

EUROTORG ANNOUNCES 3Q 2020 AND 9M 2020 OPERATING RESULTS

5 November 2020

Eurotorg Holding Plc. (“Eurotorg” or the “Company”), the largest food retailer in Belarus, announces its unaudited operating results for the three months (3Q 2020) and nine months ended 30 September 2020 (9M 2020).

Operating highlights for 3Q 2020 and 9M 2020

- In 9M 2020 net retail sales¹ increased by 8.1% year-on-year (“y-o-y”) to BYN 3,556 mn (net retail sales in USD² terms decreased by 5.2% y-o-y to USD 1,488 mn). In 3Q 2020 net retail sales increased by 8.7% y-o-y to BYN 1,212 mn (net retail sales in USD terms decreased by 10.8% y-o-y to USD 484 mn).
- As of 30 September 2020, the Company operated 896 stores with total selling space of 335.6 thousand square metres (“ths sqm”). In 3Q 2020 Eurotorg added 19 new grocery stores, 18 of them convenience-format. As part of the optimisation of the retail chain, two stores were closed. As a result, the total number of the Company’s grocery stores increased by 17. Since the beginning of 2020 the Company has added 26 net new stores.
- In line with Eurotorg’s strategy of asset-light expansion, all new grocery stores were opened in leased premises. The average selling space of grocery stores opened in 3Q 2020 was 214 sqm.
- As of 30 September 2020, the Company had a presence in 327 localities across Belarus, covering 125 of the country’s 129 administrative territorial units.
- Convenience-format stores accounted for 53.1% of total net retail sales in 3Q 2020, up 2.4 pp y-o-y.
- Like-for-like (“LFL”) sales increased by 5.0% in 3Q 2020, recording positive growth for the third quarter in a row. The structure of LFL sales continued to reflect changes in consumer behaviour amid the COVID-19 pandemic: LFL average ticket (+10.3%) remained the key driver, while LFL traffic declined (-4.8%).
- Customer demand for grocery delivery remained elevated in 3Q 2020. On a combined basis, during July-September the Company’s online grocery services generated 0.8 mn orders and revenue of BYN 58.8 mn (USD 23.4 mn), an increase of 29.9% y-o-y.

Strategic highlights

- Eurotorg continued to expand its online channel and opened order-picking centres in regional cities of the country. As a result, the Company was able to speed up delivery times and improve the fresh category offer for customers in non-metropolitan areas.
- Eurotorg continued to build out its offer of farm products: as of 30 September 2020, organic products were available in 25 stores in all regions of the country. Farm products are also now available for purchase through the Company’s online services.

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

2. Average exchange rate for USD equivalent – 3Q 2020: 2.5063 BYN per 1 USD; 3Q 2019: 2.0557 BYN per 1 USD.
Average exchange rate for USD equivalent – 9M 2020: 2.3903 BYN per 1 USD; 9M 2019: 2.0975 BYN per 1 USD.

Eurotorg CEO Andrei Zubkou said: *“Eurotorg delivered solid operational results for the third straight quarter, despite the external uncertainties that the current year has brought us. This robust growth confirms the resilience of our business model and further validates the strategy we have adopted.*

“Strong LFL sales growth indicates that customers are appreciative of our market-leading convenience-format stores, and the Company fully understands their preferences.

“In addition to traditional brick-and-mortar stores, we have successfully responded to increased demand for grocery delivery, and moved quickly to improve our offer across all regions of Belarus.

“As always, we continue to focus on those factors we can control – operational efficiency and expanding services where demand is highest, while paying particular attention to the safety of our employees and customers. We are confident that this approach creates a solid platform for the Company’s further growth.”

Selling space and stores, by format

	3Q 2020	3Q 2019	Change	9M 2020	9M 2019	Change
Number of grocery stores, end of period (“e-o-p”)	896	878	2.1%	896	878	2.1%
<i>Rural convenience</i>	150	173		150	173	
<i>Urban convenience</i>	612	571		612	571	
<i>Supermarket</i>	98	96		98	96	
<i>Hypermarket</i>	36	38		36	38	
Grocery store openings, net	17	27	-37.0%	26	116	-77.6%
Selling space of grocery stores, ths sqm, e-o-p	335.6	334.7	0.3%	335.6	334.7	0.3%
<i>Rural convenience</i>	9.8	10.8		9.8	10.8	
<i>Urban convenience</i>	135.0	126.4		135.0	126.4	
<i>Supermarket</i>	87.1	84.7		87.1	84.7	
<i>Hypermarket</i>	103.7	112.8		103.7	112.8	
Selling space of grocery stores added, net, ths sqm	3.2	5.0	-36.5%	1.0	14.6	-92.8%

Key factors affecting growth of the retail chain

- In 3Q 2020 Eurotorg added 19 new grocery stores. Two stores were closed as part of the optimisation of the retail chain. As a result, the total number of grocery stores increased by 17.
- The Company continued to expand its discounter formats. As of the end of 3Q 2020, the number of soft discounters operating under the Hit! banner increased to 274 stores, while the number of hard discounters under the Groshyk banner, launched earlier this year, increased to 17 stores.

Sales performance, by format

	3Q 2020	3Q 2019	Change	9M 2020	9M 2019	Change
Total retail sales, net, ths BYN	1,212,160	1,115,092	8.7%	3,556,111	3,291,032	8.1%
Grocery retail sales, net, ths BYN	1,153,404	1,069,869	7.8%	3,356,318	3,137,982	7.0%
<i>Rural convenience</i>	40,022	33,799		104,937	85,609	
<i>Urban convenience</i>	572,279	508,133		1,653,162	1,446,112	
<i>Supermarket</i>	273,043	244,431		793,162	729,956	
<i>Hypermarket</i>	268,060	283,506		805,056	876,305	
E-commerce sales, net, ths BYN	58,756	45,223	29.9%	199,793	153,050	30.5%
Total retail sales, net, ths USD	483,645	542,439	-10.8%	1,487,726	1,569,026	-5.2%
Grocery retail sales, net, ths USD	460,202	520,440	-11.6%	1,404,141	1,496,058	-6.1%
<i>Rural convenience</i>	15,968	16,441		43,901	40,815	
<i>Urban convenience</i>	228,336	247,182		691,613	689,446	
<i>Supermarket</i>	108,943	118,904		331,825	348,013	
<i>Hypermarket</i>	106,954	137,912		336,801	417,785	
E-commerce sales, net, ths USD	23,443	21,999	6.6%	83,585	72,968	14.6%

Sales and traffic density of grocery stores

	3Q 2020	3Q 2019	Change	9M 2020	9M 2019	Change
Sales per 1 sqm per month, net, BYN	1,151	1,073	7.2%	1,113	1,065	4.5%
Sales per 1 sqm per month, net, USD	459	522	-12.1%	466	508	-8.3%
Traffic per 1 sqm per day, tickets	3.17	3.23	-1.7%	3.08	3.16	-2.4%

LFL performance of grocery stores³

	3Q 2020	3Q 2019	Change	9M 2020	9M 2019	Change
LFL sales growth	5.0%	-3.5%	8.5 pp	3.0%	-5.0%	8.0 pp
LFL traffic growth	-4.8%	-4.0%	-0.8 pp	-5.1%	-6.3%	1.2 pp
LFL average ticket growth	10.3%	0.6%	9.7 pp	8.5%	1.3%	7.2 pp

Key drivers of 3Q 2020 operating performance

- In 3Q 2020 retail sales increased by 8.7% in BYN terms. Grocery retail sales increased by 7.8%, even as the pace of expansion of the Company's retail chain slowed. Continued strong customer demand for grocery delivery drove e-commerce sales growth of 29.9%.
- LFL sales increased by 5.0% in 3Q 2020. The LFL sales structure reflected changes in consumer behaviour as a result of the COVID-19 pandemic: higher average ticket (+10.3%) with less frequent store visits (LFL traffic decreased by 4.8%). At the same time, LFL traffic showed some improvement compared to a decrease of 12.5% in 2Q 2020. LFL sales since the beginning of the year increased by 3.0%.

3. As of 30 September 2020, the LFL base included 799 grocery stores.



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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 30 September 2020, Eurotorg operated 896 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 327 localities in Belarus.

Eurotorg's store-based retail operations are complemented by one of the largest online grocery business in the CIS, with 3.7 mn orders LTM delivered as of 30 September 2020.

In 1H 2020 the Company reported LTM revenue of BYN 5.1 bn under IFRS (USD 2.3 bn based on the average National Bank of Belarus exchange rate). In 1H 2020 LTM net retail sales of the grocery stores and e-commerce services accounted for BYN 4.6 bn (USD 2.1 bn) with the share of 90.0% in total revenue under IFRS.

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