

Lenta Reports Retail Sales Growth of 4.6% in Q3 and 7.9% in 9M 2020

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Non Regulated

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- Retail Sales increased by 4.6% year-over-year to RUB 102 billion in Q3 2020, on the back of mixed trends as Lenta continued to adapt to changing customer behavior
- LFL Sales growth remained strong at 3.0% in Q3 2020 with Average Ticket growth of 9.2% and customer Traffic decline of 5.7%
- Online Sales grew to RUB 1.3 billion in Q3 2020, an increase of 551% year-over-year, serving customers across 82 cities
- Lenta added 6 stores on a net basis (2 new hypermarkets and 5 new supermarkets with 1 supermarket closure) in Q3 2020, bringing the total number of retail stores to 386 and Total Selling Space to 1.49 million square meters as of 30 September 2020
- On 2 September, Vladimir Sorokin was appointed Lenta's new Chief Executive Officer

St. Petersburg, Russia, 21 October 2020: Lenta PLC (MOEX & LSE: LNTA), one of the largest retail chains in Russia, today announces its Q3 2020 Operational Results. A conference call with the CEO and CFO to discuss these results is scheduled for today (see below for dial-in details).

Vladimir Sorokin, Chief Executive Officer:

"While 2020 has been an unprecedented year for the retail industry, I am extremely proud of how swiftly and efficiently Lenta has adapted to the ever-evolving market conditions due to Covid-19. At all times we have made the safety and well-being of our employees and customers our highest priority. These measures have paid off as local authorities didn't close any of our stores and consumers felt it is safer to shop at Lenta. As a result, some customers made Lenta their store of choice and spent more at our stores. Together with our resilient business model this approach translated into strong results in the first nine months. Retail Sales were up by 7.9% compared with the same period last year thanks to an 11.4% growth in Average Ticket. Like-for-Like Retail Sales grew by 5.9%, driven by an 11.5% increase in the Like-for-Like Average Ticket.

Lenta's online offering also continues to add value to our customers' lives. We have made robust progress during 2020 in expanding the geographic coverage of our own Lentochka express delivery service and our new Click & Collect program. We believe that Lenta is uniquely positioned for online food retail as it already has a large store network in 88 cities with a wide assortment of 25,000 SKUs. As a result, we do not need to build expensive dark stores.

During 2020, Lenta has again proven itself to be resilient and adaptable to changes in consumer behavior. That said, there is further scope to fine-tune the business model in response to shifts in demand patterns and the external environment. I appreciate that an updated strategic plan is long awaited, but the focus for the last several months has understandably been on steering Lenta through a turbulent period and ensuring safe and uninterrupted access to stores for our customers. We look forward to unveiling a new long-term growth strategy early next year.

In the interim, we will remain focused on the key factors that affect the choices our customers make daily, such as an attractive and relevant assortment that emphasizes quality rather than quantity and is a great value for money proposition for a wide range of consumer groups."

3rd Quarter – LFL RESULTS		Q3	Q3	Q3
		Sales	Average Ticket	Traffic
Total Retail		3.0%	9.2%	-5.7%
Hypermarkets		2.7%	8.8%	-5.6%
Supermarkets		5.6%	12.3%	-5.9%

3rd Quarter - OPERATING RESULTS (Year-over-Year)				
	Q3 2020	Q3 2019	Change	% Change
Total Sales (RUB millions)	104,397	100,396	4,000	4.0%
Retail Sales	102,260	97,750	4,510	4.6%
Hypermarkets	93,345	89,608	3,737	4.2%
Supermarkets	8,915	8,142	772	9.5%
Wholesale	2,137	2,646	-510	-19.3%
Average Ticket (RUB)	1,050	966	84	8.7%
Hypermarkets	1,169	1,073	96	8.9%
Supermarkets	508	459	49	10.6%
Number of Tickets (millions)	97	101	-4	-3.8%
Hypermarkets	80	83	-4	-4.4%
Supermarkets	18	18	-0	-1.0%
Total Retail Stores (eop)	386	375	11	
Hypermarkets	250	246	4	
Openings	2	1		
Closing	0	-1		
Supermarkets	136	129	7	
Openings	5	0		
Closing	-1	-3		
New Selling Space (sqm, eop)	12,184	-2,881	15,065	
Hypermarkets	8,306	-866	9,172	
Supermarkets	3,878	-2,015	5,893	
Total Selling Space (sqm, eop)	1,494,251	1,470,056	24,195	1.6%
Hypermarkets	1,379,234	1,362,390	16,844	1.2%
Supermarkets	115,017	107,666	7,351	6.8%
Total Online Sales (RUB, millions)	1,311	201	1,110	551.5%
Total Online Orders (thousands)	736	87	649	748.3%
Cities of Online Operation				
Online Partners	82	10	72	
Lentochka	26	0	26	
Click & Collect	13	0	13	

9 Months - LFL RESULTS		9M	9M	9M
		Sales	Average Ticket	Traffic
Total Retail		5.9%	11.5%	-5.1%
Hypermarkets		5.4%	11.4%	-5.4%
Supermarkets		11.1%	15.4%	-3.7%
9 Months - OPERATING RESULTS (Year-To-Date)				
	9M 2020	9M 2019	Change	% Change
Total Sales (RUB millions)	321,372	299,607	21,764	7.3%
Retail Sales	315,707	292,581	23,125	7.9%
Hypermarkets	287,562	267,368	20,194	7.6%
Supermarkets	28,145	25,214	2,931	11.6%
Wholesale	5,665	7,026	-1,361	-19.4%
Average Ticket (RUB)	1,085	974	111	11.4%
Hypermarkets	1,203	1,081	123	11.4%
Supermarkets	542	477	65	13.7%
Number of Tickets (millions)	291	300	-9	-3.1%
Hypermarkets	239	247	-8	-3.4%
Supermarkets	52	53	-1	-1.8%
Total Retail Stores (eop)	386	375	11	
Hypermarkets	250	246	4	
Openings	2	4		
Closing	1	2		
Supermarkets	136	129	7	
Openings	8	1		
Closing	4	7		
New Selling Space (sqm, eop)	5,022	5,905	-883	
Hypermarkets	665	8,925	-8,260	
Supermarkets	4,357	-3,020	7,377	
Total Selling Space (sqm, eop)	1,494,251	1,470,056	24,195	1.6%
Hypermarkets	1,379,234	1,362,390	16,844	1.2%
Supermarkets	115,017	107,666	7,351	6.8%
Total Online Sales (RUB, millions)	3,181	642	2,538	395.1%
Total Online Orders (thousands)	1,576	269	1,307	485.0%
Cities of Online Operation				
Online Partners	82	10	72	
Lentochka	26	0	26	
Click & Collect	13	0	13	

1. LFL Results do not include 29-Feb-2020

3Q Monthly - OPERATING RESULTS

	July	YoY	August	YoY	September	YoY
Total Sales (RUB millions)	36,420	11.2%	34,209	0.8%	33,768	0.2%
Retail Sales	35,712	11.8%	33,551	1.5%	32,998	0.7%
Hypermarkets	32,678	11.6%	30,688	1.1%	29,979	0.1%
Supermarkets	3,034	14.2%	2,862	6.6%	3,018	7.8%
Wholesale	708	-12.8%	658	-27.2%	770	-17.2%
Average Ticket (RUB)	1,067	11.4%	1,037	7.8%	1,045	6.9%
Hypermarkets	1,185	11.4%	1,153	8.0%	1,168	7.3%
Supermarkets	514	12.6%	498	9.9%	511	9.5%
Number of Tickets (millions)	33	0.4%	32	-5.8%	32	-5.8%
Hypermarkets	28	0.2%	27	-6.4%	26	-6.8%
Supermarkets	6	1.4%	6	-3.0%	6	-1.5%
Total Retail Stores (eop)	381		384		386	
Hypermarkets	248		248		250	
Openings	0		0		2	
Closing	0		0		0	
Supermarkets	133		136		136	
Openings	1		3		1	
Closing	0		0		1	
New Selling Space (sqm, eop)	1,157		2,803		8,224	
Hypermarkets	0		0		8,306	
Supermarkets	1,157		2,803		-82	
Total Selling Space (sqm, eop)	1,483,224	1.0%	1,486,027	1.3%	1,494,251	1.6%
Hypermarkets	1,370,928	0.9%	1,370,928	0.9%	1,379,234	1.2%
Supermarkets	112,296	3.0%	115,099	6.9%	115,017	6.8%
Total Online Sales (RUB, millions)	379	522%	397	531%	535	591%
Total Online Orders (thousands)	207	689%	228	735%	302	806%
Cities of Online Operation						
Online Partners	68		72		82	
Lentochka	3		5		26	
Click & Collect	13		13		13	

Operating Results Commentary

Lenta's Retail Sales in Q3 2020 increased by 4.6% compared to Q3 2019. This increase was driven by an 8.7% increase in the Average Ticket size during Q3, which was offset slightly by a 3.8% decrease in customer Traffic. The Hypermarket format delivered 4.2% growth in Sales, as a result of an 8.9% increase in the Average Ticket size, which was partially offset by a 4.4% decrease in customer Traffic. Our Supermarket format posted 9.5% growth in Sales, reflecting an increase in the Average Ticket size of 10.6% and a decrease in customer Traffic of 1.0%.

The exceptionally strong trading dynamics of Q2 2020 carried over into the month of July, as consumers continued to consistently visit their store-of-choice and spend more per shopping trip than they did pre-COVID. July Sales were also positively impacted by the fact that some types of non-food retailers were still closed. However, in the months of August and September the trading dynamics changed and customer Traffic slowed down year-over-year due to a number of factors, including: customers visited a wider range of stores; they migrated out of the big cities to their summer residences where Lenta has less of a presence; they spent less than normal on back-to-school purchases; and we had lower than normal Q3 sales of some seasonal non-food products due to the lack of inventory, as a result of unprecedentedly strong demand and sales of these products during Q2 and July. At the same time, many consumers continued to trade up, which partially offset the negative dynamics observed in August and September.

During Q3, LFL Retail Sales grew by 3.0% as the Average Ticket size increased by 9.2%. LFL customer Traffic decreased 5.7% during Q3, reflecting consumers' continuing preference to shop less frequently during the post-lockdown period. Lenta's Hypermarkets posted Q3 LFL Retail Sales growth of 2.7% with the Average Ticket size up 8.8% and a decrease in customer Traffic of 5.6%. The Supermarket format delivered a particularly strong performance in Q3 with LFL Retail Sales up 5.6%, driven by a 12.3% increase in the Average Ticket size offset by a 5.9% decrease in customer Traffic. 9M 2020 LFL Retail Sales growth of 5.9% was supported by an 11.5% increase in the Average Ticket size partially offset by a 5.1% decrease in customer Traffic.

Lenta opened two new hypermarkets and five new supermarkets during Q3 2020. Lenta also closed one supermarket during the reporting period, bringing the total number of Lenta stores at the quarter end to 250 hypermarkets and 136 supermarkets.

Lenta continues to develop its fast-growing online sales channel. The company served online customers across 82 cities by the end of 9M 2020 resulting in RUB 3.2 billion of Total Online Sales, which represented a 395% year-over-year growth rate. Lenta continues to develop its own express delivery service, Lentočka, which is presently operating in 26 cities across Russia with more on the way. Lenta has created partnerships with more than 20 delivery companies to fulfill online orders from its extensive store network. Lenta also launched a pilot in June for a new Click & Collect service, currently operating in 13 cities, with plans to eventually roll it out across the entire store network. According to our internal analysis, it appears that online channels did not cannibalize offline store sales but, rather, added incremental and new revenues.

COVID-19 Response: In Q3, Lenta remained committed to prioritizing the safety and well-being of its customers and employees during this challenging period. The COVID-19 response team that was formed in March continues to coordinate Lenta's effective response to this ongoing pandemic. Lenta has worked closely with its suppliers throughout the crisis to ensure its shelves remained sufficiently stocked with both food and non-food products to meet increased demand. Comprehensive health and safety measures that were introduced in March across Lenta's business remain in place to ensure the ongoing safety of our employees and customers in our stores.

Q4 2020 Outlook

The remainder of 2020 will be largely determined by COVID-19 dynamics and characterized by a high degree of uncertainty. At this point, we expect a partial return to the one-stop-shop behavior which we saw in Q2 with customers limiting both the frequency of shopping trips and the number of different stores they visit. As a result, the Average Ticket will likely continue to be higher than normal. At the same time, it is impossible to predict the severity and duration of the COVID-19 dynamics in Q4.

2020 Guidance

Lenta expects its Total Selling Space to increase by approximately 3% in 2020. This figure reflects our decision to focus on improvements in store performance and operational efficiency. Nonetheless, Lenta continues to look for attractive growth opportunities for expansion in hypermarkets and supermarket locations, as well as the fast-growing online food retail and delivery sector.

In 2020, Lenta is continuing its work in optimizing SG&A expenses. The Company expects that the implementation of priorities set for this year will result in a full-year 2020 EBITDA Margin above that of full-year 2019.

The Company will have overall lower investments in organic store expansion and supply-chain infrastructure when compared to 2019. Nonetheless, Lenta will increase its spending on IT, digital marketing, and other projects aimed to upgrade and enhance the customer experience in its stores, as well as, drive operational efficiency. For full-year 2020, Lenta plans an investment in capital expenditures that will amount to approximately 3% of its Total Sales (previous guidance: 4%).

The Company expects that current plans for expansion and capital expenditures, as well as, further efforts to optimize Operating Cash Flow, will result in positive Free-Cash-Flow generation in 2020.

Q3 Conference Call

The Lenta Management Team will host an investor and analyst conference call at 16:00 Moscow time (14:00 London, 09:00 US Eastern Daylight Time), on Wednesday, 21 October 2020. On the call will be Vladimir Sorokin (CEO), Rud Pedersen (CFO), and Tim Post (IRO).

To participate in the conference call, please use the following dial-in details:

Conference ID: 9125402 ("Lenta Q3 2020 Operational Results Conference Call")

Russian Federation:	+7-499-609-1260	+7-800-100-9471 (toll-free)
United Kingdom:	+44-330-027-1846	+44-800-031-4838 (toll-free)
United States:	+1-334-777-6978	+1-800-367-2403 (toll-free)

Participants are encouraged to register approximately 10 minutes prior to the start of the call.

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About Lenta

Lenta is the largest hypermarket chain in the Russian Federation and the fourth largest food retailer. The Company was founded in 1993 in St. Petersburg and currently operates 250 hypermarkets and 136 supermarkets in 88 cities across Russia with almost 1.5 million square meters of selling space. The average Lenta hypermarket has approximately 5,500 square meters of selling space, while the Lenta supermarket averages 800 square meters. The company operates 12 distribution centers throughout Russia. Lenta is listed on both the London Stock Exchange and Moscow Exchange, trading under the ticker: 'LNTA'

Forward-Looking Statements

This announcement includes statements that are, or may be deemed to be, "forward-looking statements." These forward-looking statements can be identified by the fact that they do not only relate to historical or current events. Forward-looking statements often use words such as "anticipate," "target," "expect," "estimate," "intend," "expected," "plan," "goal," "believe," or other words of similar meaning. By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances, a number of which are beyond Lenta's control. As a result, actual future results may differ materially from the plans, goals, and expectations set out in these forward-looking statements. Any forward-looking statements made by or on behalf of Lenta speak only as of the date of this announcement. Except as required by any applicable laws or regulations, Lenta undertakes no obligation publicly to release the results of any revisions to any forward-looking statements in this document that may occur due to any change in its expectations or to reflect events or circumstances after the date of this document.