

Q1 2024 at CCC Group – surge in gross margin, disciplined approach to costs and over threefold increase in EBITDA

In Q1 2024 (February – April 2024), the CCC Group recorded EBITDA of PLN 304 million, up by 244% year on year, having witnessed a surge in profitability across all business lines. The Group's revenue rose by 9%, driven mainly by robust LFL sales growth in the CCC business line (+23%) and a strong increase in HalfPrice sales (+48%). For another straight quarter, the CCC Group saw a marked improvement in gross margin, up by more than 5pp, reflecting its substantial growth at both CCC (+8pp) and HalfPrice (+11pp). The Group maintains a tight cost discipline within each business line, bringing down costs with sales growth sustained. The debt refinancing process at the CCC Business Unit is nearing completion as planned.

In Q1 2024, the CCC Group generated revenue close to PLN 2.3 billion, up by 9% year on year. The sales momentum was mainly fuelled by HalfPrice, the fast expanding business line rolled out in March to its 11th market – Lithuania, which in Q1 2024 achieved a revenue growth rate of 48%. The second revenue driver was CCC, posting 12% year-on-year growth, including a solid 23% increase in LFL sales.

The CCC Group saw a surge in gross margin (+5pp year on year) – to 51.6%, attributable largely to CCC's margin coming in at an all-time high of nearly 61% (+8pp year on year) with strong margin growth booked by HalfPrice – of just under 51% (+11pp year on year).

"Our solid performance in the first quarter sets a promising tone for the year ahead. As we move forward, I expect that subsequent quarters will confirm the efficacy of our initiatives, further solidifying our position as a frontrunner in the footwear market," said Dariusz Milek, President of the CCC Group Management Board. "The portfolio shift towards a greater share of globally recognised licensed brands, more favourable purchase terms obtained for partner brands, good product quality and lower discounting are set to drive unprecedented margin levels for the CCC Group."

In Q1 2024, the CCC Group maintained a tight cost discipline within each business line, delivering an 8% cost reduction at CCC (its seventh straight quarter with costs falling year over year), and 2% year-on-year cost savings at the Modivo Group. At HalfPrice, cost growth has been kept significantly below revenue growth. As a result, Group-wide selling and administrative costs were down by 1% year on year, with retail space up by 7%.

In the reporting quarter, the CCC Group delivered an operating profit of PLN 152 million (up by PLN 219 million year on year) with an over threefold year-on-year increase in EBITDA, to PLN 304 million. The CCC segment's EBITDA figure was up by 204% year on year, with a consistently high EBITDA margin topping 20% for the fourth consecutive quarter – on a par with leading players in the fashion industry. HalfPrice, the Group's youngest and most promising business line, boasted an eightfold year-on-year increase in EBITDA to PLN 65 million, with a margin of 17.5%. The Modivo Group generated EBITDA nearly three times above the previous year's level (adjusted for one-off items, EBITDA was 40% higher year over year).

"Rather than chasing top-line growth, our focus in the first quarter was on profit margins, which remain our priority. Our globally unique business model, which integrates full-price and off-price offerings, as well as a blend of brick-and-mortar and online channels, creates a closed loop of product circulation within the Group and allows us to keep up with customer expectations. The CCC Group's business lines complement one another, generating numerous synergies. This, coupled with robust gross margin and disciplined cost management, is yielding the anticipated leaps in profitability" added Dariusz Mitek, CEO of the CCC Group.

By mid-year, the CCC Group expects to complete the process of refinancing the CCC Business Unit's debt, partly with funds lent by the European Bank for Reconstruction and Development. The loan will be advanced in view of the Group's long-standing commitment to sustainable development goals. For four consecutive years, the CCC Group has claimed the title of the world's most sustainable footwear company according to World Finance Magazine, and is the only Polish name within the industry to have secured the prestigious MSCI ESG rating of AA. The Group's commitment to environmental, social, and governance (ESG) principles facilitates finance raising on advantageous terms.
