



## Q2 2020 Financial Results

**>** X5 RETAIL GROUP

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## **I. HIGHLIGHTS**

# STRATEGIC HIGHLIGHTS



- **Market leader** in Russian food retail, **11.5% market share in 2019**
- **Strategy is aimed at maintaining leadership**



- X5 is a **multi-format** retailer with focus on two largest segments of the Russian food retail - proximity and supermarkets
- **Balanced approach to expansion**
- **Fast growth of online supermarket**; express delivery in pilot stage



- Constant adaptation of **value proposition** to Russian consumers' changing needs and current macro environment, including expansion of fresh assortment, widening local assortment, development of loyalty programmes



- Significant **investments in logistics and transport**: adding new links in the value chain and operating a fleet of **4,083 owned trucks** as of Q2 2020
- In the last three years X5 opened **17 DCs**, including **7 DCs** in 2018-2019



- Development and implementation of the **Big Data** strategy based on loyalty cards information
- Focus on **innovation, digitalization and automation** of business processes



- **Dividend policy** since September 2017
- 2019 dividend **RUB 30.0 bln/ RUB 110.47 per GDR**, which represents **82.2% of adjusted net profit**

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# KEY ACHIEVEMENTS IN Q2 2020



- Revenue growth at **12.9%** in Q2 2020



- +10.7%** YoY selling space growth in Q2 2020 (**367** net new stores, **183.3 th. sq.m** added)



- EBITDA margin **8.4%** in Q2 2020



- In September 2019 **Pyaterochka launched first store in new CVP**



- Net debt / EBITDA at **1.68x** as of 30 June 2020



- 41.1 mln** active loyalty card users as of 30 June 2020, across formats



- LFL sales growth of **4.3%** in Q2 2020



- 92%** of net store additions in Q2 2020 was **organic growth**
- 87%** of net store additions **was in lease**

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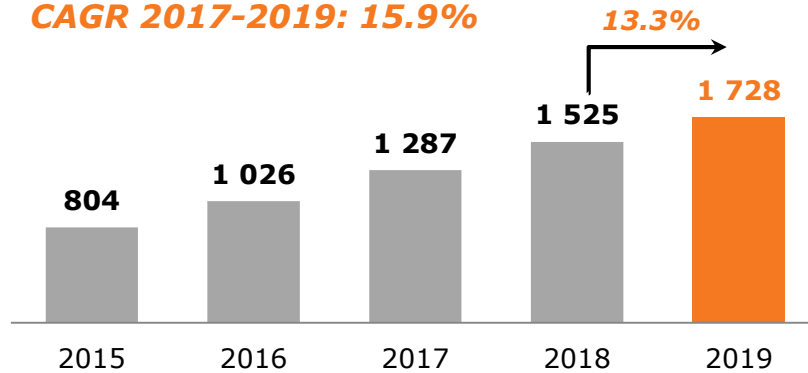
Source: X5 data

# OPERATIONAL HIGHLIGHTS

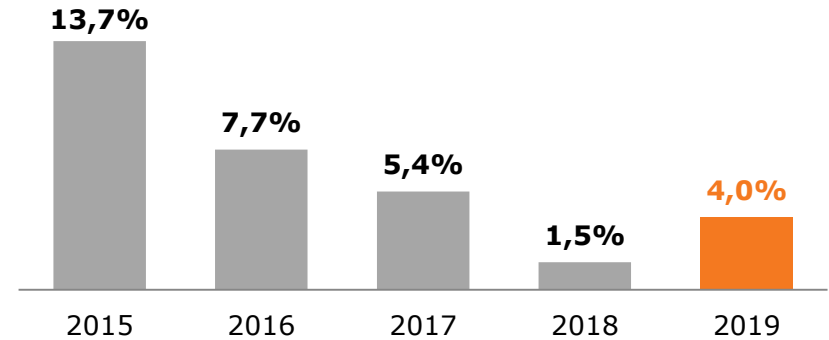
## Net retail sales dynamics, RUB bn

CAGR 2015-2019: 21.1%

**CAGR 2017-2019: 15.9%**



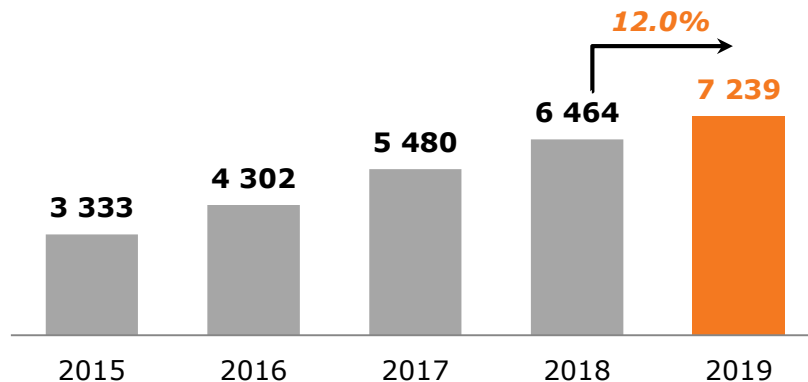
## LFL sales, % y-o-y growth



## Selling space, th. sq. m

CAGR 2015-2019: 21.4%

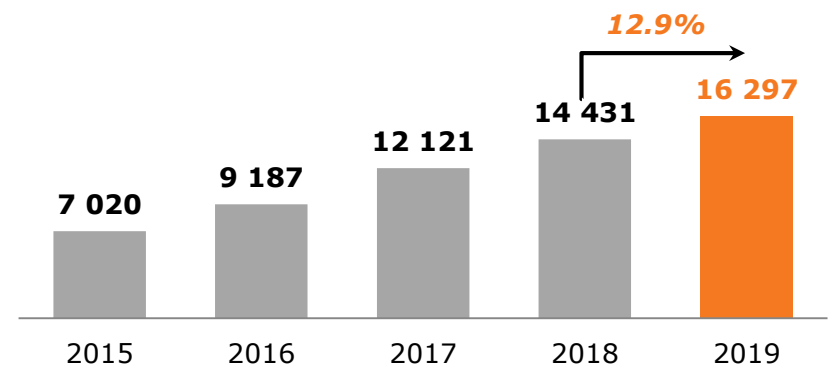
**CAGR 2017-2019: 14.9%**



## Number of stores, end of period

CAGR 2015-2019: 23.4%

**CAGR 2017-2019: 16.0%**



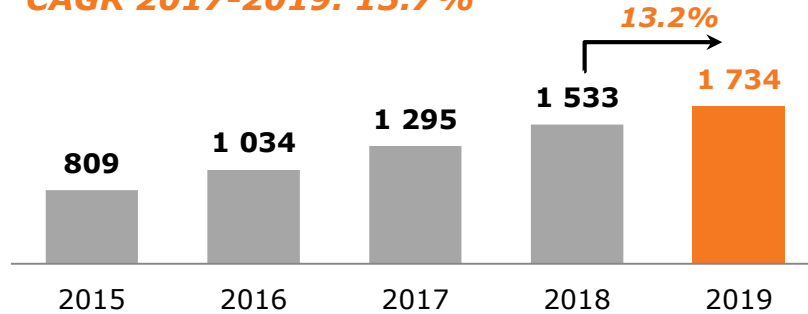
Source: X5 data

# FINANCIAL HIGHLIGHTS

## Revenue dynamics, RUB bn

CAGR 2015-2019: 21.0%

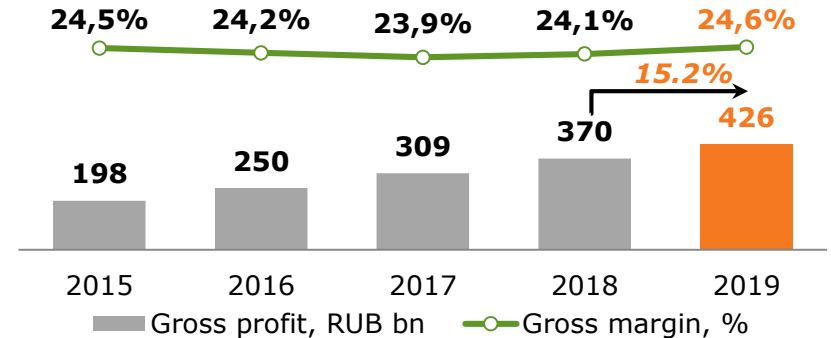
**CAGR 2017-2019: 15.7%**



## Gross profit & gross margin

CAGR 2015-2019: 21.0%

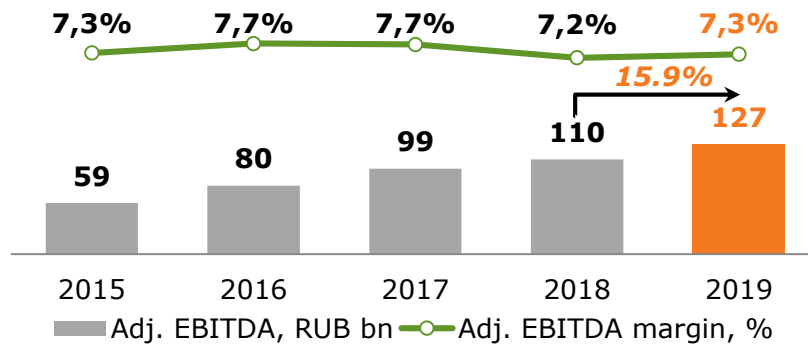
**CAGR 2017-2019: 17.4%**



## Adj. EBITDA & adj. EBITDA margin<sup>[1]</sup>

CAGR 2015-2019: 21.0%

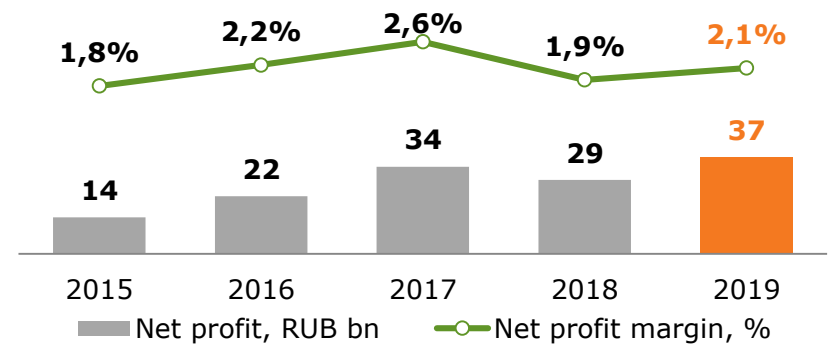
**CAGR 2017-2019: 13.4%**



## Adj. Net profit and adj. net profit margin<sup>[2]</sup>

CAGR 2015-2019: 26.7%

**CAGR 2017-2019: 7.8%**



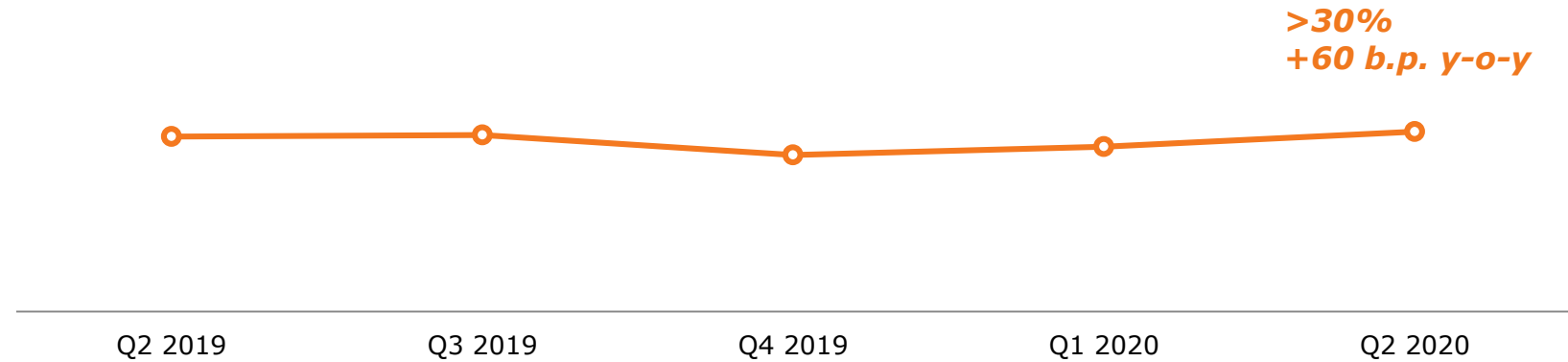
Source: X5 data

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

[2] – Adjusted net profit is net profit before one-off impacts from Karusel transformation and tax accrual due to X5 reorganisation in previous periods.

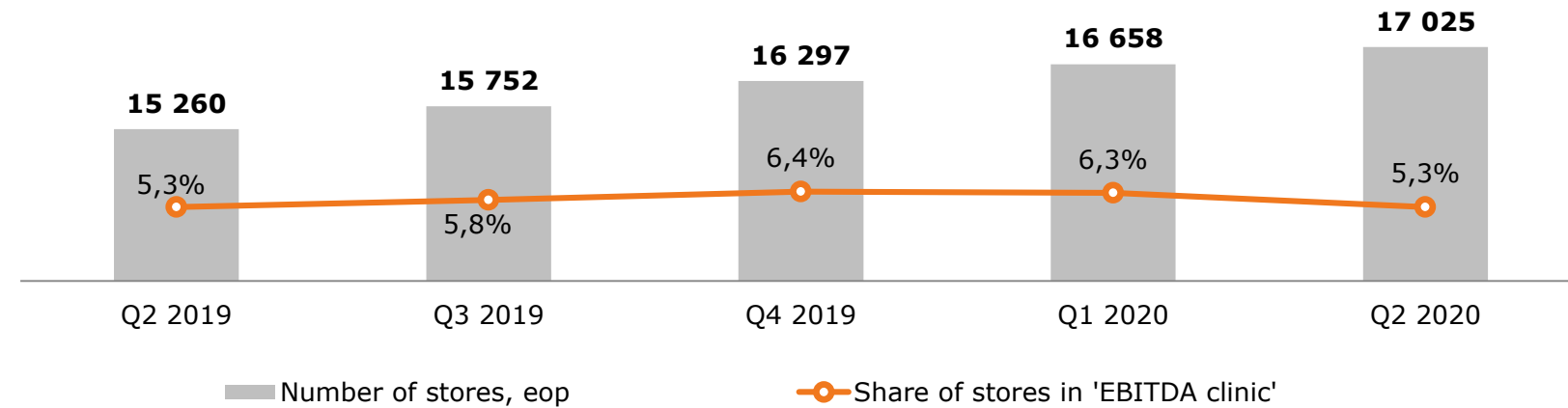
# QUALITY OF NEW OPENINGS

## Cash return on new store opened



Note: Opened 12-36 months ago

## Share of stores in 'clinic'



Source: X5 data



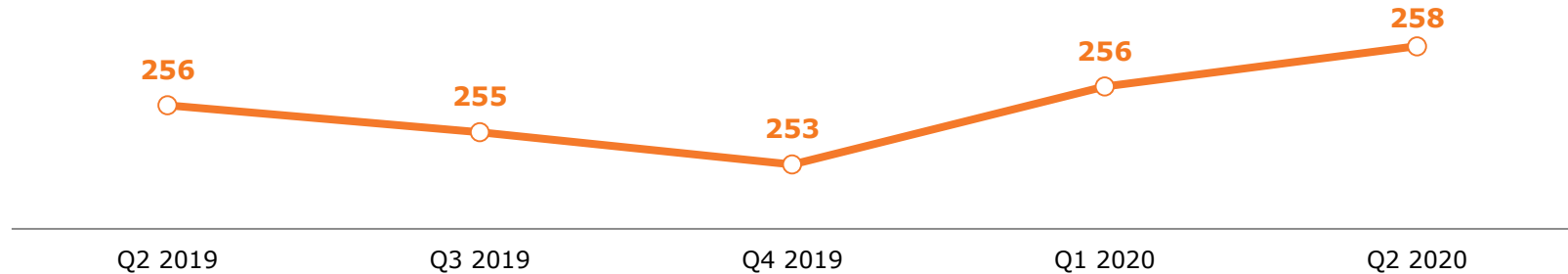


# SALES DENSITY STABILISATION

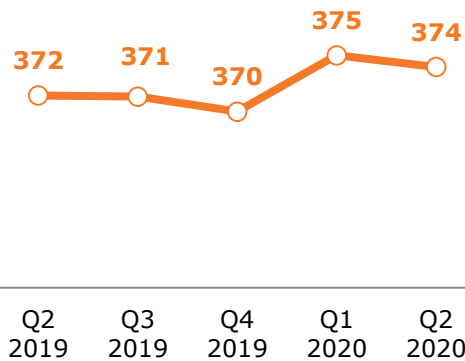
## IMPACT OF REGIONAL MIX

Unit: '000 RUB/m2 (annualised)

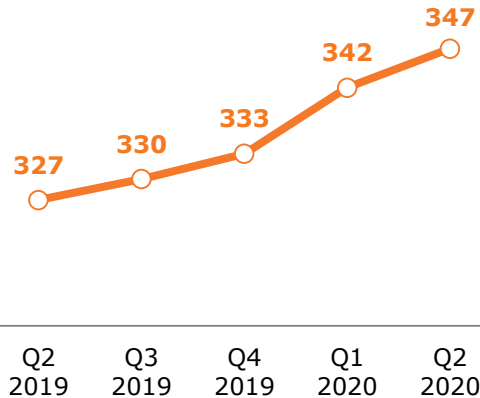
### Overall



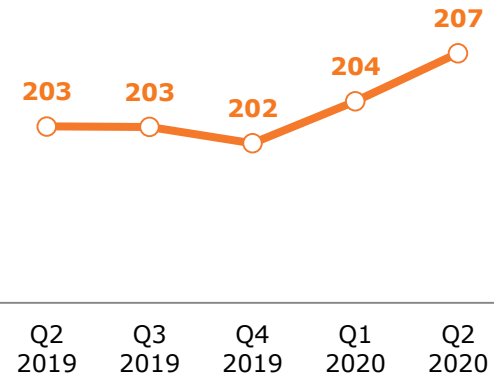
### Moscow & Moscow region



### St Petersburg & Leningrad region



### Rest of Russia



Source: X5 data

Sales densities have declined mainly due to growing share of regional stores during 2019.

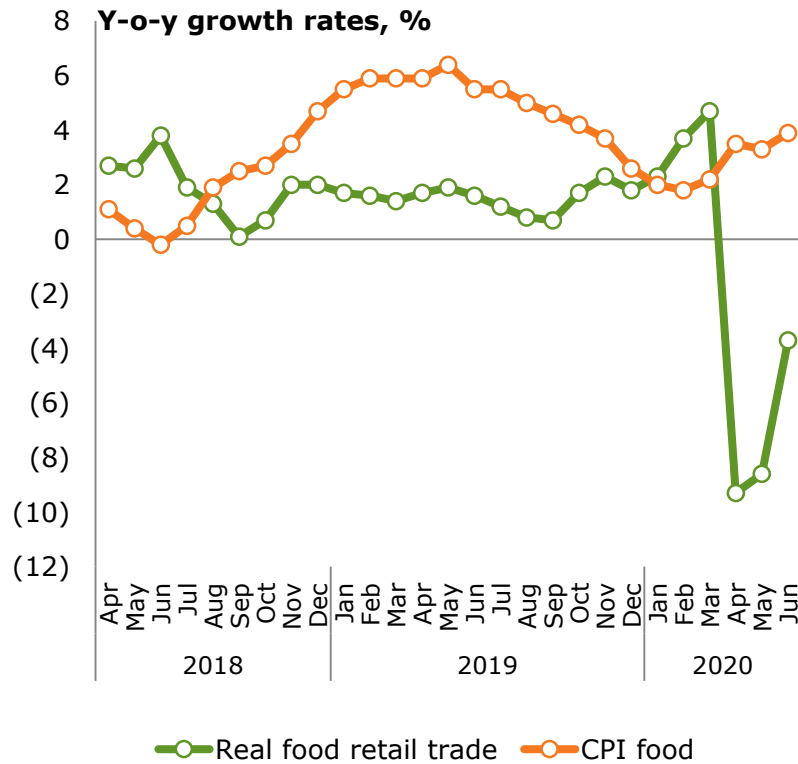




## **II. MARKET OVERVIEW**

# MACRO ENVIRONMENT (1/2)

The main factor of the decline in real food retail trade in H1 2020 was the self-isolation regime amid the spread of COVID-19, as well as the seasonal factor of vacations



The decrease in real wages in H1 2020 was due to the transition to part-time employment and the placement of employees on unpaid leave



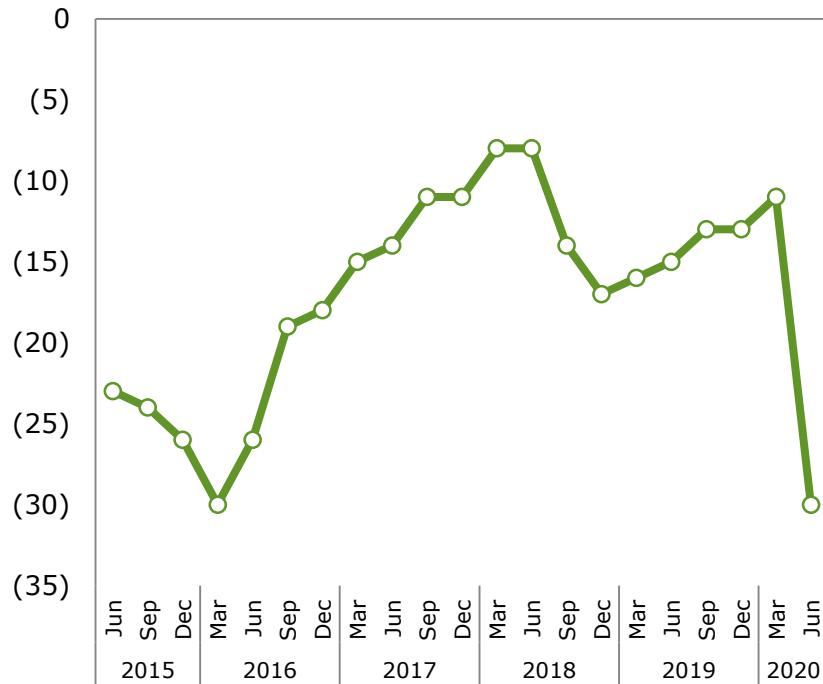
Source: Rosstat

**In H1 2020 the consumer demand growth rates for food products were negative due to COVID-19 pandemic**



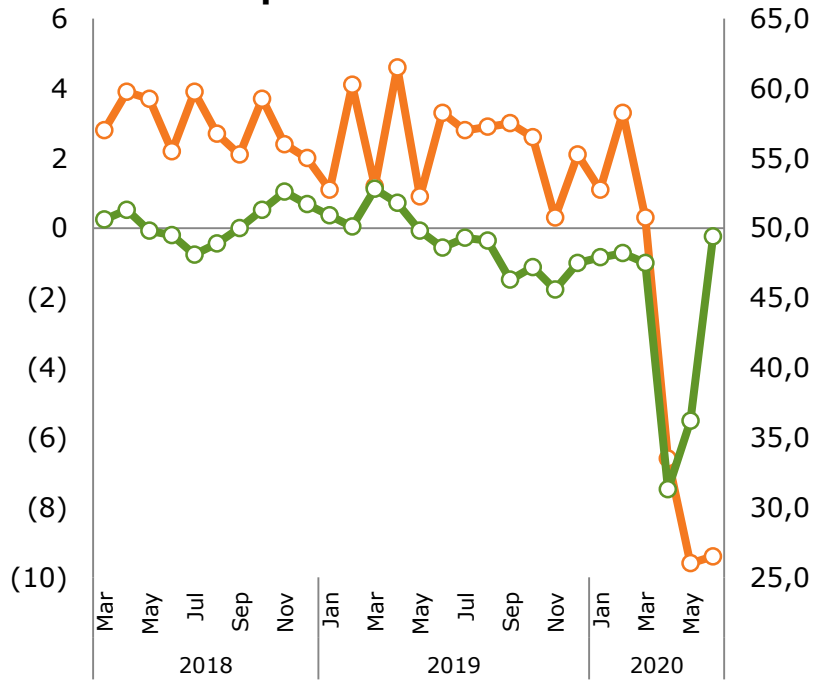
# MACRO ENVIRONMENT (2/2)

**Consumer sentiment deteriorated in Q2 2020 driven by the situation with COVID-19**



—○— Consumer confidence index (Rosstat, %)

**The main factor behind the decline in industrial production was the reduction in domestic and foreign demand, which began in late March, as well as restrictions on the work of enterprises in various fields**



—○— Industrial production (y-o-y, %)

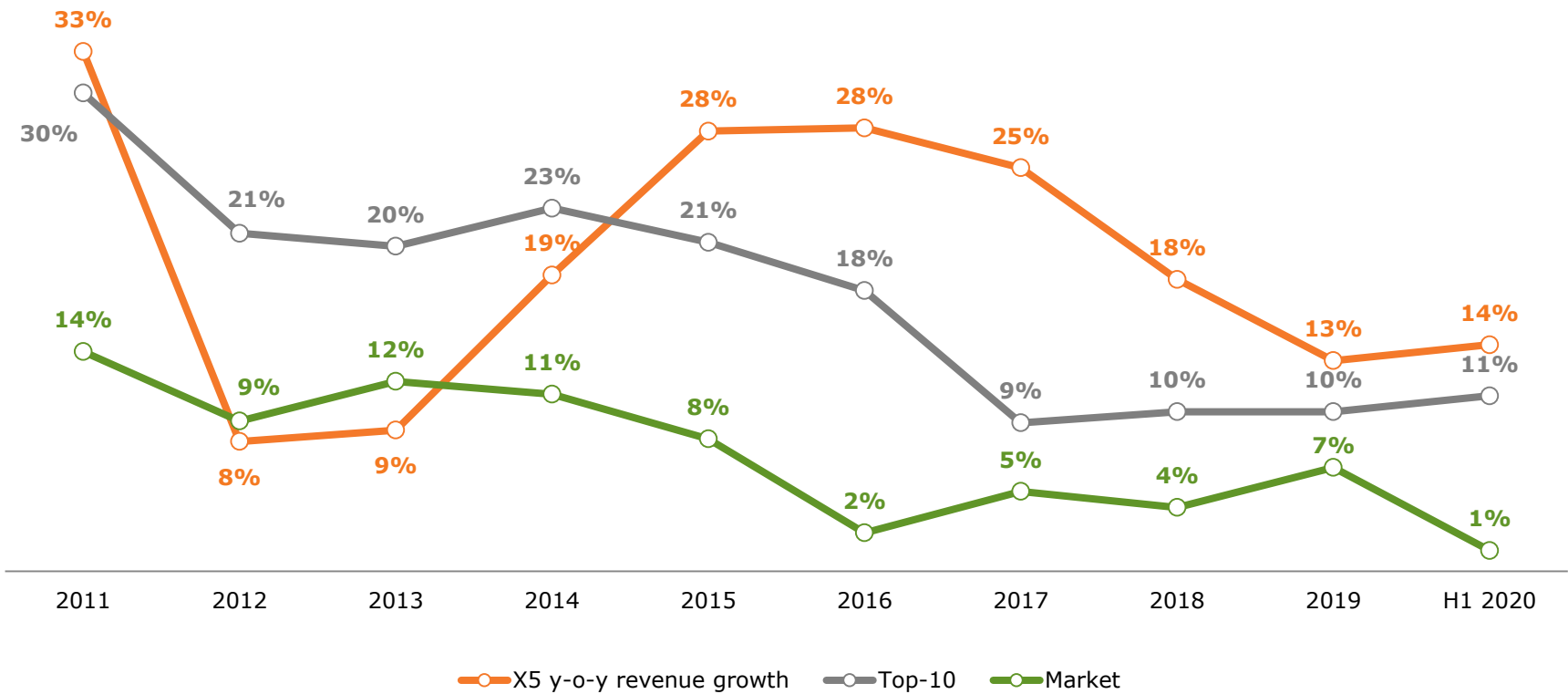
—○— IHS Markit Manufacturing PMI (SA, right scale)

Source: Rosstat, FOM

**The key macroeconomic risks for the sustainability of the economic upturn are weak consumer demand and uncertainty of recovery on the supply side**



# X5 VS. RUSSIAN FOOD RETAIL IN TOP-LINE GROWTH













Source: Infoline, X5 analysis

**Starting from 2015, X5 has constantly outperformed the market and competition**



# RUSSIAN RETAIL MARKET SNAPSHOT

## Top 10 Russian food retailers

#	Company name		% market share 2018	% market share 2019
1	 X5	↑	10.7%	11.5%
2	 Magnit	↓	7.7%	7.6%
3	 DKBR	↑	5.1%	5.7%
4	 Lenta	↓	2.8%	2.5%
5	 Auchan	↓	1.9%	1.5%
6	 Metro	↓	1.3%	1.1%
7	 O'key	↓	1.1%	1.0%
8	 Monetka	↑	0.6%	0.7%
9	 Svetofor	↑	0.6%	0.7%
10	 Globus	↔	0.6%	0.6%
<b>Total Top 10</b>		↑	<b>31.9%</b>	<b>32.9%</b>

Source: InfoLine

**X5's market share increased from 10.7% in 2018 to 11.5% in 2019**

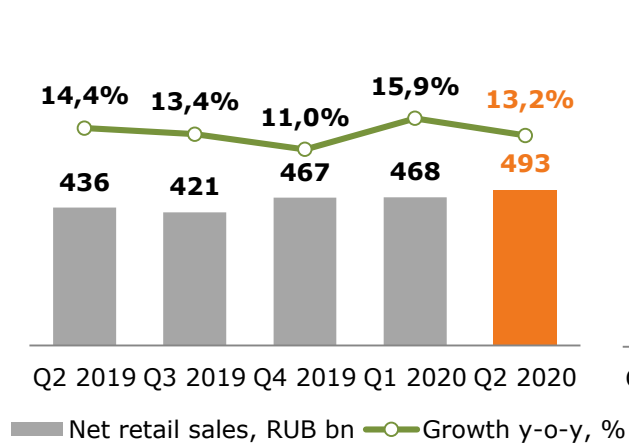




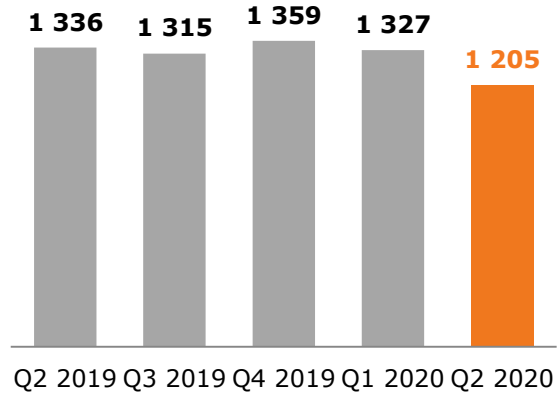
**III. OPERATIONAL RESULTS  
Q2 2020**

# X5 OPERATIONAL SUMMARY

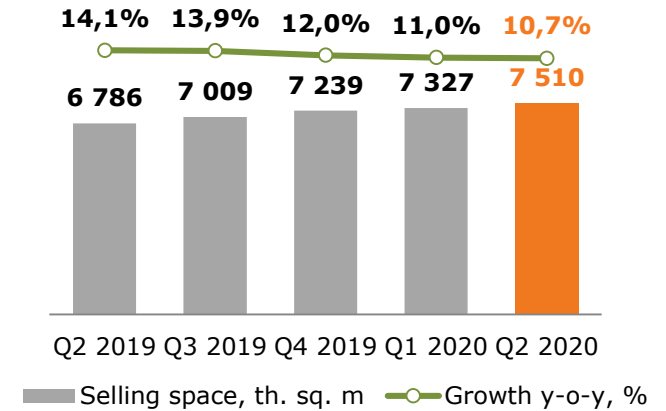
## Net retail sales



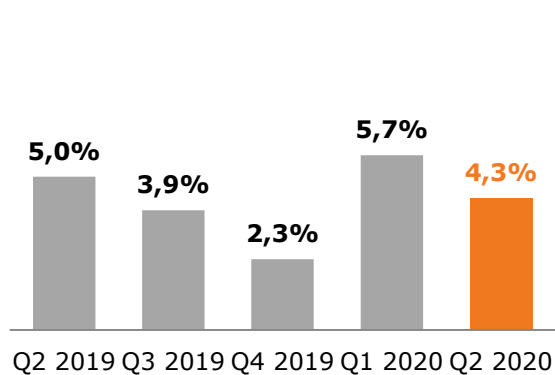
## Traffic, mln customers



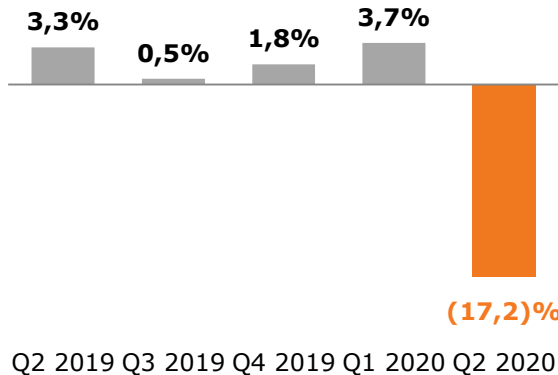
## Net selling space (eop)



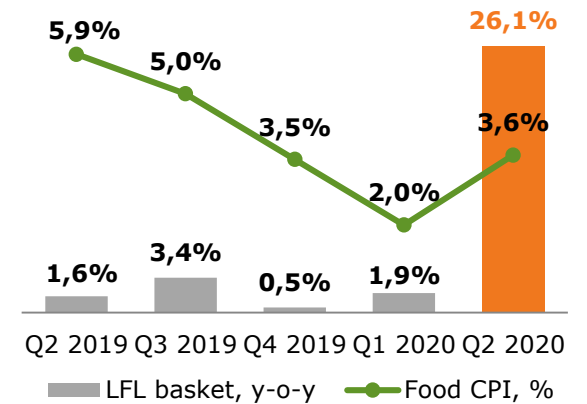
## LFL sales, y-o-y



## LFL traffic, y-o-y



## LFL basket, y-o-y

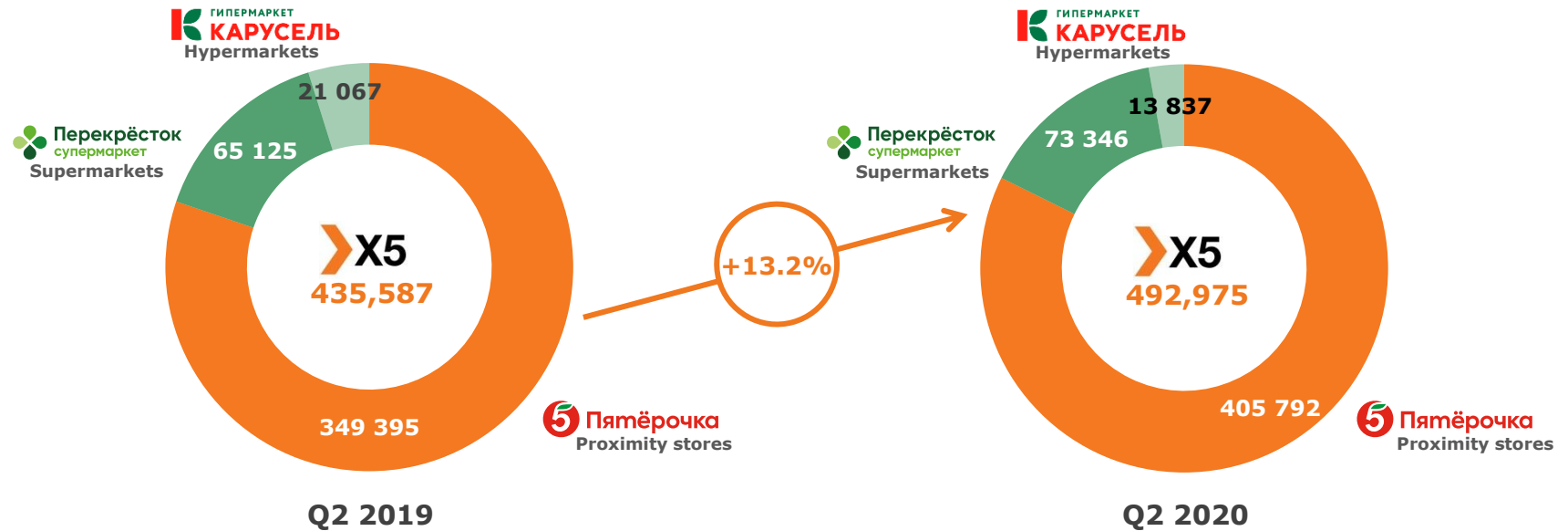


Source: X5 data



# Q2 2020 RESULTS: X5 NET RETAIL SALES SUMMARY

## Net retail sales breakdown by retail format, RUB mln



### KEY DRIVERS

- Pyaterochka, which continues to meet customers' needs in a challenging macro environment, was the key driver for X5's growth thanks to:
  - Value proposition that is one of the best-adapted to Russian consumers' needs
  - Smart expansion programme



Source: X5 data

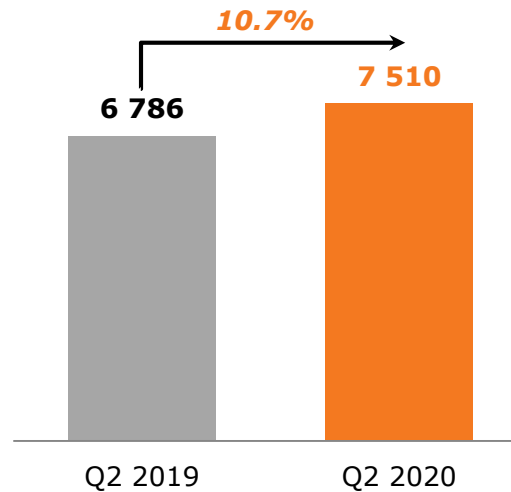
**Net retail sales growth of 13.2% was driven by a 4.3% increase in like-for-like sales and a 8.9% sales growth contribution from a 10.7% rise in selling space**



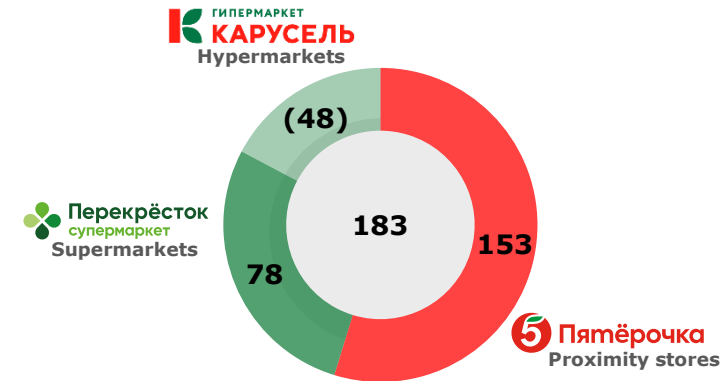
# Q2 2020 RESULTS: EXPANSION SUMMARY

- Total store base increased to 17,025 stores as of 30 June 2020
- Pyaterochka was the main driver for the store base increase with a 153 th. sq. m selling space addition in Q2 2020

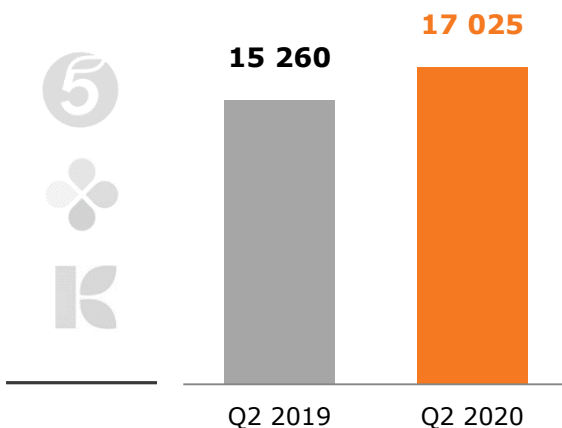
Net selling space, th. sq. m



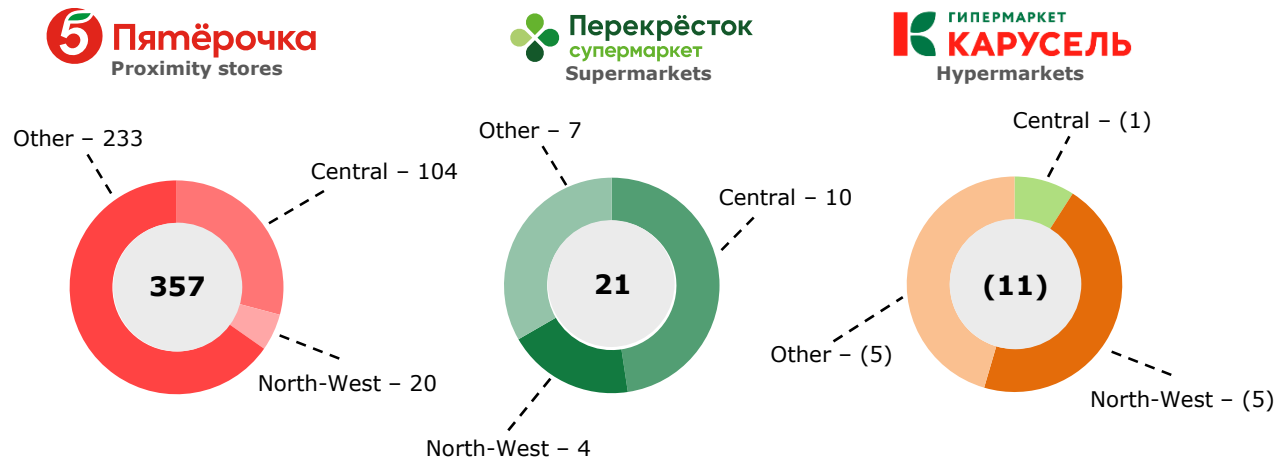
Net selling space added in Q2 2020, th. sq. m



Total stores base



Stores added (net) in Q2 2020 by formats and by regions

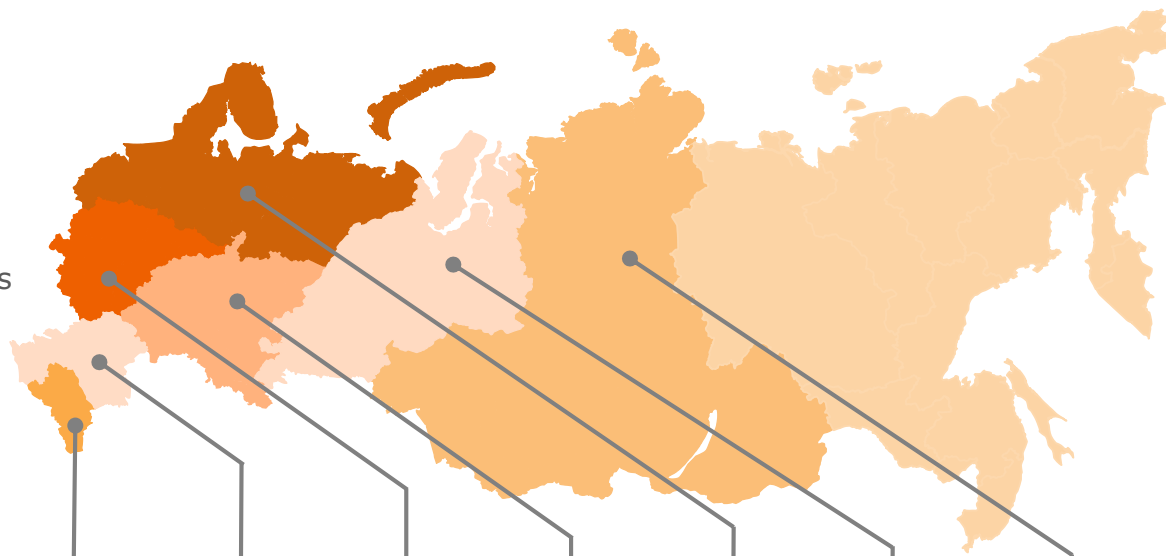






Source: X5 data

# X5 REGIONAL PRESENCE

## X5 today

- Multi-format presence in **seven** Federal Districts
- Total stores – 17,025, including:
  - 16,096 Pyaterochka stores
  - 867 Perekrestok supermarkets
  - 62 Karusel hypermarkets



Format	Unit	North Caucasus	Southern	Central	Volga	North Western	Ural	Siberian	Total
 <b>Пятёрочка</b>		299	1 542	6 003	4 335	1 734	1 392	791	<b>16 096</b>
 <b>Перекрёсток</b> супермаркет	Number of stores, #	9	51	506	130	121	50	-	<b>867</b>
 <b>ГИПЕРМАРКЕТ</b> <b>КАРУСЕЛЬ</b>		1	2	31	16	10	2	-	<b>62</b>
 <b>X5 RETAIL GROUP</b>	Net retail sales (H1 2020), %	1,0%	6,1%	50,0%	18,8%	14,5%	6,8%	2,8%	<b>100%</b>

Source: X5 data

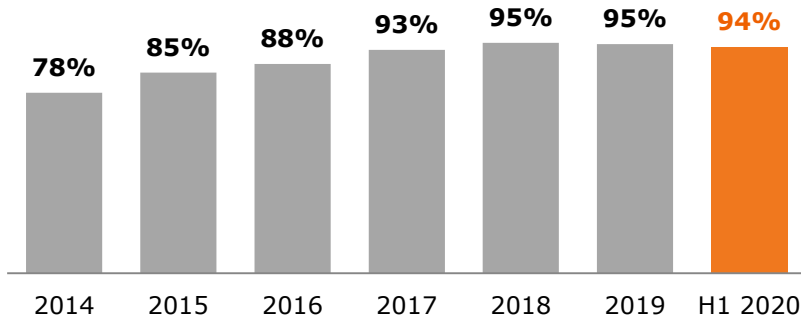
# X5 DISTRIBUTION CAPABILITIES

## Warehouse space as of 31 March 2019

Federal district	Space, th. sq. m	# of DCs
Central	615	17
North-Western	149	6
Volga	213	8
Ural	144	6
Southern	114	4
Siberian	26	1
<b>Total</b>	<b>1,261</b>	<b>42</b>



## Centralisation levels



Source: X5 data

## Highlights for Q2 2020

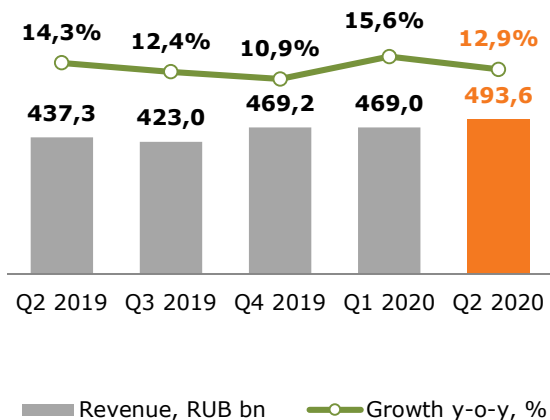
- X5 continued the implementation of the new Logistics and Transportation Strategy covering the period until 2025.
- As of 30 June 2020 the Company owned 4,083 trucks.



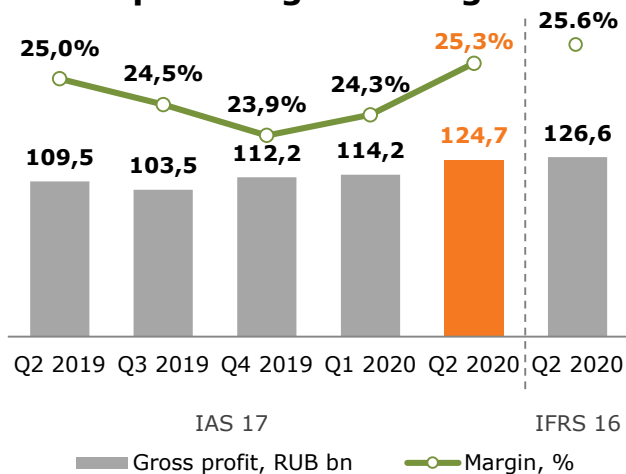
**IV. FINANCIAL RESULTS  
Q2 2020**

# X5 QUARTERLY FINANCIAL HIGHLIGHTS

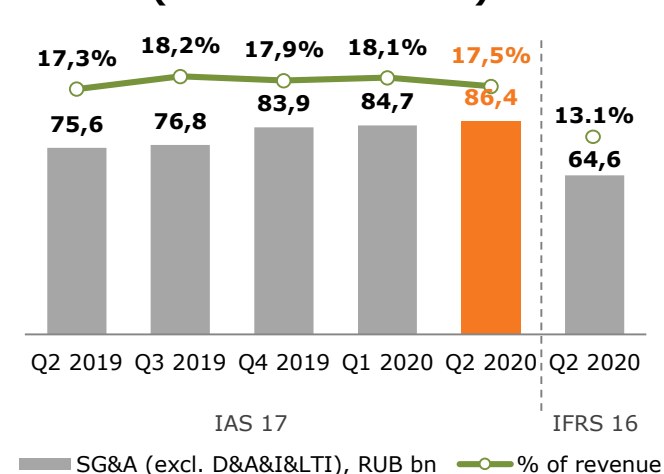
## Revenue



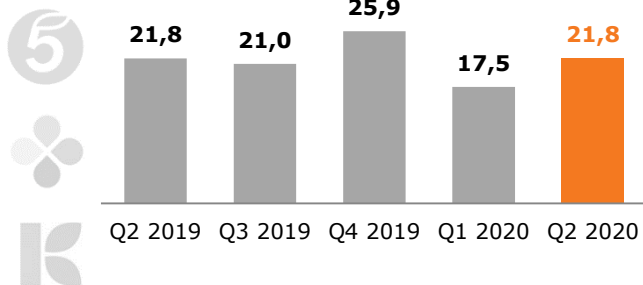
## Gross profit & gross margin



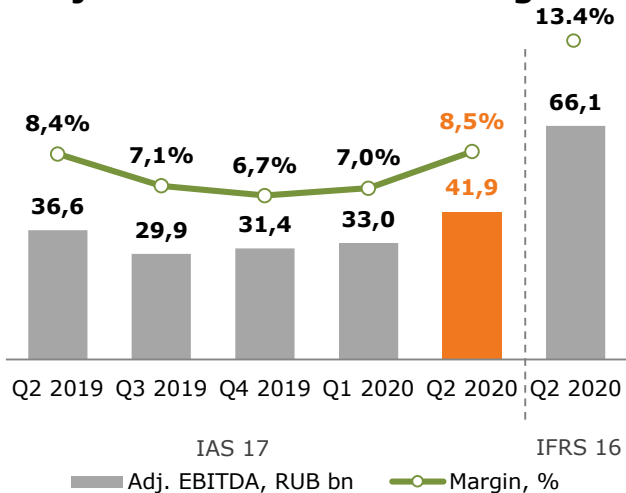
## SG&A (excl. D&A&I&LTI)<sup>[1]</sup>



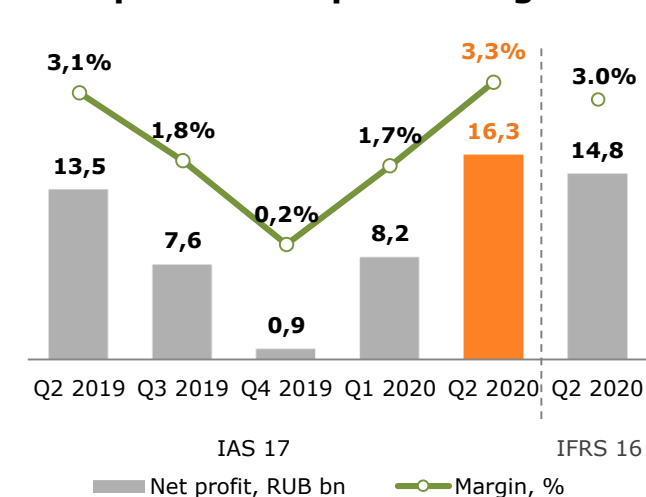
## Capital expenditures, RUB bn



## Adj. EBITDA & EBITDA margin<sup>[2]</sup>



## Net profit & net profit margin



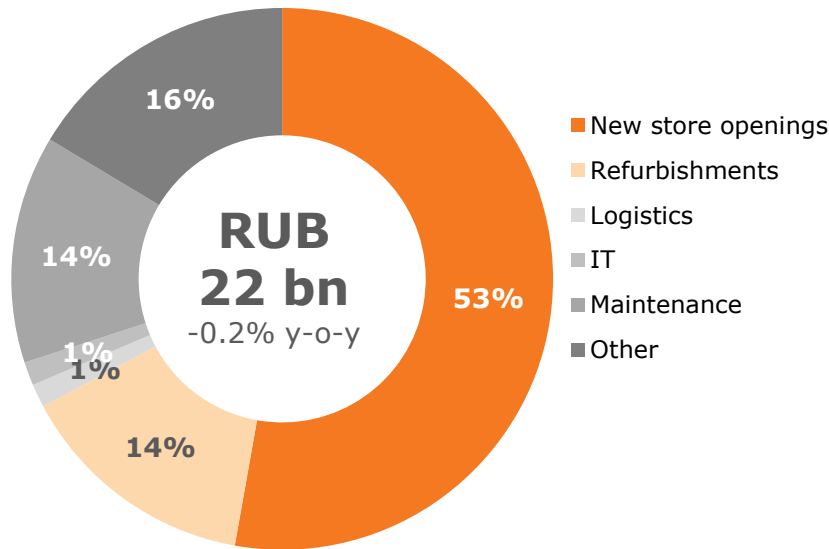
Source: X5 data

[1] - Adjusted for impact from Karusel transformation

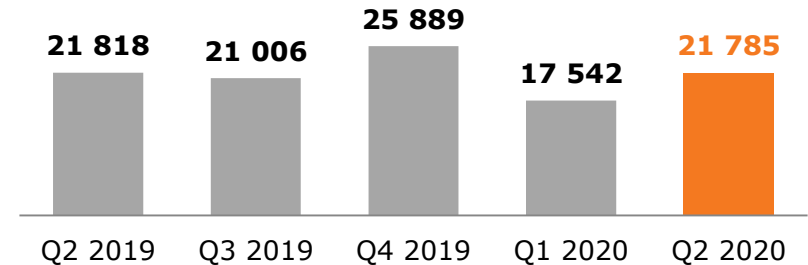
[2] - Adjusted for LTI, exit payments and share-based payments, other one-off remuneration payments and impact from Karusel transformation

# X5 CAPITAL EXPENDITURES

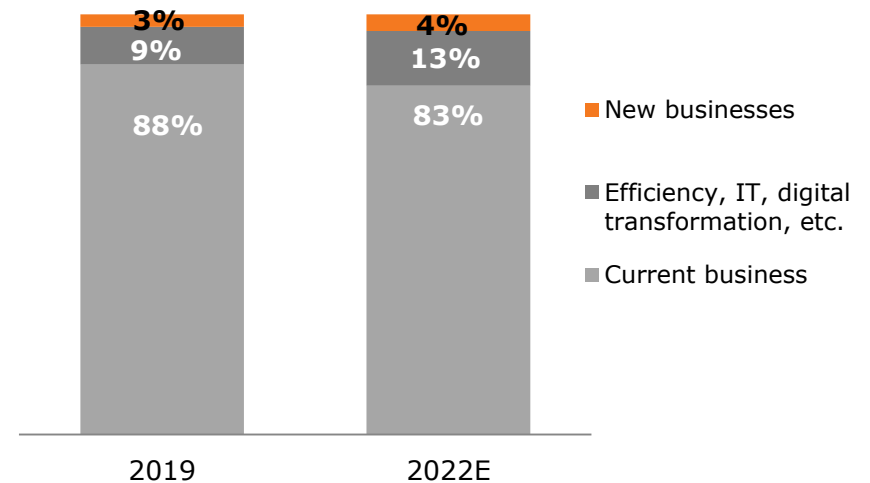
## Capex breakdown, Q2 2020



## Capex dynamics by quarter, RUB mln



## Expected change in Capex structure



Source: X5 data (prepared under IAS 17)

**In Q2 2020 the capex programme focused mainly on organic expansion, IT, maintenance and logistics**



# X5 DEBT STRUCTURE

## Debt profile

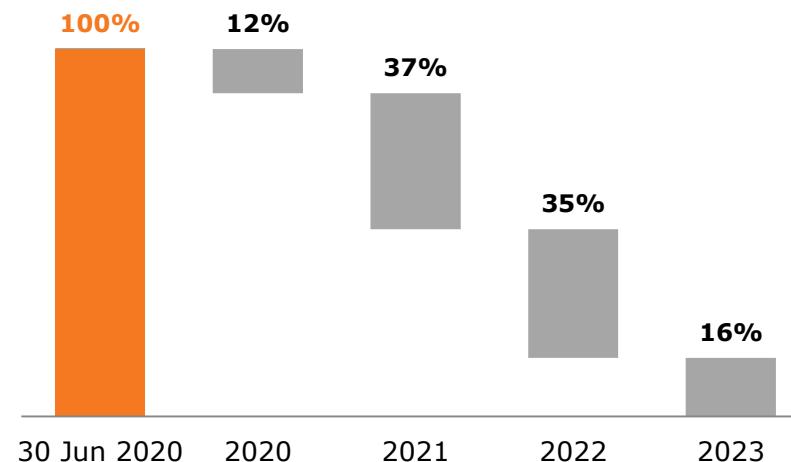
RUB mln	30 Jun 2020	30 Jun 2019
<b>Total Debt</b>	<b>231,778</b>	<b>212,055</b>
Short-Term Debt	73,622	59,852
<i>% of total debt</i>	<i>31.8%</i>	<i>28.2%</i>
Long-Term Debt	158,156	152,203
<i>% of total debt</i>	<i>68.2%</i>	<i>71.8%</i>
<b>Net Debt</b>	<b>220,476</b>	<b>195,112</b>

## Covenants & liquidity update

Covenant metrics & liquidity sources	30 Jun 2020	30 Jun 2019
Net Debt / EBITDA (IAS 17)	1.68x	1.59x
Cash & cash equiv., RUB mln	11,302	16,943
Available credit limits, RUB mln	429,638	341,073

Source: X5 data

## Debt portfolio maturity



## Highlights

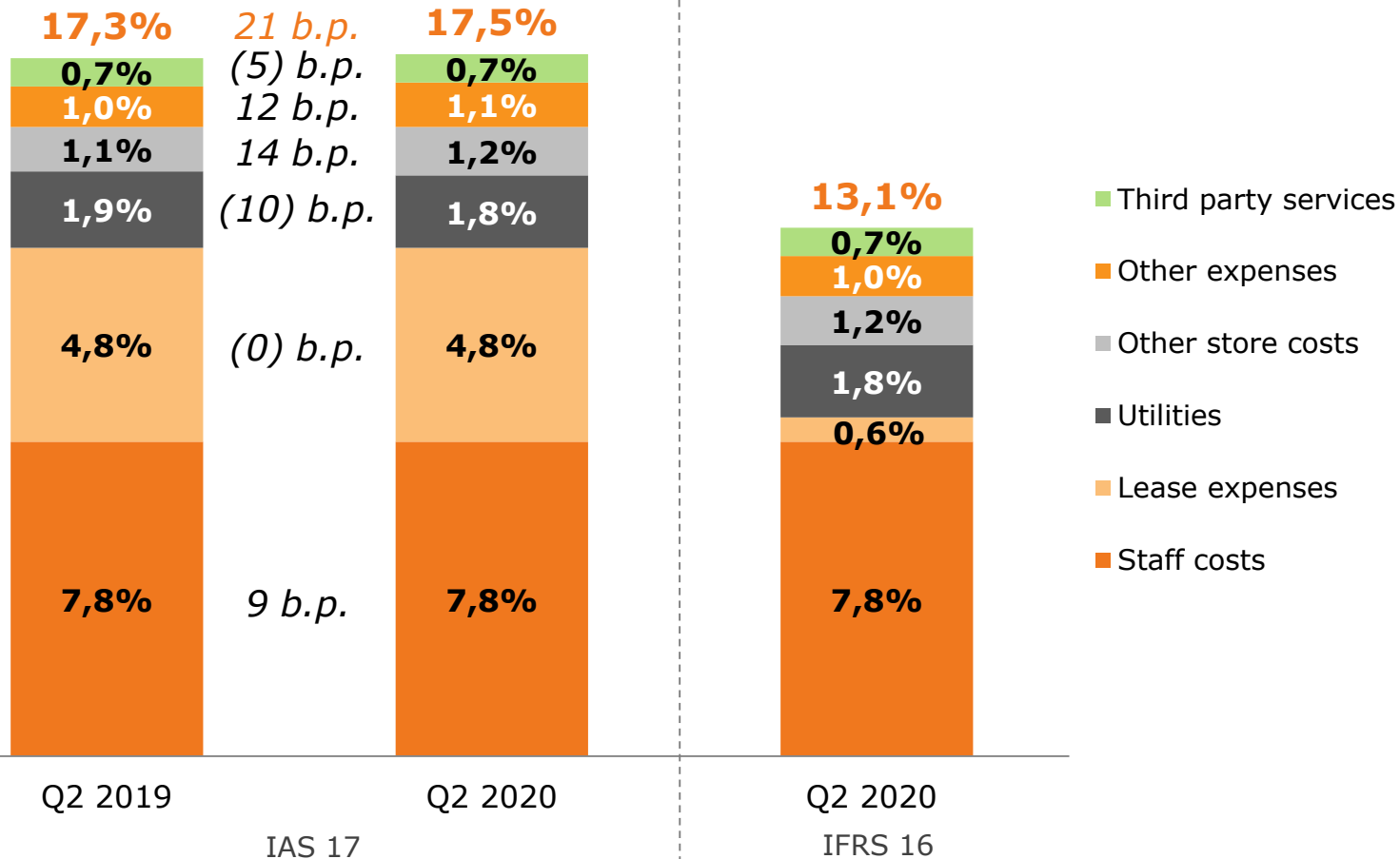
- X5's debt portfolio is 100% RUB-denominated
- The majority of the X5's loans and all bonds have fixed interest rates
- X5's available credit limits amounted to RUB 429.6 bn
- Record-low cost of debt
- Double achievement of the lowest new bonds issue coupon rate in the history of the entire Russian retail sector





# Q2 2020: ADJUSTED SG&A [1] EXPENSES ANALYSIS

## Q2 2020 analysis as percentage of revenue



Source: X5 data

[1] – Adjusted for D&A&I, LTI, exit share-based payments and impact from Karusel transformation



# FINANCIAL STATEMENTS (1/3)

## PROFIT AND LOSS STATEMENT

RUB mln	IAS 17				IFRS 16
	Q2 2020	Q2 2019	+/( - )	+/( - ), %	Q2 2020
<b>Revenue</b>	<b>493,631</b>	<b>437,311</b>	<b>56,320</b>	12,9	<b>493,631</b>
Net retail sales	492,975	435,588	57,387	13,2	492,975
COGS	(368,904)	(327,811)	(41,093)	12.5%	(367,052)
<b>Gross profit</b>	<b>124,727</b>	<b>109,500</b>	<b>15,227</b>	13.9%	<b>126,579</b>
<i>Gross profit margin</i>	25.3%	25.0%		23 b.p.	25.6%
SG&A	(102,284)	(89,872)	(12,412)	13.8%	(97,707)
<b>EBITDA</b>	<b>41,327</b>	<b>36,135</b>	<b>5,192</b>	14.4%	<b>65,567</b>
<i>EBITDA margin</i>	8.4%	8.3%		11 b.p.	13.3%
<b>Operating profit</b>	<b>25,932</b>	<b>22,332</b>	<b>3,600</b>	16.1%	<b>32,954</b>
<i>Operating margin</i>	5.3%	5.1%		15 b.p.	6.7%
<b>Net profit</b>	<b>16,275</b>	<b>13,508</b>	<b>2,767</b>	20.5%	<b>14,772</b>
<i>Net profit margin</i>	3.3%	3.1%		21 b.p.	3.0%

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Source: X5 data

# FINANCIAL STATEMENTS (2/3)

## BALANCE SHEET (IFRS 16)

RUB mln	30 Jun 2020	30 Jun 2019
<b>Total current assets</b>	<b>166,432</b>	<b>148,226</b>
Cash & cash equivalents	11,302	16,943
Inventories	128,466	103,686
<b>Total non-current assets</b>	<b>930,177</b>	<b>849,136</b>
Right-of-use assets	455,047	397,369
Net PP&E	318,612	309,555
Goodwill	102,907	98,040
<b>Total assets</b>	<b>1,096,609</b>	<b>997,362</b>
<b>Total current liabilities</b>	<b>369,545</b>	<b>327,176</b>
ST debt	73,622	59,852
ST finance lease payables	63,740	53,910
Trade accounts payable	149,411	138,732
<b>Total non-current liabilities</b>	<b>621,823</b>	<b>552,849</b>
LT debt	158,156	152,203
LT finance lease payable	454,714	394,204
<b>Total liabilities</b>	<b>991,368</b>	<b>880,025</b>
<b>Total equity</b>	<b>105,241</b>	<b>117,337</b>
<b>Total liabilities &amp; equity</b>	<b>1,096,609</b>	<b>997,362</b>

Source: X5 data

# FINANCIAL STATEMENTS (3/3)

## CASH FLOW STATEMENT (IAS 17 AND IFRS 16)

	IAS 17				IFRS 16
RUB mln	Q2 2020	Q2 2019	+/( - )	+/( - ), %	Q2 2020
<b>Net cash generated from operating activities</b>	<b>17,061</b>	<b>31,819</b>	<b>(14,758)</b>	<b>(46.4)%</b>	<b>29,726</b>
Net cash from operating activities before changes in working capital	41,563	36,292	5,271	14.5%	65,211
Change in Working Capital, incl.:	(15,042)	1,939	(16,981)	-	(15,968)
Decrease/(increase) in trade and other AR	(501)	(838)	337	(40.2)%	(508)
Decrease/(increase) in inventories	(8,877)	(1,689)	(6,120)	425.6%	(8,877)
(Increase)/decrease in trade payable	(3,423)	8,070	(11,493)	-	(3,423)
(Decrease)/increase in other AP	(2,241)	(3,604)	1,363	(37,8)%	(3,160)
Net interest and income tax paid	(9,460)	(6,412)	(3,048)	47.5%	(19,517)
<b>Net cash used in investing activities</b>	<b>(20,749)</b>	<b>(18,186)</b>	<b>(2,563)</b>	<b>14.1%</b>	<b>(20,749)</b>
<b>Net cash generated from/(used in) financing activities</b>	<b>3,112</b>	<b>(14,963)</b>	<b>18,075</b>	<b>-</b>	<b>(9,553)</b>
Effect of exchange rate changes on cash & cash equiv.	6	(8)	14	-	6
<b>Net increase/(decrease) in cash &amp; cash equiv.</b>	<b>(570)</b>	<b>(1,338)</b>	<b>768</b>	<b>(57.4)%</b>	<b>(570)</b>

Source: X5 data



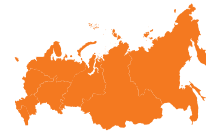
**APPENDIX  
PERFORMANCE SUMMARY OF KEY  
FORMATS**

# PYATEROCHKA SUMMARY (1/3)

## RUSSIA'S #1 PROXIMITY NETWORK BY REVENUE



**16,096 stores** as of  
30 June 2020,  
4.8% increase y-o-y



**6,290 th. sq. m of selling space**  
as of 30 June 2020,  
5.3% increase y-o-y



**Q2 2020 net retail sales –  
RUB 405.8 bn,**  
16.1% increase y-o-y



**1,082 mln of customer visits** in  
Q2 2020, 6.6% decrease y-o-y



Share of X5's Q2 2020 sales:  
**~82%**



Q2 2020 LFL Results

- Sales: **6.0%**
- Traffic: **(15.0)%**
- Basket: **24.8%**



Average check:  
**RUB 430** (Q2 2020)  
24.1% increase y-o-y



- Avg. net selling space: **391 sq. m.**
- **Formats**
  - 250-330 sq. m.
  - 330-430 sq. m.
  - 430-620 sq. m.
  - 620-and more



Average number of SKUs:  
**4,500**



Capex per leased store:  
**RUB 12-15 mln**

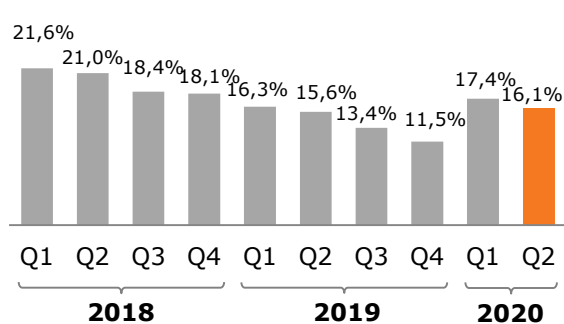


The proximity store for your daily shopping needs

# PYATEROCHKA PROXIMITY STORES SUMMARY (2/3)

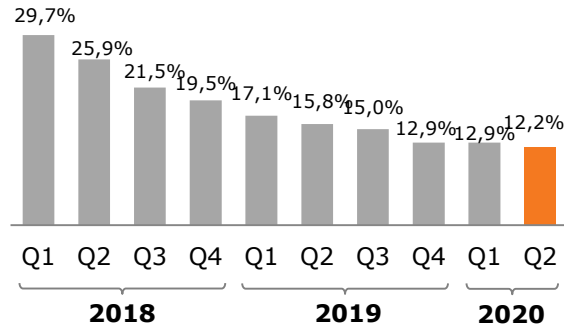
**Q2 2020 net retail sales:  
16.1% increase y-o-y**

Net sales growth (% y-o-y)



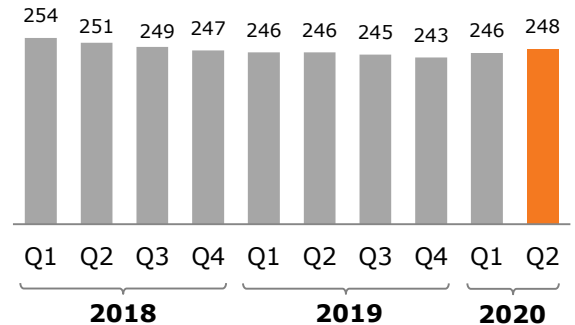
**Q2 2020 selling space:  
12.2% increase y-o-y**

Net selling space growth (% y-o-y)



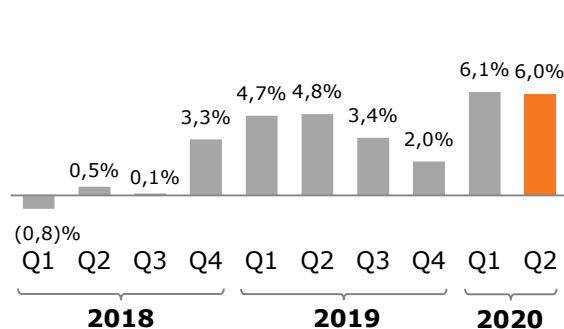
**Q2 2020 sales densities:  
0.8% increase y-o-y**

Net sales densities (th. RUB/sq. m<sup>[1]</sup>)



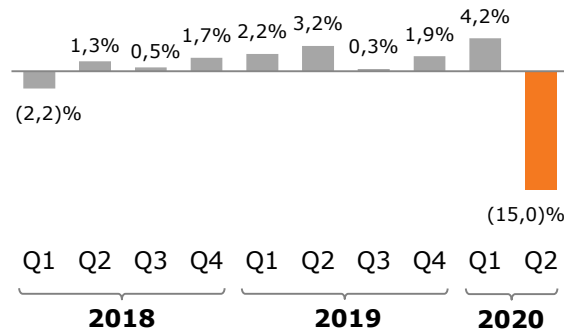
**Q2 2020 LFL sales:  
6.0% increase y-o-y**

Total LFL sales growth (% y-o-y)



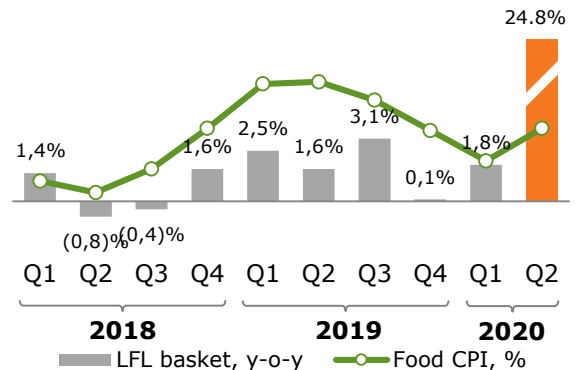
**Q2 2020 LFL traffic:  
15.0% decrease y-o-y**

Total LFL traffic growth (% y-o-y)



**Q2 2020 LFL basket:  
24.8% increase y-o-y**

Total LFL basket growth (% y-o-y)



Source: X5 data

[1] – Total net sales from trailing four quarters divided by average selling space of trailing four quarters



# PYATEROCHKA PROXIMITY STORES SUMMARY (3/3)

## FORMAT STRATEGY HIGHLIGHTS

- **Increase number of loyal customers and maximise share of their wallet:**
  - New **CVP** and further adaptation of **assortment**
  - **Leadership in NPS** and service level
  - Better **personnel turnover and engagement**
  - Focus on **operational efficiency**, incl. shrinkage
  - Roll-out of **personalised promo**
- **Improve efficiency and reduce costs:**
  - **Further** improvements in purchasing terms and opex per store/in logistics
  - **Lean and agile** approach
  - Higher share of **direct import**
  - Higher share of **private label** to >20% during the next 3-5 years
  - Improve efficiency of **regional model**



X5

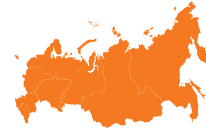


# PEREKRESTOK SUPERMARKETS SUMMARY (1/4)

## RUSSIA'S #1 SUPERMARKET



**867 stores** as of  
30 June 2020,  
1.8% increase y-o-y



**973 th. sq. m. of selling space**  
as of 30 June 2020,  
8.1% increase y-o-y



**Q2 2020 net retail sales of  
RUB 73.3 bn,**  
12.6% increase y-o-y



**109 mln customers** in Q2 2020,  
26.1% decrease y-o-y



Share of X5's Q2 2020 sales:  
**~15%**



Q2 2020 LFL Results

- Sales: **(2.4)%**
- Traffic: **(32.6)%**
- Basket: **44.9%**



**NPS 27 points** in Q2 2020,  
4 p.p. increase y-o-y



Average check:  
**RUB 733** (Q2 2020),  
44.2% increase y-o-y



Avg. net selling space:  
**1,122 sq. m.**



Average number of SKUs:  
**8,000 – 15,000**



Capex per leased store:  
**RUB 50-60 mln**

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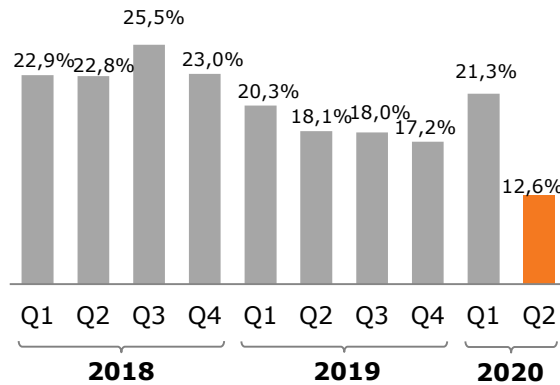


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# PEREKRESTOK SUPERMARKETS SUMMARY (2/4)

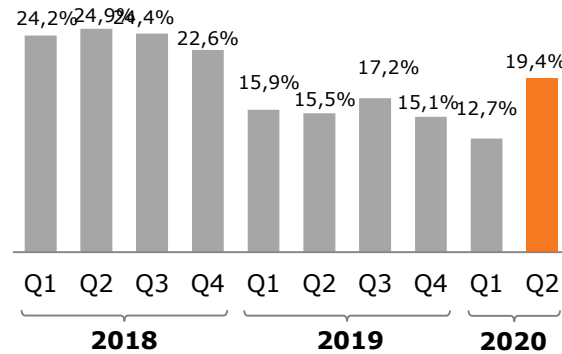
## Q2 2020 net retail sales: 12.6% increase y-o-y

Net sales growth (% y-o-y)



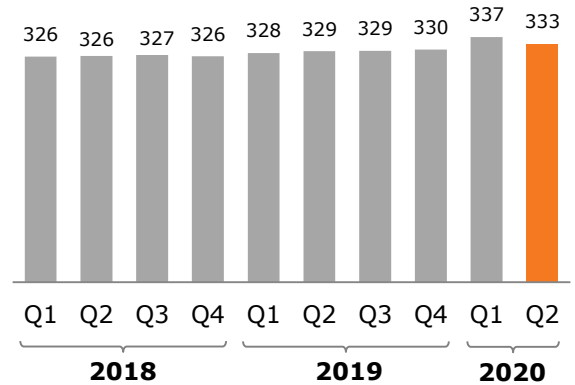
## Q2 2020 selling space: 19.4% increase y-o-y

Net selling space growth (% y-o-y)



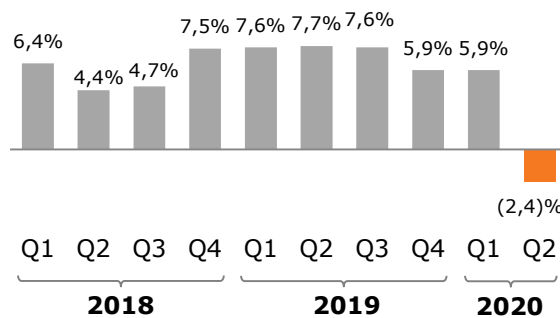
## Q2 2020 sales densities: 1.1% increase y-o-y

Net sales densities (th. RUB/sq. m<sup>[1]</sup>)



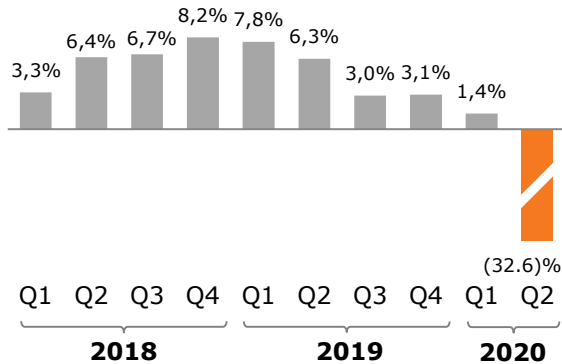
## Q2 2020 LFL sales: 2.4% decrease y-o-y

Total LFL sales growth (% y-o-y)



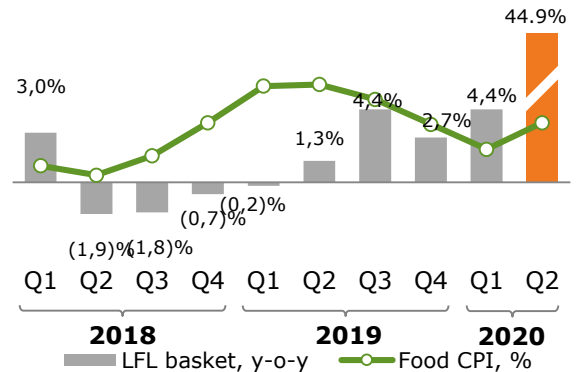
## Q2 2020 LFL traffic: 32.6% decrease y-o-y

Total LFL traffic growth (% y-o-y)



## Q2 2020 LFL basket: 44.9% increase y-o-y

Total LFL basket growth (% y-o-y)



Source: X5 data

[1] – Total net sales from trailing four quarters divided by average selling space of trailing four quarters



# PEREKRESTOK SUMMARY (3/4)

## FORMAT STRATEGY HIGHLIGHTS

- **Value proposition and adapting to customer needs:**
  - Further adaptation of assortment with focus on **fresh, F&V, ready-to-eat**
  - **Omni-channel** development
  - Targeted **loyalty system** and **personalised** promo
  - **Best-in-class service**, further increase of NPS
  - **Comfort and positive emotions** from shopping
  - Chain expansion with aim of being **closer to the customer**
- **Improve efficiency and reduce costs:**
  - **Further** improvements in purchasing terms and opex
  - Increase the share of **private labels**
  - Increase the share of **direct import**
  - **Further improve logistics** (forecasting, stock replenishment system)



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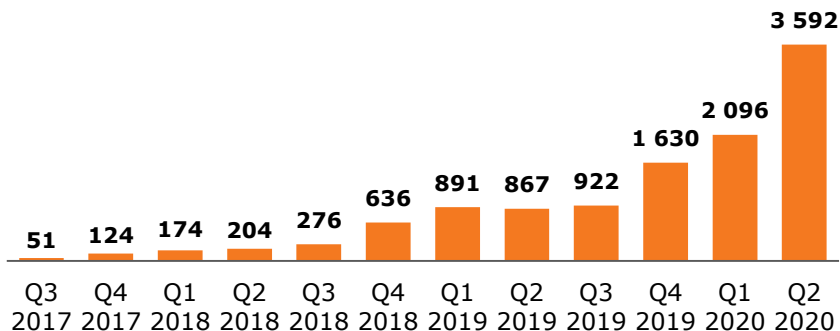
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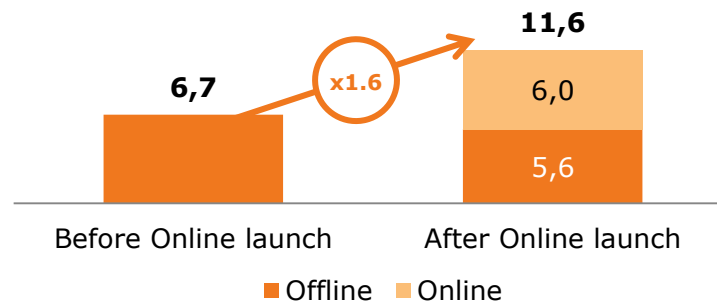
# PEREKRESTOK SUMMARY (4/4)

ONLINE: ON TRACK TO BECOMING #1 IN RUSSIAN E-GROCERY

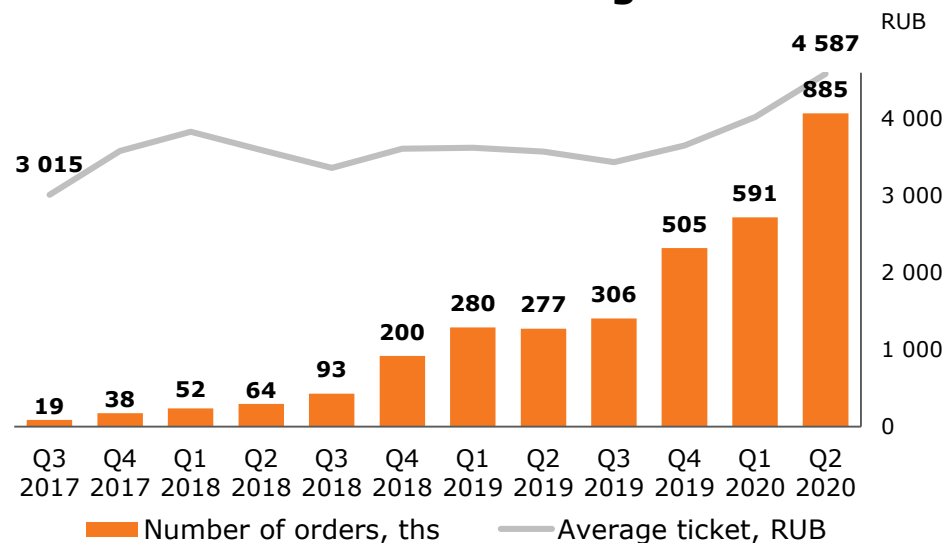
## Net sales, RUB mln



## Average customer spending per month, RUB ths



## Number of orders and average ticket



## X5 online targets

- Leadership in online food retail in Russia in 2020
- Increase number of darkstores to 12 (from 4 in Dec 2019) by 2022
- Increase assortment and develop sales on external marketplaces

