

Press release

29 April 2020

## **O`KEY GROUP ANNOUNCES OPERATING RESULTS FOR Q1 2020**

O`KEY Group S.A. (LSE: OKEY, the 'Group') announces its unaudited operating results for the first quarter of 2020.

All materials published by the Group are available on its website [www.okeygroup.lu](http://www.okeygroup.lu).

### **Q1 2020 operating highlights**

- Group net retail revenue increased by 7.6% to RUB 42,427 mln (by 6.0% YoY if corrected for the leap year effect<sup>1</sup>) driven by an increase in traffic of 5.7% YoY and the average ticket of 1.8% YoY.
- Net retail revenue generated by O`KEY hypermarkets increased by 3.7% YoY (by 2.1% YoY<sup>1</sup>) to RUB 36,745 mln in Q1 2020, driven mostly by a 3.6% YoY increase in the average ticket.
- Net retail revenue generated by DA! grew by 42.6% YoY (by 40.7% YoY<sup>1</sup>) to RUB 5,682 mln in Q1 2020, supported by a steady growth in traffic of 29.9% YoY and the average ticket of 9.7% YoY.
- Like-for-like (LFL) net retail revenue of the Group increased by 7.2% YoY (by 5.5% YoY<sup>1</sup>) in Q1 2020 due to a 3.7% YoY increase in the LFL traffic and a 3.4% YoY increase in the LFL average ticket.
- Like-for-like (LFL) net retail revenue generated by O`KEY hypermarkets increased by 4.9% YoY (by 3.3% YoY<sup>1</sup>) in Q1 2020, driven by a 0.9% YoY increase in LFL traffic and a 4.0% YoY increase in the LFL average ticket.
- Like-for-like (LFL) net retail revenue generated by DA! increased by 27.2% YoY (by 25.5% YoY<sup>1</sup>) in 1Q 2020, driven by a 15.5% YoY increase in LFL traffic and a 10.1% YoY growth in the LFL average ticket.

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<sup>1</sup> Figures corrected for the leap day effect (w/o the additional day in February)

## Measures in response to COVID-19

The Group has promptly reacted to the changing situation in connection with the spread of COVID-19 and has undertaken a number of measures to maintain the safe and uninterrupted operation of its stores and warehouses. The Company has established a COVID-19 response team headed by the top management, which allowed it to ensure the effective operation of all its divisions. Furthermore, the Company is in constant interaction with the state authorities and monitors the changing situation in order to coordinate actions and prompt response in compliance with regional legislation in terms of various restrictions.

- Strict sanitary measures were introduced in all the Group's stores to protect customers and employees. The majority of contact surfaces are constantly disinfected, namely – the cash desk area, the doors of freezer cabinets, scales in the self-service area, as well as trolley handles and doors. The regulation of our own production was comprehensively tightened through the introduction of strict personal and sanitary control. Germicidal lamps for air disinfection run continuously in the deli and bakery, trade and common areas are being cleaned with disinfectants more frequently, and hand sanitiser dispensers have been installed in busy areas.
- Furthermore, protective plastic screens have been installed in all hypermarkets and discounters at cash desks to protect both customers and employees. Stores have been provided with a stock of disinfectants, disposable masks, and gloves for cashiers and store staff. There are special markings on the floor to remind customers to keep their distance.
- There is a strict monitoring of all staff in the Company, with mandatory temperature measuring procedure to pass before starting a shift at work. Personnel with even the slightest signs of a cold are not allowed to work, and in the event that COVID-19 is detected in store personnel, the Company has set out a number of measures to quickly respond to the situation. Also, in order to ensure safety, the Company has decided to move most of its office employees to remote work.
- Keeping a close eye on how the COVID-19 situation has unfolded abroad, the Group has made the timely decision to increase stock levels to meet the expected rise in demand. The Company successfully restructured its interaction with suppliers and increased the efficiency of logistics operations. These measures have made it possible to replenish store shelves with food and non-food items in a timely manner. The Company has also ensured to have a sufficient reserve of safety stock in its distribution centres, with a special focus placed on high-demand, entry-level products.
- Our online delivery services have seen a more than twofold growth in demand in the reporting period. The Company changed operations at its online store, okeydostavka.ru, in line with the evolving situation, providing all necessary protective equipment against the virus to staff and customers. The number of staff involved in all stages was increased – from receipt and picking of orders to delivery to customers.
- In order to take care of our customers, the Company launched a number of social initiatives. The social campaign 'Stay healthy with us, we take care of the rest', where the Company started to offer a huge number of products with zero markup, including meat, fruit, vegetables, fish, dairy and other fresh and ultra-fresh products. Also, in order to take care of the most vulnerable in society – the elderly – we launched the social campaign 'Older People Hour', where they receive priority service for an hour in the morning.

## Group: Operating review

Indicator	Q1 2020	Q1 2019	Net change	Change (%)
Number of stores	178	162	16	9.9%
Number of net store openings	-	2	-2	-100.0%
Total selling space (sq. m) <sup>2</sup>	598,308	586,357	11,951	2.0%
Total selling space added (sq. m)	-	1,443	-1,443	-

## Group key operating indicators for the quarter

Segment	Q1 2020			Q1 2019		
	Net retail revenue	Traffic	Average ticket	Net retail revenue	Traffic	Average ticket
Group	7.6%	5.7%	1.8%	-1.1%	-3.5%	2.6%
Group LFL	7.2%	3.7%	3.4%	-1.3%	-3.4%	2.2%
Group w/o leap day	6.0%	4.3%	1.6%	-1.1%	-3.5%	2.6%
Group LFL w/o leap day	5.5%	2.3%	3.1%	-1.3%	-3.4%	2.2%

## Key operating indicators by month

Indicator	January	February	February w/o leap day	March
Net retail revenue	3.4%	8.9%	3.7%	10.1%
LFL net retail revenue	2.0%	9.0%	3.8%	10.0%
Customer traffic	8.8%	10.3%	5.9%	-0.9%
LFL customer traffic	6.1%	8.5%	4.1%	-2.6%
Average ticket	-4.9%	-1.3%	-2.0%	11.1%
LFL average ticket	-3.9%	0.4%	-0.3%	12.9%

## O`KEY: Operating review

### Stores development

Indicator	Q1 2020	Q1 2019	Net change	Change (%)
Number of stores	78	78	-	-
Number of net store openings	-	-	-	-
Total selling space (sq. m) <sup>2</sup>	529,055	528,124	931	0.2%
Total selling space added (sq. m)	-	-	-	-

<sup>2</sup> Two O`KEY stores were temporarily closed during the quarter.

In Q1 2020, O`KEY did not open any new hypermarkets. Two stores were temporarily closed during the quarter – one for the whole period due to renovation, second in the end of the quarter because of the closure of its host shopping centre. As at 29 April 2020, the total number of stores is 78, with the total selling space at 529,055 sq. m.

### Key operating indicators for the quarter

Segment	Q1 2020			Q1 2019		
	Net retail revenue	Traffic	Average ticket	Net retail revenue	Traffic	Average ticket
O`KEY	3.7%	0.1%	3.6%	-4.0%	-8.5%	4.9%
O`KEY LFL	4.9%	0.9%	4.0%	-3.6%	-6.0%	2.6%
O`KEY w/o leap day	2.1%	-1.3%	3.4%	-4.0%	-8.5%	4.9%
O`KEY LFL w/o leap day	3.3%	-0.5%	3.7%	-3.6%	-6.0%	2.6%

### Key operating indicators by month

Indicator	January	February	February w/o leap day	March
Net retail revenue	0.3%	5.7%	0.6%	4.9%
LFL net retail revenue	0.3%	7.4%	2.3%	6.7%
Customer traffic	4.0%	5.2%	0.9%	-7.8%
LFL customer traffic	4.0%	6.5%	2.1%	-6.6%
Average ticket	-3.6%	0.4%	-0.3%	13.7%
LFL average ticket	-3.6%	0.9%	0.1%	14.2%

In Q1 2020, net retail LFL revenue grew by 4.9% YoY (3.3% without the leap day effect), driven by a traffic increase of 0.9% and an average ticket increase of 4.0%. During the quarter we maintained our strong focus on freshness (with this category's LFL sales increasing by 6.7% YoY), strengthening assortment range and private label products, which was further supported by an ongoing rezoning project in our hypermarkets. Continuous work on improving our private label products' quality and range had a notable effect, with LFL sales increasing by 13.9% YoY. Another important milestone was the introduction of a new loyalty programme for our customers, which offers additional benefits and an enhanced shopping experience. These activities, supported by a number of successful promotions, boosted traffic in the first two months of the quarter and provided a substantial surge in revenue for the period.

At the end of the quarter, the Company noticed changes in customer behaviour in reaction to the coronavirus pandemic: less visits to stores, but a much larger basket size and increased demand for a certain assortment of goods. In direct reaction to this, the Company adjusted its product range and increased the offer in staples, hygiene, and sanitary products. These changes resulted in a 14.2% YoY increase in the LFL average ticket and a 6.6% LFL decrease in footfall in March. In the current environment, hypermarkets proved to be an effective and convenient format as a one-stop destination for customers to buy all the goods they need in a safe way.

## DA!: Operating review

### Stores development

Indicator	Q1 2020	Q1 2019	Net change	Change (%)
Number of stores	100	84	16	19.0%
Number of net store openings	-	2	-2	-100.0%
Total selling space (sq. m)	69,253	58,233	11,020	18.9%
Total selling space added (sq. m)	-	1,443	-1,443	-

In Q1 2020, the company did not open any new discounters. As of 29 April 2020, total number of discounters is 100 with a total trade area of 69,253 sq. m.

### Key operating indicators for the quarter

Segment	Q1 2020			Q1 2019		
	Net retail revenue	Traffic	Average ticket	Net retail revenue	Traffic	Average ticket
Discounters	42.6%	29.9%	9.7%	36.0%	25.9%	8.0%
LFL Discounters	27.2%	15.5%	10.1%	19.5%	12.1%	6.6%
Discounters w/o leap day	40.7%	28.4%	9.6%	36.0%	25.9%	8.0%
LFL Discounters w/o leap day	25.5%	14.2%	9.9%	19.5%	12.1%	6.6%

### Key operating indicators by month

Indicator	January	February	February w/o leap day	March
Net retail revenue	32.8%	36.8%	31.0%	55.3%
LFL net retail revenue	18.5%	22.2%	17.0%	38.5%
Customer traffic	30.4%	31.6%	26.8%	28.1%
LFL customer traffic	15.9%	16.9%	12.6%	14.1%
Average ticket	1.8%	3.9%	3.3%	21.2%
LFL average ticket	2.2%	4.5%	3.9%	21.3%

The discounter DA! posted stable and steady growth in the first three months of 2020. We continued to improve its value proposition to customers by improving the quality of goods and services in stores, while maintaining its position as one of the most competitive on the market in terms of prices for essential goods.

In March, in reaction to the coronavirus crisis we increased stock levels and on-shelf availability of goods in high demand. Therefore we were able to attract new customers to DA! stores, keep traffic growth strong and additionally gain from an increased average ticket, which jumped by more than 20%. Overall LFL sales for the quarter grew 27.2%, with LFL traffic increasing by 15.5% and the LFL average ticket by 10.1%.

## 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 29 April 2020, 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 29 April 2020, the Group employs more than 20,000 people.

For the full year 2019, revenue totalled RUB 165,086,202 thousand, EBITDA reached RUB 14,061,431 thousand, and the net profit for the period amounted to RUB 746,958 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.

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