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CCC GO.22 STRATEGY: A COURSE FOR INCREASING THE GROUP'S VALUE AND PROFITABILITY THROUGH THE DEVELOPMENT OF MULTI-CHANNEL SALES AND FURTHER DIGITALIZATION

The CCC Group, the leader of the footwear sector in Central and Eastern Europe, has published its strategy for 2020-2022: GO.22. The Group plans to base its development on building and strengthening multi-channel sales (so-called omnichannel), further digitalization of processes and expansion of the product offer. In the years 2020-2022, the Group also focuses on organic growth, supported by new technologies and extensive data analytics.

The Group expects to increase the scale of its operations and generate sales revenues of PLN 8.5-9.0 billion for 2022. The share of e-commerce in the Group's total sales is to increase from 24% to 35-40%. Eobuwie will remain the main engine of online sales, with the MODIVO premium clothing store and CCC.EU. platform launched in 2019.

The objective of the implemented measures is to return to profitability and EBIT margin of 8.5 - 9.5% and net margin of 7.0 - 8.0%. The Group also wants to reduce its net debt to EBITDA ratio from 2.9 (at the end of 2019) to 0-1x by 2022.

The starting point for the development of the new CCC strategy was a market analysis and our existing business model based largely on traditional offline stores. Due to rapid changes in the environment their functioning requires evolution. Offline stores remain the leading place to buy shoes, also for mobile customers, but we want them to be more engaging and even better connecting the offline and online world. - says Dariusz Miłek, Chairman of the Supervisory Board and founder of CCC S.A.

In 2019 we underwent a digital transformation, we focused on multi-channel reaching the customer, digitizing the purchase process, we took the first steps to personalise the message. In line with the new strategy, we are continuing this direction. We are expanding our assortment taking into account, among others, the growing role of the fashion aspect, the dynamically growing segment of sports shoes and the so-called sneakering trend. Our offer covers all price segments and will better respond to the fading of the weather seasons. - says Marcin Czyczerski, President of the Management Board of CCC S.A.

STRATEGY - KEY PILLARS

The Group's strategy is focused on current and future customers. It consists of five pillars: omnichannel, product, efficiency and effectiveness, financial stability and sustainability. The objectives set in each area will be implemented with the support of new technologies and data analysis.

PILLAR I: OMNICHANNEL WITH THE CUSTOMER IN THE CENTER

The unique omnichannel trade ecosystem includes complementary channels for reaching customers (e.g. offline stores, hybrid stores, Internet platforms, mobile applications, esize.me scanners, etc.) through which the Group wants to offer its products in every way expected by customers.

The Group's current and new stores are becoming part of a wider omnichannel ecosystem. The Group plans a much more selective development of offline stores by, among other things, reducing the plans to expand the new space not more than 120,000 sq.m in the next 3 years, concentrating on selected markets (Romania, Russia or Ukraine), focusing on the preferred CCC format with an area of about 500-800 sq.m and opening hybrid stores of eobuwie.pl. Additionally, full use of the common CRM implemented in 2019 in all countries and companies of the Group will allow for monetization of the customer base and increase in margin. Advanced data analytics will help communicate effectively with the customer and personalize the message. - **says Karol Póltorak, Vice-President of the Management Board of CCC S.A. for Strategy and Development.**

A multi-channel customer generates on average 80% more revenue than a single-channel customer. We are expanding e-commerce in all markets of CCC activity. The development of complementary online sales channels allows covering all price segments, deepening the synergy between online and offline and other customer contact platforms. The customer is at the centre of all these activities, which is aimed at building a positive consumer experience. I am convinced that as part of the implementation of the strategy we will implement an effective and scalable omnichannel model - **says Marcin Czyczerski, President of the Management Board of CCC S.A.**

The unquestionable leader in online sales in Central and Eastern Europe (CEE) is the eobuwie.pl platform (approximately 17% share of the CEE online footwear market), which will remain the main e-commerce engine in the Group. New logistics centre eobuwie.pl, with an area of circa 40,000 sq.m. and 3 levels of stocking, highly robotized, ultimately with the ability to store up to 5.5 million products in stock, has significantly increased the order processing capacity. Eobuwie has also successfully entered the premium clothing sector by launching the Modivo platform in 2019 in 11 markets. By the end of 2020 it is to be present in 14 countries.

An effective business model of eobuwie.pl has the potential for further rapid expansion. We have grown out of the digital world and are able to adapt flexibly to the current needs of our customers. By launching a new logistics centre, we are unlocking new potential for further growth. Opened a few months ago, the new MODIVO platform is also developing better than we expected. Its revenues have recently increased by over 50% m/m. With the launch of esize.me scanners in over 170 biggest CCC offline stores, we have significantly increased the scale of reaching customers with this solution and we plan its further scaling. In 2019, customers with the esize.me foot scan placed orders worth over 70 million PLN. This shows that the model we have adopted has great development prospects. As part of the GO.22 strategy, we are aiming to generate about PLN 3 billion in revenues of the eobuwie Group in 2022 - **says Marcin Grzymkowski, President of the Management Board of eobuwie.pl S.A.**

PILLAR II: PRODUCT

The Group continues to develop its product targeted at customer needs and changeable weather. In accordance with the adopted changes course being a part of its strategy, the Group focuses on strengthening its core 5-6 brands, including Lasocki, Gino Rossi, Sprandi, Jenny Fairy and Dee Zee

improving product quality, sneakering, expanding its fashion offer, wider *e-commerce only* and offer, expanding other categories (e.g. accessories).

We are working on a new, comprehensive marketing strategy. We want to attract an increasing number of younger customers, whose purchasing power is growing, to strengthen selected key brands and redirect customer traffic to individual sales channels. One of the directions of the new marketing strategy is to build shopping opportunities through communication of microseasons in offline stores as well as online - says Dariusz Milek, Chairman of the Supervisory Board and founder of CCC S.A.

PILLAR III: EFFICIENCY AND EFFECTIVENESS

The implementation of the GO.22 strategy will be possible, among others, thanks to the optimisation of processes in areas such as logistics or finance, as well as the strengthening of the organisational culture. Directing all of the Group's activities towards the customer will enable, among other things, building a tailor-made offer taking into account segmentation and an effective promotional policy. New tools to improve financial supervision (SAP, FI, SAC, BI) and shared services center will in turn facilitate effective management information and even greater cost discipline.

Effective supply chain management is an essential part of our strategy. We implement solutions that will improve it (e.g. Transport Management System). This way, we want to improve stock rotation and the allocation of products to individual sales channels. This will also help to manage the entire product life cycle more effectively, which is essential in view of changing fashion trends and increasing globalisation. - says Mariusz Gnych, Vice President of the Management Board of CCC S.A. for Logistics and Production.

PILLAR IV: FINANCIAL STABILITY

The Group's objective is to reduce its debt by increasing its operating profitability to 8.5 - 9.5% and net profitability to 7.0 - 8.0%. The Group also aims to increase the efficiency of the use of working capital by improving the cash conversion cycle below 100 days. Investment outlays in the years 2020-2022 are to amount on average to PLN 150-200m per annum against PLN 700m a year earlier. The strategic objective of the CCC is to achieve a low net debt to EBITDA ratio of 0-1x (compared to 2.9 at the end of 2019).

PILLAR V: SUSTAINABLE DEVELOPMENT

The Group implements a sustainable development plan and minimises the impact of its operations on the environment and supports pro-environmental and pro-social activities. In the next three years, CCC will develop its offer of environmentally friendly products by, among other things, introducing more ecological product lines, increasing the share of ecological leathers in production and cooperating only with suppliers who sign the so-called CCC Code of Conduct, containing environmental and social obligations. CCC Group is also the first global partner of UNICEF from Poland. The money provided is used to save the lives of children in the world and support education in developing countries.

We have developed a sustainability strategy that also includes specific environmental indicators, the details of which we will present by the end of the first quarter of 2020. The long-term goal is an MSCI rating of A+ - says Marcin Czczerski, President of the Management Board of CCC S.A.

SUMMARY

It is time for a new CCC strategy. The Group's rapid growth in recent years, also through acquisitions, and the dynamics of market changes have influenced profitability and prompted us to take a new look at CCC and the client.

*We want to be the place of first choice when it comes to buying shoes, a company with maximum customer focus, with a scalable, very well developed omnichannel sales model that will be our competitive advantage. We have a great team and all the resources to achieve this goal - says **Dariusz Miłek, Chairman of the Supervisory Board and founder of CCC S.A.***

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