

O'KEY Group S.A. (OKEY)

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Press release

30 January 2020

O'KEY GROUP ANNOUNCES OPERATING RESULTS FOR Q4 AND 12M 2019

O'KEY Group S.A (LSE: OKEY, the 'Group') announces its unaudited operating results for the fourth quarter and twelve months of 2019.

All materials published by the Group are available on its website www.okeygroup.lu.

12M 2019 operating highlights

- Underlying Group net retail revenue, excluding the effect of the supermarket business sale, increased by 3.0% YoY to RUB 163,154 mln.
- Underlying net retail revenue generated by O'KEY hypermarkets increased by 0.3% YoY to RUB 145,298 mln in 12M 2019.
- Net retail revenue generated by DA! grew by 31.7% YoY to RUB 17,856 mln in 12M 2019, supported by a steady growth in traffic (up 24.5% YoY) and the average ticket (up 5.8% YoY).
- Like-for-like (LFL) net retail revenue of the Group increased by 0.9% YoY in 12M 2019 due to a 0.9% YoY increase in the LFL average ticket.
- Like-for-like (LFL) net retail revenue generated by O'KEY hypermarkets decreased by 0.4% YoY in 12M 2019, driven by a 1.8% YoY decrease in LFL traffic and a 1.4% YoY increase in the LFL average ticket.
- Like-for-like (LFL) net retail revenue generated by DA! increased by 14.9% YoY in 12M 2019, driven by a 8.6% YoY increase in LFL traffic and a 5.8% YoY growth in the LFL average ticket.
- 19 discounters were opened in 12M 2019.

Q4 2019 operating highlights

- Group net retail revenue increased by 1.1% YoY to RUB 46,152 mln.
- Underlying net retail revenue generated by O'KEY hypermarkets decreased by 1.4% YoY to RUB 41,136 mln in Q4 2019 as a result of lower basket size due to weaker performance in December, which was triggered by short-term factors such as abnormal weather conditions influencing customer sentiment towards seasonal categories, and one-off events such as the renovation of one of our shopping malls, to be completed in Q2. If we exclude one-off factors, increases in top-line metrics in December would have been in line with the trends we observed in October and November. We have also noticed that December saw a deflation in prices.
- Net retail revenue generated by DA! grew by 26.8% YoY to RUB 5,016 mln in Q4 2019, supported by a steady growth in traffic (up 22.4% YoY) and the average ticket (up 3.7% YoY).
- Like-for-like (LFL) net retail revenue of the Group decreased by 0.3% YoY in Q4 2019, driven by a 1.6% YoY increase in LFL traffic and a 1.8% YoY decrease in the LFL average ticket.
- Like-for-like (LFL) net retail revenue generated by O'KEY hypermarkets decreased by 1.4% YoY in Q4 2019, driven by a 0.4% YoY increase in LFL traffic and a 1.7% YoY decrease in the LFL average ticket.
- Like-for-like (LFL) net retail revenue generated by DA! increased by 11.4% YoY in Q4 2019, driven by a 7.5% YoY increase in LFL traffic and a 3.7% YoY growth in the LFL average ticket. The Group's discounters saw continued gradual improvements in LFL traffic.
- 14 discounters were opened in Q4 2019.

Stores development of the Group

Indicator	Q4 2019	Q4 2018	Net change	Change (%)
Number of stores	178	160	18	11.3%
Number of net store openings	14	10	4	40.0%
Total selling space (sq. m)	598,308	584,914	13,394	2.3%
Total selling space added (sq. m)	9,634	6,485	3,149	48.6%

Group key operating indicators for 12M 2019

Segment	12M 2019			12M 2018		
	Net retail revenue	Traffic	Average ticket	Net retail revenue	Traffic	Average ticket
Group	2.4%	2.1%	0.3%	(8.6%)	(12.9%)	5.0%

Group LFL	0.9%	0.0%	0.9%	(3.3%)	(2.6%)	(0.6%)
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Group key operating indicators for the quarter

Segment	Q4 2019			Q4 2018		
	Net retail revenue	Traffic	Average ticket	Net retail revenue	Traffic	Average ticket
Group	1.0%	4.2%	(3.0%)	(6.6%)	(12.9%)	7.3%
Group LFL	(0.3%)	1.6%	(1.8%)	(2.7%)	(3.4%)	0.8%

Underlying Group net retail revenue dynamics by quarter, YoY

Indicator	Q1 2019	Q2 2019	Q3 2019	Q4 2019	12M 2019
Underlying Group net retail revenue	0.9%	6.1%	4.5%	1.1%	3.0%

Key operating indicators by month

Indicator	October	November	December
Net retail revenue	1.9%	3.3%	(1.1%)
LFL net retail revenue	0.6%	1.9%	(2.2%)
Customer traffic	3.0%	4.2%	5.1%
LFL customer traffic	0.5%	1.5%	2.7%
Average ticket	(1.1%)	(0.9%)	(5.9%)
LFL average ticket	0.1%	0.4%	(4.8%)

Underlying Group net retail revenue dynamics by month

Indicator	October	November	December
Underlying Group net retail revenue	2.0%	3.3%	(1.1%)

O'KEY: Operating review

Stores development

Indicator	Q4 2019	Q4 2018	Net change	Change (%)
Number of stores	78	78	-	-
Number of net store openings	-	(1)	1	(100.0%)
Total selling space (sq. m)	529,055	528,124	931	0.2%
Total selling space added (sq. m)	-	(1,272)	1,272	(100.0%)

In Q4 2019, O'KEY did not open any new hypermarkets. As at 31 December 2019, the total number of stores was 78, with the total selling space at 529,055 sq. m.

Key operating indicators for 12M 2019

Segment	12M 2019			12M 2018		
	Net retail revenue	Traffic	Average ticket	Net retail revenue	Traffic	Average ticket
O'KEY	(0.4%)	(2.5%)	2.1%	(11.1%)	(18.2%)	8.6%
O'KEY LFL	(0.4%)	(1.8%)	1.4%	(4.3%)	(4.8%)	0.4%

Key operating indicators for the quarter

Segment	Q4 2019			Q4 2018		
	Net retail revenue	Traffic	Average ticket	Net retail revenue	Traffic	Average ticket
O'KEY	(1.4%)	0.3%	(1.7%)	(8.9%)	(17.9%)	11.0%
O'KEY LFL	(1.4%)	0.4%	(1.7%)	(3.7%)	(5.6%)	2.0%

Underlying O'KEY net retail revenue dynamics by quarter, YoY

Parameter	Q1 2019	Q2 2019	Q3 2019	Q4 2019	12M 2019
Underlying O'KEY net retail revenue	(2.0%)	3.0%	2.0%	(1.4%)	0.3%

Key operating indicators by month

Indicator	October	November	December
Net retail revenue	(0.8%)	0.7%	(3.3%)
LFL net retail revenue	(0.6%)	0.7%	(3.2%)

Customer traffic	(1.1%)	0.2%	1.4%
LFL customer traffic	(0.8%)	0.2%	1.4%
Average ticket	0.3%	0.5%	(4.6%)
LFL average ticket	0.2%	0.5%	(4.6%)

Underlying O'KEY net retail revenue dynamics by month

Parameter	October	November	December
Underlying O'KEY net retail revenue	(0.6%)	0.7%	(3.3%)

In Q4 2019, in line with the previously announced assortment improvement strategy, the Company significantly increased direct imports of fruit and vegetables, expanded the ranges of fresh and ultra-fresh products, and also continued its private label development programme. We grew our private label ranges across different price categories, including That's What You Need, O'KEY and Selection of O'KEY, by 494 SKUs while significantly expanding the range of seasonal products. We also rebranded a number of private labels to reflect our new design concept. The fourth quarter was marked by a significant increase in LFL turnover - by 26% for the O'KEY and O'KEY Selection private labels.

In Q4 2019, O'KEY's own production showed strong positive dynamics in LFL growth - up by 0.5%. During the reporting period, several new product ranges were launched in our own production at the federal level, and the Hot Bread project was started within the O'KEY Bakery segment to provide our customers with freshly baked bread three times a day.

We note that weaker-than-expected LFL performance during the Q4 was mainly driven by lower LFL in December, which was triggered by several one-off factors, namely the renovation of one of our shopping malls, to be completed in Q2, and abnormal weather conditions, leading to weaker-than-expected sales in seasonal categories. Excluding these one-off factors, sales in December would have been in line with the positive trends we observed in October and November. It is also worth noting that we observed trends of price deflation in December, driven by slowing inflation.

DAI: Operating review

Stores development

Indicator	Q4 2019	Q4 2018	Net change	Change (%)
Number of stores	100	82	18	22.0%
Number of net store openings	14	11	3	27.3%
Total selling space (sq. m)	69,253	56,790	12,463	21.9%
Total selling space added (sq. m)	9,634	7,757	1,877	24.2%

In Q4 2019, in line with the previously announced plans, the Company opened 14 new discounter stores in Moscow, Yaroslavl, Klin, Tver, Kaluga, Tula, and Ryazan Regions, increasing the total selling space by 9,634 sq. m to 69,253 sq. m as at 31 December 2019.

Key operating indicators for 12M 2019

Segment	12M 2019			12M 2018		
	Net retail revenue	Traffic	Average ticket	Net retail revenue	Traffic	Average ticket
Discounters	31.7%	24.5%	5.8%	31.9%	27.8%	3.3%
LFL discounters	14.9%	8.6%	5.8%	12.7%	9.5%	1.2%

Key operating indicators for the quarter

Segment	Q4 2019			Q4 2018		
	Net retail revenue	Traffic	Average ticket	Net retail revenue	Traffic	Average ticket
Discounters	26.8%	22.4%	3.7%	28.7%	22.1%	5.4%
LFL discounters	11.4%	7.5%	3.7%	12.2%	9.5%	2.5%

Key operating indicators by month

Indicator	October	November	December
Net retail revenue	26.8%	30.1%	24.4%
LFL net retail revenue	11.4%	13.7%	9.7%
Customer traffic	20.9%	22.4%	23.7%
LFL customer traffic	6.0%	7.2%	9.2%
Average ticket	4.9%	6.3%	0.6%
LFL average ticket	5.1%	6.1%	0.4%

The Company demonstrated an increase in LFL revenue for Q4 2019, driven by average ticket gains, and a continued growth in LFL traffic. In Q4 2019, the Company continued improving its value proposition for customers, enhanced the quality of goods and customer service in stores.

In Q4 2019, the Company rebranded several existing private label brands and introduced new private label SKUs, expanded the range of products, including seasonal ones.

OVERVIEW

O'KEY Group S.A. (LSE: OKEY, RAEX - 'ruA-') operates under two main formats: hypermarkets under the O'KEY brand and discounters under the DA! brand.

As at 31 December 2019, the Group operates 178 stores across Russia (78 hypermarkets and 100 discounters). The Group opened its first hypermarket in St. Petersburg in 2002 and has since demonstrated continuous growth. O'KEY is the first among Russian food retailers to launch and actively develop e-commerce operations in St. Petersburg and Moscow, offering a full range of hypermarket products for home delivery. The Group operates six e-commerce pick-up points in Moscow and six e-commerce pick-up points in St. Petersburg. The Group operates four distribution centres across the Russian Federation - two in Moscow and two in St. Petersburg. As at 31 December 2019 the Group employs more than 20,000 people.

For the full year 2018, revenue totaled RUB 161,303,411 thousand, EBITDA reached RUB 8,644,008 thousand, and net loss for the period amounted to RUB 599,755 thousand.

The O'KEY shareholder structure is as follows: NISEMAX Co Ltd - 44.79%, GSU Ltd - 29.52%, free float - 25.69%.

DISCLAIMER

These materials contain statements about future events and expectations that are forward-looking statements. These statements typically contain words such as 'expects' and 'anticipates' and words of similar import. Any statement in these materials that is not a statement of historical fact is a forward-looking statement that involves known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements.

None of the future projections, expectations, estimates or prospects in this announcement should be taken as forecasts or promises nor should they be taken as implying any indication, assurance or guarantee that the assumptions on which such future projections, expectations, estimates or prospects have been prepared are correct or exhaustive or, in the case of the assumptions, fully stated in this announcement. We assume no obligations to update the forward-looking statements contained herein to reflect actual results, changes in assumptions or changes in factors affecting these statements.

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