



X5 Capital Markets Day

27 October 2021

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Agenda

1

Performance
update

2

Strategy
implementation

3

Overview
by format:

 Пятёрочка

 Перекрёсток

 Чижик

4

9M 2021 results
and guidance

5

Q&A session

27 October



X5 Capital Markets Day

Igor Shekhterman

Chief Executive Officer

27 October 2021

Delivering on Strategy 2023

STRATEGIC GOALS



Leadership
in the food market



Leadership
in digitalisation



Commitment
to shareholders



Care for the
community

TODAY (9M 2021)

13%

share of grocery
market in H1 2021

+170%

growth in digital sales

61.7 mln

active loyalty card
users **+1.0% y-o-y**

267 RUB ths/sqm

sales density LTM
+2.3% y-o-y

20 RUB bln

EBITDA impact from
digitalisation projects

17.3 mln

MAUs
+37% y-o-y

>15%

ROIC in 2021E

7.6%

EBITDA margin

93.2%

3Y TSR in RUB

- ✓ Published first sustainable development report under GRI standards
- ✓ Established Sustainable Development and Innovation Committee at Supervisory Board level
- ✓ Created over 13 thousand new jobs in the last 12 months

2023 TARGETS



Leader in grocery
15% market share



Industry leader
in digitalisation



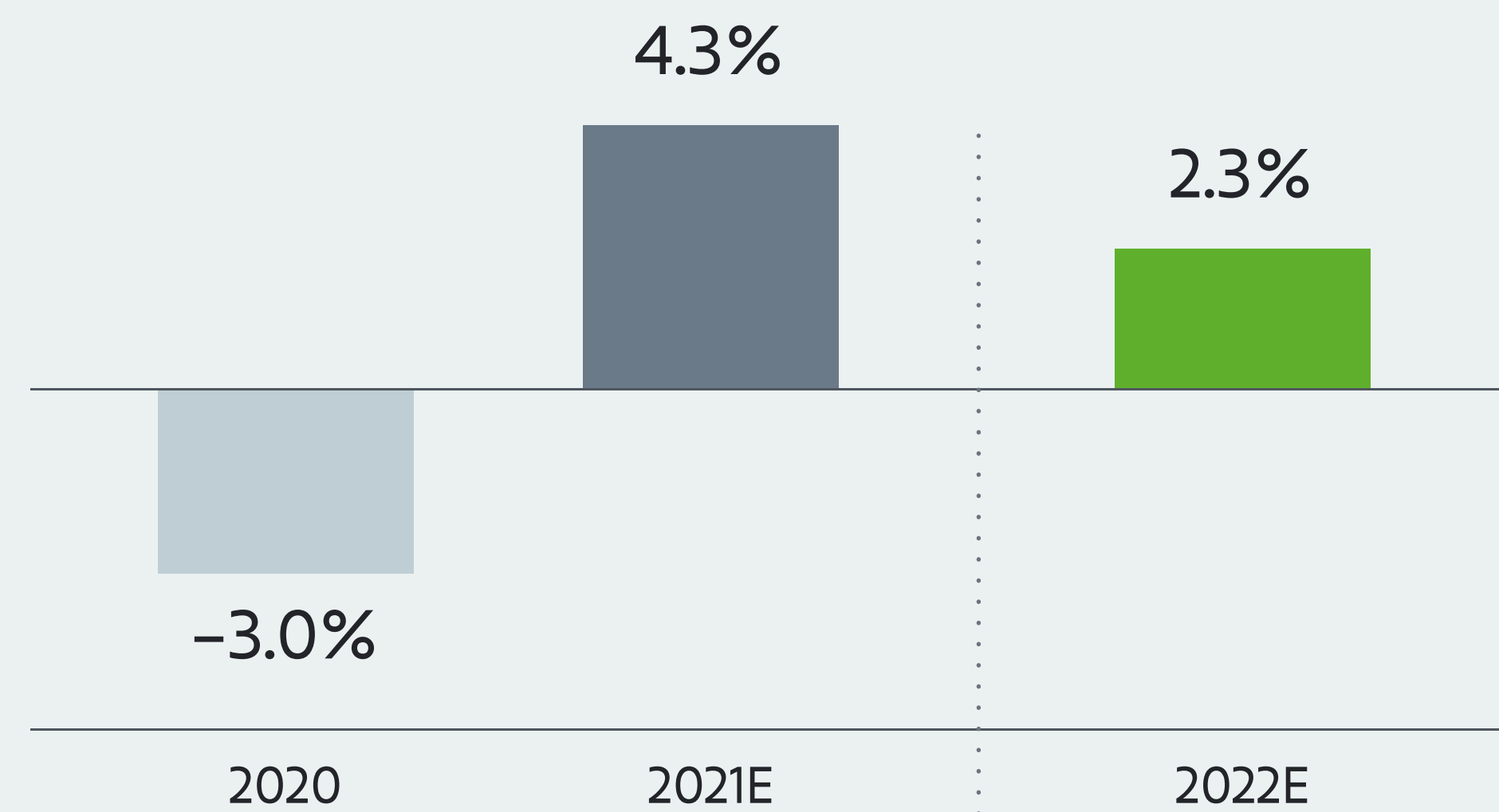
Strong return
on equity to shareholders



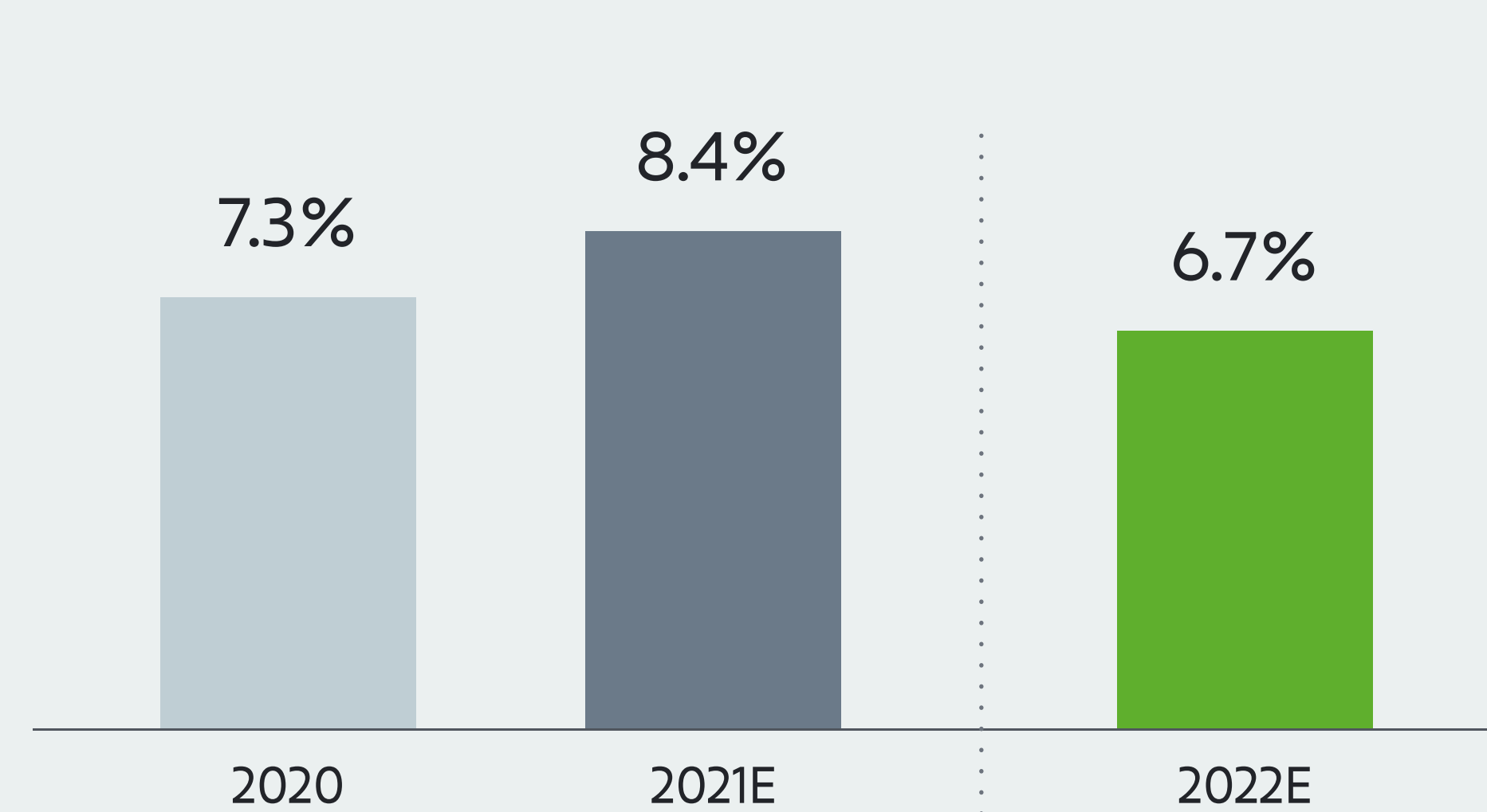
ESG agenda is a natural
part of X5's DNA

Key macro indicators

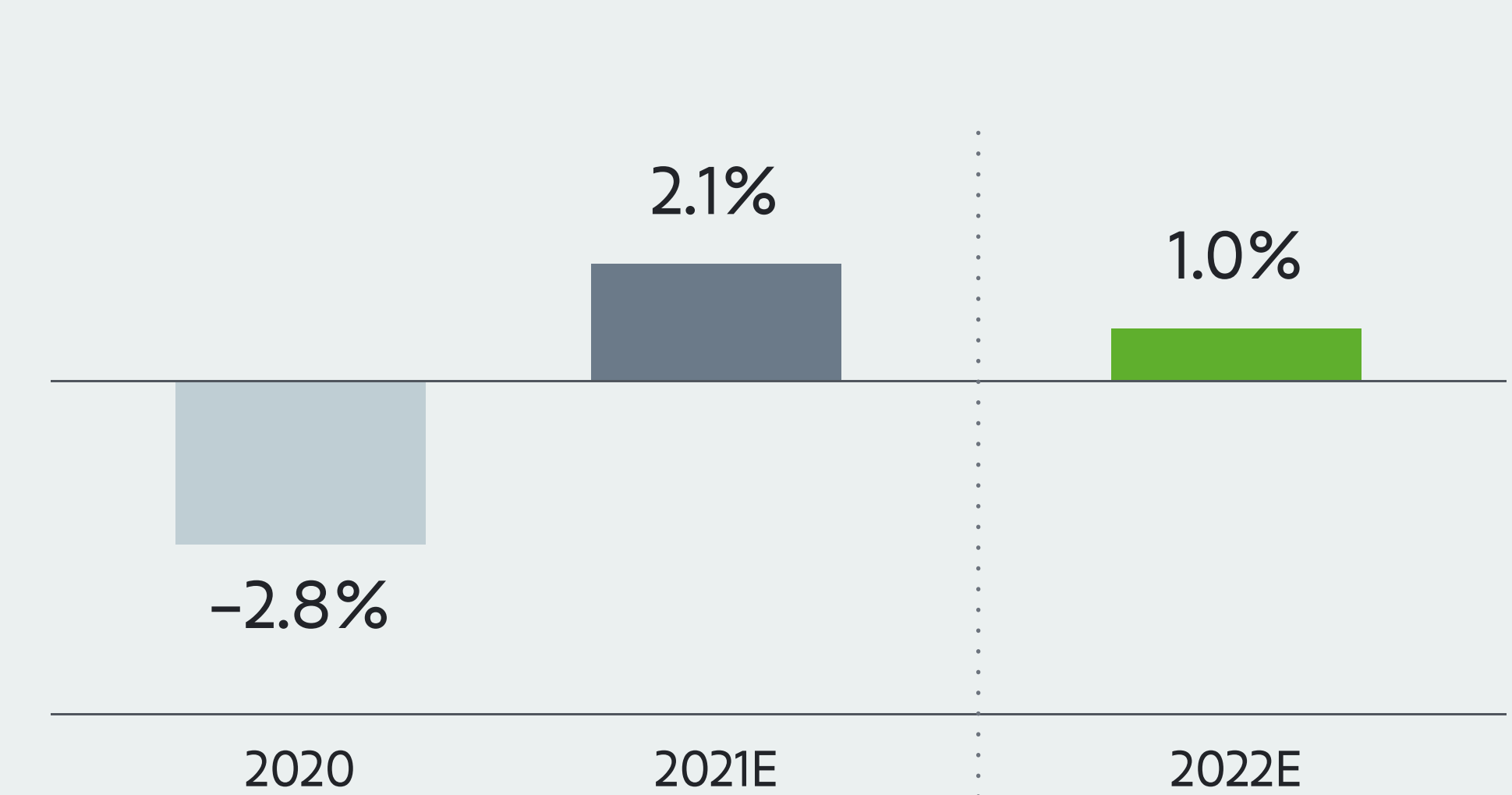
Real GDP growth



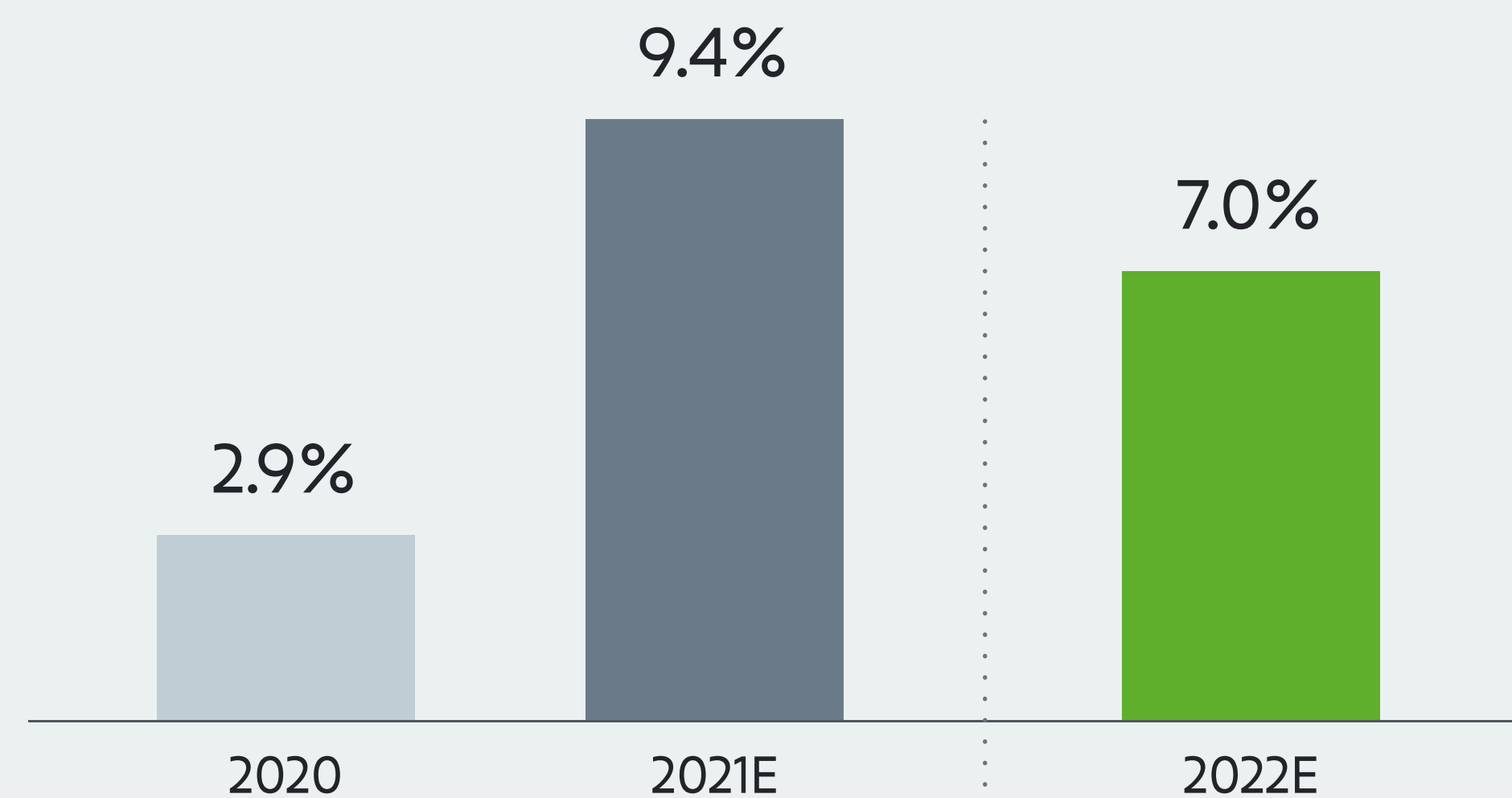
Nominal wage growth



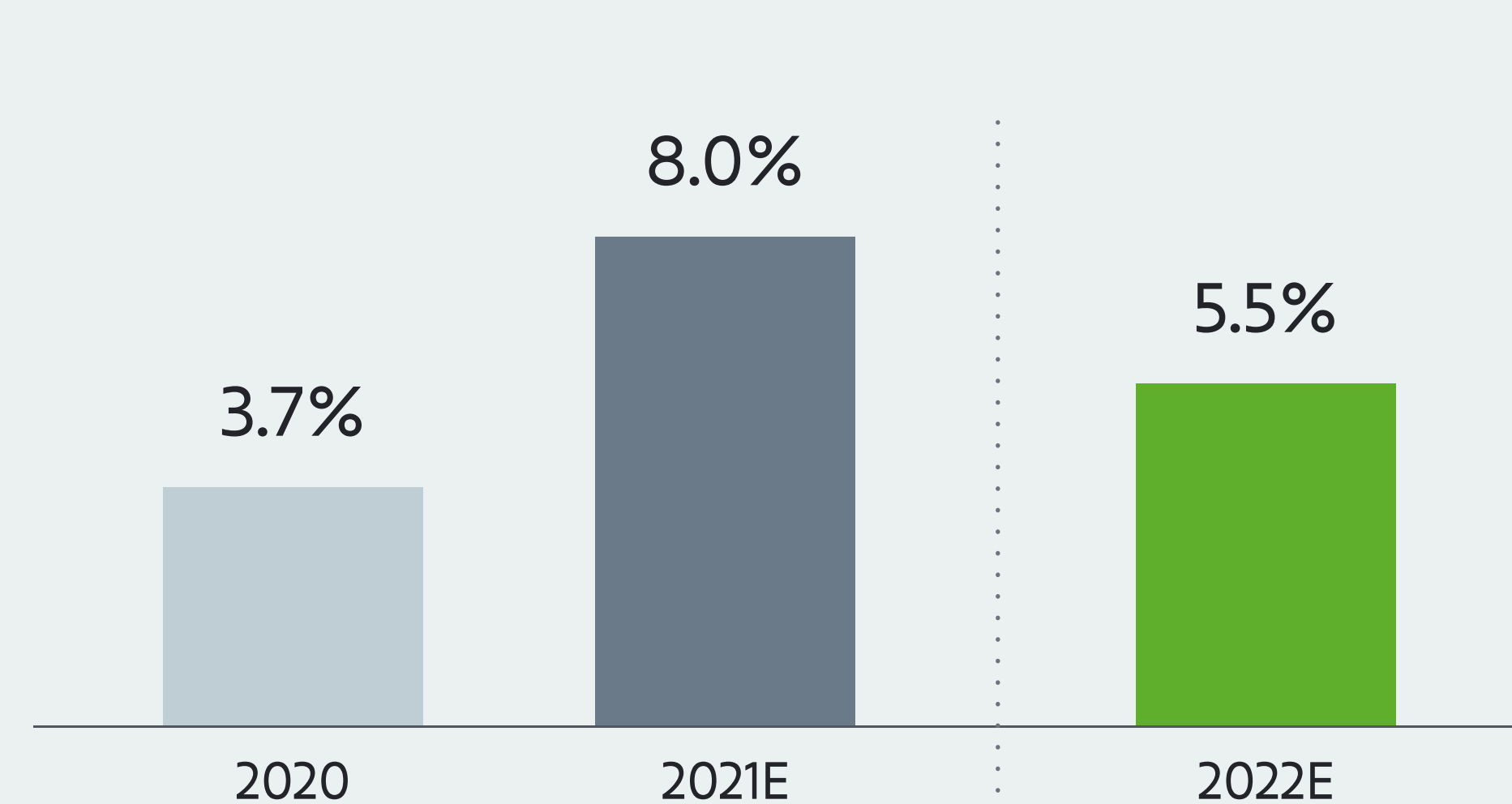
Real disposable income growth



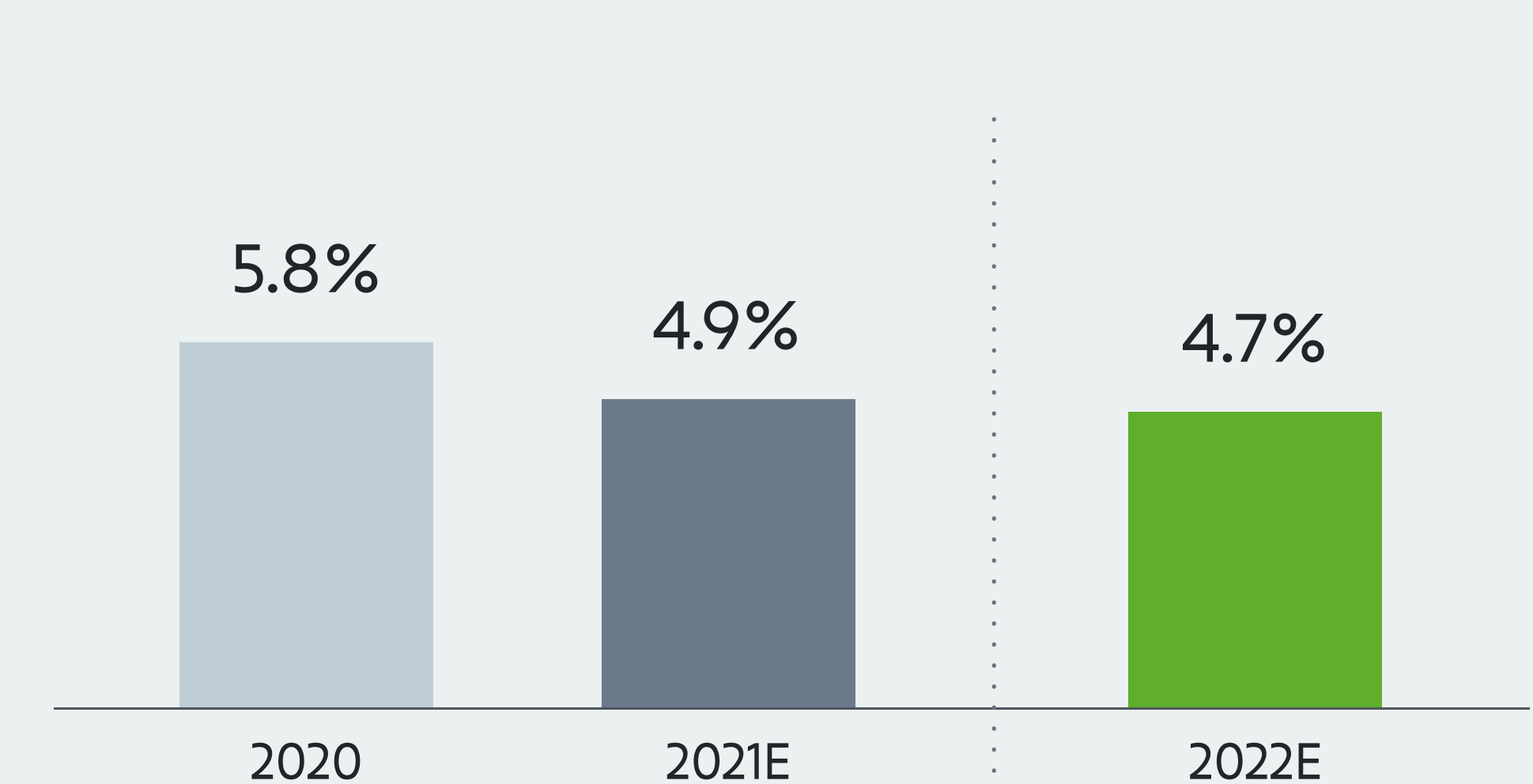
Food retail market growth



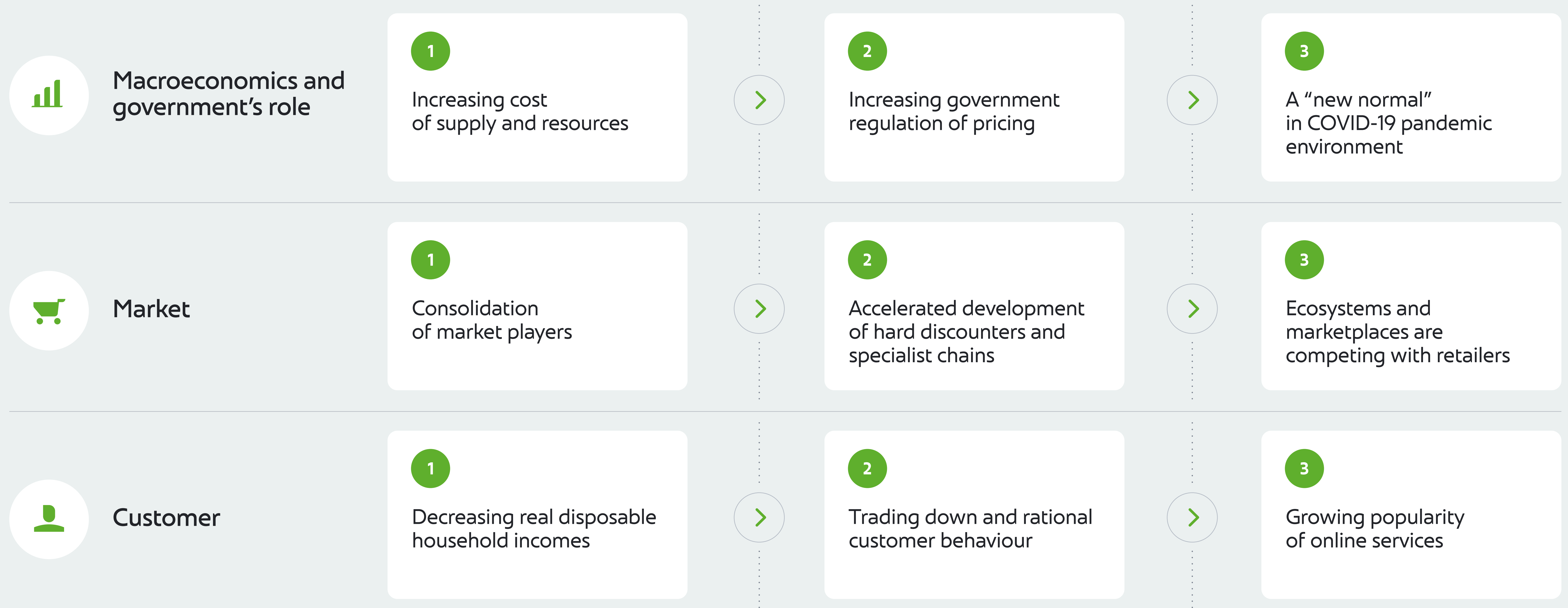
Food CPI



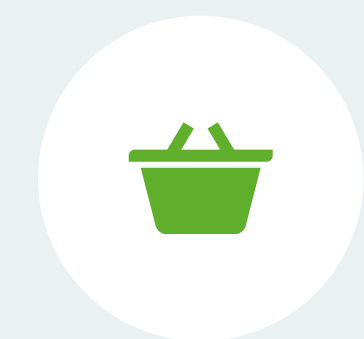
Unemployment rate



Russian food retail market trends



Converting challenges into opportunities



Growing competition in offline segment triggered by a decline in disposable household incomes



CVP rationalisation across our formats



Rollout of a hard discounter



Increasing cost of resources



Scaling up digital products in commerce, operations, supply chain, back office



Optimising supply chain network across X5



Leveraging purchasing power and scale of existing infrastructure



Growing ecosystems footprint in food



Developing digital infrastructure around customer journey to support core business

Media platform
Food.ru

Financial service
X5 Bank

Dark kitchen
service

Single ID
and subscription service

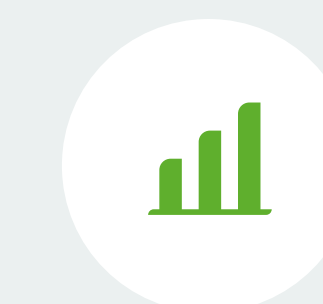
Online delivery
platform

X5's readiness to respond to challenges



¹ According to Romir & BCG survey, 2021

UPSIDE POTENTIAL



Adapting CVP to customer needs to increase presence in mass segment



Increasing efficiency of operating and capital expenses



Transforming organisational model to achieve greater speed and flexibility

ESG: 2020 progress against strategic goals



Planet

-9 % 2023 GOAL **-10%**

GHG emissions (Scope 1 + Scope 2) per sqm of selling space 2020 vs 2019

85 % 2023 GOAL **up to 95%**

of recyclable waste from X5 operations was sent for recycling ²

48 % 2023 GOAL **>50%**

of private label goods in sustainable packaging ¹

14 % 2023 GOAL **up to 40%**

of non-expired food waste was sent for reprocessing ²



Health

45.5 % 2023 GOAL **up to 50%**

share of fresh and F&V products ³

¹ Sustainable packaging is the recommended packaging, which is recyclable or made of recycled feedstock, among other materials (e.g. PET, PP, glass, cardboard/paper, metal).

² Calculation for X5 based on the results for 2 RC.

³ Calculation for X5 based on the results for 2 RC. The share is calculated from retail turnover.



Employees

77.7 % 2023 GOAL **>75%**

employee engagement

99.8 % 2023 GOAL **100%**

healthy and safe work environment for employees. The respective standard is to be rolled out across the Company



Communities

100 % 2023 GOAL **100%**

of Pyaterochka stores participate in Liza Alert programme to help people who are lost or disoriented

70 %

share of SMEs among X5 suppliers; X5 formed partnerships with 1,313 new Russian suppliers in 2020, including 189 sole proprietors and SMEs

142,000 2023 GOAL **2x vs 2019**

people received food aid as part of the Basket of Kindness project

2022 guidance



Annual revenue
growth **>10%**



New openings
at **1,700–2,000**
stores (gross)



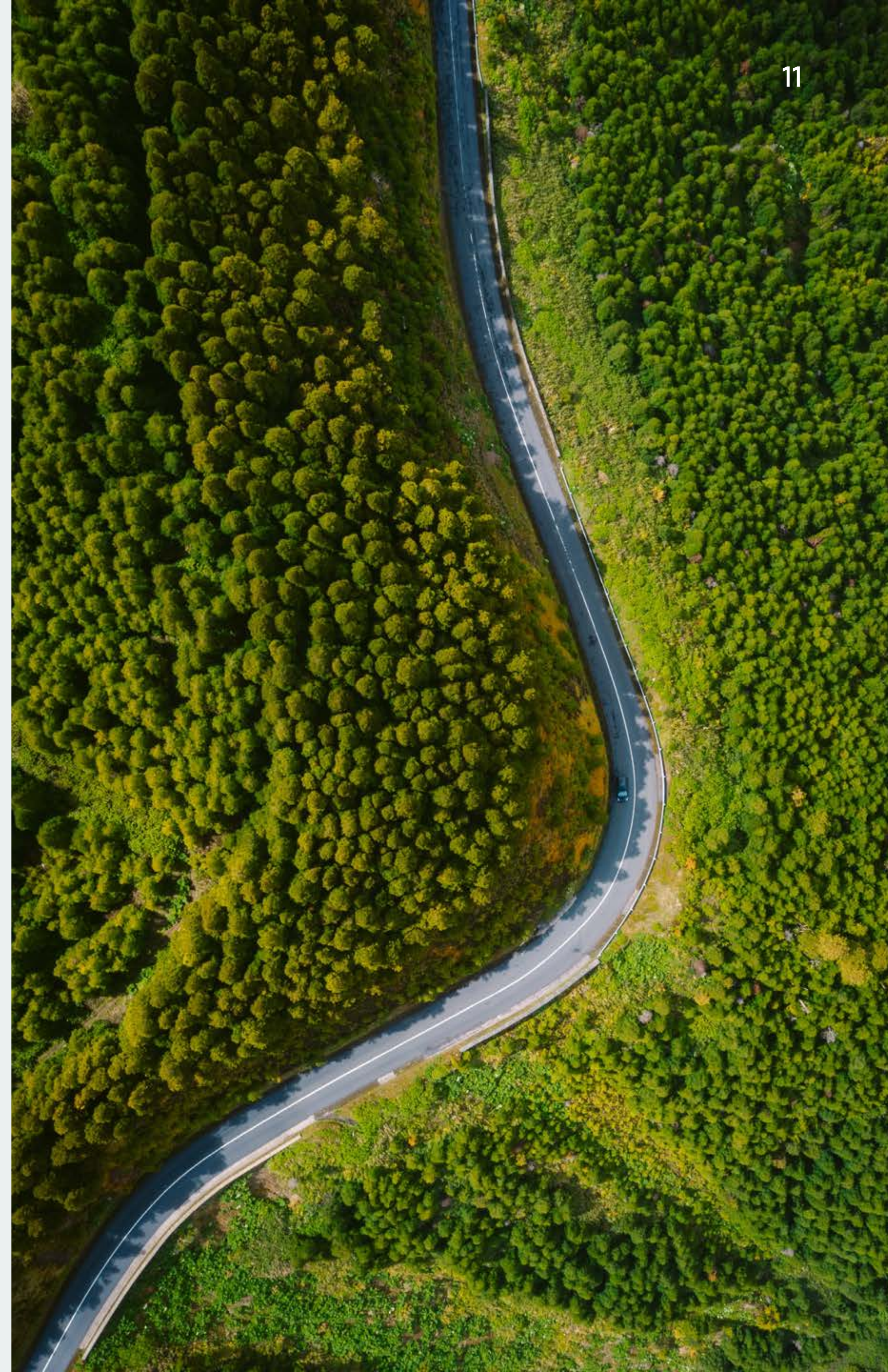
Capex growth rate
lower than revenue
growth rate



Maintaining level
of profitability **in line**
with **2020–2021**



Dividend payments
not less than in 2021





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Vladimir Salakhutdinov

Director of Strategy and Business Development

27 October 2021

TOTAL FOOD MARKET

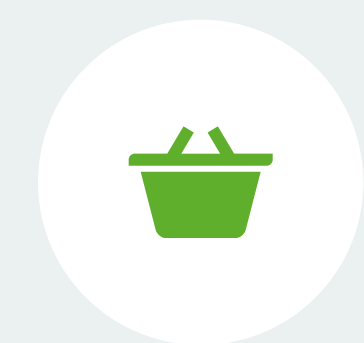
RUB 22,100 bln

RUB 24,750 bln



- Other (e.g., hypermarkets, traditional trade)

Converting challenges into opportunities



Growing competition in offline segment triggered by a decline in disposable household incomes



CVP rationalisation across our formats



Rollout of a hard discounter



Increasing cost of resources



Scaling up digital products in commerce, operations, supply chain, back office



Optimising supply chain network across X5



Leveraging purchasing power and scale of existing infrastructure



Growing ecosystems footprint in food



Developing digital infrastructure around customer journey to support core business

Media platform
Food.ru

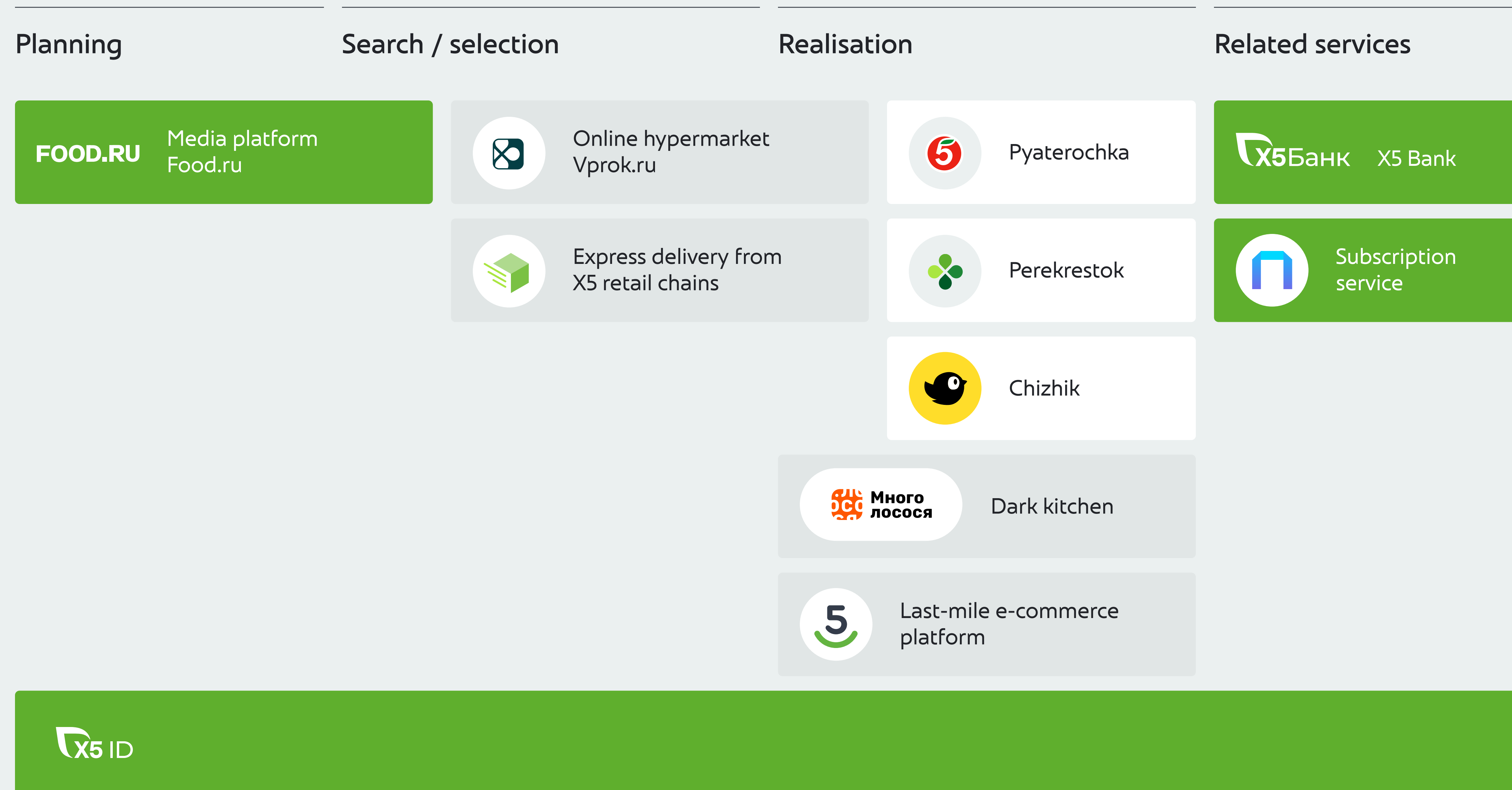
Financial service
X5 Bank

Dark kitchen
service

Single ID
and subscription service

Online delivery
platform





















Presence at all stages of customer journey



In 2021, we launched services covering all stages of the customer journey. They will enable the core business of the retail chains to:

- expand their customer base coverage
- improve customer journey convenience
- increase customer loyalty

X5 digital services impact

X5 BUSINESS	CUSTOMER ACQUISITION	INCREASING CUSTOMER RETENTION	REVENUE
 X5 Express Delivery			
 Vprok.ru Перекрёсток			
 5Post			
 Много лосося			
 X5 Media			
 X5 Bank			

>40 mln

MAUs in 2024E

>200 RUB bln

Total revenue impact /
GMV in 2024E



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Sergei Goncharov

General Director of Pyaterochka

27 October 2021



Pyaterochka offline

17,600

stores as of
30 September 2021
7.3% increase y-o-y

1.3 RUB trn

sales in 9M 2021
+10.8% y-o-y

20 %

share of private labels
in September 2021

8.4 %

EBITDA margin in H1 2021
+7 b.p. y-o-y

+44 RUB bln

growth of EBITDA
in regions in 9M 2021
vs 9M 2020

−0.2 p. p.

decrease in shrinkage
in 9M 2021 y-o-y

+6.4 %

increase in labour
productivity in 9M 2021
vs 9M 2020

46.4 mln

active loyalty card users
+3.0% y-o-y

12 points

NPS in Q3 2021
2× growth y-o-y



Pyaterochka express delivery

10.6 RUB bln

GMV in 9M 2021
3.9× growth y-o-y

8.6 mln

mobile app MAUs
+36.5% y-o-y

>23 mln

customers covered per
month via CVM personal
offers

7.2 mln

number of express delivery
orders for 9M 2021
4.6× growth y-o-y

>392 mln

product ratings received
in 9M 2021
5.6× growth y-o-y

>7

CVM communication
channels

1,405 RUB

average ticket
-17.0% y-o-y

4.8

average product score
for private label products



New concept

>4,000

stores (23% of store base)

DOUBLE
DIGIT

LFL growth

Key results

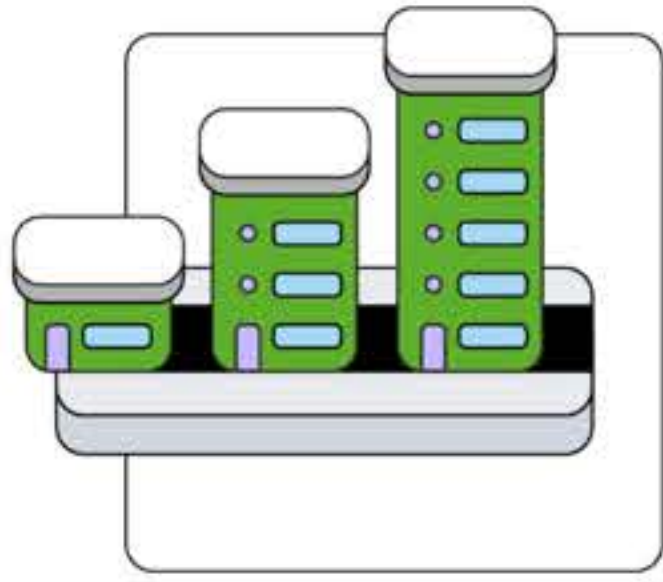


Capex reduction per sqm

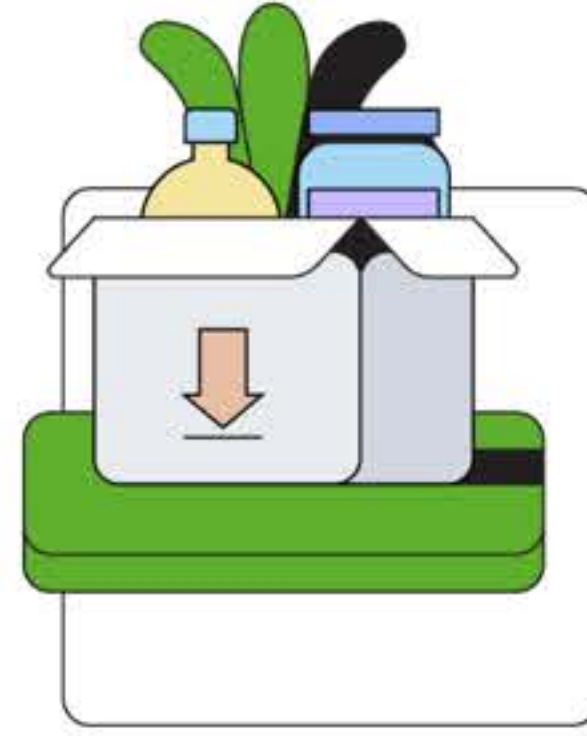
1.4×

amount by which the NPS
in the new concept exceeds
Pyaterochka average

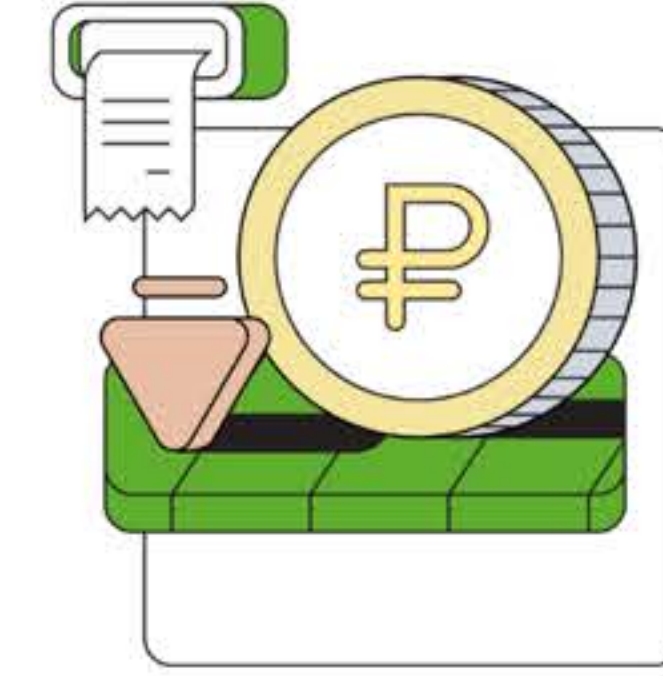
Key challenges



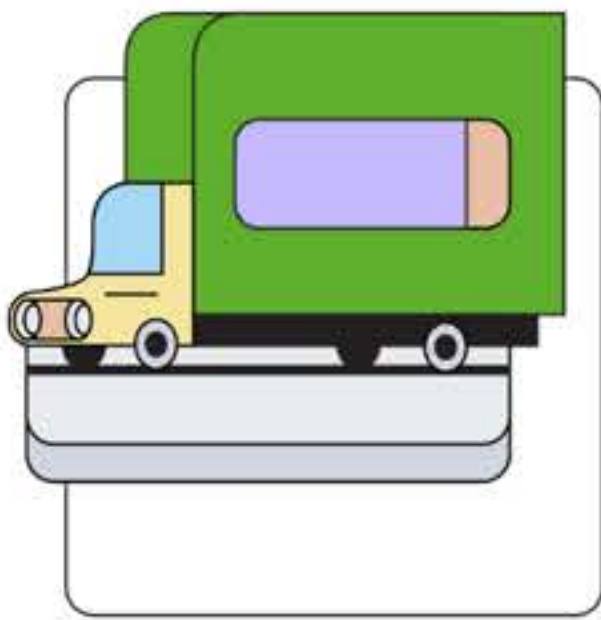
LFL sales growth



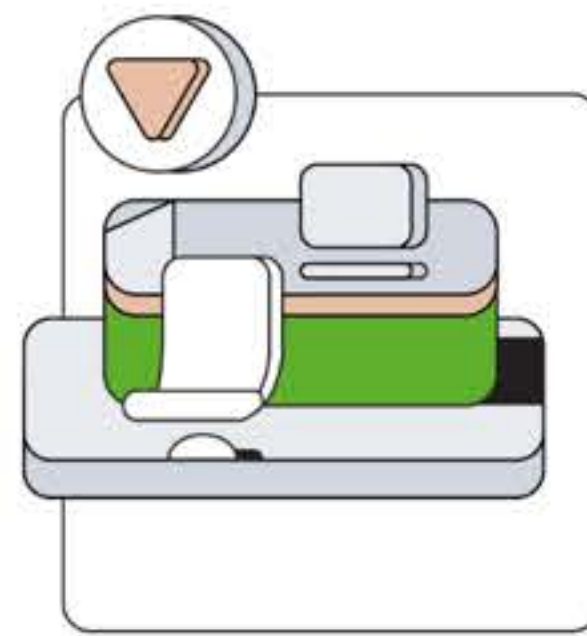
Capex reduction



Reduction
in operating costs



Need to increase
logistics capacity

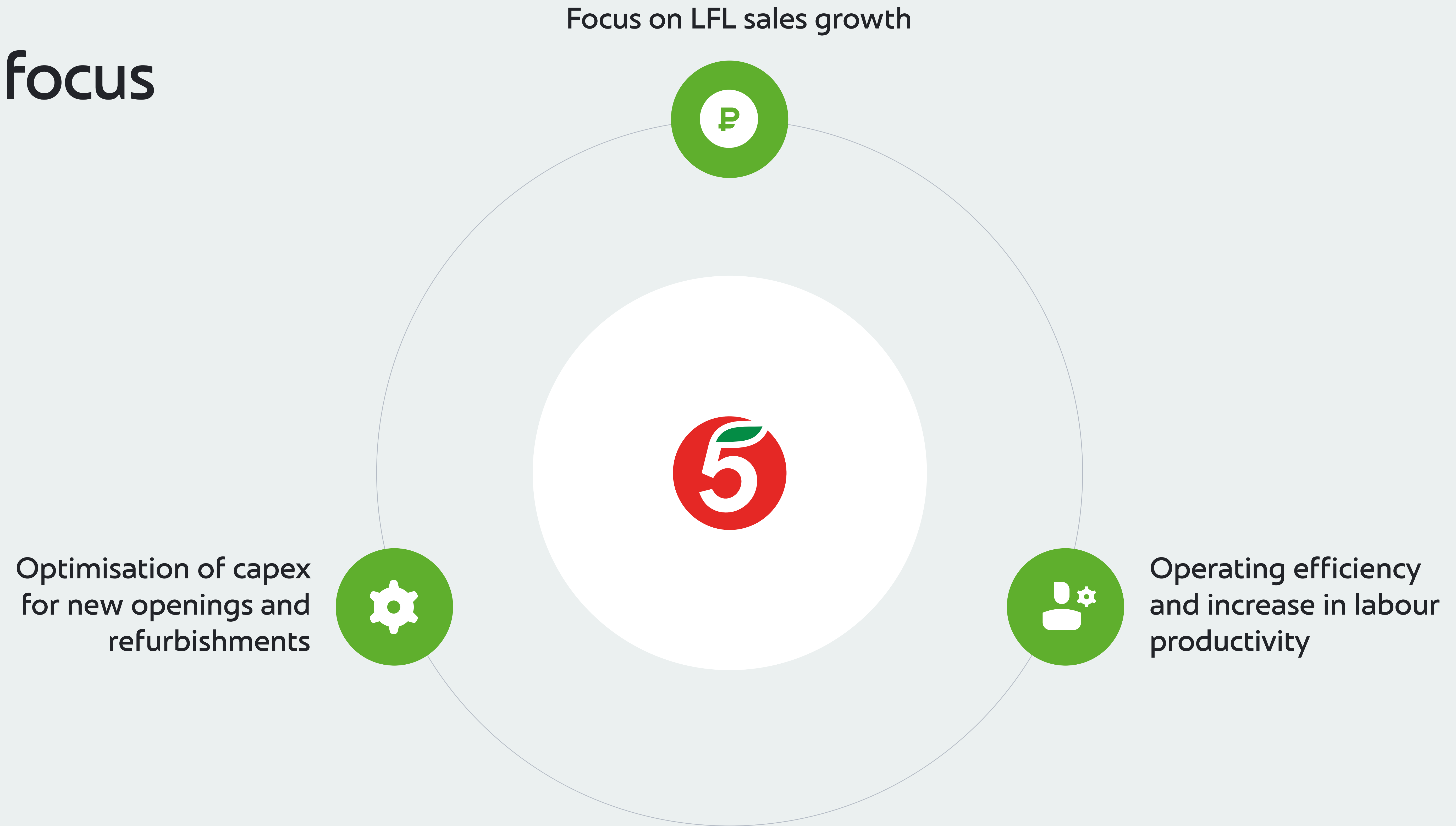


Labour shortage



Decrease in customers'
purchasing power

Key focus



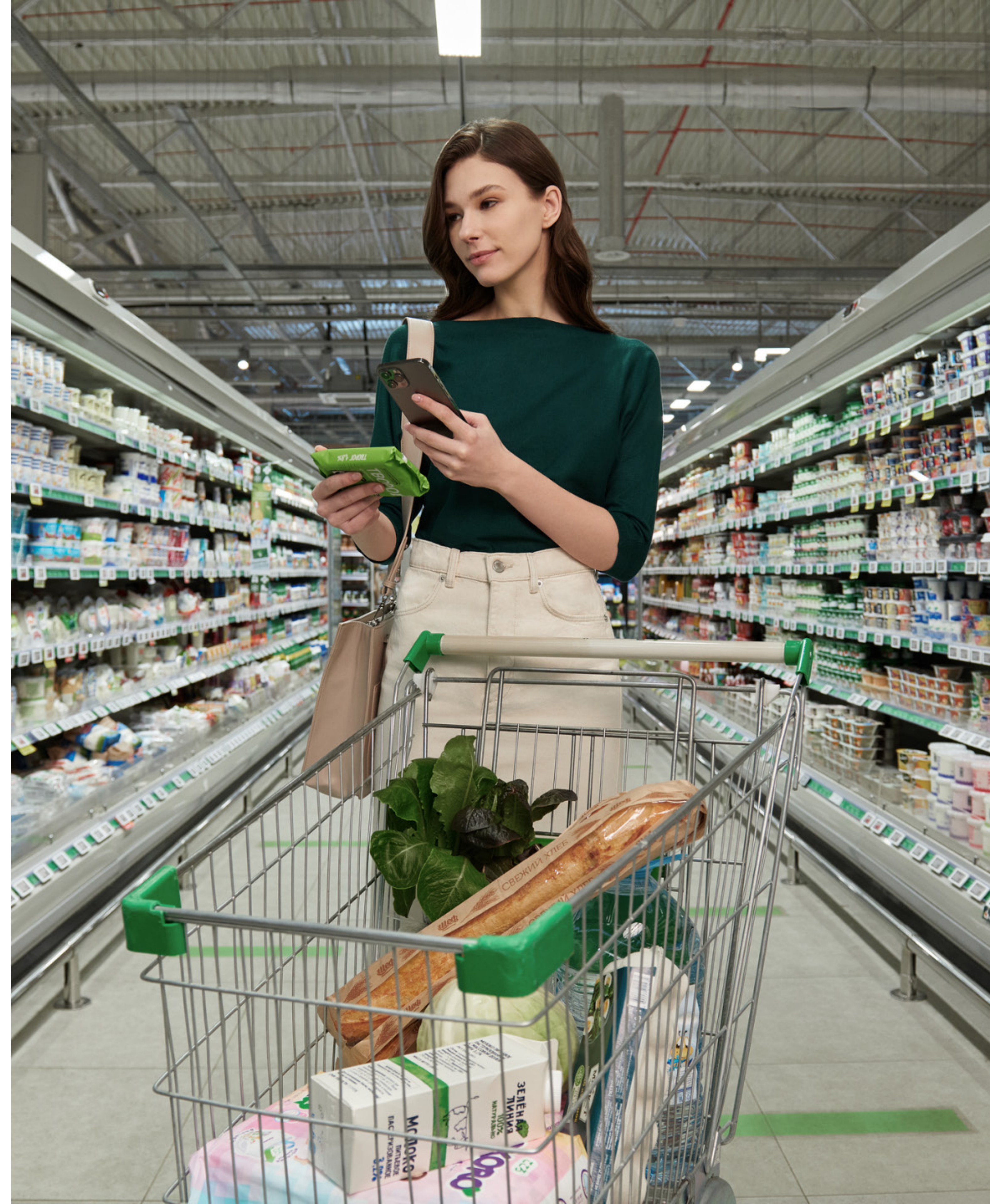


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Vladislav Kurbatov

General Director of Perekrestok

27 October 2021



Perekrestok offline

980

supermarkets
+75 stores y-o-y

6.1 %

EBITDA margin
in H1 2021

189

stores in new concept
(19% of store base)

251 RUB bln

net retail sales in 9M 2021
+14.0% y-o-y

1.8 mln

customers daily
+11.3% y-o-y

NPS 28

points
+1 point y-o-y

2.9 %

LFL sales growth
in 9M 2021

14 mln

active¹ loyalty card users
+3.3% y-o-y

15 %

private label share in sales
as of September 2021
+3 p.p. y-o-y

¹ Customers who made at least one purchase during the last quarter



Perekrestok express delivery

8.3 RUB bln

GMV in 9M 2021
19.4× growth y-o-y

576

stores with express delivery
service (59% of store base)

16 ths

SKUs rated

4.7 mln

number of express delivery
orders in 9M 2021
20.1× growth y-o-y

2.6 mln

mobile app MAUs
+42.6% y-o-y

4.8

average product rating
+0.05 points y-o-y

1,659 RUB

average ticket in 9M 2021
-5.3% y-o-y

3.3 mln

product ratings in 9M 2021
29× growth y-o-y

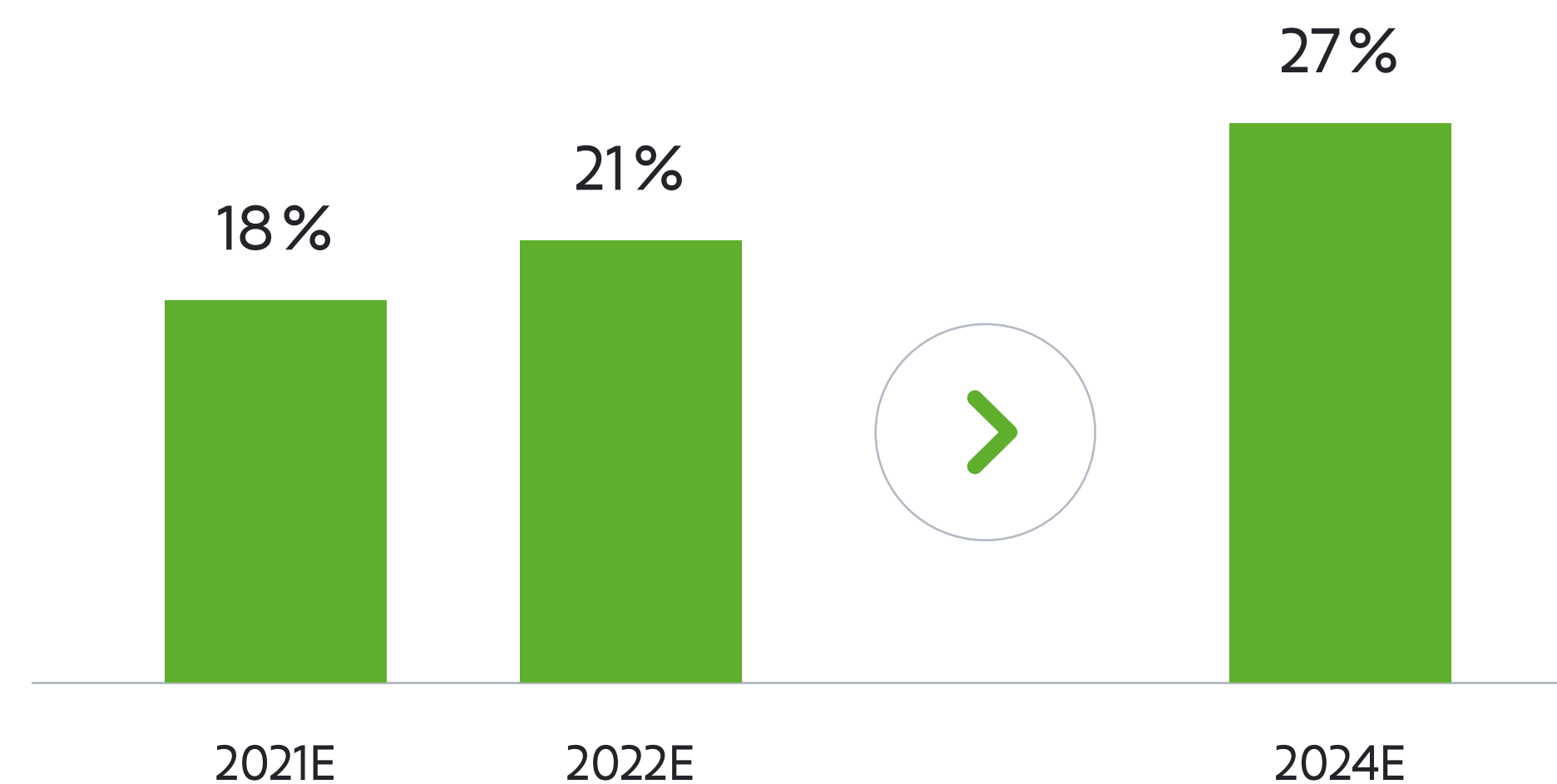


Differentiation points to drive loyalty

Private labels

- **Vision:** top of mind in each category
- **Differentiation factors:**
 - Best quality at a reasonable price
 - Natural ingredients, healthy choice (Green line)
 - Sustainable development

Private label share in sales



Healthy lifestyle

- **Key target:** to improve customers' perception of Perekrestok as a leader in the healthy lifestyle category in terms of both assortment and quality
- Commitment to leadership in the healthy lifestyle category is based on implementation of healthy lifestyle initiatives and education
- Healthy lifestyle assortment in all categories
- Improved quality and freshness in basic categories
- Increased affordability (private labels, promo)

TO BECOME

No.1

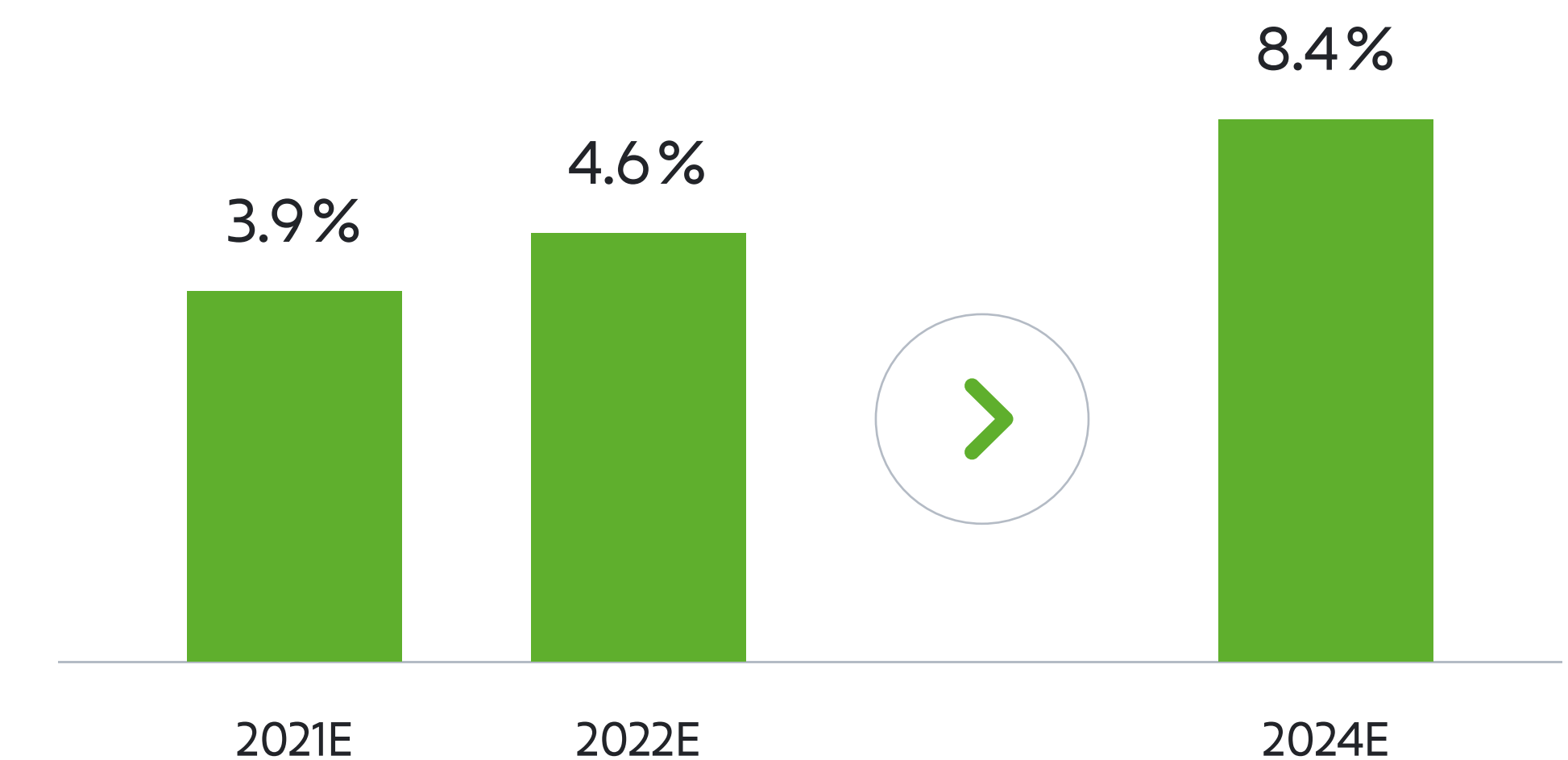
in price/quality perception
by 2024



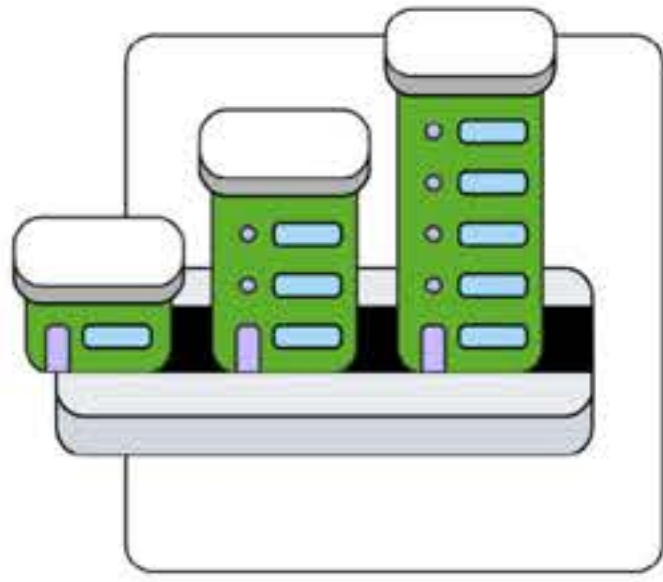
Ready-to-eat

- **Extensive offer:** covering maximum share of customer needs
- **Easy to reach:** online & offline
- **New category:** ready-to-cook
- **Customer feedback:** use of customer ratings in product development

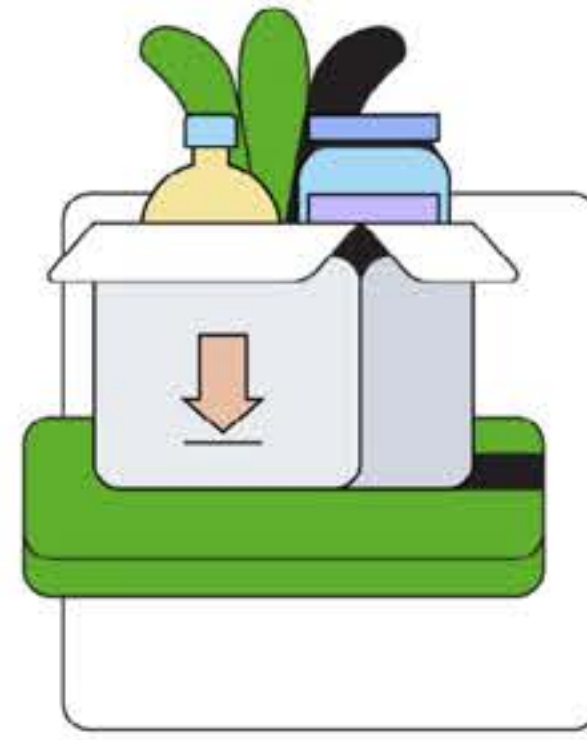
Share of ready-to-eat in sales



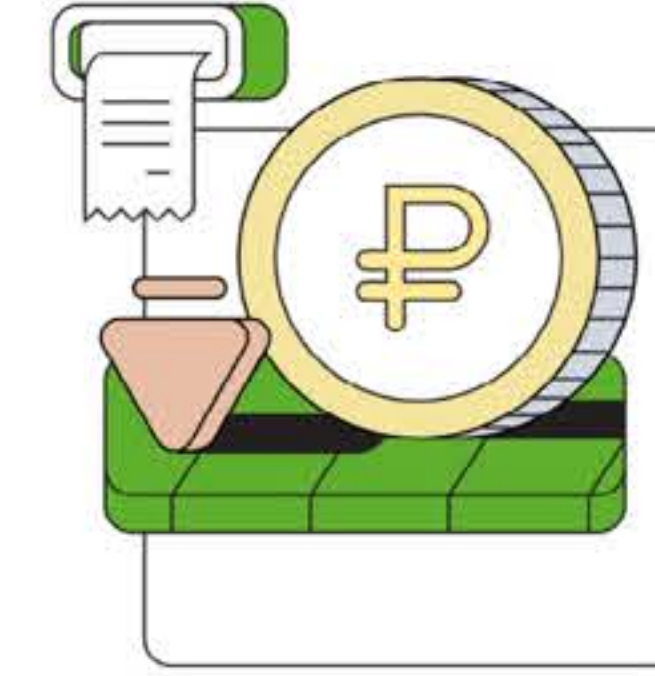
Key challenges



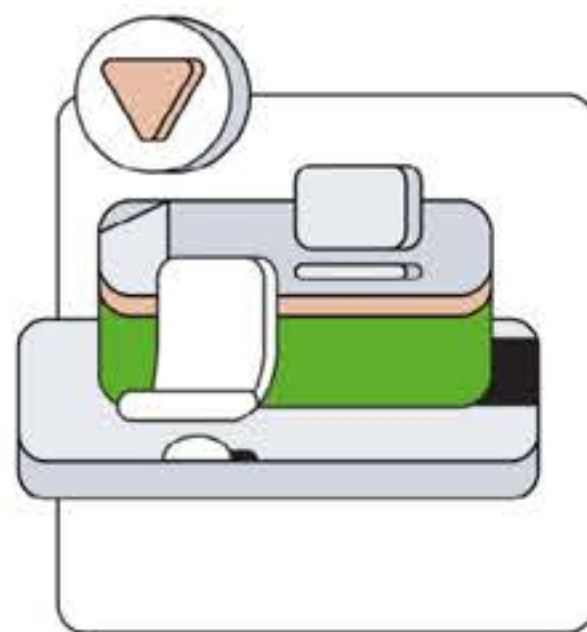
LFL sales growth



Reduction in capex
and operating costs



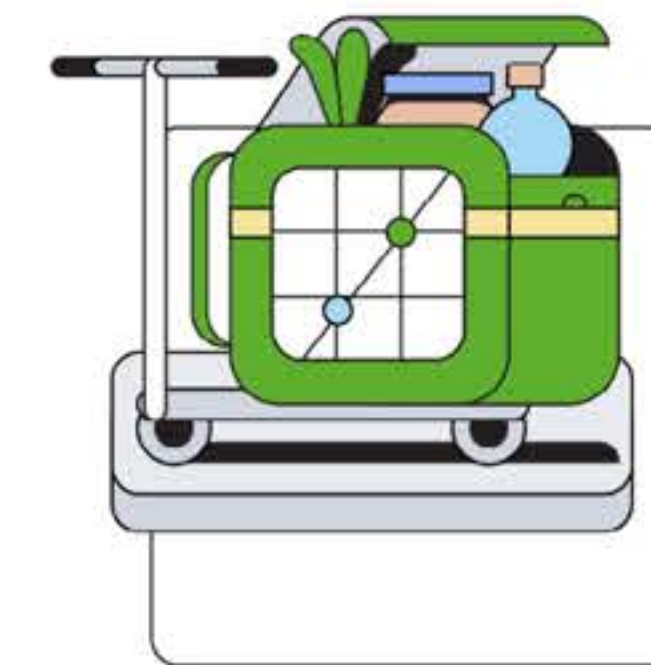
Growing popularity
of smaller-size proximity
stores



Slow recovery of traffic
especially in shopping malls

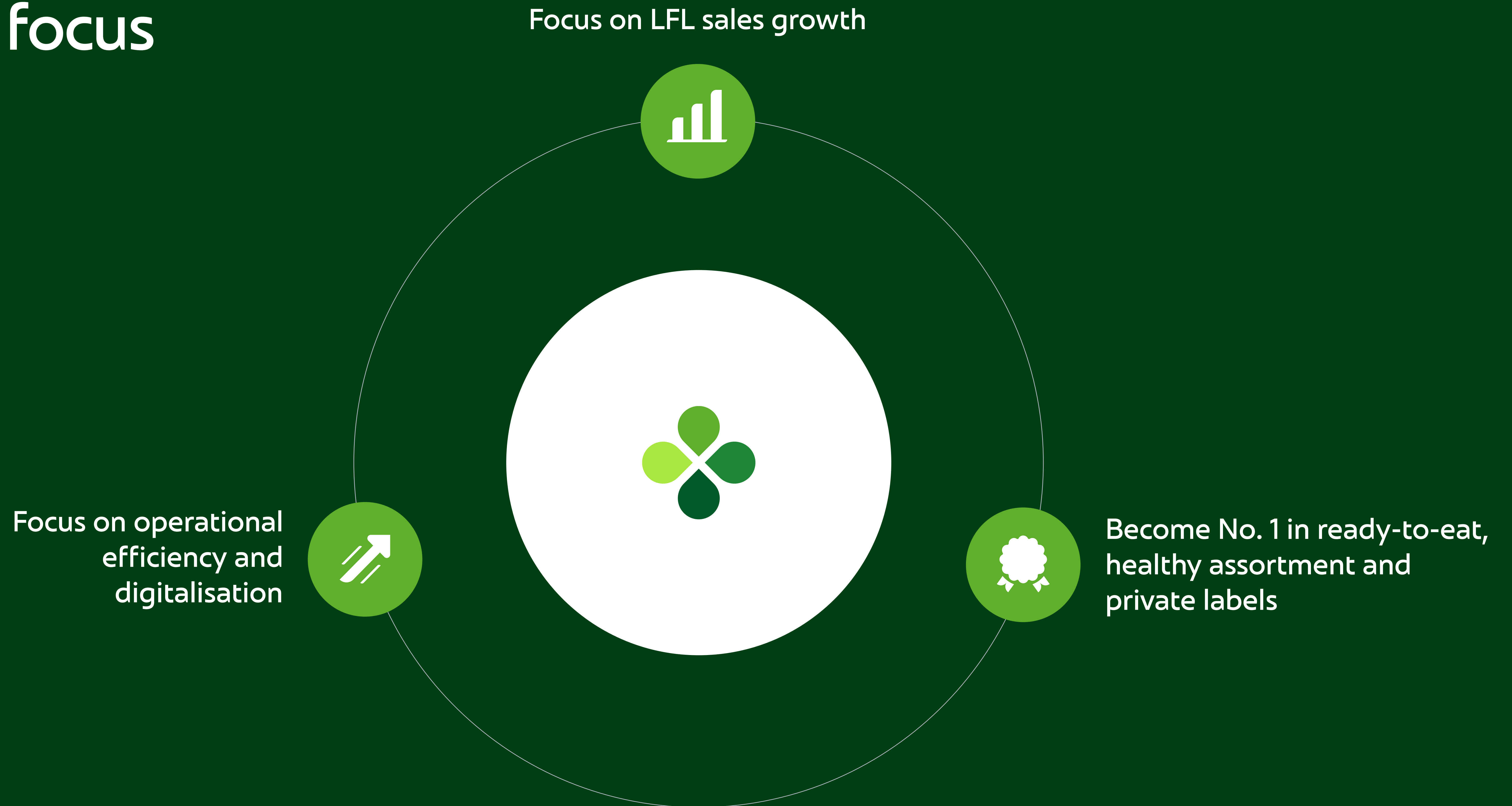


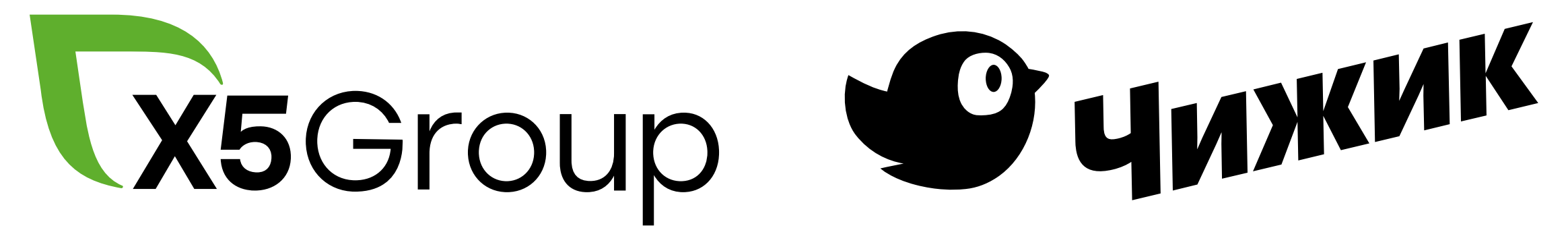
Decreasing real disposable
household incomes



Increasing competition
with e-grocery players

Key focus





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Ilya Yakubson

Director of Chizhik

27 October 2021



Key format highlights

250–300_{sqm}

of store selling space

750–800_{SKUs}

in the assortment

75%

target share of private label assortment

7–9_{RUB mln}

net capex per store (excl. VAT)

UP TO 50%

higher return on investments compared to average proximity format figures

SALES DENSITY > 50%

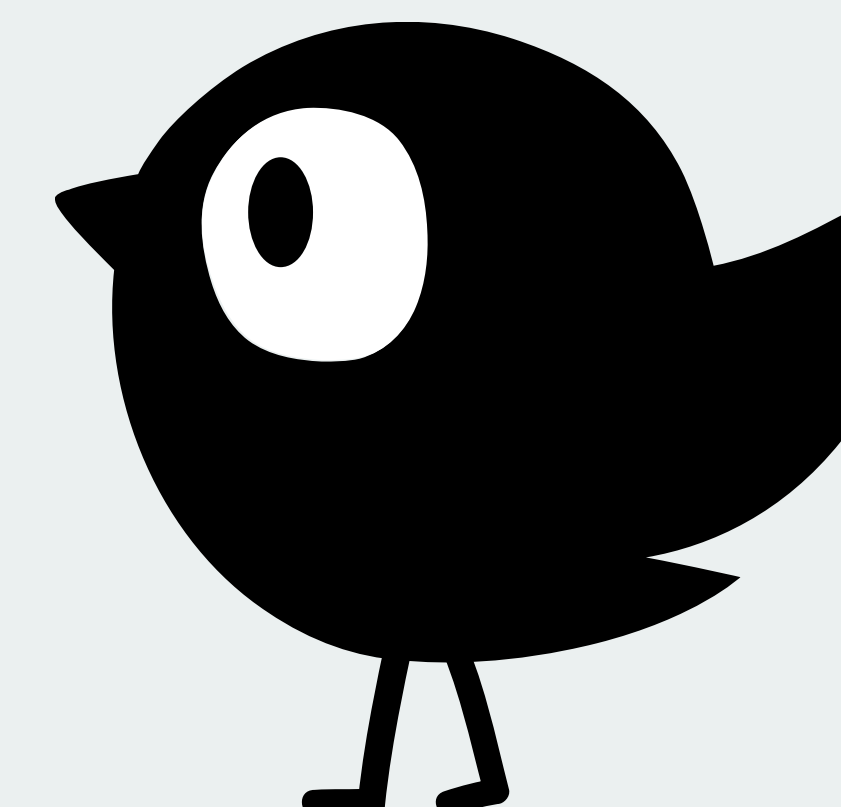
sales density higher than market leaders

EDLP

price strategy

7

employees per store



Key differentiation factors – CVP



Price

- EDLP positioning
- Savings of up to 20%–25% compared with peers



Convenience

- Close proximity to households
- Narrow assortment – saving time on product choice



Assortment

- Basic assortment covering 50%–60% of customer needs
- High quality of private labels in line with top brands



Atmosphere

- Young, friendly in-store personnel
- Modern, simple stores



Social responsibility

- Affordable prices
- Taking care of families by saving time and money (food budget)



Private labels

Our aim is to make private labels market leaders



Product

- Market leader quality
- Customer tests
- Proper ingredients



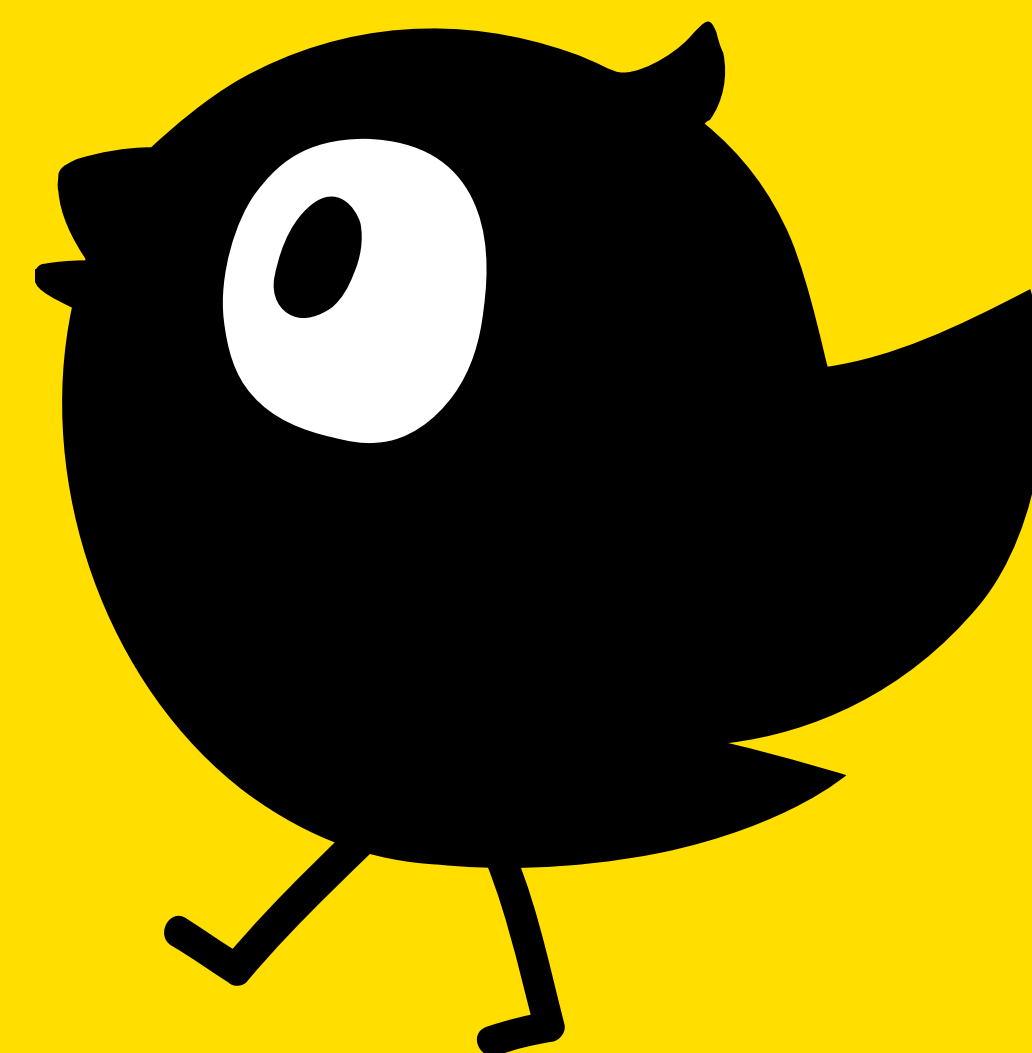
Packaging

- Development of packaging
- Development of SRP boxes
- Working with mix boxes

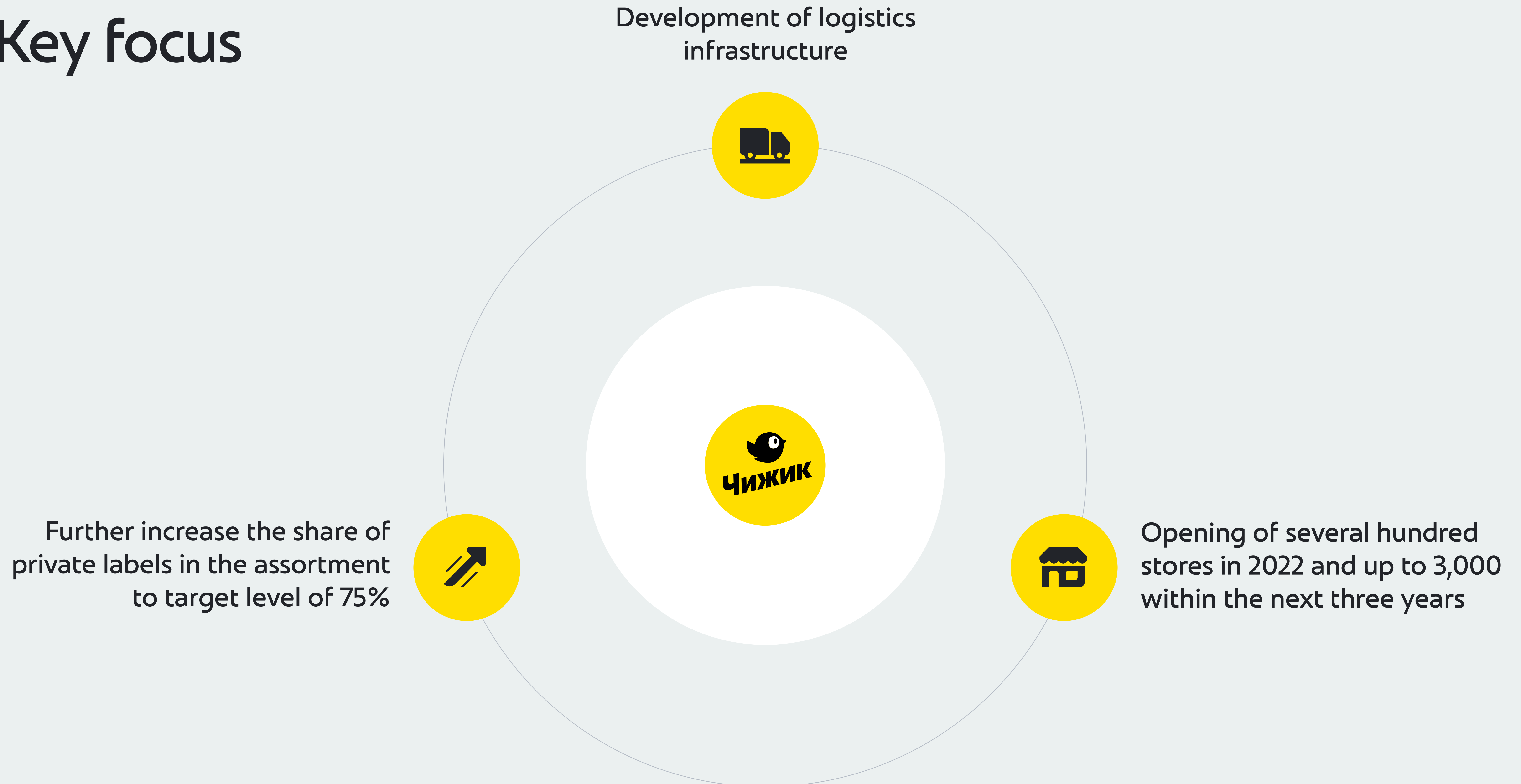


Price

- EDLP strategy
- 20%–30% gap to brand names
- 10%–15% gap to private labels



Key focus





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Vsevolod Starukhin

Chief Financial Officer

27 October 2021

9M 2021 results overview

Q3 profitability in line with 2020, outlook for FY 2021 EBITDA margin solid

1,597 RUB bln

Revenue
+10.2% y-o-y

25.4%

Gross margin
+49 b.p. y-o-y

65.1 RUB bln

Capex
+5.2% y-o-y

3.7%

LFL sales

7.6%

EBITDA margin
-19 b.p. y-o-y

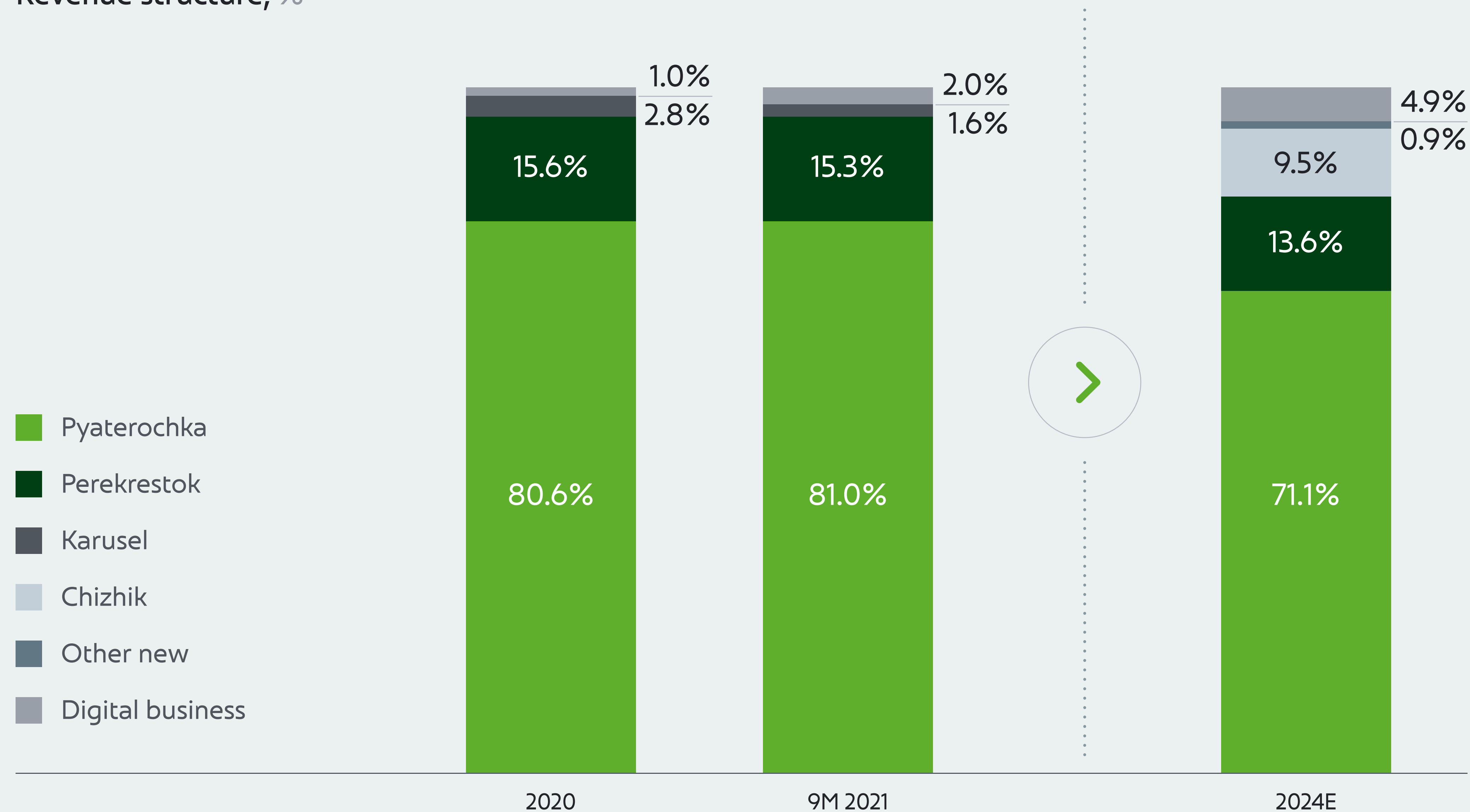
1.50x

Net debt / EBITDA

Revenue growth drivers

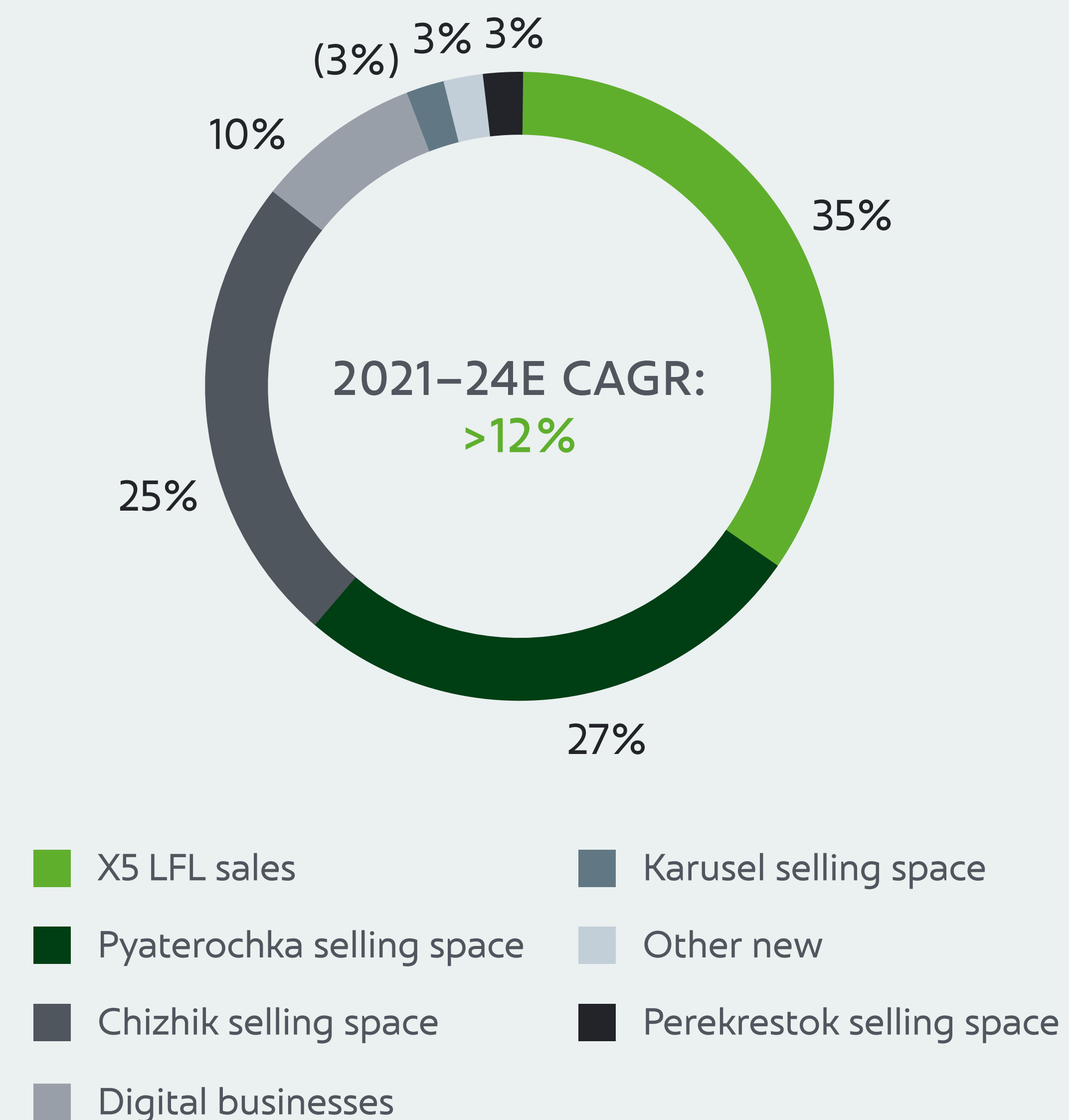
Offline to lead growth, online contribution to grow

Revenue structure, %



Source: X5 data

Revenue growth structure 2021–24E, %



Focus on operational efficiency of the core business

Key elements



Big data

Initiatives

- ✓ Speed and efficiency of decision-making

- ✓ Automation and improvement of core processes:
 - Promo: automated personalised customer offers, reducing the share of mass promo
 - Pricing: automated pricing system increasing the front margin
 - Assortment: using automated category analysis tools to manage assortment
 - CVM system for managing targeted marketing campaigns



Operational efficiency

- ✓ More efficient in-store processes:
 - digital price tags
 - self-checkout
 - express scan
 - workforce management initiatives
 - acceleration of stock acceptance process

- ✓ Digitalisation of commercial processes: launch of an online portal for suppliers

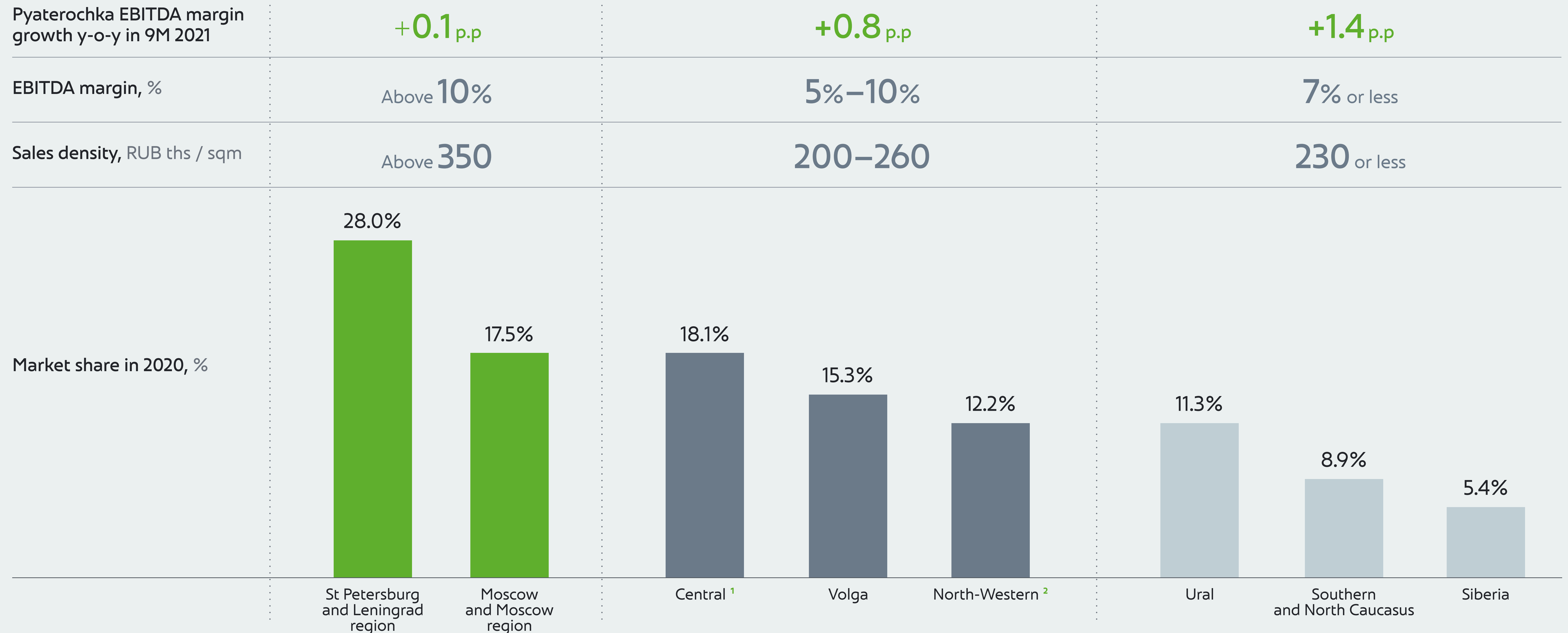


Logistics

- ✓ Optimising inventories through development of a multilayer logistics infrastructure
- ✓ Improving transportation efficiency, focusing on cost optimisation and OTIF metrics
- ✓ Continuous digitalisation of the supply chain using leading IT systems and machine learning
- ✓ Focus on innovation and development of logistics technologies in transportation and at distribution centres

Margin improvement opportunities via regional growth

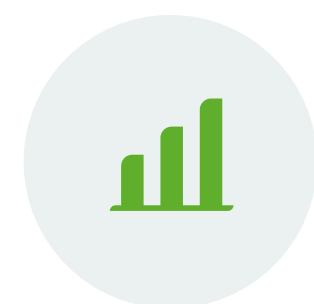
Larger market share driving higher profitability



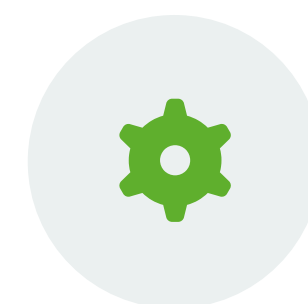
EBITDA margin drivers

Efficiency gains of core businesses to fuel new growth opportunities

Key drivers



Private labels and direct import share growth to drive gross margin



Operating costs optimisation driven by digital transformation initiatives and leveraging scale of business



Regional growth contribution

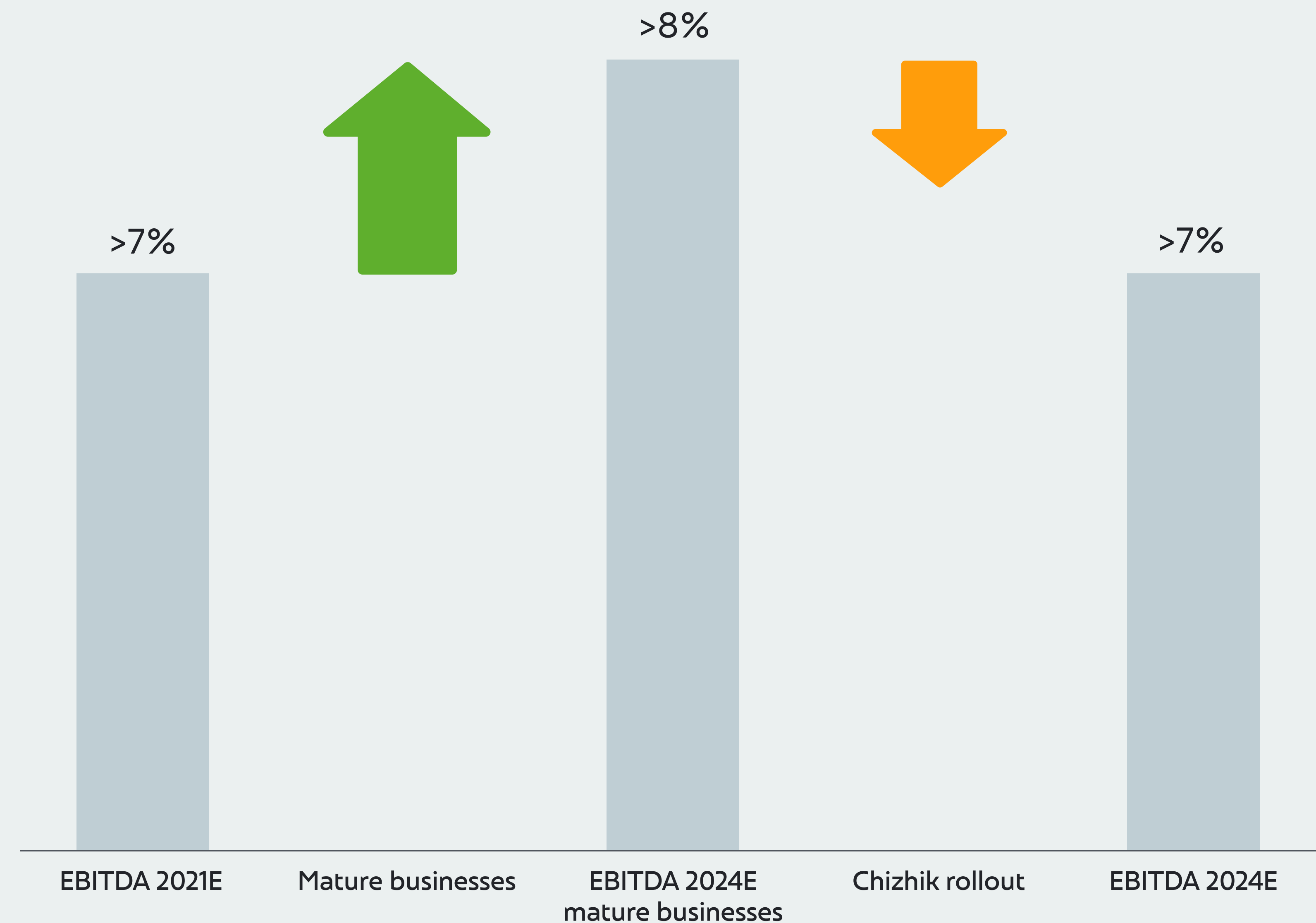


Increasing efficiency of digital businesses



Intensive Chizhik rollout

EBITDA margin 2021–24E dynamics, %



Capex efficiency in focus

Capex reduction as % of revenue

Continue ambitious space expansion:

4,000+ proximity store openings, 200+ supermarkets and aggressive Chizhik roll out — 3,000+ stores

Increasing efficiency of refurbishments:

based on stores traffic intensity, equipment renewal and repairs based on extended stores lifecycles

Logistics development

(transport and DCs) in line with expansion of retail networks, with more efficient transport maintenance and utilisation

Driving business processes efficiency:

key processes digitalisation with high investments return (IRR >100%)

New businesses

will strengthen and drive further X5 leadership and growth

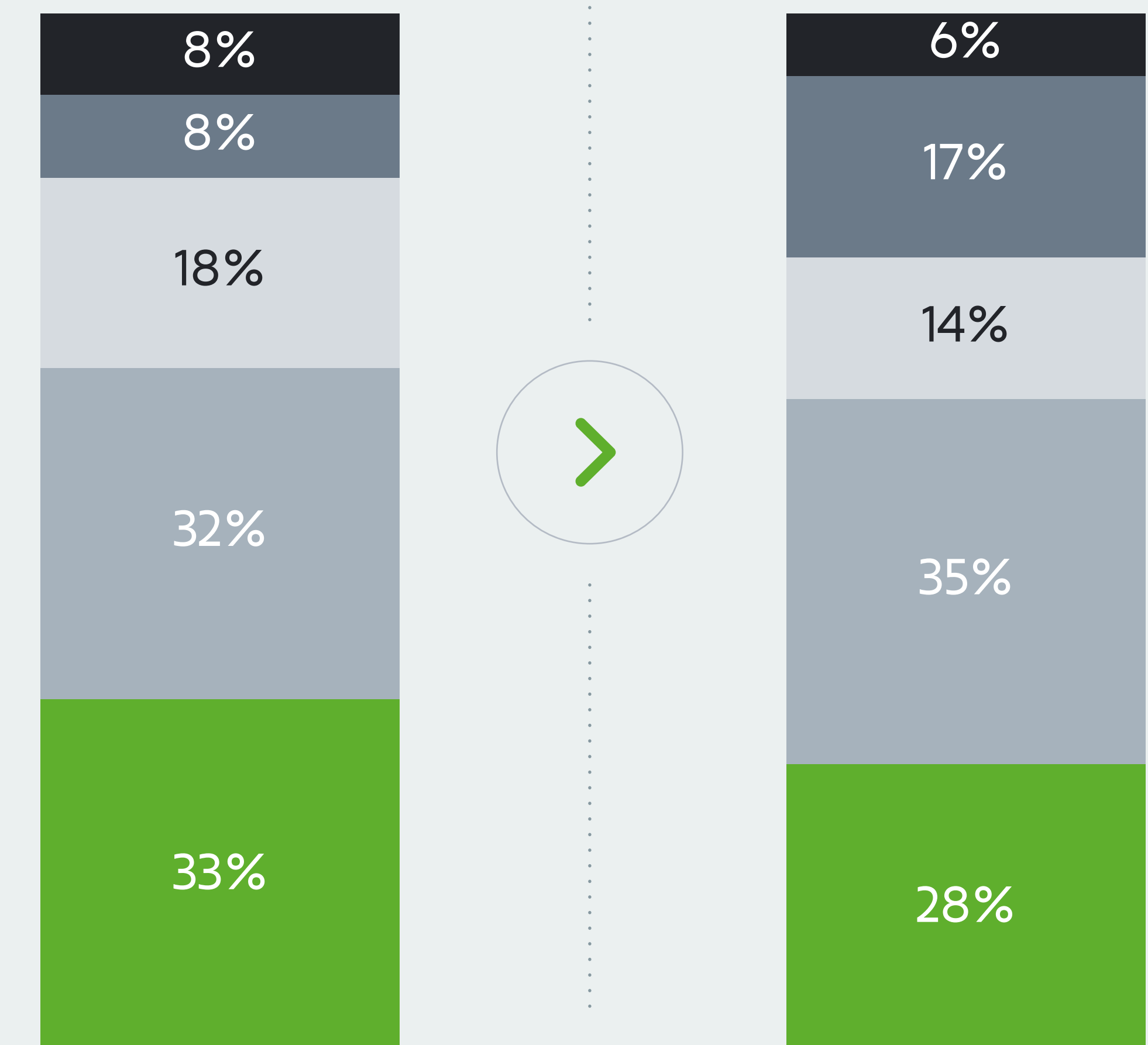
Capex structure development

Capex as % of revenue

4.7%

<4.5%

- New openings
- Refurbishments and maintenance
- Efficiency projects
- Logistics
- New businesses

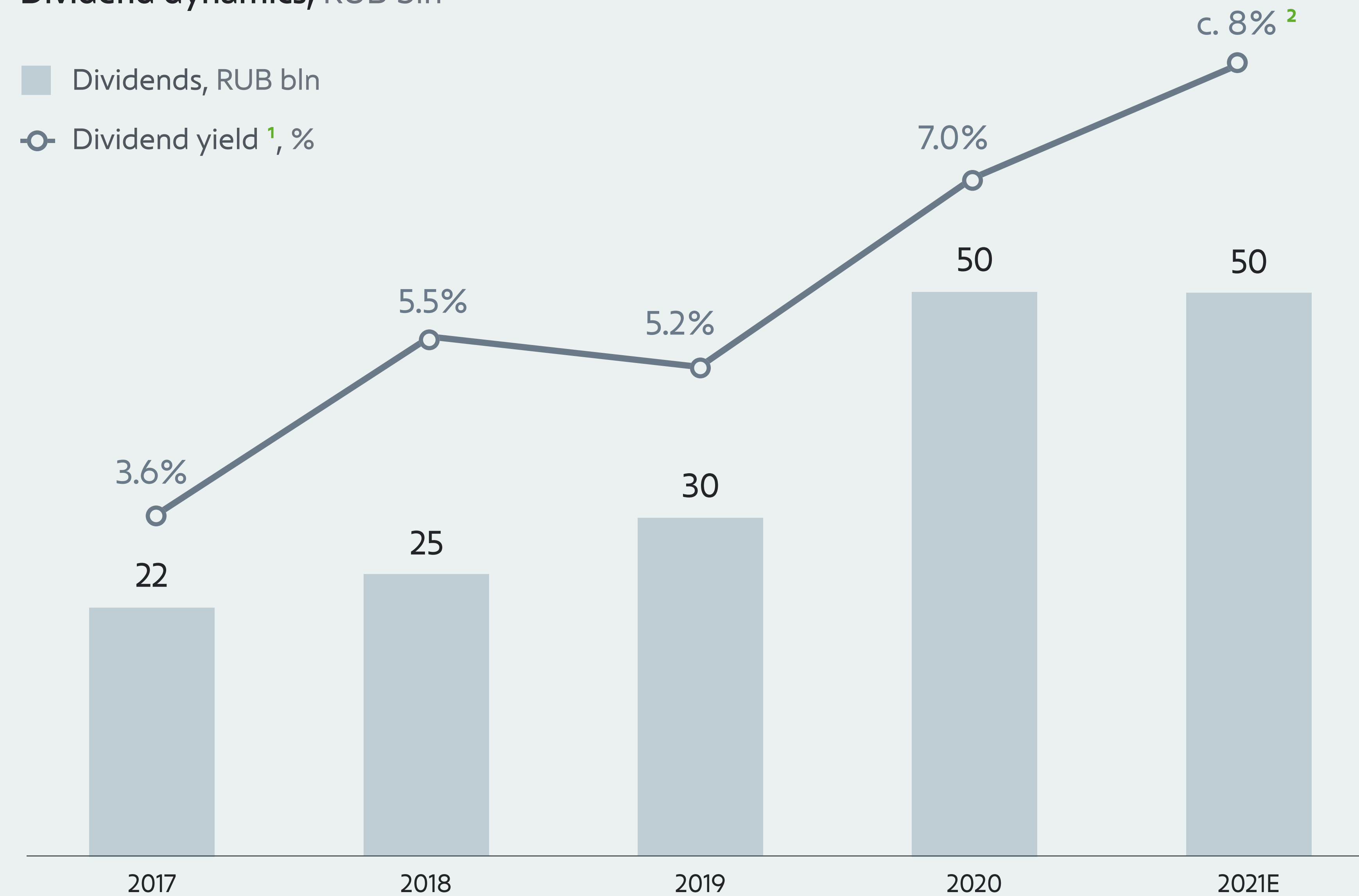


2021E

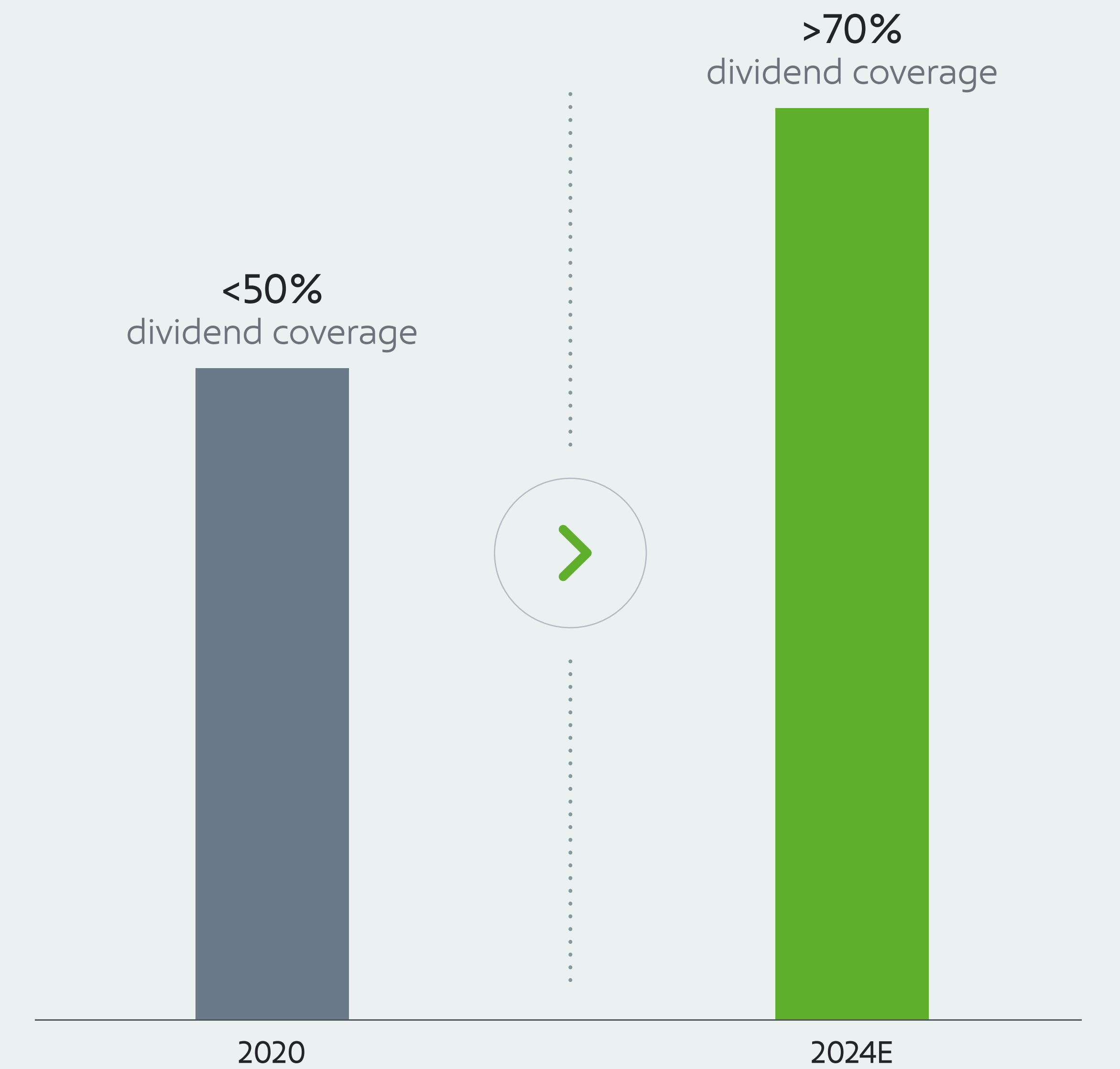
2024E

Increasing dividend coverage by free cash flow

Dividend dynamics, RUB bln



Coverage of dividends by free cash flow



Source: X5 data

¹ Calculated as annual dividend per share divided by average share price since last ex-dividend date

² Based on current share price

2024 financial goals

IAS 17 basis



2021–24E revenue
CAGR: **>12%**



Market share
above 15% in 2024



2024 EBITDA
margin of **>7%** (**>8%**
for mature businesses)



Full dividend
**coverage by net
income** by 2024



Net financial debt /
EBITDA **<1.8×**



ROIC (NOPAT-based)
increase of at least
3 p.p. by 2024