

X5: LEADING AND EVOLVING

X5 Capital Markets Day 2018
London, 25 October 2018

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AGENDA >



Performance update and financial results Q3 and 9M 2018



X5's strategy evolution



Overview by format:

- Pyaterochka
- Perekrestok
- Karusel



X5: LEADING AND EVOLVING

Igor Shekhterman, CEO
X5 Capital Markets Day 2018
London, 25 October 2018

THE MARKET REMAINS ATTRACTIVE, DESPITE CHALLENGES >

RUSSIAN FOOD RETAIL MARKET – KEY DATA

8th

largest globally by
food retail turnover
RUB 14.4 tn in 2017

70%

share of modern
format in overall retail
market

24%

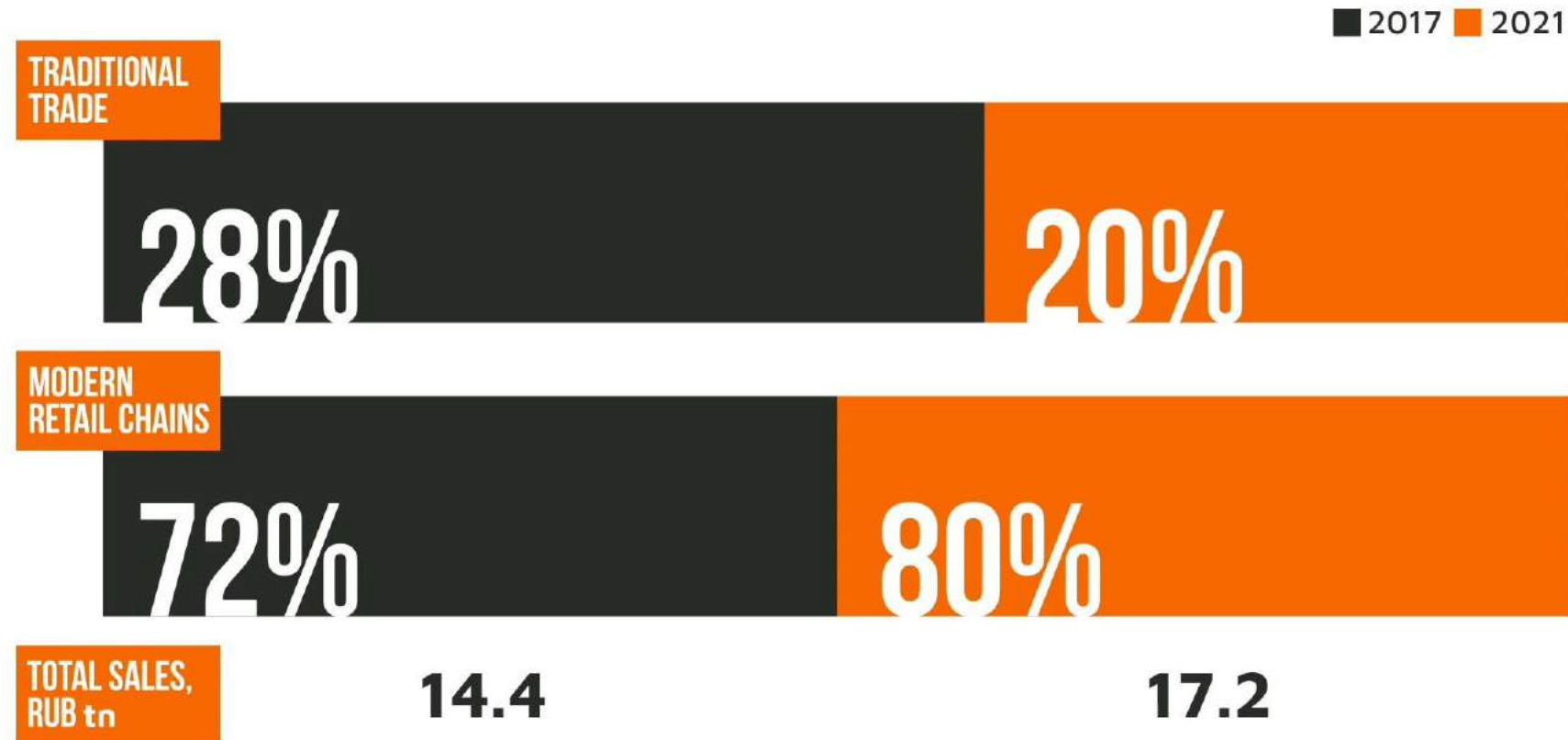
share of top five
players

ADDITIONAL GROWTH DRIVERS

- Further transition to modern retail
- Consolidation of the market driven by federal players
- Smart regional expansion
- Omni-channel development

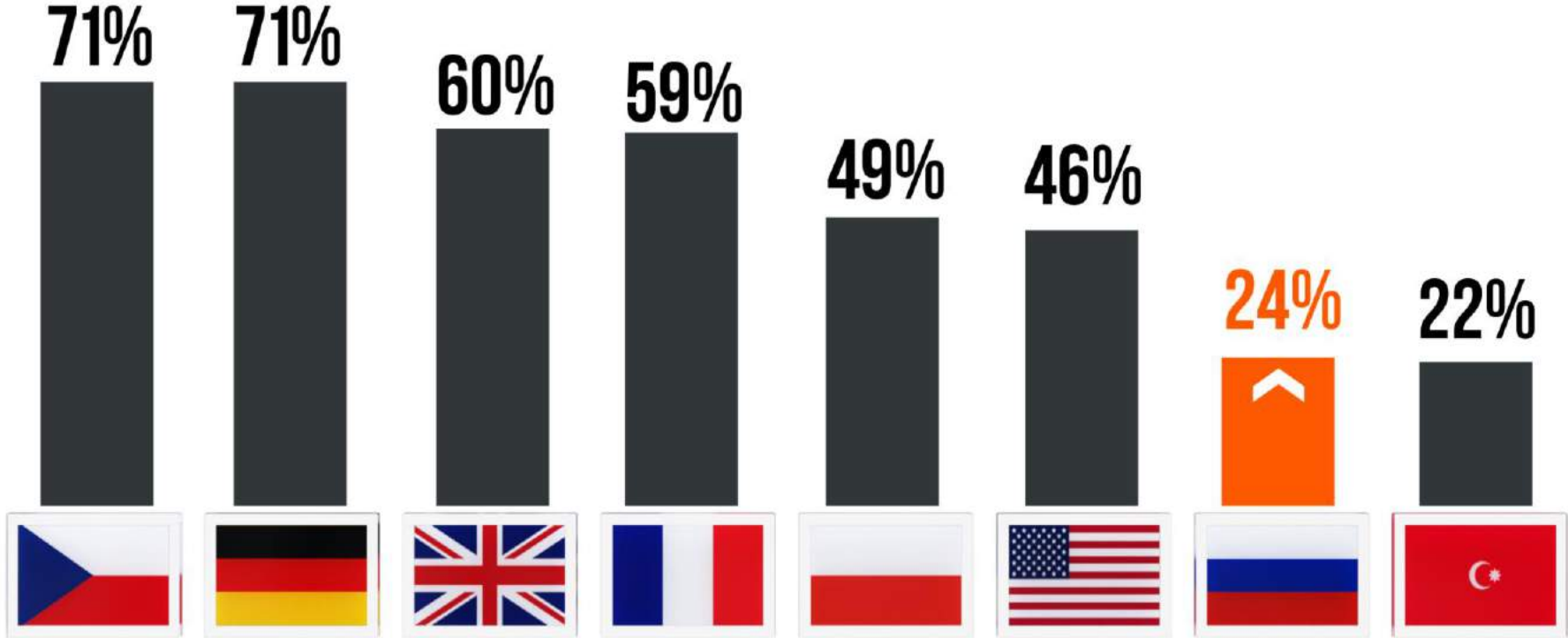


SHIFT FROM TRADITIONAL TRADE TO MODERN TRADE >



POTENTIAL FOR LARGEST PLAYERS >

TOP-5 PLAYERS' SHARE OF GROCERY RETAIL IN 2017



MARKET CONSOLIDATION WILL BE THE KEY DRIVER OF FURTHER DEVELOPMENT

Source: Euromonitor, Infoline (for Russia only)

RUSSIAN FOOD RETAIL MARKET TRENDS >



Aging population



Increasing competition



Online Delivery



Changing consumer behavior



Emergence of non-traditional players

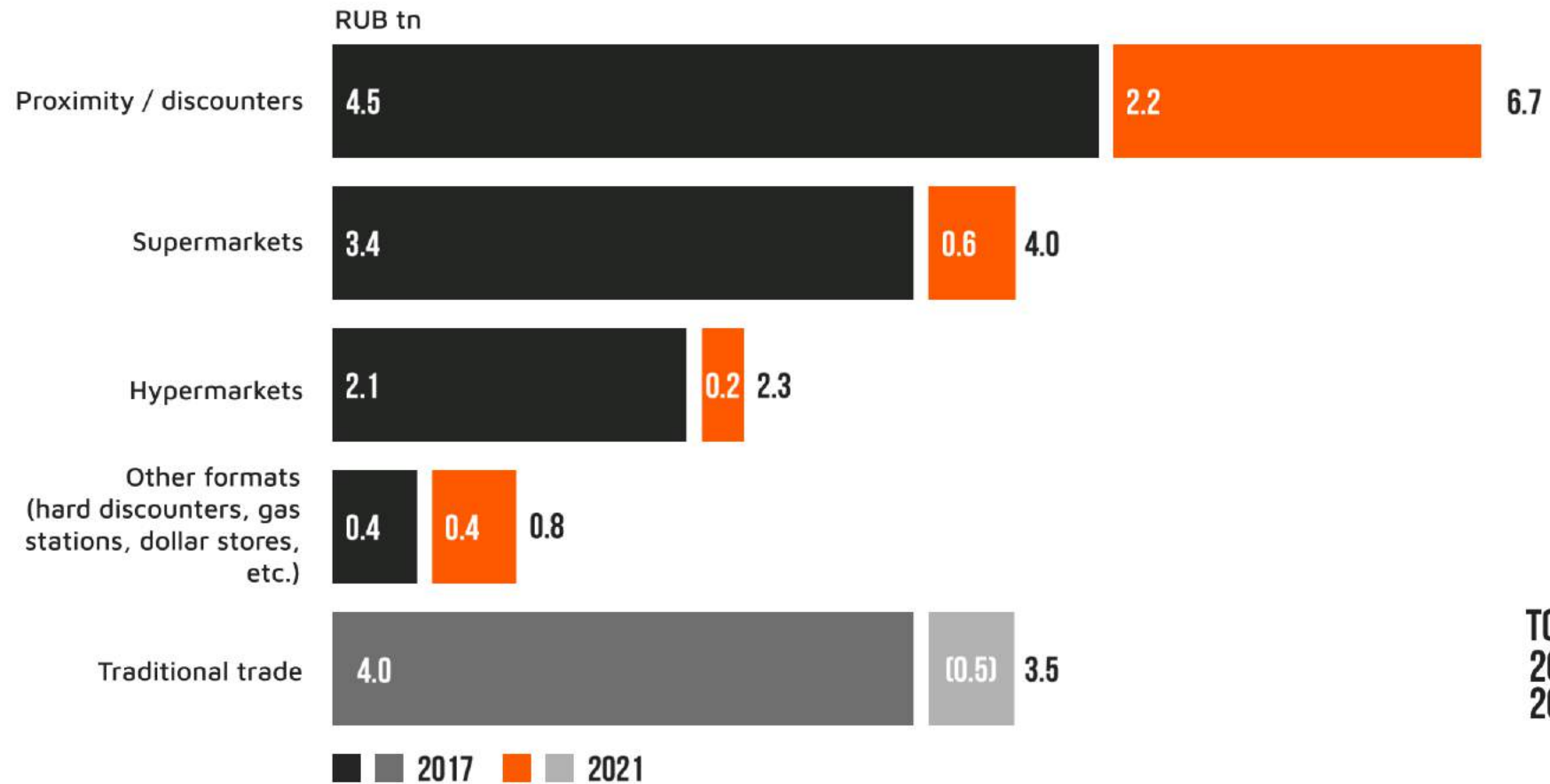


Increasing popularity of fruit and vegetables, ready-to-eat and fresh categories



Development of specialised retailers

COMMITTED TO THE THREE MAJOR FOOD RETAIL FORMATS >



TOTAL MARKET SIZE
 2017: RUB 14.4 TN
 2021: RUB 17.2 TN

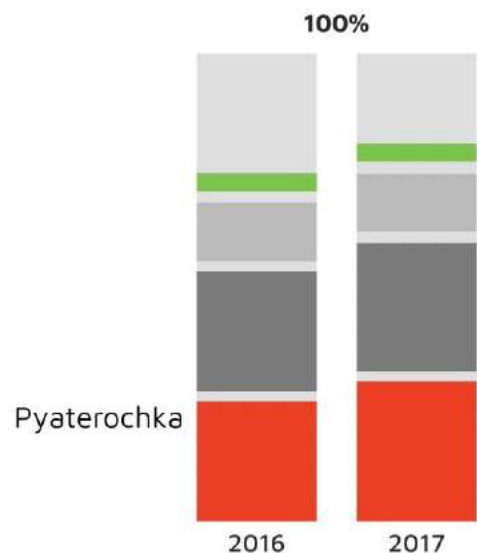
Substantial mid-term growth potential
for proximity and supermarkets

COMPETITIVE ENVIRONMENT >

PROXIMITY

Competitive advantages:

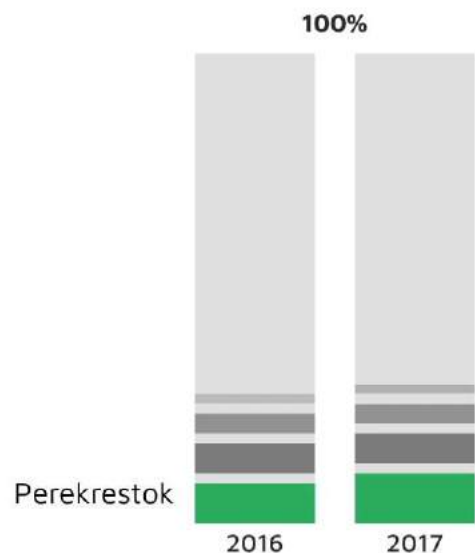
- Strong brand
- Loyalty programme
- Broad assortment
- Focus on fresh



SUPERMARKARKETS

Competitive advantages:

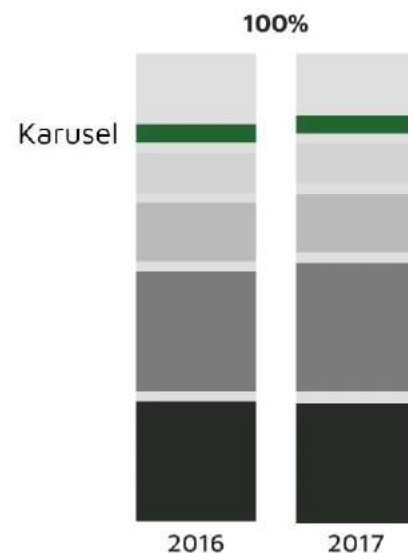
- Strong brand in capitals
- Service level, NPS
- Focus on fresh
- Online service



HYPERMARKETS

Competitive advantages:

- New CVP
- Good locations

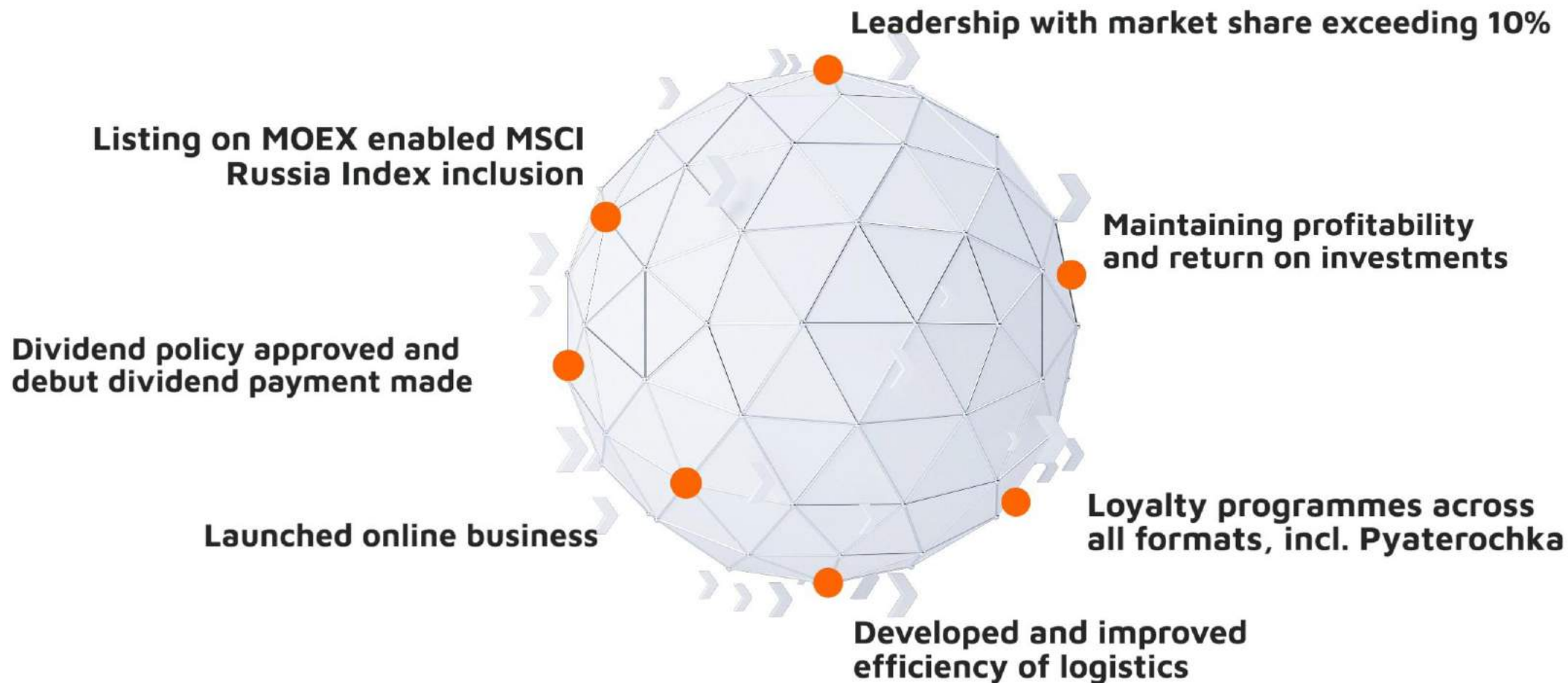


OTHER PLAYERS

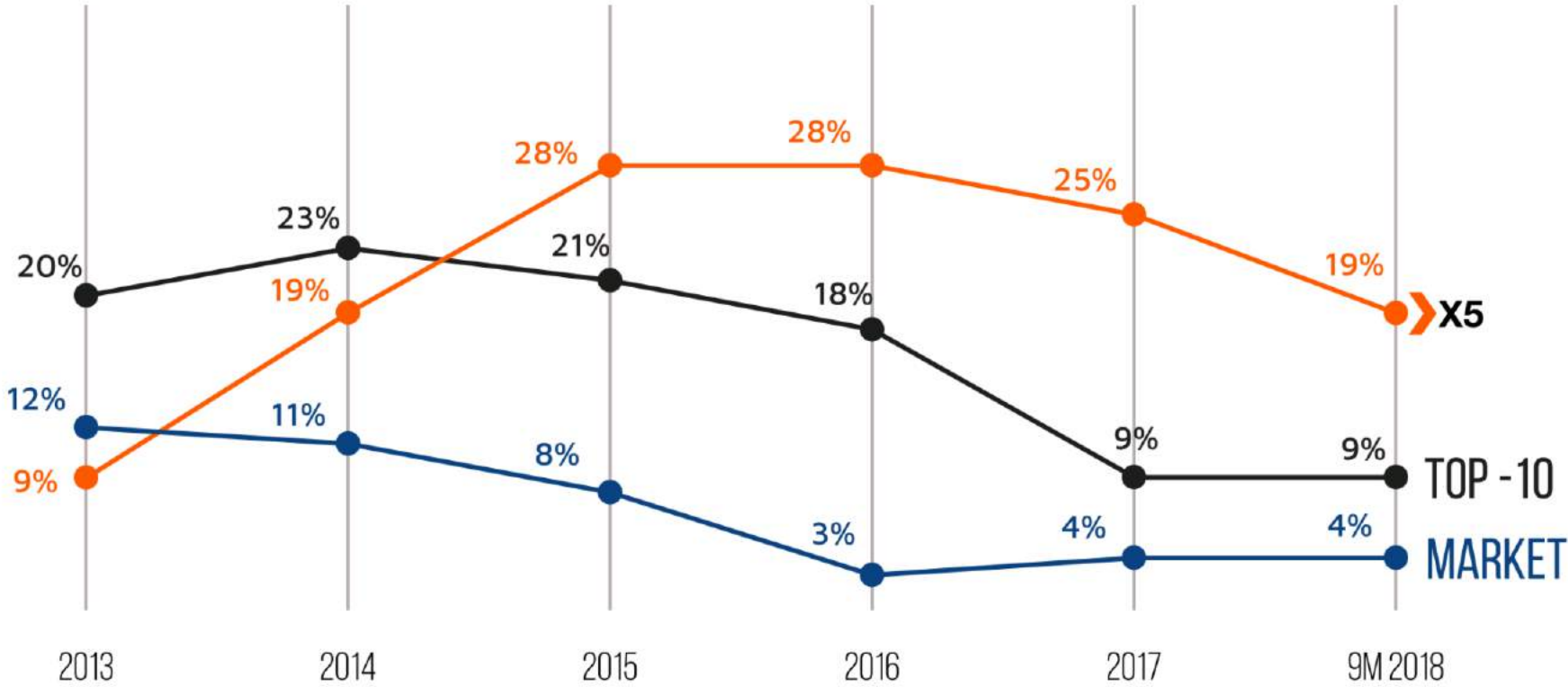
- Hard discounters
- Gas stations
- Dollar stores

Note: Charts above are based on market share by total turnover

KEY ACHIEVEMENTS >



BALANCED, PROFITABLE GROWTH >



STARTING FROM 2015, X5 HAS CONSISTENTLY OUTPERFORMED THE MARKET AND COMPETITION

Note: revenue growth y-o-y
Source: Infoline, X5 analysis

X5 HAS JOINED THE TOP-25 GLOBAL FOOD RETAILERS BY REVENUE >



OUR MISSION AND GOALS >

To become the most valuable company in the eyes of customers, employees, and shareholders, which means:



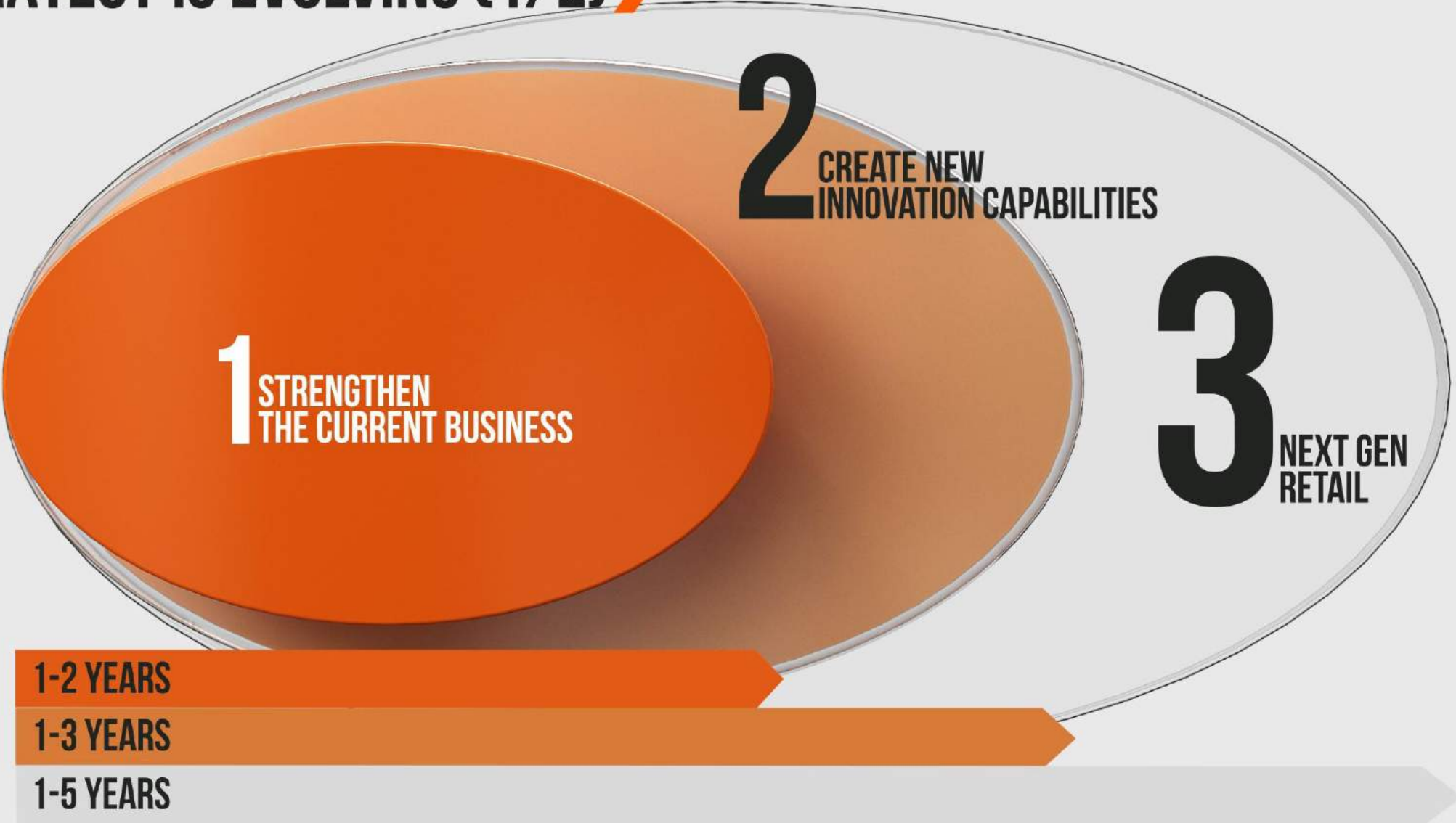
FOCUS ON STRATEGIC KPIs

NPS
PRICE PERCEPTION
LFL
NET RETAIL SALES

EMPLOYEE TURNOVER
ENGAGEMENT

ROIC
MARKET CAPITALISATION
VALUATION MULTIPLES

OUR STRATEGY IS EVOLVING (1/2) >



OUR STRATEGY IS EVOLVING (2/2) >

STRENGTHEN THE CURRENT BUSINESS

PROXIMITY

CVP refresh
Regional model development
Operational improvement:
• Shrinkage reduction
• Staff turnover
• Business processes
Balanced growth



SUPERMARKETS

Further CVP adaptation:
• Fresh and F&V
• Private label
• Ready-to-eat
Online development



HYPERMARKETS

New concept validation
Sales densities improvement



OUR COMPETITIVE ADVANTAGES >

STRONG CORPORATE GOVERNANCE

EFFECTIVE OPERATING MODEL

STRONG LEADERSHIP TEAM

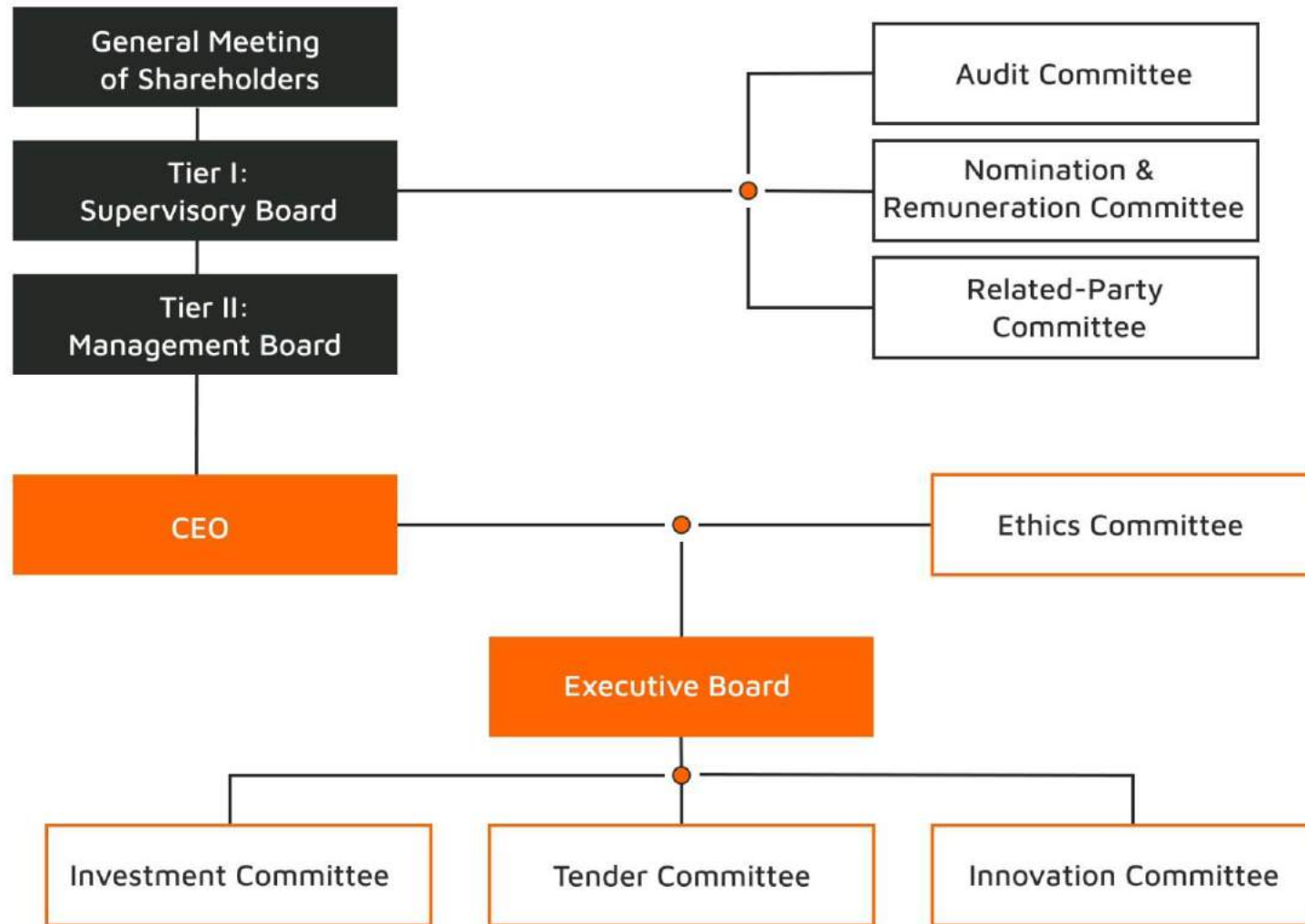
STRONG BRANDS

DEVELOPED BACKBONE INFRASTRUCTURE

EFFECTIVE LOYALTY PROGRAMME



STRONG CORPORATE GOVERNANCE >



KEY STRATEGIC PRIORITIES >

- 1** Further adapt CVP and assortment to customer needs
- 2** Best-in-class service reflected in highest NPS level
- 3** Smart and balanced expansion
- 4** Improve operational efficiency
- 5** Develop technology-based solutions, innovations and big data
- 6** Omni-channel development



X5: LEADING AND EVOLVING

Svetlana Demyashkevich, CFO

X5 Capital Markets Day 2018

London, 25 October 2018

KEY MACRO TRENDS >

- **Despite VAT rate hike, economic growth** in 2019 is expected to remain positive and approach 1.5%
- Analyst community consensus is for **inflation to accelerate in 2019** on the back of global trends, exchange rate dynamics, lower harvest and VAT rate hike
- **Consumer demand and expectations continue** smooth **recovery** despite uncertain income dynamics
- **Real wage growth** remains at high levels from the beginning of 2018, **supporting consumer demand**
- **Consumers** still cautious, rational and **highly sensitive to prices and promo activities**

ROIC DYNAMICS

X5 RETAIL GROUP



PYATEROCHKA AND PEREKRESTOK - ORGANIC



PYATEROCHKA - CAPITALS



PYATEROCHKA - REGIONS



STABLE SHARE OF STORES IN 'CLINIC' > DESPITE CONTINUED RAPID GROWTH

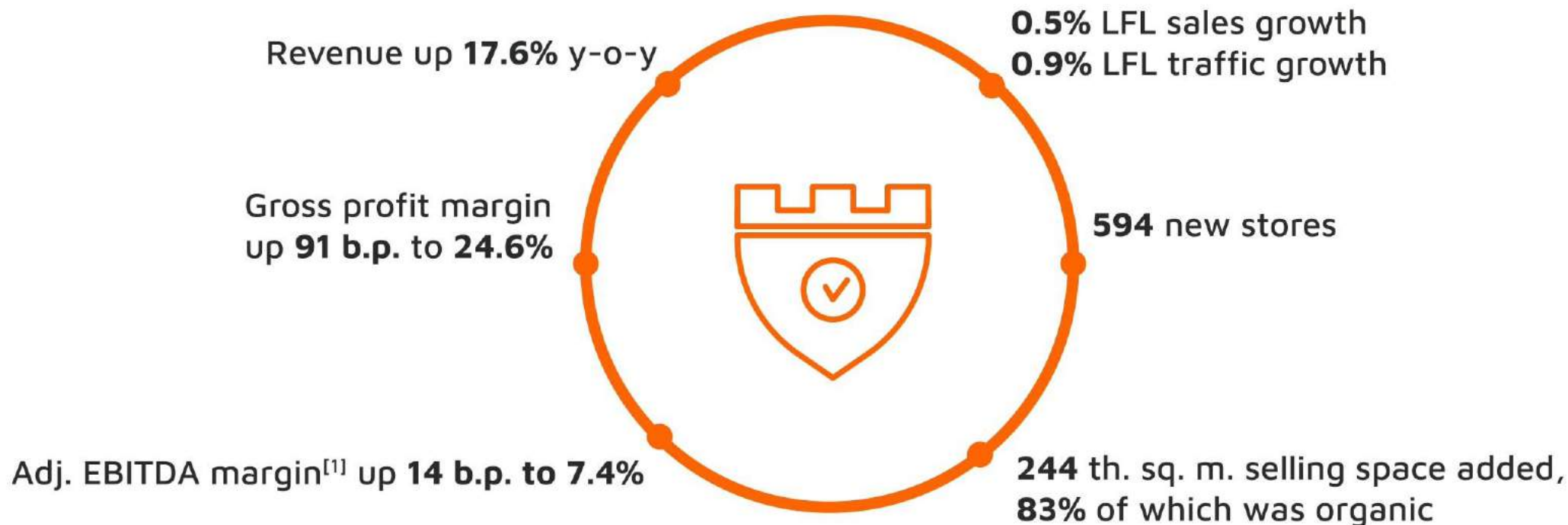
Share of stores in Clinic



- Clinic is the process of monitoring and decision-making on projects with low operating efficiency (below financial targets)
- Key drivers behind stores' low efficiency: location, competition, operations management

RAPID BUSINESS GROWTH RATES ARE NOT DAMAGING THE QUALITY OF NEW OPENINGS

STRONG PERFORMANCE IN Q3 2018 >

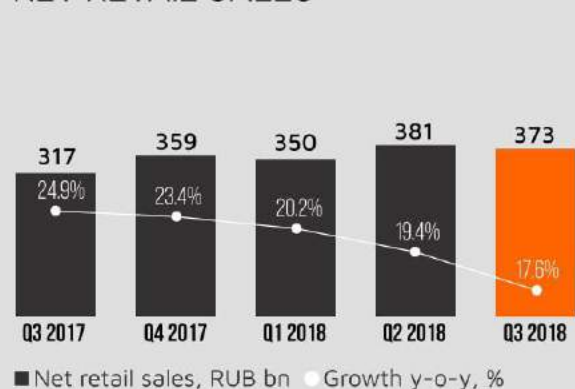


Source: X5 data

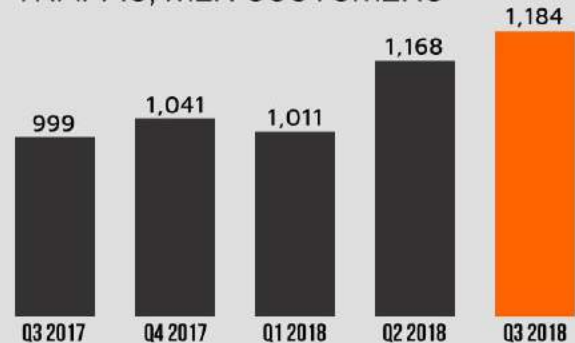
[1] – Adjusted for LTI, exit payments and share-based payments and other one-off remuneration payments

Q3 2018 RESULTS: OPERATIONAL HIGHLIGHTS

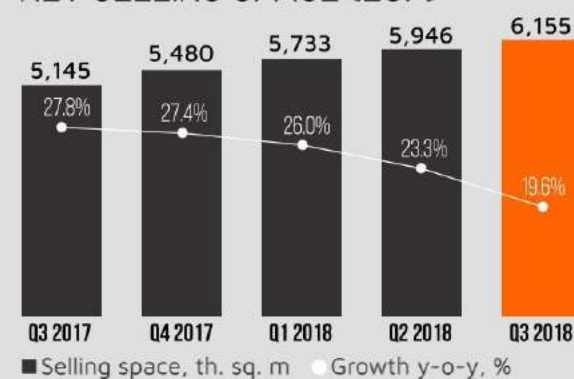
NET RETAIL SALES



TRAFFIC, MLN CUSTOMERS



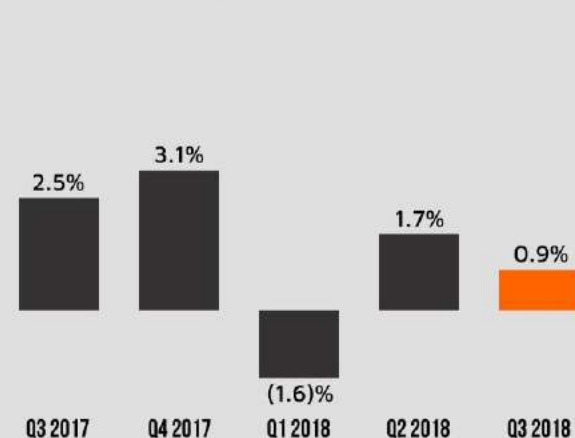
NET SELLING SPACE (EOP)



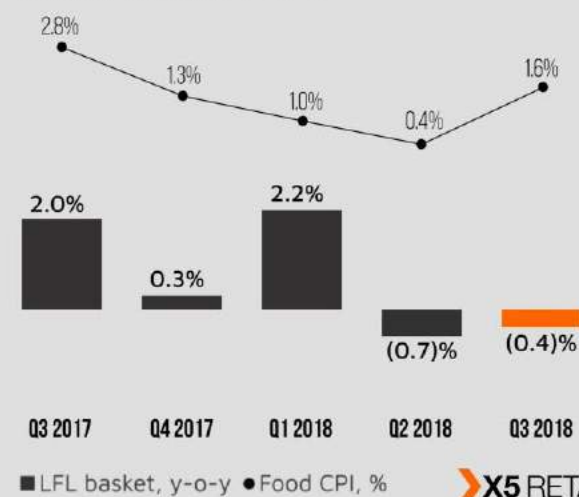
LFL SALES, Y-O-Y



LFL TRAFFIC, Y-O-Y



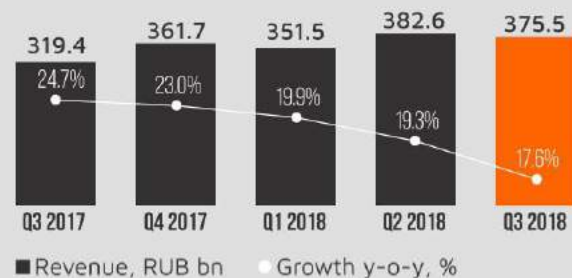
LFL BASKET, Y-O-Y



Source: X5 data

Q3 2018 RESULTS: FINANCIAL HIGHLIGHTS >

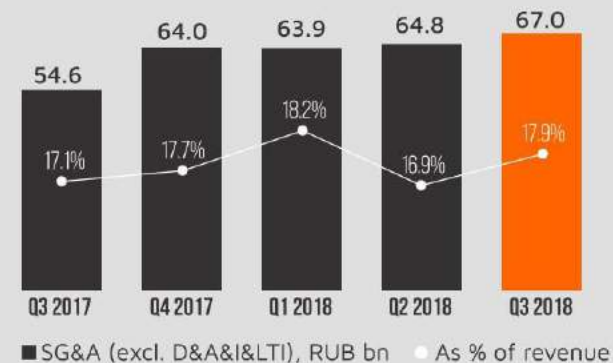
REVENUE



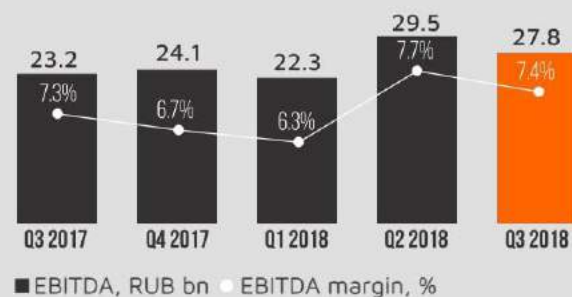
GROSS PROFIT & GROSS MARGIN



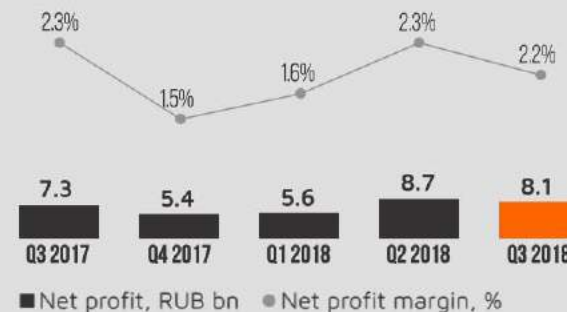
SG&A (EXCL. D&A&I<I)



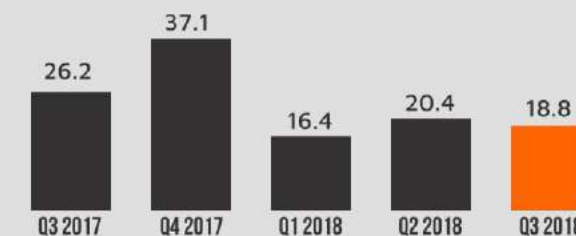
EBITDA & EBITDA MARGIN ^[1]



NET PROFIT & NET PROFIT MARGIN



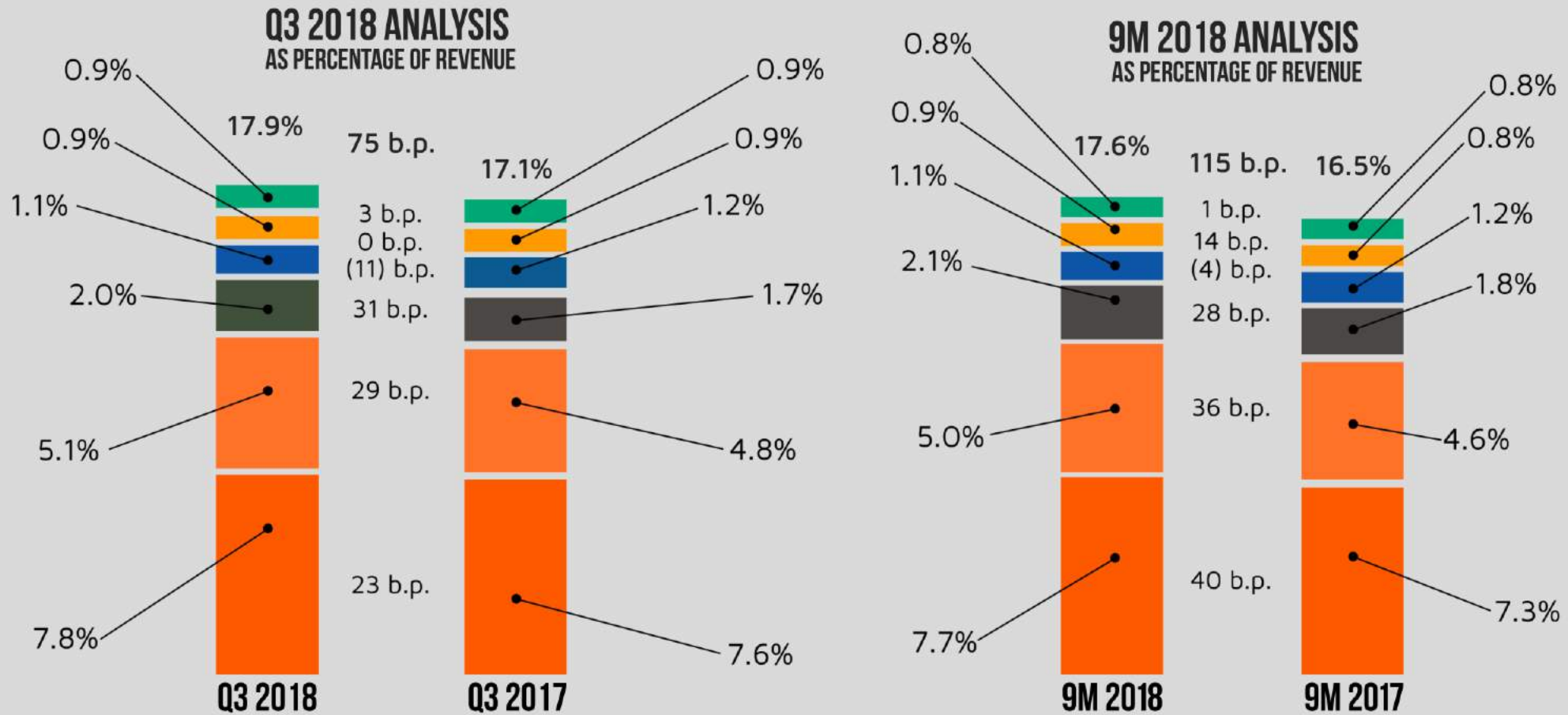
CAPITAL EXPENDITURES, RUB BN



Source: X5 data

[1] – Adjusted for LTI, exit payments and share-based payments and other one-off remuneration payments

Q3 2018 RESULTS: ADJUSTED SG&A^[1] EXPENSES ANALYSIS >



Source: X5 data

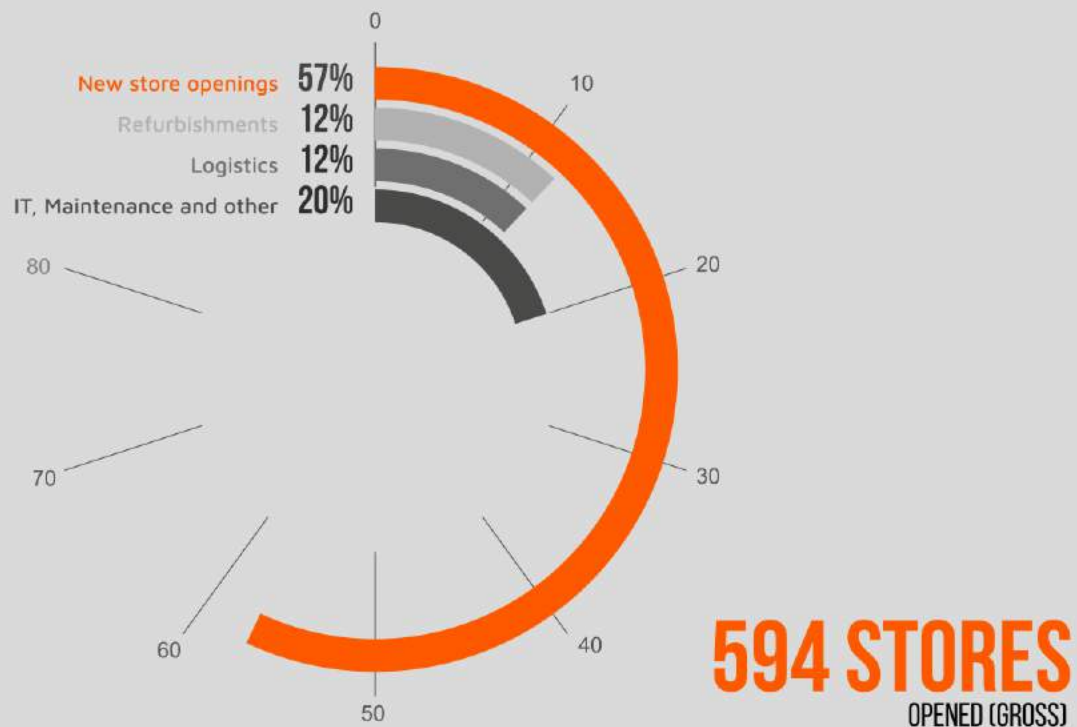
[1] - Adjusted for D&A&I, LTI, exit share-based payments

- STAFF COSTS
- LEASE EXPENSES
- UTILITIES
- OTHER STORE COSTS
- OTHER EXPENSES
- THIRD PARTY SERVICES

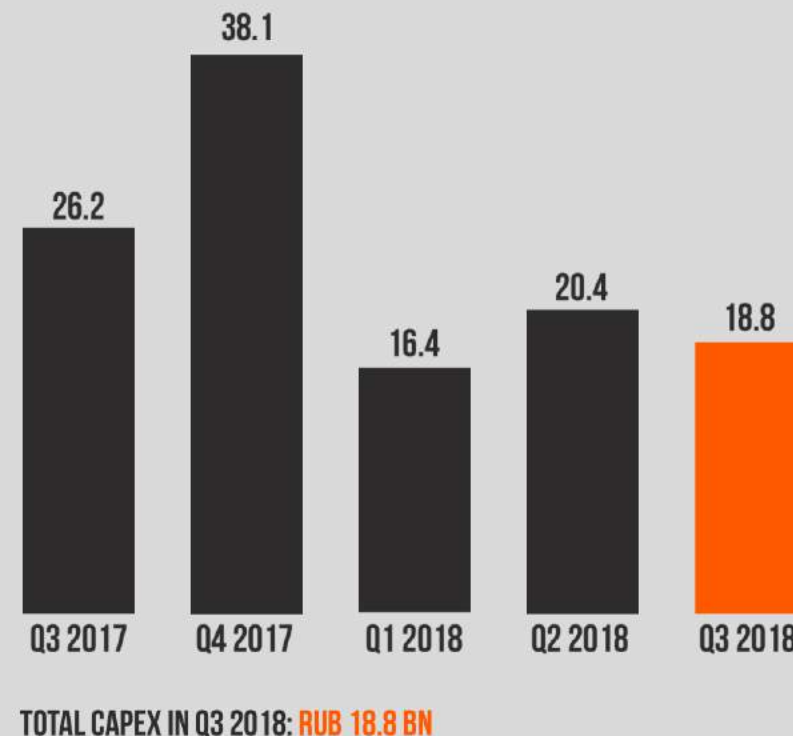
X5 RETAIL GROUP

Q3 2018 RESULTS: CAPITAL EXPENDITURES OVERVIEW >

CAPEX BREAKDOWN FOR Q3 2018



CAPEX BREAKDOWN BY QUARTER, RUB BN



IN Q3 2018, CAPEX PROGRAMME FOCUSED ON ORGANIC EXPANSION, IT AND MAINTENANCE AND LOGISTICS

Q3 2018 RESULTS: DEBT STRUCTURE >

Debt profile

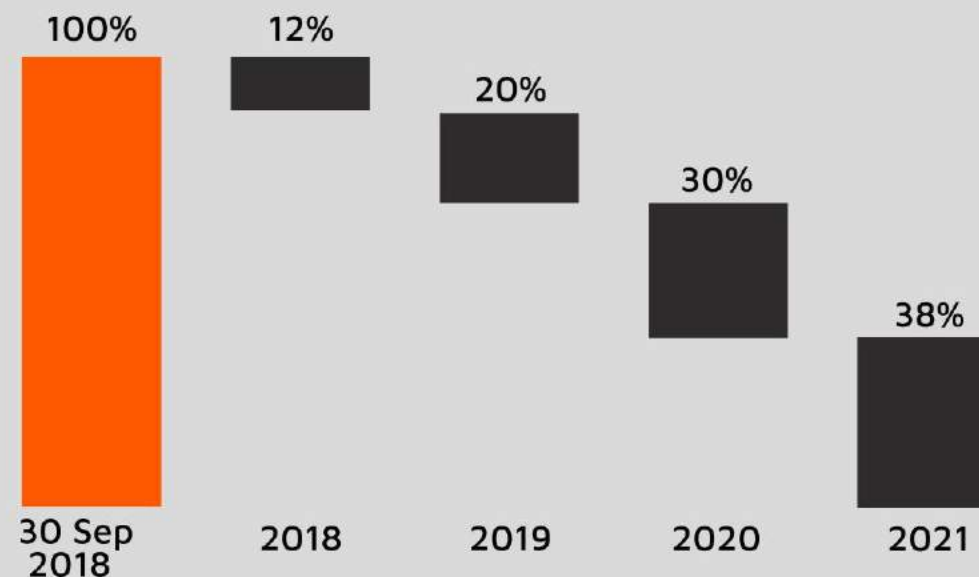
RUB mln	30 Sep 2018	30 Sep 2017
Total debt	217,184	172,064
Short-term debt	55,987	46,496
<i>% of total debt</i>	<i>25.8</i>	<i>27.0</i>
Long-term debt	161,197	125,568
<i>% of total debt</i>	<i>74.2</i>	<i>73.0</i>
Net debt	201,846	160,350

Covenants & liquidity update

Covenant metrics & liquidity sources	30 Sep 2018	30 Sep 2017
Net debt / EBITDA	1.99x	1.74x
Cash & cash equiv., RUB mln	15,338	11,714
Available credit limits, RUB mln	303,048	296,903

Source: X5 data

Debt portfolio maturity



Highlights

- X5's debt portfolio is 100% RUB-denominated
- All of X5's loans and bonds have fixed interest rates
- X5's available credit limits amounted to RUB 303,048 mln

2019 GUIDANCE >

Around 2,000 new gross openings

Maintaining profitability level and returns

**Continuing dividend payments in
accordance with dividend policy**



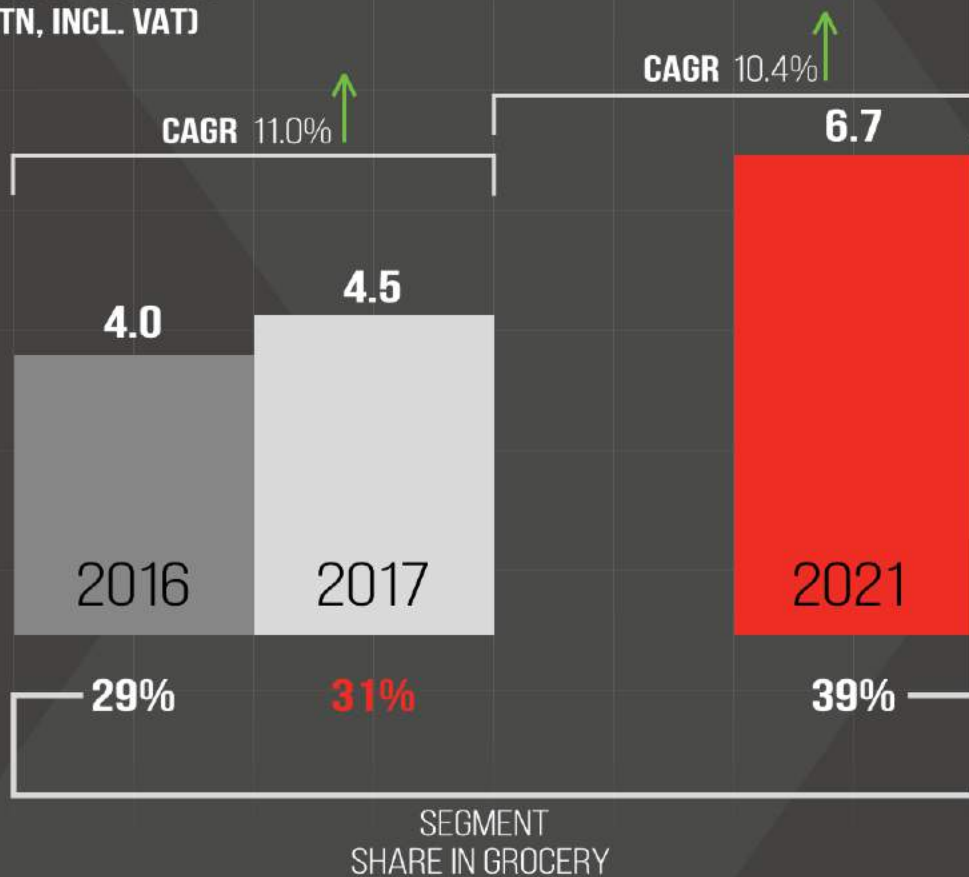
X5: LEADING AND EVOLVING

Sergei Goncharov,
General Director of Pyaterochka
X5 Capital Markets Day 2018
London, 25 October 2018

WHERE WE ARE >

STRONG OUTLOOK FOR THE PROXIMITY SEGMENT

PROXIMITY SEGMENT
(RUB TN, INCL. VAT)



Source: Infoline, X5 data

KEY TRENDS

- The segment accounts for 31% of the Russian food retail market
- Since 2015 the segment has contributed 60% to food retail sector growth
- Growth is expected to continue
- Further consolidation of market by top 2 players is expected

PROXIMITY IS THE LARGEST SEGMENT IN THE RUSSIAN FOOD RETAIL SECTOR WITH THE HIGHEST GROWTH POTENTIAL

PYATEROCHKA TODAY >

HIGHLIGHTS



12,822 stores
as of 30 September 2018:
22.3% increase y-o-y



5,035 th. sq. m of selling space
as of 30 September 2018,
21.5% increase y-o-y



Q3 2018 net retail sales:
RUB 297.8 bn,
18.3% increase y-o-y



1,021 mln customer visits
in Q3 2018, 19.2% increase y-o-y



Share of X5's Q3 2018
sales:
around 80%



Q3 2018 LFL Results

- Sales: **0.1%**
- Traffic: **0.5%**
- Basket: **(0.4)%**



Average check:
RUB 333 (Q3 2018)



Avg. net selling space:
393 sq. m

CURRENT STATUS >

	RAPID, HIGH QUALITY GROWTH	<ul style="list-style-type: none">• More than 5,000 stores added over the last two years• Maintained returns despite rapid expansion• Stable share of stores in “clinic”• Completed refurbishment programme• Improved brand perception, entire store base brought to new CVP, target audience expanded, space utilisation maximised
	CUSTOMER LOYALTY INFRASTRUCTURE	<ul style="list-style-type: none">• Rollout of the only proximity store loyalty programme in Russia – Pyaterochka Helps• Piloted personalised offers• Advanced analytics to track effectiveness of promo• Clusterisation of assortment

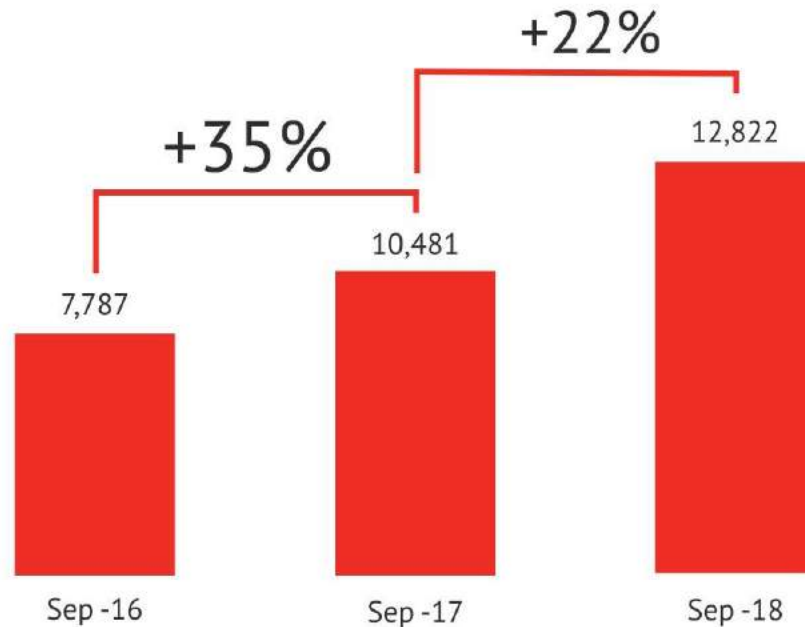
ACTIONS TO FULFILL OUR NEW FOCUS >



1 OUR STRATEGIC RE-FOCUS >

SMART EXPANSION

Approach to further expansion

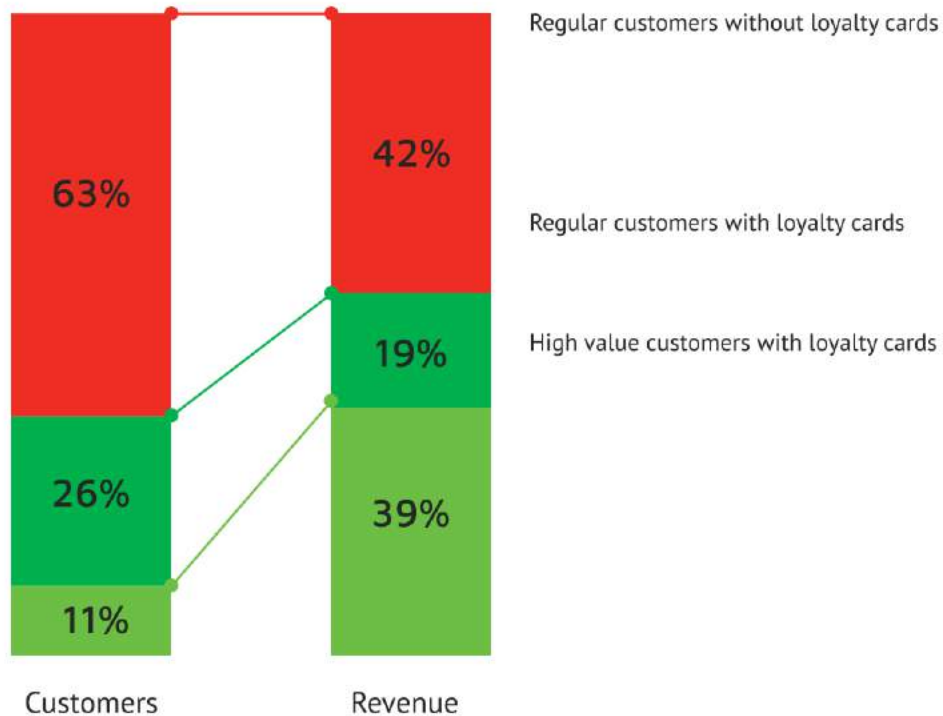


- Gradual slowdown of growth rates
- Rational selection of new sites: maintaining ROIC for new openings
- Natural replacement of smaller players
- Focus on growth in existing regions

2 FOCUS ON CVP >

INSIGHTS FROM LOYALTY PROGRAMME

REVENUE BY LOYALTY SEGMENT



APPROXIMATE SPENDING PER PERSON



- Moving 1% of customers without loyalty cards to customers with loyalty cards leads to approximately 2.7% growth in Pyaterochka revenue
- If every loyalty card customer increased spending by 10%, it would lead to roughly 3.8% growth in Pyaterochka revenue

Enhancing the Pyaterochka CVP will focus on increasing the number of loyal customers and on spending per loyal customer

2 FOCUS ON CVP >

ADAPTATION OF ASSORTMENT



SYSTEMATIC
CLIENT-CENTRIC ASSORTMENT
MANAGEMENT PROCESS

- Clear assortment strategy and category roles
- Store clusterisation
- Smart allocation of shelf space
- Regular assortment management based on Big Data-enabled tools



ENHANCE FRESH CATEGORY

- Reduce the supply chain processing cycle for F&V and ultrafresh by 30%
- Improve fruit and vegetables quality
- Expand the offering – fresh bread



IMPROVE PRIVATE LABEL QUALITY

- Establish regular customer feedback analysis
- Complete formation of a private label team
- Focus on customer needs to develop unique private label products
- Increase the share of private label

2 FOCUS ON CVP >

IMPROVE PRICE PERCEPTION THROUGH SYSTEMISATION OF PRICING PROCESSES AND PROMO



IMPROVE PRICING PROCESS

- Development of automated pricing
- Pricing based on clusterisation model
- Implementation of pricing policy tools



IMPROVE PROMO EFFICIENCY

- Launch of pilot aimed at increasing promo efficiency in Central Chernozem division at around 1,000 stores
- Rollout of promo efficiency solutions by Q1 2019

3 OPERATIONAL EFFICIENCY >



SHRINKAGE

- Launch of shrinkage committees in macro regions
- Remote F&V acceptance launched at DCs
- Smart reduction in assortment



LOGISTICS

- Continued development of multilayer logistics infrastructure
- Focus on improving efficiency of transportation between own DCs
- Further integration of the WMS system, with completion planned for 2018



LEAN STORE

- Revision of store processes
- Decrease in inventory
- Simplify operations
- Optimal staff planning
- Reduction in the capital cost of opening a store



RENT

- Further optimisation of rent costs
- Switch to rent costs as a percentage of revenue

4 FOCUS ON INNOVATIONS MEETING CUSTOMER REQUIREMENTS >



OMNI

- Pilots of various omni-channel models to be launched in 2019

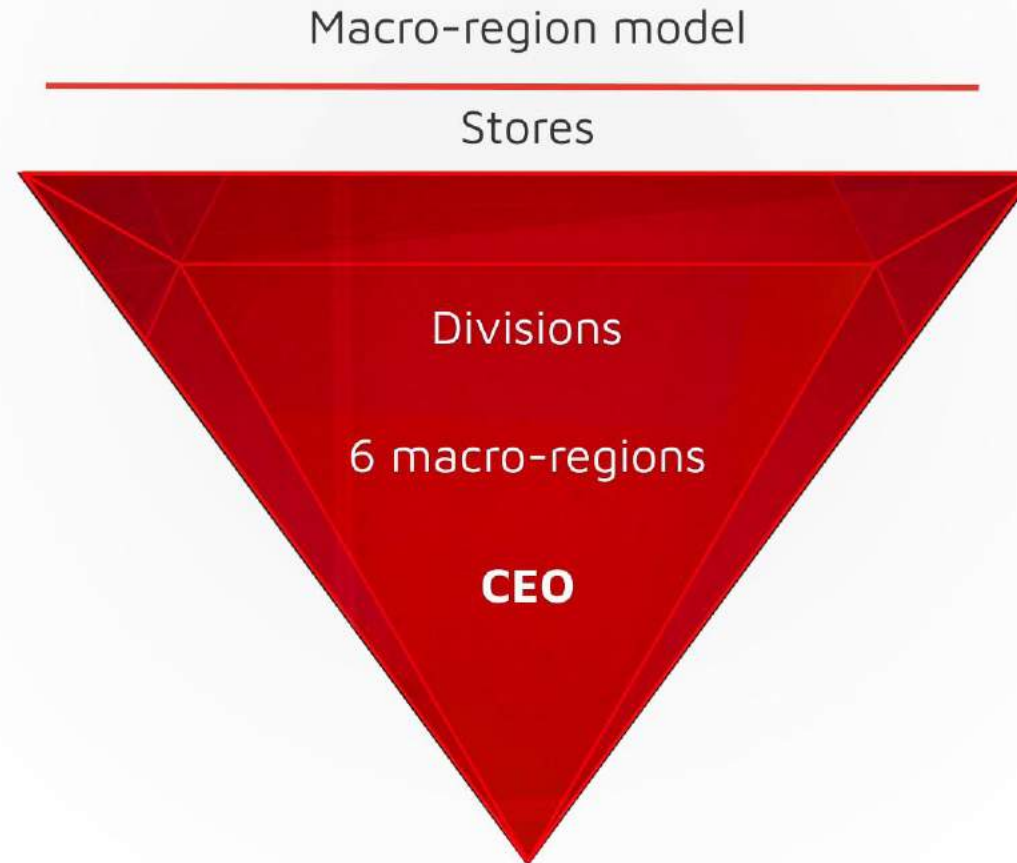


IN-STORE INNOVATIONS

- Innovations lab to test in-store technologies launched

STRONG OPERATING MODEL >

- Distribution of decision making process to macro region level
- Number of executives reporting directly to the CEO reduced from 21 to 15
- Majority of the new appointments are from the internal pool of candidates



5 CUSTOMER CENTRIC MODEL AND EMPLOYEE INVOLVEMENT >



CUSTOMER CENTRIC MODEL AND CULTURE







- New values and new incentives
- Organisational structure for customer feedback analysis and continuous concept improvement



PERSONNEL

- Develop plan to increase efficiency of hiring and managing personnel
- Develop new incentive system
- Redistribute functions between in-store personnel

STRATEGIC PRIORITIES >

	Further adaptation of CVP and assortment
	Leadership in NPS and service level
	Improvement in operational efficiency, incl. shrinkage
	Decrease personnel turnover; improve loyalty
	Improve efficiency of regional model
	Roll-out of personalised promotions





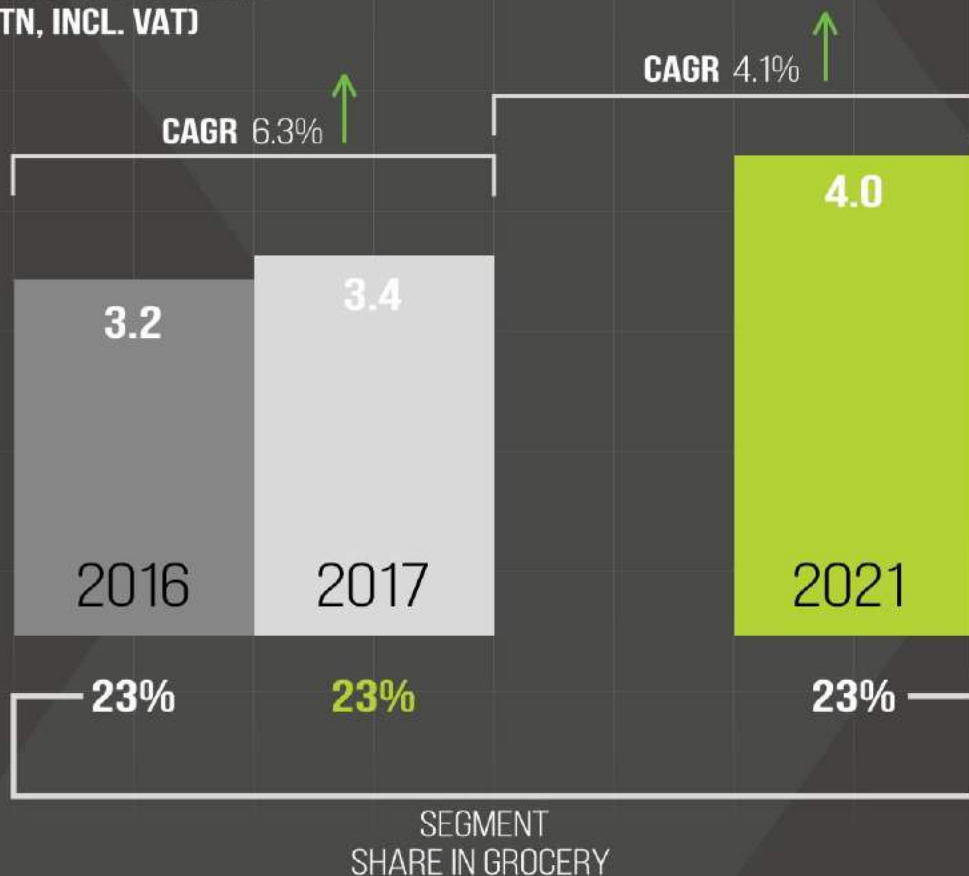
X5: LEADING AND EVOLVING

Vladislav Kurbatov,
General Director of Perekrestok
X5 Capital Markets Day 2018
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WHERE WE ARE >

SUPERMARKETS SET TO STRENGTHEN AND CONSOLIDATE

SUPERMARKET SEGMENT
(RUB TN, INCL. VAT)



Source: Infoline, X5 data

KEY TRENDS

- The segment accounts for 23% of the Russian food retail market
- Annual growth rate is expected at 4% through 2021
- Perekrestok has substantially strengthened its leadership, outperforming its competitors and the market

SUBSTANTIAL POTENTIAL FOR FURTHER GROWTH IN SUPERMARKETS

PEREKRESTOK TODAY >

RUSSIA'S #1 SUPERMARKET



712 stores

as of 30 September 2018:
21.9% increase y-o-y



Q3 2018 net retail sales:

RUB 53.2 bn,
25.5% increase y-o-y



Share of X5's Q3 2018
sales:
around 14%



Average check:
RUB 521 (9M 2018)
0.6% decrease y-o-y



728 th. sq. m of selling space

as of 30 September 2018,
24.4% increase y-o-y



126 mln customer visits

in Q3 2018, 27.2% increase y-o-y



Q3 2018 LFL Results

- Sales: **4.7%**
- Traffic: **6.7%**
- Basket: **(1.8)%**



Avg. net selling space:

1,023 sq. m

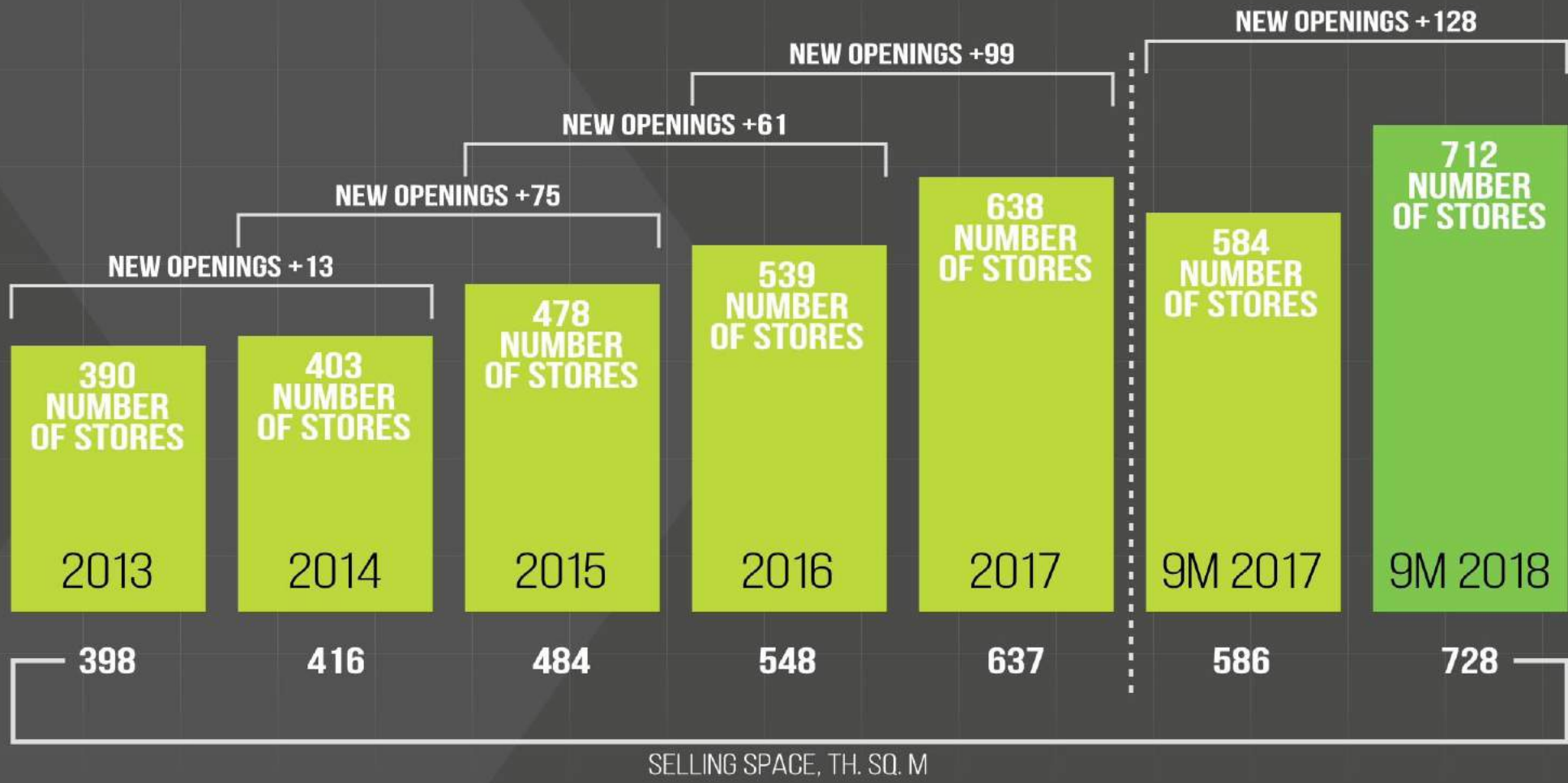
THE MAIN SHOP IN EVERY NEIGHBOURHOOD

WHAT WE DID >

PROGRESS SINCE LAST CAPITAL MARKETS DAY

	CVP	<ul style="list-style-type: none">• Fine-tuned and localised assortment• Improved service level. Growth of NPS from -8 for 9M 2016 to 14 for 9M 2018• Expansion and optimisation of fresh category and development of ready-to-eat
	RAPID GROWTH	<ul style="list-style-type: none">• The highest growth rates among competitors and other X5 formats• The highest LFL sales and traffic growth in the sector and among X5 formats
	OPERATIONAL EFFICIENCY	<ul style="list-style-type: none">• Improvements in opex, logistics and shrinkage costs• Improving quality of regional growth
	PRIVATE LABEL	<ul style="list-style-type: none">• Expansion of private-label and exclusive brands
	CUSTOMER LOYALTY	<ul style="list-style-type: none">• Successful expansion of loyalty programme with over 4.5 million active users• More than 100 new partners entered the programme during 2016-2018
	OMNI-CHANNEL	<ul style="list-style-type: none">• Launch of Perekrestok Online in Moscow and St Petersburg

ACCELERATING THE SPEED OF NEW OPENINGS >



Source: X5 data

REFURBISHMENTS >

THE PATH TO BETTER BRAND PERCEPTION

REFURBISHMENT PROGRAMME DYNAMICS



PROGRAMME HIGHLIGHTS FOR 9M 2018

Number of stores refurbished in 9M 2018	35
Share of stores under new concept as of 30 Sep 2018	83%
Average duration of store closure	42 days
Average sales recovery period	5 months
Average LFL sales growth after recovery period	14-16%

FOCUS ON CVP >



Introduced client-centric metrics (NPS)
to employee motivation programme



Further adaptation of assortment
to differentiate from competition



Expansion and optimisation of
fresh category, F&V, healthy food



Private label and unique assortment



Ready-to-eat category

PRIVATE LABEL (1/2) >

UPDATED DEVELOPMENT STRATEGY



Organise **regular tastings** of assortment through short surveys to improve quality: “good/not good”



Focus on **improving the quality** of products

















Assortment optimisation to improve customer retention: product withdrawal or rotation, price reduction, promo, change of packaging, benchmarking



Constantly **communicate with customers**

PRIVATE LABEL (2/2) >

COVERING ALL PRICE SEGMENTS

	CROSS-CATEGORY BRANDS	CATEGORY BRANDS				
HIGH AND ABOVE AVERAGE PRICE		Dairy 	Confectionery 	Healthy 	For kids < 3 years 	UNIQUE ASSORTMENT
MEDIUM PRICE		Dairy 	Ready-to-eat & Ready-to-cook 	Homeware 	For kids < 3 years 	WIDE ASSORTMENT OF EASILY ACCESSIBLE QUALITY PRODUCTS
		Confectionery 	Fish 	Beauty 	For kids 4-7 years 	
LOW PRICE						OPPORTUNITY TO SAVE ON EVERYDAY PURCHASES

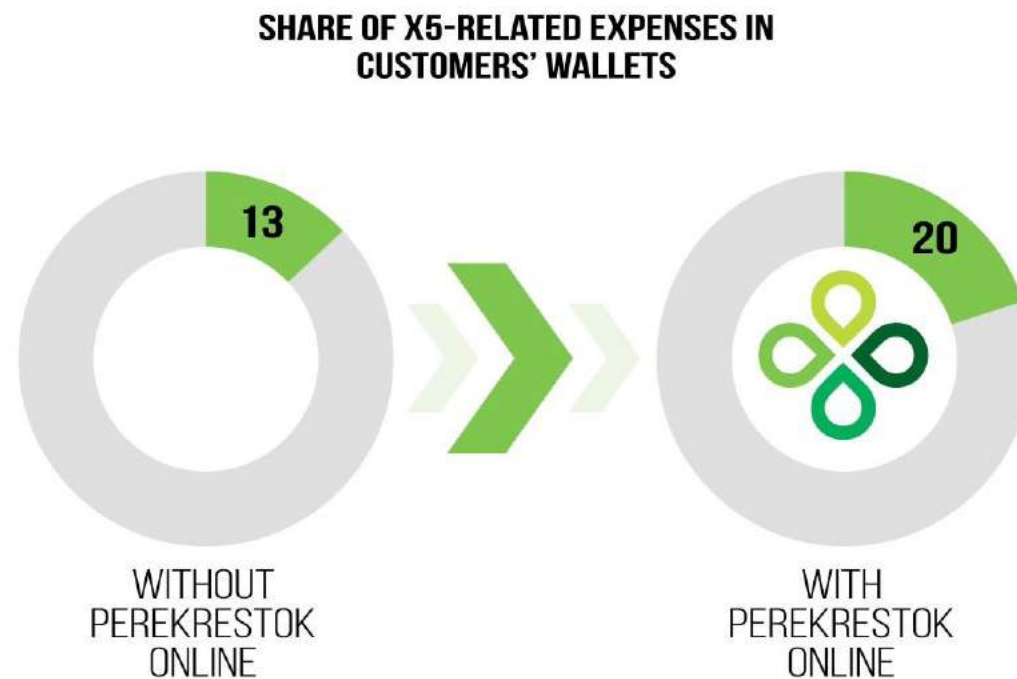
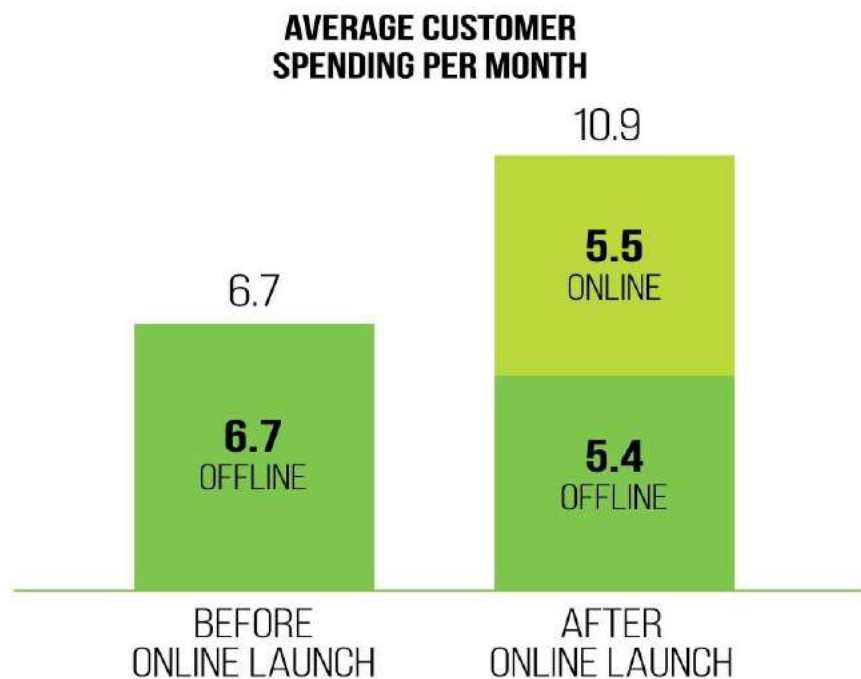
IMPROVING OPERATIONAL EFFICIENCY >

	What has been done	Our plans
REGIONAL MODEL	<ul style="list-style-type: none">• Store format determined by selling space and net retail sales• Tested stores with reduced opex• Reduced store opening capex	<ul style="list-style-type: none">• Rollout of a regional pilot store• Review concept for openings (model and promo)• Develop and test clustered pricing policies
LOGISTICS	<ul style="list-style-type: none">• Reduced cost per box• Improved shelf availability	<ul style="list-style-type: none">• Further development of regional logistics efficiency• Synergies with Pyaterochka for remote regions• Further improve staff productivity
PERSONNEL	<ul style="list-style-type: none">• Developed new motivation scheme for in-store personnel to improve productivity• Created an educational centre for cashiers	<ul style="list-style-type: none">• Matching personnel compensation with market benchmarks; optimise salary to regions
INVENTORY EFFICIENCY	<ul style="list-style-type: none">• Improved the accuracy of promo planning	<ul style="list-style-type: none">• Pricing at PLU / store level, taking into account product elasticity• Clustering and assortment optimisation based on Big Data solutions• Software to increase accuracy of promo forecast• Introduce individual planograms based on JDA

PEREKRESTOK ONLINE (1/2) >

INCREASING SHARE OF WALLET

- Since the launch of Perekrestok Online, average net retail sales per omni-channel customer (online + offline) have **increased by 70%** in Moscow
- Average NPS of Perekrestok Online in Q3 2018 **reached over 80%**, significantly exceeding the planned score of 73% for the year



NUMBER OF ORDERS PER DAY IS EXPECTED TO DOUBLE FROM THE SEPTEMBER 2018 LEVEL TO 2,500 BY THE END OF 2018

PEREKRESTOK ONLINE (2/2) >

STRATEGIC PRIORITIES

 **INCREASE THE NUMBER OF HOUSEHOLDS IN THE CUSTOMER BASE TO 1.5 MLN IN MOSCOW AND ST PETERSBURG BY 2020**

KEY INITIATIVES

ASSORTMENT	Extending assortment to around 50,000 SKUs <ul style="list-style-type: none">• Extending assortment to Karusel's level of 25,000 SKUs + adding partners' assortment (meal kits, ready-to-eat, pet food, etc.) of 25,000 SKUs
MOBILE APP	Customer-friendly website and mobile application <ul style="list-style-type: none">• Reduction of the time to complete an order• Enhance functionality and content
QUICK WINS	<ul style="list-style-type: none">• Launch of Click & Collect pilot• Launch express delivery with orders assembled in the stores• Develop same day delivery

LOYALTY PROGRAMME >

CURRENT RESULTS AND OUTLOOK

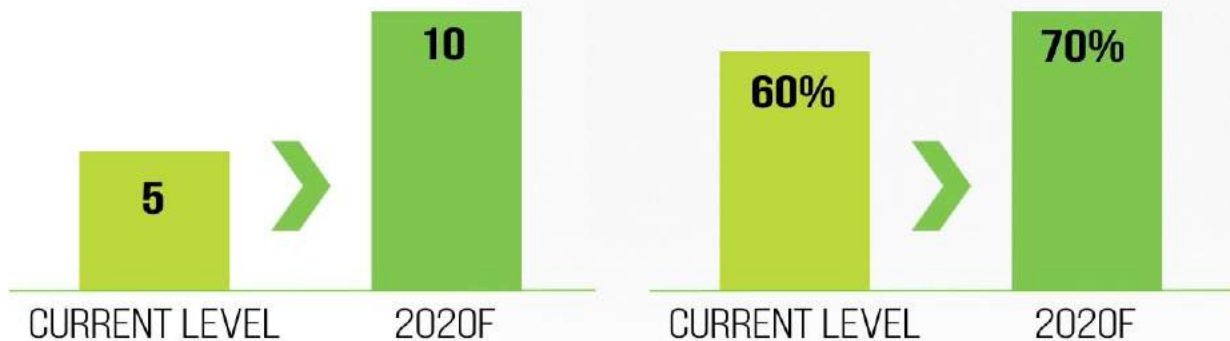
AVERAGE TICKET



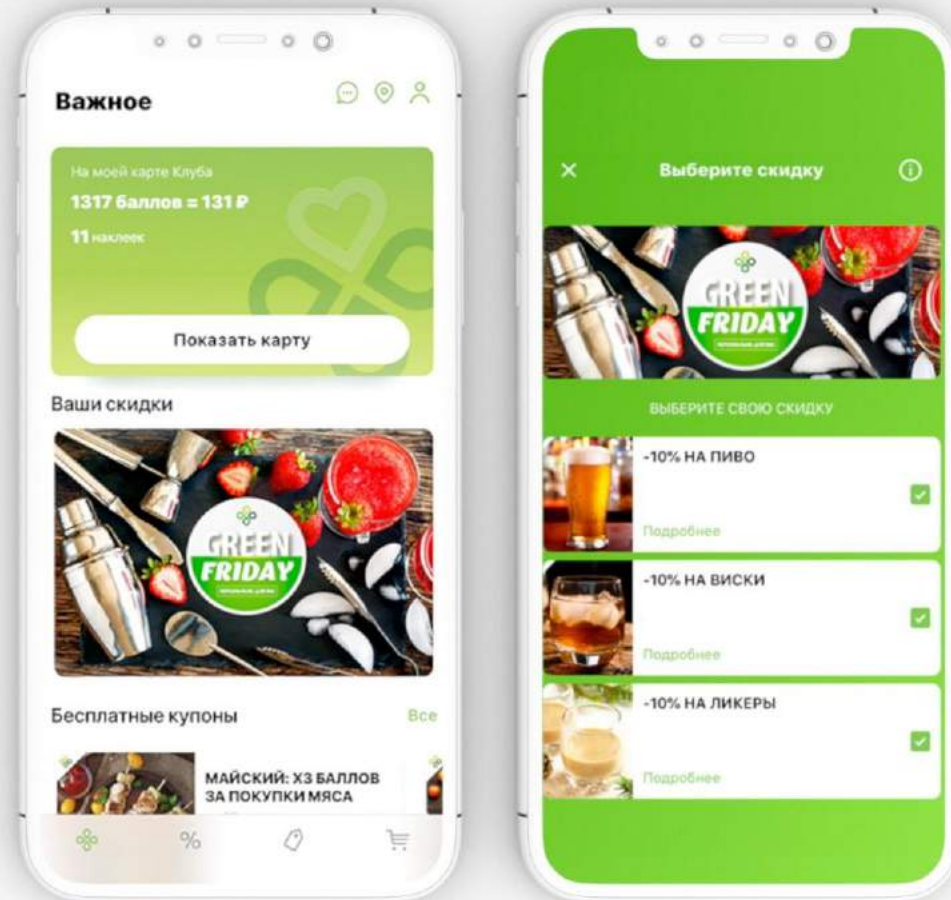
LOYALTY CARD PENETRATION

ACTIVE CARDS, MLN

TURNOVER PENETRATION



2.4 MLN MOBILE APP DOWNLOADS









KEY HIGHLIGHTS

- Ultra-fresh and ready-to-eat products
- To be launched in **H1 2019**
- **Target output: 120 tonnes per day**
- **+800 new SKUs** to Perekrestok's product range



STRATEGIC PRIORITIES >

	Focus on fresh, F&V, ready-to-eat
	Comfort and positive emotions from shopping
	Omni-channel
	Best-in-class service, further increase of NPS
	Targeted loyalty system and personalised promo
	Chain expansion with aim of being closer to the customer





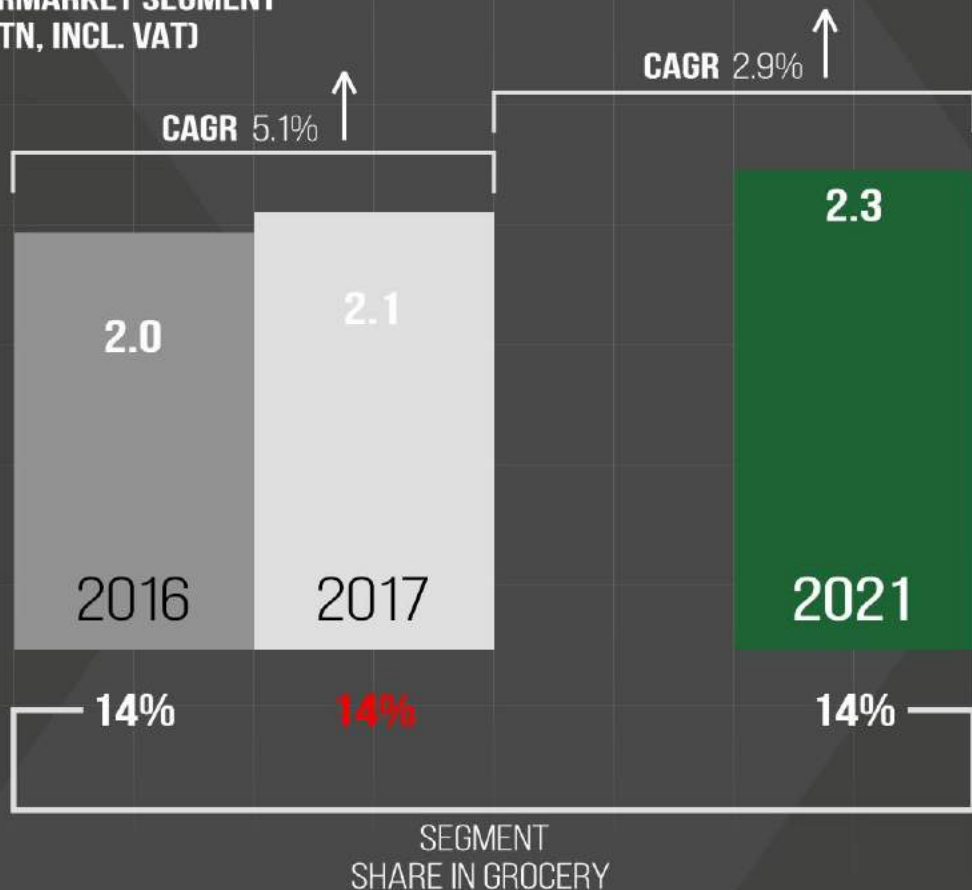
X5: LEADING AND EVOLVING

Maksym Gatsuts,
General Director of Karusel
X5 Capital Markets Day 2018
London, 25 October 2018

WHERE WE ARE >

STABLE GROWTH RATES IN HYPERMARKETS

HYPERMARKET SEGMENT
(RUB TN, INCL. VAT)



Source: Infoline, X5 analysis

KEY TRENDS

- The segment accounts for 14% of Russia's food retail market
- Growth rate is expected to remain stable
- Competitive landscape is intense. The market is consolidated compared to proximity and supermarkets

KARUSEL TODAY >

HIGHLIGHTS



92 stores

as of 30 September 2018:
1.1% increase y-o-y



382 th. sq. m of selling space

as of 30 September 2018,
0.4% increase y-o-y



Q3 2018 net retail sales:

RUB 20.6 bn,
0.3% decrease y-o-y



32 mln customer visits

in Q3 2018, 3.1% decrease y-o-y



Share of X5's Q3 2018
sales:
around 6%



Q3 2018 LFL Results

- Sales: **(2.5)%**
- Traffic: **(4.8)%**
- Basket: **2.4%**



Average check:
RUB 746 (Q3 2018)
2.7% increase y-o-y

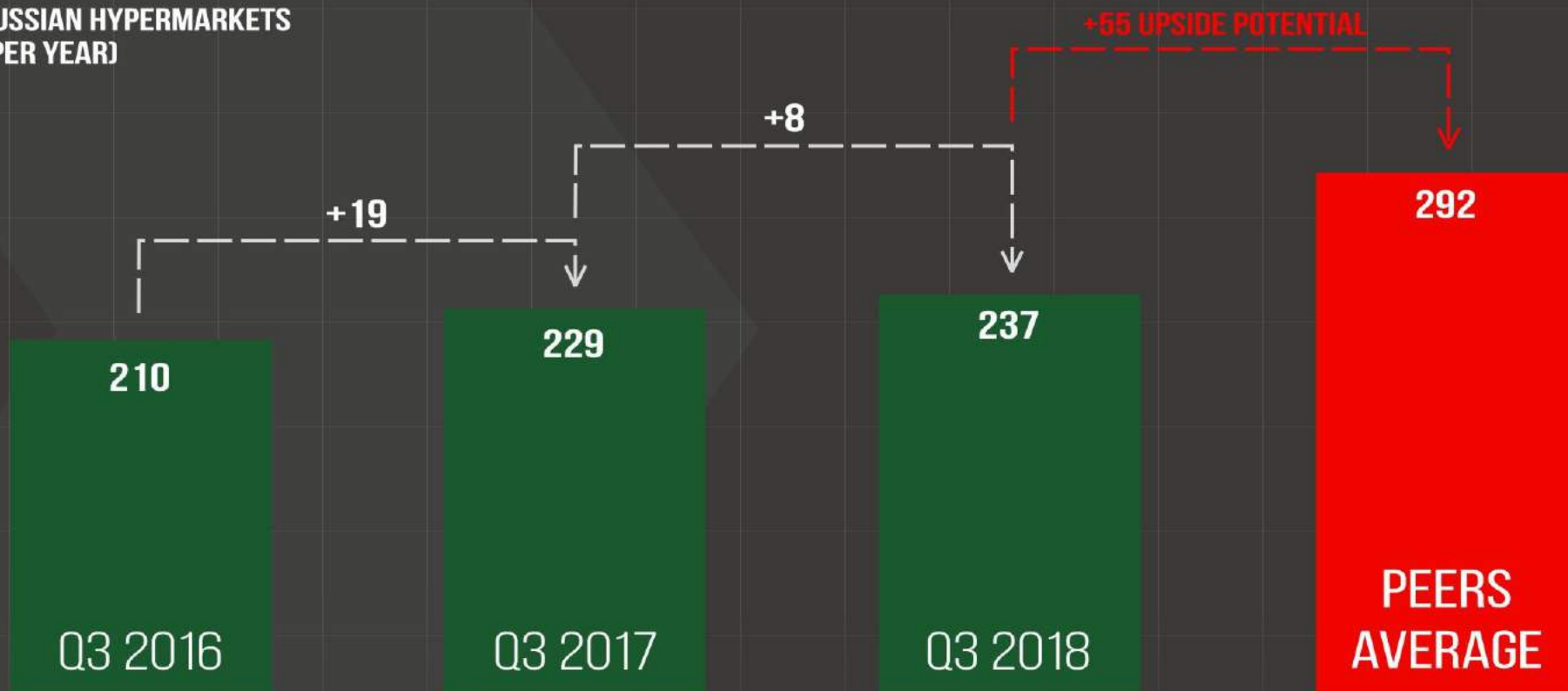


Avg. net selling space:
4,153 sq. m

WE AIM FOR LEADERSHIP IN CUSTOMERS' MINDS >

WHICH WILL LEAD TO GROWTH IN SALES DENSITY

SALES DENSITIES OF RUSSIAN HYPERMARKETS
(RUB '000 PER SQ. M. PER YEAR)







Source: Companies data, Infoline

X5 RETAIL GROUP

WHAT WE DID

PROGRESS SINCE LAST CAPITAL MARKETS DAY

	CVP	<ul style="list-style-type: none">• New CVP approved, including new concept and branding• Launch of updated refurbishment programme in line with new CVP• Assortment renewed with focus on modern trends, healthy food, Food-to-Go
	OPERATIONAL EFFICIENCY	<ul style="list-style-type: none">• Standard business processes implemented across all hypermarkets• Staff structure optimised• Improved quality control
	PRIVATE LABEL	<ul style="list-style-type: none">• New private label strategy developed• New private labels introduced, including in mid-price segment
	CUSTOMER LOYALTY	<ul style="list-style-type: none">• Karusel mobile app launched• Website re-launched with responsive design• Personalised mailings (SMS, apps, e-mail) and coupons launched

NEW CVP AND BRANDING >



REBRANDING

- Focus on **stability, order and structure**
- Meant to be associated with **favourable pricing, honesty and transparency**
- **10** hypermarkets to be refurbished by the end of 2018

KEY HIGHLIGHTS

- **4,000-4,500 sq m** hypermarkets in prime locations
- **20,000 to 22,000 PLUs**, with an increased focus on first-price and mid-price goods
- **A price leader in key traffic categories** encouraging customers to stock up
- Arranging store zones according to **customer journey**
- Easily readable **navigation**
- Redistribution of shelf space according to **category roles**
- **Emotional design** in non-food product categories and leaders
- **Restaurant / fast food** areas in suitable locations



NEW CVP: ASSORTMENT >



Focus on **assortment innovation**, opening up niche lines within traditional categories, development of **healthy food, bio, organic, crafted offerings**



Increase assortment in **fresh** categories and further development of **own production** range



Focus on creating **“category worlds”** such as “home”, “childhood” and “seasonal offers” in non-food



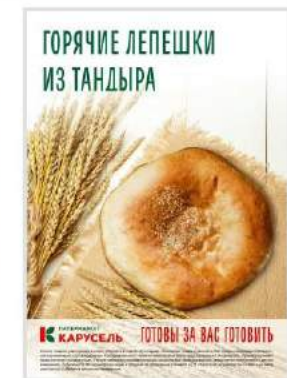
Develop and implement **new private labels**, including in mid-price segment

OWN PRODUCTION >

MODERN HEALTHY FOOD FOR ALL OCCASIONS

	What has been done	Plans
ASSORTMENT	<ul style="list-style-type: none">Completed renewal of assortment with focus on modern trends, healthy food, food-to-goRevised pricing policies	<ul style="list-style-type: none">Further assortment developmentDevelopment of food services (pizza, cafeteria, restaurant)
EFFICIENCY	<ul style="list-style-type: none">Optimised staff structureImproved quality of employeesOptimised production costs	<ul style="list-style-type: none">Regional centralisation of own production in certain divisions

Share of own production in net retail sales to increase by **1.0-1.5% by 2020**



NEW OWN PRODUCTION STRATEGY FOCUSES ON DIFFERENTIATION

PRIVATE LABEL >

TAILORED TO CUSTOMER NEEDS IN ALL SEGMENTS

KARUSEL'S PRIVATE LABEL STRATEGY

- Adapt to the needs of the target audience
- Focus on large purchases for future use
- Positive price perception contributes to NPS
- Differentiate from other brands through unique features

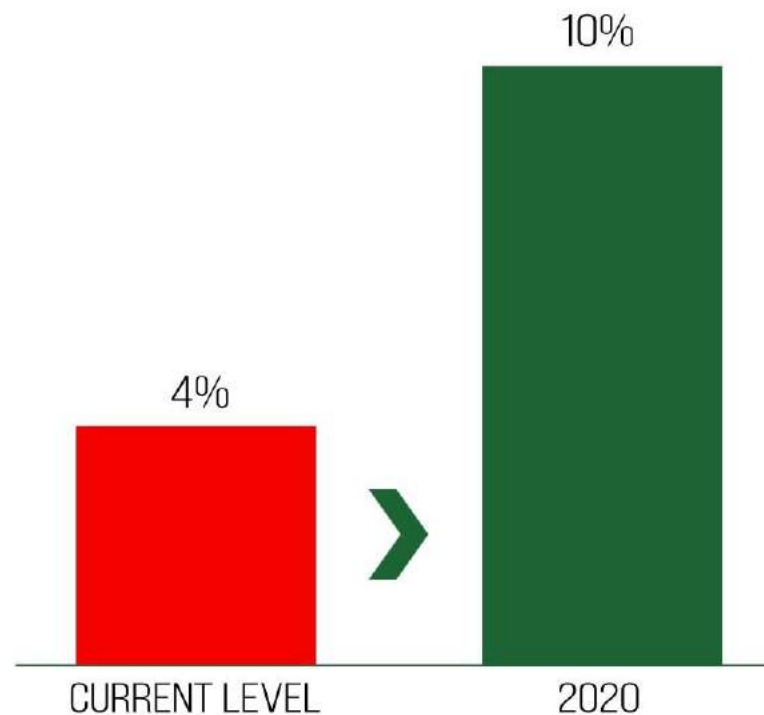


Increasing margins of private label products

CROSS CATEGORY - FIRST PRICE	
CROSS CATEGORY - FIRST PRICE	
CROSS CATEGORY - FIRST PRICE	

NEW APPROACH TO PRIVATE LABEL

PRIVATE LABEL DEVELOPMENT SHARE IN TURNOVER, %



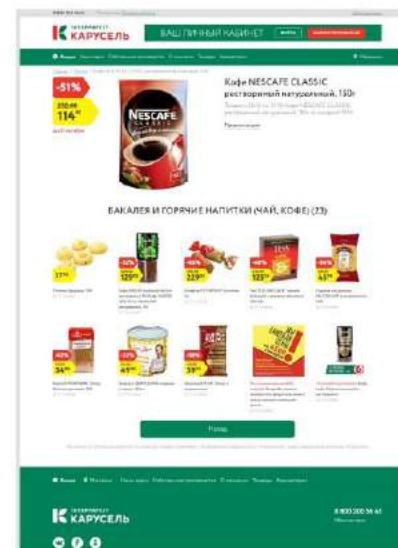
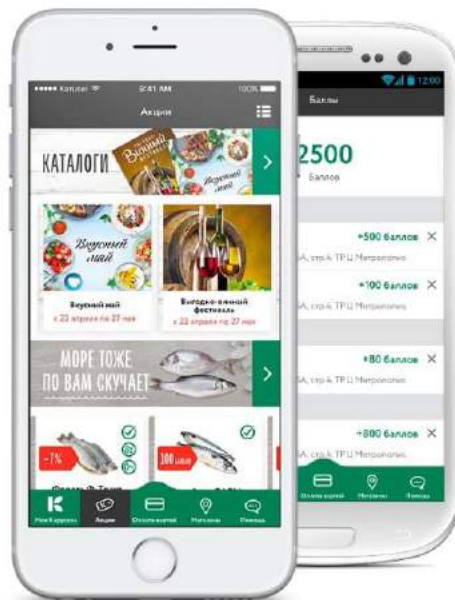
PRICING, OMNI-CHANNEL AND DIGITAL INNOVATIONS >

PRICING

- Roll-out of new pricing model that will significantly improve customer price perception
- Improve promo efficiency, reducing share of promo while increasing traffic
- Increase penetration of loyalty cards to above 90% in 2019

OMNI-CHANNEL AND DIGITAL INNOVATIONS

- Started cooperation with delivery aggregators Instamart & iGoods
- Click&Collect service to be launched in 2019
- Digital communication in-store and external
- Digitalisation of in-store processes




FOCUS ON PEOPLE AND PROCESSES >

KEY TO SUSTAINABLE GROWTH

	What has been done	Our plans
PERSONNEL	<ul style="list-style-type: none">• Programme for learning and development for high potential employees• HR brand project launched	<ul style="list-style-type: none">• Initiatives to improve staff engagement• Improve motivation system• Improve work conditions
IN-STORE EFFICIENCY	<ul style="list-style-type: none">• Business processes standardised across all hypermarkets• Staff structure optimised• Regular maintenance and upgrades for equipment and engineering systems	<ul style="list-style-type: none">• Further optimisation of business processes• Productivity enhancements through implementation of IT tools• Continue closing of inefficient stores
SHRINKAGE	<ul style="list-style-type: none">• Monitoring acceptance of goods• Monitoring cashier operations• Business process optimisation• Improve incoming and outgoing quality control checks at DCs	<ul style="list-style-type: none">• Further development of quality control, incl. trust-based acceptance at DCs• Develop F&V supplier base

STRATEGIC PRIORITIES >

	Further adapt assortment
	Improve price perception
	Increase share of private label
	Improve personnel engagement
	Expand omni-channel offering & digital innovations
	Reduce lease costs, shrinkage and increase operational efficiency
	Gradually renovate stores using new branding



	Increase sales density
	Increase customer loyalty



ГИПЕРМАРКЕТ
КАРУСЕЛЬ

ТЕЛЕЖКА ДЛЯ ВАС
ТЕЛЕЖКА ДЛЯ ВАС



X5: LEADING AND EVOLVING

Vadim Kapustin,

Director of Strategy

X5 Capital Markets Day 2018

London, 25 October 2018

THE MARKET IS CHANGING... >

> Technology



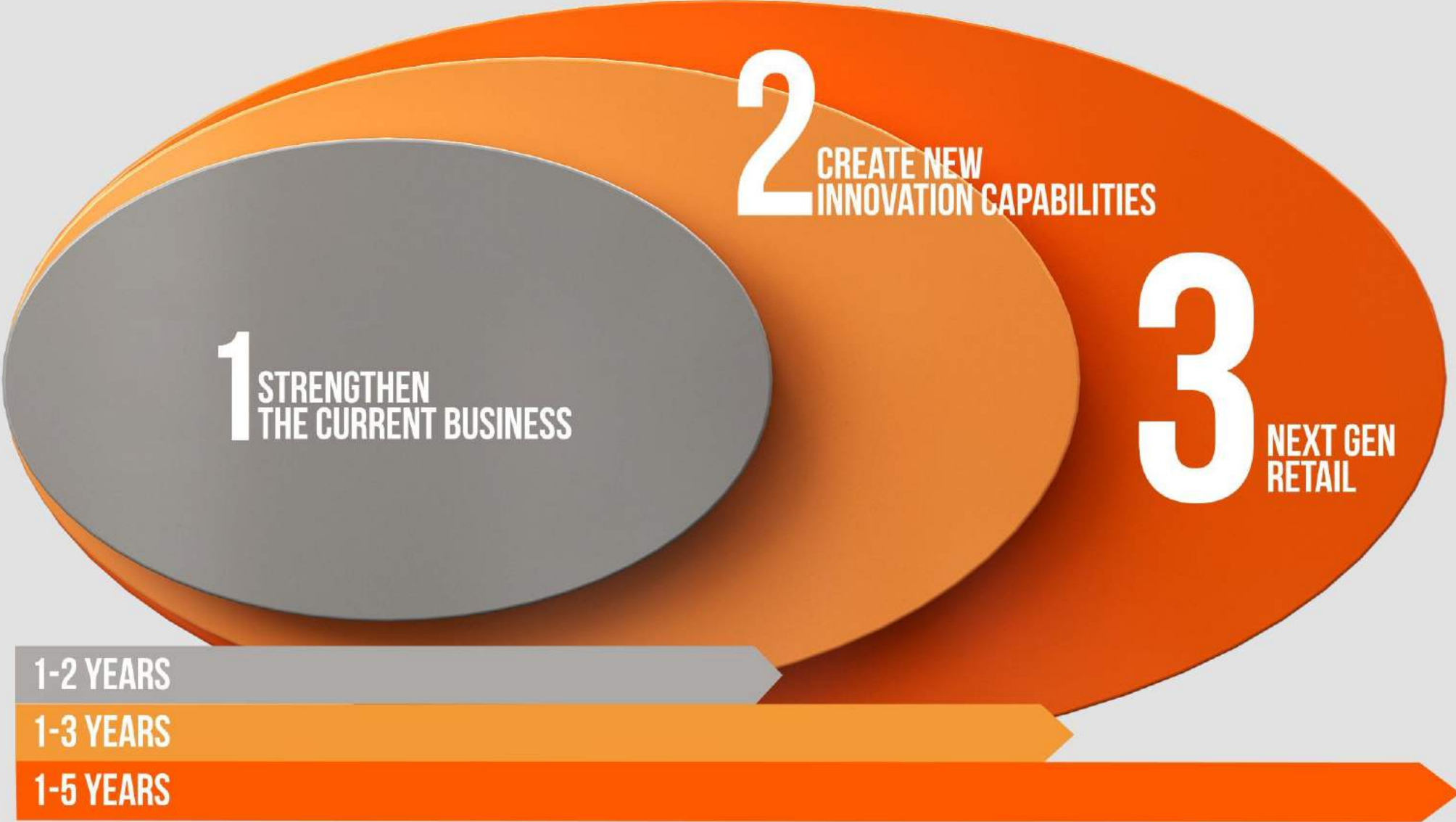
> Omni-channel



Changing consumer behavior <



...AND X5 IS RESPONDING TO NEW TRENDS >



UNDERSTANDING OUR CUSTOMER - BIG DATA CAPABILITIES >



**IT
CLUSTER**



**DATA SCIENCE
METHODS**

Яндекс

СБЕРБАНК
Везде рядом

РОСБАНК
SOCIETE GENERALE GROUP

МТС

symphony EBC

@mail.ru
group

Билайн®

AT Consulting

**75
PROFESSIONALS**

IBS

Devino Telecom

dentsu
AEGIS
network

М.видео

BIG DATA IS PRIMARILY LEVERAGED TO DRIVE BUSINESS OPERATIONS IMPROVEMENTS >

DEMAND
FORECASTING

ASSORTMENT
ADAPTATION

PRICING
OPTIMISATION

CUSTOMER
PERSONALISATION

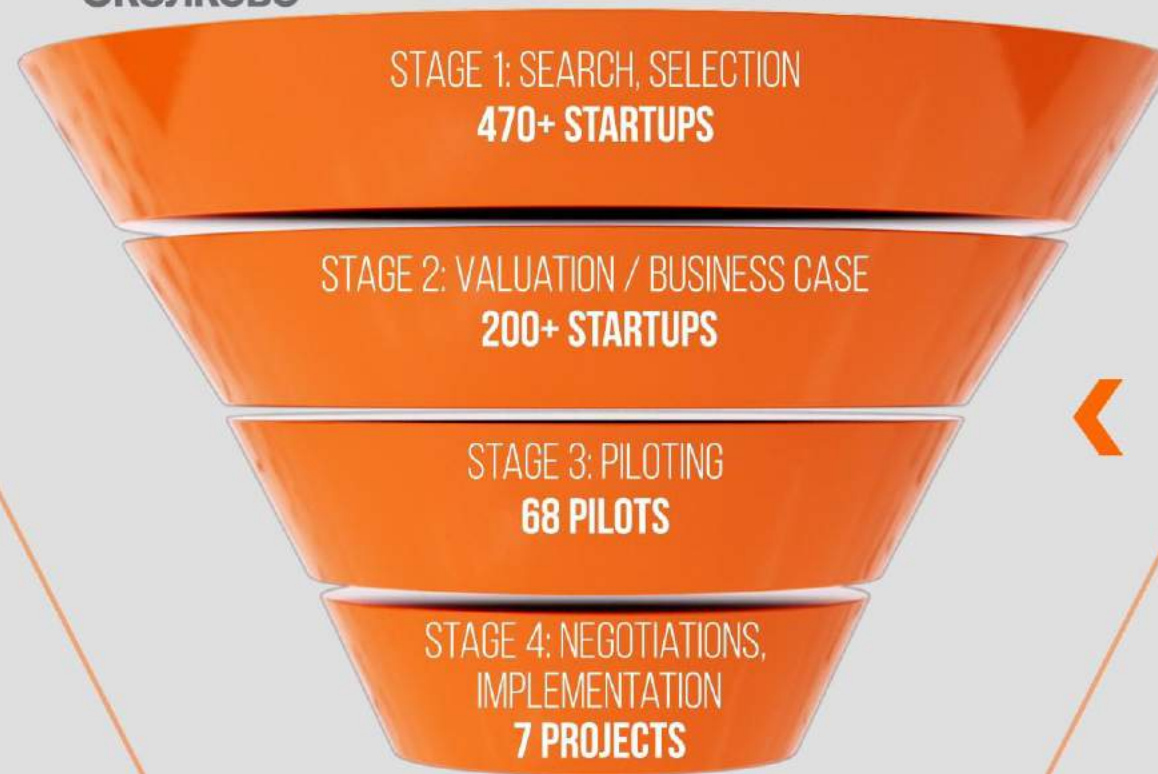
SEARCH AND IMPLEMENTATION OF INNOVATIVE TECHNOLOGIES >

Sk
СКОЛКОВО

ФРИИ

BS
BUSINESSFRANCE

the Untitled.



2017

2018+ <

STAGE 5: POST-INVEST ANALYSIS AND FINE-TUNING

**WE HAVE PILOTED 68 PROJECTS
IN THE LAST 1.5 YEARS**

PILOTS ACROSS THE X5 VALUE CHAIN >



68 PROJECTS IN INNOVATIONS ARE CURRENTLY BEING PILOTED AT X5

SHELF VIDEO MONITORING

ALERT! SHELF IS EMPTY

INSUFFICIENT STOCK





SMART SHELVES

FACE RECOGNITION

WI-FI RECOGNITION



SERGEY SMIRNOV
34 YEARS OLD
LOYALTY: HIGH
125 PURCHASES
295 RUB

SECTOR
(OSCI: 65)

VEGETERIAN, ALLERGIC
TO PEANUTS

- PREFERS ORGANIC FOOD AND FARM PRODUCTS
- TAKES CARE OF HIS FIGURE: BUYS YOGURTS AND PEPSI LIGHT
- DOES NOT EAT FISH
- MARRIED, TWO CHILDREN AND A DOG



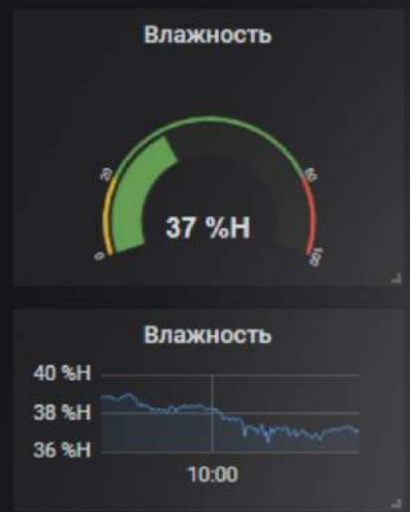
CLIENT RECOGNITION



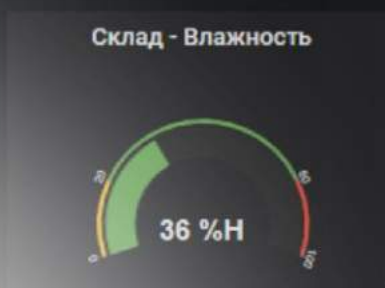
Ветер: 6 м/с



Торговый зал - Овощная зона

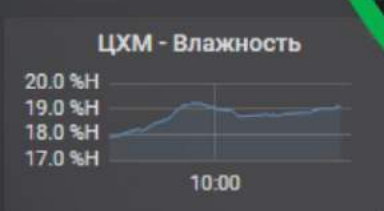
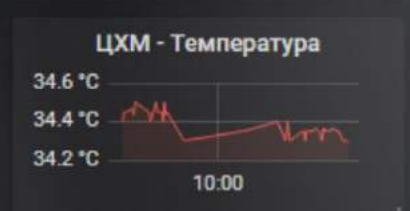
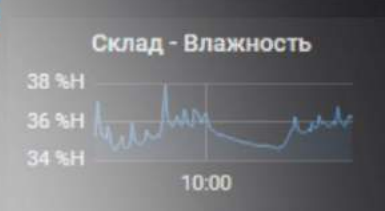
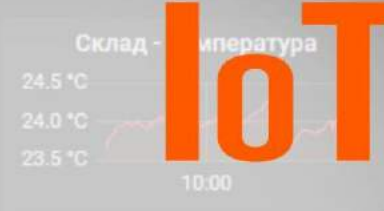


Подсобные помещения



Показатели электроэнергии

Категория	Current
Освещение торгового зала	4.19 W
Освещение подсобные помещения	0.19 W
Рекламный блок	0.19 W
Агрегат ЦХМ	12.47 kW
Арендатор 1	441.96 W
Арендатор 2	8.14 kW
Гриль	1.17 W
Хлебопечь	352.85 W
Тепловая завеса деборкадер	-
Вентиляция торговый зал	-



IoT

NEXT GEN RETAIL >

OMNI-CHANNEL DEVELOPMENT

Perekrestok Online expansion

- Covers Moscow, Moscow region (partially) and St Petersburg
- Own home delivery and three dark stores
- Expanding assortment range



Development of last mile delivery services

- Developing through partnership and on our own
- 500 installed lockers. If the pilot proves successful, expand to 5,000 lockers within three years
- Expected incremental store traffic gain of 1-3%



Launch of Click & Collect

- Click & Collect service launch in 2019
- Geographic coverage: Moscow
- Rollout to the largest cities in Russia after successful pilot



THANK YOU FOR YOUR ATTENTION