

## **OBUV ROSSII GROUP ANNOUNCES UNAUDITED FINANCIAL AND OPERATING RESULTS FOR 3<sup>RD</sup> QUARTER AND 9 MONTHS 2017**

**24 November 2017, Russia, Novosibirsk:** Obuv Rossii Group (MOEX: OBUV/ the “Company” and, together with its subsidiaries, “Obuv Rossii” or the “Group”), one of the two largest footwear retailers in Russia and the leader in the mid-price segment of the Russian footwear market<sup>1</sup>, that includes 521 stores in more than 140 cities of Russia and two production facilities, announces its unaudited financial results in accordance with International Financial Reporting Standards (IFRS) and operating results for the third quarter and nine months ended 30 September 2017.

### **3Q 2017 FINANCIAL HIGHLIGHTS:**

- Group consolidated unaudited revenue increased by 30% year-on-year to RUB 3.1 bln.
- Net profit margin was 10%.
- Net profit decreased by 12% year-on-year to RUB 322 mln, due to the high base of the 3rd quarter of 2016.
- EBITDA margin was 24%, while the indicator of the same period of 2016 was 31%.
- EBITDA increased by 0,04%% and reached RUB 736 mln.

### **3Q 2017 OPERATING HIGHLIGHTS:**

- Like-for-like sales of Obuv Rossii Group increased by 6%, with the number of tickets growing by 0.2% and an increase in the average ticket price by 5.8%.
- Obuv Rossii Group opened 8 own stores of the Westfalika chain, which is the main brand of the Group. The total number of points of sales was 519 stores as of 30 September 2017, of which 113 were franchise ones.
- Total selling space increased by 3% to 38,100 sq. m.

### **9M 2017 FINANCIAL HIGHLIGHTS:**

- Group consolidated unaudited revenue increased by 12% year-on-year to RUB 7.23 bln.
- Net profit margin was 9%.
- Net profit increased by 9% year-on-year to RUB 670 mln.
- EBITDA margin was 25%, while the indicator of the same period of 2016 was 24%.
- EBITDA increased by 15% and reached RUB 1.79 bln.

### **9M 2017 OPERATING HIGHLIGHTS:**

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<sup>1</sup> In terms of the number of stores and revenue for the six months of 2017, according to Discovery Research Group

- Like-for-like sales of the Obuv Rossii Group decreased by 1.8% (which is explained by the shift of seasons during the first six months of 2017 and an abnormally cold summer in Russia, which influenced the sales indicators of fashion retailers in the first six 6 months of 2017; however in the third quarter Obuv Rossii Group increased sales and demonstrated considerable increase in like-for-like sales), with the number of tickets decreasing by 6.62% and an increase in average ticket price by 5.16%.
- Obuv Rossii opened 67 new stores within 9 months, of which 39 are franchise stores.
- The number of holders of *Arifmetika* loyalty cards that are valid in all retail chains of the Group increased by 71% year-to-year and reached 956 thousand persons as of 30 September 2017. Sixty percent of purchases were made with the use of the loyalty cards within the reporting period.

#### **KEY EVENTS OF THE THIRD QUARTER OF 2017:**

- In July 2017, Obuvrus LLC a member of Obuv Rossii Group placed 3-year exchange-traded bonds of 50-01 series (identification number 4B02-01-16005-R) in the amount of RUB 1.5 bln on Moscow Exchange. BCS Global Markets was the organizer of the placement, GLOBEXBANK JSC was the co-organizer.
- In August 2017 the Company obtained a credit line from the GLOBEX bank in the amount of RUB 800 mln for the period of 3 years.
- In its autumn-winter collection, the Company significantly expanded the assortment of middle layer clothes – cardigans, jumpers, polo necks, making the number of SKU 5 times higher. Since 2010 the sales of related goods have been constantly increasing, with their share in the sales revenue also growing: from 4% in 2010 to 27.3% in 2016.
- On 20 October, Obuv Rossii Group raised RUB 5.9 bln in IPO on Moscow Exchange, becoming the first public company on the Russian footwear and fashion markets. The placement results showed that the market capitalization of the company was RUB 15.8 bln. The money raised from the sale of new shares will be used by the Group to expand the retail chain (the company intends to double the number of stores in the next three years), to develop the distribution and supply channels, to partially repay the existing debt, as well as to achieve the other corporate-wide objectives.

#### **KEY OPERATING HIGHLIGHTS**

Indicator	30 Sep 2017
<b>Number of stores</b>	519
DOS	406
Franchise	113
<b>DOS selling space ('000 sq. m.)</b>	38.1

Like-for-like <sup>2</sup>	3Q 2017	9M 2017
<b>Like-for-like revenue growth</b>	6.07%	-1.80%
like-for-like number of tickets growth	0.15%	-6.62%
like-for-like average ticket price growth	5.91%	5.16%

#### **KEY FINANCIAL HIGHLIGHTS**

<sup>2</sup> The growth of like-for-like sales, the growth of the like-for-like number of tickets and the average ticket size are calculated on the basis of results of stores of Obuv Rossii Group that worked during one full preceding calendar year. For example, the indicator of growth of like-for-like sales for 9 m. of 2017 – 9 m. of 2016 will include the proceeds of all Obuv Rossii Group stores that were opened before 31 December 2015 and were operated during the whole 2016 and 9 m. of 2017.

	3Q 2017	3Q 2016	Δ, %	9M 2017	9M 2016	Δ, %
<b>Revenue (mln RUB)</b>	3 088	2 369	30%	7 229	6 444	12%
<b>Gross profit (mln RUB)</b>	1 416	1 509	-6%	3 894	4 029	-3%
<b>Gross profit margin</b>	46%	64%		54%	63%	
<b>EBITDA (mln RUB)</b>	736,35	736,08	0,04%	1 788	1 552	15%
<b>EBITDA margin</b>	24%	31%		25%	24%	
<b>Net profit (mln RUB)</b>	322	366	-12%	669	617	9%
<b>Net profit margin</b>	10%	15%		9%	10%	

**Anton Titov, Director of Obuv Rossii Group, commented as follows:**

During nine months 2017, Obuv Rossii demonstrated strong financial and operating results: the revenue of the company increased by 12%, its net profit increased by 9%, EBITDA margin was 25%, the like-for-like average ticket price increased by 5.16%. This confirms that the selected strategy of the company is correct, the important part of which is development of multiformat retail in the mid-price segment, as well as the focus on the brands with unique positioning and a wide audience of loyal customers. In the 3<sup>rd</sup> quarter, the company increase sales and compensated the effect of the season shift and the quite cold summer in Russia during the six months of 2017, the like-for-like revenue increased by 6,07%.

Under the diversification strategy, we continue improving our assortment both in terms of footwear (we started to produce a new line of footwear with the use of promising polymeric materials) and related goods and clothes. The results of 9 months show that the sales of clothes increased by 90% in volume terms and by 61% in value terms.

We are improving the model of omni-channel sales: now we have five Internet stores of our main brands. We develop the system of goods delivery via courier services. Due to the expansion of the retail chain, our customers have more opportunities to use the service of self-pickup from our stores that also play the role of pick-up points, which positively influences the indicators of e-commerce. The results of 9 months show that the omni-channel sales of the company, including e-commerce, increased by 37% in value terms.

Obuv Rossii implements the strategy of chain development, giving preference to organic growth. We opened 8 new stores in the 3<sup>rd</sup> quarter 2017, the results of 9 months show that our chain increased by 67 new stores, including 39 franchising points of sale. We also plan to actively open new stores in the 4<sup>th</sup> quarter 2017.

Company background:

Obuv Rossii is a nationwide footwear company ranked among the two top Russian footwear retailers in terms of the number of stores (according to Discovery Research Group), a leader of the mid-price segment of the footwear market. Obuv Rossii was established in 2003, it is headquartered in Novosibirsk with a representative office in Moscow. The main Group business line is production and sales of footwear and related goods. The Company manages 521 stores (113 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), as well as develops brands of footwear and clothes for active life style of *S-tep*, *All.go* and *Snow Guard* and owns two manufacturing facilities in Novosibirsk region.



In 2017, RAEX (Expert PA) confirmed the creditworthiness rating of Obuv Rossii Group at ruBBB level, a "stable" forecast. In October 2017, Obuv Rossii raised 5.9 billion rubles in IPO on Moscow Exchange (ticker: OBUV), the issuer being OR PJSC, and became the first public company on the Russian footwear and fashion market.

In accordance with the audited Financial Statements under IFRS Group revenue amounted to RUB 9.97 bln for the full year 2016, net profit was RUB 1.18 bln, and EBITDA was RUB 2.54 bln.

Website of the Group: [www.obuvrus.ru](http://www.obuvrus.ru); Internet stores: [www.westfalika.ru](http://www.westfalika.ru), [www.westfalika-home.ru](http://www.westfalika-home.ru), [www.emilia-estra.ru](http://www.emilia-estra.ru), [www.rossita.com](http://www.rossita.com), [www.lisette.me](http://www.lisette.me).

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