

# NG2

New Gate Group



**Resilience to economic slowdown**

- Very good financial results of market leader confirm **efficiency of business model** and resilience to economic slowdown.
- Company's strategy, based on the **organic growth** and retail chain development, will lead to the **growth of the value** for shareholders.
- Investments will increase effectiveness and optimize business processes of the Group.

# NG2 S.A. – stock listed since 2004

## Stock info

Share Price = 55.0 PLN

Reuters: CCCC.WA

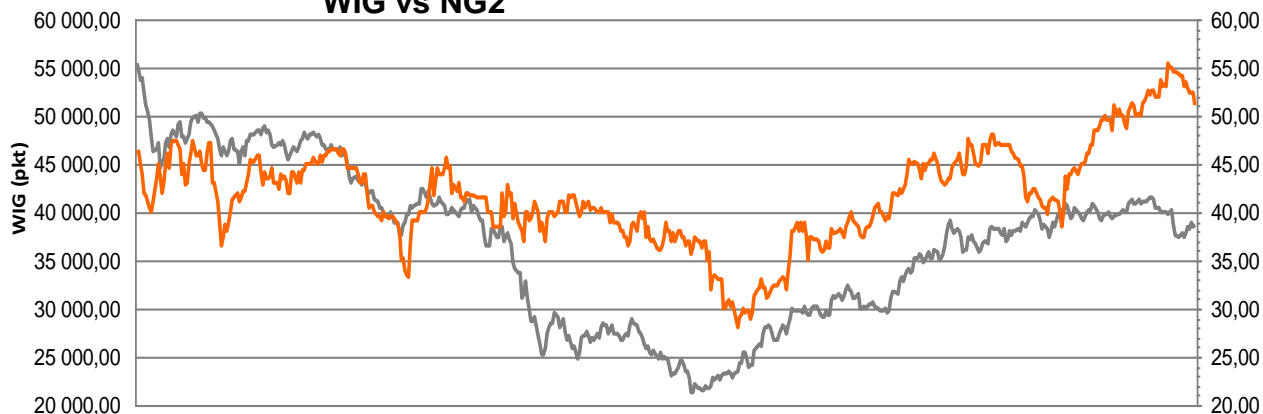
Bloomberg: CCC PW

**Market Cap :**  
**(PLNm) 2,100**  
**(EURm) 545.4**

**Number of shares**  
**38.400.000**

**Free float 29%**

WIG vs NG2



## Analysts coverage

Institution	Analyst	Contact
DB Securities	Łukasz Wachelko	lukasz.wachelko@db.com
Citibank	Włodek Giller	wlodek.giller@citi.com
ING Securities	Milena Olszewska	milena.olszewska@pl.ing.com
KBC Securities	Kamil Szlaga	kamil.szlaga@kbcsecurities.pl
Unicredit CAIB	Michał Potyra	michal.potyra@caib.unicredit.eu
Woods&Company	Anna Krasieńska	annie.krasinska@wood.cz
Raiffeisen Centrobank	Marta Gizejowska	marta.gizejowska@rcb.at
Ipopema Securities	Tomasz Duda	tomasz.duda@ipopema.pl
IDM	Marek Kaźmierczak	m.kazmierczak@idmsa.pl
Beskidzki Dom Maklerski	Marcin Stebakow	stebakow@bdm.com.pl

*Two things are very significant in life: a good bed and comfortable shoes.*

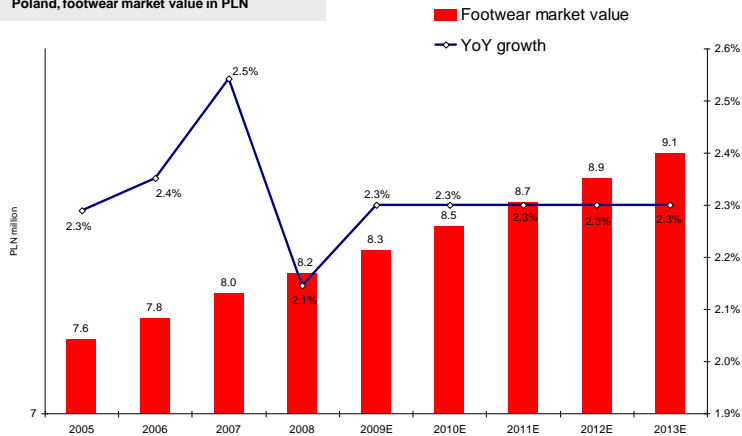
*Since a person is either in bed or wearing shoes.*

**Marcel Achard**



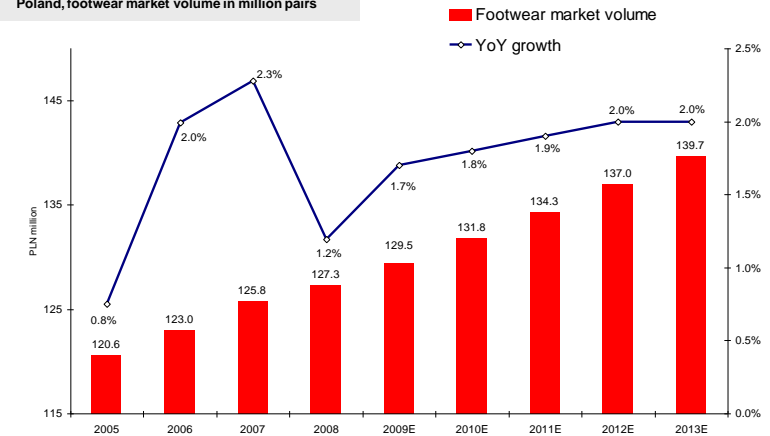
# Footwear market in Poland

Poland, footwear market value in PLN



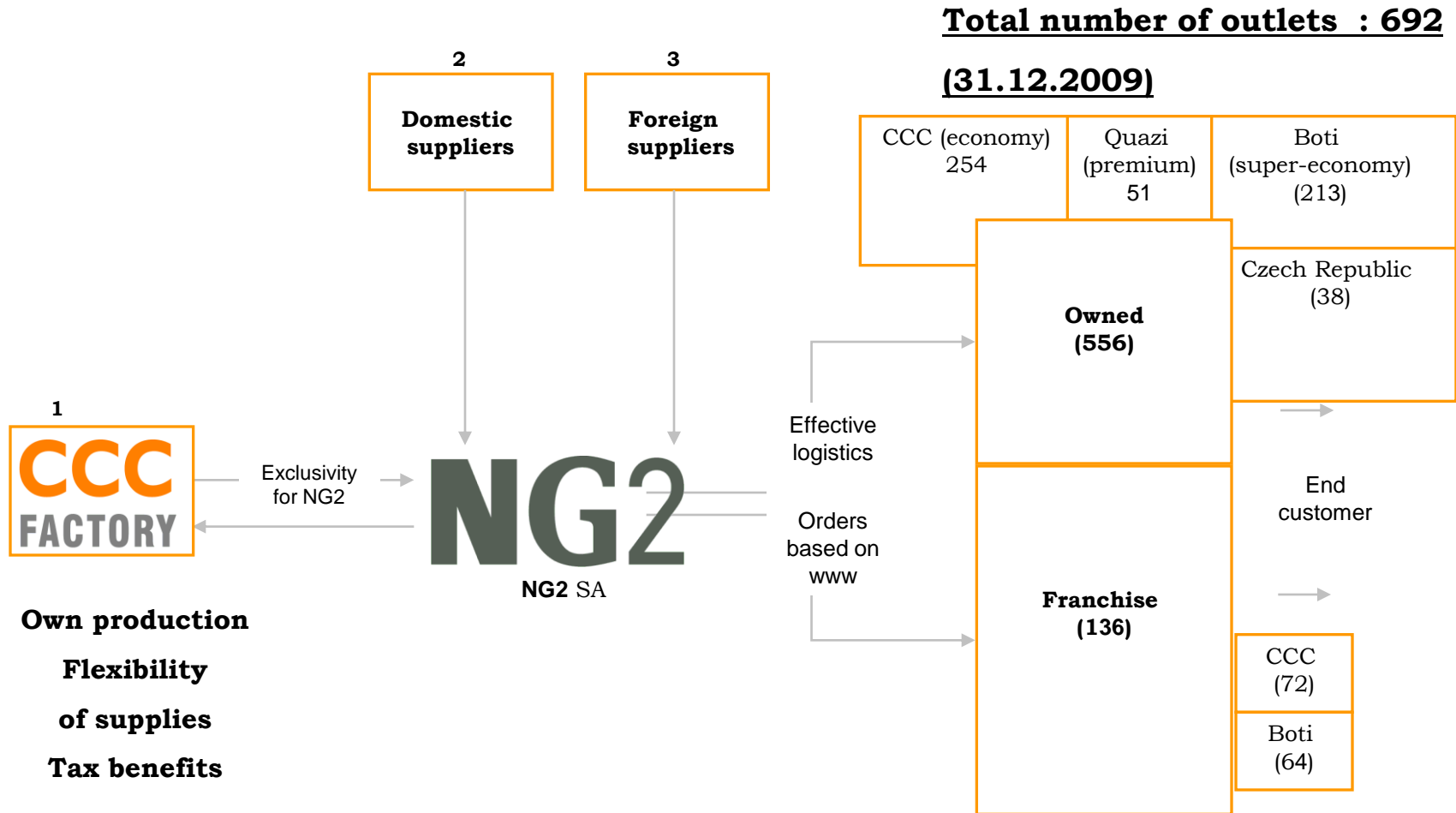
Source: Datamonitor

Poland, footwear market volume in million pairs



Source: Datamonitor

- Unsaturated market (4.1 pairs of shoes per year while the average figure for EU is 6.2)
- Lack of strong competitors
- NG2 is the market leader in Poland
- Market share of NG2 estimated to 9,4%/ 11% in terms of value / volume (FY 2008)
- 12% and 13,1% market share expected, respectively, in 2009 (management guidance)

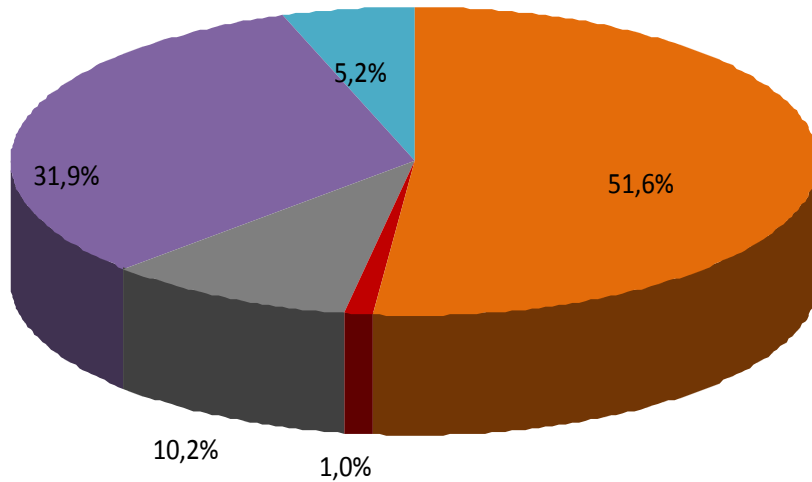


## Why aren't we afraid of the slowdown of the economy?

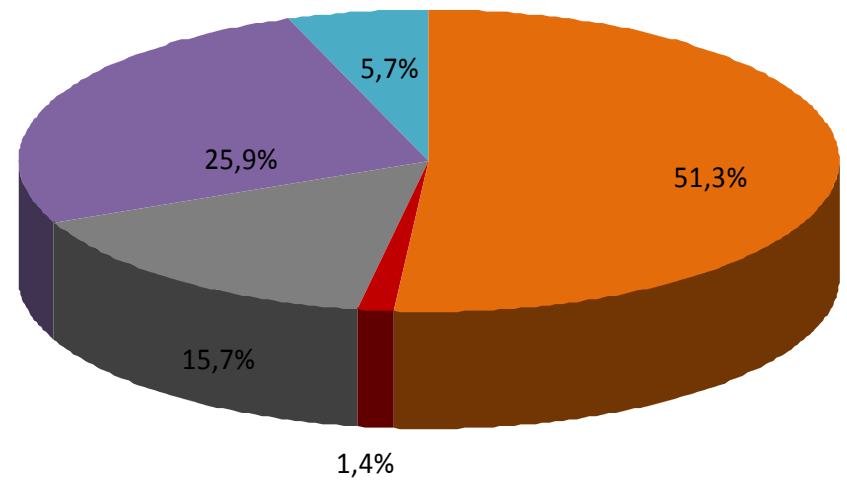
- **Defensive business model** – low-priced products are the most successful in the slowdown period.
- NG2 is “well shaped” to achieve limited profits contraction during the consumption slowdown.
- NG2 based its strategy on the **organic growth** in the domestic market.
- Slowdown means increase of our **negotiation power** against suppliers of services, producers and owners of the shopping space.
- NG2 Group is extremely well prepared to further efficient expansion while generating high rate or return for shareholders :
  - Strict control of costs,
  - Constant increase of sales efficiency
  - High margin determine high profitability
  - Low leverage guarantee low interest costs

# Revenue split by volume and sales channels (%)

I-IX 2008



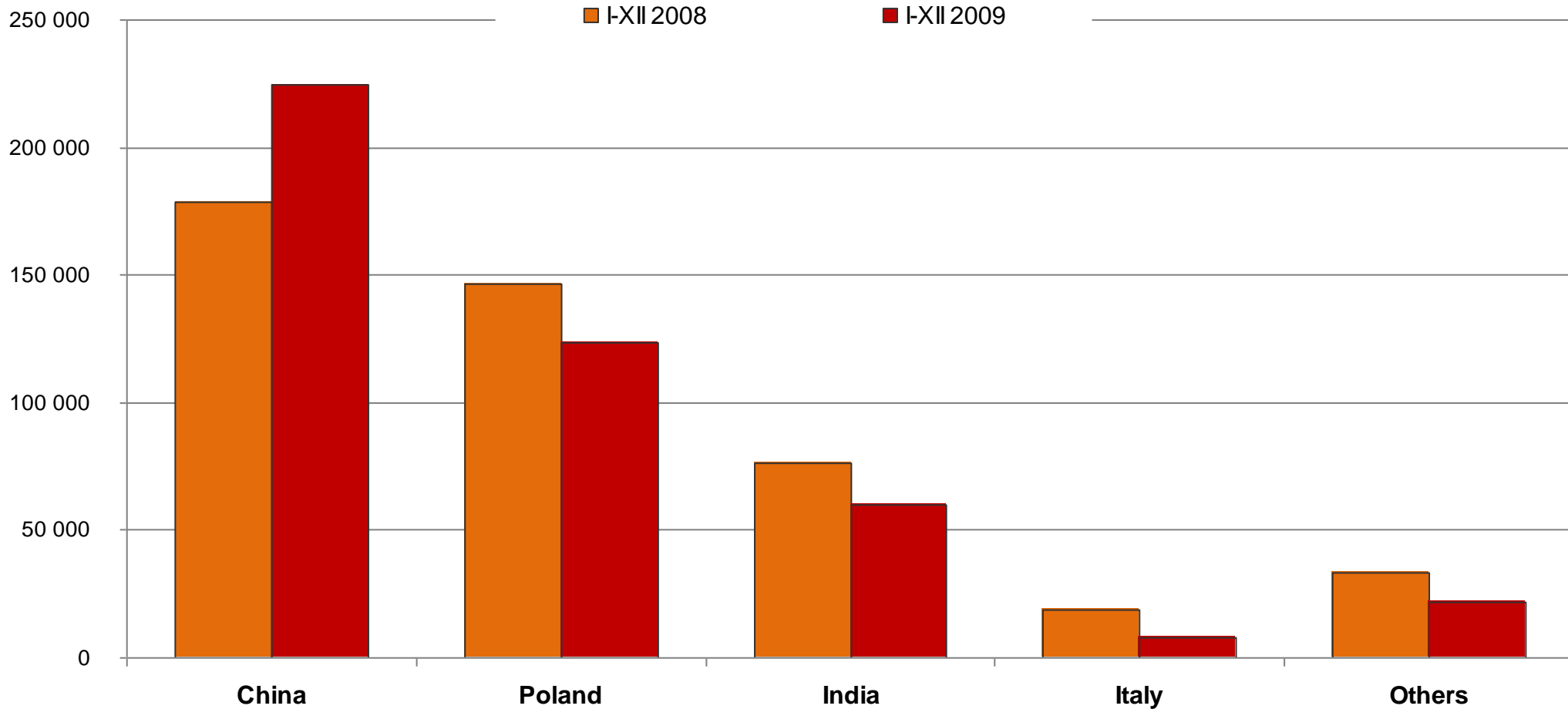
I-IX 2009



CCC BOTY Franchise QUAZI BOTI CCC

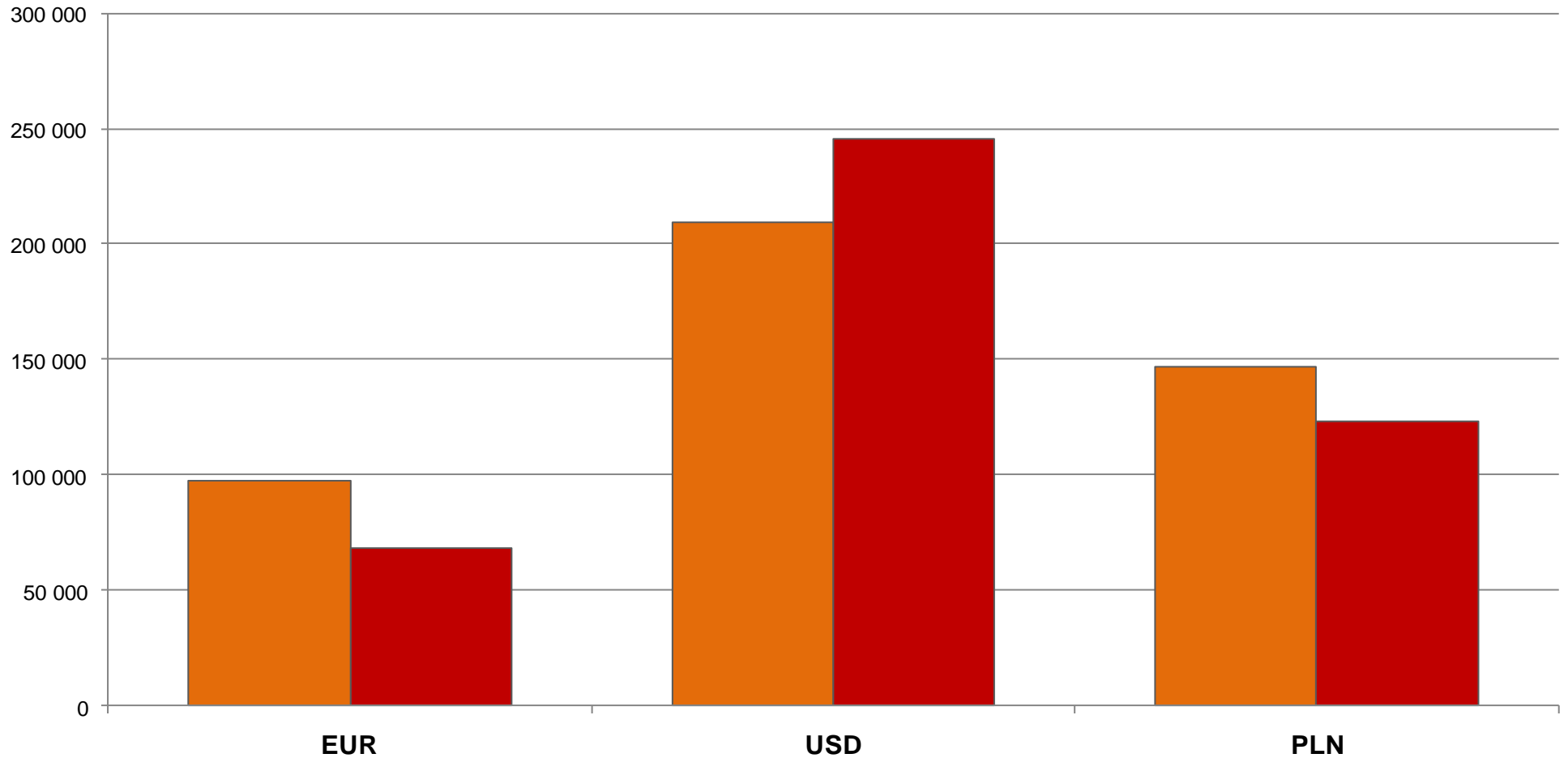


# Purchases split by sources of supplies ( PLN k)



# Purchases split by currency I-XII 2008/2009

■ I-XII 2008      ■ I-XII 2009



# Financial results – Q4 2009

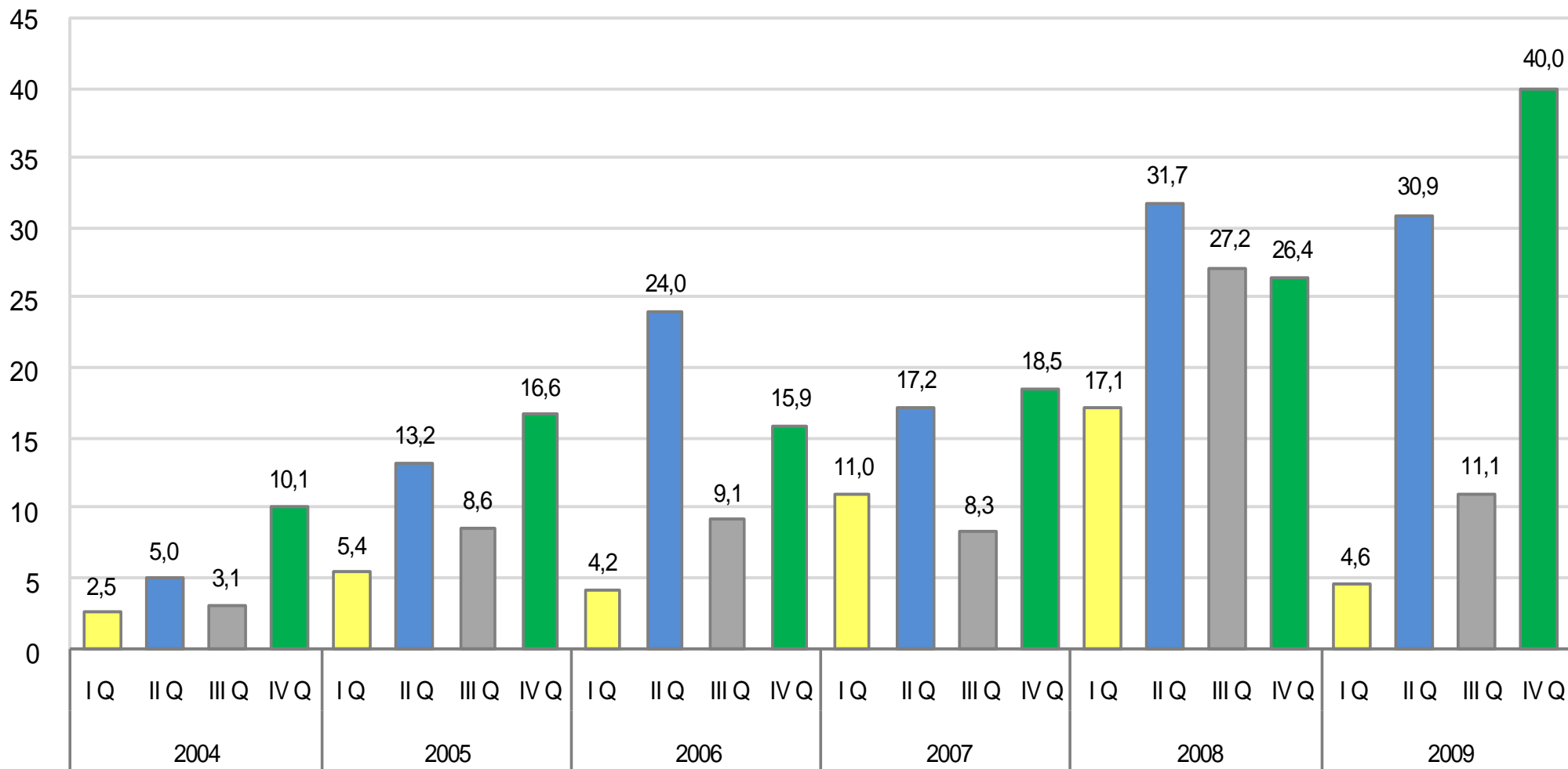
	Q4 2008 `000 PLN	Q4 2009 `000 PLN	change 2009/2008
<b>Revenue</b>	<b>221 523</b>	<b>270 877</b>	22,3%
Gross Profit on Sale	120 895	152 209	25,9%
Gross Profit on Sale Margin	54,6%	56,2%	2,9%
Selling Costs	90 652	99 648	9,9%
General & Administrative Costs	2 387	3 497	46,5%
EBIT	32 381	50 948	57,3%
EBIT Margin	14,6%	18,8%	28,7%
Financial Costs	1 841	2 379	29,2%
Gross Profit	30 666	48 870	59,4%
<b>Net Profit</b>	<b>26 418</b>	<b>40 003</b>	51,4%
Net Profit Margin	11,9%	14,8%	23,8%
Total Assets	519 305	585 044	12,7%
Liabilities nad Reserves	224 148	238 004	6,2%
Long Term Liabilities	14 783	102 189	591,3%
Short Term Liabilities	209 365	135 815	-35,1%
Equity	295 157	347 040	17,6%

	I-XII 2008 `000 PLN	I-XII 2009 `000 PLN	change 2009/2008
<b>Revenue</b>	<b>754 281</b>	<b>922 708</b>	22,3%
Gross Profit on Sale	405 339	483 496	19,3%
Gross Profit on Sale Margin	53,7%	52,4%	-2,4%
Selling Costs	266 274	360 294	35,3%
General & Administrative Costs	8 319	12 337	48,3%
EBIT	131 916	113 269	-14,1%
EBIT Margin	17,5%	12,3%	-29,8%
Financial Costs	9 970	9 341	-6,3%
Gross Profit	122 201	104 787	-14,3%
<b>Net Profit</b>	<b>102 463</b>	<b>86 557</b>	-15,5%
Net Profit Margin	13,6%	9,4%	-30,9%
Total Assets	519 305	585 044	12,7%
Liabilities nad Reserves	224 148	238 004	6,2%
Long Term Liabilities	14 783	102 189	591,3%
Short Term Liabilities	209 365	135 815	-35,1%
Equity	295 157	347 040	17,6%

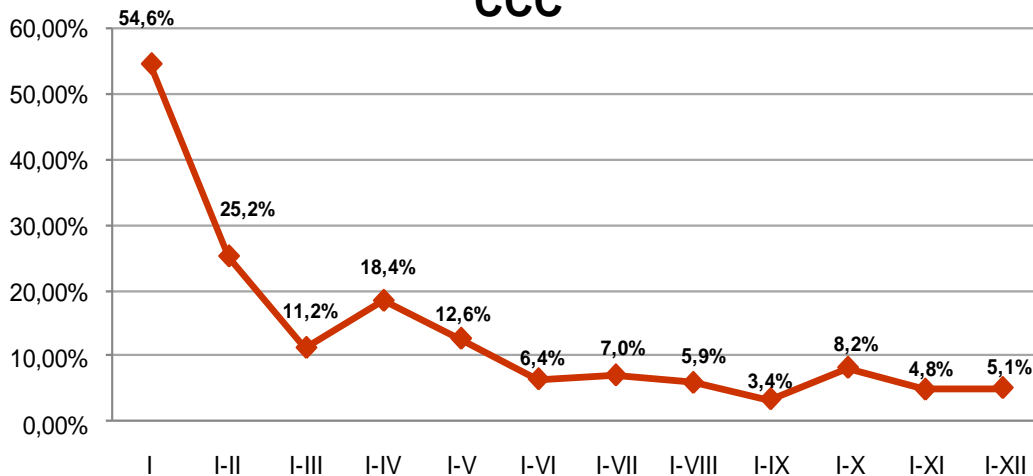
# Q4 2008 vs Q4 2009

188 CCC stores	October 2008	October 2009	%
Number of visitors	7 759 415	8 955 511	15,4%
Number of transactions	604 972	751 619	24,2%
Net sales	53 383 594	70 247 559	31,6%
Effectiveness of sales	7,8%	8,4%	7,6%
Av. ticket value	88 PLN	93 PLN	5,9%
Revenue per 100 customers	688 PLN	784 PLN	14,0%
190 CCC stores	November 2008	November 2009	%
Number of visitors	8 160 225	7 104 022	-12,94%
Number of transactions	621 326	494 528	-20,41%
Net sales	56 563 034 zł	47 359 825 zł	-16,27%
Effectiveness of sales	7,6%	7,0%	-8,57%
Av. ticket value	91 PLN	96 PLN	5,20%
Revenue per 100 customers	693 PLN	667 PLN	-3,75%
202 CCC stores	December 2008	December 2009	%
Number of visitors	6 221 129	6 159 663	-0,99%
Number of transactions	418 045	411 100	-1,66%
Net sales	32 051 246 zł	34 393 747 zł	7,31%
Effectiveness of sales	6,72%	6,67%	-0,68%
Av. ticket value	77 PLN	84 PLN	9,10%
Revenue per 100 customers	515 PLN	558 PLN	8,35%

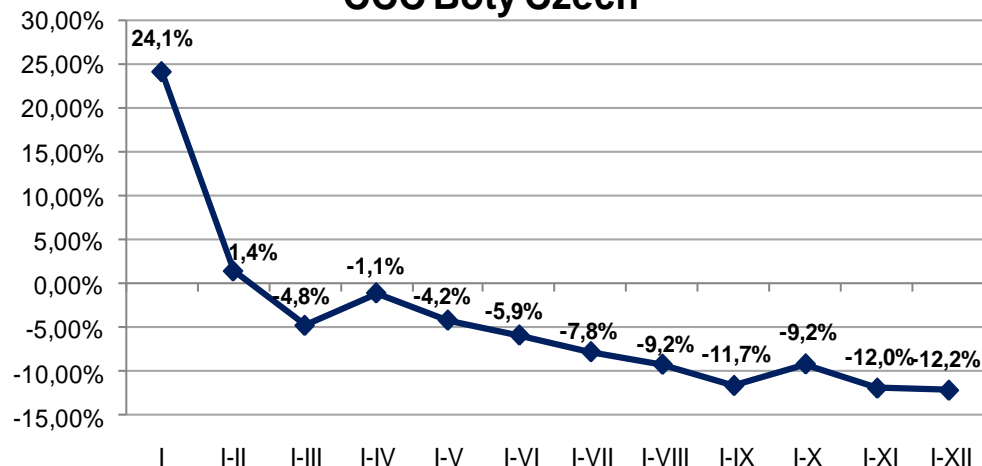
# Consolidated Net Profit 2004-2009 (PLN million)



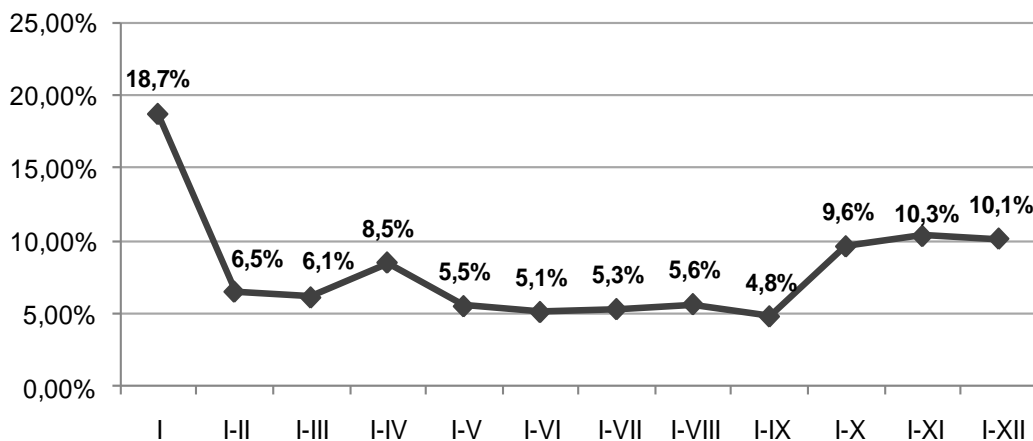
**CCC**



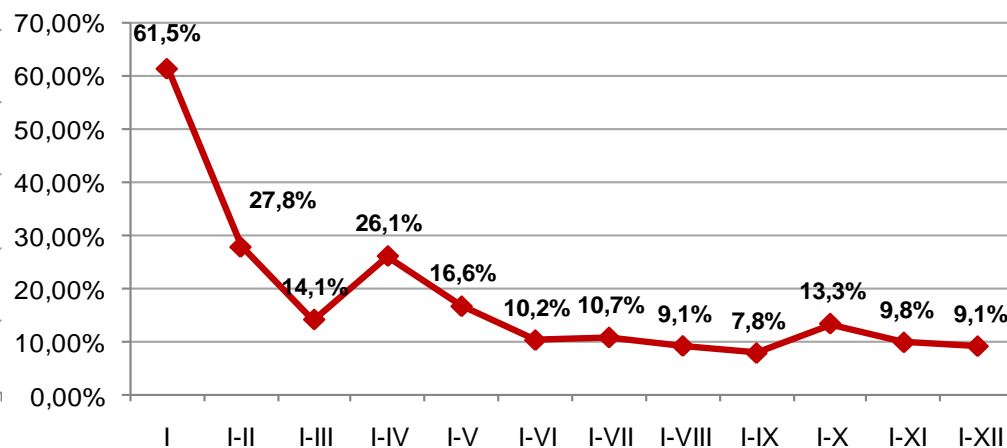
**CCC Boty Czech**



**Quazi**



**Boti**



- **Characteristics of the footwear market in Poland**
  - Domestic footwear market in Poland dispersed and not saturated.
  - Foreign footwear chains lost momentum to grow in Polish market.
  - Lack of large multinational players (Deichmann is an exception).
- **Financial strength of NG2**
  - Low leverage allows to finance rapid expansion.
  - Low interest costs guarantee stability of business development.
  - High equity and ROE make NG2 unique low-risk retail chain.
- **Economic slowdown**
  - NG2 wasn't surprised by the slowdown – in opposite to other retail companies.
  - NG2 is well-shaped organization with low level of costs and effective structure.
  - Opportunities are taken to increase the competitive advantages.
  - Crisis is the best possible period to increase the awareness of the brand among customers.
  - Marketing and advertising activity wasn't limited.



- **Strategy of NG2 is based on constant dynamic growth and increase of the market share in Poland.**
  - Value of the market is estimated to be **PLN 8 billion (130 million pairs)**.
  - NG2 is market leader in Poland with market share of **11-12%**.
  - Company's three years mid-term target is market share in Poland **above 20%**.
- **Organic growth**
  - Lack of attractive companies to acquire.
  - Opening of new CCC , BOTI and Quazi stores in Poland and Czech Republic.
  - Franchise stores are gradually being taken over.
- **Increase of the effectiveness**
  - Two-digit I-f-I growth remains strategic goal of NG2.
  - Further automation of the processes is intended to lower labour costs.
  - Precise budgets limit expenditures and increase the cost awareness.

- **In 2010 opening of 80 new stores is planned:**
  - 20 CCC outlets in Poland
  - 10 CCC outlets in Czech Republic
  - 10 QUAZI boutiques
  - 40 BOTI shops
  
- **Change of the format of the stores announced:**
  - Smaller Quazi boutiques – 100-120 m<sup>2</sup>
  - Larger BOTI shops – 150-170 m<sup>2</sup>
  
- **Long-term target (2015-2016) of the NG2 Group**
  - **1000 stores in Poland** : 400 CCC saloons (incl.100 franchised), 500 BOTI (incl. 100 franchised) and 100 Quazi.
  - **70 CCC saloons in Czech Republic**

## CCC

Floorspace (average - sq m)	320
Capex (PLN per sq m)	1017

## BOTI

Floorspace (average - sq m)	119
Capex (PLN per sq m)	657

## Quazi

Floorspace (average - sq m)	172
Capex (PLN per sq m)	2245

- Investments will increase effectiveness and optimize business processes
  - **New, fully-automated logistic center**
    - Total capex PLN 97 million
    - EU subsidy received (PLN 38.8 million)
    - Effective start - November 2011
  - **Implementation of new IT system dedicated for retail**
    - Business requirements analyzed
    - RFP sent, offers submitted, presentations and meetings conducted
    - Effective start of the implementation – early May

