Expert RA Has Confirmed Obuv Rossii' ruBBB+ Credit Rating

Novosibirsk, 04 September 2020: Expert RA rating agency has confirmed **Obuv Rossii**'s credit rating at ruBBB+ with stable outlook.

The rating analysis was based on consolidated IFRS statements of OR PJSC, the parent company. As of 30 July 2020, Company's retail chain included 851 store (175 stores work under franchise) in over 340 towns and cities which positively impacts the assessment of Company's footprint and creates strong competitive positions for Group's brands as compared with small players on the fragmented shoe market.

Having considered strong competitive positions of the Company, its nationwide scale of business and high diversification of the products and services, the agency softened the assessment of the business risk block in spite of the fact that previously the agency decreased the assessment of the Russian shoe sector prospects as the industry significantly suffered from COVID-19 pandemic and restrictions.

During the second quarter, the Company had negotiations with the banks and considerably decreased the paid interest and the principal debt in 2020. The Group issued two long-term bonded loans in December 2019 (RUB 1 bln) and August 2020 (RUB 500 mln) as well, which allowed the Company to increase the share of long-term loans in its credit portfolio. In addition, the Group has a sufficient volume of long-term undrawn credit lines for short-term debt refinancing. Considering the positive factors above, the agency softened the assessment of the current Company's debt load.

According to the agency's calculations, the Company's liquidity is high. In the perspective of 18 months from the reporting date, the total volume of available liquidity exceeds the costs required for financing the Company's operation and debt in the time horizon of 18 months from the reporting date with consideration of dividend payments, which is reflected in the favorable ranking of the projected liquidity. As of the reporting date, the Company also maintained moderately high level of absolute liquidity and high quick asset level: 0.22 and 2.1 respectively.

Since IPO in October 2017, the Company doubled its retail chain; and the current position remained steadily high. The EBITDA margin in 2019 was 26% as compared to 28% a year earlier; the return on sales (ROS) was 12.4% as compared with 11.7%. Company's high margin positively influences the rating, even with the consideration of performance decline during the first six months of 2020. Consolidated proceeds decreased by 27.4% over the six months, but the July proceeds made up 72% of the average monthly proceeds of the pre-crisis first quarter and 73% of the proceeds in July 2019. The like-for-like proceeds in the first six months increased by 0.2 points (exclusive of April in connection with closing of stores under quarantine); in 2019, it was +5.2 points.

Strategic plans of the Company for the next three years do not include further growth of the store chain. The main task will be to enhance the efficiency of the operating stores due to increased conversion and proceeds per square meter. Since the end of 2019, the Group has been focusing on stock diversification and reformatting the stores to become mini general stores. The Company started to cooperate with its suppliers using the marketplace model, having launched the Prodayom online platform for the cooperation with its partners. As of the end of August, the number of Company's partners exceeded 600. Within the strategy of the integration in the logistic infrastructure of the online retailing market, the Company has been developing projects of partner pickup points in its retail chain. It makes it possible to attract additional traffic to the stores. Also, pursuing the concept of a store as of a service point, the Group has been driving financial services, including cash loans.

The corporate risks block supports the rating level. The information transparency of the Company, its system of corporate management with the observance of rights of all stakeholders and the quality of the risk management in the organization value highly. Four of the seven members of the Board of Directors are independent directors, which also influences the rating positively. There are internal audit and internal control departments in the Company; the risks are analysed using a risk map.

Company profile:

Obuv Rossii (MOEX: OBUV) is a nationwide footwear company, the first publicly traded company in the Russian fashion retail. Obuv Rossii was established in 2003, it is headquartered in Novosibirsk and has a representative office in Moscow. The main Group business line is the production and sale of footwear and related goods. The Company manages 851[1] stores (175 operate as a franchise) under the brands of Westfalika (a monobrand store of classic footwear), Peshekhod ("Pedestrian") (a multibrand footwear supermarket), Rossita (a store for the whole family), Emilia Estra and Lisette (salons of fashionable footwear), in addition to developing brands of clothes and footwear for the active lifestyle brands of S-TEP, all.go and Snow Guard. Furthermore, the Group also owns two manufacturing facilities in the Novosibirsk region.

In October 2017, Obuv Rossii raised 5.9 billion rubles in an IPO on the Moscow Exchange (ticker: OBUV), the issuer being OR PJSC, and in doing so became the first publicly listed company within the Russian footwear and fashion market.

In December 2019, RAEX (Expert PA) assigned the creditworthiness rating to Obuv Rossii Group at ruBBB+ level, a "stable" forecast.

In accordance with the audited Financial Statements under the IFRS Group, revenue amounted to RUB 13.7 billion for the full year of 2019, net profit was RUB 1.7 billion, and EBITDA was RUB 3.6 billion.

Website of the Group: www.obuvrus.ru; online stores: www.westfalika.ru, www.westfalika-home.ru, www.emilia-estra.ru, www.rossita.com, www.lisette.me.

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1 As of 04 September 2020.