



an  **X5RETAILGROUP** company

Pyaterochka X5 Retail Group Capital Markets Day 2014

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29 October 2014

Moscow, Russian Federation



INTRODUCTION



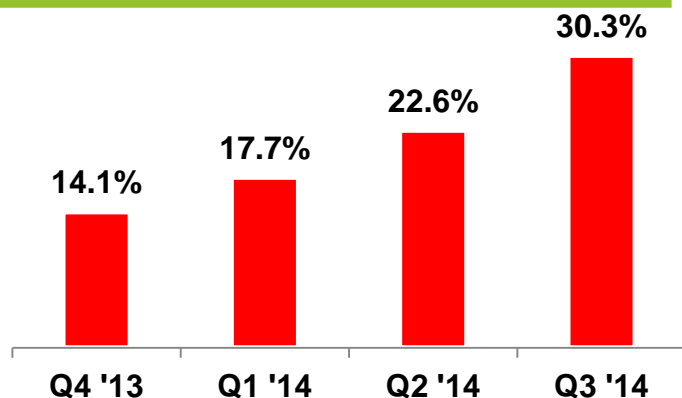
YOUR NEIGHBORHOOD STORE FOR DAILY SHOPPING NEEDS

TOTAL NUMBER OF STORES, 30.09.2014	4,342
TOTAL NEW & REBRANDED STORES, 30.09.2014	1,122
TOTAL SELLING SPACE (TH SQ. M.), 30.09.2014	2,376
NET SALES FOR 9M 2014, RUB BLN	310
SHARE IN X5'S TOTAL NET SALES	69%
AVERAGE ASSORTMENT SIZE, # OF SKU'S	4,000 +
# OF EMPLOYEES, 30.09.2014	60,000

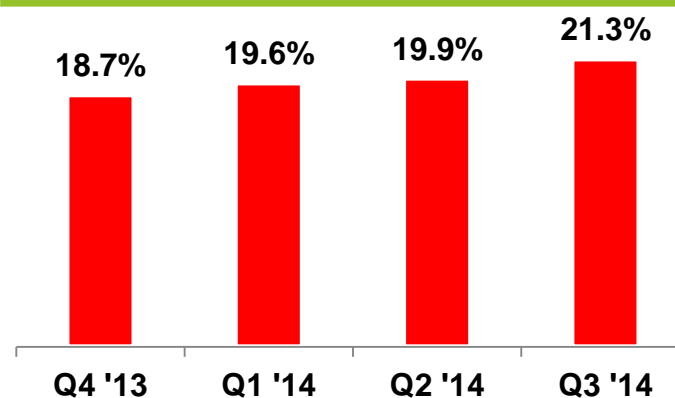
ESTABLISHING A TRACK RECORD



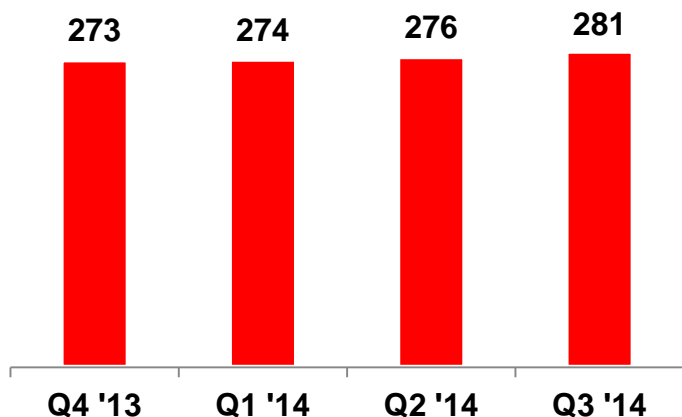
Net Sales Growth, % y-o-y



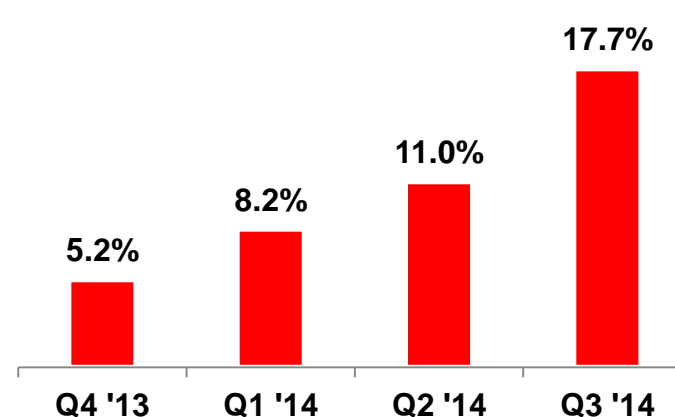
Net Selling Space Growth, % y-o-y



Sales Densities, th.RUB/sq.m.⁽¹⁾



Total LFL Sales Growth, % y-o-y



4 Quarters of Improving Results

Note 1: Total net sales from trailing four quarters divided by average selling space of trailing four quarters

2013 INITIATIVES SCORE CARD



Initiative	Status	Comments
Increase Store Openings	✓	~800 openings in 2014
Assortment Review	✓	Increase by ~500 SKU's
Improve Product Quality	✓	Quality Director in all Stores / accessible to customers
Improve Availability	✓	90% Shelf Availability for "Top – 100 Products"
Launch Refurbishment Program	✓	~500 Refurbishments in 2014
Improve Customer service	✓	Mystery shoppers/ Store Mentors
Improve In-store routines	✓	66 clusters established resulting in increased accountability
Finalize Pricing Strategy	✓	Competitive – determined by category role in basket

✓ = completed over the last twelve months



ASSORTMENT & CATEGORY MANAGEMENT



Focus on “right” assortment to drive basket & traffic

- ❖ **Assortment expansion** – on average 15% to 20% in 2014 to ~ 4,000+ SKU’s
- ❖ **Weekly rotation** – up to 50 new SKU’s in stores provides “something new” for customers and opportunities for new listings (positive for supplier relations)
- ❖ **Assortment reviews** – Central & North West regions completed (with exception of some sanctioned items) we expect to finalize other regions in November 2014
- ❖ **Regional share of SKU** – increase regional content from current average of ~25% up to ~40% in some regions
- ❖ **Promo** – focus on traffic generation, price perception and new product introduction

Key Driver For +11.3% LFL Basket and +5.3% LFL Traffic in Q3 2014



50 **НОВИНОК**
каждую неделю!

для Москвы и Московской области, Санкт-Петербурга и Ленинградской области, Рязани и Рязанской области, Ярославля и Ярославской области в период с 01.10.2013 по 03.11.2013

[Click to start video](#)

50 New SKUs Every Week

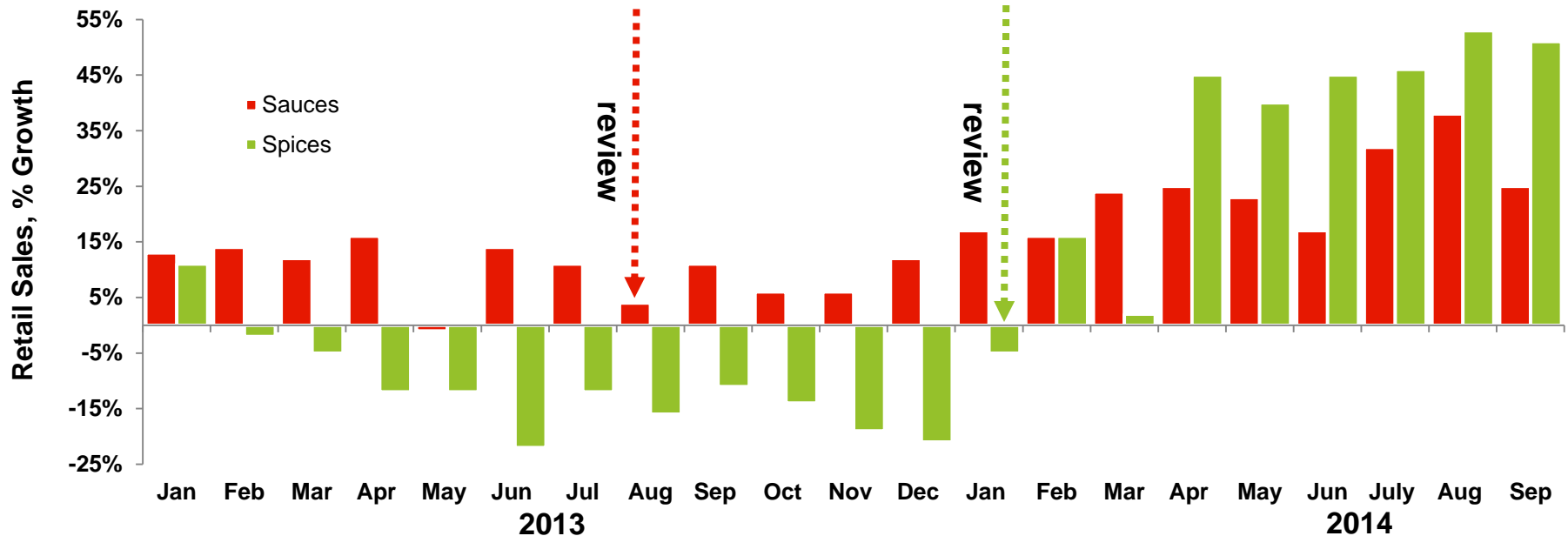
CATEGORY MANAGEMENT – CATEGORY REVIEW



CASE-STUDY: REVIEW OF SAUCES & SPICES CATEGORY

- Assortment** ❖ Enhanced largely through mid-price segment and local assortment
- Pricing** ❖ Lower prices on key high-volume SKUs and higher prices on other SKUs
- Planogram** ❖ Planogram adjustment frees up space for high-demand SKUs
- Promo** ❖ Increase in promo campaigns for category growth

RESULTS



Category reviews for all regions completed by November 2014



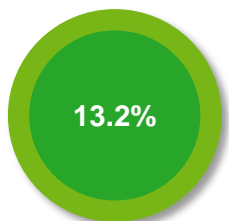
REFURBISHMENTS

REFURBISHMENT PROGRAM UPDATE



Program Targets

Net Retail Sales Growth
At 30 September 2014



Average Duration
Of Store Closure



Average Capex
(incl. VAT)



Average Payback
Period



Program Results

332 =



Stores refurbished at
30 September 2014
(excluding 23 pilot projects)

Positive
Result

Negative
Result



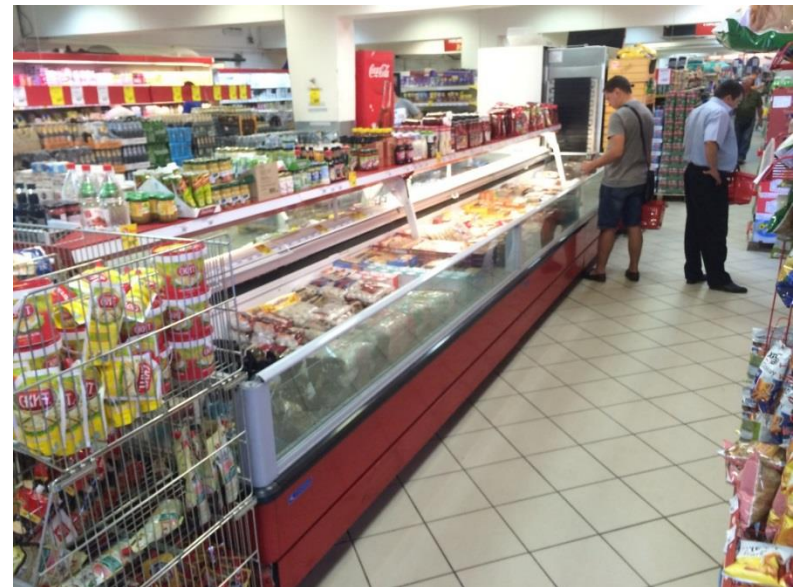
Selling space growth



LFL growth



OLD PYATEROCHKA VS...



NEW PYATEROCHKA





EXPANSION






STORE OPENINGS



PROCESS

RESULTS

2013 2014E

- 
❖ Identifying optimal store location, estimating turnover & space
- 
❖ Establishing assortment
- 
❖ Establishing complementary services
- 
❖ Liaising with local authorities and communities
- 
❖ Recruiting and training staff

Of Store Openings (gross)

696 ~800

AVG Store Opening Cost, mln RUB
(Ex real estate, incl. VAT)

12.6 13.3

AVG Pay – Back Period, years

~ 3.0 ~ 3.0

**Improving the store opening process –
quicker, more efficient and
improved layout**

**Increasing ratio of selling space to total
space from 53% in 2013
to 60% in 2014**

STORE OPENING SOFTWARE – GIS



Population

Competition

Social
infrastructure

Local market
share

Personal income

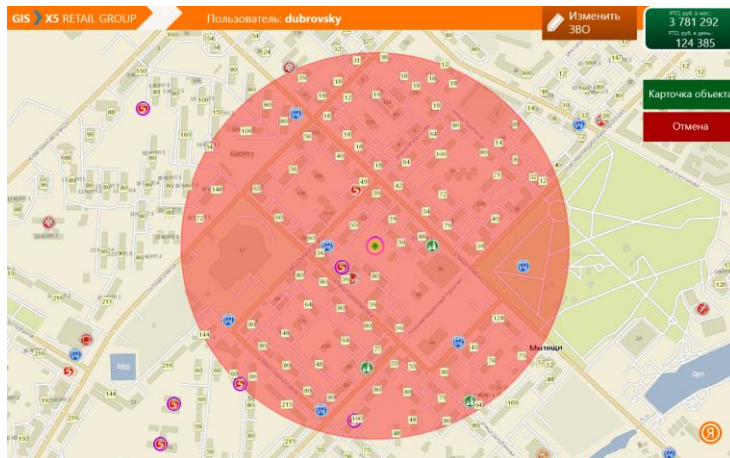
Transport
accessibility

Retail turnover analysis, presentations for the
Investment Committee

Development priorities

Roadmap

Retail turnover estimation, screenshot from the system



GIS: key components



Search
engine
*Mobile
Application*

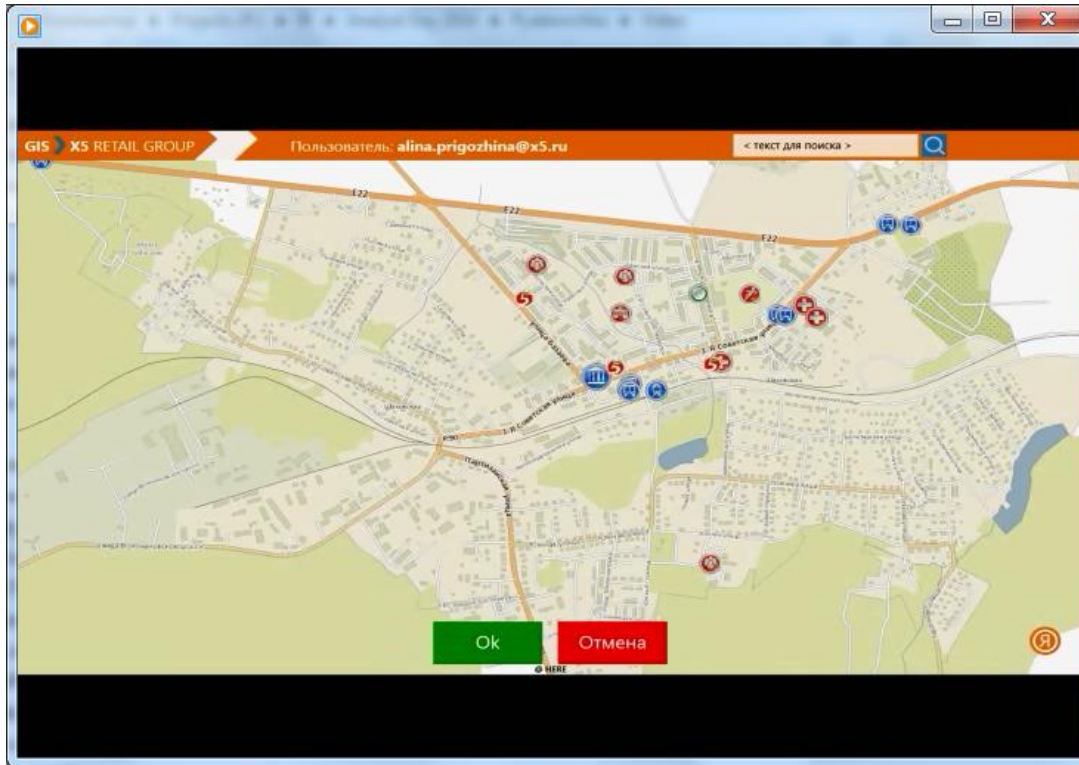
Boss
*Web
application*



Analytics
*Desktop
application*

Database



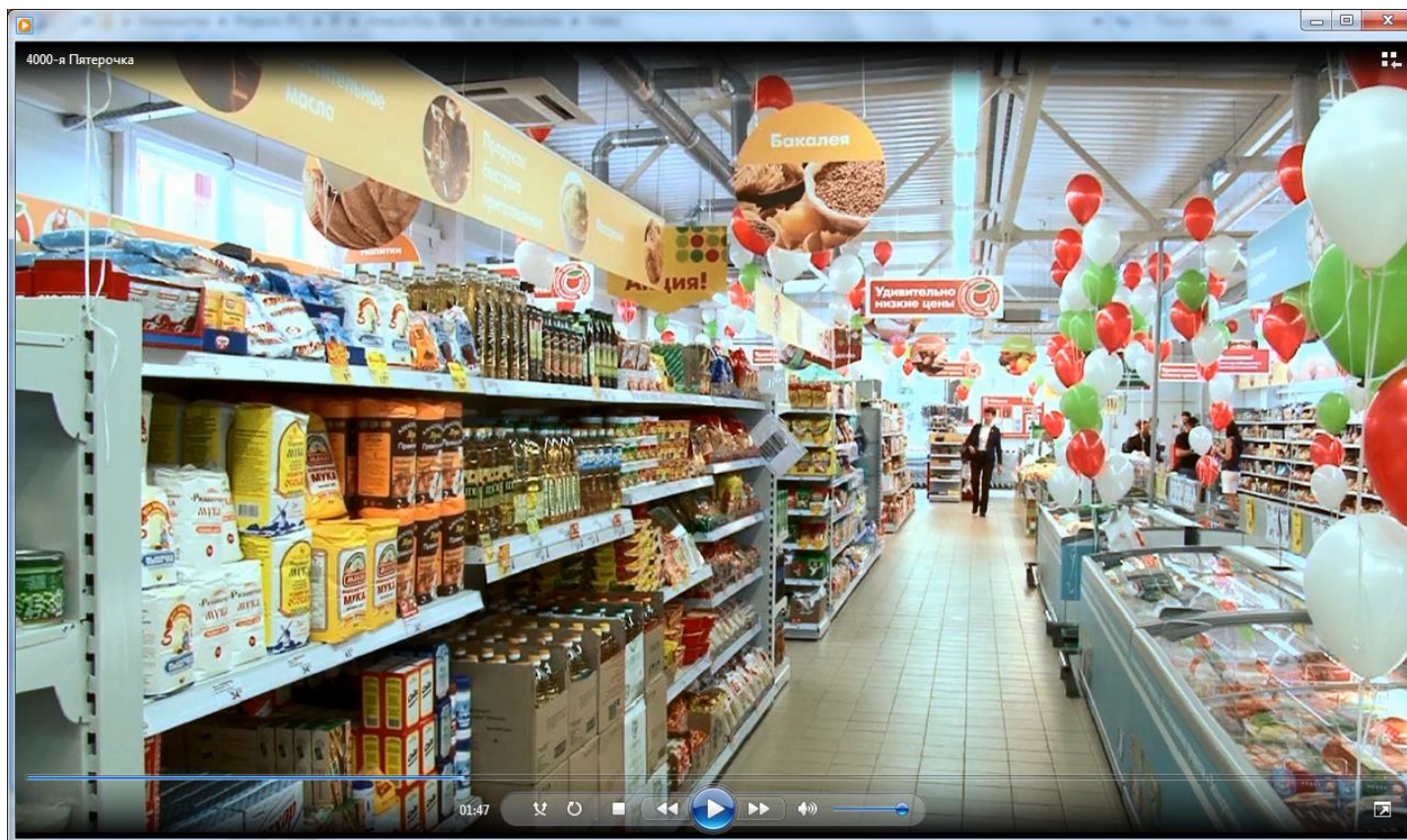


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Summary information on the town of **Shakhovskaya:**

- ❖ Population: 10 700
- ❖ Number of Pyaterochka stores: 3
- ❖ Number of rival stores: 1
- ❖ Distance from Moscow: 154 km, M9 highway

4,000th PYATEROCHKA OPENED - KRASNODAR REGION



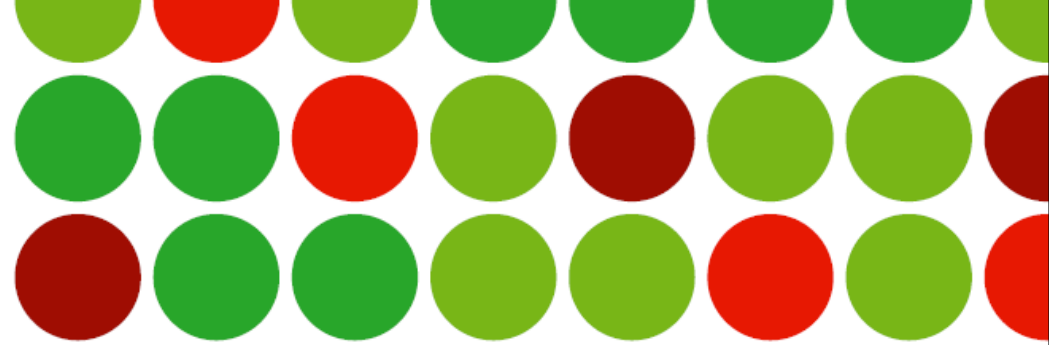
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- ❖ **Top-line growth** – increase selling space and improve sales densities
- ❖ **Selling space** – accelerate store and DC roll out in target regions including tactical M&A
- ❖ **Sales densities** – improve best in class position through assortment/price/service – especially in fruits & vegetables
- ❖ **Refurbishment program** – process industrialization for increased speed
- ❖ **Profitability** – improve purchasing terms, operating leverage, SG&A & capital efficiency
- ❖ **Better service** – improve employee motivation and customer service systems (feed back, perception)



**Growth &
Profitability**



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Thank you for your attention!

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