



Roll-Out of New Stores

Fix Price store network of 5,663 Company-operated and franchise outlets covered 7 countries in 2022. The Company has an extensive store footprint across Russia and successfully operates in locations with a population of 5,000 or more. In 2022, despite the challenging macroeconomic environment, Fix Price continued to expand steadily in Russia and the neighbouring countries, posting double-digit store growth. The Company is well-positioned to drive further expansion and increase margins in both large and densely populated cities, as well as less affluent and smaller locations.

+759 stores

Net new store openings
in 2022

10 months

Average payback period per
store in 2022¹

+15.5%

Store base growth in 2022

New Store Development and Site Selection

Fix Price has a comprehensive and effective process to evaluate proposed new store openings rooted in advanced IT solutions. The process covers site selection based on a careful consideration of commercial, technical and physical factors.

After we select a site, the Company conducts an appraisal and feasibility study, negotiates rental costs and then makes a final decision.

Powering through the Challenges of 2022



All Fix Price stores first and foremost use locally produced equipment, while our IT solutions are supported in-house. It allows us to successfully expand our network and mitigate sanctions risks and disruptions to supply chains.



Our store network expansion rate exceeded the Company's guidance.



Due to the release of retail space in shopping malls amid the exit of a number of international retailers from Russia in 2022, we see more favourable conditions for finding locations and negotiating leases.



In 2022, despite challenges in sourcing construction materials and price increases, store opening CAPEX was below non-food inflation, and we were able to keep lead times for new store openings unchanged thanks to improved project documentation and our strong negotiating power with landlords.



Most of our new stores are equipped with self-service checkouts, which allows us to reduce workload of store employees.

¹ Calculated as average for 455 Company-operated Fix Price stores in Russia (revenue and EBITDA for 12 full months after store opening) that were opened during 2021 and are still operating (as at 31 December 2022) with CAPEX fully paid back, i.e. cumulative IAS 17 EBITDA since opening exceeds RUB 4.8 million



Site Selection

The site selection process is supported by cutting-edge IT solutions. White space analysis is based on the performance of the existing stores and a number of major considerations, including:

- economic and strategic
- commercial
- technical and physical

Location selection criteria:

- population over 5,000
- high footfall
- convenient access to transportation

~45%

of sites considered are approved and progressed to further appraisal

Decision Process

The decision process includes a financial appraisal and site visit. Assuming the site passes the technical and economic feasibility study, we initiate negotiations with the landlord. If negotiations are successful, we update our estimate of total CAPEX and, provided it is within our target range, execute the lease agreement and proceed to store fitting works, hiring personnel, sourcing store equipment and merchandise and preparing advertising materials for the new location.

We evaluate:

- the quality of the property
- the scope to implement our standard layout and delivery access

Financial appraisal covers:

- revenue and EBITDA
- payback period
- NPV

Negotiation with the landlords seeks:

- short-term leases
- RUB-denominated payments for Russian stores
- preferably revenue-linked, variable rate contracts that give more flexibility

~12% **~30 days**

of sites considered are opened

average lead time for a new store opening

Store Monitoring

Stores are monitored via in-house IT tools, including mobile apps for employees. Store managers and directors leverage apps on tablets or smartphones with a user-friendly interface to check and monitor current business performance in real-time. We also run regular audits of all the stores.

Our daily monitored KPIs include:

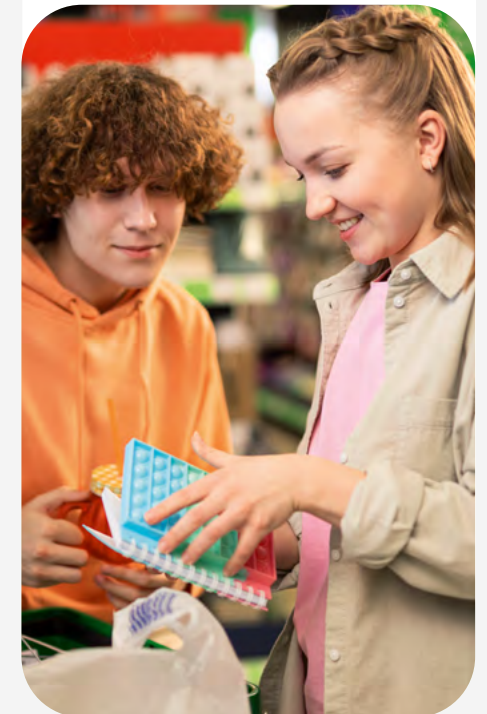
- revenue vs budget
- LFL growth (incl. traffic and the average ticket)
- loyalty card sales
- results of regular audits
- store ranking across the entire network and within the store sub-group

Store audits:

- assortment and stock levels
- cleanliness
- employee compliance with service standards, including at checkout
- equipment performance
- no misleading price tags or advertising materials
- no out-of-date products
- planogram compliance
- availability of necessary documents and compliance with applicable requirements

Store Maintenance

Maintenance focuses on ensuring compliance with all applicable building, sanitary and safety regulations. Stores are also upgraded to ensure a uniform shopping experience across the store network. This often includes remodelling store layouts to improve in-store customer journeys and product presentation. Maintenance also includes refitting lighting and replacing equipment as it becomes obsolete.





Economic and Strategic Considerations

Economic and strategic factors are carefully considered in order to identify target cities and localities in which new stores could be based. Among other parameters, the number of inhabitants (focusing on towns and other settlements with 5,000 inhabitants or more), and the level of competition are scrutinised in each of the cities/localities where new openings are targeted.



Commercial Considerations

The most important commercial considerations when selecting a specific site are the local population density and transport links. We look closely at footfall and other traffic; potential accessibility by car, foot and public transport; road traffic density near the store; the type of district (based on the prevailing type of building); local business infrastructure; local industrial buildings; the availability of social infrastructure facilities; and the general commercial environment. Approximately half of stores are located in shopping malls and the remaining half in individual premises.



Technical and Physical Considerations

Technical and physical considerations also play a role when looking at a particular site, as these can impact our investment decision. These considerations cover the proportion and size of the store, local utilities, footfall patterns, and the scope for fitting a branded layout and backroom logistics. When Fix Price leases space in an existing building, we assess its quality and features, which floor it is on and options for deliveries. If we locate a store in a shopping mall, we evaluate the type of stores in the centre and gauge the location of the site inside the centre for how visible it is from the entrance or across the floor.





Decision Process

Fix Price's store roll-out process is highly automated thanks to advanced IT solutions, including the constantly updated database of potential venues generated in-house through analysis and a direct search process. This database enables information on potential store venues to be quickly collected and processed based on specific search criteria tailored to the Group's roll-out strategy and other considerations. This system is able to generate comprehensive analytics for chosen sites.

Once the site for a potential new store is identified, we undertake a field trip to assess its adjacent retail areas and survey the premises. We also perform financial appraisal and economic modelling. As part of the appraisal, Fix Price's team prepares a technical and economic feasibility study of the potential site, including an estimation of store performance metrics such as projected revenue, EBITDA, payback period, and NPV. After this, all information on the site is submitted for review by Fix Price's investment committee, which either approves the investment or revises the commercial terms. Following approval, the roll-out process typically takes approximately 60 days, including about 30 days to finalise the agreement and 30 days to prepare the store for opening.

If a project is approved by our investment committee, we then enter into negotiations on the applicable rental rates. If negotiations are successful, we update our estimate of total CAPEX and, provided it is within our target range, execute the lease agreement. Once commercial terms are agreed, our legal, accounting and internal control functions oversee the preparation of a lease agreement. When negotiating terms with landlords, the Company favours short- and mid-term leases (less than three years) and gives preference

to revenue-linked rates that provide flexibility in different economic environments. Once the lease agreement is approved with the Investment Committee and all pre-requisite conditions for the store opening are satisfied, a contract is signed.

When the agreement is signed, we start fitting out the store, hire personnel, source store equipment and merchandise, and prepare advertising materials for the new location. Store fits and openings are overseen by our Company-operated stores development unit, which coordinates with other departments as necessary and assists regional operations managers with new openings within their respective areas of responsibility.

RUB 4.8 million¹

Average capital expenditure
for a new Company-operated store in Russia

Store Monitoring

Fix Price has developed and constantly updates a range of user friendly mobile apps for our employees which assist with the automation of all in-store operations. Store employees can use them to check their store performance in real time as well as to find all necessary information on the product and its availability, including in other stores, send requests to the help desk at the head office, do stocktaking of goods, and much more. These tools allow store managers to track an agreed number of store KPIs, including sales vs budget, like-for-like performance, loyalty programme card sales, results of regular store audits, and the store's ranking across the entire network and within the store sub-group.

Store managers also use a store management app which allows them to monitor progress towards tasks such as stocktakes and cleanliness checks, along with inventory management, offering them a big picture view on products and claims. Those apps are integrated with the Company's IT infrastructure and allow senior management to monitor store performance in real time, including store KPIs.

We regularly audit our stores, focusing on assortment, cleanliness and cashier performance, including cash handling. We also check equipment, price tags, advertising materials, expiry dates, planogram compliance, employee compliance with service standards, availability of necessary documents, compliance with applicable requirements, and much more. Should performance against any of these metrics drop below 90%, extensive store checks and investigations are triggered.

Store Maintenance

Fix Price conducts regular maintenance for the upkeep of our stores. Maintenance focuses on compliance with all applicable building, sanitary and safety regulations. Additionally, regular audits are performed by sales department employees. Should anything malfunction or break down, a request can be logged in the internal management information system to call out contractors. We upgrade stores to ensure a uniform shopping experience across the network and replace equipment that has become obsolete.

RUB 2.8 million per store

Average capital expenditure
on refurbishment for a Company-operated store in Russia

¹ Based on CAPEX for stores opened in 2022, including IT equipment