

CONSUMER RETAIL

Russian market review 2024

Prisekina Tatiana
Lustach Ekaterina
Truskovskaya Diana

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KEY ASPECTS OF RETAIL INDUSTRY

RETAIL MARKET IN 2024 CONTINUES TO DEMONSTRATE DYNAMIC GROWTH, WITH AN EMPHASIS ON DIGITALIZATION, OMNICHANNEL AND RESILIENCE TO ECONOMIC CHALLENGES.

Key market indicators

- **Growth of e-commerce**
- **Omnicanality**
- **Sustainability under economic uncertainty**

Key trends

- **Digitalization and artificial intelligence**
- **Environmental friendliness and sustainability**
- **Social media and online marketing**

Key Challenges

- **Increasing complexity of macroeconomic conditions**
- **Competition and pressure on margins**

RETAIL TRADE IS ONE OF THE KEY SEGMENTS IN THE GLOBAL ECONOMY

A DRIVER OF GROWTH AND INNOVATION

THE RETAIL SECTOR IS THE LARGEST EMPLOYER IN THE WORLD

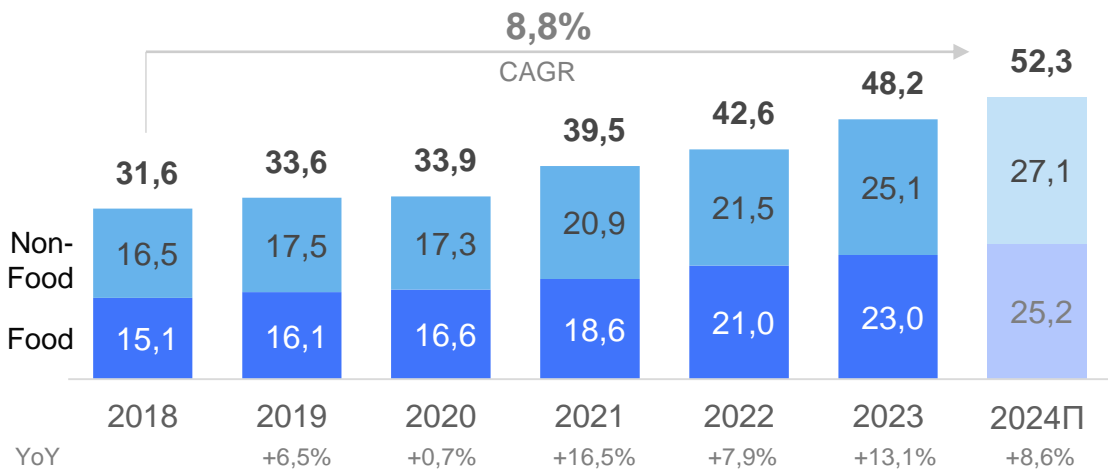
	Share in GDP (2023)	Share of employment (2022)
Russia	12%	16%
India	14%	10%
US	6,3%	6%
Germany	17%	6%

6 out of 10 companies in the top 10 by capitalization 2023 are building their business in the consumer sector



RETAIL TRADE IN RUSSIA: STRENGTHENING GROWTH RATES FROM 2021

Dynamics of retail trade turnover in Russia, trillion rubles.

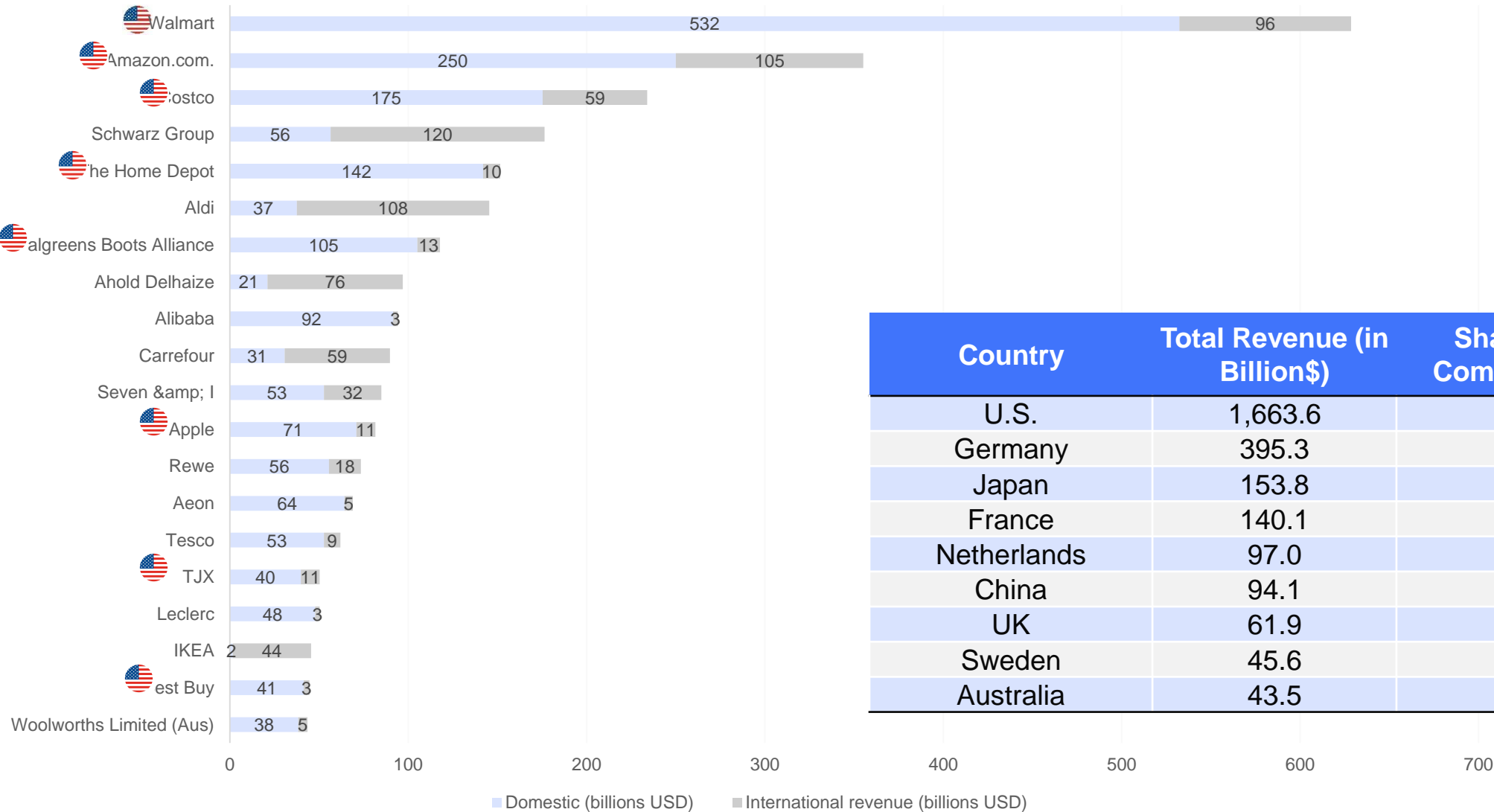


Key Growth Factors:

- consumer price growth and high inflation expectations remained high – 8,88% annual inflation in November
- adaptation to new conditions and import substitution
- further development of the online segment and new trade formats (discounters, darkstores)

KEY PLAYERS IN THE RETAIL SEGMENT BY REVENUE

IN 2024, BY TOTAL REVENUE, THE TOP 3 COMPANIES OR 62% OF THE TOP 20 COMPANIES ARE IN THE US



Country	Total Revenue (in Billion\$)	Share of Top-20 Company Revenue
U.S.	1,663.6	62%
Germany	395.3	15%
Japan	153.8	6%
France	140.1	5%
Netherlands	97.0	4%
China	94.1	3%
UK	61.9	2%
Sweden	45.6	2%
Australia	43.5	2%

RETAIL TRENDS AND FORECASTS (1/2)

RETAIL CONTINUES TO BE RAPIDLY TRANSFORMED BY DIGITALIZATION, CHANGES IN CONSUMER BEHAVIOR AND MACROECONOMIC FACTORS

1. The growth of e-commerce

Forecast: Increase in omnichannel strategies, including the use of apps, social media and innovative payment methods.

2. investments in artificial intelligence (AI) and data analytics

Example: Amazon uses AI for supply chain management and personalized product offerings. The AI market in retail is expected to reach \$20 billion by 2026

3. Sustainable development and ecology

Example: H&M has introduced programs to recycle old clothes.

4. Development of "physical retail 2.0" concepts

Example: Amazon Go stores, which use computer vision technology to automatically calculate the cost of purchases.

5. Supply chain localization

Since the pandemic, 48% of retailers have focused on building local supply chains.

6. The impact of inflation on purchasing power.

Forecast: Growth in popularity of economy-class formats and private labels.

RETAIL TRENDS AND FORECASTS (2/2)

SOME OF THE LARGE-SCALE SHIFTS OCCURRING IN THE GLOBAL CONSUMER LANDSCAPE

GLOBAL TRENDS AND FORECASTS

What do consumers want?

Brand exploration

Consumers try new options and even switch sellers in search of better deals and discounts.

Price over values

Young people prioritize sustainability, but during periods of economic uncertainty, they compromise with themselves.

Wave of “health”

Products and services for health and well-being have seen significant demand in recent years.

Investment in women’s health

Consumers show greater interest in spending on women’s health products and personal hygiene goods.

Where will they shop?

New Urban Hotspots

Some people are moving from major cities to smaller towns (maintaining their consumption levels).

Social Commerce

Previously, buyers were on the seller’s territory; now they make purchasing decisions at home, making it harder to influence their choices.

RUSSIAN SPECIFICS

Complex macroeconomic situation

Inflationary pressures, rising key interest rates, increased transactional and logistical costs, and the ruble’s depreciation worsen financial performance for retailers and negatively affect development trends in 2025.

Shortage of employees of all qualifications

This problem will become particularly severe later, with a smaller generation entering the workforce between 2025 and 2030.

Window of opportunity for domestic brands

Domestic brands are at the beginning of their development path.

TOP M&A DEALS IN RETAIL (WORLD)

Global retailers are actively adapting to new market conditions. The main goal of most deals is to increase business scale, reduce costs and strengthen competitiveness through consolidation, innovation and entry into new markets.

No	Parties Involved	Date	Sector	Deal (Billion \$)	Countries	EV/EBITDA (Buyer / Target)	EV/EBITDA After	Rationale	Expected Effects
1	Kroger and Albertsons	October 2023	Grocery Chains	24,6	USA	7.1x / 7.8x	6.5x	Competing with Walmart and Costco, cost reduction amid inflation.	Strengthened supply chain, improved logistics efficiency.
2	Home Depot and SRS Distribution	March 2024	Building Supplies	18,3	USA	8.9x / 9.1x	7.8x	Strengthening market share in construction materials.	Expanded distribution network, stronger contractor relationships.
3	Tapestry and Capri Holdings	August 2023	Luxury Fashion	8,5	USA	10.5x / 11.2x	9.3x	Consolidation of luxury brands (Coach, Versace, Jimmy Choo) to drive synergies and revenue.	\$200M cost savings, stronger market position.
4	Roark Capital and Subway	September 2023	Fast Food	9,6	USA	7.9x / 8.5x	7.2x	Investment in franchise growth amid revenue stagnation.	Franchise expansion, network development.
5	Kering and Creed/Valentino	July/Oct 2023	Luxury Fragrance/Fashion	5.67 (combined)	France, Italy	11.3x / 12.1x	10.8x	Strengthening luxury fragrance and fashion portfolio.	Expanded luxury brand portfolio under Kering.
6	TDR Capital and EG Group	2023–2024	Markets	4,8	UK	6.9x / 7.4x	6.8x	Consolidation of hypermarkets and fuel stations.	Cost reduction, network expansion.
7	L'Oréal and Aēsop	April 2023	Luxury Cosmetics	2,5	France, Australia	13.5x / 14.0x	11.5x	Expansion of premium brand lineup and global reach, including China.	Scaling Aēsop into a "billionaire brand".
8	BP and TravelCenters of America	February 2023	Fuel	1,3	UK, USA	6.1x / 6.7x	5.9x	Strategic entry into EV infrastructure and sustainable energy solutions.	Expanded refueling network, support for cleaner energy solutions.
9	JD Sports and Courir	June 2023	Sports Retail	0,55	UK, France	7.5x / 8.0x	7.0x	Expanding the network of sportswear stores in Europe.	Strengthened market position in sports fashion retail.
10	Alibaba and Lazada	2023–2024	E-commerce	Not Disclosed	China, Southeast Asia	9.9x / 10.5x	9.8x	Strengthening dominance in Southeast Asia's e-commerce market.	Market share growth, development of online retail capabilities.

Sources: Federal Trade Commission, European Commission, Forbes



RETAIL IN RUSSIA: SUMMARY AND KEY FIGURES

RETAIL MARKET IN 2024 CONTINUES TO DEMONSTRATE DYNAMIC GROWTH, WITH AN EMPHASIS ON DIGITALIZATION, OMNICHANNEL AND RESILIENCE TO ECONOMIC CHALLENGES.

RETAIL IN RUSSIA IS GROWING marginally FASTER THAN INFLATION GROWTH

\$48,2_T	Retail trade turnover in Russia, 2023
13,1%	Turnover growth 2023 vs 2022
8,8%	CAGR segment volume 2018-2024
8,8%	Average annual inflation rate

THE SHARE OF ONLINE TURNOVER IS GROWING. OFFLINE CONTINUES TO CENTRALISE

20,5%	online turnover share forecast in 2024 (vs 13.2 in 2023)
74%	share of marketplaces in the structure of online sales
40%	share of top 10 retail chains in food segment turnover (+2 p.p.)

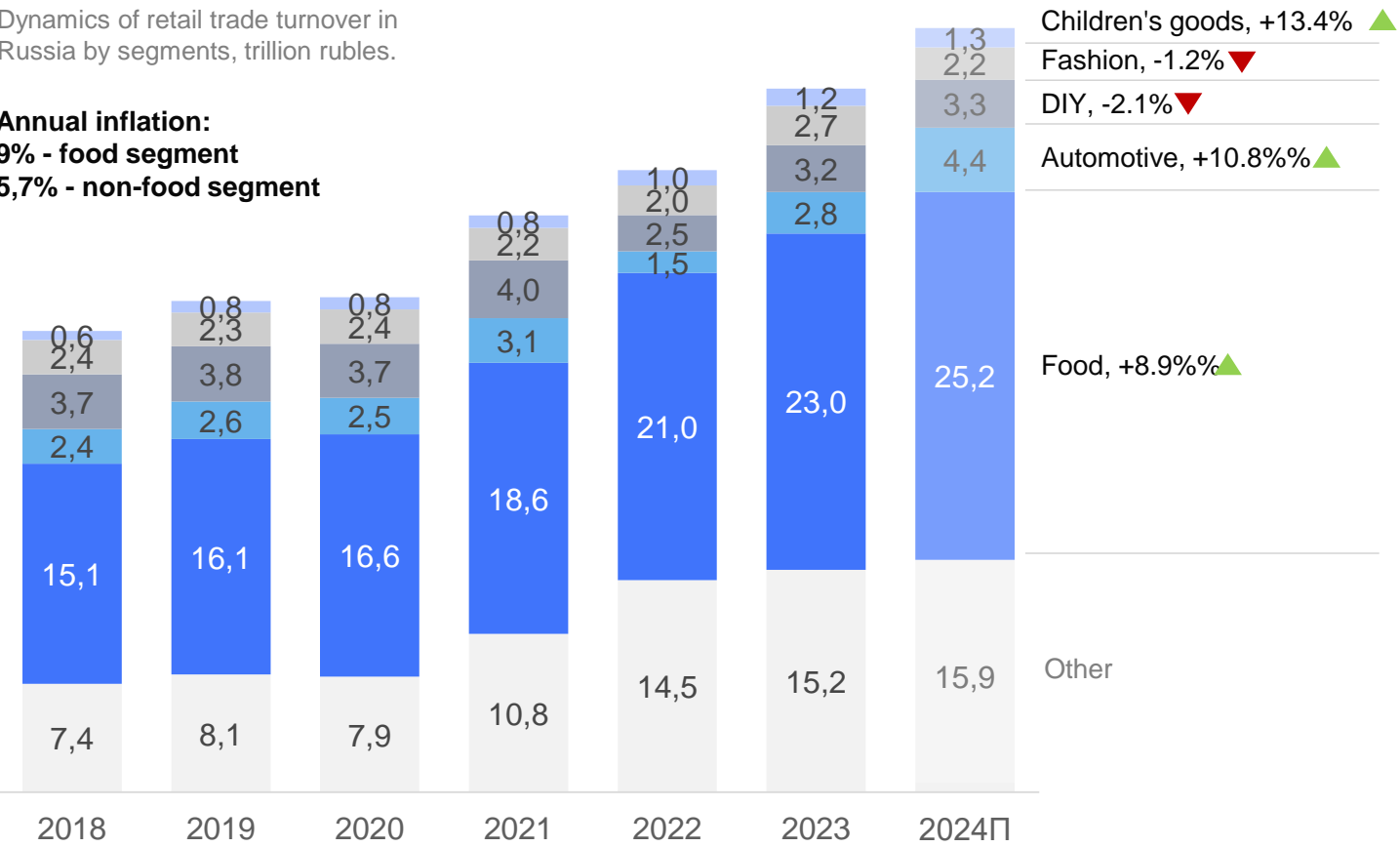
IN RUSSIA, BOTH FOOD AND NON-FOOD SEGMENTS SHOW POSITIVE DYNAMICS IN TERMS OF SALES VOLUME

ONLINE CONTINUES TO GROW AT DOUBLE-DIGIT RATES

FOOD SEGMENT GROWS FASTER THAN NON-FOOD - 8.9% VS 8.6% CAGR SEGMENTS

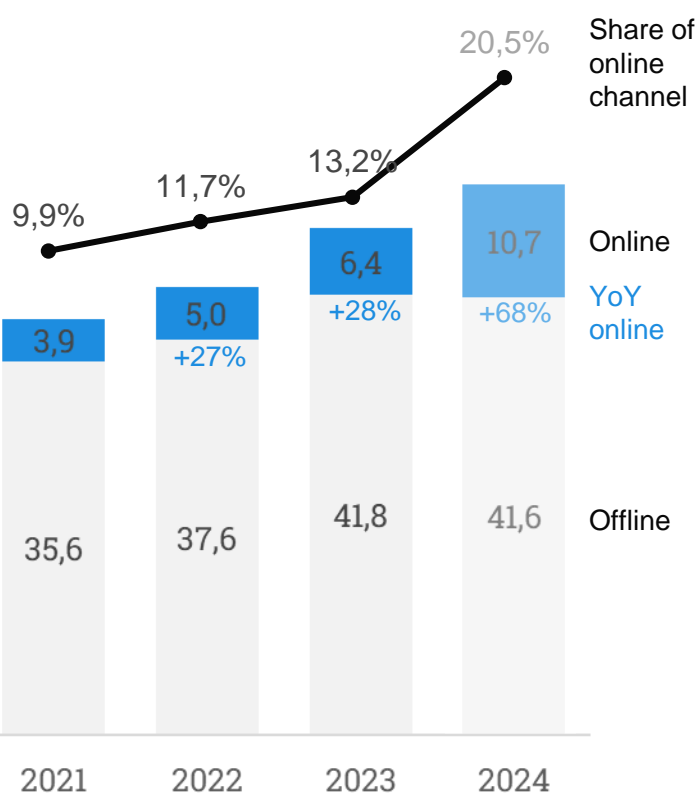
Dynamics of retail trade turnover in Russia by segments, trillion rubles.

Annual inflation:
9% - food segment
5,7% - non-food segment



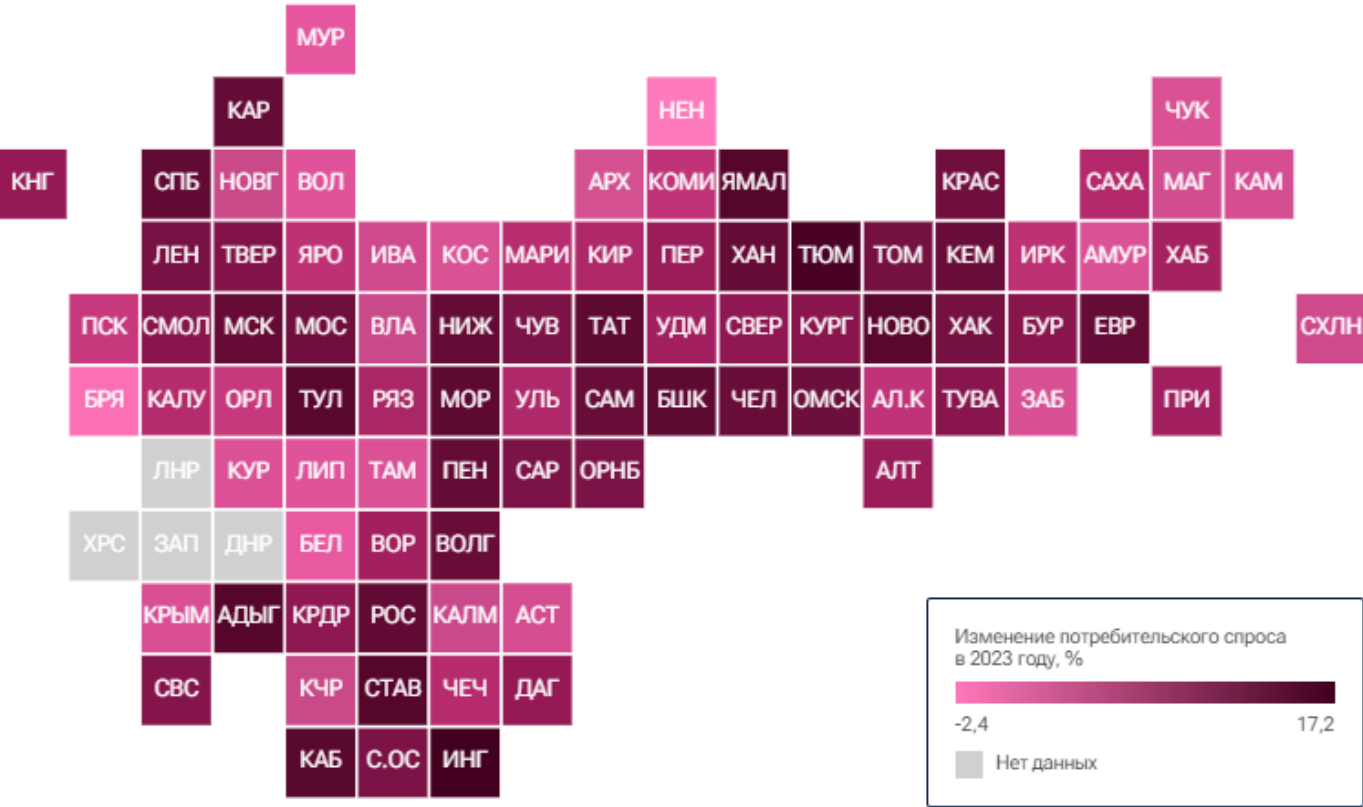
THE SHARE OF ONLINE SALES IN RETAIL TURNOVER IN 2024 WILL BE 20% OR MORE

Dynamics of retail trade turnover in Russia by channel, trillion rubles.



IN 2023, CONSUMER DEMAND GREW IN ALMOST ALL RUSSIAN REGIONS

+6.2% - AVERAGE INCREASE IN AVERAGE MONTHLY SPENDING PER CAPITA ACROSS THE COUNTRY



TOP 10 REGIONS IN TERMS OF AVERAGE PER CAPITA SPENDING GROWTH IN 2023

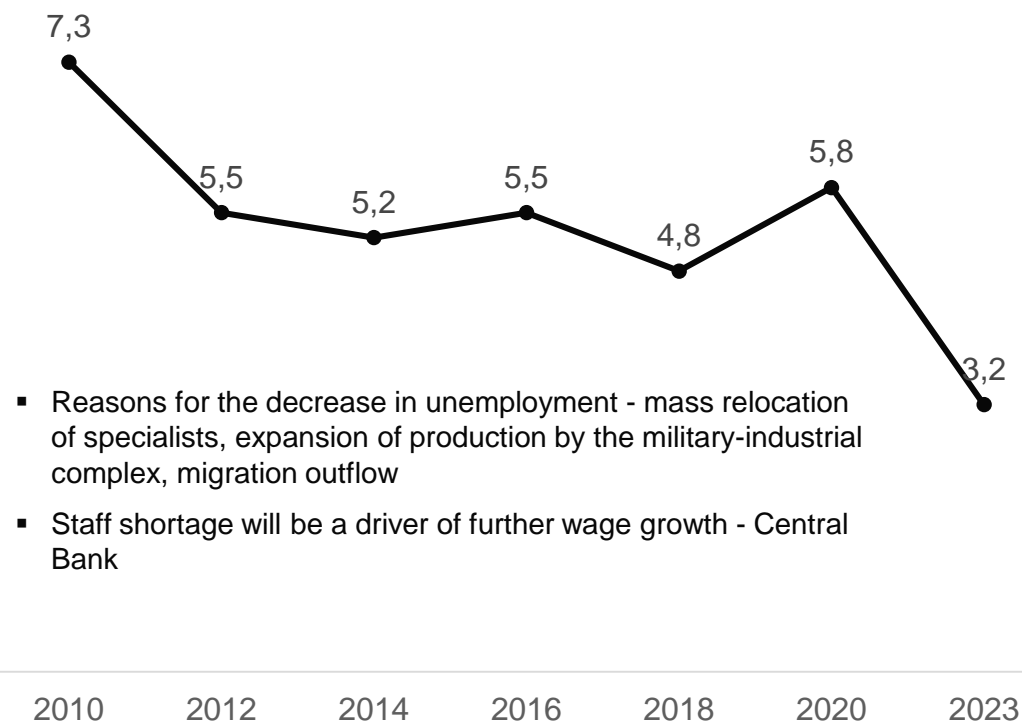
Region	Change in demand, %	Average expenditures, thousand rubles.
Republic of Ingushetia	17,2	9,5
Tyumen Region	14,8	39,6
Republic of Adygea	12,4	32,7
Stavropol Territory	12,4	29,5
Yamalo-Nenets Autonomous Okrug	11,8	47,5
Tula region	11,2	32,0
Novosibirsk region	11,0	36,5
Kabardino-Balkarian Republic	10,7	32,1
Republic of Mordovia	10,3	21,8
Republic of Tatarstan	10,2	38,9
Russia on average	6,7	37,1

DEMAND GROWTH DRIVER - LOW UNEMPLOYMENT, INDICATOR - PRICE GROWTH

DEMAND EXPANSION CONTINUES TO OUTPACE THE CAPACITY TO INCREASE OUTPUT - CENTRAL BANK, RUSSIA

UNEMPLOYMENT RATE IN RUSSIA IN 2023 - THE LOWEST IN THE HISTORY OF OBSERVATIONS

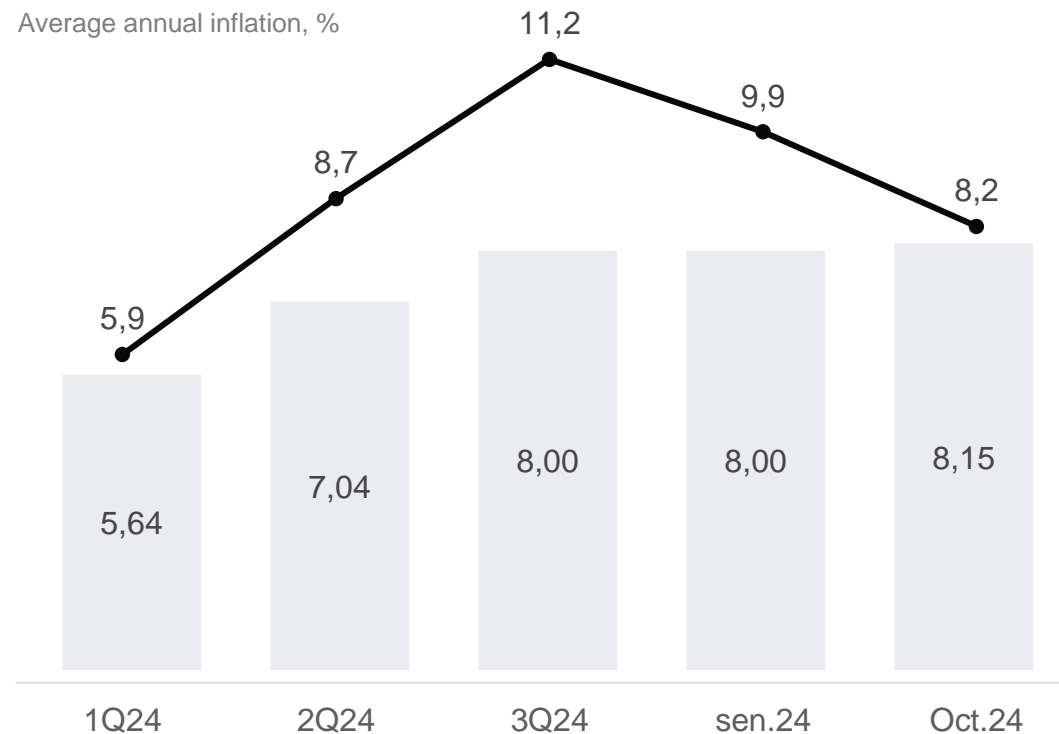
Share of unemployed from able-bodied
population, %



MONTHLY PRICE GROWTH SLOWED DOWN IN OCTOBER, HOWEVER, INFLATIONARY PRESSURES REMAIN FIRM

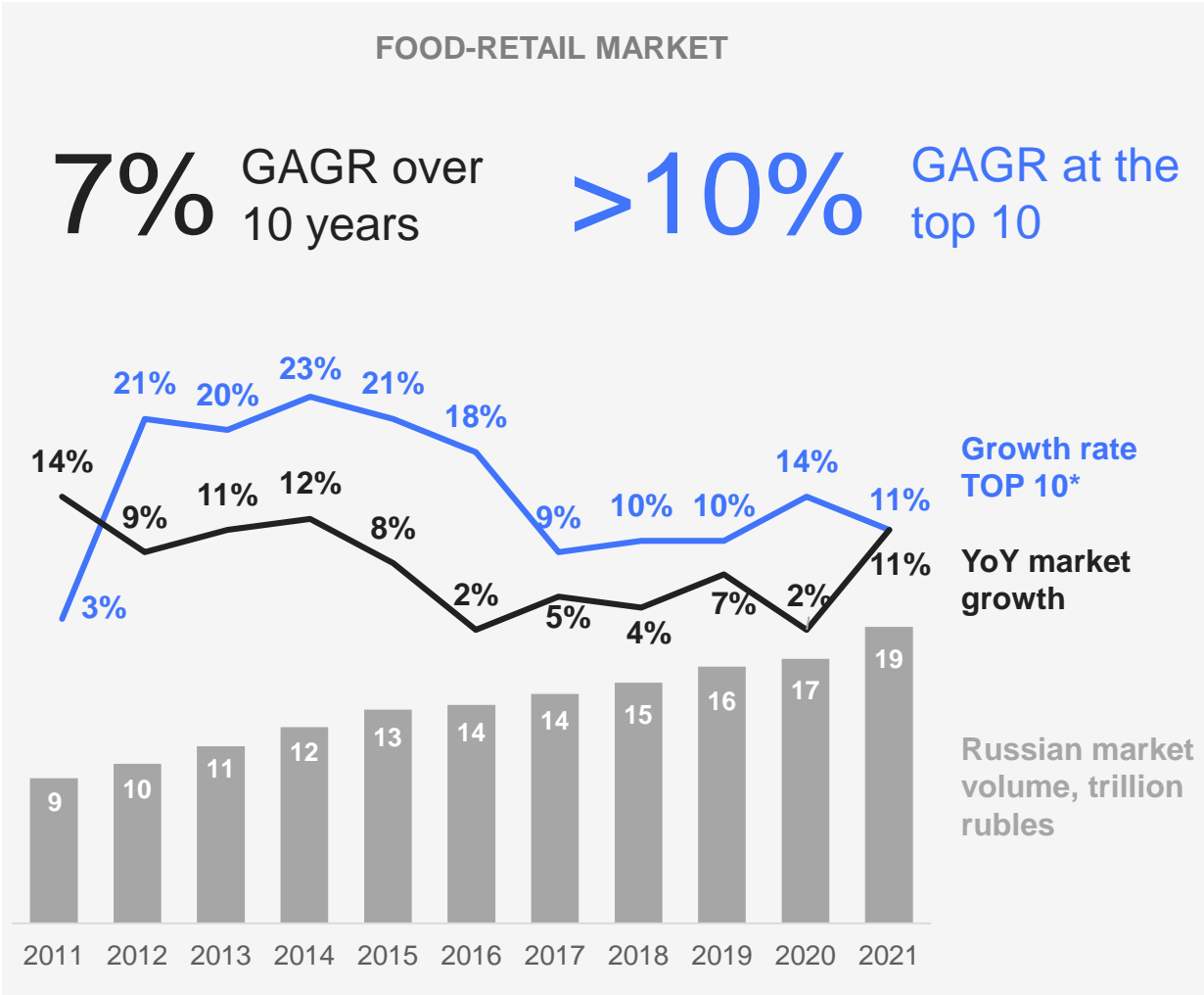
Price change - seasonal adjustment in
annualized terms, %

Average annual inflation, %

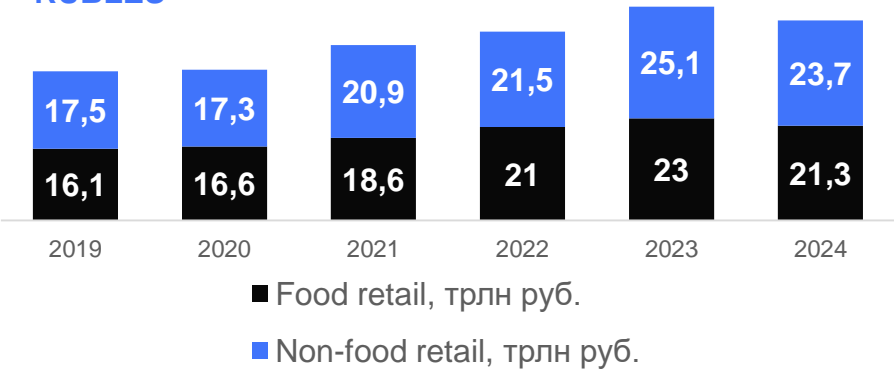


RUSSIAN INDUSTRY MEGATRENDS

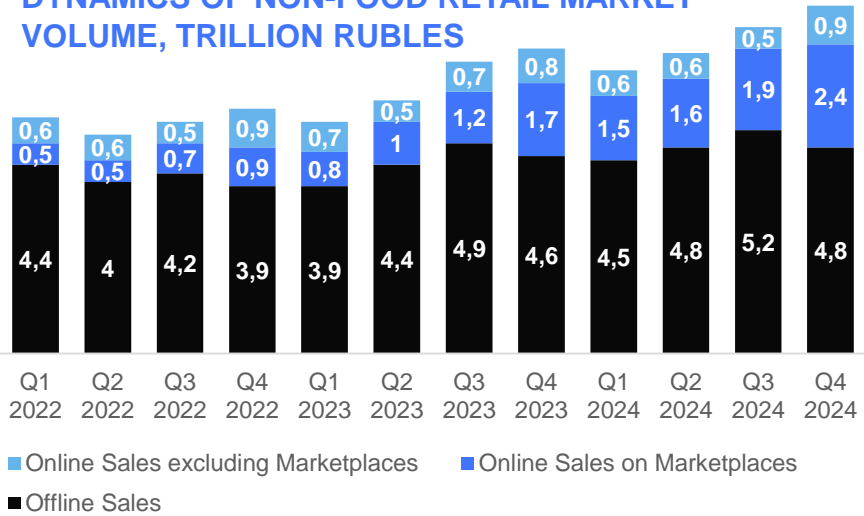
CONSOLIDATION TREND: TOP PLAYERS GROW FASTER THAN THE MARKET*



TOTAL RETAIL MARKET IN RUSSIA, TRILLION RUBLES



DYNAMICS OF NON-FOOD RETAIL MARKET VOLUME, TRILLION RUBLES



* No publicly available data for top-10 players growth rate 2022-2024. Trend of top-10 outperforming market growth valid until 2022.
Sources: Sovcombank, Rosstat, INFOline

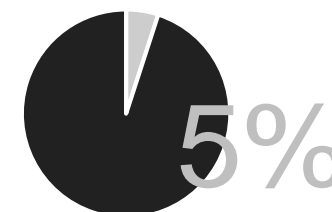
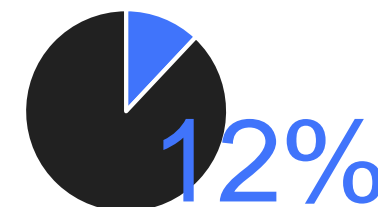
TOP M&A DEALS IN RETAIL (RUSSIA)

EMERGENCE OF A TREND IN 2023 TO REDUCE THE EXIT OF FOREIGN COMPANIES (CONTINUED IN 2024)

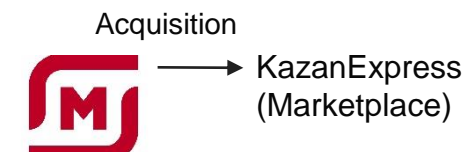
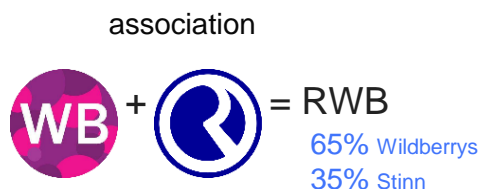
Largest M&A deals in 2023 and early 2024

No	Transaction object	Buyer	Seller	Acquired interest (%)	Deal amount (mln \$US)
CONSUMER SECTOR					
1	Coin	Tape	Roman Zabolotnov	100	821
2	LAB Industries	Elbrus Services, Augment Investments, Kismet Capital Group, Dmitry Kryukov	Henkel	100	661
3	AB InBev-Efes	Anadolu Efes	Anheuser-Busch InBev SA	50	600
4	NMZH GROUP OF COMPANIES	Rusagro Group of Companies	Unknown	50	246
5	Children's World	Alexey Zuev and other private investors	Mikhail Stiskin, Pavel Grachev	30	193
HEALTHCARE AND PHARMACEUTICALS					
1	Invitro	Roman Mironchik	Alexander Ostrovsky	100	384
2	Medscan	Rustam Hexlea	Medscan (additional issue)	25	111
3	Bion	Protek Group of Companies	Mikhail Shelkov	100	73
4	LekOptTorg and Rodnik Zdorov health pharmacies	Pharmacy chain 36.6	Unknown	100	51
5	Medscan Lab	Sberbank investments	Medscan	49	31

Market share (by number of transactions)



Also noteworthy...



Thus, active market consolidation continues in the consumer retail segment. In the pharmaceuticals segment, about 50 local pharmacy chains have left the Russian market since the beginning of 2023 and the share of non-network pharmacy outlets is decreasing