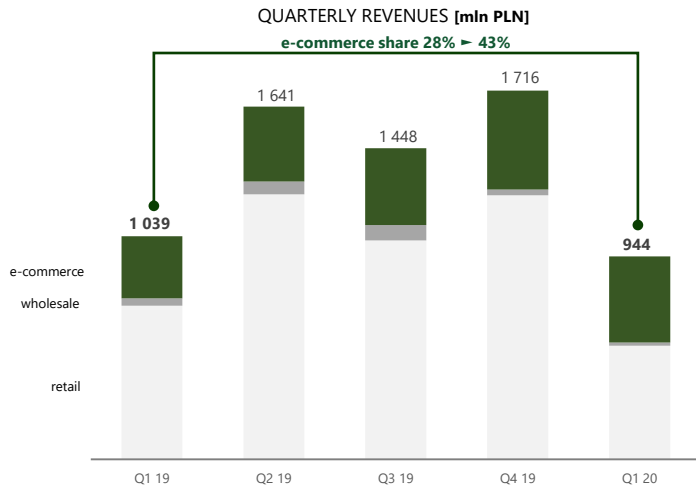
# 16 Q1 2020 STATEMENT OF PROFIT OR LOSS

	Q1		
	2019	2020	YOY
<b>REVENUE</b>	1,039	944	-9%
<b>GROSS MARGIN</b>	47.4%	43.4%	-4.0pp
<b>EBIT</b>	-149	-327	>100%
<b>EBITDA</b>	19	-136	-
<b>EBITDA MARGIN</b>	1.8%	-14.4%	-

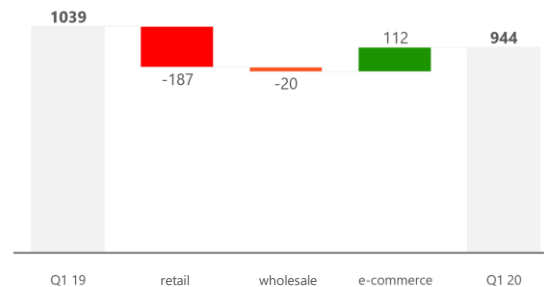


photo: CCC, SS'20 collection – JENNY FAIRY kidney bag

# 17 REVENUE STRUCTURE AT CCC GROUP



CHANGE IN REVENUES YOY [mln PLN]

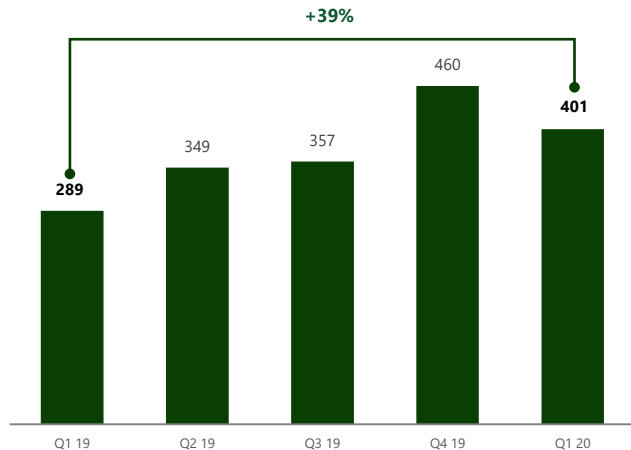


- E-commerce's share in the Group's revenue increased significantly, from 28% to 43% yoy. In the last week of March, online was responsible for close to 100% of the Group's sales.
- The revenue change was mainly driven by lower retail sales in the second half of March due to the closure of most brick-and-mortar stores.
- Assuming an increase in sales in Q1 2020, in proportion to the increase in retail space only, the estimated revenue decline is PLN -270m, with the margin falling by PLN -135m.

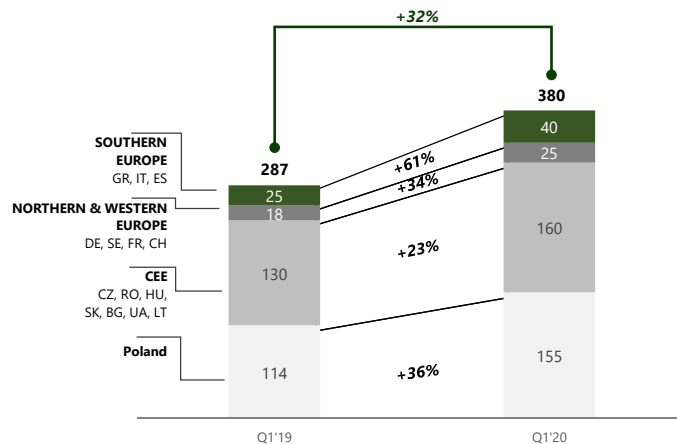
# 18 SALES IN E-COMMERCE SEGMENT



E-COMMERCE REVENUE [PLNm]



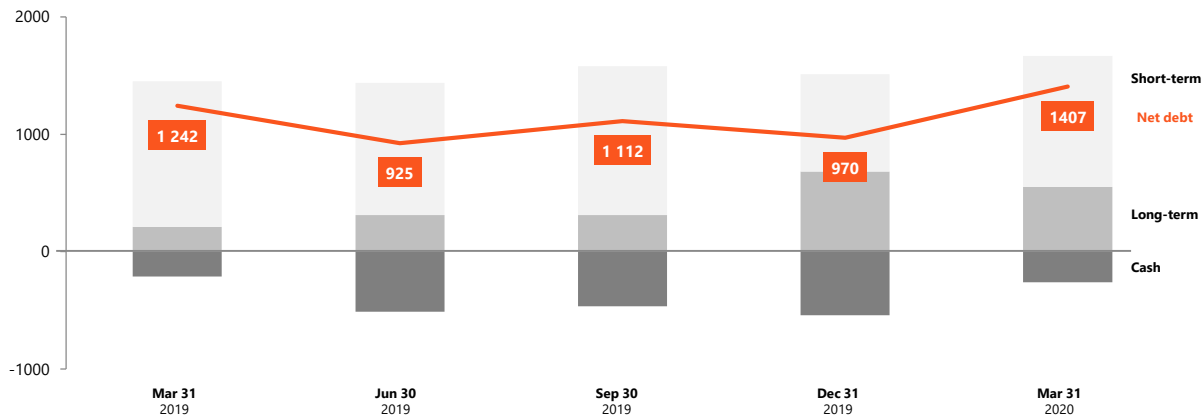
EOBUWIE.PL REVENUE [PLNm]



- Eobuwie.pl accounted for 92% of e-commerce revenue. Sales in other e-commerce channels were as follows: CCC online PLN 26m, Deeze PLN 9m, Gino Rossi PLN 4m.
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- The strongest growth was seen in Greece and Lithuania - by over 50%.

# 19 FINANCIAL DEBT

NET DEBT [PLNm]



- Net debt was higher due to the lack of revenues in March caused by the COVID-19 epidemic (very low traffic, administrative closure of stores).
- Execution of an agreement with banks and financing institutions to maintain current financing and start of discussions concerning, inter alia, extension of maturities of short-term liabilities until June 2021 and continued availability of the limits under existing financing agreements (factoring, guarantee agreements).

Note: Net debt disclosed in the financial statements as due and payable within 3 months includes also overdraft facilities (the nature of the obligation requires it to be classified in this item, regardless of the contractual maturity).



photo: MODIVO, SS'20 collection – PINKO sneakers



## CONCLUSIONS

## 21 KEY REASONS FOR IMPROVEMENT IN MEDIUM TO LONG TERM A CRISIS FROM WHICH CCC GROUP WILL EMERGE STRONGER










1. **Deep cuts to costs and unprofitable business lines/stores**, improved cost base flexibility
2. **Adequate business model** for a time of crisis – attractive product prices, strong e-commerce channel
3. **Closed investment cycle – monetisation phase**, very limited financing needs for future capex
4. **Stabilisation of financing sources** – securing supplies for AW 2020
5. After the period of economic turmoil, **coming back to implementation of the GO.22 strategy**



photo: CCC, SS'20 collection – DeeZee shoes, JENNY FAIRY bag

**SUPPORT  
MATERIAL**

# 23 LARGE ENTERPRISES – PUBLIC SUPPORT SCHEMES

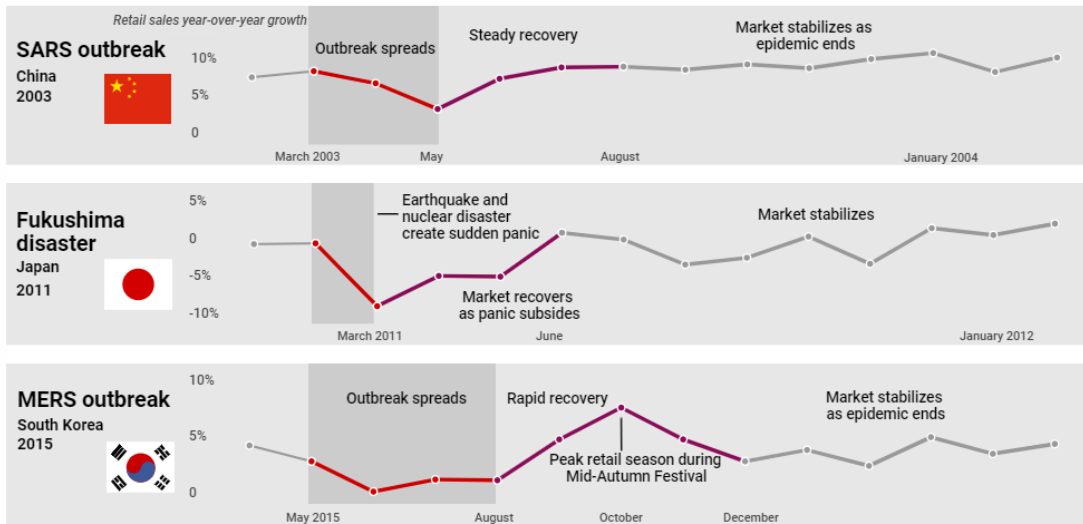
POLAND 	CZECH REPUBLIC 	ROMANIA 
<ol style="list-style-type: none"> <li>1. Deferral of public charges</li> <li>2. No rent liabilities during the shopping centre closed period</li> <li>3. Payment of 40% of labour costs in the event of 20% reduction in work time and 50% of labour costs in the event of idle time</li> <li>4. Loan guarantees on soft terms to improve liquidity, for up to 80% of principal. Maximum facility amount: PLN 250m</li> </ol>	<ol style="list-style-type: none"> <li>1. Payment of up to 80% of labour costs</li> <li>2. Deferral of public charges</li> <li>3. Soft loans</li> <li>4. Offsetting 2020 tax loss against tax paid for 2019 and 2018</li> <li>5. Suspension of bank credit repayments for six months</li> <li>6. Option to defer rent payments and spread them over 24 months (in preparation)</li> </ol>	<ol style="list-style-type: none"> <li>1. Payment of labour costs up to 75% of average salary</li> <li>2. Deferral of public charges or preferential tax rates for timely payments</li> <li>3. Deferral of shopping centre rent payments for the duration of the state of emergency</li> </ol>
GERMANY 	SWITZERLAND 	BULGARIA 
<ol style="list-style-type: none"> <li>1. Payment of up to 60%–67% of labour costs</li> <li>2. Deferral of public charges</li> </ol>	<ol style="list-style-type: none"> <li>1. Soft loans up to 0.5m CHF and loans above 0.5m CHF guaranteed by the government up to 85%</li> <li>2. Deferral of public charges</li> <li>3. Work time reduction</li> </ol>	<ol style="list-style-type: none"> <li>1. Payment of up to 60% of labour costs</li> <li>2. Deferral of public charges (excluding social security)</li> </ol>
CROATIA 	AUSTRIA 	SLOVAKIA 
<ol style="list-style-type: none"> <li>1. Deferral of public charges for the quarter;</li> <li>2. Payment of labour costs up to HRK 3,250 (PLN 2,000)</li> </ol>	<ol style="list-style-type: none"> <li>1. Working time reduction and payment of up to 85-80% labour costs</li> <li>2. Deferral of public charges</li> <li>3. Soft loans in the amount of quarterly turnover (cap. EUR 120m), potentially convertible into non-refundable grant</li> </ol>	<ol style="list-style-type: none"> <li>1. Payment of up to 80% of labour costs</li> <li>2. Deferral of public charges</li> <li>3. Deferral of repayment of existing borrowings</li> </ol>

**Additional information:** Possible additional debt financing in the form of a PLN 250m facility with an 80% guarantee provided by BGK; potentially available in April 2020



# 24 EFFECT OF THE EPIDEMIC ON CONSUMER DEMAND

## Retail markets typically dip during a crisis, but eventually stabilize



Sources: China National Bureau of Statistics; Japan Ministry of Economy, Trade and Industry; South Korea government statistics

Source: <https://www.bain.com/insights/chinas-retailers-and-the-coronavirus-outbreak-lessons-from-the-past/>



photo: DeeZee, SS'20 - DeeZee glasses

**THANK  
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