

X5: RIDING RETAIL WAVES

X5 Capital Markets Day 2019
London, 23 October 2019

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AGENDA



Performance update



Development of Big Data



Financial results Q3 and 9M 2019



Overview by format:

- Pyaterochka
- Perekrestok



X5: RIDING RETAIL WAVES

Stephan DuCharme
Chairman of the Supervisory Board

X5 Capital Markets Day 2019
London, 23 October 2019

OUR APPROACH

PROFIT-PEOPLE-PLANET CONCEPT

Profit

People

Planet



X5
Sustainable



X5: RIDING RETAIL WAVES

Igor Shekhterman
Chief Executive Officer

X5 Capital Markets Day 2019
London, 23 October 2019

OUR MISSION AND GOALS

Customer
recognition

+

Employee
recognition

=

Shareholder
recognition

Focus on strategic KPIs

NPS
Price perception
LFL
Net retail sales

Employee turnover
Employee engagement

ROIC
Market capitalisation
Dividends
Valuation multiples

PEOPLE MAKE THE BUSINESS (1/2)

IMPROVED EMPLOYMENT DURATION FOR MANAGEMENT TEAM

Average length
of employment of CEO-1, months



71%

Internal promotions for CEO-1

Average length
of employment of CEO-2, months



67%




Internal promotions for CEO-2

PEOPLE MAKE THE BUSINESS (2/2)

PERSONNEL DEVELOPMENT



Digital Academy **X5**

 <p>Who</p>	<p>Top management Middle management</p>	<p>Middle management</p>	<p>Top management Middle management</p>
 <p>Number of participants</p>	<p>~50</p>	<p>~100</p>	<p>~15,000</p>
 <p>What issues were addressed</p>	<ul style="list-style-type: none">• Increase multi-format interaction• Retention of competent staff• Improvement of management and professional skills• Providing the knowledge and skills needed for the digital transformation		

A GLANCE INTO THE FUTURE (1/3)

OLDER GENERATION

2019



Married couple (late 50s)

Both have smartphones, but they **rarely** use or download new apps.

The couple shops at **proximity stores** and **hypermarkets** and prefers cooking at home.



2029



Married couple (late 60s)

Every two weeks they order **heavy goods** online, including beverages, household chemicals, etc.

They mostly shop at **discounters**, opting for low-cost products that they already trust.

Occasionally they select products in-store **for home delivery**.

They have signed up to the **loyalty programmes** of various retail chains and tend to shop around for the best personalised offers.

A GLANCE INTO THE FUTURE (2/3)

TECH-SAVVY GENERATION

2019



Just married couple (late 20s)

They have long been making purchases online for clothing. This year they placed their first online **supermarket order**.

Several times a week, the newlyweds visit a nearby mall to dine out at its food court.



2029



Married couple (late 30s)

To keep their expenses in check, the couple buys food using a **service that selects products automatically**. Although they do not know which stores these products come from, they are sure to get the best value for their money.

They mostly cook at home for themselves and their children, **often opting for organic ready-to-eat products**.

A GLANCE INTO THE FUTURE (3/3)

NEW GENERATION

2019



Teenager (late teens)

While he has no bank account yet, he uses his dad's credit card via **Apple Pay**.

He likes to order fast food via **mobile apps**.

He does not use Google's search engine. Instead, he gets information from **Vkontakte, Instagram and YouTube**.

2029



Teenager (mid 20s)

He has a job with great career growth prospects and lives in a rented apartment with his girlfriend.

Cooking is not a daily activity for this couple. Instead, they prefer to order **ready-to-eat food sets** from a nearby store.

He does not have a physical wallet and rarely shops offline. Social media is his first choice when buying apparel, gadgets or sports gear, all of which he likes to be delivered to a **parcel locker on the ground floor of the apartment building he lives in**.

BY 2029, THE CORE OF X5'S CLIENT BASE WILL CONSIST OF MILLENNIALS

TEENS/YOUTH

NEWLYWEDS

MATURE

ELDERLY/PENSIONERS

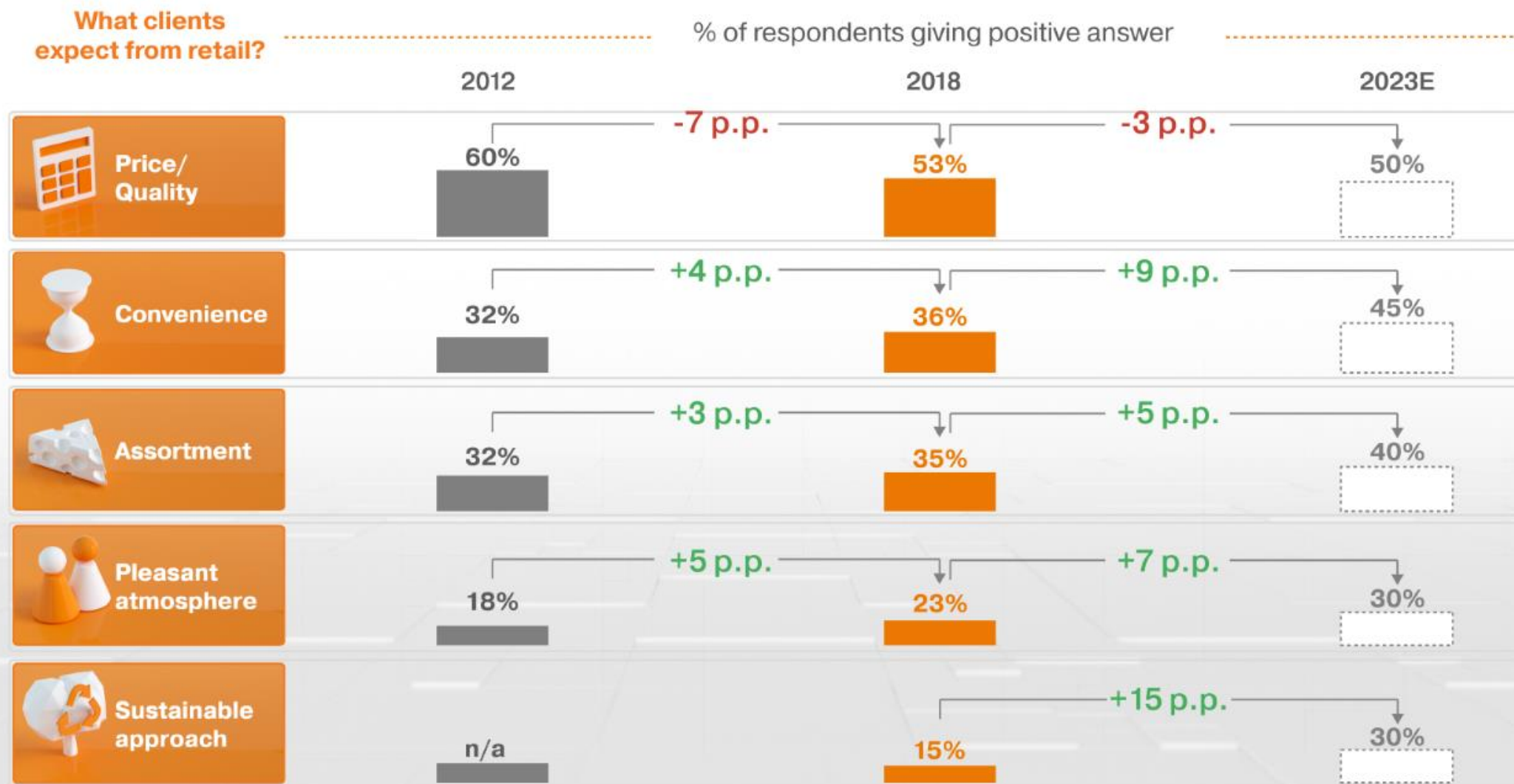
MONTHLY FOOD SPEND, THS. ROUBLES



Source: Ipsos, X5 data

RUSSIAN FOOD RETAIL MARKET TRENDS

NON-PRICE ELEMENTS GAIN IMPORTANCE



Source : Ipsos , X5 data

EVOLUTION OF RUSSIA'S FOOD MARKET



Online food and ready-to-eat will attract new customers from traditional retail

*Note: Market share excl. non-food
Source: Infoline*

2029 VISION

2019



Today, X5's market share is 11.6%

X5 is the largest food retailer in Russia

X5 continues its expansion, while implementing projects to improve operational efficiency

X5 strives to meet new customers' needs by enhancing its CVP with digital services

X5 is already launching new businesses (online, 5 POST, ready-to-eat production)

Started development of long-term ESG initiatives



2029



Market share will be c. 20%

LFL is significantly higher than competitors

Excellence in operational KPIs (shrinkage, logistics)

Up to 50% of revenue is generated through digital channels, including personalised promo through CVM

Up to 20% of the company's revenue is from the new businesses (online, 5 POST, logistics services, food delivery and other new businesses to be launched)

X5 is a leader in ESG among Russian retailers

UPDATE ON OUR STRATEGY

1-2 years

1-3 years

1-5 years

1 Strengthen the current business

2 Digital transformation

3 NextGen Retail

- Improved efficiency and results
- Adapted CVPs and launched new concepts for Pyaterochka and Perekrestok

- Roll out new CVPs at Pyaterochka and Perekrestok
- Implement the private label and ready-to-eat strategies
- Transformation of Karusel



- Solid IT infrastructure
- Fully functional Big Data department

- Develop and implement detailed digital transformation plan
- Transform IT
- Automation of key business processes
- Launch CVM programme



- Perekrestok.ru online store already among top two in e-grocery
- Launched 5 POST (last mile delivery for e-commerce)

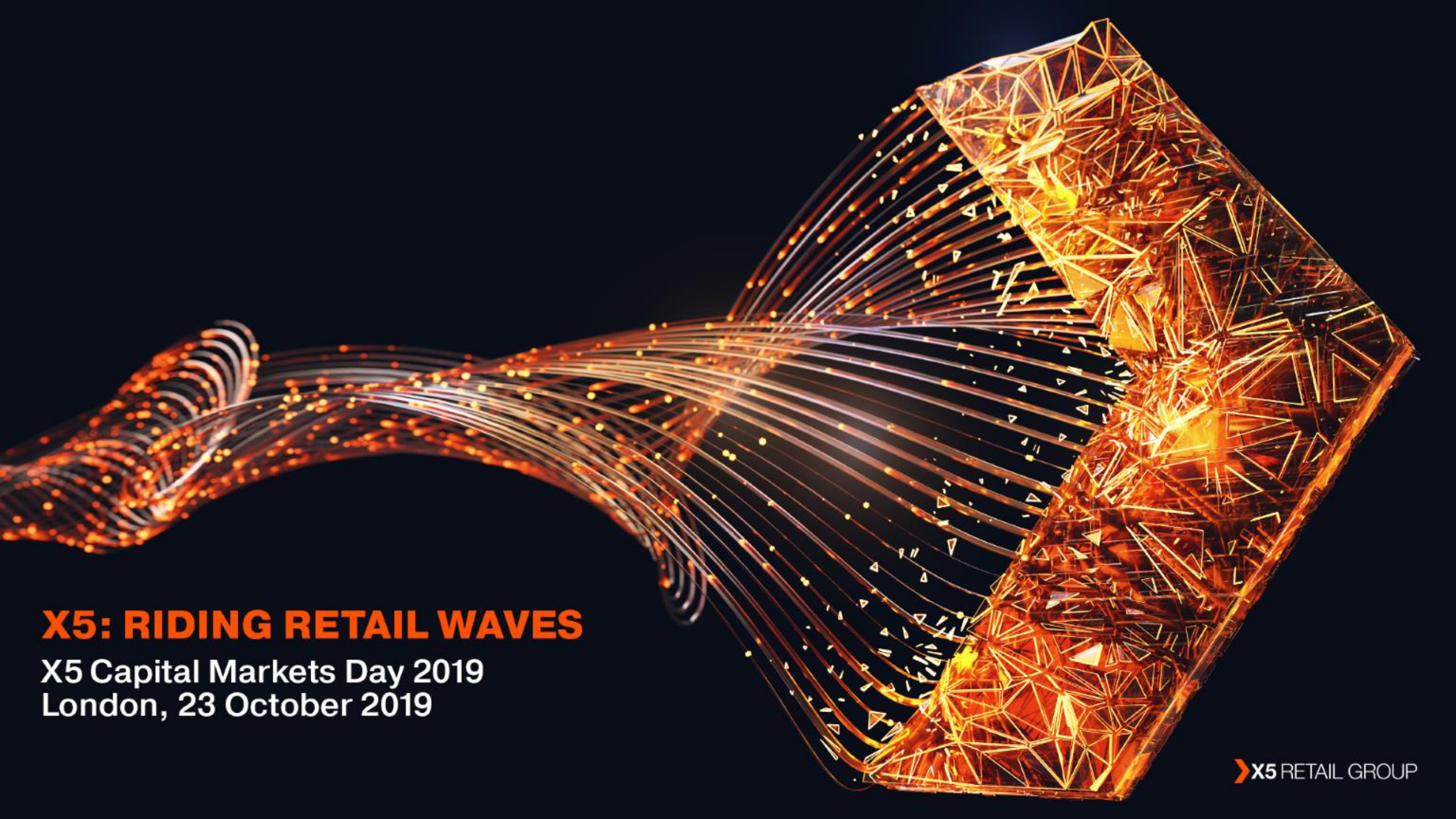
- Establish an ecosystem and marketplaces strategy
- Become a leader in online and marketplaces
- Become a leader in last mile delivery for e-commerce



KEY STRATEGIC PRIORITIES



- ▶ Data-driven customer solutions. Launch of CVM
- ▶ Focus on operational efficiency to drive higher sales densities and ROIC
- ▶ Digital transformation
- ▶ Regular update of CVP in existing business and launch of new businesses
- ▶ Focus on private label and ready-to-eat
- ▶ Sustainable development programme implementation



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Anton Mironenkov
Director of Big Data

X5 Capital Markets Day 2019
London, 23 October 2019

BIG DATA DEVELOPMENT

X5

Data-driven organisation

Data-driven decisions

Data democratisation

Technological competencies and staff discipline

Data Management

Data collection



Structuring



Algorithms



Decisions



Predictive analytics

KEY BIG DATA GOALS



Adapt the assortment to local needs and customers of a particular store

Cover the maximum number of customer needs and missions with the same number of SKUs

Replace regular promo with personalised promotions and reduce the negative impact of promo on margins

Automate business processes based on advanced analytics (AA)

Expected results

Increase in NPS and share of loyal customers




Traffic growth

Increase in sales density

Improved margins

LOYALTY PROGRAM IS A BASE FOR BIG DATA

c. 14 mln tickets per day

			
Cards issued, mln	98	24	12
Active users, mln	31	6	2
Penetration in sales, %	68%	70%	91%
Penetration in traffic, %	53%	55%	78%

c. 7 mln personalised data points daily

UNLOCKING THE DATA - KEY PROJECTS (1/4)



Pricing

Pricing decision-making to become more transparent and effective process



Assortment

Assortment review process using AA



Promo

More efficient and transparent promo management, with decision-making based on facts

KEY BIG DATA PROJECTS (2/4)

PRICING

Description

Transformation of pricing from decentralised, manual decision-making to centralised and based on AA tools

Goal

Increase Pyaterochka front margin based on an automated product pricing system that:

- Makes faster and more precise data-based pricing decisions
- Takes into account specific internal and external factors
- Minimises manual interventions into pricing decisions

What we've done

Successfully launched a new automated AA-enabled pricing system:

- Rolled out in Moscow in 1,000+ stores, which yielded financial impact of c. +1.0% of commercial margin
- Product team of 20+ people

Plans

- Industrialise pricing software
- Roll out the system in all Pyaterochka stores during Q1 2020
- Implement an approach in Perekrestok

KEY BIG DATA PROJECTS (2/4)

PRICING - HOW IT LOOKS IN PRACTICE

X5RETAILGROUP Ценообразование Главная [Расчитанные цены](#) [Результаты ЦО](#) [Ценовая Лестница](#) [a.platonova](#)

Макрорегион: **Все** Кластер по окружению: **Все** Эффект на TO/FM: **-1 197 тыс. руб.** Применен доп. фильтр (убрать) [Все столбцы](#)

код_EU	EU	YUL	YUL	MS	Ценовой кластер	Классификация по окружению	Конкуренция	Изменение цены					Эффект изменения на TO/FM, руб./мес. Ц	Эффект изменения FM, %		Проверки					Статус	
								Текущая руб.	Новая руб.	Цена к руб.	Изменение от первоначальной цены	Полная изменчивость		Изменчивость от цены конкурента	Цена конкурента	Новая	Текущая	Масштаб дестиния	Масштаб с.О.Т	Поинто		Получена отклонения
3934850	КР.ЦЕНА Яйца кур.стол.СО 10шт	Яйцо	Яйцо куриное	54	ЦК ДСК Екатеринбург	Вис-кон., бедн	Магнит	52.99	47.99	-9%	Мониторинг	5%	45.60	-322	16%	24%	Нет	Нет	<input checked="" type="checkbox"/>	Нет	Все	Новый
3934850	КР.ЦЕНА Яйца кур.стол.СО 10шт	Яйцо	Яйцо куриное	54	ЦК ДСК Екатеринбург	Вис-кон., бедн	М-Мон	52.99	47.99	-9%	Мониторинг	5%	45.60	-261	16%	24%	Нет	Нет	<input checked="" type="checkbox"/>	Нет	Все	Новый
3934850	КР.ЦЕНА Яйца кур.стол.СО 10шт	Яйцо	Яйцо куриное	54	ЦК ДСК Екатеринбург	Вис-кон., бедн	Прочие	52.99	47.99	-9%	Мониторинг	5%	45.60	-251	16%	24%	Нет	Нет	<input checked="" type="checkbox"/>	Нет	Все	Новый
3934851	КР.ЦЕНА Яйца кур.стол.С1 10шт	Яйцо	Яйцо куриное	54	ЦК ДСК Екатеринбург	Вис-кон., бедн	Магнит	46.99	43.49	-7%	Мониторинг	5%	41.60	-235	16%	22%	Нет	Нет	<input checked="" type="checkbox"/>	Нет	Все	Новый
3934851	КР.ЦЕНА Яйца кур.стол.С1 10шт	Яйцо	Яйцо куриное	54	ЦК ДСК Екатеринбург	Вис-кон., бедн	М-Мон	46.99	43.49	-7%	Мониторинг	5%	41.60	-194	16%	22%	Нет	Нет	<input checked="" type="checkbox"/>	Нет	Все	Новый
3934851	КР.ЦЕНА Яйца кур.стол.С1 10шт	Яйцо	Яйцо куриное	54	ЦК ДСК Челябинск	Вис-кон., бедн	Магнит	46.99	43.49	-7%	Мониторинг	5%	41.60	-187	16%	22%	Нет	Нет	<input checked="" type="checkbox"/>	Нет	Все	Новый
3934851	КР.ЦЕНА Яйца кур.стол.С1 10шт	Яйцо	Яйцо куриное	54	ЦК ДСК Челябинск	Вис-кон., бедн	Магнит	41.99	44.49	6%	Мониторинг	5%	42.40	163	13%	8%	Нет	Нет	<input checked="" type="checkbox"/>	Нет	Все	Новый
3934851	КР.ЦЕНА Яйца кур.стол.С1 10шт	Яйцо	Яйцо куриное	54	ЦК ДСК Пермь	Вис-кон., бедн	Магнит	44.99	46.99	4%	Мониторинг (P)	13%	41.60	154	22%	19%	Да	Нет	<input checked="" type="checkbox"/>	Нет	Все	Новый
3934851	КР.ЦЕНА Яйца кур.стол.С1 10шт	Яйцо	Яйцо куриное	54	ЦК ДСК БАШКОРТОСТАН	Вис-кон., бедн	Магнит	45.99	41.49	-10%	Мониторинг	6%	39.10	-148	9%	18%	Да	Нет	<input checked="" type="checkbox"/>	Нет	Все	Новый
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3934851	КР.ЦЕНА Яйца кур.стол.С1 10шт	Яйцо	Яйцо куриное	54	ЦК ДСК Челябинск	Вис-кон., бедн	Прочие	41.99	44.49	6%	Мониторинг	5%	42.40	109	13%	8%	Нет	Нет	<input checked="" type="checkbox"/>	Нет	Все	Новый
3934850	КР.ЦЕНА Яйца кур.стол.СО 10шт	Яйцо	Яйцо куриное	54	ЦК ДСК Пермь	Вис-кон., бедн	Магнит	48.99	47.49	-3%	Мониторинг	5%	45.20	-95	10%	13%	Нет	Нет	<input checked="" type="checkbox"/>	Нет	Все	Новый
3254155	Яйцо СЕЛНЧОНКА кур.С1 10шт	Яйцо	Яйцо куриное	54	ЦК ДСК Екатеринбург	Вис-кон., бедн	Магнит	47.99	52.19	9%	Лестница			54	28%	22%	Нет	Нет	<input checked="" type="checkbox"/>	Нет	Все	Новый
3934850	КР.ЦЕНА Яйца кур.стол.СО 10шт	Яйцо	Яйцо куриное	54	ЦК ДСК Екатеринбург	Вис-кон., бедн	Прочие	52.99	48.49	-8%	Мониторинг	6%	45.60	-81	17%	24%	Нет	Нет	<input checked="" type="checkbox"/>	Нет	Все	Новый
3934850	КР.ЦЕНА Яйца кур.стол.СО 10шт	Яйцо	Яйцо куриное	54	ЦК ДСК Екатеринбург	Низ-кон., богат	Прочие	52.99	48.49	-8%	Мониторинг	8%	45.60	-81	17%	24%	Нет	Нет	<input checked="" type="checkbox"/>	Нет	Все	Новый
3254155	Яйцо СЕЛНЧОНКА кур.С1 10шт	Яйцо	Яйцо куриное	54	ЦК ДСК Екатеринбург	Вис-кон., бедн	М-Мон	47.99	52.19	9%	Лестница			76	28%	22%	Нет	Нет	<input checked="" type="checkbox"/>	Нет	Все	Новый
3254155	Яйцо СЕЛНЧОНКА кур.С1 10шт	Яйцо	Яйцо куриное	54	ЦК ДСК Екатеринбург	Вис-кон., бедн	Прочие	47.99	52.19	9%	Лестница			75	28%	22%	Нет	Нет	<input checked="" type="checkbox"/>	Нет	Все	Новый
3254155	Яйцо СЕЛНЧОНКА кур.С1 10шт	Яйцо	Яйцо куриное	54	ЦК ДСК БАШКОРТОСТАН	Вис-кон., бедн	Магнит	49.99	54.99	10%	Лестница			74	15%	6%	Да	Нет	<input checked="" type="checkbox"/>	Нет	Все	Новый

« 1 2 3 4 5 ... » 20 Все просмотрено [Выбрать все](#) [Странировать](#)

KEY BIG DATA PROJECTS (3/4)

ASSORTMENT

Description

Improvement of assortment review process through AA

Goal

Enhance Pyaterochka revenue and margin growth through customer-centric category management, by:

- Understanding granular customer needs through transaction data (loyalty cards)
- Analysing category performance against market
- Introducing automated listing/delisting decisions and shelf allocation based on AA tools

What we've done

Restructured the assortment management process and enabled AA tools:

- Developed, calibrated and launched a set of new AA tools
- Introduced AA tools and new advanced performance metrics in Category Management
- 28 product categories reviewed as a pilot, comprising c. 50% of Pyaterochka retail sales
- Product team of 20+ people

Plans

- Review the remaining 180 categories in Pyaterochka (c. 50% of retail sales)
- Implement an approach in Perekrestok

KEY BIG DATA PROJECTS (4/4)

PROMO



Description

- ◊ Enhancement of promo process with analytics based on AA tools and analysis of historical performance to drive precise and efficient decision-making



Goal

Increase Pyaterochka front margin through a robust AA-enabled promo management system that:

- Analyses the historical effectiveness of each promo campaign
- Provides structured and controlled process management on a weekly and monthly basis



What we've done

Introduced basic models for an advanced promo management system with c. 80% of AA tools already in place:

- Developed a set of AA tools, including a retro-algorithm and "What if" module
- Piloted the new AA-powered promo management logics in c. 1,100 stores
- Product team of 10+ people



Plans

- Calibrate the models based on pilot results and prepare for all-categories roll-out in Q1 2020 in Pyaterochka
- Implement an approach in Perekrestok

CUSTOMER VALUE MANAGEMENT (CVM)

The CVM system:

- aims to increase value for loyal customers of X5
- allows X5 to maximise value of each loyal customer for the company
- allows X5 to not only better meet consumer needs, but shape them

Examples of CVM usage

Cross-sell
(sell additional products)

Upsell
(sell more expensive products)

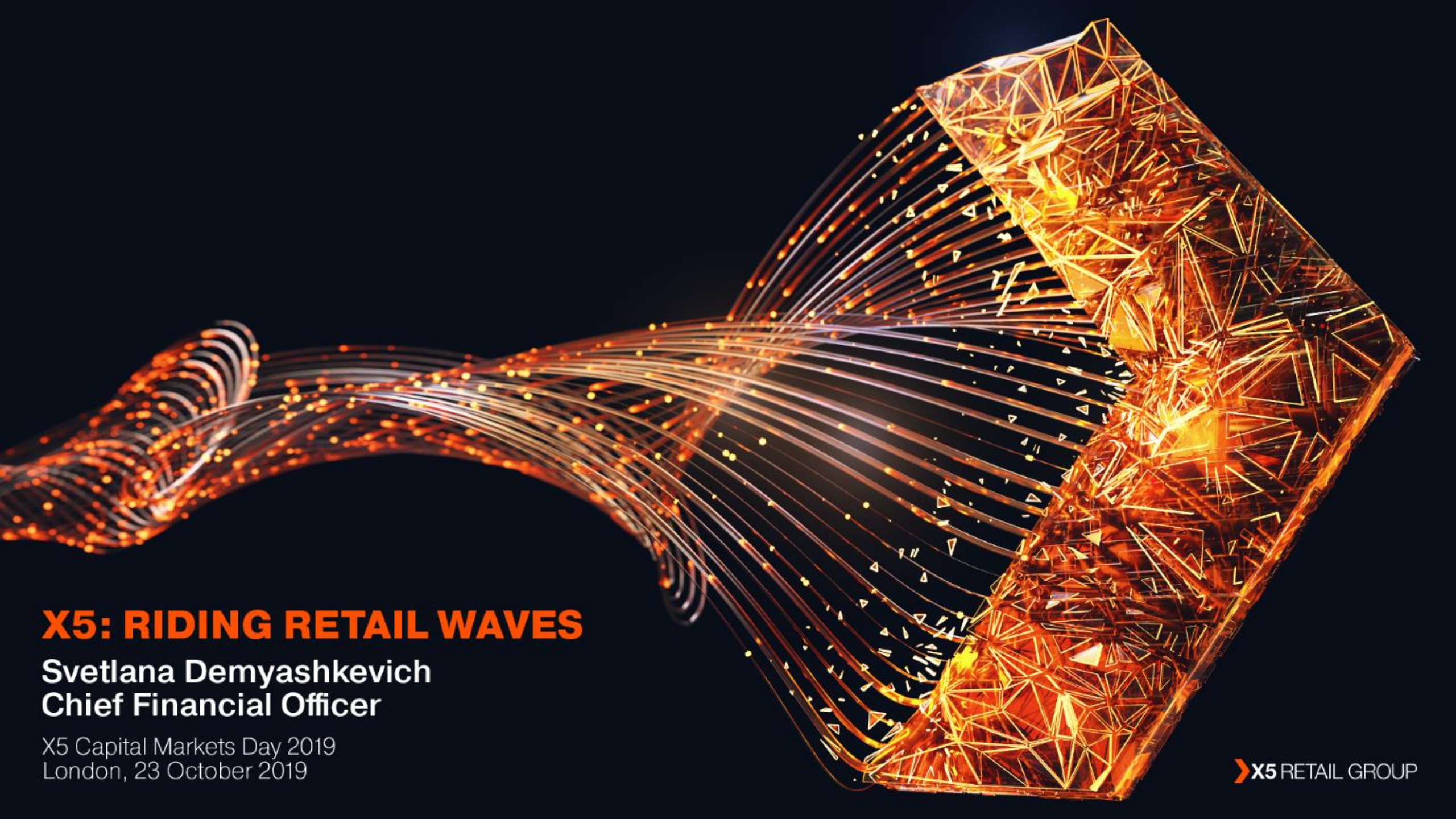
**Increase likelihood of
customer returning to a store**

**Increase frequency
of purchases**

KEY STRATEGIC PRIORITIES



- ▶ Increasing quality of management decisions
- ▶ Speeding up processes
- ▶ Decreasing number of errors in routine operations
- ▶ Development of CVM
- ▶ Faster response to business requests



X5: RIDING RETAIL WAVES

Svetlana Demyashkevich
Chief Financial Officer

X5 Capital Markets Day 2019
London, 23 October 2019

THE MARKET REMAINS ATTRACTIVE

RUSSIAN FOOD RETAIL MARKET – KEY DATA

8th

largest globally
by food retail turnover

26%

share of top five players

73%

share of modern formats
in overall retail market

X5 RETAIL GROUP POSITION

22nd

among global food retailers
by revenue in 2018

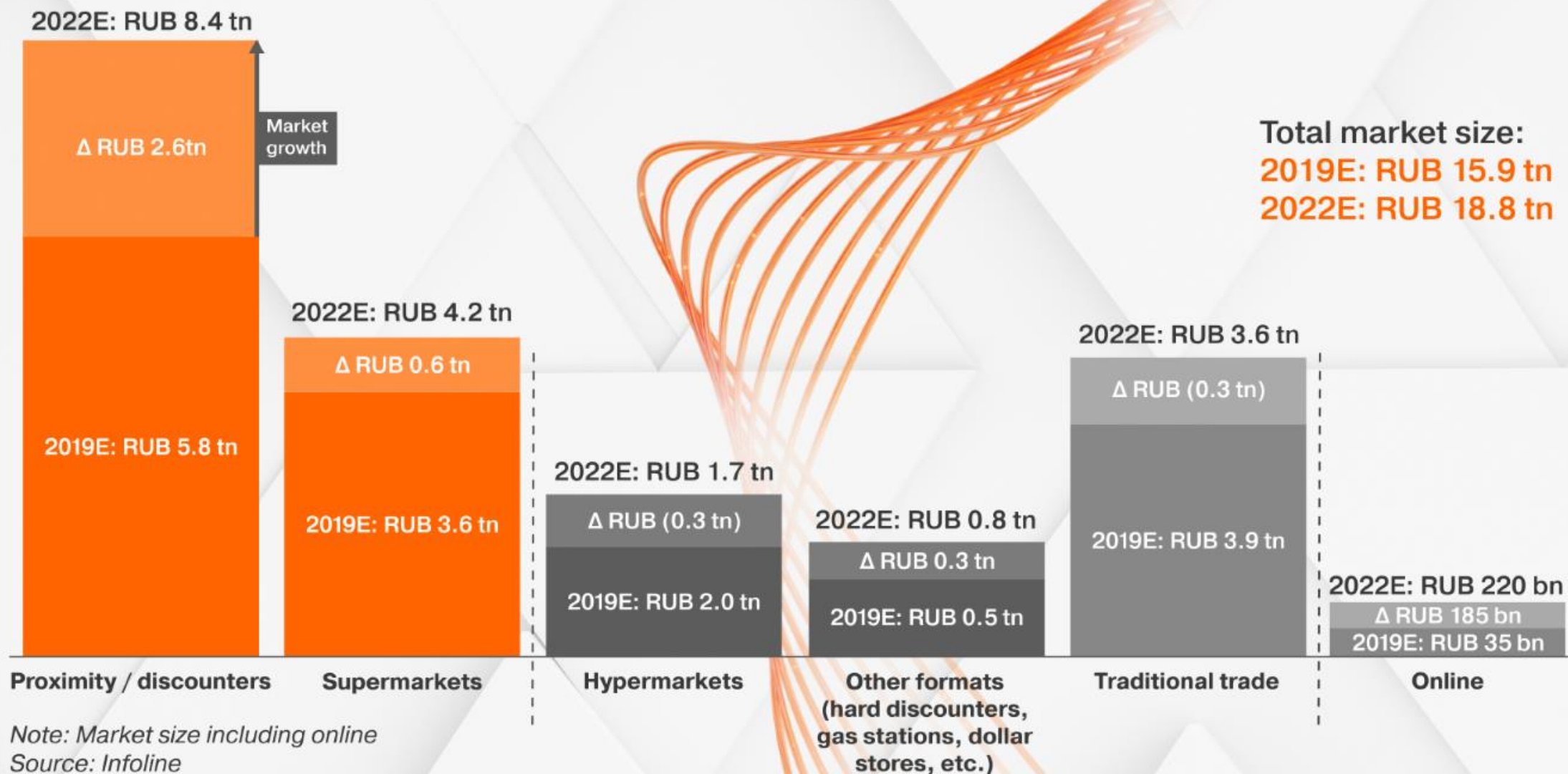
11.6%

share of Russian food
retail market in H1 2019

c. 50%

of new openings are
replacement of other players

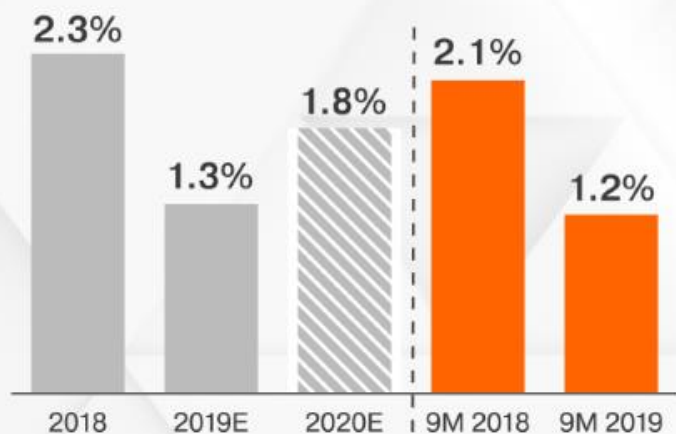
COMMITTED TO MAJOR FOOD RETAIL FORMATS



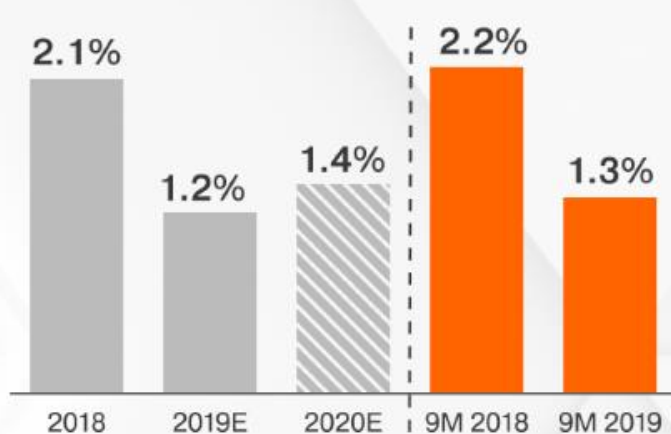
Substantial mid-term growth potential for proximity and supermarkets

KEY MACRO INDICATORS

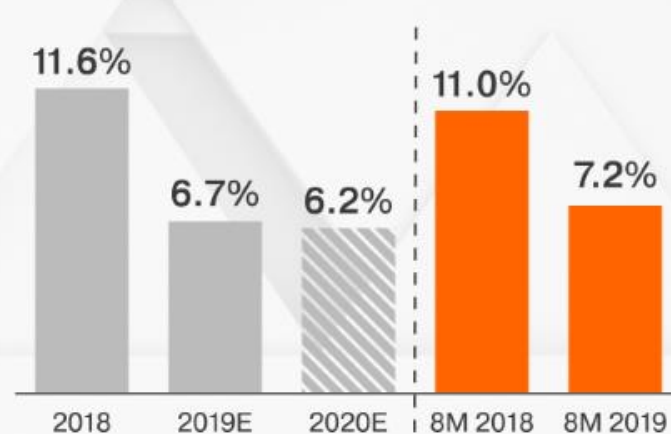
GDP growth



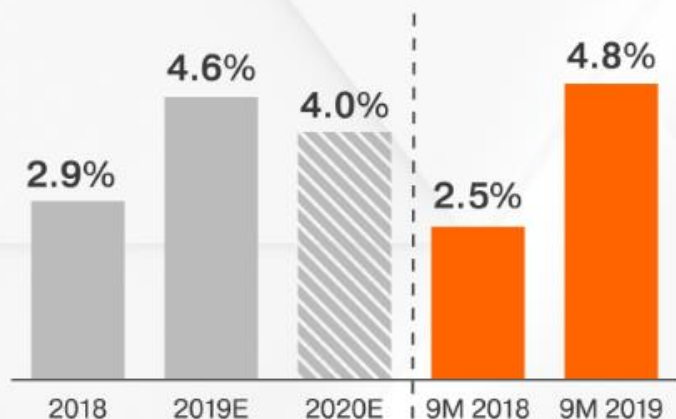
Food retail market growth



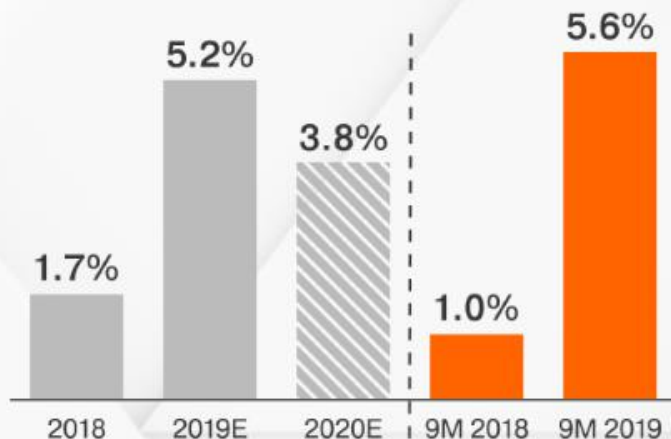
Nominal wage growth



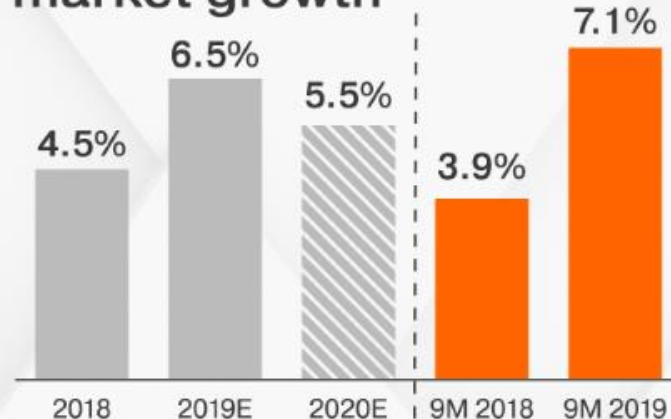
CPI



CPI food



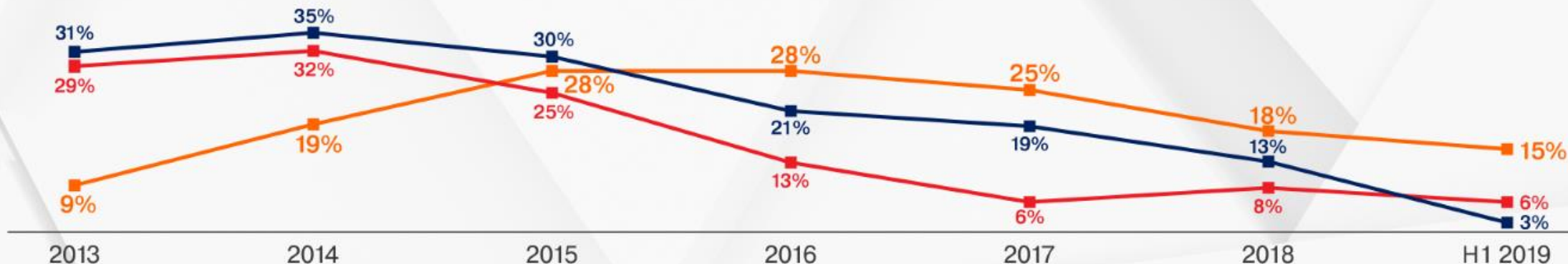
Nominal food retail market growth



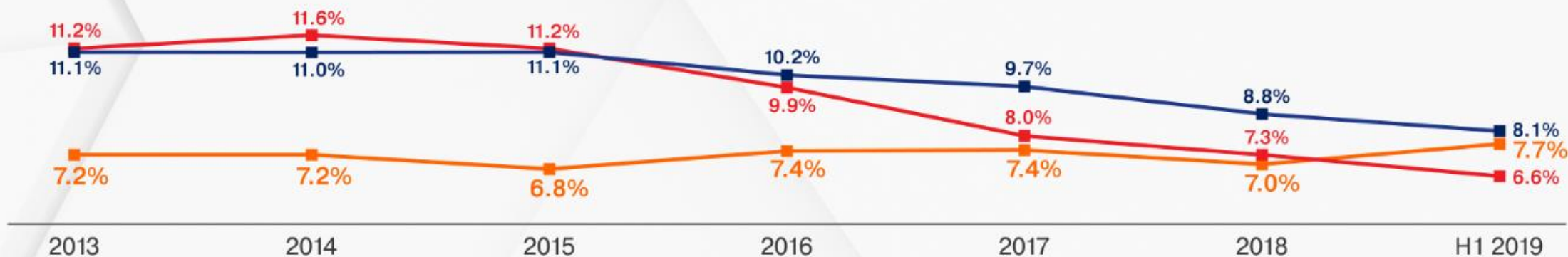
Sources: Rosstat, Ministry of Economic Development of the Russian Federation, X5 data

BALANCED AND PROFITABLE GROWTH

Revenue growth, y-o-y



EBITDA margin, %



Source: Company reports



Starting from 2016, X5 has consistently outperformed listed competitors by revenue growth while maintaining profitability

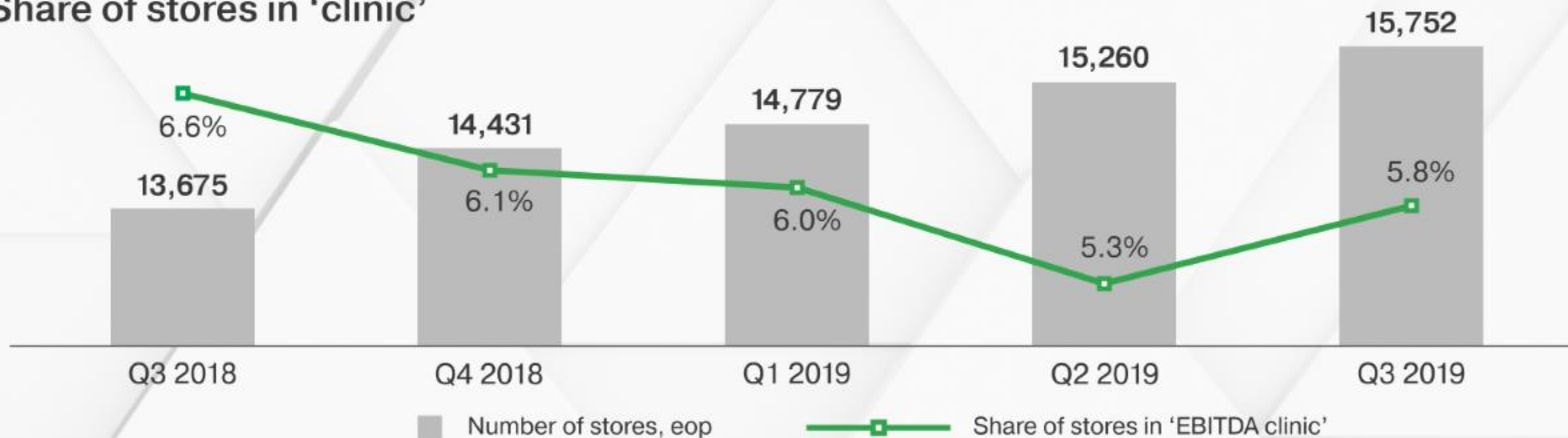
QUALITY OF NEW OPENINGS

Cash return on new store opened



Note: Opened 12-36 months ago

Share of stores in 'clinic'



Source: X5 data

SALES DENSITY STABILISATION

PRESSURE FROM REGIONAL MIX

Unit: '000 RUB/m2 (annualised)

Overall



Moscow & Moscow region



St Petersburg & Leningrad region



Rest of Russia



Source: X5 data

Sales densities have declined mainly due to growing share of regional stores

TRANSFORMATION OF KARUSEL

Karusel now

- 91 stores (42 leased, 49 owned)
- 5.0% of X5's revenue in 9M 2019
- 2.7% of X5's EBITDA in 9M 2019

Transformation plan

- 34 stores (8 leased, 26 owned) will be transferred to the Perekrestok brand and will become large supermarkets
- 20 leased Karusel stores will be closed

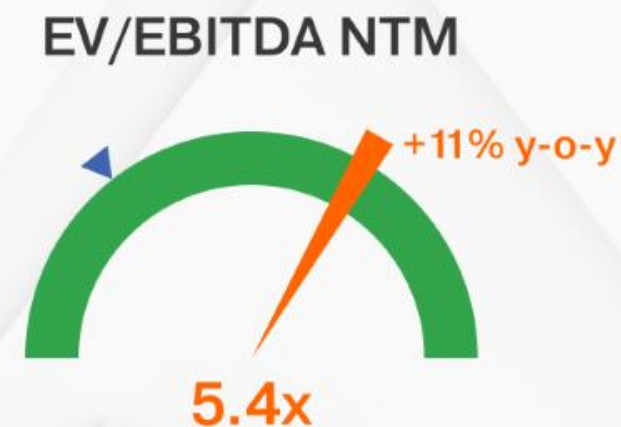
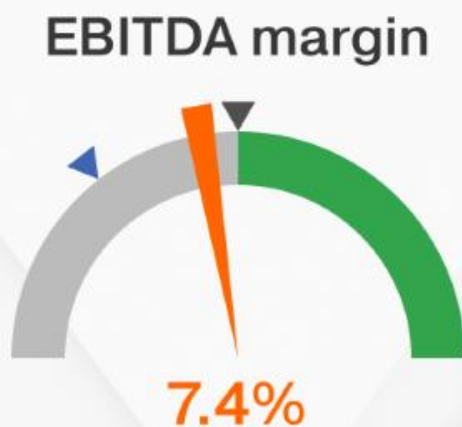
Karusel to be

- 37 stores (14 leased, 23 owned) will continue to operate under the Karusel brand while management analyses the best options based on pilots
- Some stores may continue to operate as Karusel hypermarkets, while others may be re-purposed, sold or closed

Effect

- Non-cash negative impact on the Company's Q3 2019 net income (under IAS 17) is RUB 5.3 billion
- In the longer term, we expect that the net impact on profitability will be positive as we aim to improve sales densities and unit economics for the 34 stores that will be transferred to the Perekrestok brand

STRONG RESULTS FOR 9M 2019

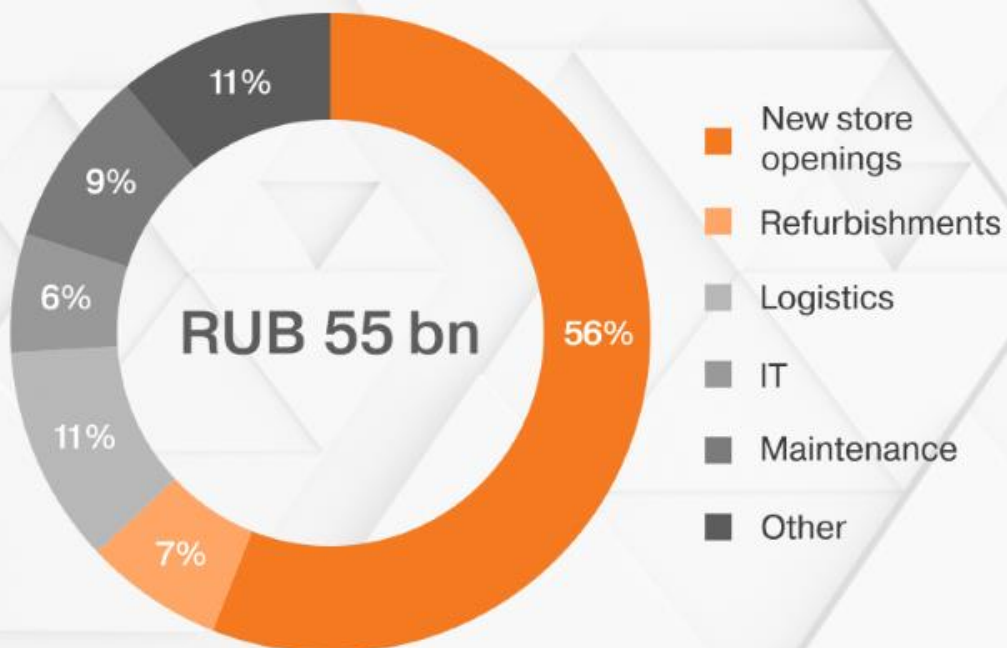


Note: EV/EBITDA NTM as of 18 October 2019
Source: X5 data

CAPITAL EXPENDITURE (1/2)

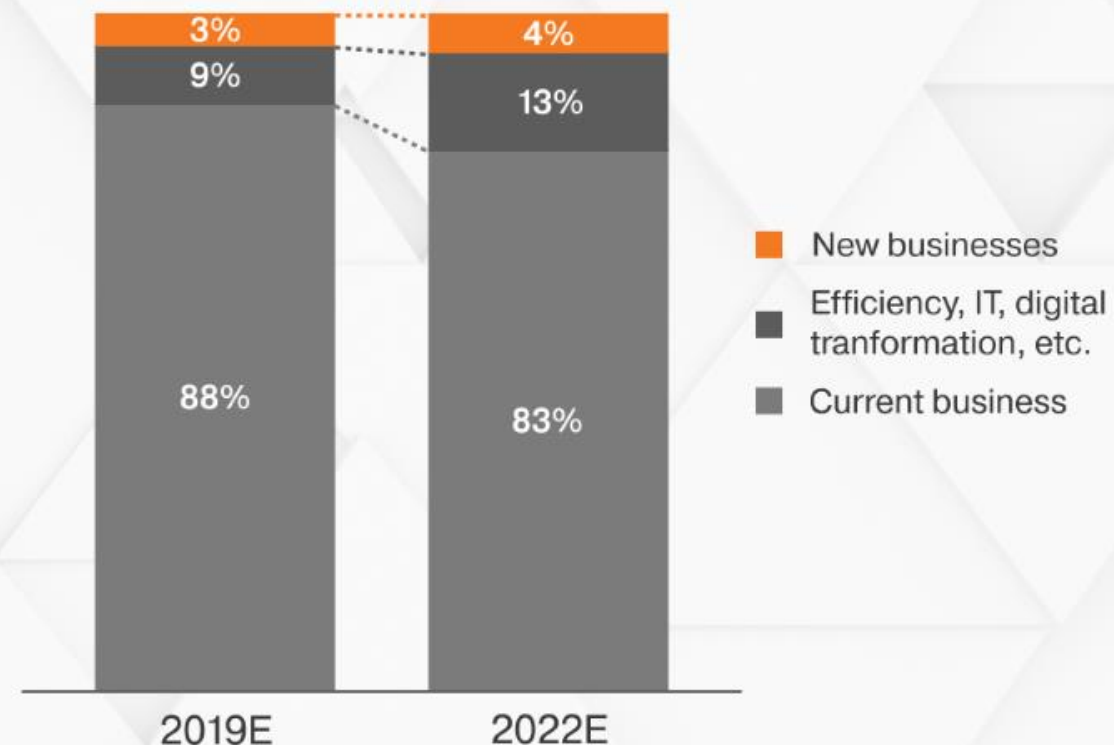
OVERVIEW

Capex breakdown, 9M 2019



Source: X5 data

Expected change in capex structure



In 9M 2019, the capex programme focused mainly on organic expansion, IT, maintenance and logistics

CAPITAL EXPENDITURE (2/2)

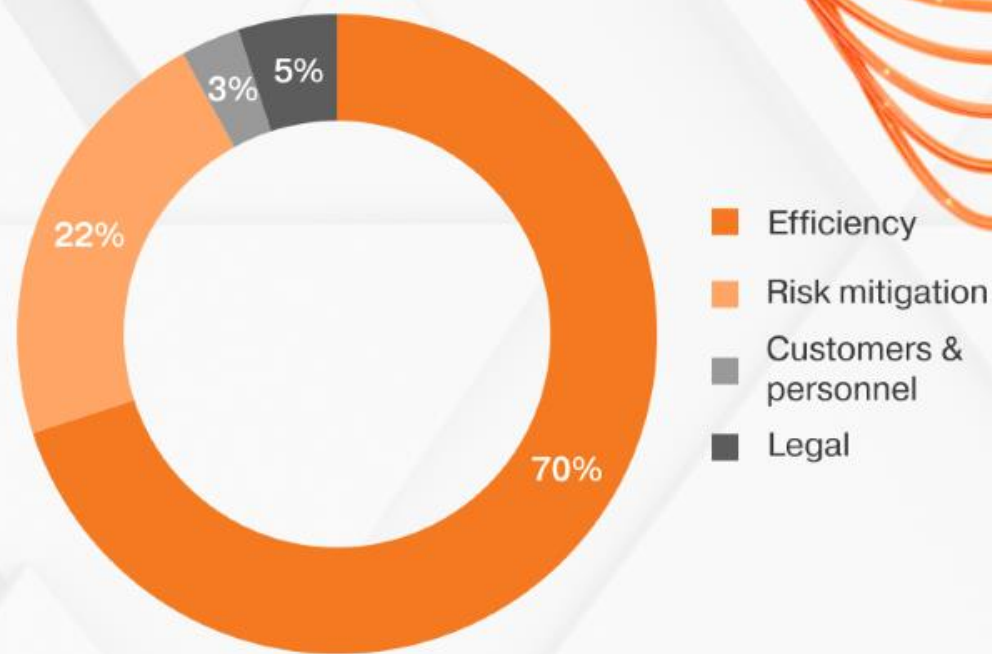
NON-ORGANIC PROJECTS

Non-organic projects classification

	Investment decision		Description
EFFICIENCY	Target IRR >19%	Impact on current base & standard templates used	• Apparent and quantifiable financial effect
RISK MITIGATION			• Financial risks • Reputational risks • Information system risks
CUSTOMERS & PERSONNEL	Strategic KPIs	Individual metrics	• Company image • Competitiveness
			• Staff efficiency • Staff turnover • Staff engagement
LEGAL	Disruption prevention		• Current legislation threatening core business termination

Source: X5 data

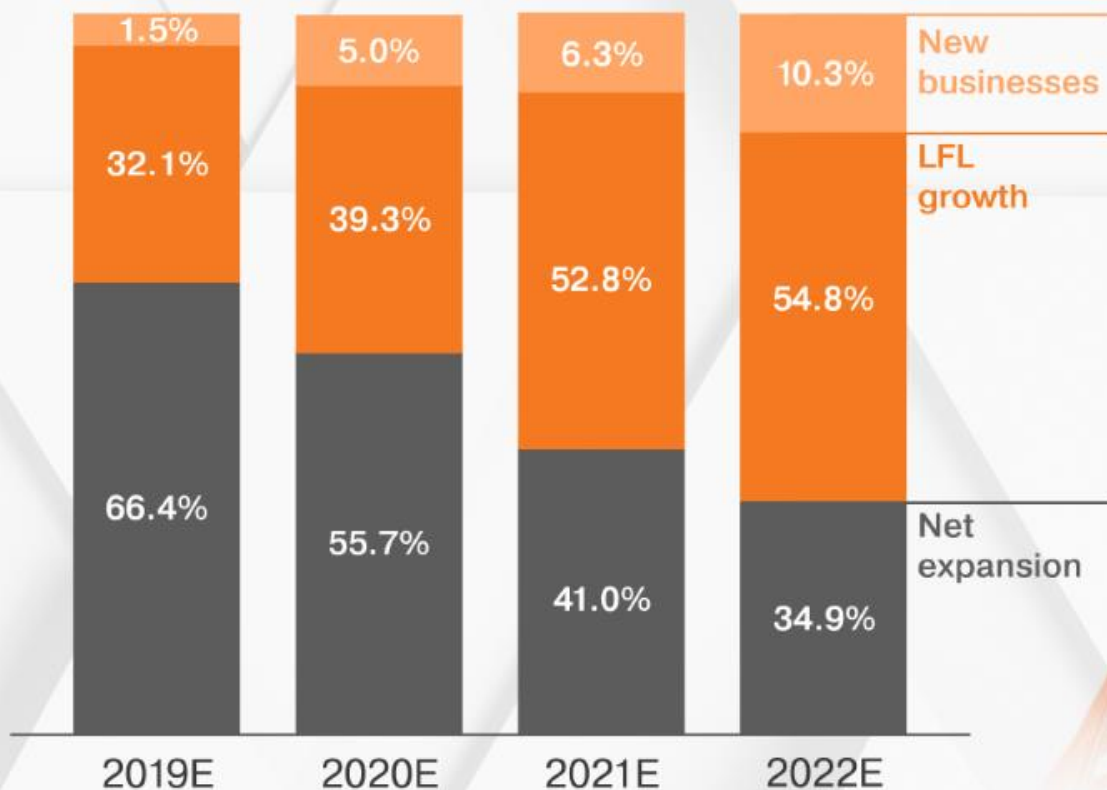
Structure of non-organic capex 2018-2019



The share of non-organic capex projects will increase.
These investments should not dilute X5's current level of returns

STRUCTURE OF GROWTH WILL EVOLVE

Contributors to revenue growth



Structure of X5 digital sales, 2022E



Revenue growth structure is expected to change:

- Share of LFL sales and new businesses will increase
- Share of growth from expansion will decline

2020 GUIDANCE



Up to 2,000 gross new openings



Maintaining profitability level and returns



Capex growth slower than revenue



Increasing dividend payments in absolute terms



X5: RIDING RETAIL WAVES

Sergei Goncharov
General Director, Pyaterochka

X5 Capital Markets Day 2019
London, 23 October 2019

PYATEROCHKA TODAY:

HIGHLIGHTS



14,850 stores
as of 30 September 2019
15.8% increase y-o-y



5,789 ths. sq. m of selling space
as of 30 September 2019
15.0% increase y-o-y



Q3 2019 net retail sales
13.4% increase y-o-y



1,142 mln customer visits
in Q3 2019, 11.8% increase y-o-y



Share of X5's Q3 2019 sales:
80%



Q3 2019 LFL Results
Sales: **3.4%**
Traffic: **0.3%**
Basket: **3.1%**



Average check
RUB 341 (Q3 2019)



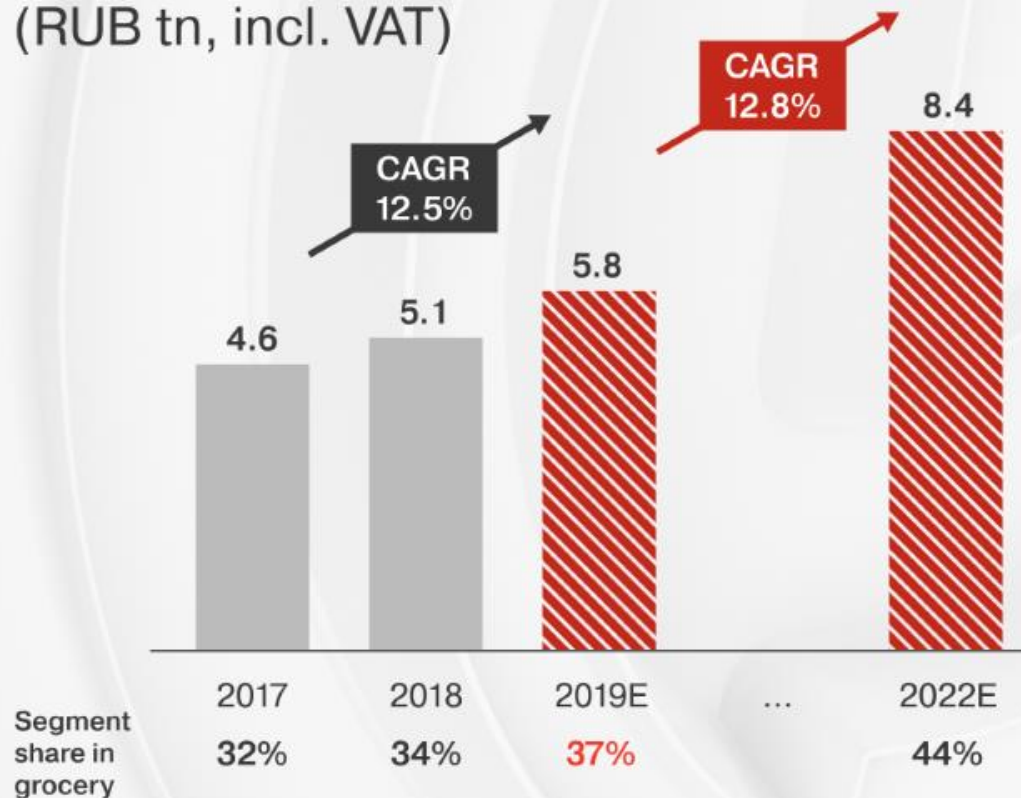
Avg. net selling space per store
390 sq. m

The neighborhood store for your daily shopping needs

WHERE WE ARE:

STRONG OUTLOOK FOR THE PROXIMITY SEGMENT

Proximity segment (RUB tn, incl. VAT)



Source: Infoline, X5 analysis

Key trends

- Proximity segment is 37% of the Russian food retail
- Pyaterochka is 27% of the proximity segment
- From 2019 to 2022 the segment is expected to contribute 91% to offline food retail sector growth
- Pyaterochka will grow faster than the proximity segment, its market share will continue to expand (higher sales densities, organic expansion)
- Further consolidation of the market by top 2 players is expected

Pyaterochka is the leader in the largest and fastest growing offline market segment

WHAT WE ACHIEVED (1/3):

PROGRESS SINCE LAST CAPITAL MARKETS DAY



Team

- Stable top-management team



Operational efficiency

- Shrinkage level down by 78 b.p. in 9M 2019 y-o-y
- Staff turnover decreased by 20 p.p. in 9M 2019 y-o-y
- Inventory turnover improved by 2.2 days in Q3 2019 y-o-y
- New projects and pilots launched based on big data tools (pricing, assortment and promo planning)



Operational and financial results

- LFL traffic up from (0.1%) in 9M 2018 to 1.9% in 9M 2019
- EBITDA margin improved by 87 b.p. y-o-y to 8.5% in H1 2019
- Improved ROIC



Balanced growth

- Fewer stores opened compared to 9M 2018, but of higher quality
- Lower share of stores in 'clinic'



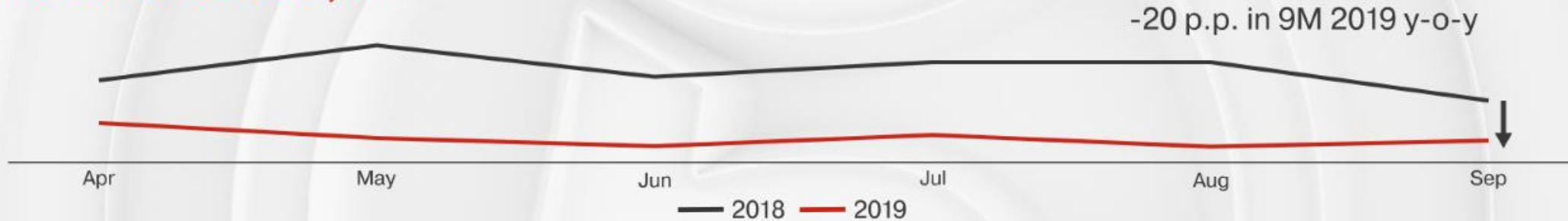
Development of new CVP

- New CVP and new store concept developed
- Assortment expanded with new fresh and ready-to-eat SKUs
- NPS 1 p.p. in Q2 2019 vs. 0 p.p. in Q1 2019

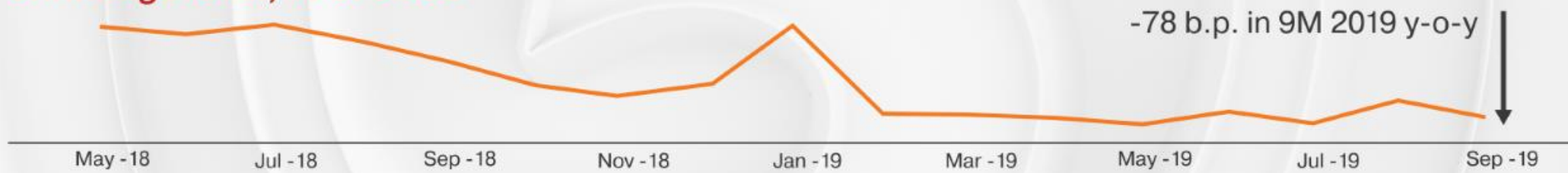
WHAT WE ACHIEVED (2/3):

IMPROVEMENT IN PERSONNEL TURNOVER, SHRINKAGE AND INVENTORY TURNOVER

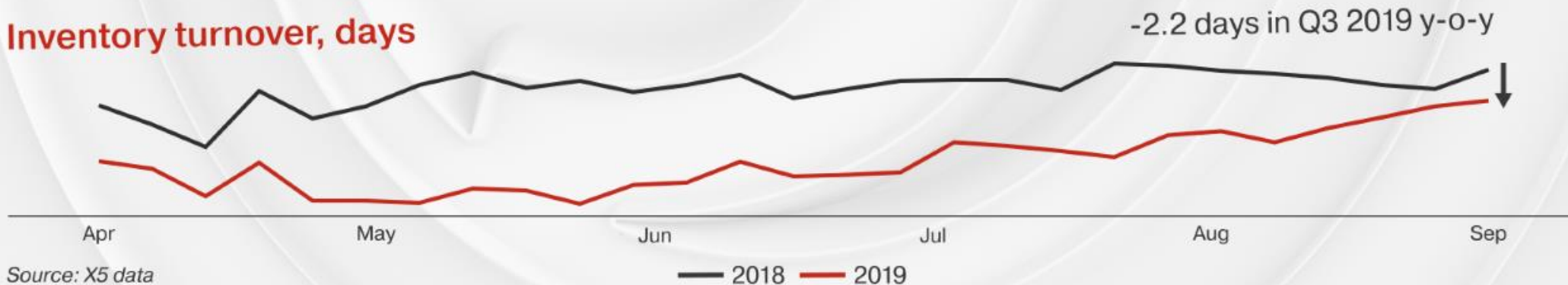
Personnel turnover, %



Shrinkage level, % of sales



Inventory turnover, days

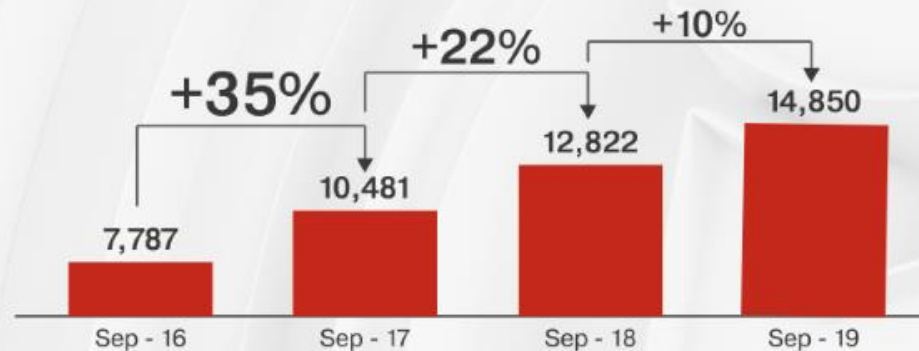


Source: X5 data

WHAT WE ACHIEVED (3/3)

BALANCED GROWTH

Decelerating number of openings



Stabilising sales density

('000 RUB/m2, annualised)



- Gradual slowdown of new store openings
- ROIC and profitability are key criteria
- Focus on existing regions
- Consolidation of smaller market players
- Sales densities improvement is key priority

Source: X5 data

CAPACITY FOR SALES DENSITY GROWTH

150 million
population in Russia
(incl. labour migrants)

75 million
unique guests shop at
Pyaterochka every
quarter = half of the
Russian population

c. 10%
Pyaterochka's market
share of food retail market

WHAT WE WILL DO



Further adaptation and roll out of CVP



Leadership in NPS and service level



Creation of customer trust and loyalty



Further improvement in operational efficiency, incl. shrinkage



Further reduction of personnel turnover



Leverage big data tools and omni-channel capabilities

CUSTOMER PERCEPTION CHALLENGE



Stressed and under pressure when shopping



Doesn't trust product labels and price tags



Always ready to confront the retailer

PYATEROCHKA'S RENEWED CVP

KEY GOAL IS TO EARN CUSTOMERS' TRUST



The caring smart fresh convenience store

NEW CVP: STORE

Key elements



Improved design, cozy and convenient store layout



Quick and Long routes inside the store for greater convenience



New fresh arena and bakery zones to generate more traffic



Expanded assortment of fresh and ready-to-eat



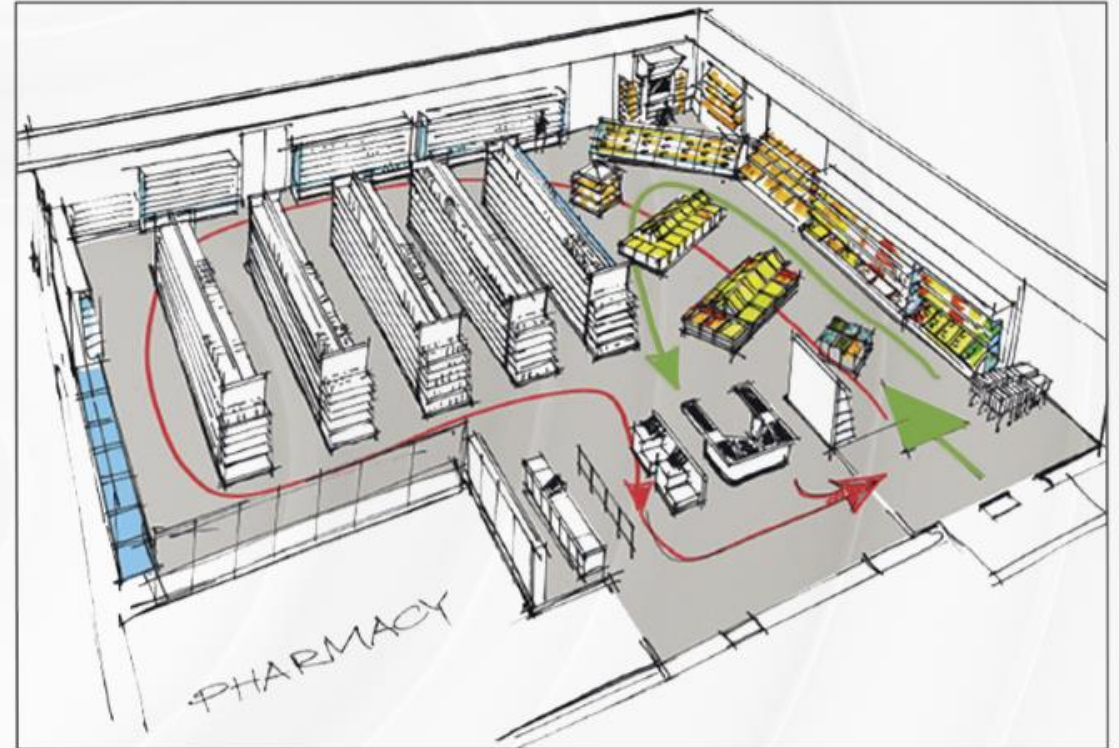
Self-checkout terminals and last mile services in the stores

DIFFERENT SHOPPING TRIPS FOR DIFFERENT STORE FORMATS

CITY: TIME POOR



REGION: MONEY POOR



Fresh, ready-to-eat,
food-to-go



Stock-up mission

ОВОЩИ И ФРУКТЫ

ГОРЯЧИЙ ХЛЕБ
КОНФЕТЫ

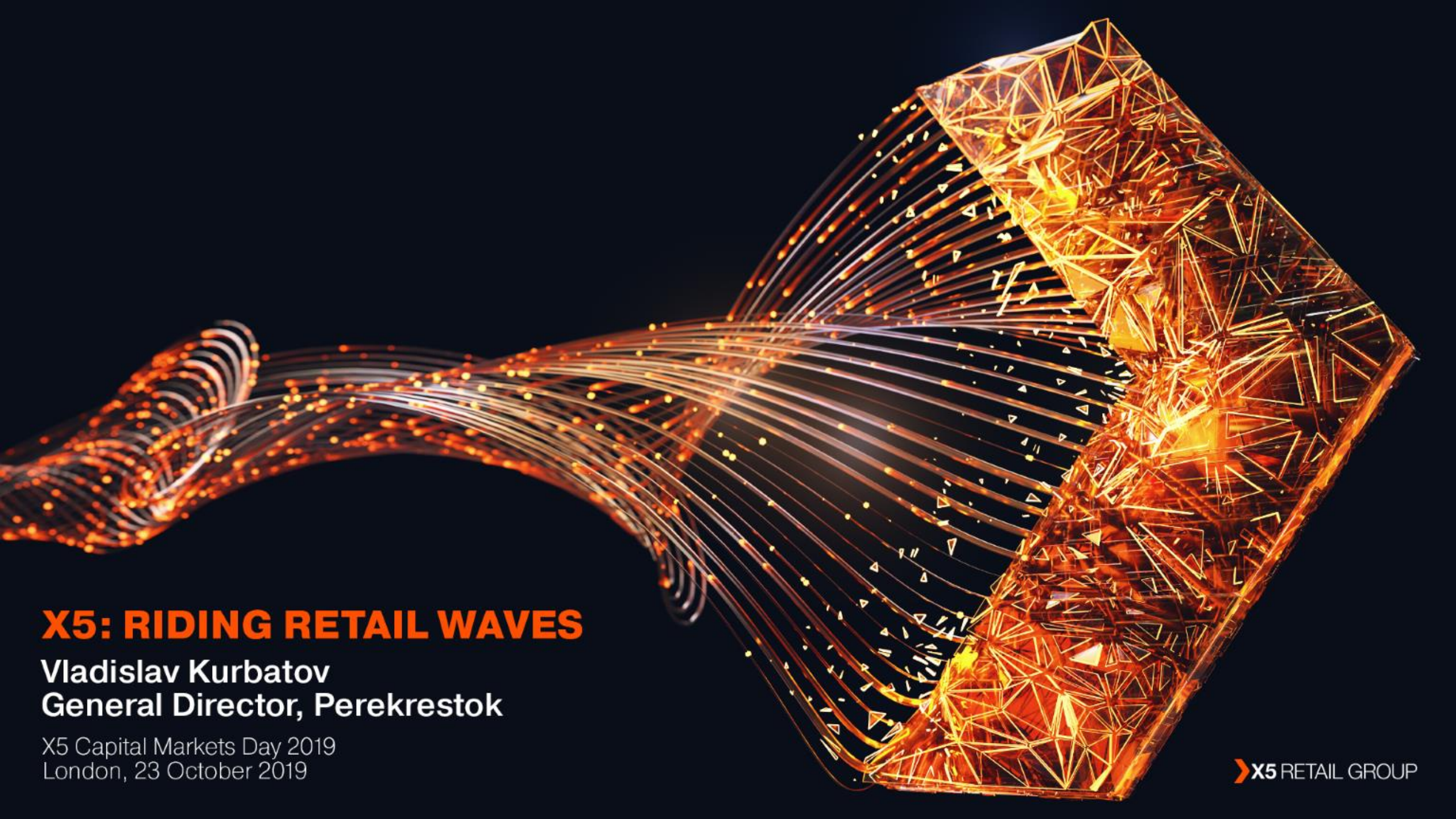
ВИНО

СКИДКА

ВКУШАЯ
ЕДА

СВЕЖИЕ
ФРУКТЫ





X5: RIDING RETAIL WAVES

Vladislav Kurbatov
General Director, Perekrestok

X5 Capital Markets Day 2019
London, 23 October 2019

PEREKRESTOK TODAY (1/2)

RUSSIA'S #1 SUPERMARKET



15 consecutive quarters of positive LFL traffic



+35% loyal customers y-o-y (9.1 mln*)



NPS 21 in Q3 2019, +8 p.p. y-o-y



18.8% revenue growth in Q3 2019 y-o-y

**At least one purchase in the last three months*

PEREKRESTOK TODAY (2/2)

RUSSIA'S #1 SUPERMARKET



811 stores

as of 30 September 2019



Smart kitchen:

Target output: 120 tonnes /day

Product range: c. 600 SKUs



15% of X5's sales

in Q3 2019



Online infrastructure:

4 darkstores



Average check (9M 2019) :

Offline: RUB 512

Online: RUB 3,440, c. 7 times higher



144 mln customer visits

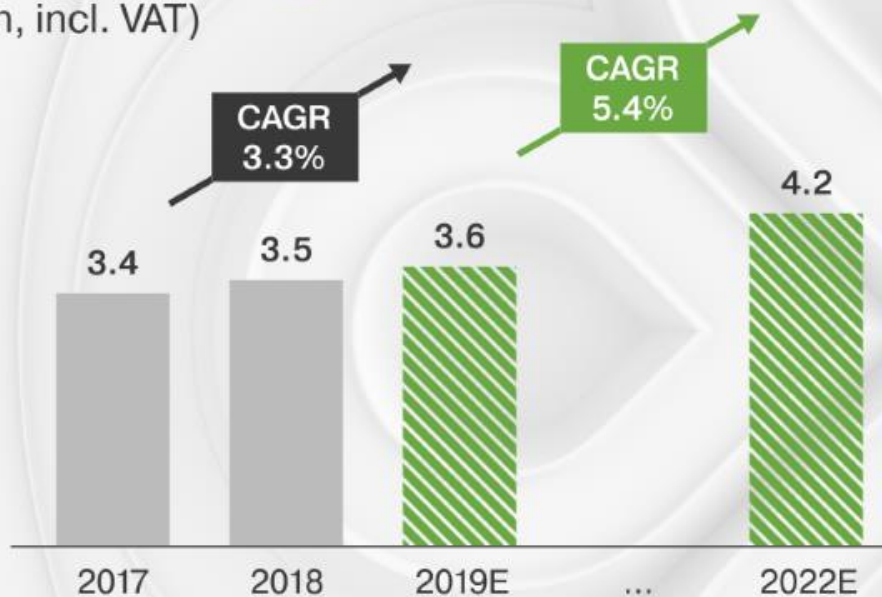
in Q3 2019, 14.5% increase y-o-y

WHERE WE ARE:

SUPERMARKETS SET TO STRENGTHEN

Supermarket segment

(RUB tn, incl. VAT)



Segment share in grocery

Year	2017	2018	2019E	...	2022E
Segment share in grocery	24%	23%	23%		23%

Perekrestok market share in the segment

Year	2017	2018	2019E
Perekrestok market share in the segment	5.5%	6.6%	7.6%

Source: Infoline, X5 data

Key trends

- The segment accounts for 23% of the Russian food retail market
- Annual growth rate is expected at 5.4% by 2022
- The market is fragmented with substantial potential for further consolidation
- Perekrestok has significantly strengthened its leadership, outperforming its competitors and the market
- Perekrestok's market share is 12% in the regions of presence

- The food delivery market will grow at a significantly faster pace than the overall market
- We aim for Perekrestok.ru to be the leader in this segment by the end of 2020

Substantial potential for further growth in supermarkets

WHAT WE DID:

PROGRESS SINCE LAST CAPITAL MARKETS DAY



CVP

- Opened stores in three new concepts – supermarket with focus on fresh, large ‘emotional’ supermarket and large supermarket
- Launch of Smart Kitchen for ready-to-eat production
- Expansion of assortment in fresh and ready-to-eat
- Expansion of healthy food assortment
- Digitalisation and automatisisation to increase convenience for our customers and help them shop more efficiently



Business expansion

- The highest growth among all X5 formats
- LFL sales and traffic growth above competitors and other X5 formats. Positive LFL traffic for 15 consecutive quarters



NPS growth

- Improved service level. Growth of NPS from 13 in Q3 2018 to 21 in Q3 2019



Customer loyalty

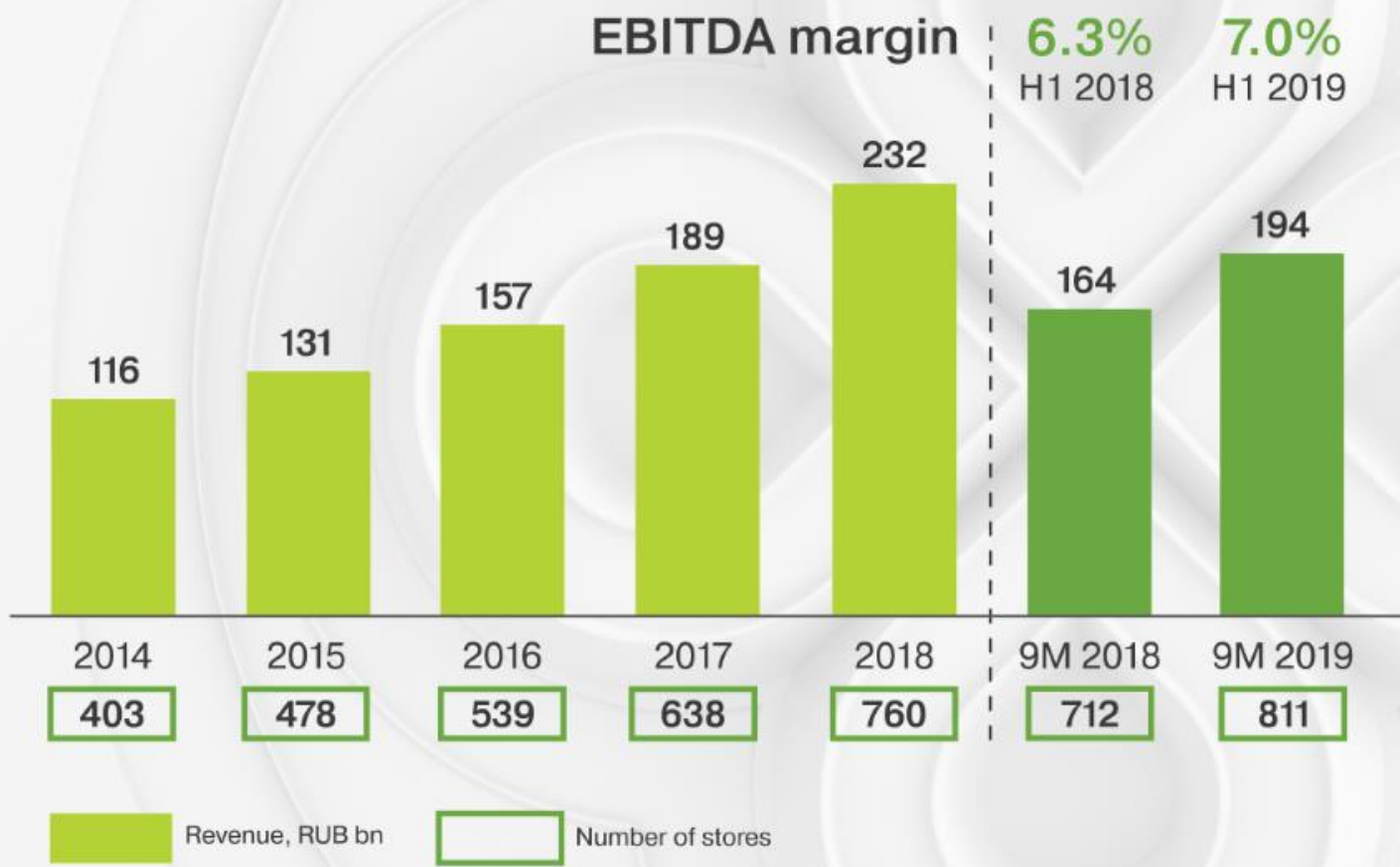
- Successful expansion of loyalty programme (over 9.1 million active users)
- More than 1 mln active app users
- Penetration in traffic – 55%, in sales – 70%
- LFL traffic improved to 5.7% in 9M 2019 from 5.5% a year ago



Omni-channel

- Development of Perekrestok.ru in Moscow and St Petersburg
- Number two player in online food retail by market share
- Number of orders per day expected to reach 7,000 by the end of 2019

STABLE AND PROFITABLE GROWTH



- Perekrestok accelerated the pace of growth: 99 stores added in the last 12M
- EBITDA margin improved by 74 b.p. in H1 2019 y-o-y
- 34 Karusel stores will be transferred to Perekrestok in 2020-2021 to become large supermarkets (as part of planned new openings)

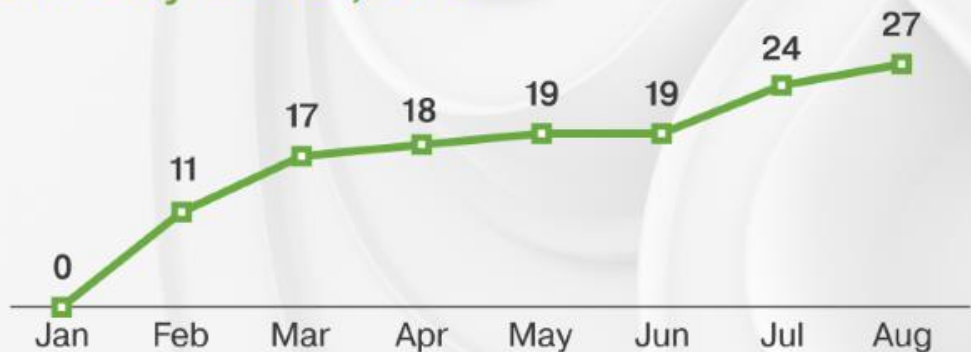
Source: X5 data

POSITIVE RESPONSE FROM CUSTOMERS

NPS dynamics



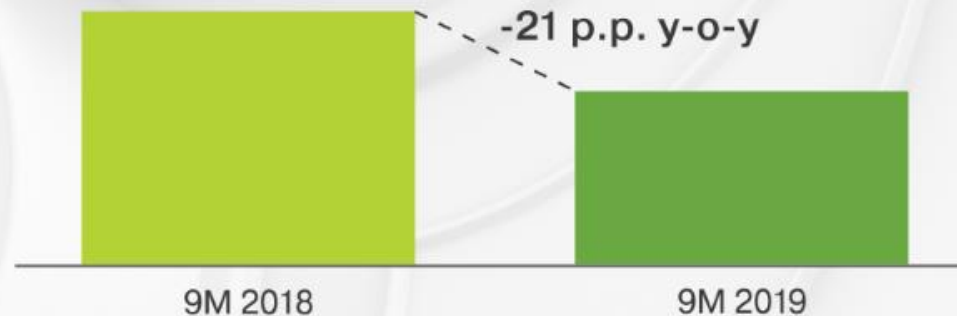
eNPS dynamics, 2019



Key highlights

- Constant improvement of CVP
- NPS is 21 points (+8 pts y-o-y in Q3 2019)
- eNPS reached 27 points in August
- Personnel turnover decreased by 21 p.p. y-o-y during 9M 2019

Personnel turnover dynamics



NEW CONCEPT – KEY PRIORITIES

Assortment

- Automation of category management, pricing and improving the effectiveness of promo
- Expansion of assortment in ready-to-eat, healthy products and private label offerings

Convenience

- Development of ready-to-eat strategy
- Development of digital projects categories

Sustainable approach

- Implementation of social and environmental initiatives

Atmosphere

- Updated CVP and new store concepts
- Positive dynamics of NPS and eNPS

Price/quality

- Improvement of promo and targeted marketing efficiency
- Improve quality in perishable goods and private label categories



Main and favorite store in the neighborhood

KEY ELEMENTS OF NEW STORE CONCEPTS



Wide selection of fresh and fruits & vegetables, adding ready-to-eat assortment while remaining a standard supermarket in other categories



Emotional communication with customers by creating warm atmosphere of gastro-market or craft shops



Extended selling space in fresh, fruit & vegetables, ultra-fresh, ready-to-eat, cafes, cheeses, delicacies, pastries / bread, wine



Separate zones for children, wine and beer bar, healthy living, café, open kitchen



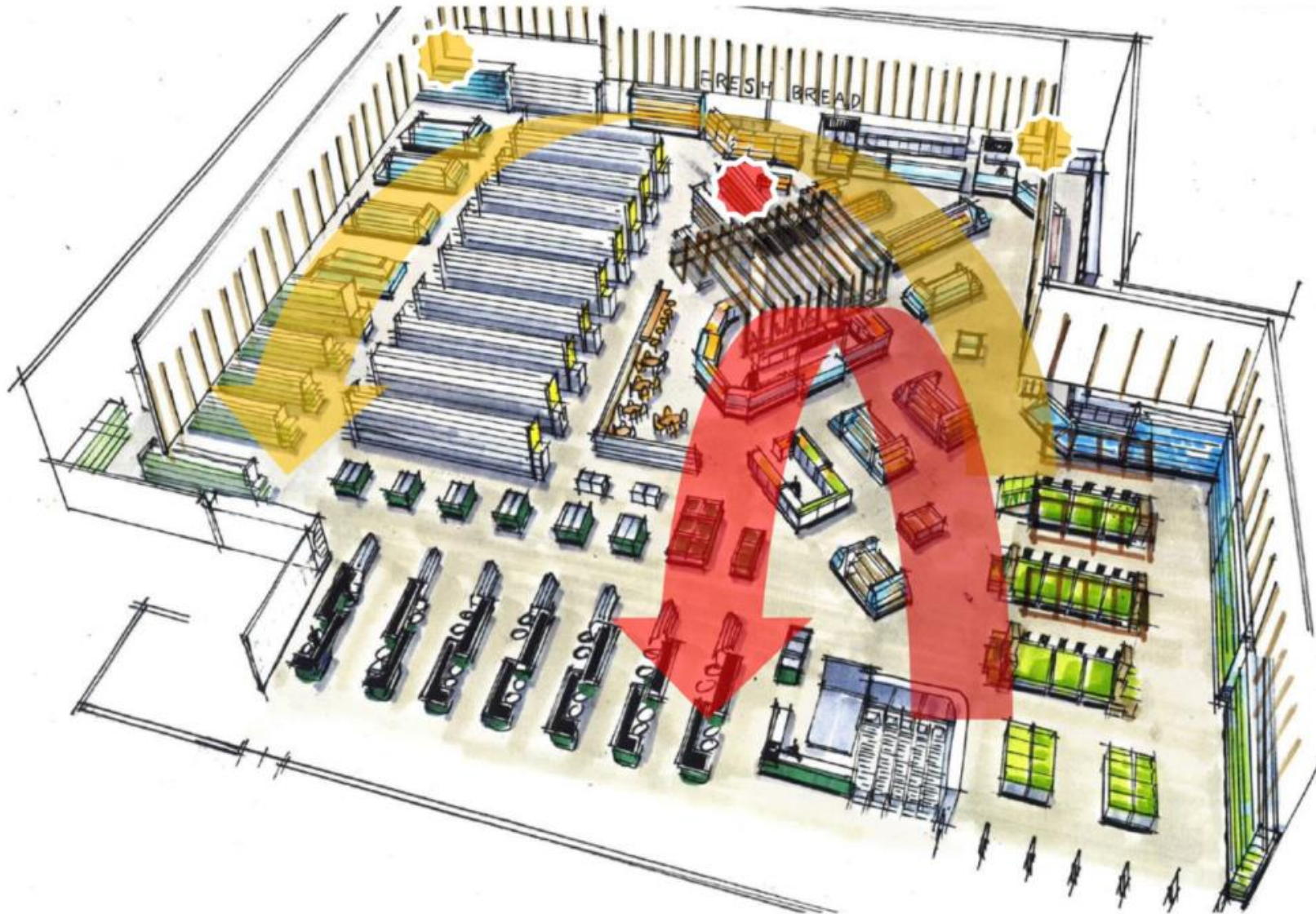
Self-checkout counters and digitalisation of selling space, click & collect counter, self-checkout counters and self scan



In-house sausage shop, smokehouse (hot smoked and cold smoked fish), oysters

Our goal is to become the #1 choice in fresh, F&V, ready-to-eat for our customers

CONVENIENT ROUTES FOR A VARIETY OF CUSTOMERS



Stock-up mission



Fresh, ready-to-eat,
food-to-go





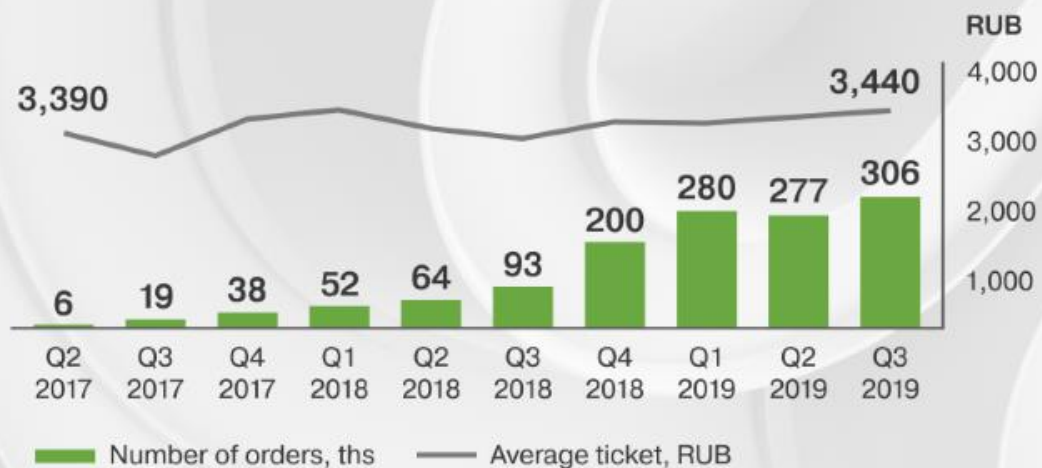
PEREKRESTOK.RU

ON TRACK TO BECOMING #1 IN RUSSIAN E-GROCERY

Net sales, RUB mln



Number of orders and average ticket



Source: X5 data

Key highlights

- Net sales of RUB 922 mln in Q3 2019, 234% growth y-o-y, making Perekrestok.ru the second largest e-grocery player in Russia in H1 2019
- Average ticket of RUB 3,440 is 7 times higher than in offline retail
- Average online + offline customer spends 70% more than pure offline customer
- Number of orders totaled 306 ths in Q3 2019, three times more than in the same period last year

Targets

- Leadership in online food retail in Russia in 2020
- Increasing number of darkstores to 12 by 2022
- Increasing assortment and development of sales on external marketplaces

STRATEGIC PRIORITIES



Continue to grow business and market share



Roll-out of updated CVPs, including large supermarket concepts



Improve customer experience and enhance customer service standards.
Growth of NPS and eNPS



Become #1 for customers in fresh, F&V, healthy food and ready-to-eat categories



Scaling up omnichannel offer



Development of personalised promo



Focus on sustainable development

ПЕРЕКРЁСТОК



ТАЛЛИНСКАЯ 7

24

СУПЕРМАРКЕТ

ДОБРО ПОЖАДОВАТЬ!
24 часа с Вами!



THANK YOU FOR YOUR ATTENTION!