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Konrad Książopolski, Head of Equity Research, Haitong Bank

Haitong Bank in a report from 16th November (08:32) maintains BUY on CCC and lifts the FV to PLN 282.1 (from PLN 263.7) thanks to implementation of WC management, M&As (KVAG, Shoe Express, Adler, DeeZee) and an upgraded eobuwie.pl LT outlook.

Valuation Methodology

Haitong Bank analysts value CCC via a SOTP approach using EV/EBITDA, EV/EBIT and P/E multiples while the final value is average from all multiples. They value eobuwie.pl and CCC's traditional business separately using appropriate global peers.

Eobuwie.pl – multiple valuation

We value eobuwie.pl using global fashion/footwear exposed peers while we present global ecommerce companies only for illustrative purposes.

CCC traditional business – multiple valuation

We value CCC's traditional business using a wide footwear global peer group. Due to the fact that CCC plans rapid floorspace development at a double-digit rate within the next 3 years, its CAGR 2017-20E for the top line, EBITDA and EBIT are far above the average for the peer group. As a result, we decided to apply 20% premium to try to reflect CCC's superior growth profile.

Risks to Fair Value

Downside risks:

- PLN further weakening against USD and EUR;
- Unfavourable weather conditions, warm and dry Winter 2018/19 and wet & cold Spring/Summer 2019;
- Weaker than expected LfL in all geographies;
- Slower than expected working capital optimization;
- Slower than expected SG&A/sqm optimization;
- Decreasing traffic in shopping malls;
- Increasing competition from Deichmann and Zalando;
- Eobuwie.pl slowing down top-line dynamics in its core markets and higher than expected SG&A costs due to geographical expansion;
- Unsuccessful launch of eobuwie.pl fashion segment.

IMPORTANT DISCLOSURES

Please find updated IMPORTANT DISCLOSURES at: <http://www.haitongib.com/en/what-we-do/research>