

CCC sells its German operations and starts cooperation with HR Group, #2 footwear retailer on the market

On November 24th 2018 CCC and HR Group signed an agreement, on the basis of which they will start business and capital cooperation. HR Group is the second biggest footwear retailer in Germany. CCC sells unprofitable operations on the German market and buys 30,5% shares of the local vice-leader, while the HR Group is to take advantage of the sourcing, production and technology competences of the CCC Group. Both sides expect numerous positive effects and synergies from the transaction.

Hamm-Reno Group („HRG” or „HR Group”) consists of two footwear businesses: retail part including 364 stores under Reno brand, mostly in Germany (288), Austria (38) and Switzerland (17) – totaling 182k sqm, average sales floorspace 500 sqm; as well as wholesale business Hamm operating in over 2090 points of sale via partners such as Metro, Tesco, and others. The Group has been active for over 130 years and has a strong position on the attractive German market. In reporting year ending on 30.09.2018, the company reported revenues of €370m (via German GAAP) with EBITDA margin around 4,5% (preliminary, unaudited data). Total gross sales at retail prices including S4S entity amounted circa 500M EUR. The share of ecommerce in consolidated revenues exceeded 10% (including S4S), and yearly HR Group sells circa 15 M pairs of shoes. In 2016, the private equity fund Capiton became the majority shareholder in HRG, which, together with the management board, is successfully implementing a number of optimisation initiatives resulting in significant improvement of HR Group’s results and financial strength.

The competences of CCC and HR Group in the German market complement each other. The HR Group/Reno is a strong brand and a company with an excellent knowledge of customer preferences in Germany and the DACH region. The company focuses on the attractive price segment and the majority of its sales are private labels. HR Group has very good management, modern IT and logistics. It has fresh experience of successfully restructuring its own store network in Germany (more than 100 stores closed in two years) and rebranding different stores to Reno brand.

Under the agreement, both entities will cooperate in the future, among others, in the area of footwear sourcing from CCC factories, which will start as early as in the autumn - winter 2019 season.

As part of the transaction, CCC will sell CCC Germany for a nominal amount and will also provide a loan for the restructuring of its chain of stores, a large part of which will be re-branded to Reno and some will close down.

The CCC Group's presence in the countries of the DACH region will thus be reconstructed, so that it will be based on strong local brands. CCC will now focus on operational cooperation, synergies and business profitability in these countries. At the same time, as a group (together with the HR Group, eObuwie and Voegele) CCC will become Europe's largest buyer of branded (excluding sports) footwear in its segment.

“The transaction with HR Group is in our opinion the best strategic solution to the situation on the German market. We achieve several benefits at once. On the one hand, we are selling a business in Germany, which has failed for us, to local specialists who know how to make money in this market and will certainly turn it around.

On the other hand, we will become minority shareholders of a profitable company, which is the second largest player in Germany, #1 shoe market in Europe.” comments Dariusz Miłek, President of CCC. *“This is certainly a potential for the future, we will see, we have secured some options in 2 years. For the time being, the sale of CCC Germany will allow us to concentrate even more strongly on our core markets and their profitability.”* adds Karol Póttorak, vice president of CCC.

“Our goal is to further advance HR Group as a leading player in the German and European footwear market. Our future partnership with CCC means for us a possibility to closely cooperate with a company that grows at an unbelievable pace. By sharing know-how and making use of the respective strengths of both companies, we see great potential for sustainable growth and strengthening position in our core markets”, comments Peter M. Wolf, CEO of HR Group.

Total floorspace of the CCC Group's sales network as of 09.30.2018 consists of over 680,000 sqm and 1181 stores, including more than half abroad. Sales for 2017 exceeded 4.1 billion PLN. CCC Group is present in 23 countries in total (18 offline and 15 online).

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