



 **OBUV
ROSSII**

July 2018



OBUV ROSSII PRESENTATION



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1. Obuv Rossii Investment Case

3

2. Key Recent Developments

15

3. Financial Results

19

4. Appendix

25



Developments Since IPO



Guidance given at IPO for FY2017

Actuals



1

Retail chain expansion: more than doubling store count by opening ~500 stores in ca. 3 years

- 83 new stores opened in 2017
- 100 new stores are expected to be opened in 2018



2

Persistently high gross margin and EBITDA margin going forward

- Gross margin of 54.2% in 2017
- EBITDA margin of 25.3% in 2017



3

Developing high-margin related products segment

- Share of high-margin related products (bags, apparel, accessories) in retail revenue amounted to 31.4% in 2017



4

Growing share of online revenue

- Continuous development of omni-channel and online-platform resulted in 56% growth of omni-channel sales in 2017
- 5 standalone online-platforms in place

Who We Are: Summary Facts



the 1st

publicly traded company in the Russian fashion retail

182

Cities and towns¹



611

Stores¹



~48,000

sqm selling space^{1,2}



2.0

million pairs sold in 2017



2

Own production plants



>3,000,000

Customer base³

10.8

RUB bn Revenue in 2017⁴



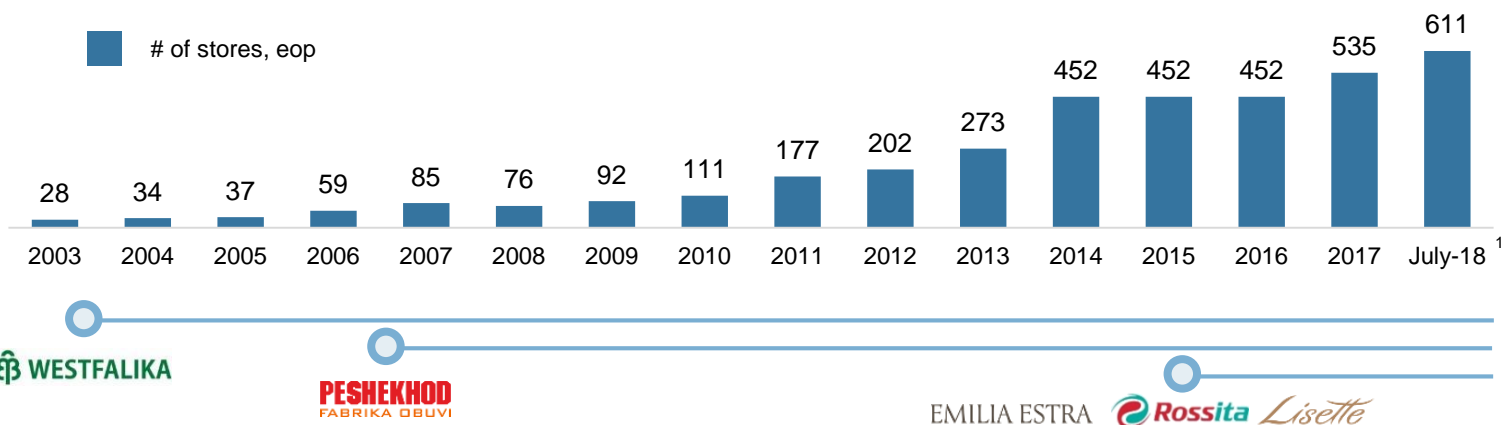
26%

Revenue CAGR in 2012-2017⁵



25.3%

EBITDA margin in 2017⁴



✓ Leading player in the Russian footwear market with distinctive portfolio of well-recognized brands and innovative business model

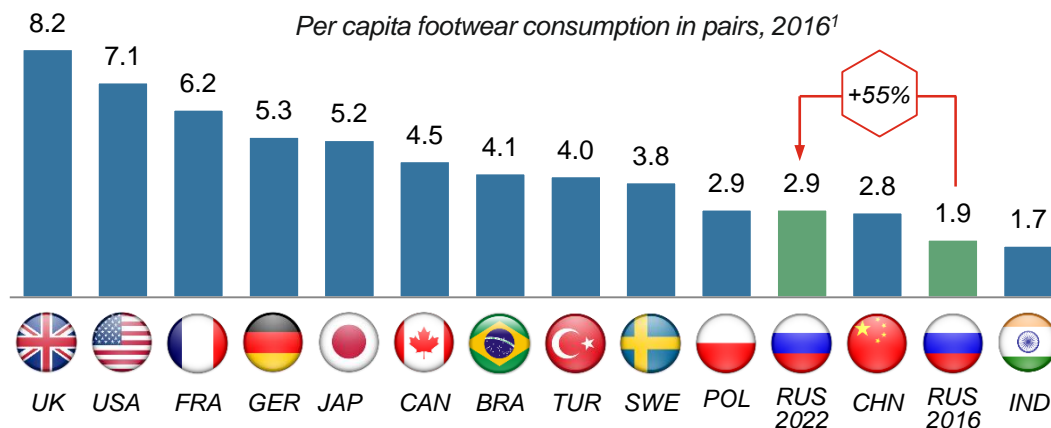


Investment Highlights

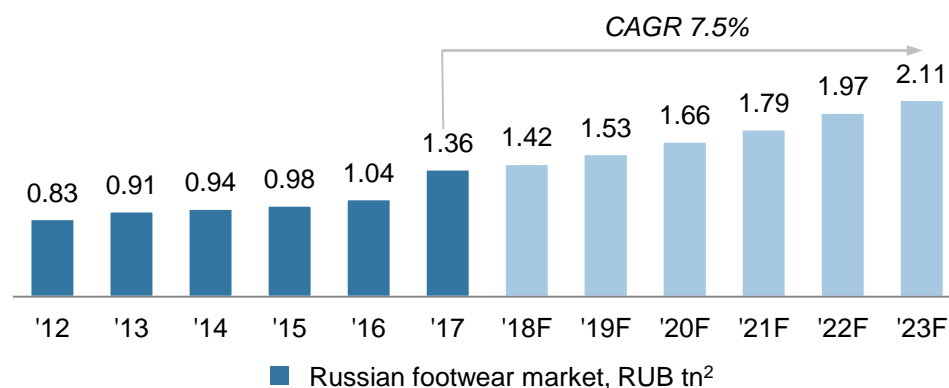


Leading Player In A Fundamentally Attractive Market With Low Level Of Consolidation

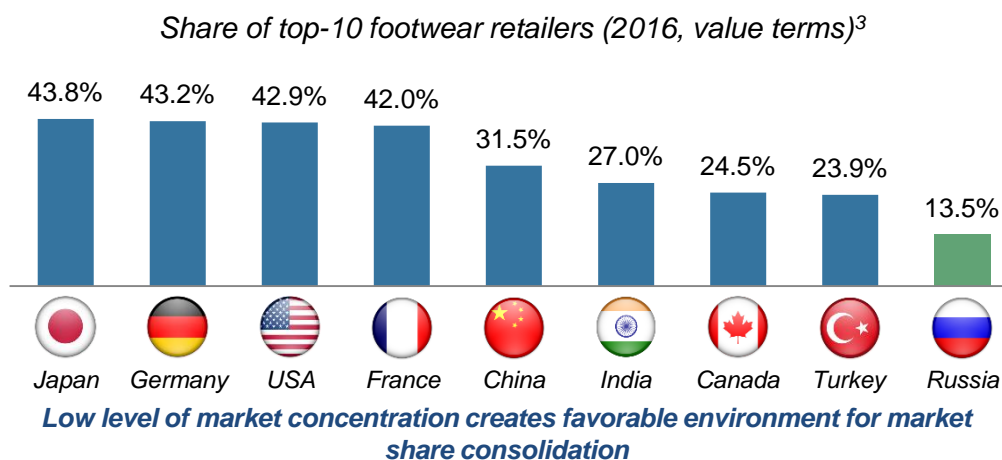
Forecast recovery in per capita footwear consumption









Projected footwear market growth



Russian footwear market overall is also highly fragmented



Largest Russian footwear retailers in mid-price segment

#	Company	Store count ⁴	CAGR '13-17 ⁵	Market share ⁶
1		535	18.5%	2.3%
2		185	(5.4%)	0.6%
3		169	14.0%	0.7%
4	 	117	n.a.	0.5%
5		99	(0.5%)	0.4%

✓ **We are the largest footwear retailer in Russia in mid-price segment, well-positioned to capture the expected growth of the market and benefit from further market consolidation**

Portfolio Of Well-Recognized And Highly Complementary Brands

 **WESTFALIKA**



- Neo-traditional footwear of German style

 **Rossita**



- Footwear of European style for the whole family (women, men and children)

EMILIA ESTRA



- Bright silhouettes, footwear of Italian style for young women

Lisette



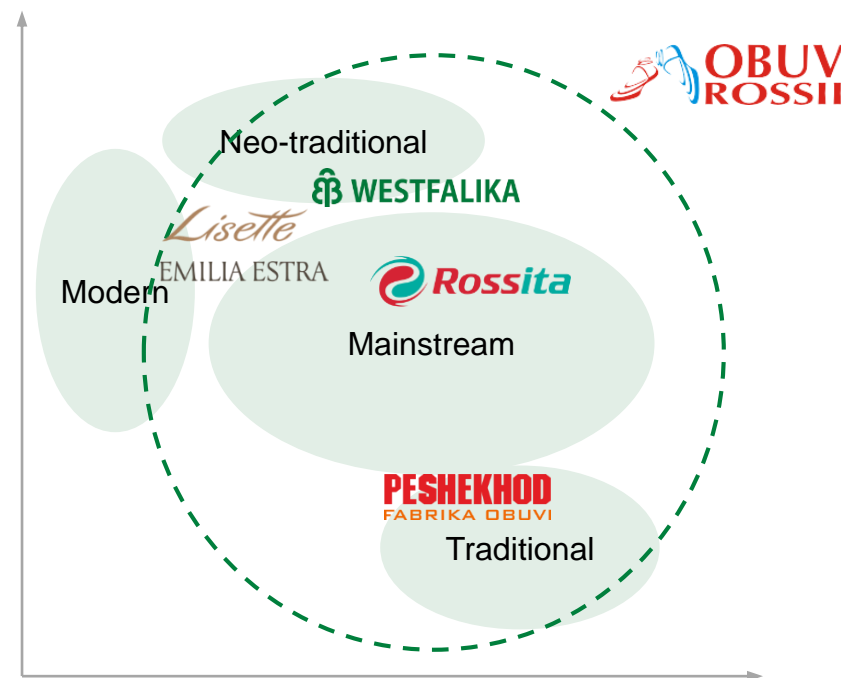
- Fashionable footwear of classic French style for younger audience

PESHEKHOD
FABRIKA OBUVI



- Affordable footwear for everyone

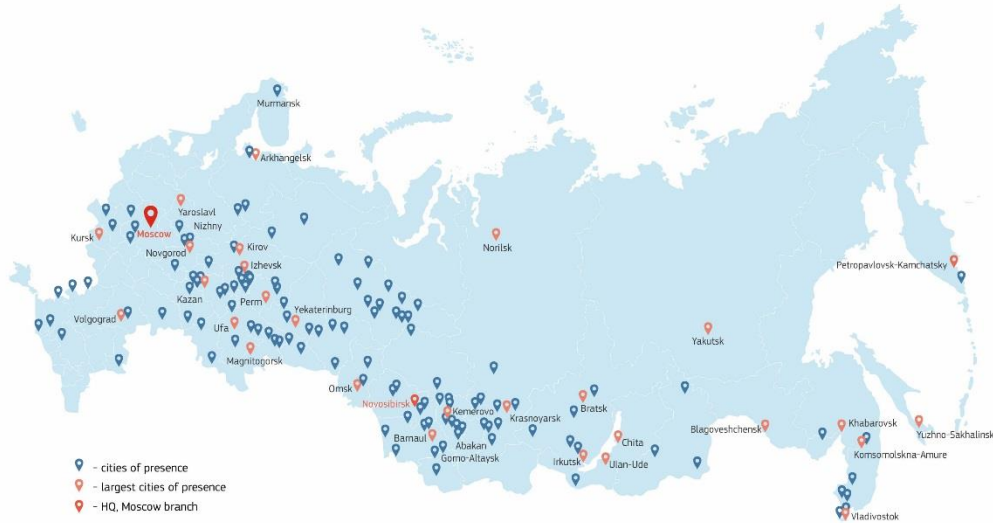
- We are one of a few footwear retailers in Russia that have successfully implemented the strategy of diversification
- We develop several brands, each of them with differentiated positioning and a big group of regular customers



✓ We serve our customers through a portfolio of highly differentiated and complementary brands

Customer-Focused Innovative Retail Concept Providing Unique Customer Experience

Proximity to customers thanks to strong footprint throughout Russia



Multi-channel interaction with our customers underpinned by advanced omni-channel strategy

~3,500,000

Web sites visitors³

>140,000

of OBS² purchases³



77%

OBS²

CAGR 2014-2017

~13%

Conversion rate³

Appealing store concept

- ✓ Eye-catching attractive store concept
- ✓ Modern retail stores located in both shopping malls and street formats

WESTFALIKA



Rossita



EMILIA ESTRA



Lisette



Compelling loyalty programme with convenient payment option and innovative add-on services

3,000,000 +

Customer base¹

2,090,000 +

Loyalty cards issued¹



1,300,000 +

Customers used add-on services¹

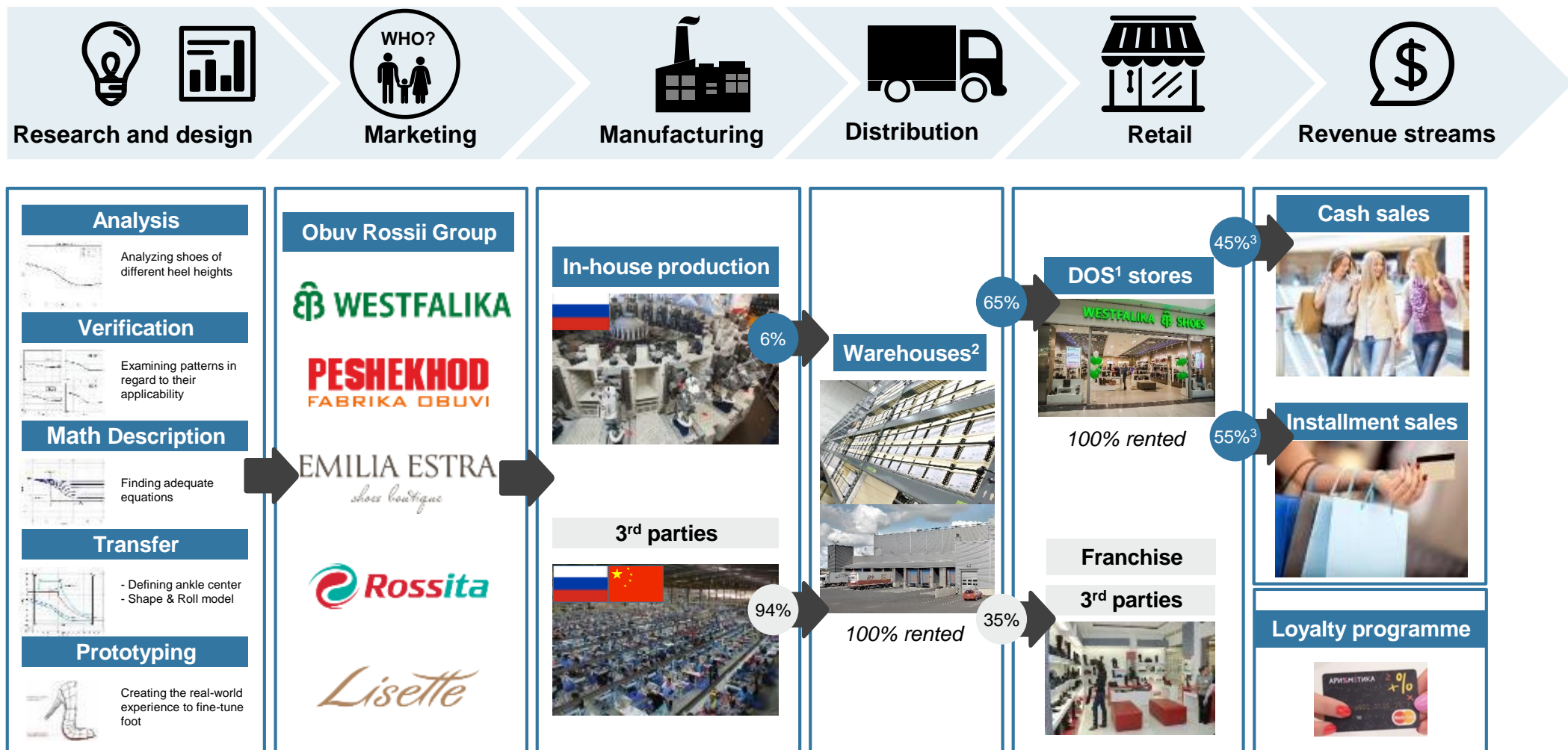
~65%

Of purchases made with loyalty cards in 1H 2018

✓ Our customer-focused innovative concept amplified by omni-channel offering and compelling loyalty programme creates memorable and personalized customer experiences, that lies at the heart of our sustainable and successful growth

4 Full Control Of The Value Chain

As of 1H 2018



- ✓ Vertical integration from product design to distribution enables prudent cost management and shortens lead times
- ✓ Asset-light business model on the back of mainly rented logistic and retail assets
- ✓ Innovative approach at every stage of the value chain from design and production to sales and loyalty programme

Experienced Management Team With Proven Track Record Backed By Shareholders

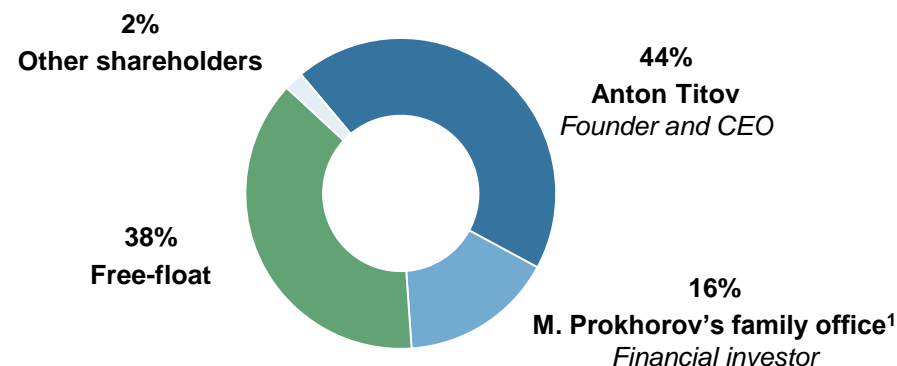
Founder and CEO



Anton Titov

- Founder, CEO and member of the Board of Directors
- Founded Obuv Rossii in 2003
- Over 20 years of experience in footwear industry
- Awards: Retailer of the Year (2013), Entrepreneur of the Year – E&Y (2008)

Shareholder structure



Core management team members



Elena Ageeva

- CFO
- With OR for 16 years



Thomas Frank

- Head of Design
- With OR for 8 years



Svetlana Belova

- Head of HR
- With OR for 12 years



Yulia Donina

- CCO
- With OR for 16 years



Natalia Zherebtsova








- Head of Legal
- With OR for 10 years



Dmitriy Karpenko

- Head of IT
- With OR for 16 years

Composition of the Board of Directors

Name	Category	Director since	HR & remuneration	Audit
Vyacheslav Shabaykin <i>Chairman</i>		2017		
Tatiana Zotikova <i>Deputy Chairman</i>	INED	2017		
Stanislav Zverev	INED	2017		
Alexey Skvorkin		2017		
Evgenia Gavrikova		2017		
Anton Titov	CEO	2013		
Natalia Zherebtsova	Head of Legal	2015		

✓ *Stable, proven and experienced management team backed by supportive shareholders, committed to achieve further growth of business, enhancing efficiency and creating long-term shareholder value*

¹ Mikhail Prokhorov is a Russian businessman with estimated wealth of USD 9 billion as of 2017, according to Forbes magazine
Source: Company data

6 Multiple Layers Of Future Growth



1

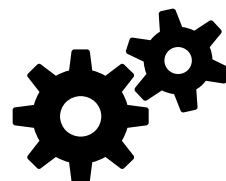
Store roll-out

- Further expand the store base with majority of stores to be launched in well explored regions
- Selective approach to entering new regions

2

Profitable LFL growth

- Continuous push toward use of best in class retail technologies
- Further assortment expansion with high-margin products
- Additional services development



4

Improvements across the value chain

- Expand own production to create unique product offering and manage FX and import risks
- On-going improvements in supplier terms and reduction of working capital
- IT penetration enhancement

3

Development of own production

- Production of special-purpose footwear for corporate clients
- Utilization of existing facilities' spare capacity



6

Brand awareness improvement

- Nationwide advertising campaigns including new marketing channels
- Further improving quality and efficiency of our ads







5

Customer experience improvement

- Further enhancement of our mobile apps and websites functionality
- Enhancement of customer loyalty through additional value adding services
- Omni-channel sales development and non-traditional loyalty programme

Large Market Capacity Creating Opportunities To Grow

Potential market capacity

Brand	Catchment area, '000 people	Market capacity
 WESTFALIKA	80	> 750 stores
 Rossita	150	> 350 stores
EMILIA ESTRA	80	> 750 stores
 Lisette	80	> 750 stores
 PESHEKHOD FABRIKA OBUVI	150	> 350 stores

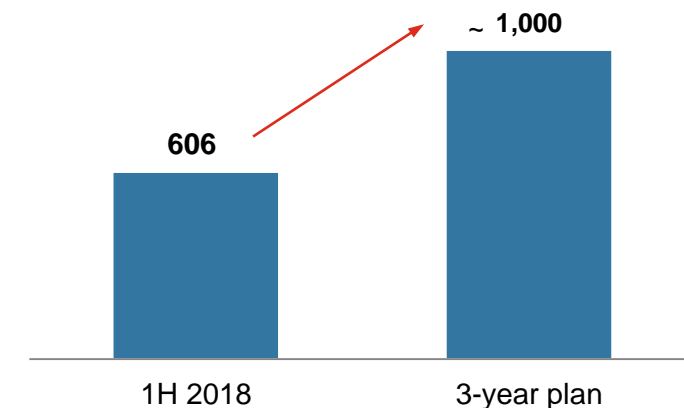
Total market capacity of our stores

> 3,000 stores

Mid-term expansion plan

- We aim to double its store network up to ~1,000 stores¹ over the next three years in existing regions and establish footprint in selected new areas
- Majority of stores will be launched in geographies where the Group is currently present to benefit from Obuv Rossii's existing regional teams and associated economies of scale

Total # of stores¹



- ✓ Total market capacity of our stores (more than 3,000 stores) leaves enough room for further development
- ✓ We aim to double its store network over the next three years
- ✓ Unlike in food retail, in fashion retail there is traffic synergy between closely located stores

Continuous Dialog With Real Estate Owners Ensures Execution Of Roll-Out Plan

Regions selection

Key criteria for entering new regions

- Stable economic situation
- Reasonable logistics
- Skilled personnel

Available locations in selected regions

Shopping malls

1,000

- Available locations in ca. 300 shopping malls in regions where the Group is willing to launch new stores

Street retail

1,500

- Available locations provided by ca. 500 real estate agencies that cooperate with Obuv Rossii

Feasibility study completed

500

Initial screening criteria

- Appropriate selling space in sqm terms
- Presence of footwear retailers in the area
- Location in high-traffic zone
- Decent exterior & interior
- Selling space meets basic requirements (e.g. selling space more than 60%)

400-500

Signing / negotiation stage

120

- Signed contracts: 30 premises
- Negotiation stage 90 premises

100-200

- Ready to start negotiations with real estate owners

~300 locations available for new openings

✓ Predictable openings pipeline due to detailed stores roll-out plan



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3

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15

3. Financial Results

19

4. Appendix

25



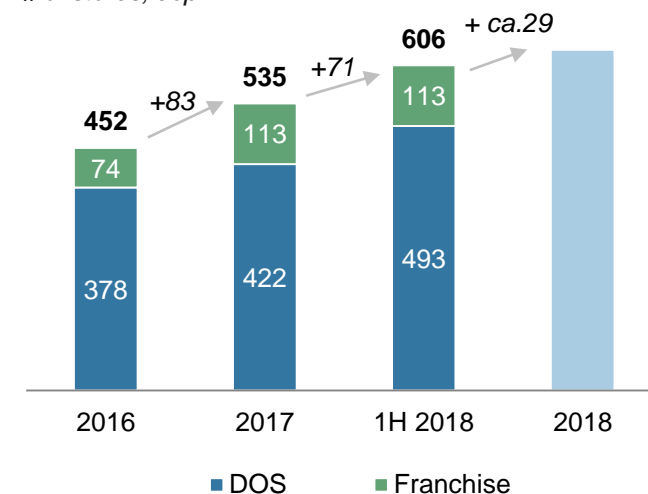
Retail Chain Expansion Update

DOS¹ stores roll-out in 1H 2018



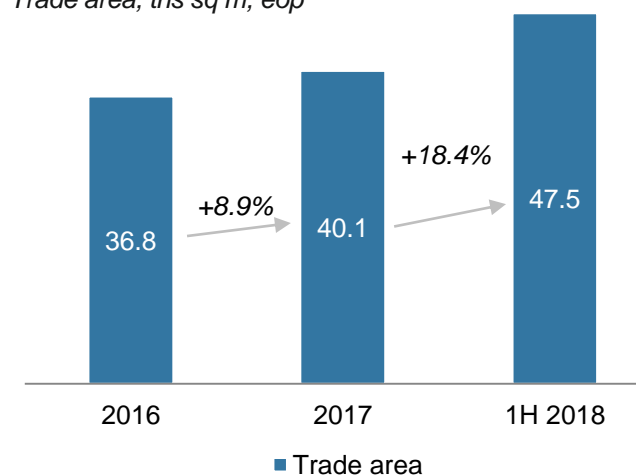
Retail network

of stores, eop



Trade area

Trade area, ths sq m, eop



- The Company continued launching new stores as planned in 2017. In 1H 2018 were opened 71 DOS¹ stores in 61 cities.
- We expand mainly in the cities with established operations and existing upside potential
- We aim at opening new DOS¹ of all our core brands, thus, implementing our multi-brand strategy aimed at targeting wide audience of customers of different social groups

✓ Continuous expansion of retail network in full accordance with previous guidance

¹ DOS – directly operated stores

Source: audited IFRS financial statements for 2014-2017, management accounts



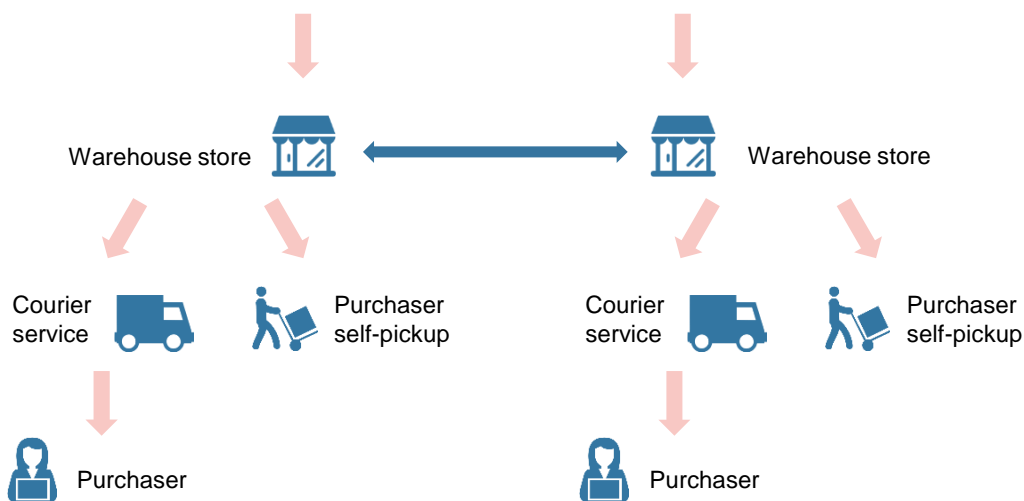
Distribution System Improvement



- We implemented new approach to our distribution and logistics system when every our store performs the function of both a mini-warehouse and a customer pick-up point
- We have created infrastructure to deliver goods to any Russian region

- Differentiated customer experience vs. competitors
- Transportation costs reduction
- Multiple delivery options for e-commerce

Online-store 24/7



More than 90% of our online stores clients prefer self-pickup service

Westfalika.ru warehouse stores



Store = Warehouse of an online store

✓ *Implementation of mini-warehouses and customer pick-up points approaches supports online- and retail-based sales as well as enhancing business efficiency*

Omni-Channel Evolution

Development initiatives

- In the Q1 the number of orders of online stores increased by 22% due to the improvement of : internal business processes, call center services and delivery system.



- Close attention to preparing high quality content for our online stores:
 - own photostudio
 - dedicated team of professional photographers and color correction artists
- Improved SMM coverage of our brands

Impressive performance in 1H 2018

Omni-channel sales, including e-commerce, increased

by 21%

Mobile audience of Westfalika online store reached

50%

Number of orders rose

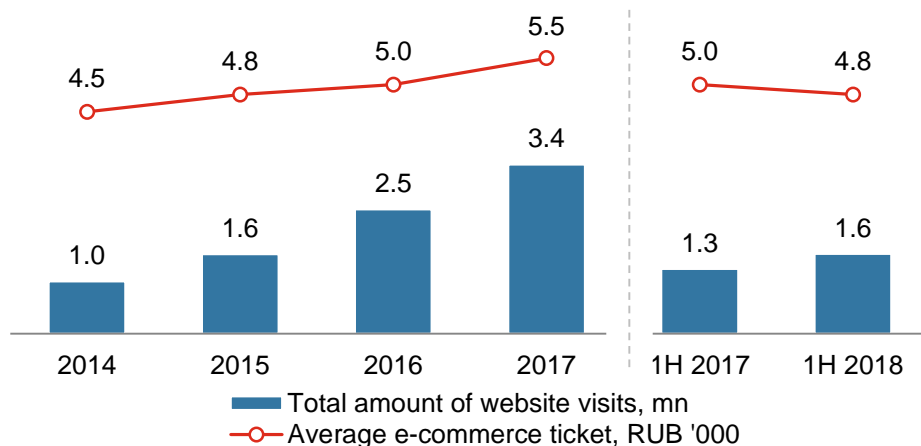
by 22%

Number of orders made via mobile devices soared

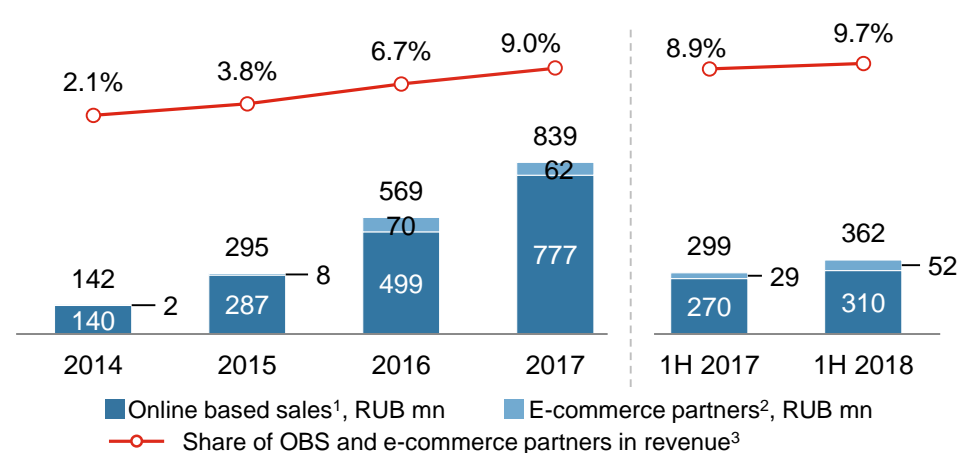
1.2 times

Consistent growth of omni-channel revenue

of website visits and average ticket



OBS¹ and revenue from e-commerce partners²



✓ We successfully implement our omni-channel strategy which leads to rapid growth of online-based revenue



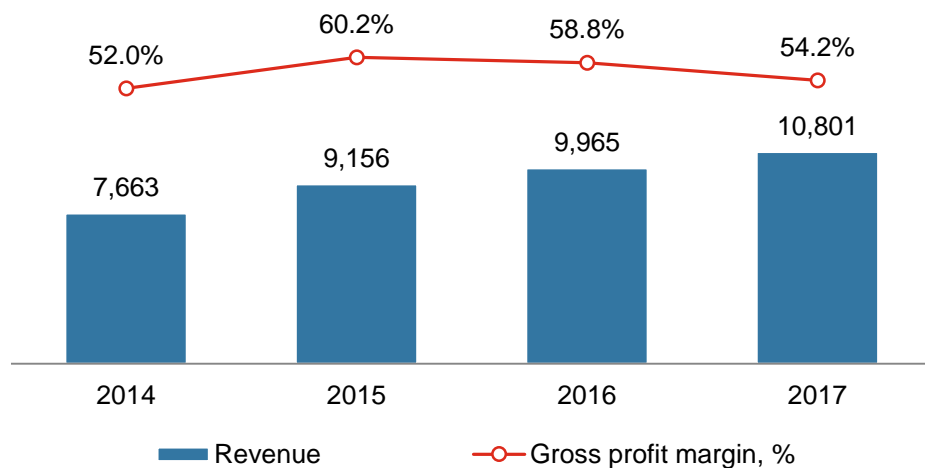
1. Obuv Rossii Investment Case	3
2. Key Recent Developments	15
3. Financial Results	19
4. Appendix	25



Financial Highlights

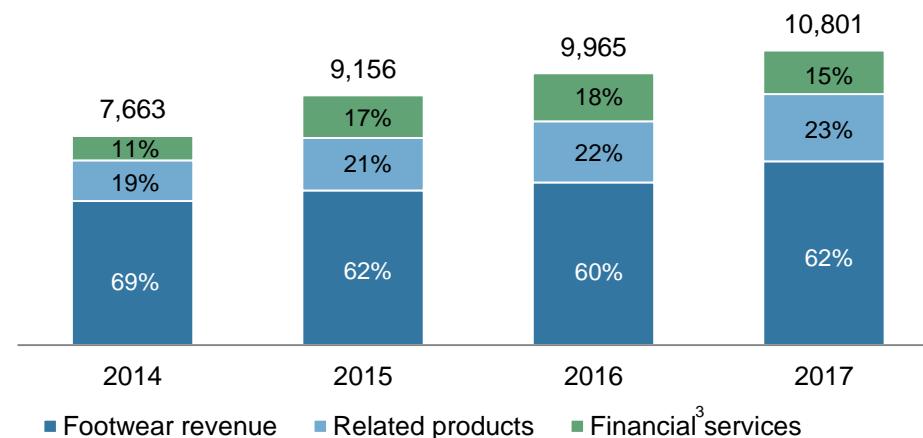
Revenue and gross margin

RUB mn

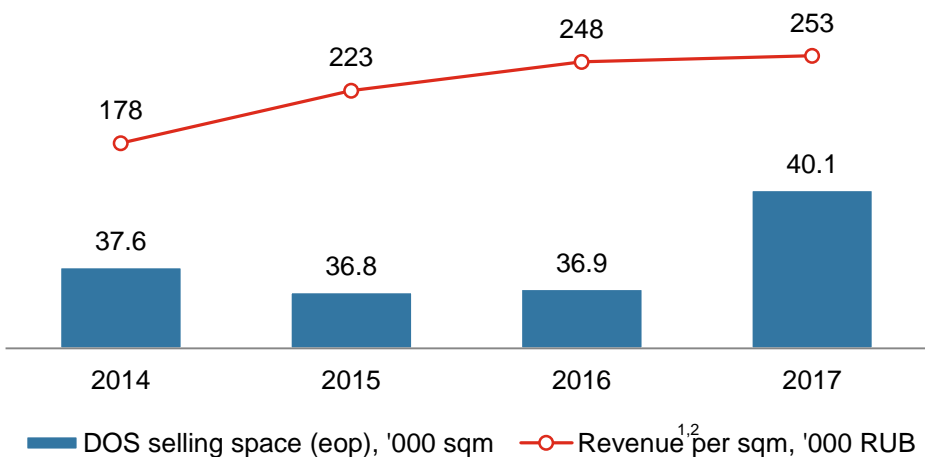


Revenue diversification

RUB mn

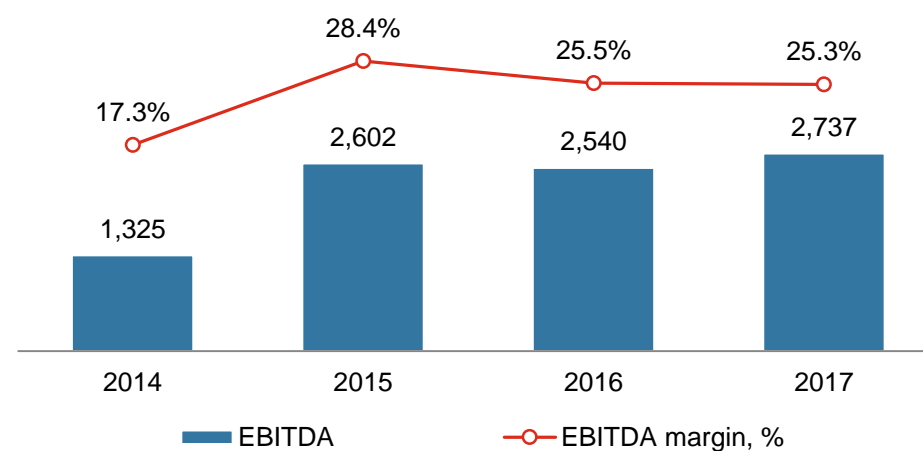


High revenue density



EBITDA margin

RUB mn



Related products segment

- Despite offering wide range of related products, we focus on footwear – share of related products in our retail revenue is 31.4%
- We offer bags, apparel, textiles, footwear care products, cosmetics and other high-margin products, which drive our LFL growth and improve customer loyalty

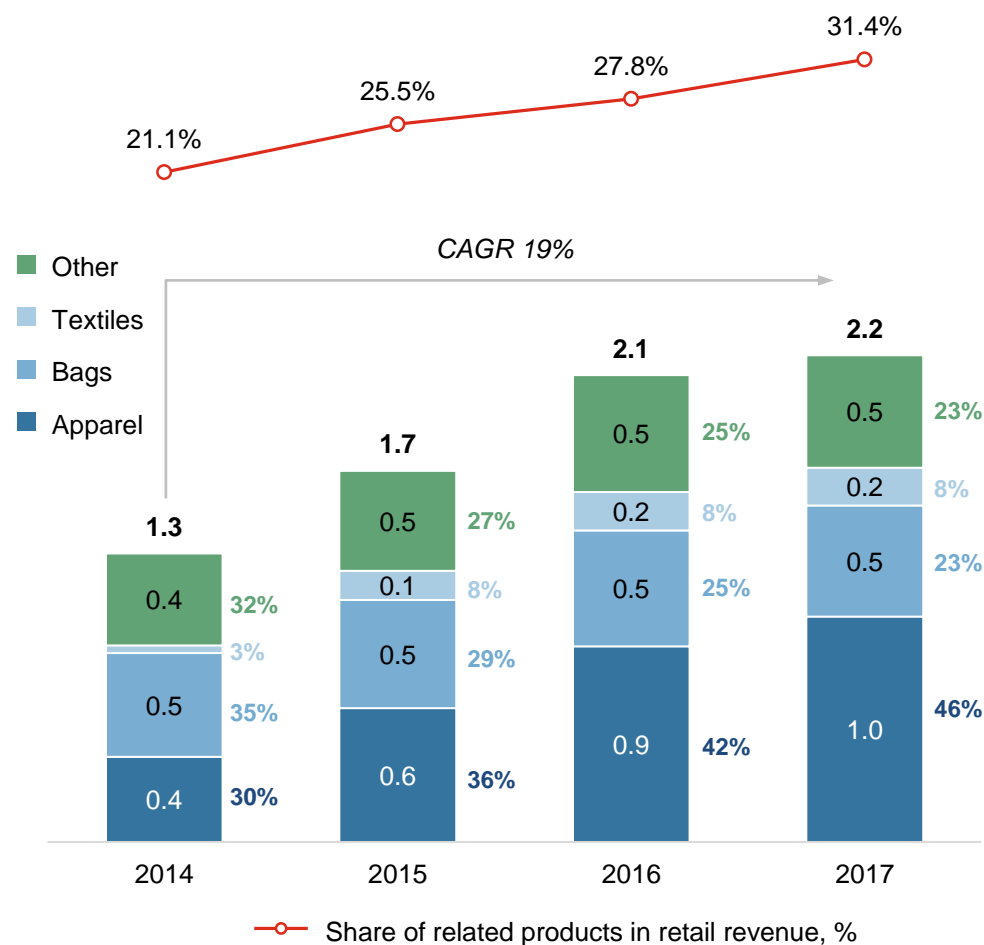
New initiatives

- In 2017 we tested the new assortment of cardigans and jumpers: over 150 SKUs of such clothes were included in the autumn-winter collection and were sold out in 3 months
- We expect to broaden the range of cardigans, jumpers and polo necks in the Spring-Summer 2018 collection – up to 700 SKUs



Related products revenue breakdown

RUB bn

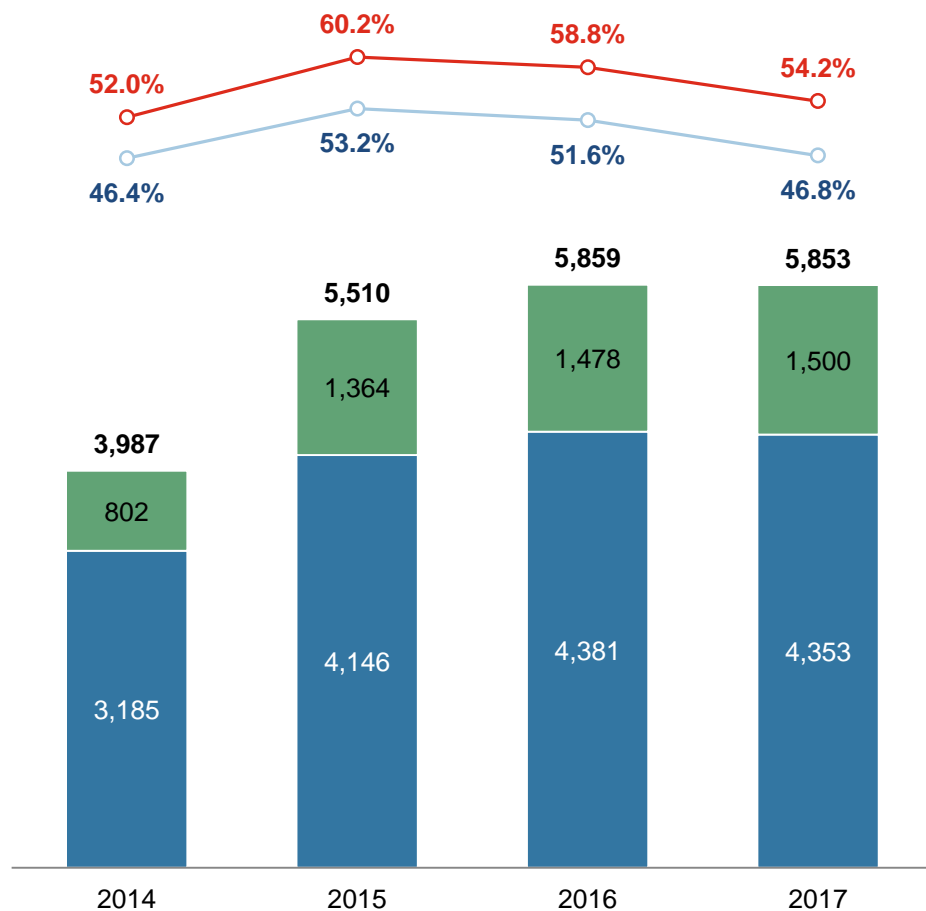


Gross Margin And Operating Efficiency



Gross profit

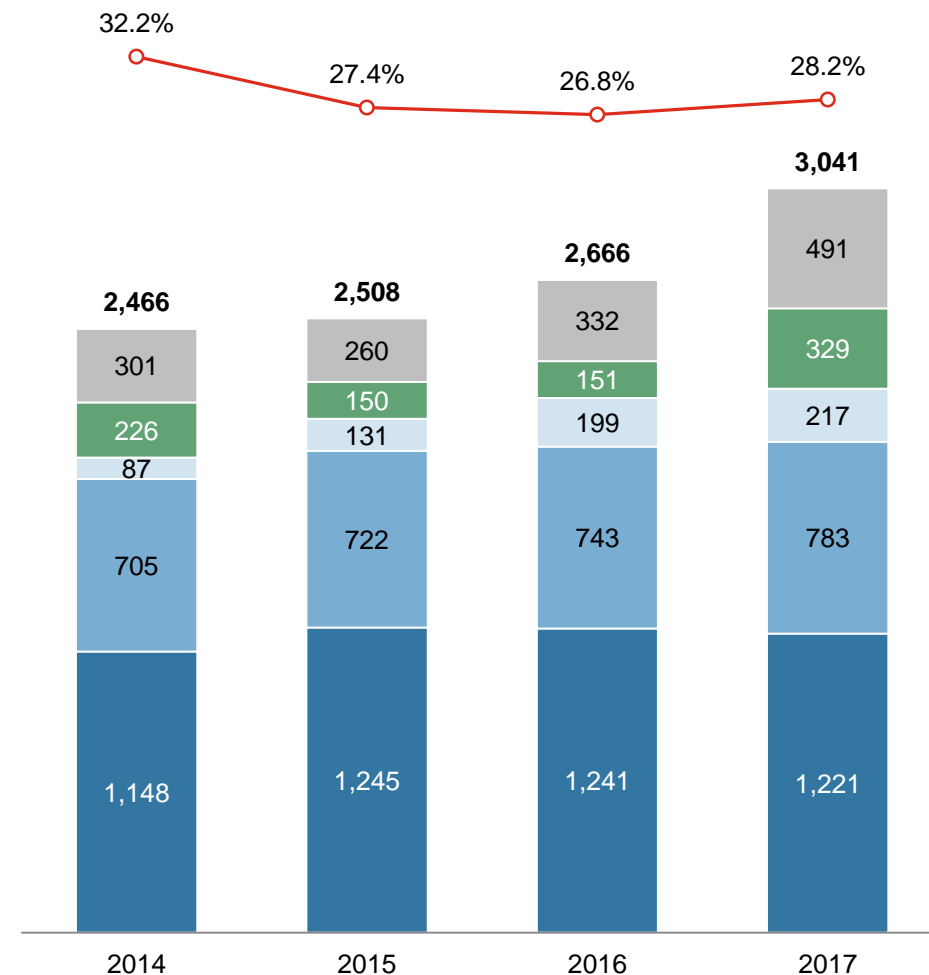
RUB mn



- Cash loans gross profit¹
- Gross profit for retail and wholesale
- Gross profit margin for retail and wholesale, %
- Gross profit margin, %

SG&A expenses (excl. provisions)

RUB mn



- Leases & Warehouse expenses
- Payroll and social charges
- D&A
- Advertising & Marketing
- Other
- SG&A as % of revenue, %

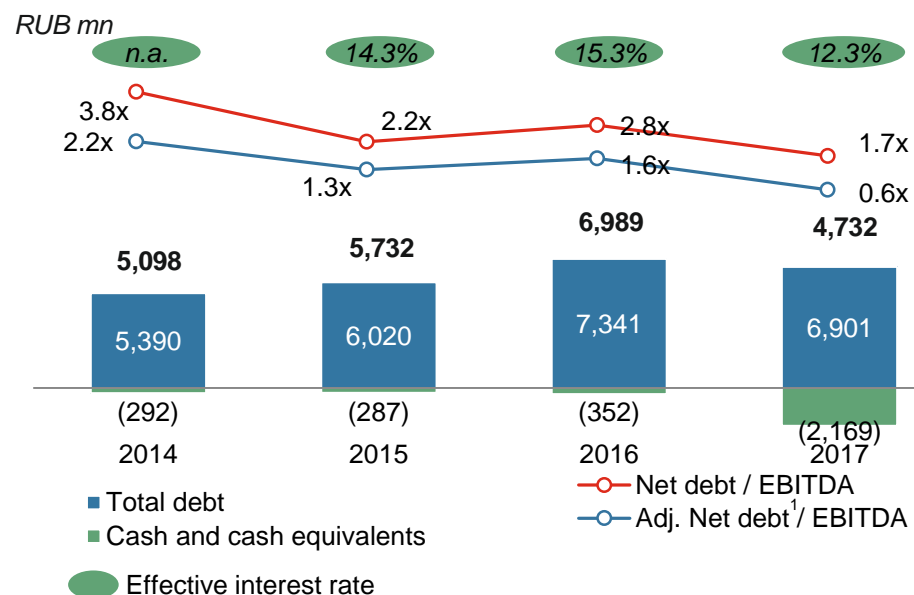
¹ Cash loans gross profit equals to income from cash loans
Source: audited IFRS financial statements for 2014-2017



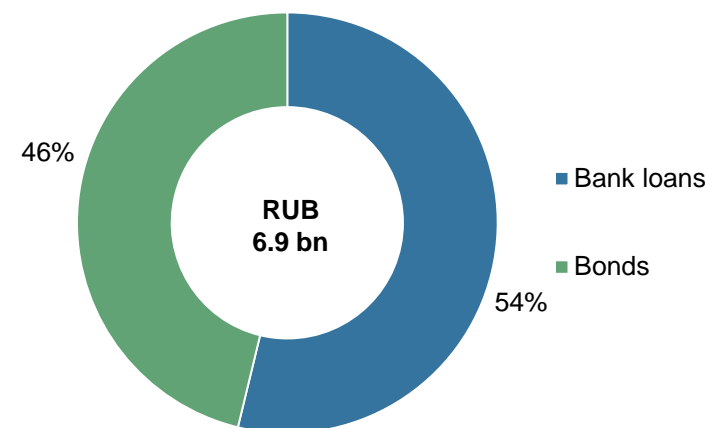
Debt Portfolio Structure



Net debt evolution



Debt portfolio structure by instruments (as of 2017YE)



Highlights

- 100% of our debt is denominated in RUB
- Reasonable Net debt / EBITDA (LTM) ratio of 1.7 as of 2017YE
 - Adj. Net debt / EBITDA (LTM) of 0.6 as of 2017YE
 - Adjustment for installment and cash loans provided to retail customers (excl. loans overdue for more than 91 days), assuming such loans can be easily converted into cash due to reasonably small maturity¹ (6 months for installments and 4 months for cash loans)
- We have no exposure to floating interest rates

¹ Adjustment for installment and cash loans provided to retail customers (excl. loans overdue for more than 91 days); Source: audited IFRS financial statements for 2014-2017

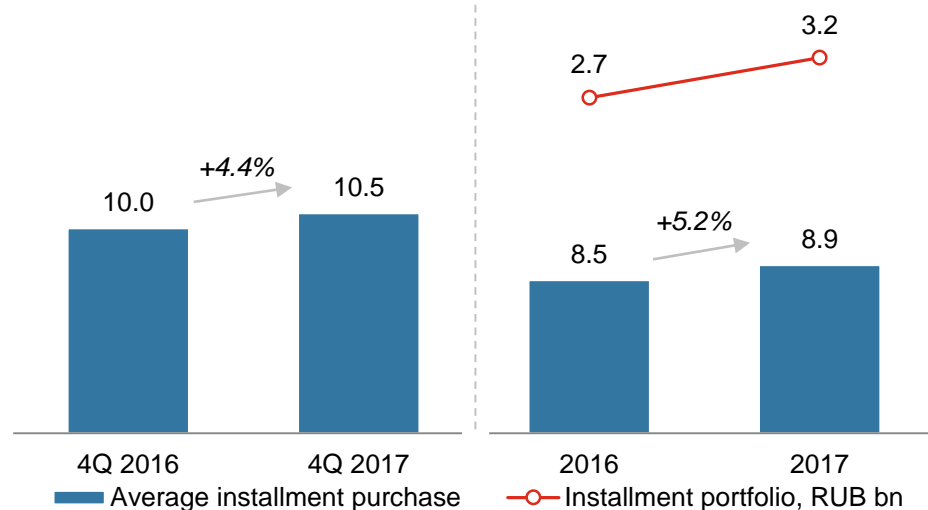


Installments And Cash Loans Development



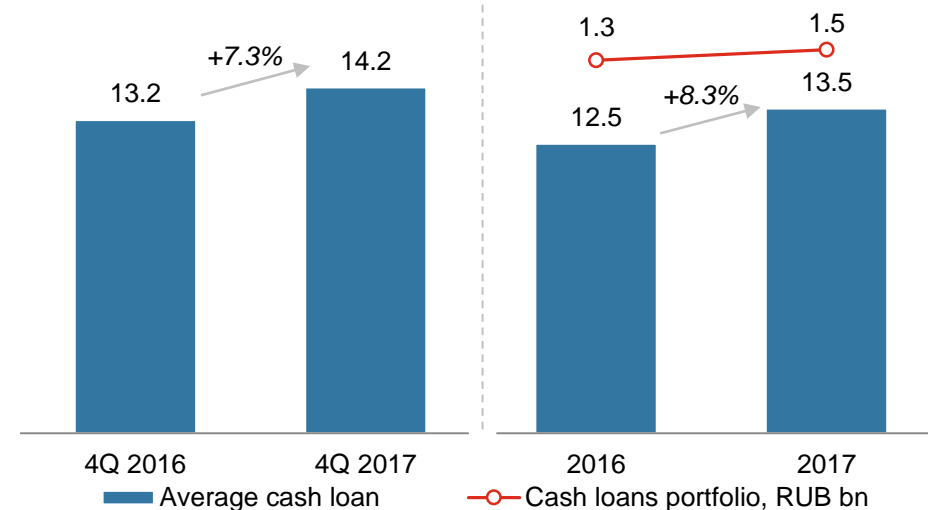
Installments segment development

RUB ths



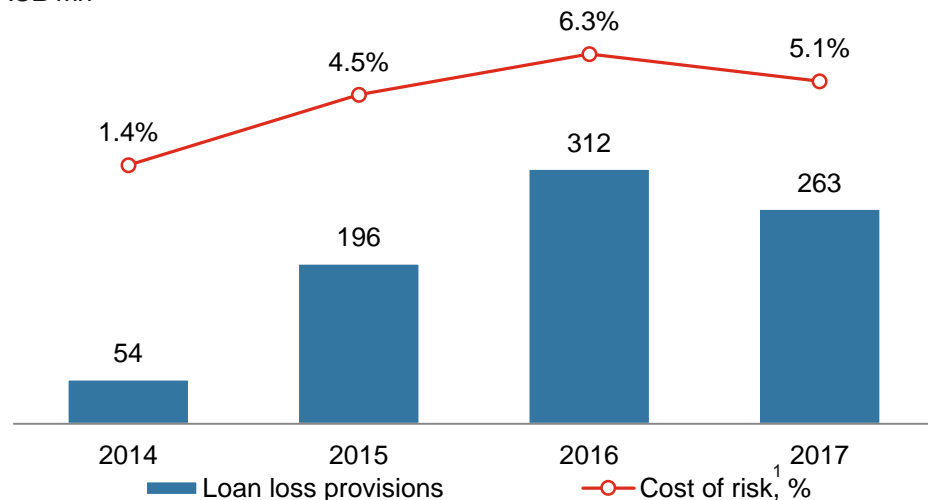
Cash loans segment development

RUB ths



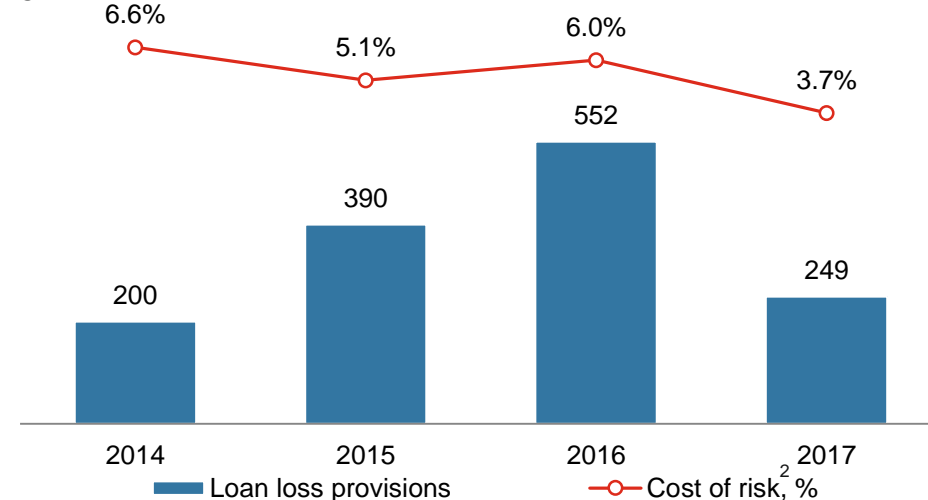
Installments portfolio quality

RUB mn



Cash loans portfolio quality

RUB mn



¹ Loan loss provisions divided by volume of installment loans issued for the financial year; ² Loan loss provisions divided by volume of cash loans issued for the financial year
Source: audited IFRS financial statements for 2014-2017, management accounts



1. Obuv Rossii Investment Case	3
2. Key Recent Developments	15
3. Financial Results	19
4. Appendix	25





Financial Performance Evolution



<i>(RUB mn unless stated otherwise)</i>	2014	2015	2016	2017
Financial metrics				
Revenue	7,663	9,156	9,965	10,801
<i>growth, %</i>	-	19.5%	8.8%	8.4%
Retail revenue	5,874	6,844	7,663	7,078
<i>growth, %</i>	-	16.5%	12.0%	-7.6%
Wholesale revenue	987	948	825	2,224
<i>growth, %</i>	-	-4.0%	-13.0%	169.7%
Cash loans revenue	802	1,364	1,478	1,500
<i>growth, %</i>	-	70.0%	8.4%	1.5%
Gross profit	3,987	5,510	5,859	5,853
<i>margin, %</i>	52.0%	60.2%	58.8%	54.2%
SG&A expenses (excl. Provisions)	2,466	2,508	2,666	3,041
<i>as % of Revenue</i>	32.2%	27.4%	26.8%	28.2%
EBITDA	1,325	2,602	2,540	2,737
<i>margin, %</i>	17.3%	28.4%	25.5%	25.3%
Net profit	637	1,469	1,183	1,310
<i>margin, %</i>	8.3%	16.0%	11.9%	12.1%
Total debt	5,390	6,020	7,341	6,901
Cash and cash equivalents	292	287	352	2,169
Net debt	5,098	5,732	6,989	4,732
CAPEX ¹	1,271	646	469	211
<i>as % of Revenue</i>	16.6%	7.1%	4.7%	2.0%

¹ Actual payments for purchase of property, plant, equipment, intangible assets and acquisition of subsidiaries, net of cash acquired
Source: audited IFRS financial statements for 2014-2017

New Stores Launched in 1H 2018



Westfalika Store
in Novosibirsk,
Royal Park
Shopping Mall



Emilia Estra
Store
in Vladivostok,
street-retail



Rossita Store
in Novosibirsk,
Royal Park
Shopping Mall



Westfalika Store in Novosibirsk,
flagship store



Westfalika Store in Novosibirsk,
Versal Shopping Mall



Lisette Store
in Novosibirsk,
Galereya Novosibirsk
Shopping Mall