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CCC – Company Unveils Strategy Plan Thru 2022

Rating: buy | target price: PLN 157.00 | current price: PLN 89.55

CCC PW; CCCP.WA | Retail, Poland

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- **CCC earlier today released an updated Strategy Plan for the years 2020-2022, called "GO.22."**
- In terms of financial targets, the Company is **aiming for a target revenue range of PLN 8.5-9 billion** (consistent with our outlook).
- The **share of online sales** in total revenues is set to increase to about **40%** in 2022**,** with the Web stores targeting a (non-IFRS 16) **EBITDA margin range** of 8%-10% (consistent with our outlook).
- The ultimate range for the consolidated (non-IFRS 16) **EBIT margin is 8.5-9.5%**, and the target **net profit margin** (profit before minority interest) is **7-8%** (targets above our forecasts and consensus expectations).
- CCC expects a **Net Debt/EBITDA ratio** (non-IFRS16) of 0-1x in 2022.
- The Company hopes to have **MSCI ESG rating** raised to A+.
- **Average annual CAPEX** in the two-year period is estimated at **PLN 150-200m vs. PLN 700m spent in 2019.**

Summing up, except for slightly more ambitious goals as to operating and net profit margins, CCC's FY2020-2022 objectives are consistent with our current outlook. The Company says it will share more details on how it intends to meet these objectives in a later presentation.

Based on the goals set for e-commerce, in 2022 we would expect segmental revenue of PLN 3.5-4bn (2.4-2.7 times the estimated figure for 2019), and EBITDA (non-IFRS16) of PLN 280-350m. These seem like ambitious targets to us, and we are looking forward to learning how CCC arrived at these numbers.

Looking at near-term prospects, CCC stores have probably had to significantly mark prices down for January offers after low sales generated in Q4 2019. From a growth standpoint, despite strong monthly revenues generated in February and March last year, we believe total quarterly sales in Q1 2020 will increase, and we also expect improvement in EBITDA. Consequently, the net debt/EBITDA ratio as of 31 March should be maintained below 3.5x. CCC is expected to continue growing earnings on a consistent basis in the following quarters.

CCC financial targets vs. expectations

(PLN m)	mBank Forecast			Consensus Forecast			GO.22 Target	
	2020	2021	2022	2020	2021	2022	2022	2022 Average
Revenue	7,147	8,080	8,537	7,181	8,204	8,607	8,500 - 9,000	8,750
EBIT	433	567	634	326	419	521		
margin	6.1%	7.0%	7.4%	4.5%	5.1%	6.0%	8.5% - 9.5%	9.0%
EBITDA (ex. IFRS 16)	612	751	815					787.5
margin	8.6%	9.3%	9.5%					
Net income	196	295	406	173	244	302		656.3
margin	2.7%	3.7%	4.8%	2.4%	3.0%	3.5%	7% - 8%	7.5%

Source: CCC, mBank

List of abbreviations and ratios contained in the report:
EV – net debt + market value (EV – economic value)
EBIT – Earnings Before Interest and Taxes
EBITDA – EBIT + Depreciation and Amortisation
PBA – Profit on Banking Activity
P/CE – price to earnings with amortisation
MC/S – market capitalisation to sales
EBIT/EV – operating profit to economic value
P/E – (Price/Earnings) – price divided by annual net profit per share
ROE – (Return on Equity) – annual net profit divided by average equity
P/BV – (Price/Book Value) – price divided by book value per share
Net debt – credits + debt papers + interest bearing loans – cash and cash equivalents
EBITDA margin – EBITDA/Sales

OVERWEIGHT (OW) – a rating which indicates that we expect a stock to outperform the broad market
NEUTRAL (N) – a rating which indicates that we expect the stock to perform in line with the broad market
UNDERWEIGHT (UW) – a rating which indicates that we expect the stock to underperform the broad market

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HOLD – we expect that the rate of return from an investment will range from -5% to +5%
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