

Lenta Strategic Update

October 2023





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Starting Point of Lenta's Transformation Journey

2020



RUB 445 billion

- 1.5 million sq m of selling space, with 92% taken by hypermarkets
- Russia's largest hypermarket chain by Sales
- Launch of Online business, with a < 1.5% share in Lenta sales
- > 8% EBITDA Margin

2025¹



Increase sales to RUB 1 trillion

+RUB 555 billion



Get closer to customers through expansion

+1.5 million sq m of new selling space, mostly across small formats



Develop Online business

capture a 10% market share



Maintain leadership in the hypermarket segment

increase market share in the segment



Remain the most profitable retailer

> 8% EBITDA Margin



On Track to Achieve our 2025 Goals



Increase Sales to
RUB 1 trillion



Get closer to customers
through expansion



Maintain leadership in the
hypermarket segment



Develop Online business



Remain the most
profitable retailer

2023 Interim results

~RUB 750 billion

unconsolidated total revenue in
2023¹,
+69% vs 2020

~2.3 million sq m

selling space
as at the end of 2023²,
+50% vs 2020

~29% market share

in the hypermarket segment³,
+3.3 pp vs 2020

~7.5% market share

in the online segment⁴,
+3 pp vs 2020
with positive unit economics

**> 7% EBITDA
Margin⁵**

in Q4 2023,
+0.5 pp vs Q4 2022

Pre-IFRS 16 financials

¹ Lenta and Monetka FY 2023 unconsolidated total revenue forecast; Lenta will start consolidating Monetka in its financial results starting from Q4 2023 | ² Lenta and Monetka total selling space forecast as at 31 December 2023 | ³ INFOline's FY 2023 forecast, channel sales and Lenta's sales include online sales via hypermarkets | ⁴ The share is based on Data Insight's forecast for 2023, which includes sales forecasts for Lenta's own and partner services | ⁵ Consolidated EBITDA Margin forecast for Lenta and Monetka



M&As as an Accelerator of Growth Targets



Preserving the acquired brand’s identity, CVP¹, key operational processes, and team

Leveraging synergies and sharing both businessis’ best practices

Having acquired stores operated by a stronger regional player

MONETKA

Rebranding acquired stores and having them operated by Lenta

Harmonising commercial, logistics, and operational processes to unlock synergies

BILLA

SEMYA

Pulling together unique expertise and customer base

Harmonising operations based on integrated infrastructure

UTKONOS



Data as at the time of respective transaction
¹ Customer value proposition | ² 44 convenience stores, 27 supermarkets, 4 hypermarkets



Lenta is Now Evolving Into a Multi-Brand Platform to Foster Business Growth



Extensive geographic coverage

> 650 cities and towns¹

Proximity to customers

> 2,790 retail stores²

> 2,245 convenience stores

285 supermarkets

261 hypermarkets

Logistics infrastructure

20 distribution centres³ and
over 1,000 owned trucks

Team

> 70,000 employees⁴

Customer base

> 680 million tickets⁵ in 1 H 2023

> 12 million MAU⁶ of Lenta's digital
platforms⁷ in 1 H 2023

¹ Combined total for Lenta and Monetka as at 1 October 2023 | ² Number of Lenta Mini stores, Lenta supermarkets, Lenta hypermarkets and Monetka stores as at 1 October 2023 | ³ Combined total for Lenta and Monetka as at 1 October 2023, excluding Utkonos distribution centres | ⁴ Combined headcount for Lenta and Monetka as at 1 October 2023 | ⁵ Combined number of tickets for Lenta and Monetka | ⁶ MAU stands for monthly active users | ⁷ Including Lenta, Lenta Online, Utkonos apps and Lenta.com and Utkonos.ru websites



Redesigned Organisational Structure: Formats vs Corporate Centre



¹ Internal audit, development and construction, legal affairs, public and government relations, security



We Reaffirm Our Ambition to Achieve RUB 1 Trillion of Revenue in 2025

HYPERMARKETS

Grow market share in the hypermarket segment and improve performance

by improving customer proposition and optimising costs



SUPERMARKETS

Enhance supermarket model efficiency

to prepare for accelerated organic growth



CONVENIENCE STORES

Open 500+ stores annually

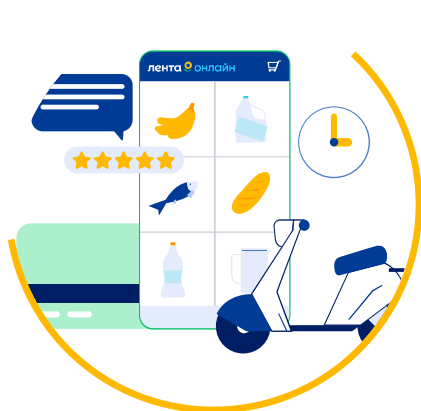
while maintaining leadership in LFL growth and efficiency in home regions



ONLINE BUSINESS

Improve customer proposition and operating model

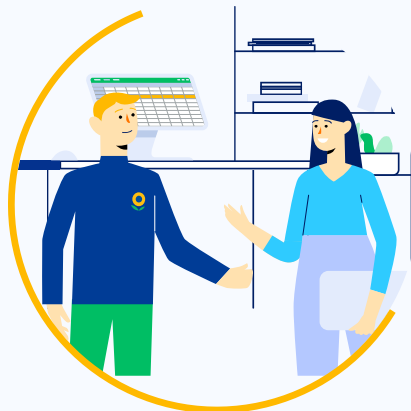
to ensure effective growth



CORPORATE CENTRE

Strive to become our best self every year

by embracing a culture of continuous improvement



Hypermarkets



Lenta Solidifies Leadership in the Hypermarket Segment

261

hypermarkets

121

cities and towns

35k+

employees

~29%

forecasted market share in the
hypermarket segment
in 2023¹, +3.3 pp vs 2020

~4.8%

hypermarket revenue CAGR in
2020–2023 vs the segment's
average of ~0.7%¹

5,500 sq m

average selling space

25,000+

SKUs on shelves



Shopping missions



shopping for
versatile items



large weekly family
shopping



stocking up
for a special occasion
or a party



seasonal non-food
shopping



procurement by B2B
customers

¹ INFOline forecast as of September 2023



Hypermarket Growth Drivers: CVP Transformation, Value Proposition Reinforcement, and SG&A Optimisation

01

Transitioning from an excessive assortment to a demand-driven one

Optimising product assortment by leveraging strategic marketing tools and customer data analysis

Improving inventory turnover and reducing shrinkage by phasing out low-demand products and enhancing replenishment efficiency

Generating additional income and driving traffic by subleasing vacant spaces

02

Transitioning from a High-Low pricing strategy to consistently low prices

Increasing the share of EDLP²/EDPP³ to create a perception of consistently low prices

Sustaining low prices by reducing costs associated with mass marketing and shifting towards personalised promotions

Digitalising pricing to enhance decision-making efficiency (developing Promo and Pricing Tool⁴)

03

Strengthening the distinctiveness of the offering

Strengthening differentiators: increasing the share of private labels to > 25% and expanding direct import

Developing in-house production as a standalone business

Reducing time for customer feedback response by swiftly testing changes in customer experience

04

Optimising SG&A without compromising service quality

Reducing PEX⁵ by eliminating redundant operations in stores⁶ and implementing WFM⁷ system

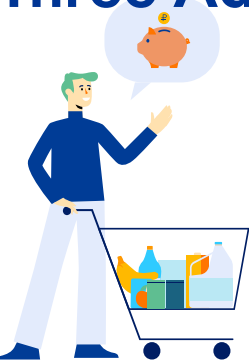
Boosting productivity by adopting new approaches to training and motivating staff

Improving operational efficiency by implementing a comprehensive set of initiatives⁸

¹ High-Low is a pricing strategy with a significant difference between regular and promotional prices | ² EDLP (Everyday Low Price) is a pricing strategy based on consistently low prices | ³ EDPP (Everyday Promotional Price) is a pricing strategy based on everyday promotional prices | ⁴ Internal designation of pricing and promotion planning tools based on peer benchmarking and demand elasticity analysis | ⁵ Personnel expenses | ⁶ Transitioning from shelf stocking by item to stocking by case for high-turnover SKUs, reducing the number of price tag changes, etc. | ⁷ Workforce Management (WFM) system for automated employee scheduling | ⁸ Leveraging a mix of in-house and outsourced services to optimise cleaning expenses, reducing store inventory levels, maximising the collection of recyclables, etc.



Three Additional Models Currently Piloted to Drive Traffic



Hypermarket Discounter

MARCH 2023

Consumer needs

Best prices for essential goods

Our response

Ensuring consistently low prices by simplifying the service level, optimising the product assortment, and reducing the number of operations

OUTCOME

Steady growth in offline traffic:
> 15 pp ahead of the control group



Point-of-Attraction Hypermarket

DECEMBER 2023

Consumer needs

Less time to complete a broad range of shopping or service missions

Our response

Covering a broader range of shopping or service missions through subleasing, parking, and shop-in-shop partnerships

OUTCOME

Expected traffic growth:
+2 pp in the first year



Hypermarket with Lenta FRESH Restaurant

JULY 2023

Consumer needs

Eating out, takeaway ready meals at affordable prices

Our response

A family restaurant offering a selection of 500 house-made dishes, including fixed-price set lunch options available for takeaway

OUTCOME

Traffic growth: +5 pp ahead of
other hypermarkets in the same city

Supermarkets



Lenta Supermarkets: Wide Product Selection at the Best Prices

285

supermarkets

18

cities and towns

4k+

employees

750 sq m

target selling space

+13.1 pp

LFL sales¹ growth
in Q3 2023 vs Q2 2023

2.4 pp

shrinkage improvement
in Q3 2023 vs Q2 2023

7,500

target number of SKUs
on shelves

**Customer satisfaction levels
unprecedented for Lenta supermarkets**



Shopping missions



fresh grocery
shopping



shopping for daily
meal essentials



small-scale
stocking up



shopping for indulgent
treats



buying
ready-to-eat
food

¹ Preliminary estimate, sales including online



Our Goal is to Create a Highly Efficient Supermarket with an Attractive Cost and Value Proposition Tailored to our Target Customers

01

Building a reputation as a budget-friendly supermarket

Tailoring the commercial strategy to focus on specific customer segments customising our offering to meet the needs of target customer groups

Transitioning from a High-Low pricing strategy to consistently low prices to build a reputation as a budget-friendly destination

Expanding the unique assortment to provide a wide array of products in proximity to customers

02

Revitalising in-house production¹

Becoming a self-sustaining customer attraction point as a new target for in-house production

Elevating service and productivity levels through new training, control, and motivation standards

Fine-tuning the product offering to fit each location and time of the day with a focus on offering the best products at each specific location and time

03

Enhancing the management system and operational model

Enhancing management flexibility by transforming the supermarket format into a separate business line

Enhancing the efficiency of operational model by implementing a comprehensive set of initiatives

Tailoring information systems and business processes to suit specific requirements of the format

Optimising the store portfolio by reformatting small-sized stores into Monetka stores and closing underperforming locations

04

Leveraging synergies with the hypermarket format

Unlocking stronger commercial synergies through shared negotiations with suppliers, access to the hypermarket broad product offering, and shared use of popular private labels

Unlocking marketing synergies through joint marketing activities, shared infrastructure³ and loyalty programme, and personalised offers targeting shared customer base

¹ In-house production includes meat, poultry, fish, bakery and ready-to-eat food | ² Implementation of the Workforce Management (WFM) system for automated employee scheduling, shrinkage improvement by aligning the replenishment process with the supermarket needs, optimisation of inventory, etc. | ³ Website, mobile app, delivery services, etc.

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Monetka: a Fast-Growing Convenience Network

2,120

convenience stores¹

470+

cities and towns

23k+

employees

+24%

revenue CAGR
in 2020–2022

+41%

EBITDA CAGR
in 2020–2022

+8.7%

LFL sales growth
in 1H 2023 vs 1H 2022

~RUB 340 k

sales density² per sq m per year



Shopping missions



fresh grocery shopping



shopping for daily meal
essentials



small-scale stocking up



High Growth Rates Driven by Well-Crafted CVP and Efficient Operational Model

Clean and well-maintained convenience stores

offering high-quality everyday products at consistently low prices

290 sq m

average selling space

~3,600 SKUs

product offering

~17%

share of local products in sales

Consistently low prices

EDLP/EDPP





Key Growth Focuses in the Convenience Segment



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Online Services: Continued Sales and Revenue Share Growth

460+

stores covered by delivery services

144

cities and towns

13k+

employees⁵

Up to 80 k

daily orders¹

7.5%

Lenta's projected market share in the online segment³

Positive

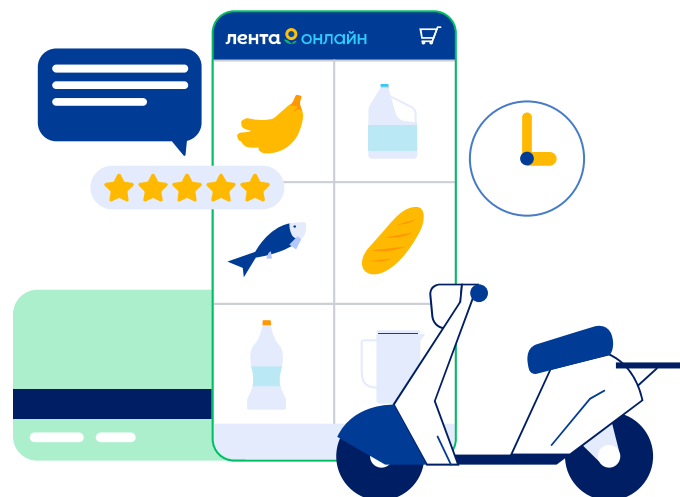
unit economics

~RUB 2,000

average ticket²

~9%

share of e-commerce in Lenta's total sales⁴



Shopping missions



large weekly family shopping



stocking up for a special occasion or a party



procurement by B2B customers



seasonal non-food shopping



small basket top-up shopping



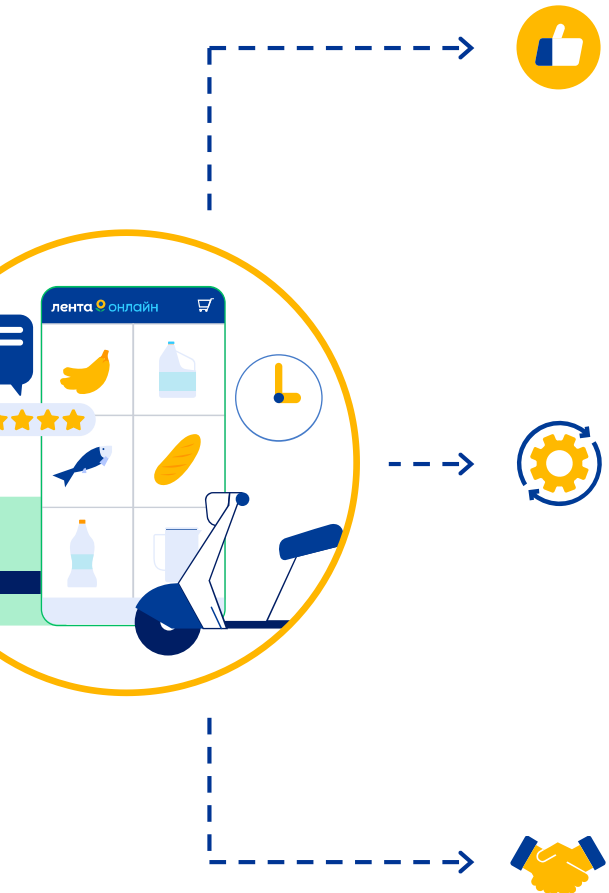
non-food purchases through marketplaces

¹ Peak sales in 9M 2023 | ² YTD September 2023, net of VAT | ³ Market share as of the end of 2023 based on Data Insight's forecast, including projected sales through Lenta's own and partners' services |

⁴ As of the end of 9M 2023 | ⁵ Including temporary staff and externally sourced couriers



Key Growth Focuses in the Online Segment



Value proposition

enhancing price perception compared to key online competitors

developing and enhancing the online platform to ensure its resilience

strengthening differentiation in terms of service, digital experience and product offering

Efficiency

reducing order picking and delivery expenses by enhancing digital capabilities

streamlining operations to improve order picking speed and quality

developing partnerships and enhancing collaboration on a win-win basis

New models and sales channels

onboarding new partners and implementing new operational models

relaunching the Click & Collect¹ model for proprietary and partner services

developing digital storefronts and websites to expand the customer base

¹ The service of online order picking for pickup at the store

Strategic priorities





Strategic Priorities Through 2025

Organic expansion

with over 500 annual store openings in the fastest-growing market channels and segments

Successful integration of Monetka

and its accelerated nationwide growth based on expected benefits from synergies

Improvement of customer proposition

through the development of strategic marketing and customer analytics competencies

Complete transformation into a multi-format platform

empowering business creation and growth

Development of continuous improvement culture

and pilot of promising formats to explore new niches

RUB 1 TRLN

revenue to be generated by achieving each format's strategic ambition



Key Financial Priorities Through 2025

**Revenue growth at CAGR of
> 20% in 2022–2025 to
RUB 1 trillion**

**EBITDA Margin
growth to > 7% in 2025**

with ~9% for mature business and assuming
investments in expanding small formats and
the online business

**Capex at no more than 5%
of Company revenue**

excluding potential M&As, with stringent
control over returns on all development
projects

**Net Debt / EBITDA ratio
reduction to 1.5x in 2025**

despite increased spending on expansion and logistics
infrastructure

Potential to commence dividends

potential dividend payouts in the mid-term in line with
the Company's dividend policy