



# Omni-Channel Strategy in the Russian Consumer Electronic Retail.



Analyst Day Presentation, March 28, 2013

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**Alexander Tynkovan**

CEO and President



**Steven Lewis**

Retail Operations Director



**Christopher Parks**

Chief Financial Officer



**Alexander Tynkovan**

CEO and President

# Origins of the Co. & Brand



**1993** first store  
50 square m.



1993

Start of the regional expansion

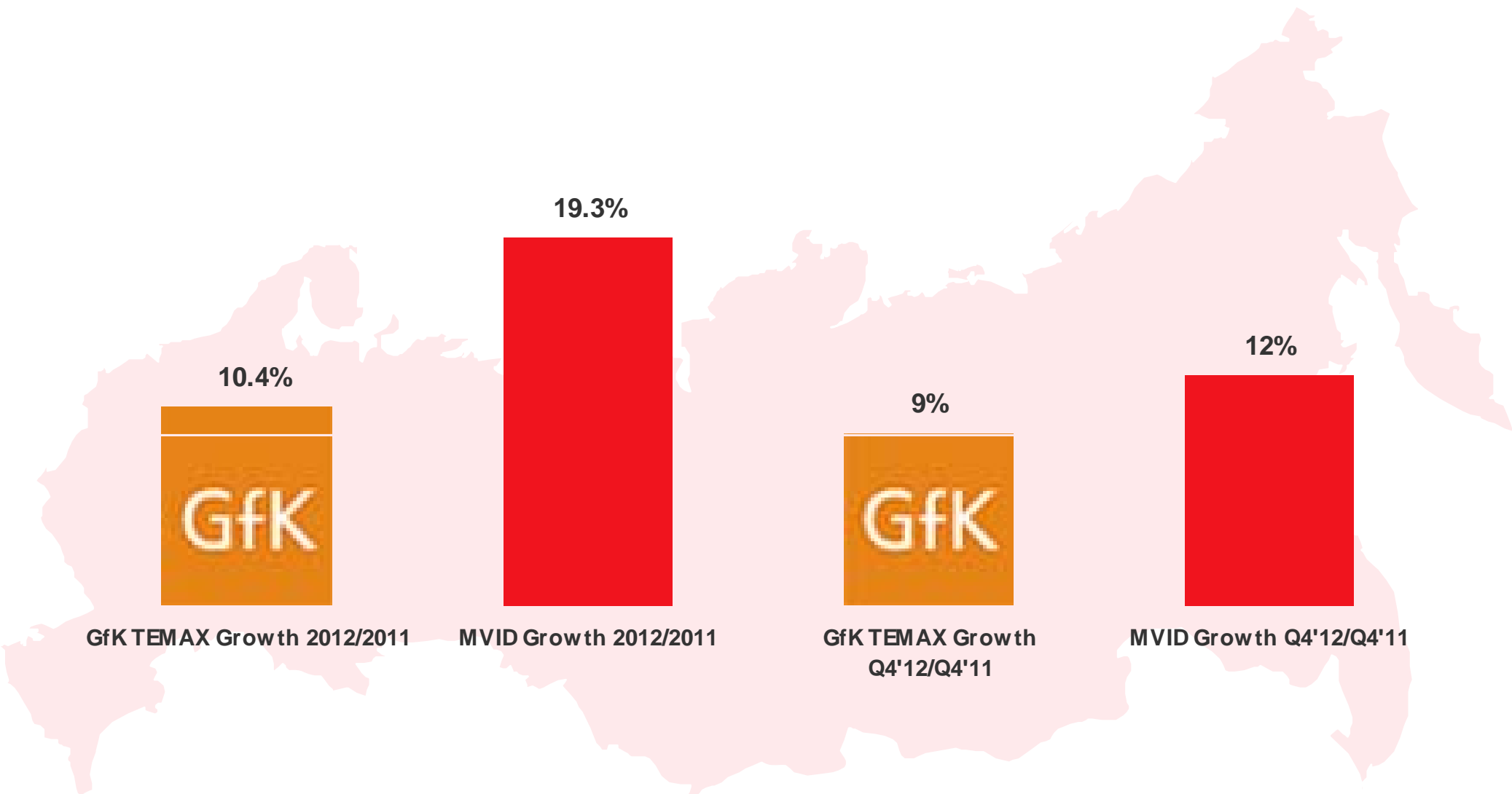
2001

IPO

2007

**2013**

This year, the total number of stores to reach **300**



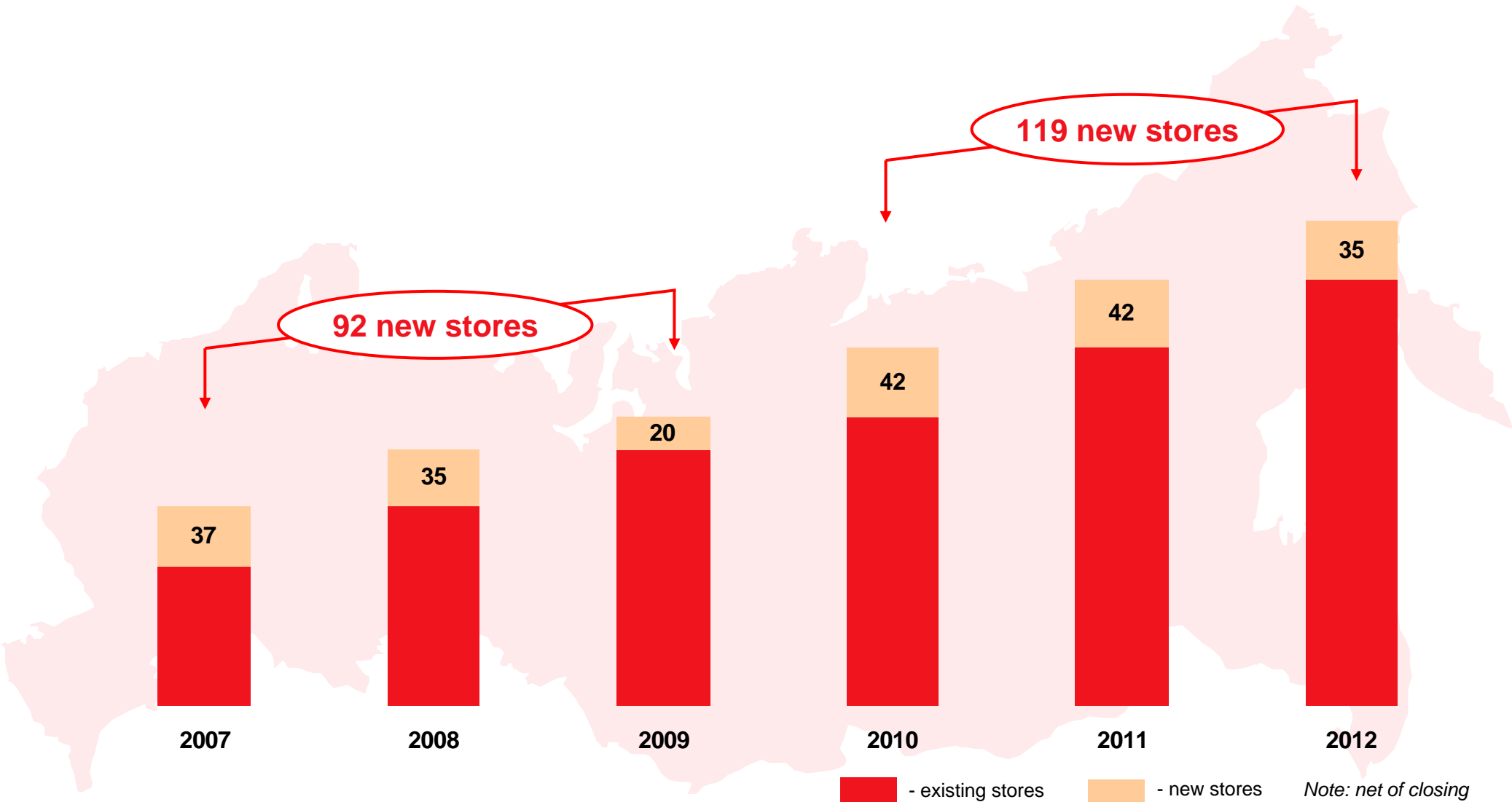
GfK TEMAX Growth 2012/2011

MVID Growth 2012/2011

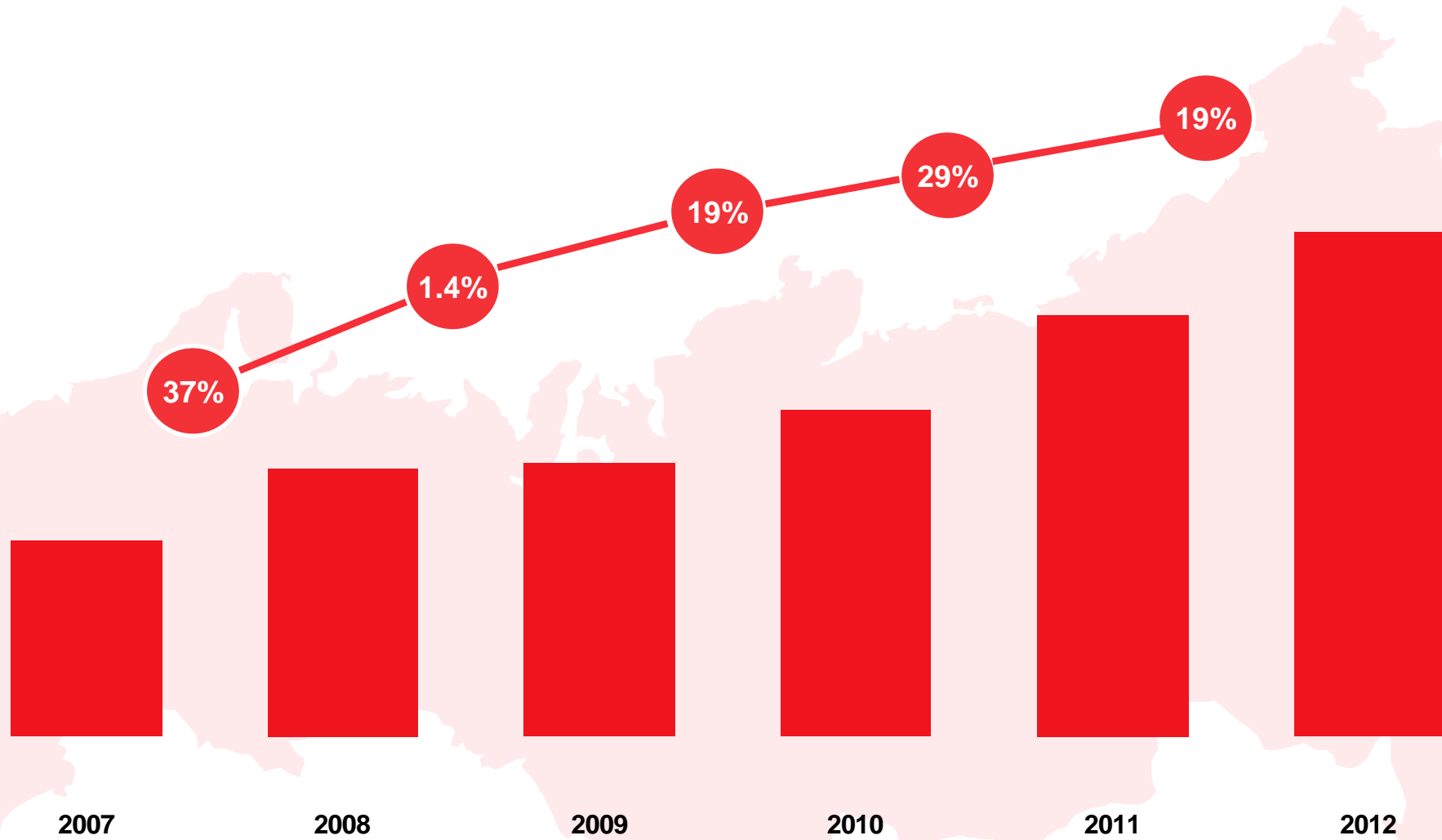
GfK TEMAX Growth Q4'12/Q4'11

MVID Growth Q4'12/Q4'11

# Massive store roll-out in 2007-2012

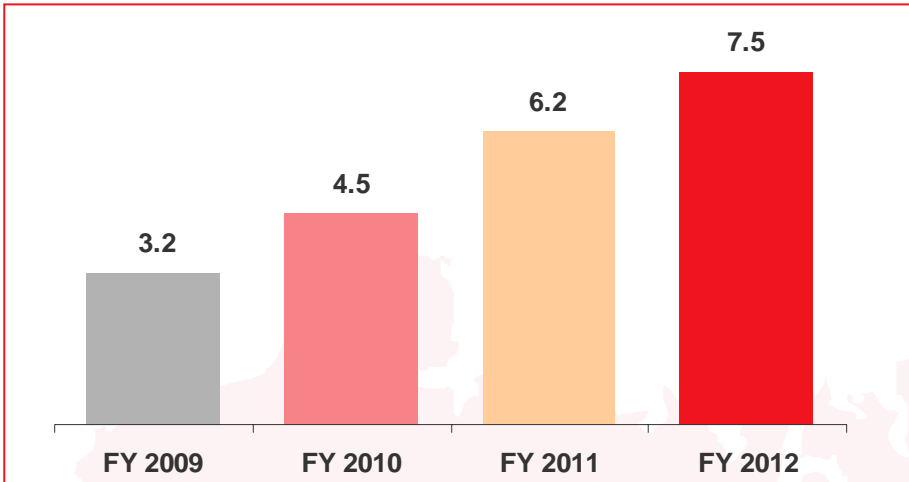


# Accelerating revenue 2007-2012

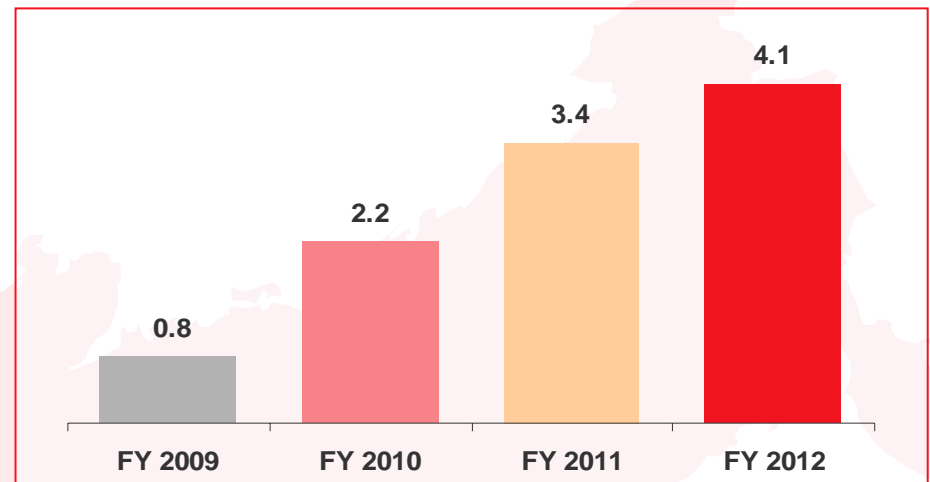




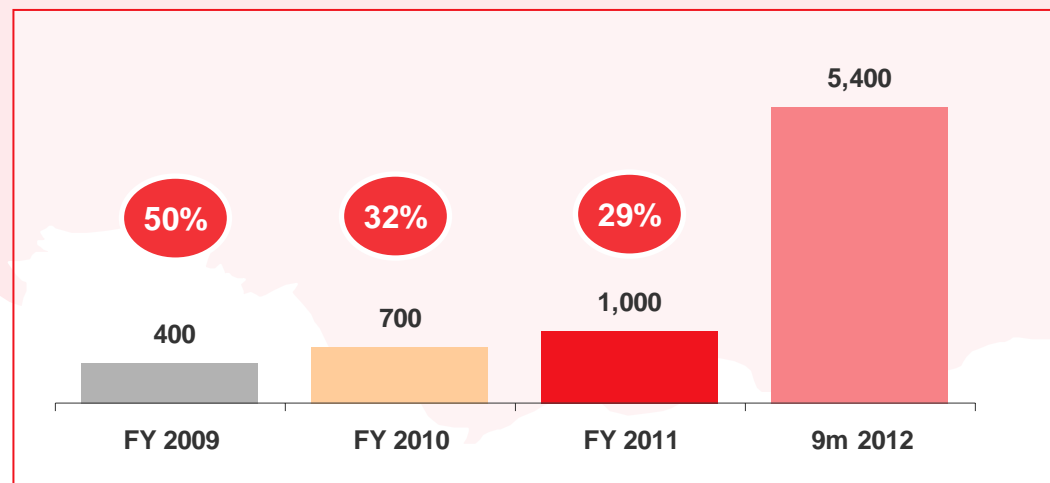
**FY 2009-2012 EBITDA, RUB billion**



**FY 2009-2012 Net Profit, RUB billion**



**Annual 2009-2011 and 9m 2012 special dividend, RUB million**



- Twenty years in Russian retail: successful brand building and business development.
- Sales over 5 billion USD annually, #1 position in Russia, nationwide retail network of 130+ cities and 300+ stores
- Ultimate growth profile: c.120 new stores in the past 3 years.
- Clean balance sheet, strong financial position, zero debt
- Outstanding value story: annual dividend paid third subsequent year, record special dividend of 30 rubles per share paid in 2012
- Strong customer relations and service expertise: winning Omni-Channel strategy for the e-commerce era

## M.Video #1



**The Web...**  
has brought us an ocean of opportunities

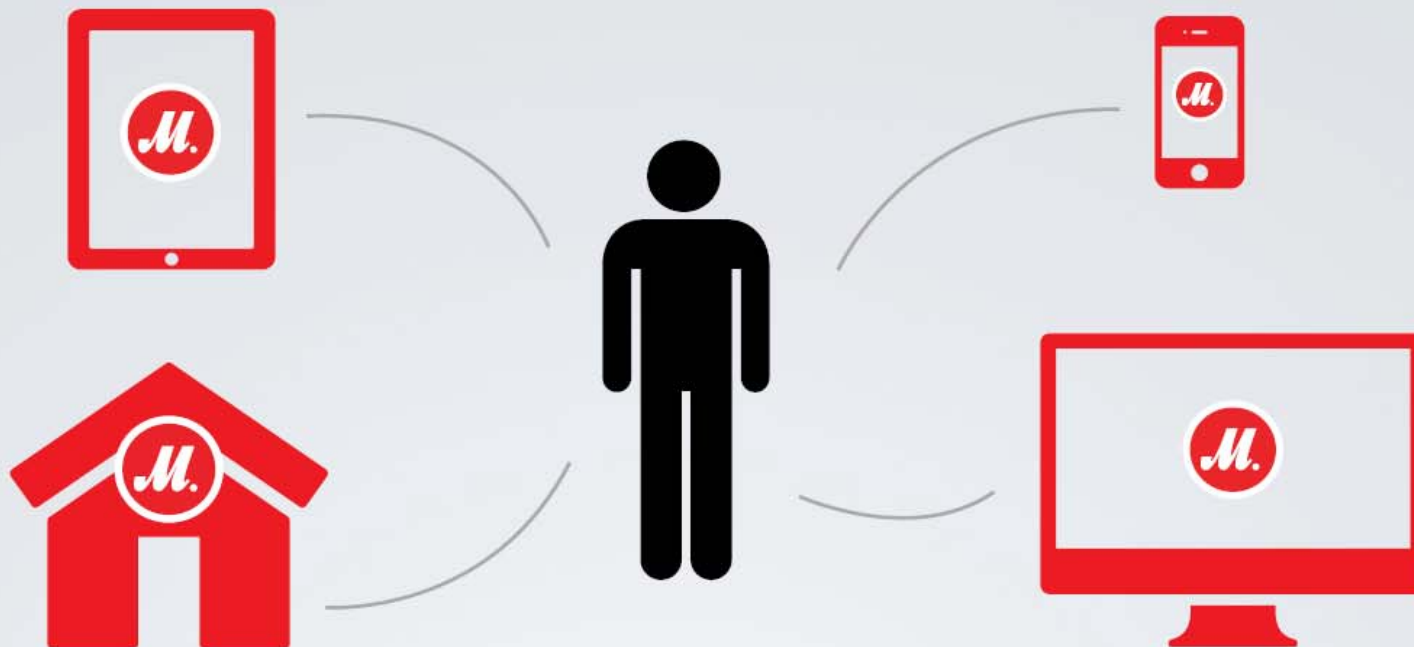


## Learning how to fly



## Omni-channel strategy

Evolution of customers' view




## Fasten your seat belts

### How the web-shopping is seen


#### Reasons to buy


Time/convenience 


Assortment 

Price 

#### Barriers

No contact with goods 

Delivery issues 

Returns issues 

## Requirements for the future market leaders

brand

supply chain

Web/IT





# What inspires us

We do care



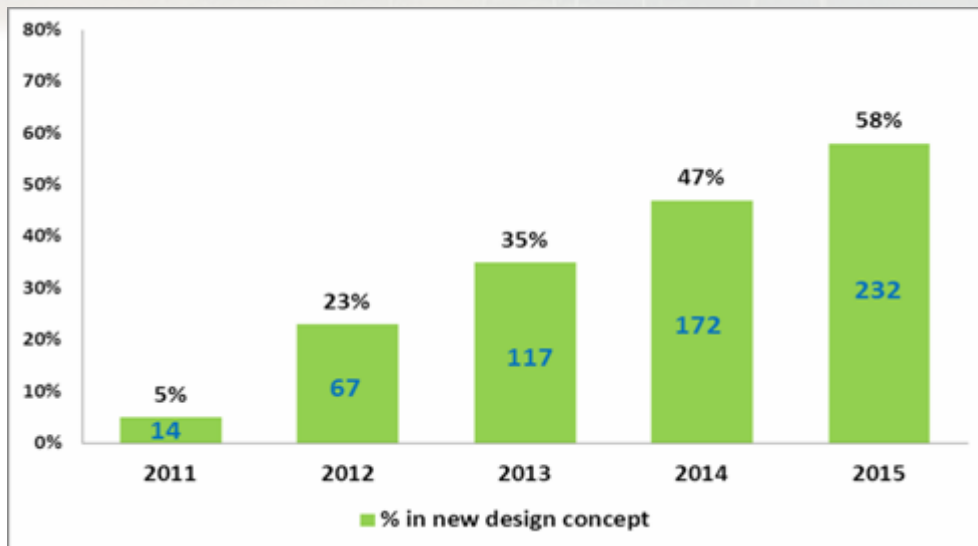


**Steven Lewis**

**Retail Operations Director**

Welcome to the future – customers for life

- 67 stores reconstructed/opened in 2012
- All new stores open in new format
- High level customer satisfaction
- Performance in line with expectations



# Trend zones in new store concept



Connectivity Zone



Coffee Zone



Beauty Zone



Digital Photo Zone

# Service Zones – now in all stores



Service Zone

Beauty Zone

# OMNI-format for reconstruction

Before  
reconstruction

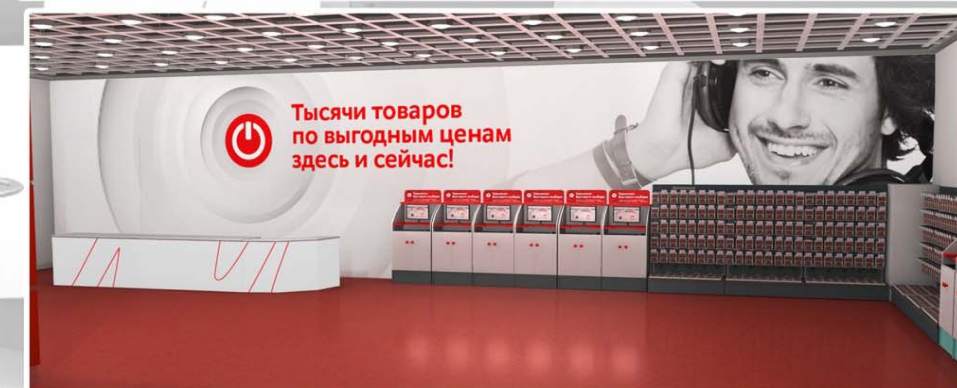
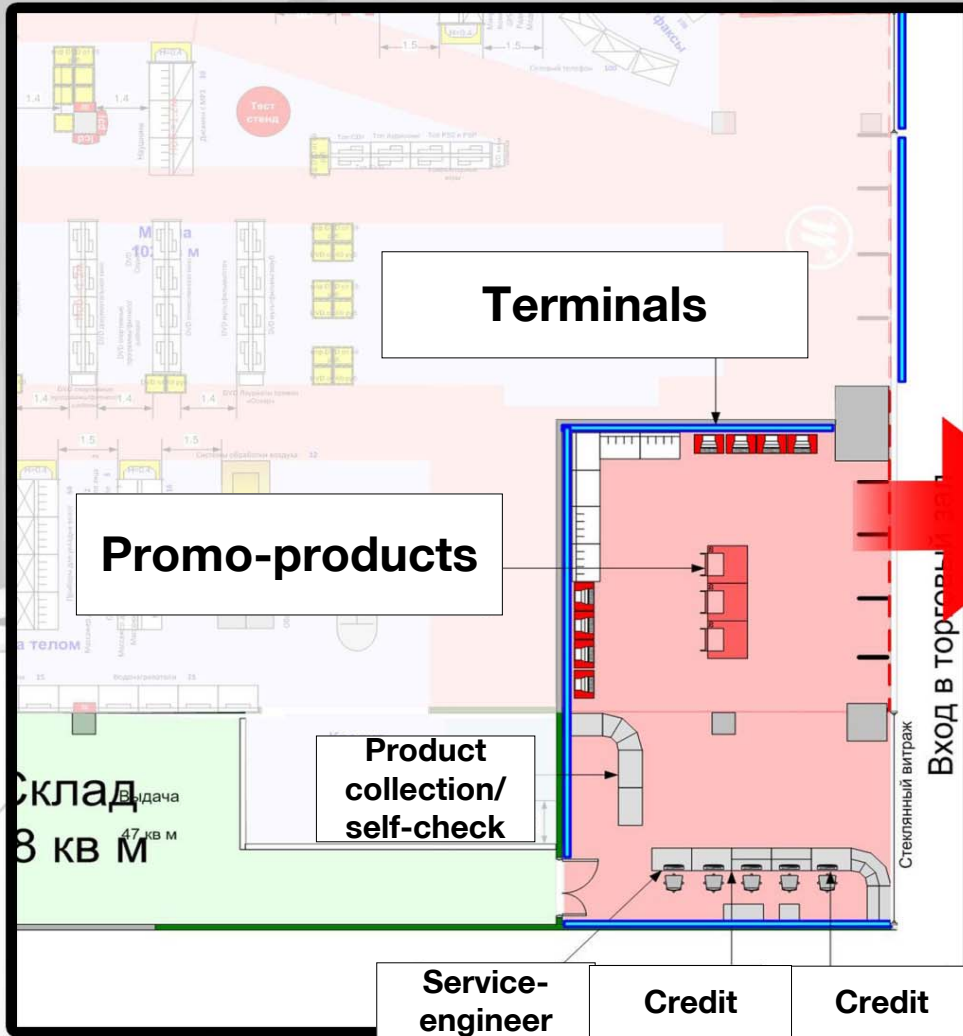


15 stores planned for 2013

For the period of  
reconstruction



# We are not closed, we keep trading in OMNI-format





Closer to our customers

- In small cities/high density areas
- Core range of main categories
- Full range of promo products
- Extended range available by order
- Complete service offer
- 18 stores trading at year end 2012





2012	2013
Moscow	Omsk
St. Petersburg	Ukhta
Novosibirsk	Voronezh
Ekaterinburg	Tolyatti
N.Novgorod	Izhevsk
Samara	Barnaul
Kazan	Ulyanovsk
Chelyabinsk	Irkutsk
Rostov-na-Donu	Yaroslavl
Ufa	Makhachkala
Volgograd	Orenburg
Perm	Novokuznetsk
Krasnoyarsk	Tomsk
Saratov	Kemerovo
Krasnodar	Ryazan
Tyumen	Astrakhan
Stavropol	Penza
	Naberezhnye Chelny
	Lipetsk
	Tula
<b>17</b>	<b>20</b>



One step. One click. One call.

# OMNI integration - unforgettable customer experience



Geo-clustering



Multi channel promo codes



Credit on line



Regional internet stores expansion



Express delivery across Russia

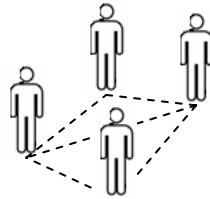
Anything.  
Anywhere.  
Anytime.



Order on-line  
Pick up in store



Extended assortment from vendors



Localised social media responses  
24 hrs



Pay on line with  
Bonus roubles



Moscow - same day  
delivery of web  
orders



Full assortment  
available to be sold  
via web in all stores





**Christopher Parks**

**Chief Financial Officer**

In millions of Russian rubles	2012	2011	y-o-y, %
<b>Sales (including VAT)</b>	157,640	132,086	19.3%
<b>Net revenue</b>	133,593	111,937	19.3%
<b>Gross profit</b>	32,955	27,537	19.7%
<i>As % of net revenue</i>	24.7	24.6	0.1%
<b>Operating expenses*</b>	27,583	22,936	20.3%
<i>As % of net revenue</i>	20.6	20.5	0.1%
<b>Operating profit (EBIT)</b>	5,372	4,601	16.8%
<i>As % of net revenue</i>	4.0	4.1	(0.1%)
<b>EBITDA</b>	7,525	6,239	20.6%
<i>As % of net revenue</i>	5.6	5.6	-
<b>Net profit</b>	4,141	3,374	22.7%
<i>As % of net revenue</i>	3.0	3.0	-

\* - the operating expenses include selling, general and administrative expenses (SGA), other operating income and other operating expenses.



# FY 2012 Consolidated Income Statement Highlights

<i>Russian rubles, million</i>	<b>2012</b>	Audited	<b>2011</b>
<b>REVENUE</b>	133,593		111,937
<b>COST OF SALES</b>	(100,638)		(84,400)
<b>GROSS PROFIT</b>	32,955		27,537
Selling, general and administrative expenses	(29,376)		(24,383)
Other operating income	1,925		1,549
Other operating expenses	(132)		(102)
<b>OPERATING PROFIT</b>	5,372		4,601
Finance income, net	182		37
<b>PROFIT BEFORE INCOME TAX EXPENSE</b>	5,554		4,638
Income tax expense	(1,413)		(1,264)
<b>NET PROFIT FOR THE YEAR, being TOTAL COMPREHENSIVE INCOME for the year</b>	<b>4,141</b>		<b>3,374</b>

<i>Russian rubles, million</i>	Audited			
	2012	as % of revenue	2011	as % of revenue
Payroll and related taxes	8,742	↑ 6.5	7,112	6.4
Lease expenses	6,480	↑ 4.9	5,327	4.8
Advertising & promotional expenses	3,665	↓ 2.7	3,289	2.9
Warehouse services	1,757	1.3	1,508	1.3
Utilities	1,331	1.0	1,070	1.0
Security	868	0.6	754	0.7
Repair and maintenance	781	0.6	760	0.7
Other SG&A	3,599	↑ 2.7	2,925	2.6
D&A	2,153	↑ 1.6	1,638	1.5
<b>Subtotal</b>	<b>29,376</b>	<b>↑ 22</b>	<b>24,383</b>	<b>21.8</b>
Net other operating income	1,793	1.3	1,447	1.3
<b>Total</b>	<b>27,583</b>	<b>↑ 20.6</b>	<b>22,936</b>	<b>20.5</b>

*Russian rubles, million*

	<b>2012</b>	<b>2011</b>
<b>Net profit for the year</b>	<b>4,141</b>	<b>3,374</b>
Income tax expense	1,413	1,264
Finance income, net	(182)	(37)
Depreciation and amortization of non-current assets	2,153	1,638
<b>EBITDA</b>	<b>7,525</b>	<b>6,239</b>
Rent expense	6,480	5,327
<b>EBITDA(R)</b>	<b>14,005</b>	<b>11,566</b>
As % to revenue	10.5%	10.3%

EBITDA(R) - Earnings before interest, taxes, depreciation & amortization (& rent)

# FY 2012 Consolidated Balance Sheet Summary

<i>Russian rubles, million</i>	Audited	
	31 December 2012	31 December 2011
<b>ASSETS</b>		
NON-CURRENT ASSETS:		
Property, plant and equipment	9,645	8,920
Other	4,956	3,619
<b>Total non-current assets</b>	<b>14,601</b>	<b>12,539</b>
CURRENT ASSETS:		
Inventories	32,259	24,487
Accounts receivable and prepaid expenses	1,557	1,246
Taxes receivable	1,947	1,651
Cash and cash equivalents	6,521	13,220
Short-term investment	981	-
Other current assets	79	204
<b>Total current assets</b>	<b>43,344</b>	<b>40,808</b>
<b>TOTAL ASSETS</b>	<b>57,945</b>	<b>53,347</b>

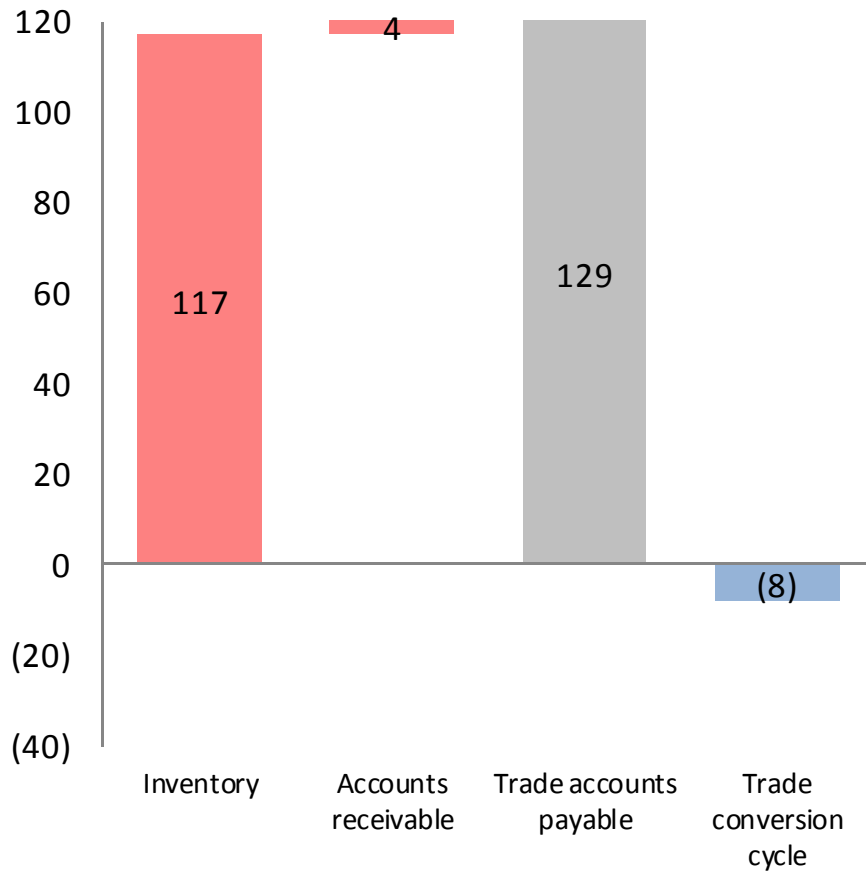


	Audited	
	31 December 2012	31 December 2011
<b>EQUITY AND LIABILITIES</b>		
<b>EQUITY:</b>		
<b>Total equity</b>	<b>10,692</b>	<b>12,827</b>
<b>NON-CURRENT LIABILITIES:</b>		
<b>Total non-current liabilities</b>	<b>208</b>	<b>417</b>
<b>CURRENT LIABILITIES:</b>		
Trade accounts payable	35,586	32,673
Other payables and accrued expenses	3,690	2,354
Deferred revenue	4,687	2,555
Other	3,082	2,521
<b>Total current liabilities</b>	<b>47,045</b>	<b>40,103</b>
<b>Total liabilities</b>	<b>47,253</b>	<b>40,520</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>57,945</b>	<b>53,347</b>

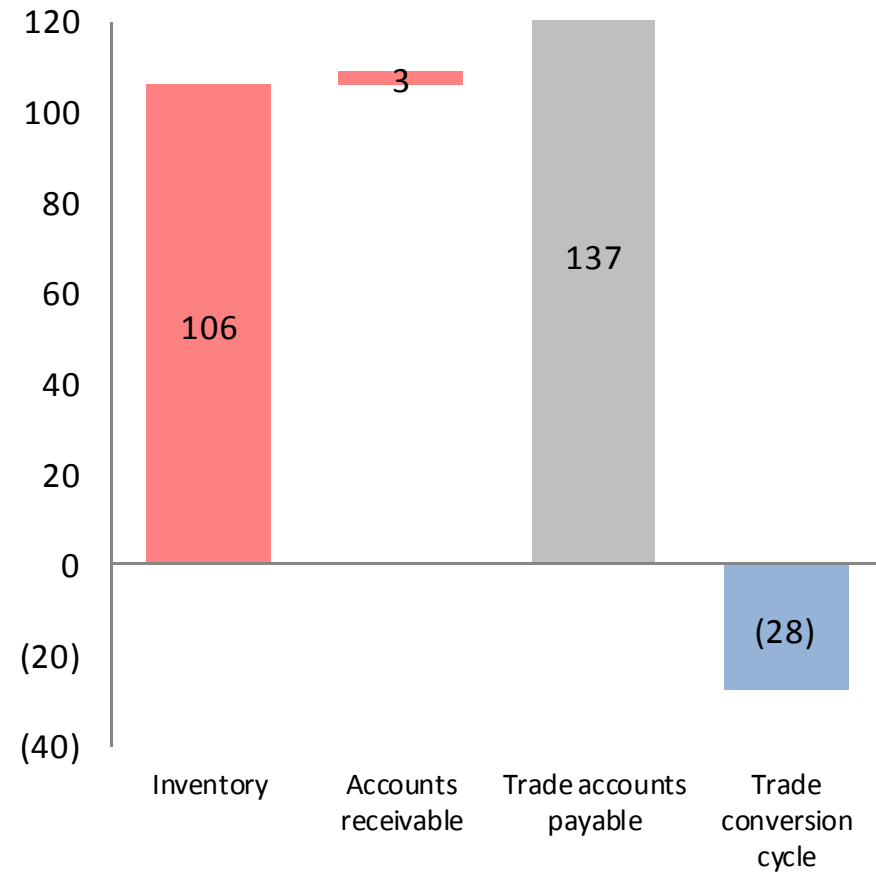
# FY 2012 Consolidated Cash Flow Statement

	2012	Audited	2011
<b>OPERATING ACTIVITIES:</b>			
Total comprehensive income for the year	4,141		3,374
Non-cash adjustments and tax	4,840		3,089
<b>Operating cash flows before movements in working capital</b>	<b>8,981</b>		<b>6,463</b>
Change in working capital	(3,469)		(5,302)
<b>Cash generated by operations</b>	<b>5,512</b>		<b>11,765</b>
Income tax, interest and other	(1,893)		(1,555)
<b>Net cash generated by operating activities</b>	<b>3,619</b>		<b>10,210</b>
<b>INVESTING ACTIVITIES:</b>			
Purchase of PP&E	(2,523)		(3,000)
Short-term investments with banks	(981)		-
Other	(466)		(482)
<b>Net cash used in investing activities</b>	<b>(3,970)</b>		<b>(3,482)</b>
<b>FINANCING ACTIVITIES:</b>			
Dividends paid	(6,348)		(691)
<b>Net cash used in financing activities</b>	<b>(6,348)</b>		<b>(691)</b>
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(6,699)</b>		<b>6,037</b>
<b>CASH AND CASH EQUIVALENTS, at the beginning of the year</b>	<b>13,220</b>		<b>7,183</b>
<b>CASH AND CASH EQUIVALENTS, at the end of the year</b>	<b>6,521</b>		<b>13,220</b>

### 2012 Trade conversion cycle, days



### 2011 Trade conversion cycle, days





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