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Market presentation

September, 2016

What we will talk about

Russian customers overview

Country
Cities and houses
People
Renovation

Current Russian market

Market value and structure
Competition
Crisis
Our results

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Part 1:
Russian customers overview

1

Population

146m

Population[1]

9th

most populous country in the world[2]

+7.5%

average population growth in top 15 cities (2010-14)[3]

Sources:

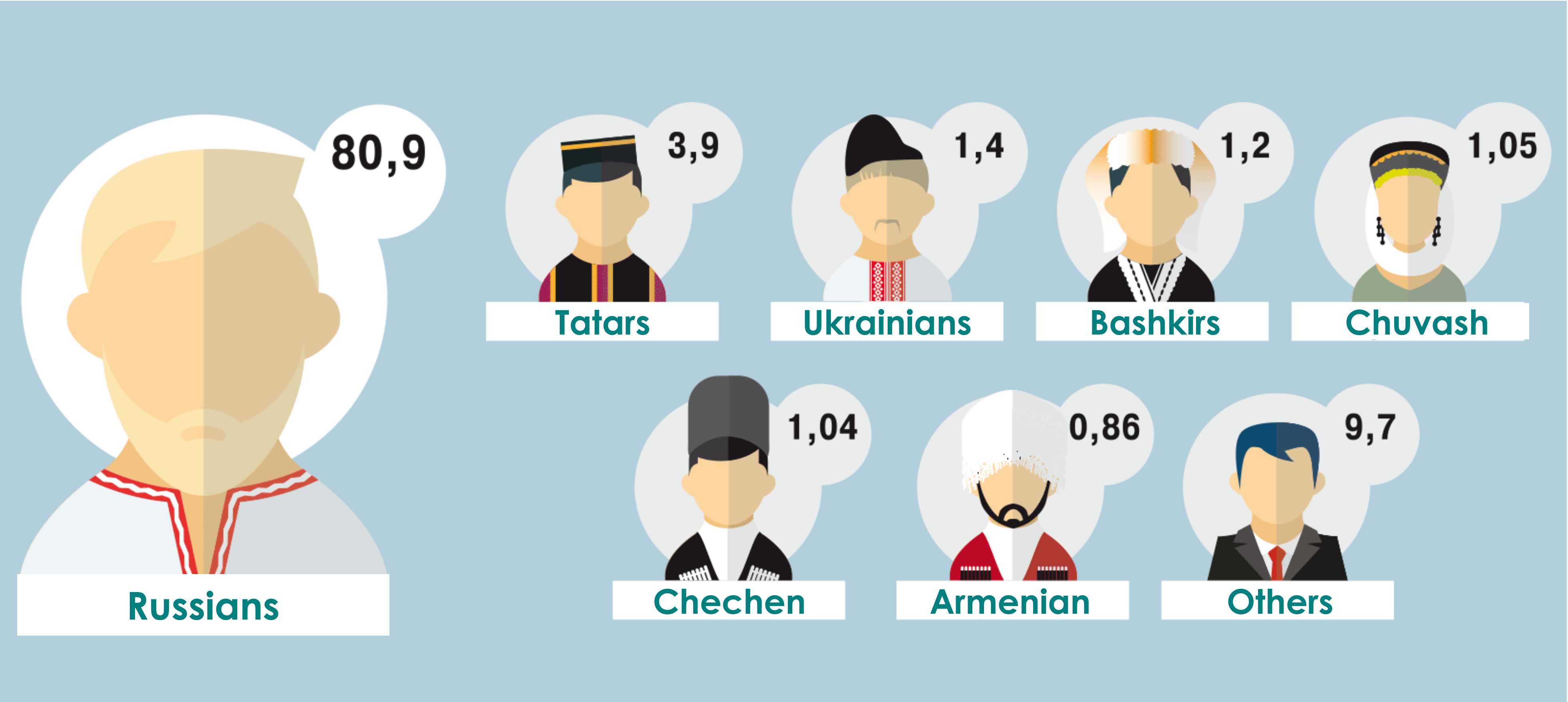
1. GKS, 2014: http://www.gks.ru/wps/wcm/connect/rosstat_main/rosstat/ru/statistics/population/demography/#
2. The world factbook: https://www.cia.gov/library/publications/the-world-factbook/index.html
3. GKS, 2014

1

Population

Population is very diverse

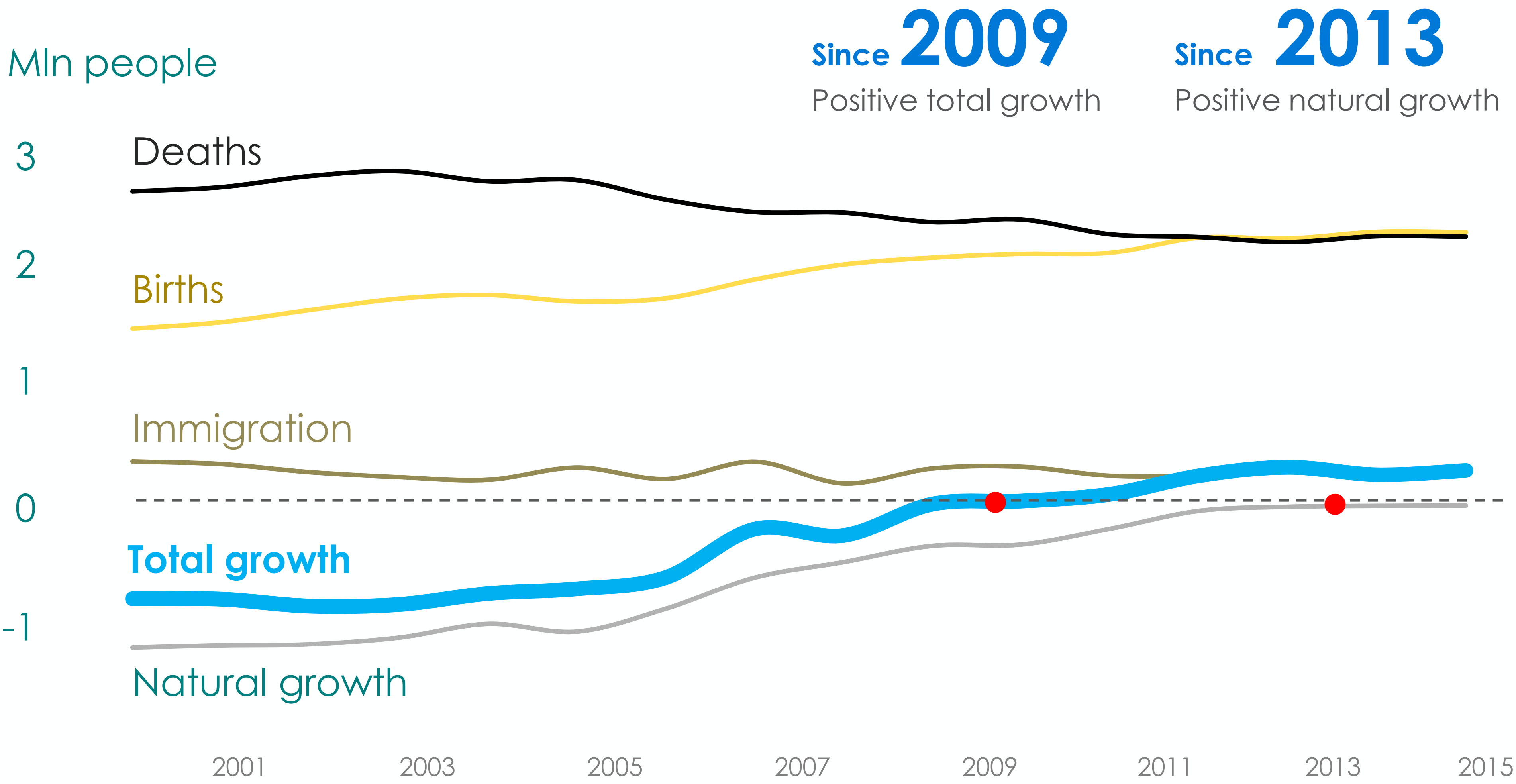
81% of population are the Russians



Source: GKS, 2016

1
Population

From negative to positive growth



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Sources: GKS 2016

2

Cities

Population is predominantly urban

74%

of population live in cities[1]

15

cities with population of 1m+[1]
vs. 1-2 in UK and France[3]

85%

home ownership[2]
vs. 64% in UK and France[3]

Sources: 1. GKS, 2010-2014:http://www.rg.ru/2011/03/27/perepis-rosstat-site.html
2. Deep Customer insight, IRG, 2011 3. Insee et Soas annual estimation of the living area on the 1st of January

2

Type of accommodation

Most of people live in apartment blocks

20%
private houses

80%
Apt. blocks

e.g. Krasnodar

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2

Dacha culture

People living in apartment blocks spend holidays in country side at their dachas

53%
people have dachas[1]

"Dacha culture" boosts building, timber and garden departments

17%
of home improvement spend is on dachas[2]

10%
dachas are suitable for living all year round[3]

600sqm
average plot of dacha land[4]

Sources: 1,2 Image Research, Magram, Summer 2015
3. VCIOM, 2013 4. Wikipedia, https://en.wikipedia.org/wiki/Dacha

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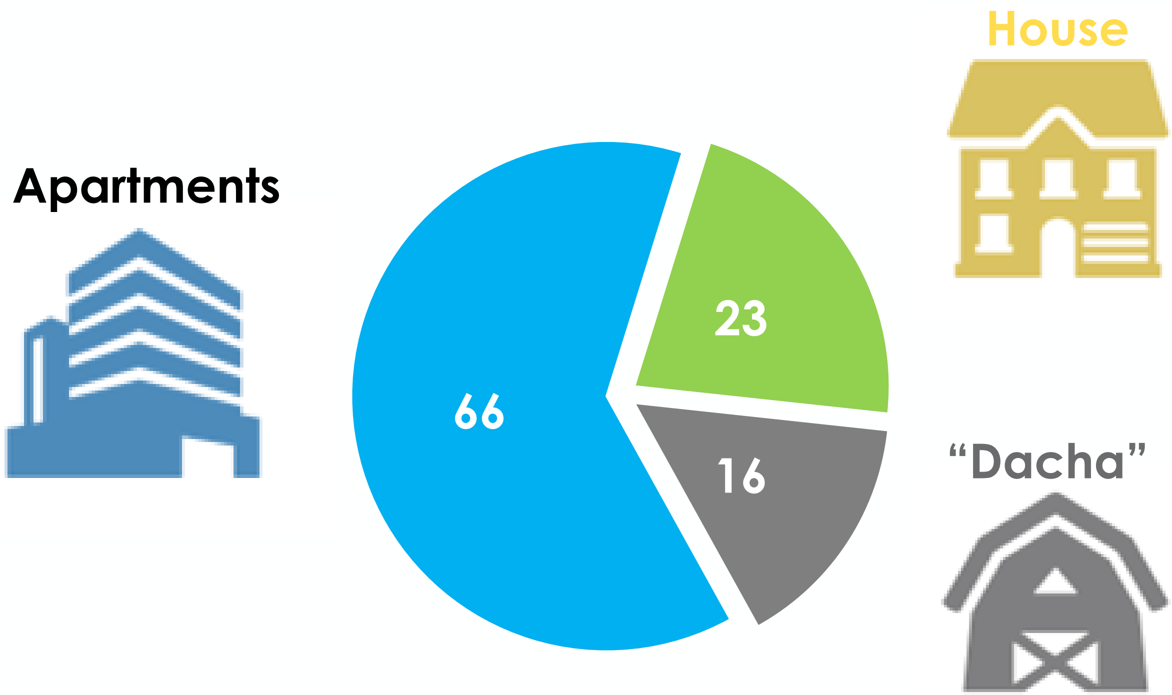
2

Object of renovation

(% in traffic)

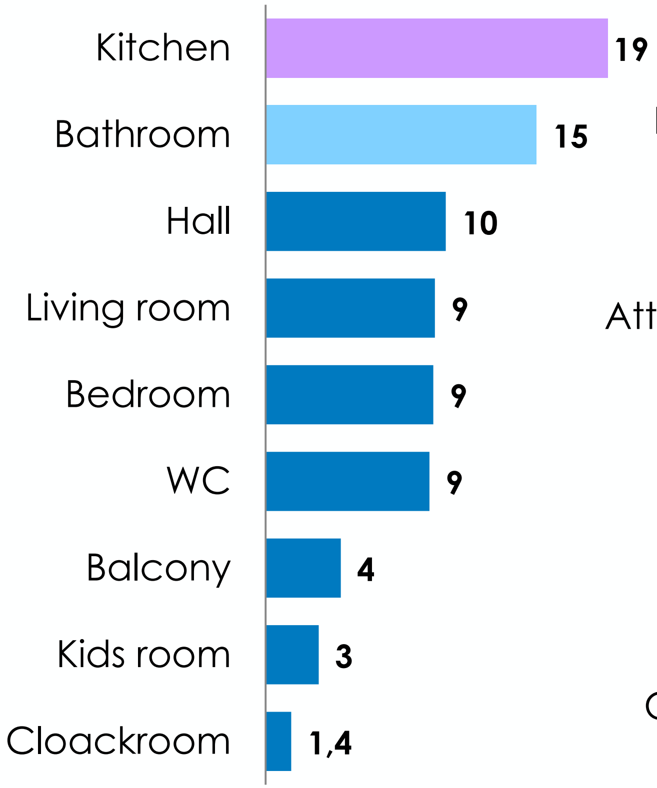
Flats are the most common object for renovation



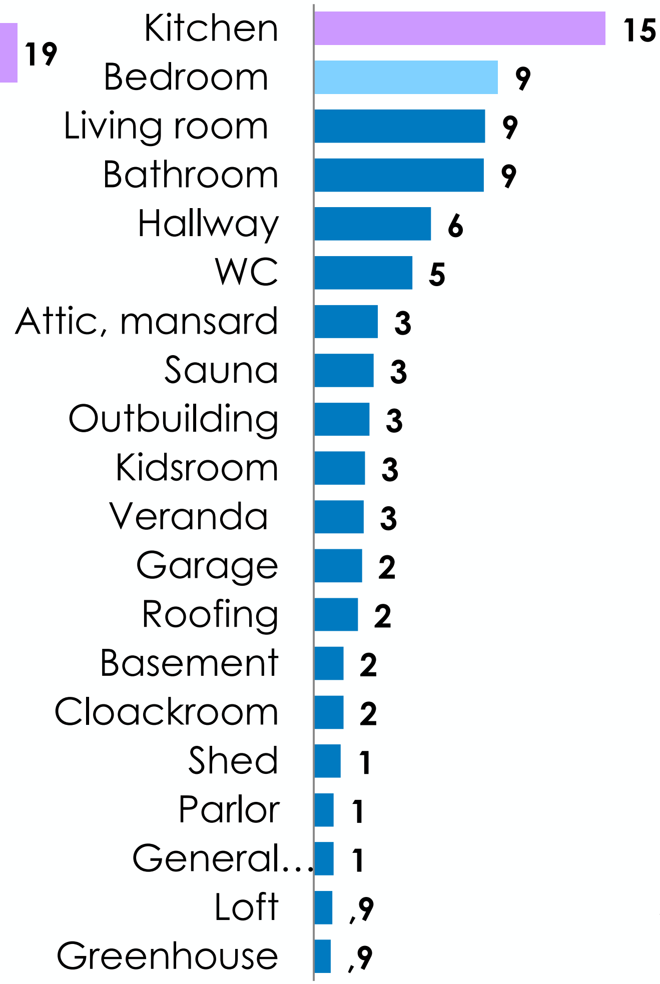
2

Project rating across types of buildings (Spring 2016)

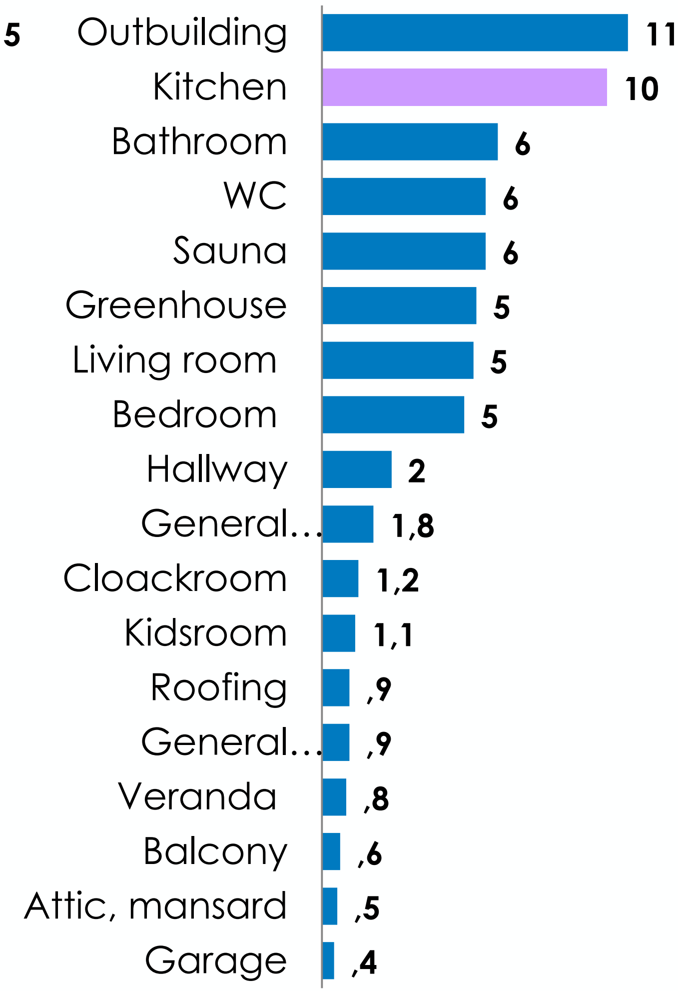
Apartment (66%)



House (23%)



Dacha (16%)



Source: CSS, IpsosComcon 2016

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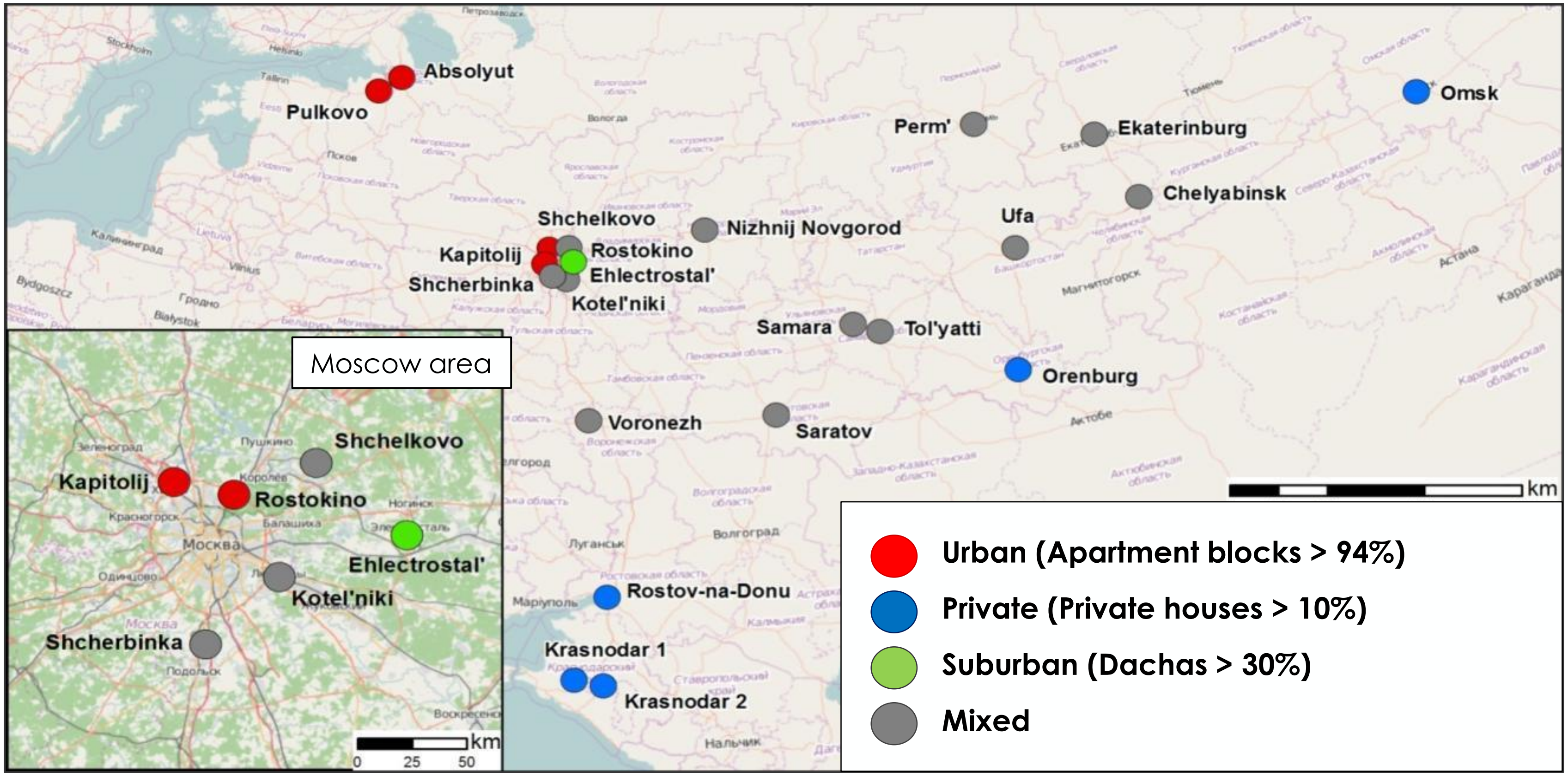
City clusters

Store locations are very different in terms of surrounding types of buildings

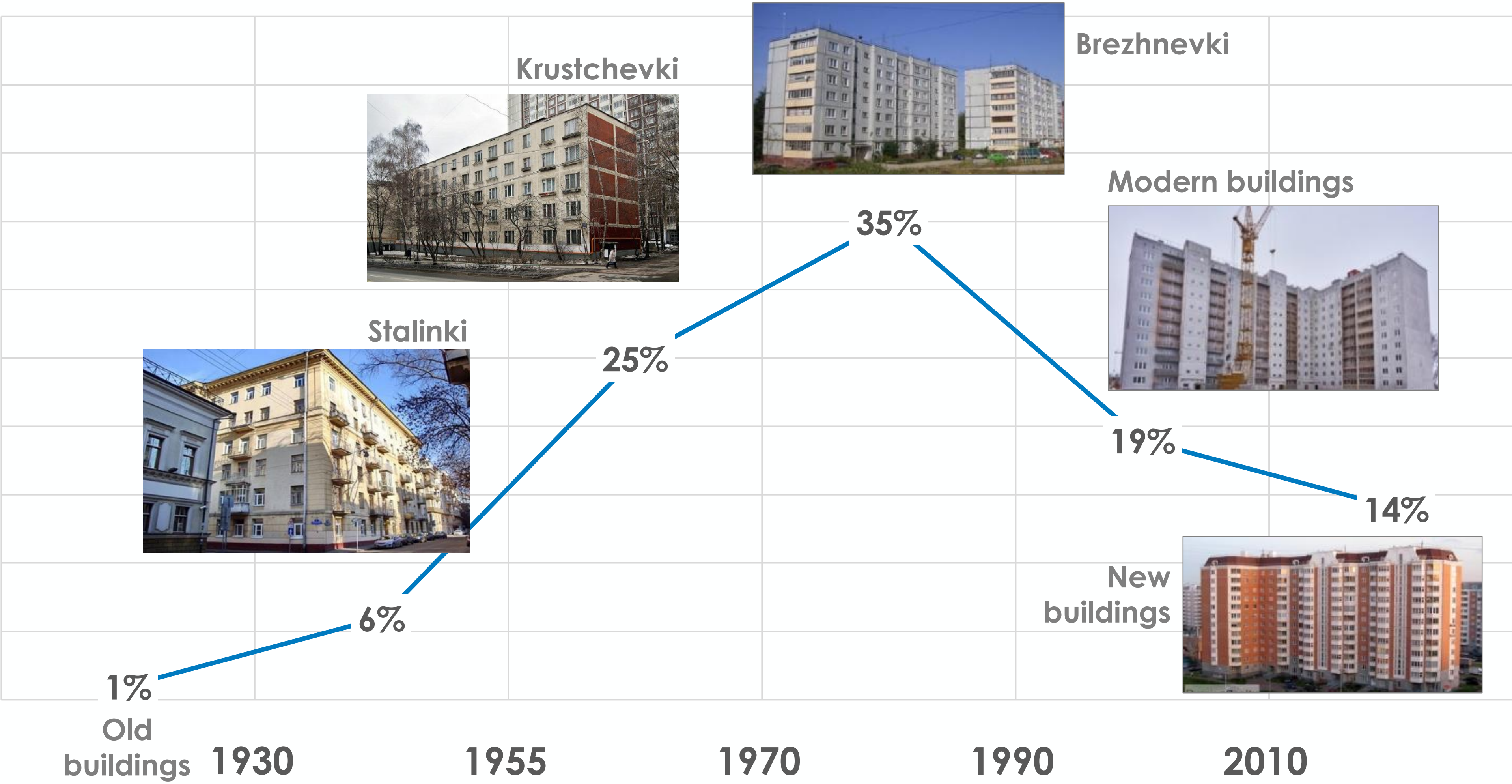


Source: Typical Housing Research in Castorama catchments , SmartLoc, Dec 2015

2

Structure by age

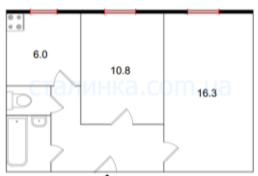
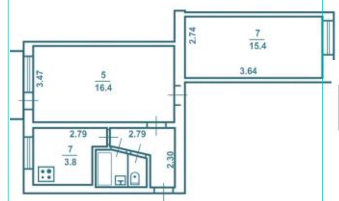
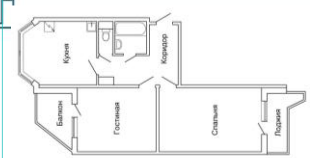
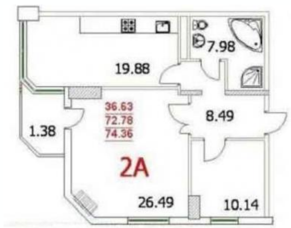
67% of buildings are old



Source: Typical Housing Research , Dec 2015

2
Typical flats

Post-war buildings were getting bigger and more functional

Nickname	Stalinki	Krustchevki	Brezhnevki	Modern buildings	New buildings
External view					
Layout					
Typical number of rooms	2-3 Rooms	1-2 Rooms	2-3 Rooms	1,2,3 Rooms	1,2 Rooms
Avg area, sqm	56	42	50	52	52
Avg kitchen, sqm	7	6	8	10	11

Source: Typical Housing Research , Dec 2015

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New construction

Number of buildings put into operation is the highest regardless downturn in the economy

85 m sqm

of living area put into operation in 2015

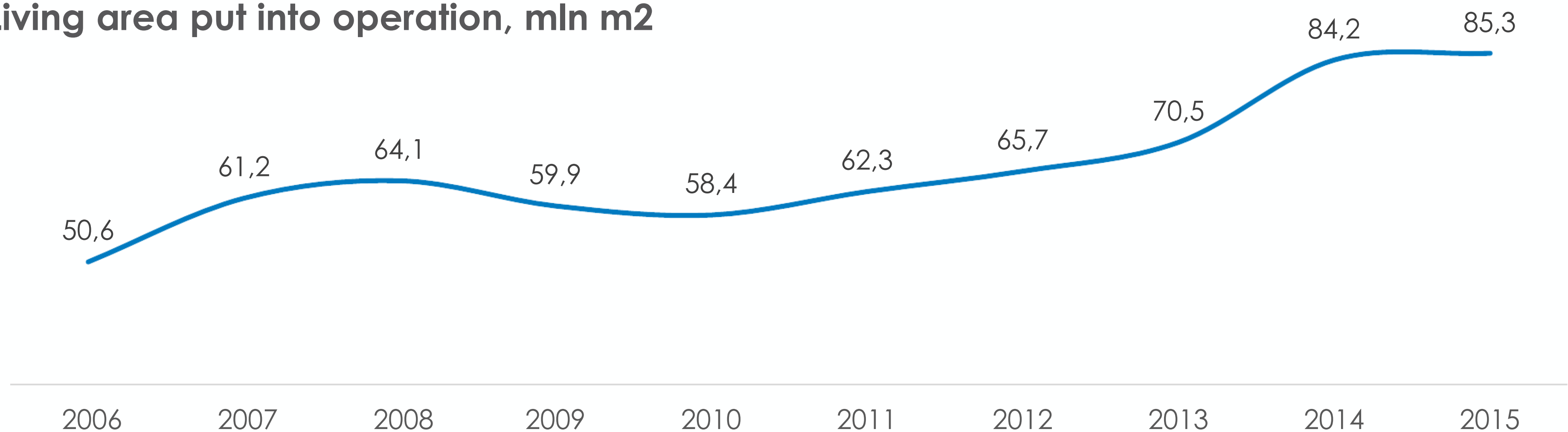
+1,3%

more sqm of living area were put into operation than in 2014

33%

of housing in Russia is in new buildings (post-1990)

Living area put into operation, mln m2



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Sources: 2, 3. Infoline research "DIY market in Russia", 2016

3

Inside home

Typical household suffers from lack of living and storage space

52sqm
average apartment in Russia

95sqm
average apartment in France

3.2
average number of people per apartment in Russia

2.0
average number of people per apartment in France

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3

Customers engaged in project

Professionals	Young couple	Family with children	Extended families	Mature couples
				
11%	4%	37%	25%	11%

42% - percent of households

Source: Image Research, Magram, Summer 2015

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Customers' peculiarities

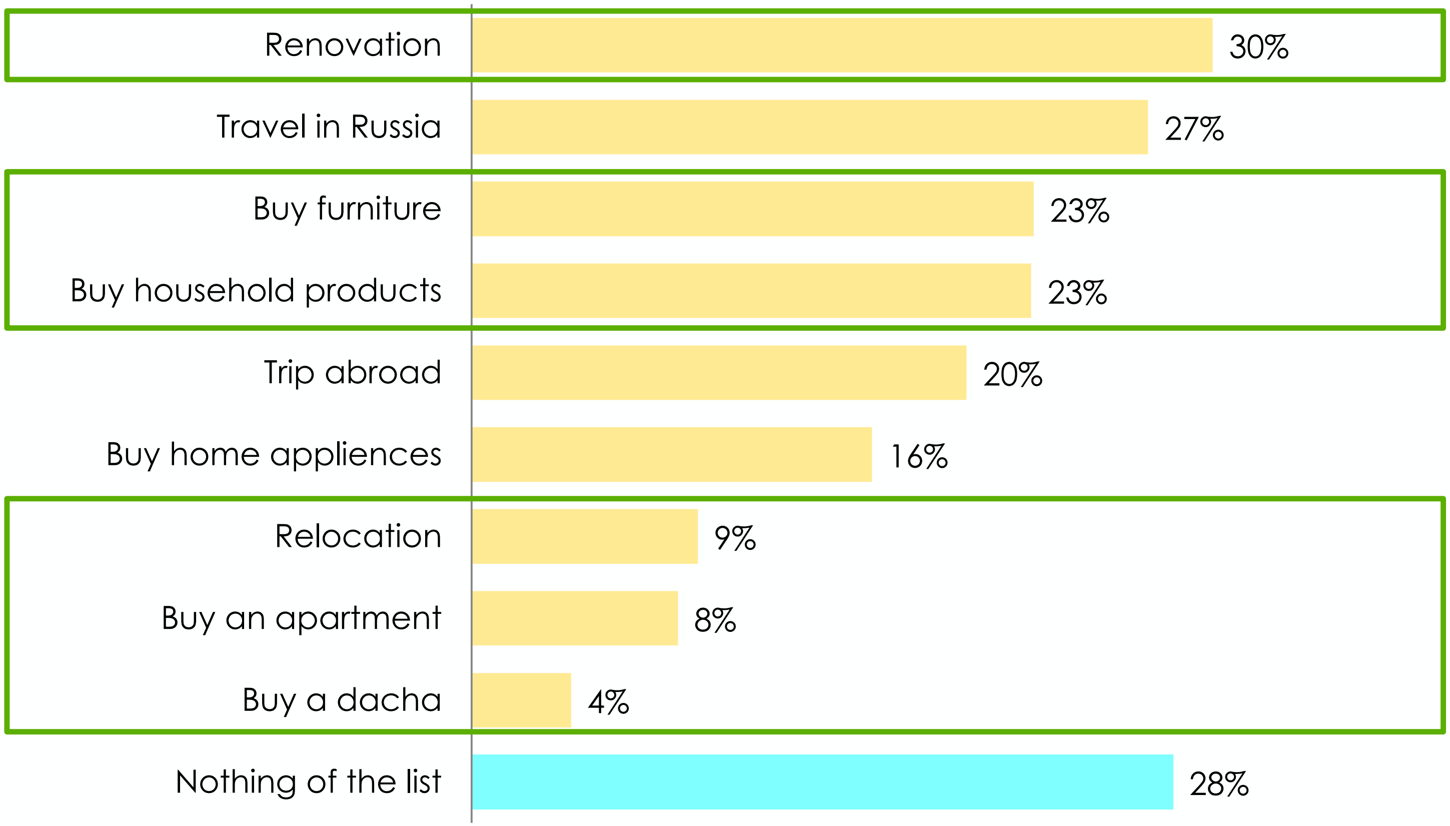
	Young couple	Family with children	Empty nest	Extended family
				
Use of professional				
•All work was done by professionals	**38%**	17%	23%	16%
•Use professionals for difficult work	37%	39%	**48%**	28%
•All work was done by themselves	23%	**44%**	20%	**52%**
Reason for renovation (Top3)				
•New building	**44%**	22%	10%	3%
•Old renovation	26%	35%	**47%**	**51%**
•Child birth	13%	**27%**	2%	4%

3

Dreams

Renovation is the first priority for the most of people

What are you planning to do in the next half a year?



Source: Profi Research, 2015

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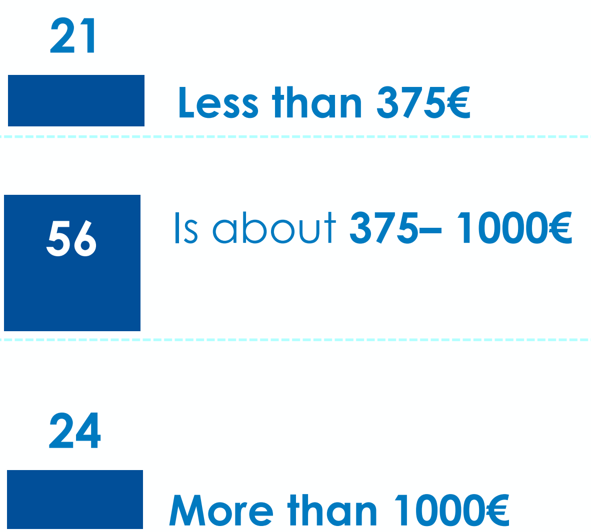
Income and spending

Family income

Average family income is about **750 €** per month



625 €

Average project spending

e.g. kitchen

Source: CSS, IpsosComcon 2016

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Results in 4 styles

Want to know more?
Visit www.remont.castorama.ru

Source: Renovation contest 2014

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Source: Castorama project s contest 2014

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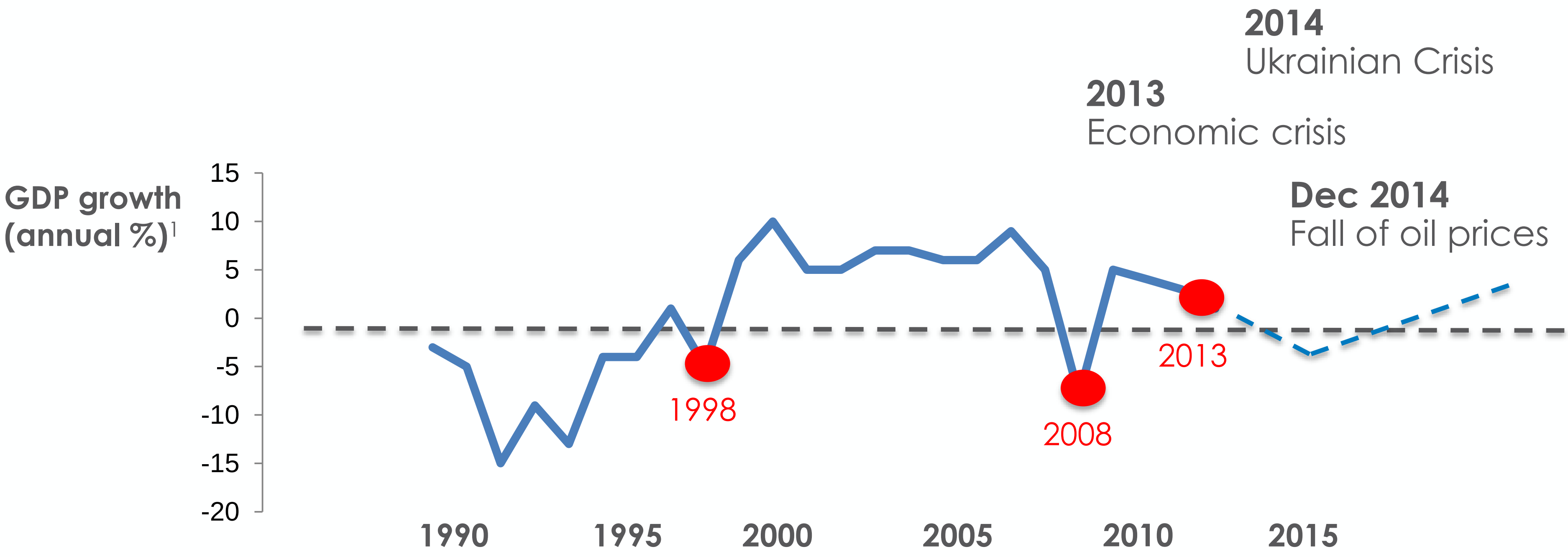
Part 2:
Current Russian market

Crisis and Recovery

Russia shows ability to recover from economic difficulties

2016 World Bank forecasts **+0.7%** GDP growth
The Russian Economy Ministry expects the economy to grow by **2.3%** in 2016

2017 World Bank forecasts **+2.5%** GDP growth
IMF forecasts "low growth in the medium term"



Source: World Bank, IMF, Russian Central Bank
World data Bank: http://databank.worldbank.org/data//reports.aspx?source=2&country=RUS&series=&period

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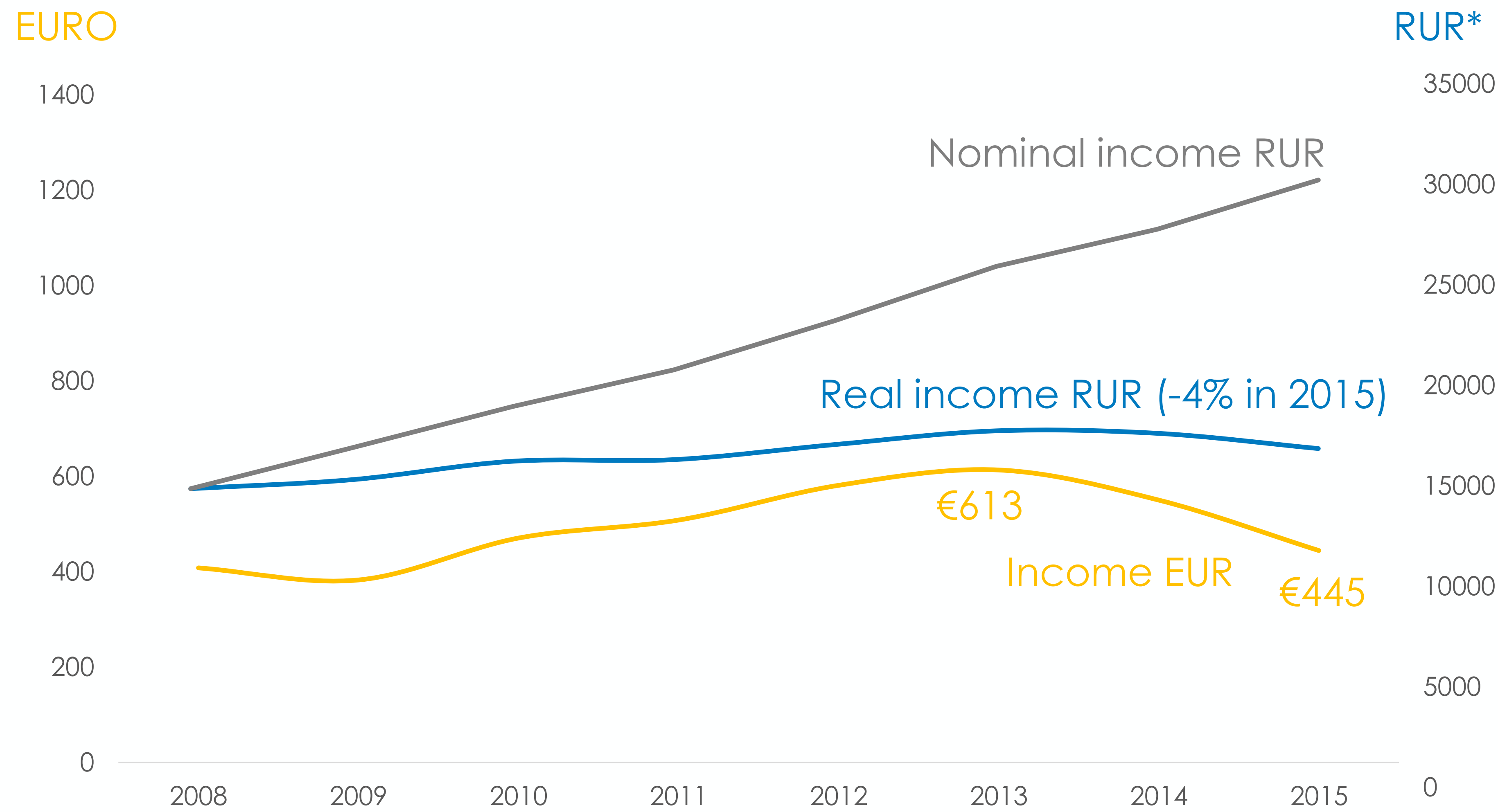
1

Income per capita

Economic crisis in Russia led to income shrink both in Euros and Rubles



*Real Income in RUR in 2008 purchasing power
Source: GKS, 2016

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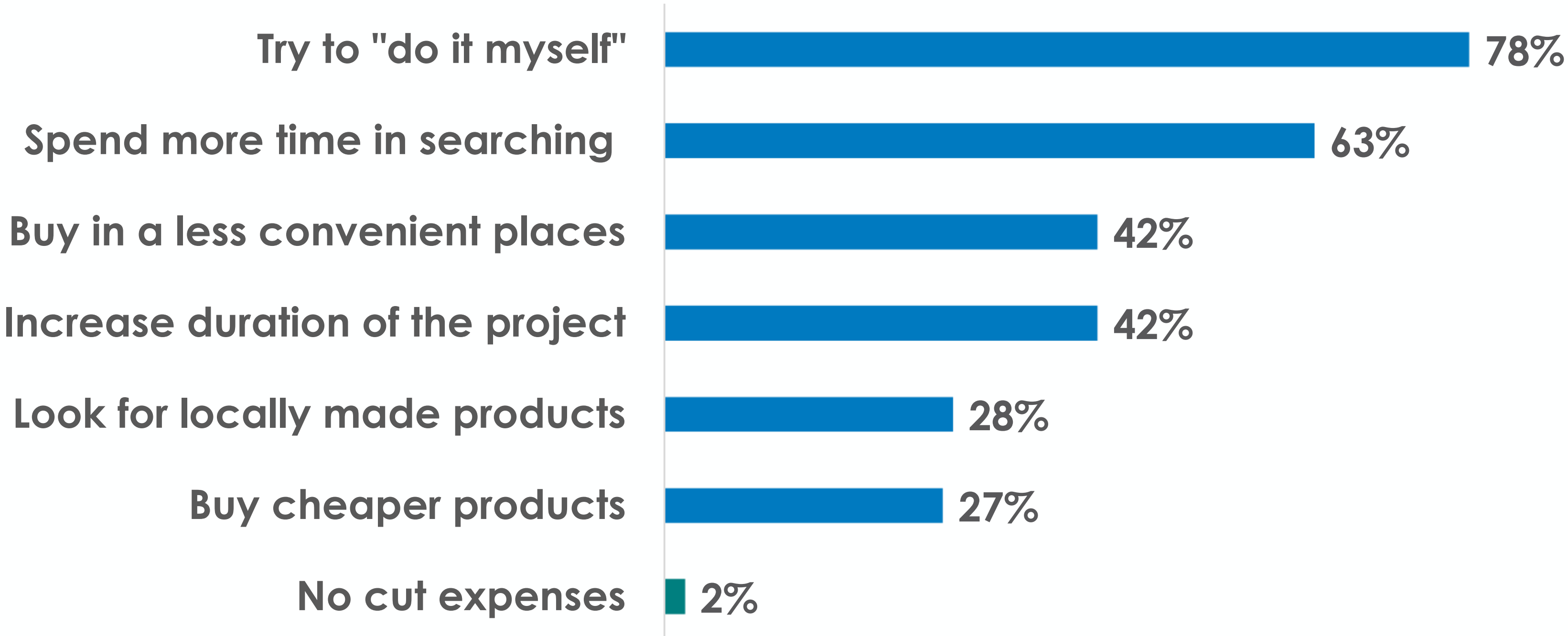
1
Crisis-resisting strategies

Customers have to adapt to lower income and spend less

"What of the listed below you are doing in order to reduce expenses for renovation and home improvement?"



Source: Crisis research, Foreytor 2015

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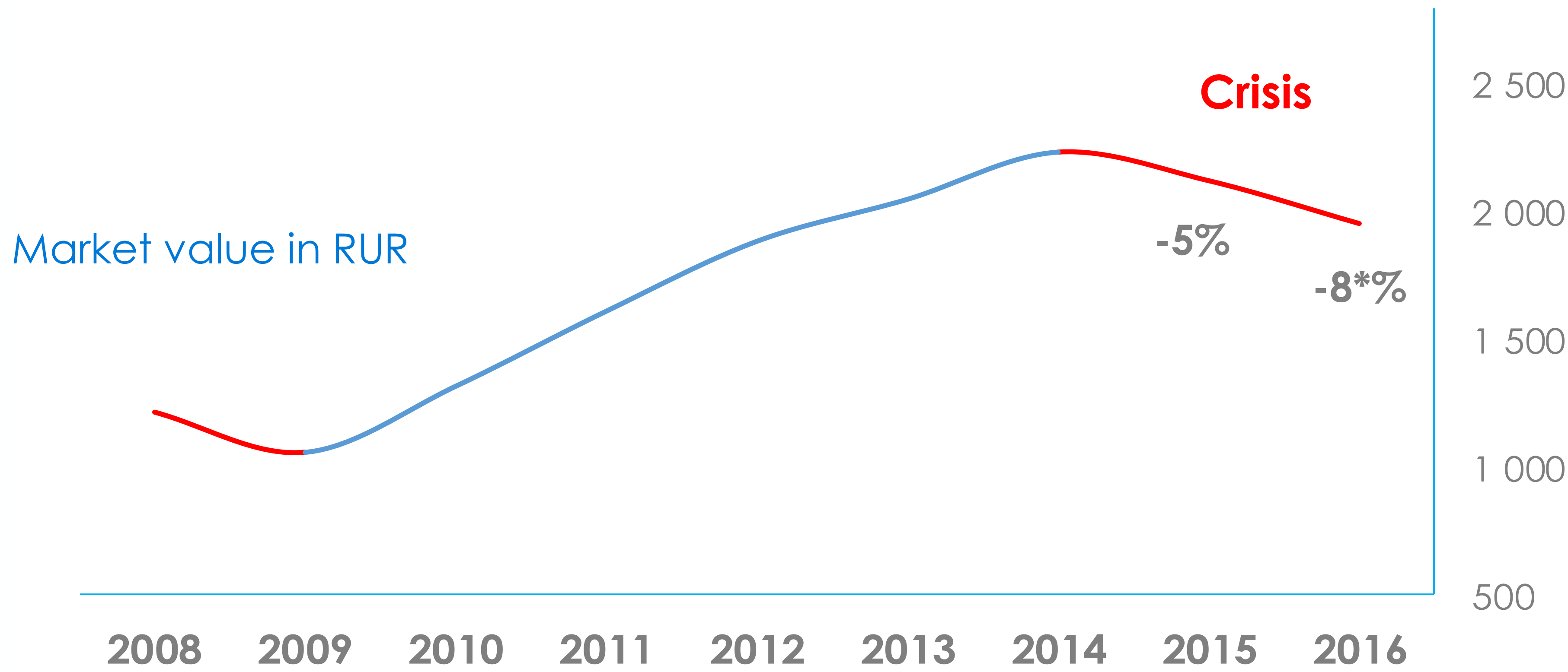
1

Market dynamics

Market value in 2015 – 2 100 bln RUR (27 bln €)

Last 5 years – average growth rate 15%



* Projection for 2016
Source: DIY Market Report, InfoLine 2016.

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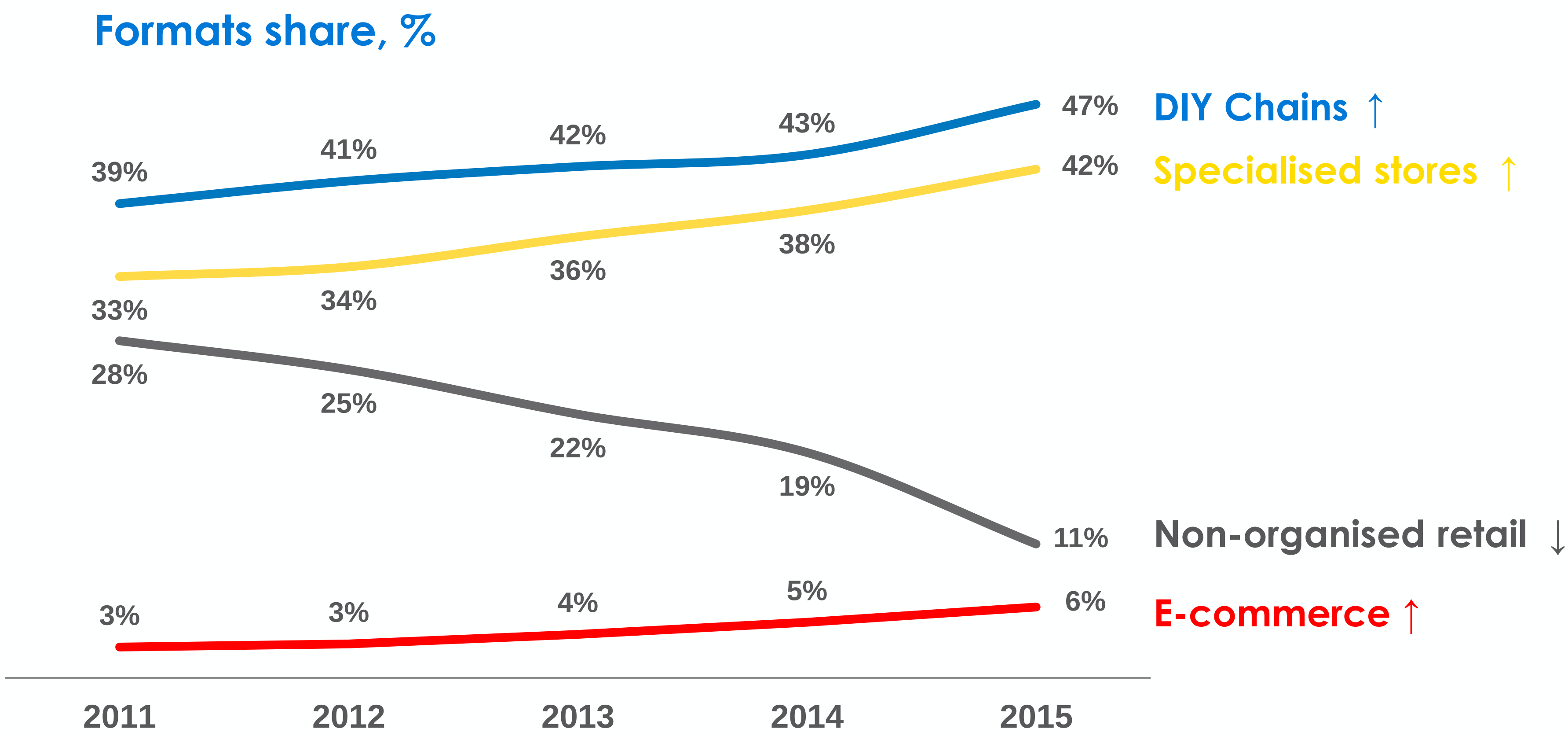
2

Market structure

Big international DIY chains are taking market shares over non organized retail…



Source: DIY Market Report, InfoLine 2016

2

Market structure

Market remains under-penetrated

133 Vs. **300**

HI Big Boxes for 146m population

HI Big Boxes for 66m population in France

5x

Less Big Boxes than in France per capita

Top 4 players:

bn£	Russia	France	Germany	UK
Aggregate sales of top 4 players	2,6	16	11	8
Estimated market size	21	31	32	28
Market share	**12%**	**50%**	**35%**	**30%**

Source: DIY Market Report, InfoLine 2015

3
Key players

Market is shared between international and Russian players

		Sales		Number of stores	
		2015, bln RUR	2015/2014	2015	2015/2014
1	Leroy Merlin	145	+22%	42	+8
2	OBI	41	-7%	25	+1
3	castorama	30	+16%	21	0
4	Петрович строительный торговый дом	25	+19%	16	-1
5	Сатурн	24	+8%	47	-2
6	МаксидоМ	17	0%	11	+2
7	Бауцентр	15	+22%	10	+1
8	Сеть строительных гипермаркетов К-Раута	13	+3%	13	0
9	Строительный двор	13	-1%	63	+12
10	СуперСтрой сеть магазинов для ремонта	10	-7%	39	-3

Source: DIY Market Report, InfoLine 2016

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Russia: a market to develop

695m GBP

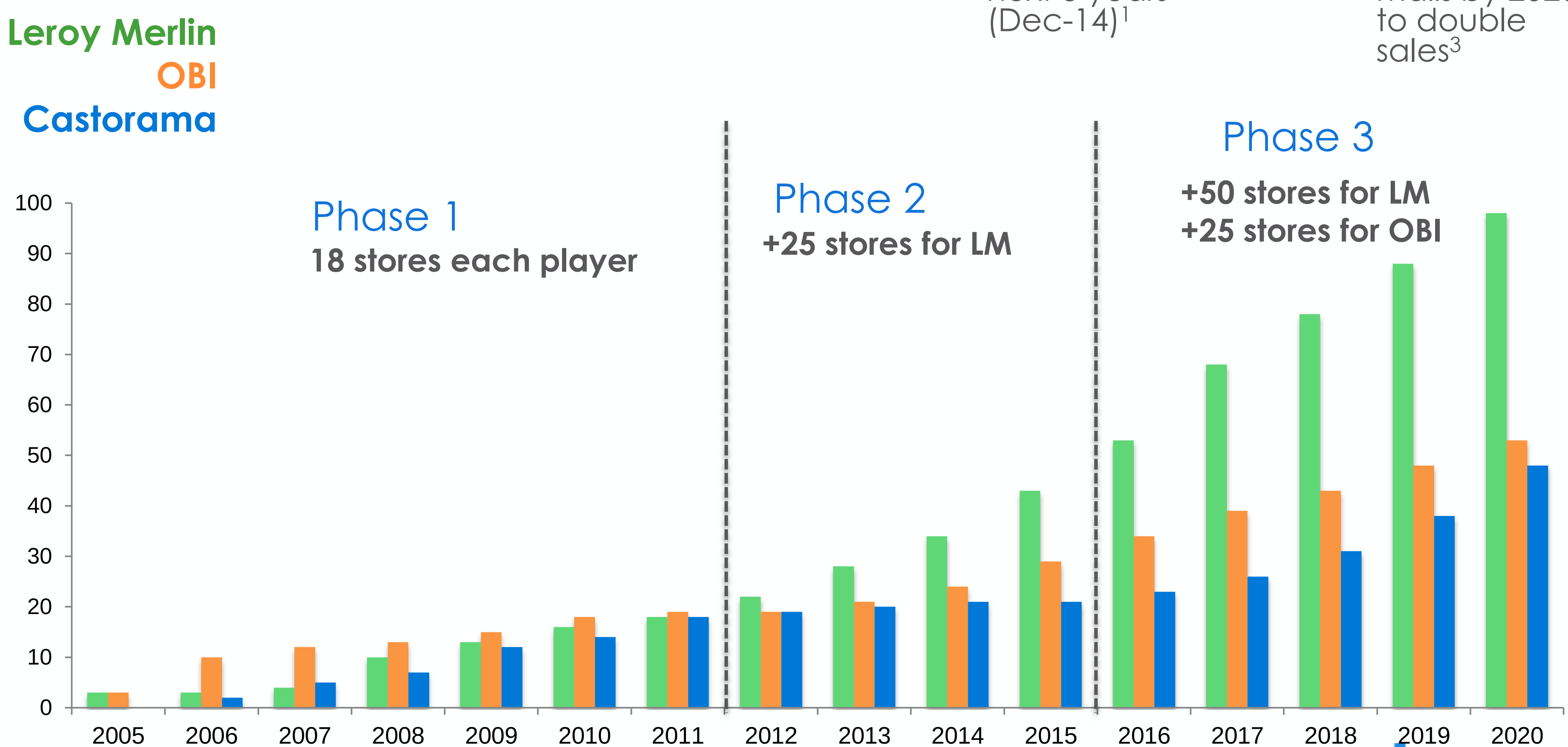
LM plans to invest 1bn euros to reach 100 stores by 2020[2]

192m GBP

OBI Plans to invest $300m to open 5-6 stores per year over the next 3 years (Dec-14)[1]

1,4bn GBP

IKEA plans to invest 2bn euros in new and existing malls by 2020 to double sales[3]



4

Market share by universes in 2014

Castorama market share is about 1,2%

Departments	Market value* (bln £)	Market share
Building	4,1	0,7%
Joinery	2,3	0,9%
Sanitary	2,2	1,0%
Garden	2,1	1,9%
Electrical	1,6	0,6%
Hardware	1,6	0,6%
Plumbing	1,5	0,7%
Paints	1,5	1,1%
Décor	1,8	1,2%
Tools	1,2	2,0%
Kitchen	1,1	0,9%
Flooring	1,0	3,6%
Cooling and heating	0,9	1,2%
Lighting	0,7	2,1%
Storage	0,5	1,0%
Total	24,1	1,2%

Source: Market Mapping, InfoLine 2015(

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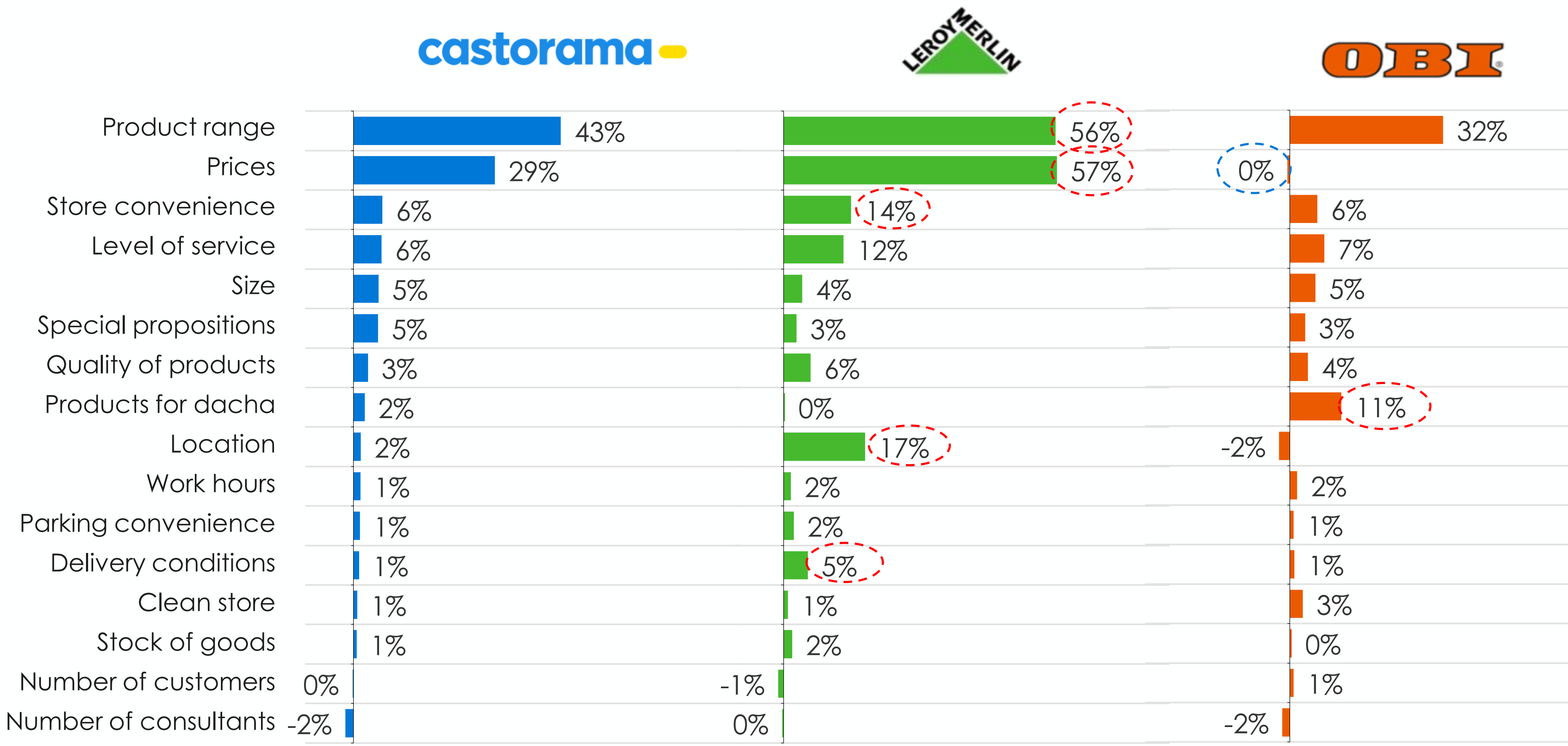
4
Customers' perception

Leroy Merlin gets the highest rates in better range, prices and store convenience



Perception = % of positive mentions of the attributes - % of negative mentions of the attribute.

Source: Castorama Image research, Magram, 2016

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Thank you

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