

A result demanding year in the CCC Group in face of intensive changes

In the fourth quarter of 2019, the CCC Group recorded a higher gross margin and a decrease in operating costs per sqm. Despite this, the results of the CCC Group were lower than last year, mainly due to the low dynamics of revenues from sales resulting from unfavourable weather conditions. The last quarter was also a period of further strong digitalization of the CCC Group, integration of subsidiaries and strengthening of omnichannel sales. The share of Internet sales in the Group's revenues reached nearly 30%.

Sales of the CCC Group in the fourth quarter of 2019 amounted to PLN 1.716 billion, which means a 7% increase y/y. The increase in revenue results mainly from the still very dynamic growth of e-commerce (+41%), with a slight decrease in retail sales. Increasingly important is the CCC e-commerce launched at the end of June this year, which in the fourth quarter has already generated 20 million PLN in revenues.

Gross profit on sales at the consolidated level increased by 9%, to PLN 889 million. Gross margin in the CCC Group reached 51.8%, up by 0.9 p.p. y/y., which among the others resulted from the smaller scale of sales, as a consequence of the inventory optimisation. Among the customers of CCC stores, Gino Rossi's shoes were very popular, as well as DeeZee's autumn and winter collection, respectively 235 and 314 thousand sold pairs of shoes in the fourth quarter.

Costs stood at PLN 770m (PLN 668m in Q4 2018). The increase in this respect results mainly from the expansion of retail space (+15%), growth of e-commerce scale (+41%). Once again, the Group has managed to improve its cost discipline, also in terms of store costs per sqm (down 7%). Finally, the CCC Group recorded an EBITDA profit of PLN 298m in the fourth quarter (3% lower y/y) and an operating profit of PLN 119m (vs. PLN 149m in Q4 2018).

"The results of the CCC Group in the fourth quarter did not meet our expectations. In the retail sales network revenues were lower than forecasted, especially with respect to comparable stores (LFL -9%). We are constantly working on expanding our product offer and reaching new groups of customers, and the full effects of this work will be visible from the autumn collection 2020. - says Marcin Czyczerski, President of the Management Board of CCC S.A.

"We are satisfied with e-commerce, which is growing by 41%, and eobuwie.pl remains its main driving force. We are also very satisfied with the development of CCC e-commerce. The development of the Modivo platform exceeds our expectations. The DeeZee, is definitely the bright spot in CCC Group whose online sales have doubled." - says Karol Póltorak, Vice President of the Management Board of CCC S.A.

"Among the positive accents in the fourth quarter's results is the gross margin which is 0.9 p.p. higher. Despite the pressure from further expansion of e-commerce and expansion of the branded sports footwear offer, we have increased it largely due to less pressure on extensive discounts. We owe this to good stock levels with a healthy age structure. - continues Marcin Czyczerski, President of the Management Board of CCC S.A.

"The CCC Group is naturally over the peak of its investment cycle and we are starting to monetize the effects of projects such as e-commerce CCC, Modivo, new CRM, new products. While in 2019 investment outlays reached



about PLN 700 million, in 2020 it will be closer to PLN 200 million. Over the last three years, the Group's retail space has grown by 300,000 sqm, while by 2022 it will grow by no more than 120,000 sqm. At the same time, our e-commerce business will grow significantly: we have more than 30 online sales platforms. We've just opened others - in the Czech Republic and Slovakia, and a few more are in the process of being launched. In 2019 we implemented several dozen IT projects simultaneously. The change caused that by the end of April we had problems with the proper replenishment of stores. To sum up, for us it was a year of enormous transformation, the price of which we had to pay. But I think it was worth it. " - adds **Marcin Czyczerski, President of the Management Board of CCC S.A.**

"We have built up the potential to further develop the online channel and improve the sales dynamics per square meter. We are pleased that a growing proportion of clients are younger customers looking for online fashion inspirations, whose purchasing power is growing every year. Customers who prefer traditional shopping are getting used to mobile sales at the same time. What is also important, we will soon present to our stakeholders an update of the Business Strategy of the CCC Group, which will indicate its development directions for the next 3 years." - concludes **Karol Półtorak, Vice President of the Management Board of CCC S.A.**

The total area of the CCC sales network at the end of Q4 2019 was 760,000 sqm and consisted of more than 1200 stores, including more than half of them abroad. The CCC Group was present in 29 countries (23 offline and 15 online).

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