

EUROTOrg ANNOUNCES 1Q 2020 OPERATING RESULTS

30 April 2020

Eurotorg Holding Plc. (“Eurotorg” or the “Company”), the largest food retailer in Belarus, announces its unaudited operating results for the three months ended 31 March 2020 (1Q 2020).

Operating highlights

- In 1Q 2020 net retail sales¹ increased by 8.9% year-on-year (“y-o-y”) and reached BYN 1,130 mn (net retail sales in USD terms increased by 4.6% y-o-y and amounted to USD 506 mn²).
- As of 31 March 2020, the Company operated 872 grocery stores with total selling space of 335.6 ths sqm. In 1Q 2020 Eurotorg added nine new grocery stores, eight of which were convenience-format stores. As part of the optimisation of the retail chain, seven stores were closed; as a result, the total number of the Company’s grocery stores increased by two.
- In line with the Company’s strategy of asset-light expansion, leased stores accounted for 100% of new selling space added in 1Q 2020. The average selling space of grocery stores opened in 1Q 2020 was 185 sqm.
- As of 31 March 2020, the Company had a presence in 322 localities across Belarus, covering 125 of the country’s 129 administrative territorial units.
- Convenience-format stores accounted for 51% of total net retail sales in 1Q 2020, an increase of 4.4 pp y-o-y.
- Like-for-like (“LFL”) sales increased by 3.4% in 1Q 2020. The positive trend in LFL sales was driven primarily by an increase in LFL traffic (+3.3%), while the LFL average ticket remained almost unchanged (+0.1%).
- On a combined basis, in 1Q 2020 the Company’s two online grocery services (E-dostavka.by and Gipermall.by) generated 0.9 mn orders and revenue of BYN 58.4 mn (USD 26.1 mn), an increase of 1.6% y-o-y.
- In March 2020, revenue from online grocery services increased by 15.5% due to changes in consumer behaviour amid the spread of COVID-19. Revenue growth was driven by a significant increase of 28.9% in the average ticket, from BYN 54.0 to BYN 69.7, net of VAT. The Company sees increased demand for grocery delivery and is actively expanding its online channel to meet growing customer needs.

Strategic highlights

- The Company has successfully adapted to changes in the business environment and consumer behaviour related to the spread of COVID-19. Eurotorg’s efficient logistics system ensures goods are seamlessly supplied to stores in sufficient volumes. The Company has also taken a number of steps to protect employees and customers:
 - Employees undergo daily monitoring of body temperature;
 - Employees whose functions can be performed off-site are working remotely;
 - Operational employees are provided with protective equipment: disposable masks and gloves, as well as hand sanitisers;
 - Additional disinfection is carried out and antiseptic dispensers are installed in all of the Company’s stores to keep customers safe.

The Company also supports a hospital in Minsk: at the end of March, Eurotorg donated a ventilator and five patient monitors.

1. Retail sales represent revenue from grocery stores and e-commerce, net of VAT. This number differs from consolidated IFRS revenue, which also includes proceeds from wholesale, lease, and subsidiaries (StatusBank and others), and other revenue. Retail sales of drogerie stores were excluded from the Company’s total retail sales in each reporting period due to the closing down of the drogerie business.

2. Average exchange rate for 1Q 2020: 2.2344 BYN per 1 USD; 1Q 2019: 2.1458 BYN per 1 USD.

- In 1Q 2020 the Company launched a network of hard discounters under the Groshyk banner, which offers products at the lowest prices of all the Group's banners. This is achieved by minimising operating costs, with logistics costs optimised by using warehouse-style goods pallet layouts, which requires lower employee numbers. Stores under the Groshyk banner are targeted not only at retail customers, but also at small merchants. As of 31 March 2020, three stores were operating under the Groshyk banner.
- In 1Q 2020 the Company started offering farm products in some stores in Minsk. By partnering with farmers that grow and produce natural products, Eurotorg promotes the development of small businesses and provides customers with an additional choice of high-quality local products.

Eurotorg CEO Andrei Zubkou said: *“Eurotorg delivered solid operational growth in the first quarter of 2020: net retail sales increased by 8.9%, with a significant proportion of this growth coming from LFL sales, which were up 3.4%. LFL sales growth was a natural result of actions taken by the Company over the past year.*

“In line with our strategy, we continue to focus on opening convenience-format stores, offering customers the most competitive prices and investing in the development of our online businesses. In the first quarter of 2020, we launched a chain of hard discounters under the Groshyk banner, which will further enhance our price leadership and strengthen loyalty among customers whose main focus is price.

“The unprecedented challenge currently posed by the novel coronavirus pandemic has underscored the resilience of our strategic growth model. Due to their locations, convenience-format stores are in most demand among consumers amid social distancing restrictions, while price leadership has become an even more significant factor due to elevated uncertainty and lower incomes among some customer groups.

“Online sales channels have also seen among the highest levels of demand, and we are actively expanding our online business, enabling customers to shop from home while at the same time creating jobs for many people made unemployed as a result of the spread of the virus.

“As always, our priority remains the safety of our employees, our customers and our suppliers. In addition, as the largest grocery retailer in Belarus, we understand the importance of ensuring operational continuity to support national food security. We are therefore taking all necessary measures to ensure business continuity while minimising operational risks. We are actively monitoring the situation and stand ready to adapt to possible changes.”

Selling space and stores, by format

	1Q 2020	1Q 2019	Change
Number of grocery stores, end of period (“e-o-p”)	872	801	8.9%
<i>Rural convenience</i>	146	150	
<i>Urban convenience</i>	589	517	
<i>Supermarket</i>	99	96	
<i>Hypermarket</i>	38	38	
Grocery store openings, net	2	39	-94.9%
Selling space of grocery stores, ths sqm, e-o-p	335.6	325.7	3.0%
<i>Rural convenience</i>	9.4	9.2	
<i>Urban convenience</i>	130.2	117.3	
<i>Supermarket</i>	87.3	83.8	
<i>Hypermarket</i>	108.7	115.4	
Selling space of grocery stores added, net, ths sqm	1.0	5.6	-81.8%

Key factors affecting growth of the retail chain

- In 1Q 2020 Eurotorg added nine new grocery stores. Seven stores were closed as part of the optimisation of the retail chain. As a result, the total number of grocery stores increased by two.
- During 1Q 2020 Eurotorg continued to focus mainly on the development of small-format stores, with eight out of nine new stores opened being convenience-format stores.
- The Company continued to expand the new Hit! banner of grocery discounters. As of the end of 1Q 2020, 250 stores were operating under this banner.
- The Company launched a network of hard discounters under the Groshyk banner. As of 31 March 2020, three stores were operating under the new banner, with an average selling space per store of 834 sqm.

Sales performance, by format

	1Q 2020	1Q 2019	Change
Total retail sales, net, ths BYN	1,130,384	1,038,030	8.9%
Grocery retail sales, net, ths BYN	1,071,995	980,549	9.3%
<i>Rural convenience</i>	27,575	21,054	
<i>Urban convenience</i>	520,048	436,454	
<i>Supermarket</i>	252,206	233,811	
<i>Hypermarket</i>	272,166	289,230	
E-commerce sales, net, ths BYN	58,388	57,481	1.6%
Total retail sales, net, ths USD	505,900	483,750	4.6%
Grocery retail sales, net, ths USD	479,769	456,962	5.0%
<i>Rural convenience</i>	12,341	9,812	
<i>Urban convenience</i>	232,746	203,399	
<i>Supermarket</i>	112,874	108,962	
<i>Hypermarket</i>	121,807	134,789	
E-commerce sales, net, ths USD	26,132	26,788	-2.5%

Sales and traffic density of grocery stores

	1Q 2020	1Q 2019	Change
Sales per 1 sqm per month, net, BYN	1,066	1,012	5.4%
Sales per 1 sqm per month, net, USD	477	472	1.2%
Traffic per 1 sqm per day, tickets	3.11	2.93	6.3%

LFL performance of grocery stores³

	1Q 2020	1Q 2019	Change
LFL sales growth	3.4%	-7.0%	10.6 pp
LFL traffic growth	3.3%	-8.5%	11.8 pp
LFL average ticket growth	0.1%	1.6%	-1.5 pp

3. As of 31 March 2020, the LFL base included 690 grocery stores.

Key drivers of 1Q 2020 operating performance

- In 1Q 2020 retail sales increased by 8.9% in BYN terms, even as the pace of expansion of the Company's retail chain slowed.
- LFL sales increased by 3.4% in 1Q 2020. The positive trend in LFL sales was primarily driven by an increase in LFL traffic (+3.3%), while the LFL average ticket remained almost unchanged (+0.1%).
- With the spread of COVID-19, customer behaviour and the structure of LFL sales are shifting in favour of a higher average ticket (+4.1% in March 2020) with less frequent store visits (-1.4% in March 2020).

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About Eurotorg

Eurotorg is the largest grocery retail chain in Belarus, with a market share of 19% in food retail sales (2019). The Company's business was established in 1993 in Minsk. As of 31 March 2020, Eurotorg operated 872 stores in different formats (hypermarkets, supermarkets and convenience stores) in the grocery segment.

The Company's strategy, based on offering a focused assortment of high turnover products at market-leading prices, delivers a value proposition that is well-tuned to the needs of Belarusian consumers. Every day about 1 mn customers make purchases at Eurotorg stores across 322 localities in Belarus.

Eurotorg's store-based retail operations are complemented by the largest online grocery business in the CIS, with 3.6 mn orders delivered in 2019.

In 2018, the Company reported revenue of BYN 4.5 bn under IFRS (USD 2.2 bn based on the average National Bank of Belarus exchange rate for 2018). In 2018, net retail sales of the grocery stores, e-commerce services and drogerie stores accounted for BYN 4.1 bn (USD 2.0 bn) with the share of 91.0% in total revenue under IFRS.

A brief video about Eurotorg's business can be viewed [here](#).