

электроника



M.Video Investor Presentation November 2017



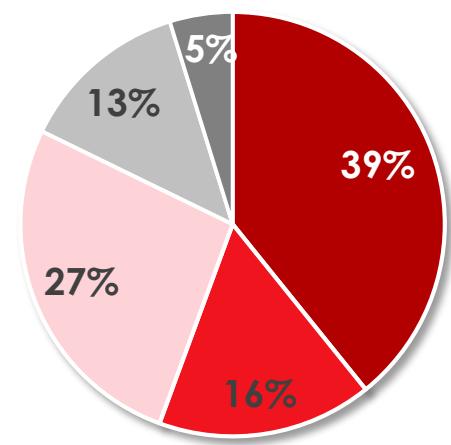
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 - II. Consumer Market Update
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M.Video at Glance: #1 in Russia, in TOP-25 Worldwide

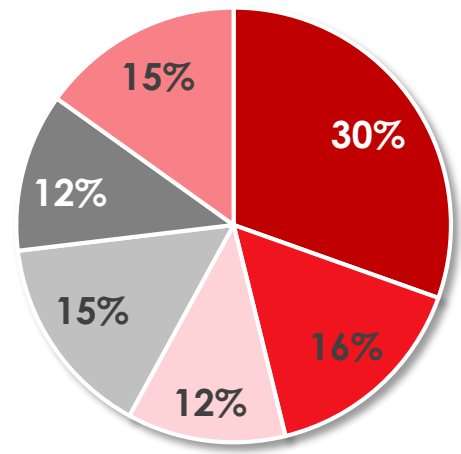
- ▶ 24 year-expertise in consumer electronics (CE) retail
- ▶ 404 stores in 165 Russian cities, 100% online coverage
- ▶ #1 CE retailer in Russia and CIS, and in Top-25 worldwide
- ▶ c.17% share of CE retail market, 12.9% of CE on-line market
- ▶ First and only public non-food retailer in Russia since 2007, 42% free-float on MOEX. Market cap US\$1.3 bln
- ▶ In Top-25 best employers in Russia
- ▶ Among Top-50 most expensive Russian brands in 2016 by Brand Finance

9M 2017 Sales by Category, %



- Home Appliance
- Audio&Video
- Telecom&Computers
- Photo&Entertainment
- Accessories&Services

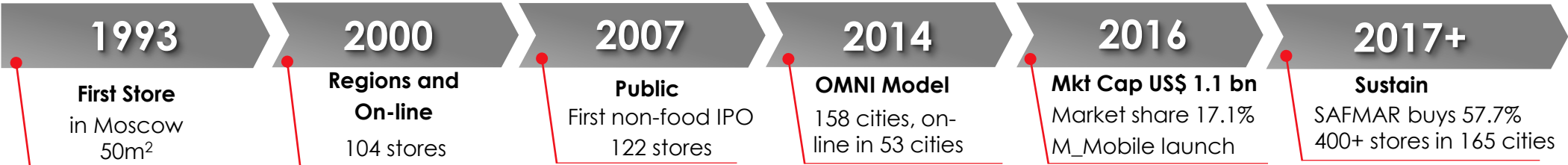
9M 2017 Sales by Region, %



- Moscow&Region
- St-Pete&North
- Center
- South
- East
- Siberia

	2013	2014	2015	2016	1H 2017
Net Revenue , RUB bln	148	173	162	183	83.4
EBITDA , RUB bln	9.4	13.1	8.8	10.3	4.6
Net Profit , RUB bln	5.8	8.2	4.5	5.5	2.5
EBITDA Margin , %	6.3%	7.6%	5.5%	5.6%	5.5%
Market Share , %	13.3%	14.8%	15.9%	17.1%	17.3%
Full-time Employees , eop	19,000	18,800	15,300	15,200	13,200

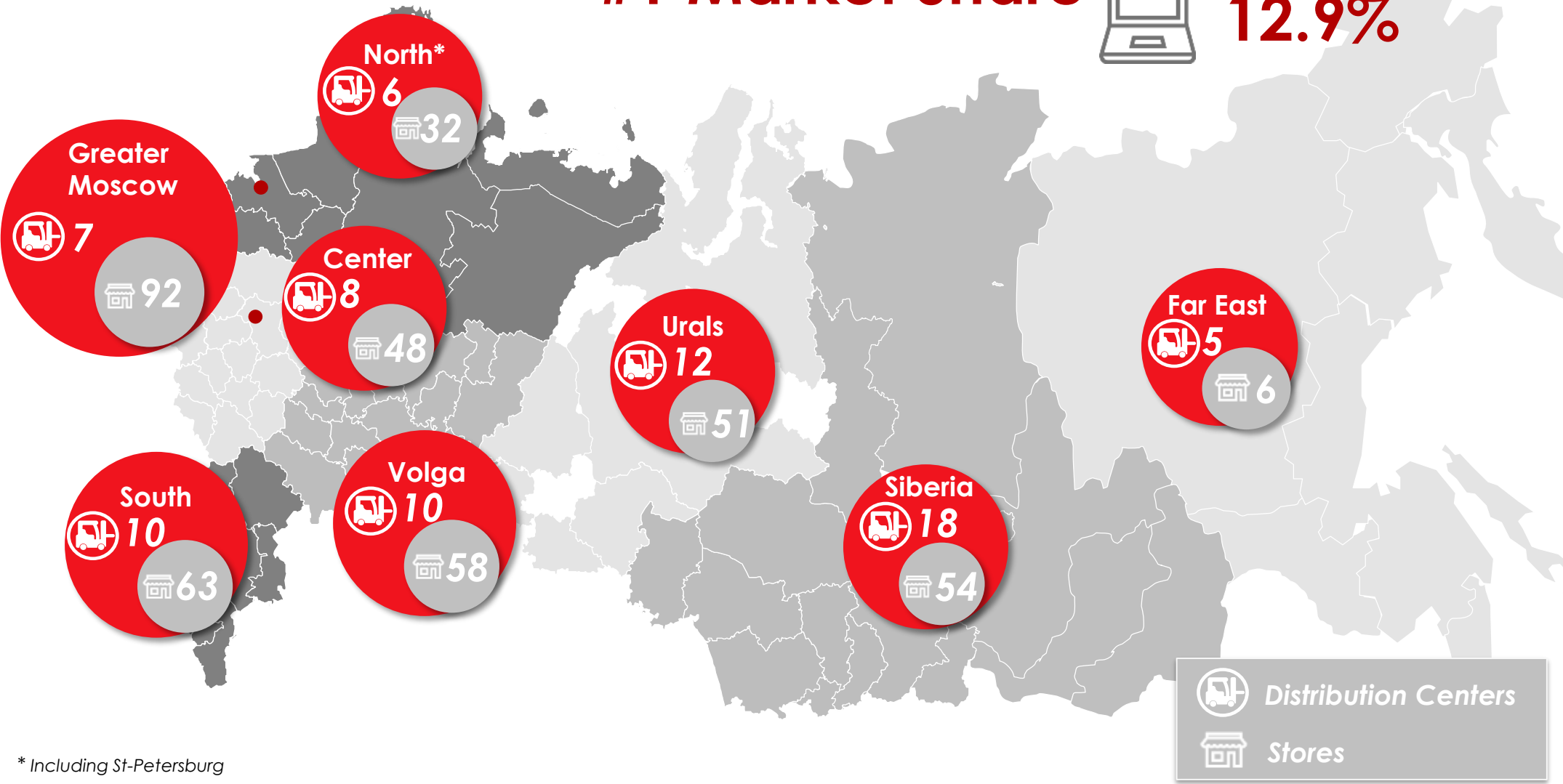
M.Video National Leading Footprint



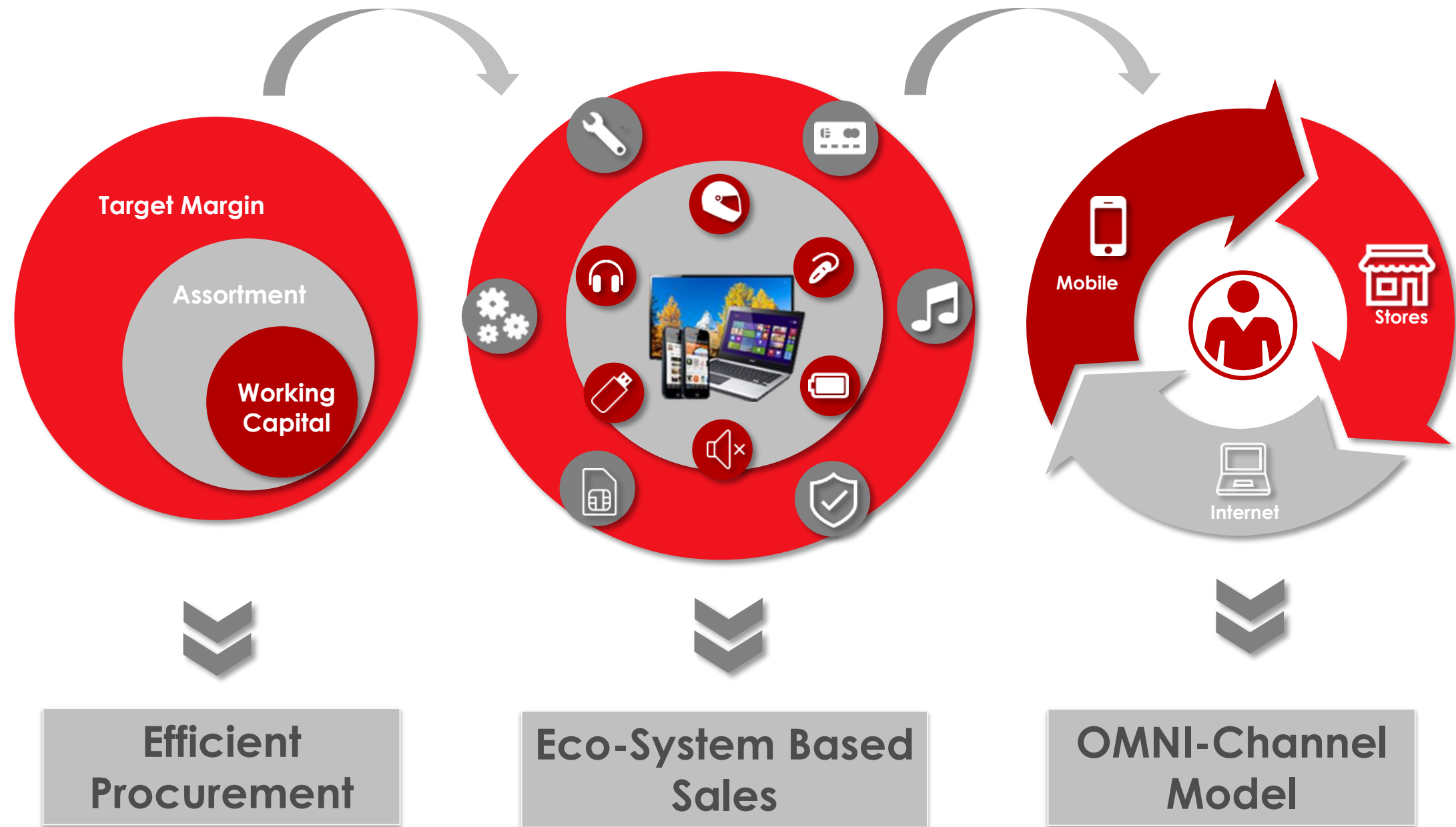
#1 Market Share



17.0%
12.9%



* Including St-Petersburg



Best Choice = Endless Shelf



Best Service = Across All Channels



Best Price Guarantee = Price Match

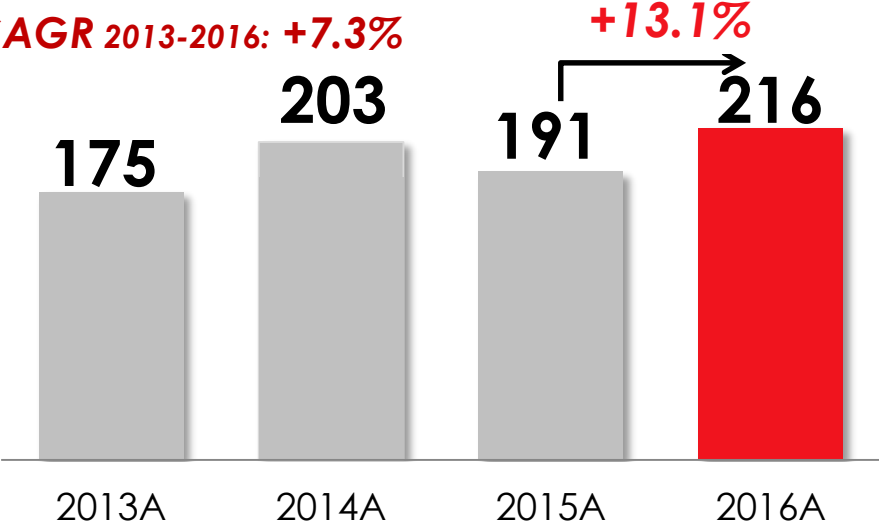


**M.Video
CVP**

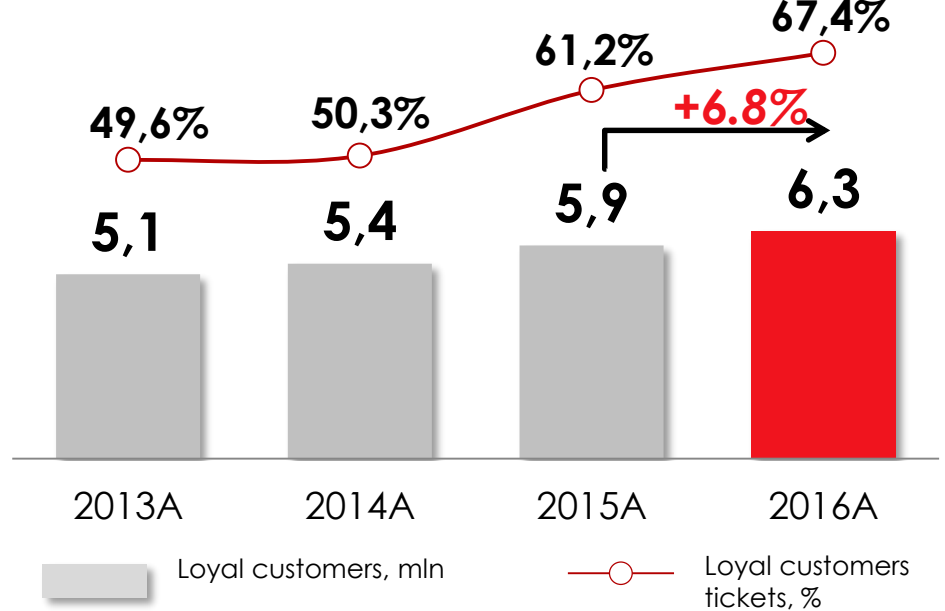
M.Video Operational Efficiency Progress

Sales (with VAT), RUB bln

CAGR 2013-2016: +7.3%

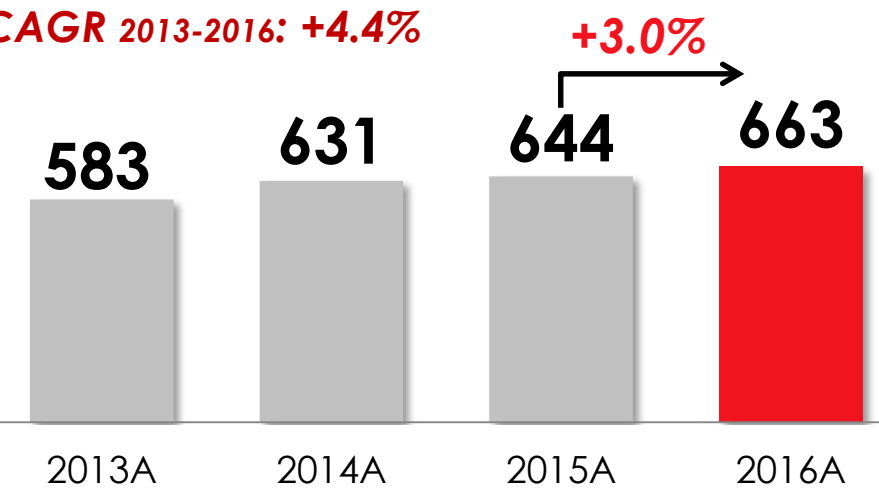


Loyal Customers, mln



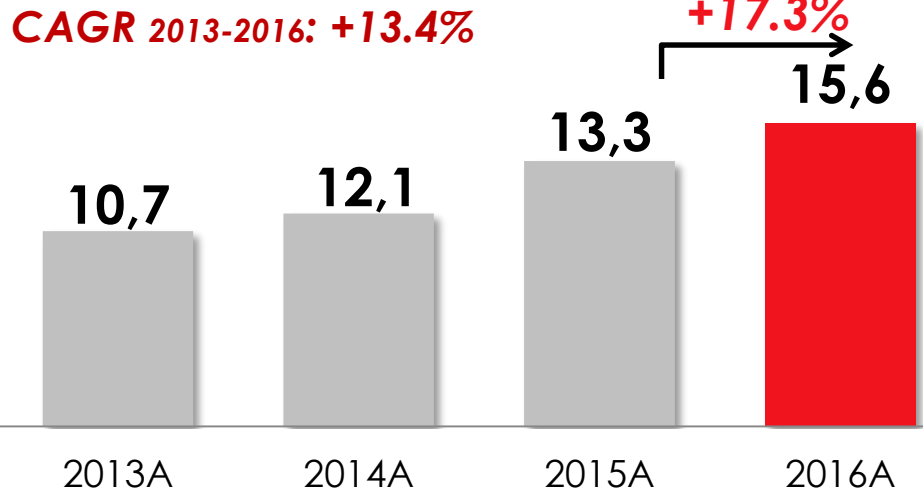
Selling Space, 000 sqm

CAGR 2013-2016: +4.4%



Sales (with VAT) per FTE, RUB mln

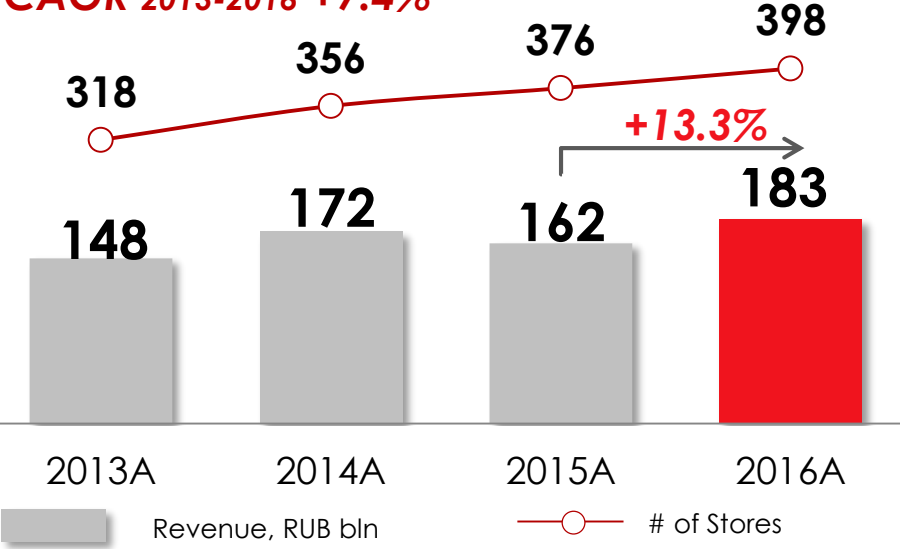
CAGR 2013-2016: +13.4%



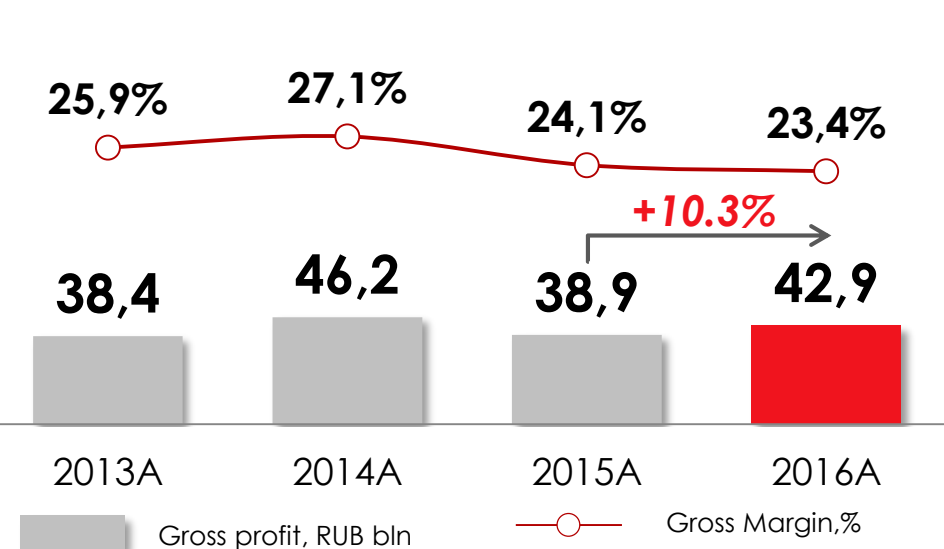
M.Video Sustainable Profitable Growth

Revenue (net of VAT), RUB bln

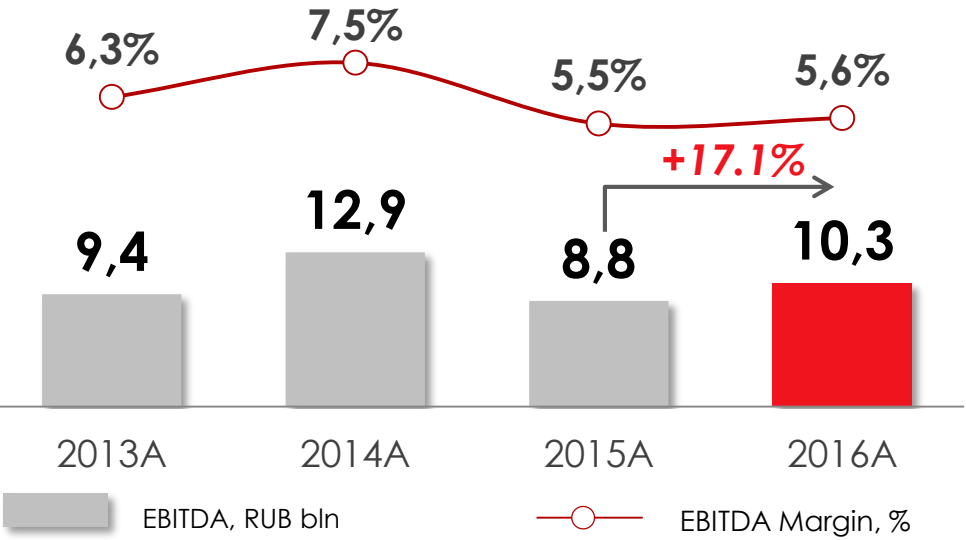
CAGR 2013-2016 +7.4%



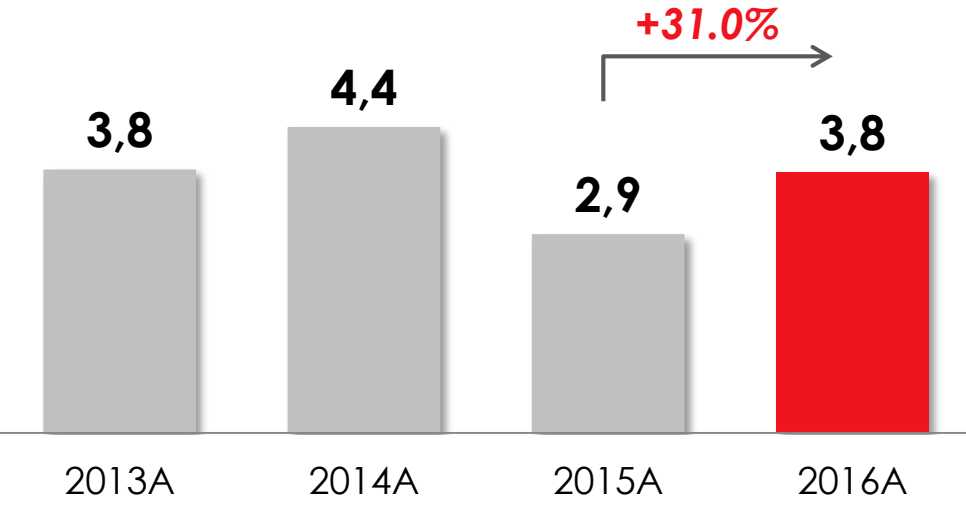
Gross Profit, RUB bln



EBITDA, RUB bln












CAPEX, RUB bln (net of VAT)



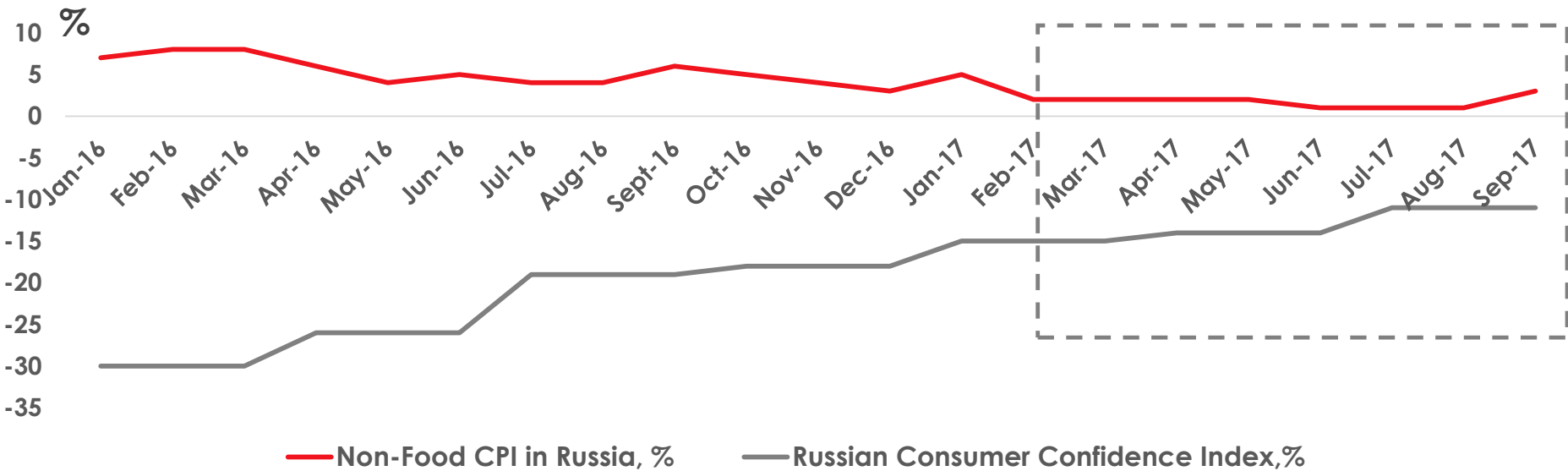
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Russian Macro Modest Improvement in 2017

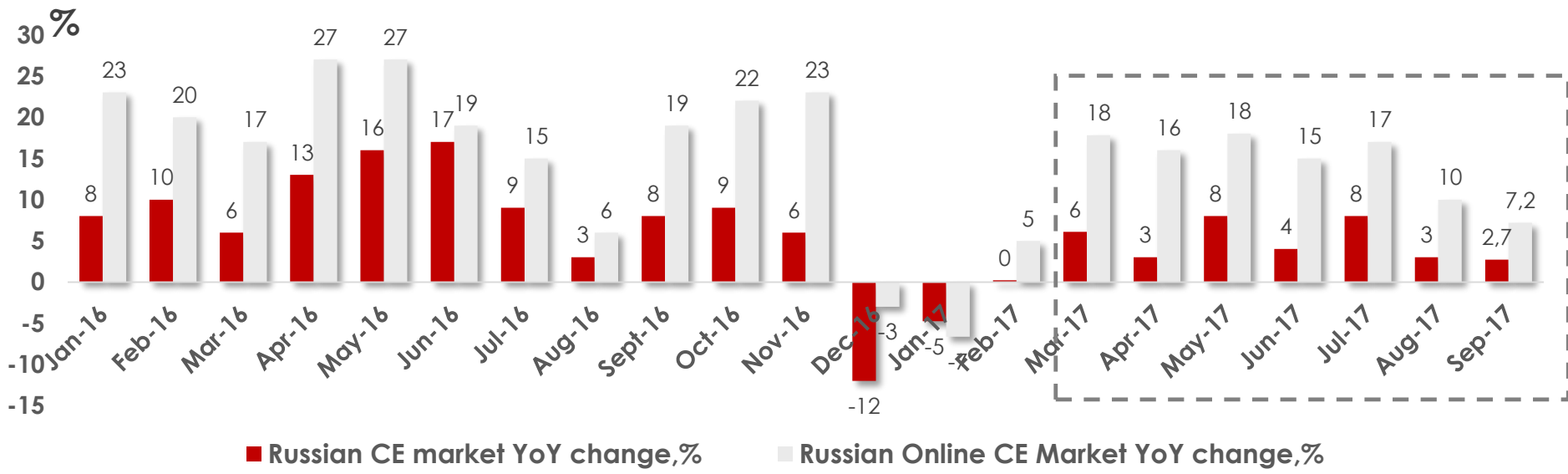
	2015	2016	9M 2017	
 GDP, %	-3.8%	-0.2%	1.8%	
 Inflation, %	12.9%	5.5%	1.7%	
 Real disposable income, %	-3.2%	-5.9%	-1.2%	
 Oil price, USD	53.4	46.1	52.4	
 RUB/USD Exchange rate	61.3	66.8	58.6	

Low CPI Helps to Revive Consumer Demand

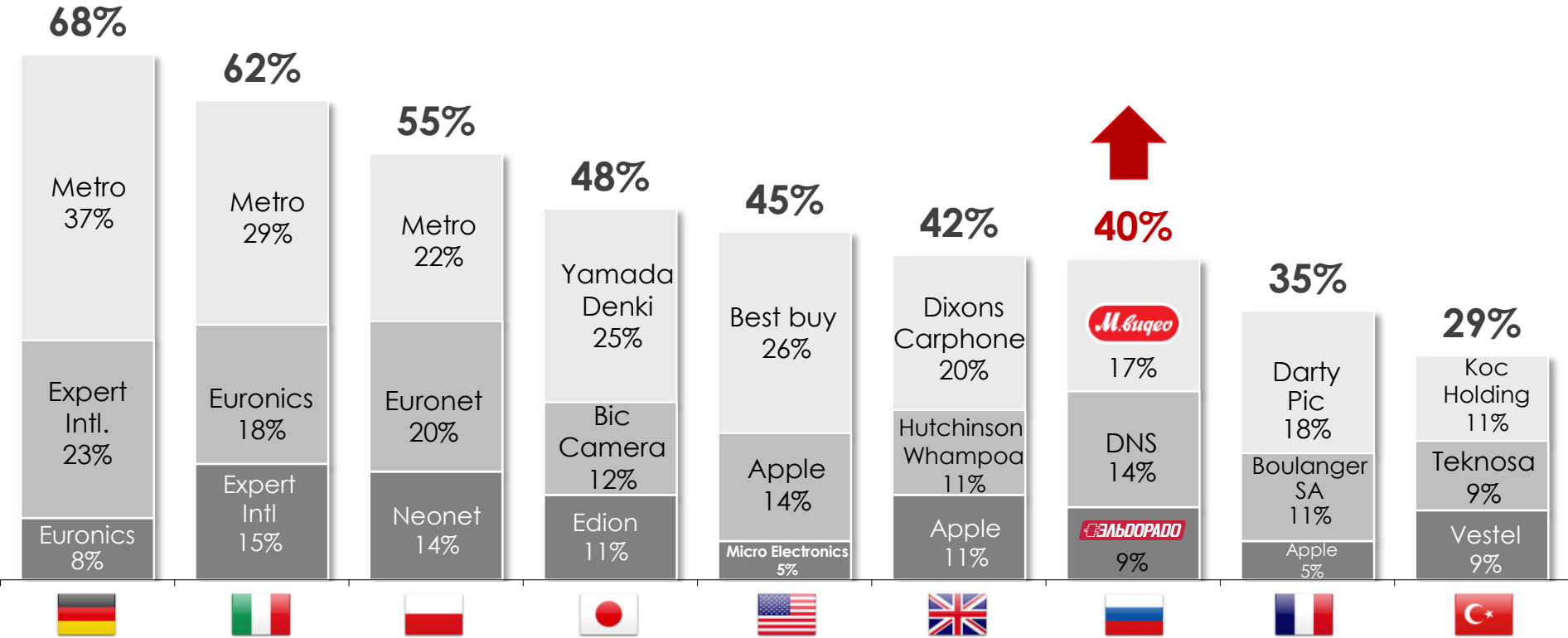
Consumer Confidence Restoring on Back of Sluggish CPI



Consumer Electronics Market Modest Rebound



TOP-3 Players Market Shares by Country, %



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- Sustainable market leadership with c.17% share of CE retail
- Record 12.9% market share in on-line CE in 9M 2017



- Gross margin up by 120 bp YoY to 25.1% in 1H 2017
- EBITDA margin up by 30 bp to 5.5% in 1H 2017
- Net income up by 19% to RUB2.5 bln in 1H 2017



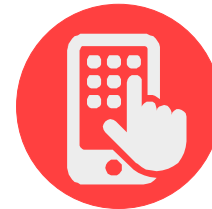
- Sales growth +9% YoY in 3Q
- LFL sales up 6% in 3Q due to successful promos



- Solid cash balance
- Debt-free balance sheet



- On-line sales grew +55% YoY in 3Q and +30% YoY in 9M 2017
- Share of OBS up to 16% in 3Q



- M.Mobile and M.Credit strategic projects rolled out in all stores
- Real Time Dealing in 50% stores



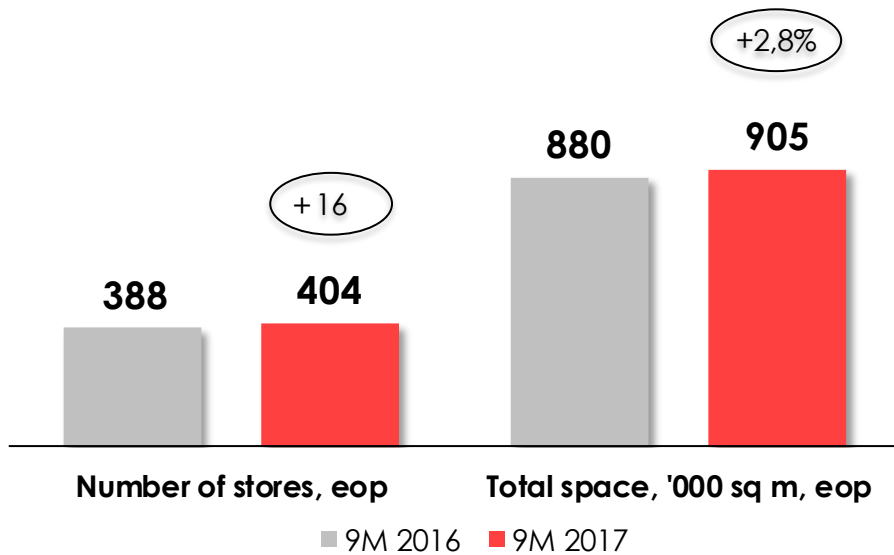
- High margin services and accessories growth by +25% and +19% in 3Q, due to strategic projects and eco-system



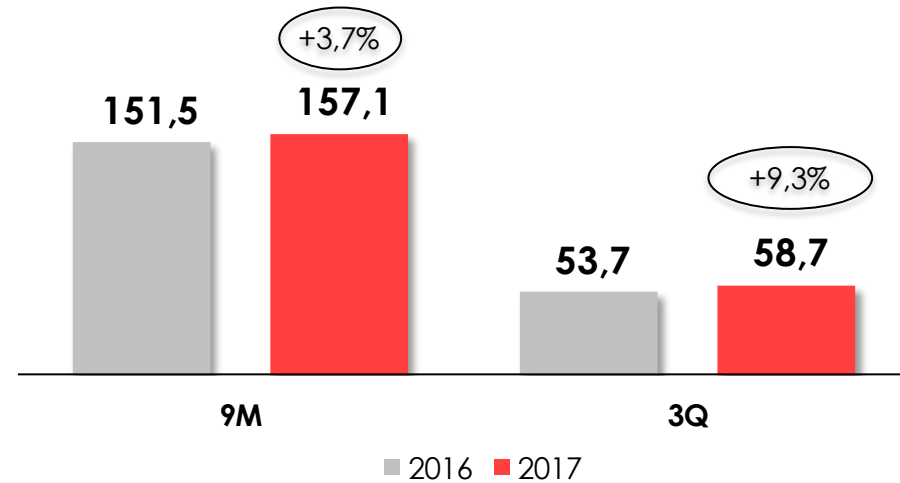
- 7 new stores opened in 9M 2017
- Total space added 10 ths sqm

M.Video 9M 2017 Sales and Expansion

9M 2017 Stores and Space Growth

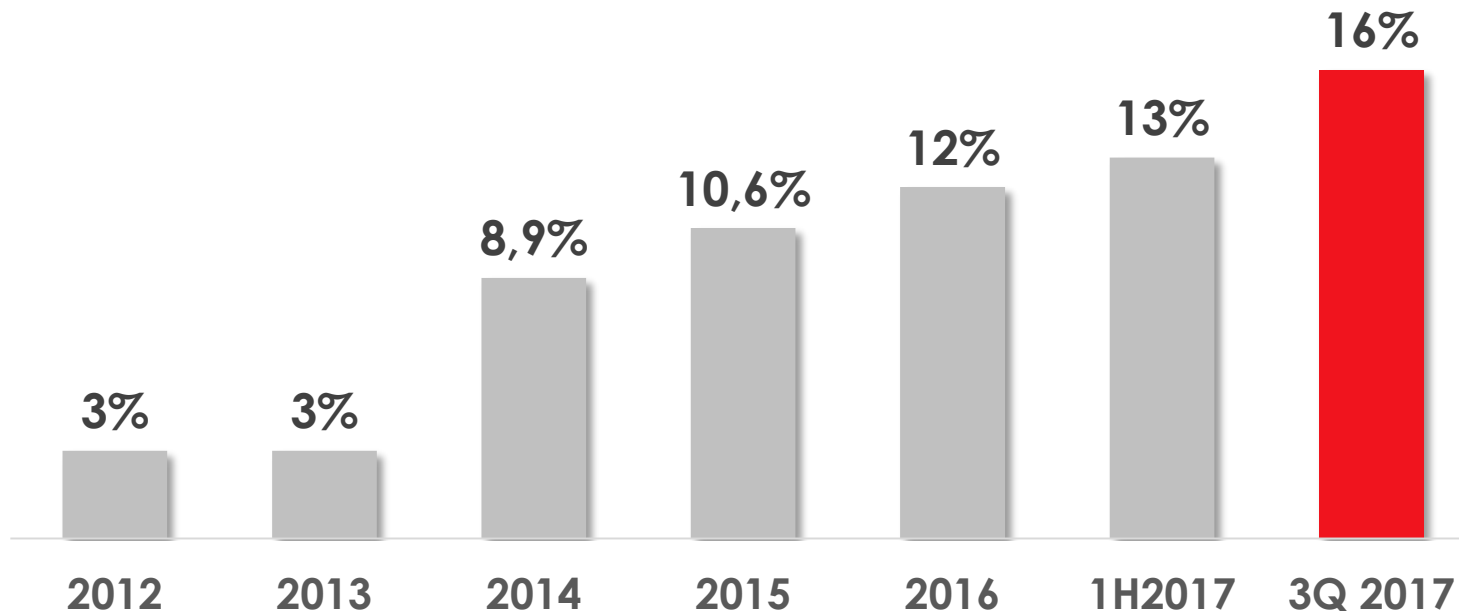


3Q & 9M 2017 Sales, RUB bln (with VAT)



- ▶ Sales grew +3.7% to RUB 157 bln in 9M 2017, and by +9% to RUB 59 bln in 3Q 2017
- ▶ 9M 2017 LFL sales grew +0.4%, while 3Q LFL sales increased +5.8%
- ▶ Online Based Sales grew by +30% to RUB 22.4 bln to 14% of total sales in 9M 2017
- ▶ 404 stores in 165 cities: 7 stores opened in 9M 2017 (+4 in 3Q), 1 store closed for relocation
- ▶ Total space added 2.8% YoY and reached 905,000 sqm as of 30 Sept 2017

OBS Share in M.Video Total Sales, %



- ▶ Online credit sales, web-site tuning up, and Internet promos speeded up online sales in 3Q
- ▶ Online based sales (OBS) grew by +55% in 3Q, driven by conversion rate growth and supported by strong pick-up rate
- ▶ Pick up in stores grew to 69% in 9M, and reached 73% in 3Q 2017
- ▶ The share of OBS grew to record 16% in 3Q 2017
- ▶ Online market share increased 170 pp YoY to 12.9% in 9M 2017



- ▶ Shop-in-shop area, enriched assortment and special service to implement eco- system approach in mobiles
- ▶ Rolled-out in all M.Video stores in 1H 2017
- ▶ Growth of high-margin digital accessories and telecomm services in total revenue
- ▶ Share of services in turnover grew by +22% YoY, and accessories' share by +6% YoY in 9M 2017



- ▶ Credit sales broker model implementation to increase credit approval rates and speed up customer service
- ▶ M_Credit rolled out for all the stores and on-line in 1H 2107
- ▶ 11 partner banks joined the project (5 bank for on-line purchases)
- ▶ Fast approval both in stores and on-line. Approval rate up to 86% in 9M 2017
- ▶ Credit sales share increased to 19.4% in 9M 2017 from 17.5% in 9M 2016
- ▶ Additional income from bank commissions earned

Successful Promo Campaigns Drive Traffic Growth

С 15 августа по 5 сентября

Уникальные помощники для учёбы и не только.

ЛЕГКО КРЕДИТ 0% | 0р. | 24мес.

SAMSUNG LED-телевизор UE49KS100BU

Full HD
DVB-T2/S2
USB

49" 124 см

39990
29990 Ваша скидка **10000**

ПРЕДЛОЖЕНИЕ ДЕЙСТВИТЕЛЬНО С 15.08 ПО 04.09

РАСПРОДАЖА!
ДА ДА ДА

ПОКУПАЙТЕ ТЕХНИКУ СО СКИДКОЙ!

M.Video

- ▶ “Back to school” marketing campaign drove digital categories (PCs&Mobiles) in 3Q:
 - Online “Easy credit” at 0% up to 24 months period via credit broker
 - Complimentary accessories with PCs and mobiles
- ▶ Cash back on bonus cards and M.Coupons discounts to support loyal customers
- ▶ Instore LFL number of checks grew by +9.8% supported by conversion rate growth by 230 bp YoY to 21.5% in 3Q

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- ▶ Further market share gains and supporting promos
- ▶ Omni Model further development and fine tuning
- ▶ GOODS.RU marketplace beta-testing and commercial launch
- ▶ Cost efficiency: personnel cost optimization, rents re-negotiations, potential savings on consultancy and services

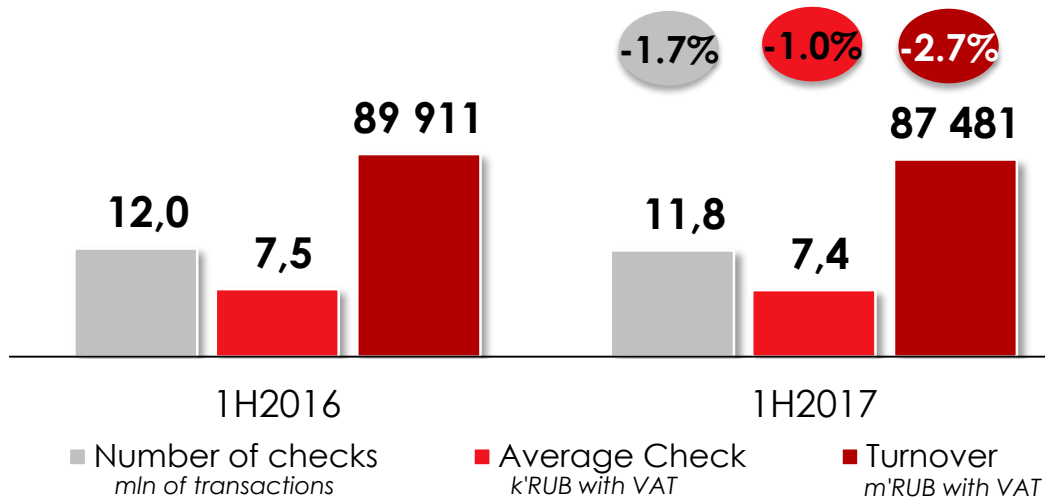


- ▶ 24 years in consumer electronics (CE) retail since 1993
- ▶ The biggest CE retailer in Russia and in Top-25 worldwide*
- ▶ Trustworthy long-term relationships with suppliers
- ▶ The first and only public non-food retailer in Russia, listed on MOEX since 2007
- ▶ Adherence to best corporate governance practices, and impressive dividend story
- ▶ 14,000 employees in 165 Russian cities. Among Top-25 best employers in Russia
- ▶ In Top-50 the most expensive Russian brands in 2016 by Brand Finance

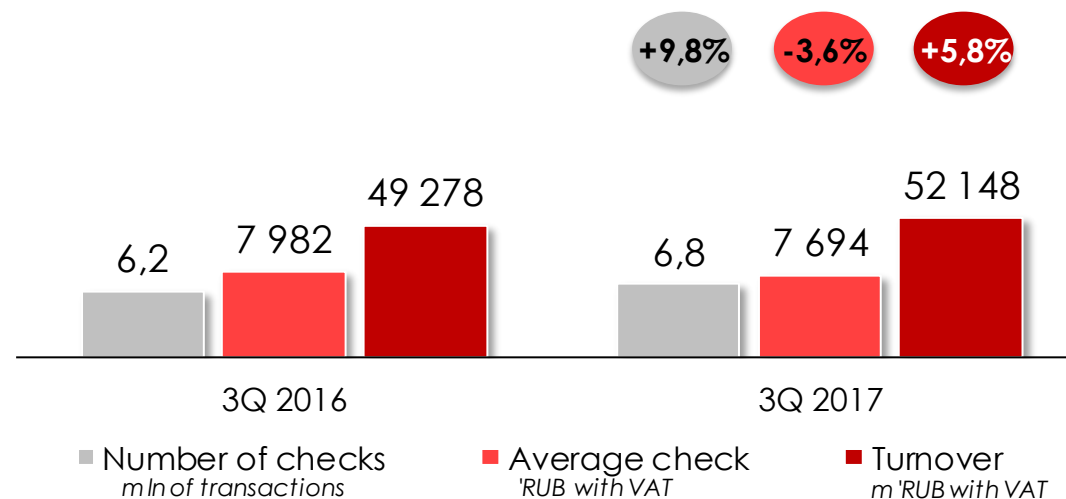
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APPENDIX I: 9M 2017 Like-for-Like Stores Performance

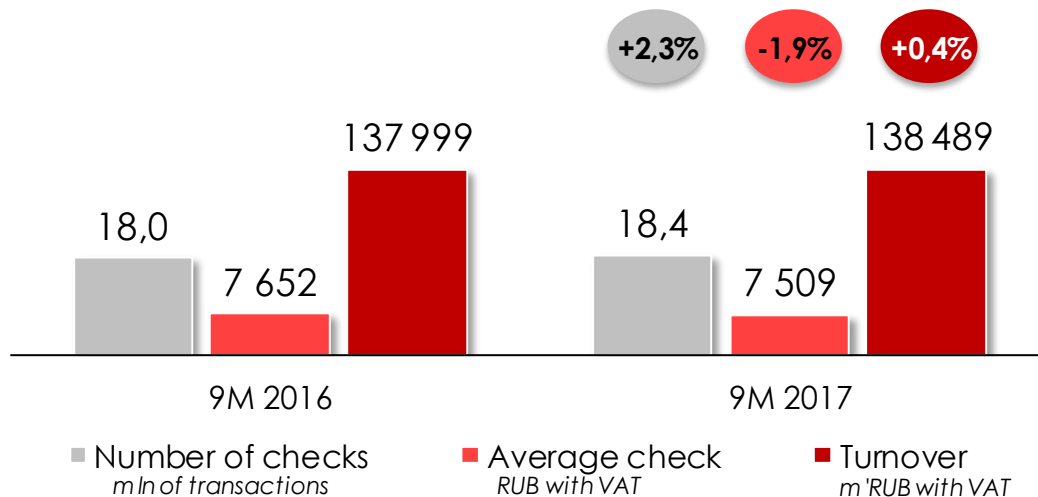
1H 2017 LfL stores performance indicators



3Q 2017 LfL stores performance indicators



9M 2017 LfL stores performance indicators

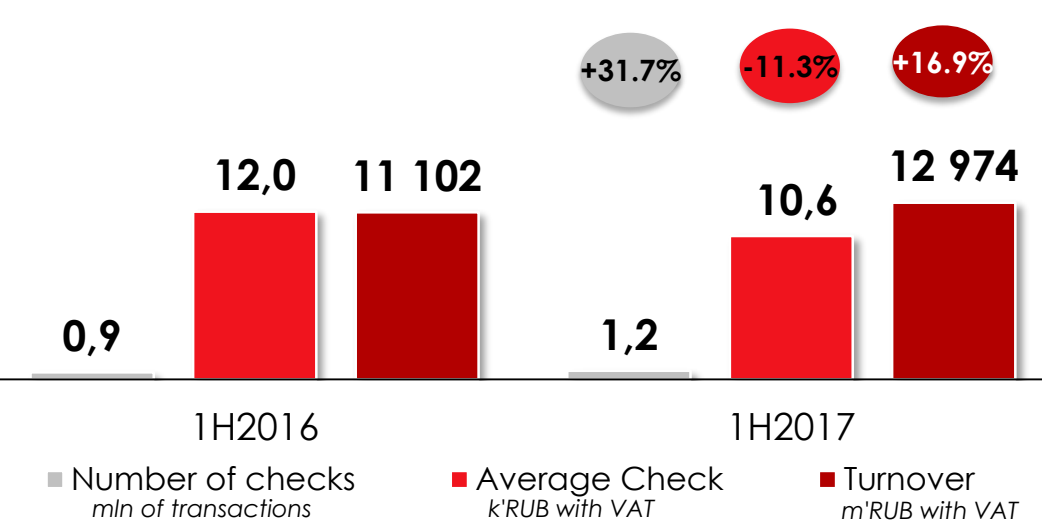


- ▶ 1H 2017 LfL Sales declined -2.7% due to both average basket and traffic drop down, as consumer demand was weak
- ▶ 3Q showed strong number of checks growth +9.8% driven by market recovery, and promos, resulting in positive LfL Sales +5.8%
- ▶ Average LfL basket declined YoY because of prices deflation and promos. However, number of units per check grew in 3Q and 9M 2017

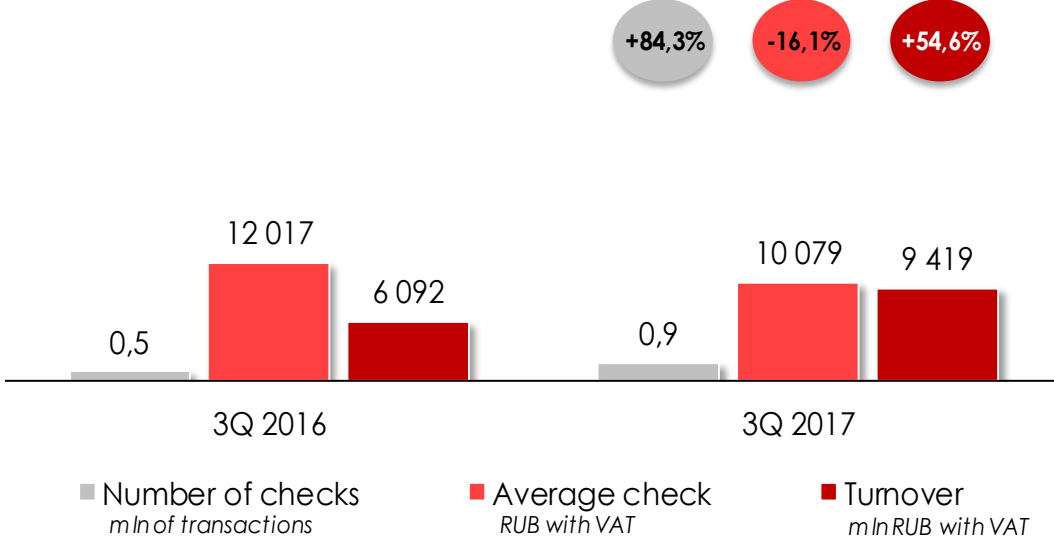
Note: LfL data is based on a comparison of stores operating as of January 1, 2016 and not closed for more than two weeks, and/or not expanded or downsized by >20% of their total space

APPENDIX I: 9M 2017 Online Based Sales Dynamics

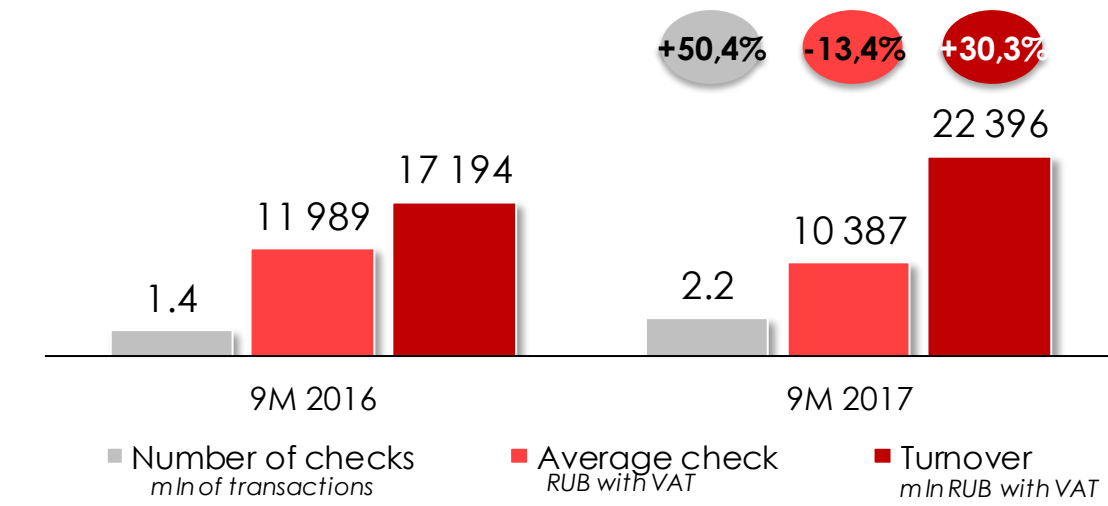
1H 2017 OBS key performance indicators



3Q 2017 OBS key performance indicators



9M 2017 OBS key performance indicators



- ▶ OBS accelerated in 3Q to 54.6% YoY from +16.9% in 1H 2017, and showed +30.3% in 9M 2107
- ▶ The growth was driven by higher conversion rate and supported by stronger in-store pick-up rate
- ▶ Average basket was down by -13.4% YoY in 9M 2017 due to prices deflation, promos, and mix

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APPENDIX II: 1H 2017 Profit & Loss Statement

	1H 2017		1H 2016		Change YoY	
	RUBm	% of Revenue	RUBm	% of Revenue	RUBm	%
Revenue	83 364		82 851		513	0,6%
Cost of Sales	62 479	74,9%	63 078	76,1%	(599)	-0,9%
Gross profit	20 885	25,1%	19 773	23,9%	1 112	5,6%
SG&A	18 720	22,5%	17 870	21,6%	850	4,8%
Other operating income, net of expenses	683	0,8%	501	0,6%	182	36,3%
Operating profit	2 848	3,4%	2 404	2,9%	444	18,5%
Finance income / (cost), net	384	0,5%	354	0,4%	30	8,5%
Profit before income tax	3 232	3,9%	2 758	3,3%	474	17,2%
Income Tax Expense	740	0,9%	667	0,8%	73	10,9%
Net Income	2 492	3,0%	2 091	2,5%	401	19,2%
EBITDA	4 558	5,5%	4 326	5,2%	232	5,4%

APPENDIX II: Selling, General & Administrative Expenses



	1H 2017	as % of revenue		1H 2016	as % of revenue
	RUBm	%		RUBm	%
Payroll and related taxes	5 937	7,1%	●	5 249	6,3%
Lease expenses	4 284	5,1%	●	4 465	5,4%
Advertising & promotional expenses	1 600	1,9%	●	1 510	1,8%
Utilities, maintenance & other property operating costs	1 443	1,7%	●	1 409	1,7%
Warehouse services	633	0,8%	●	634	0,8%
Bank charges	663	0,8%	●	607	0,7%
Repairs and servicing	496	0,6%	●	447	0,5%
Security	486	0,6%	●	471	0,6%
Other SG&A	1 468	1,8%	●	1 156	1,4%
Subtotal	17 010	20,4%	●	15 948	19,2%
D&A	1 710	2,1%	●	1 922	2,3%
Total	18 720	22,5%	●	17 870	21,6%

- ▶ **Personnel** was driven by store openings in the end of 2016, and a one-off compensation to the employees related to share-based LTIP vested due to Safmar deal
- ▶ **Lease expenses** were down due mainly to rent terms renegotiations, as well as IFRS straight-line adjustments positive impact in H1 2017
- ▶ **Advertising** and promotional expenses came up due to intensified marketing and promo-activities, especially on TV and in the Internet, to boost sales in the first half of the year
- ▶ **Bank charges** increased by 10 basis points due to growing internet sales and usage of debit/credit cards overall
- ▶ **Other SG&A** increased by 40 bp due mainly to M_Credit, and was offset fully by Other operating income growth of consumer credit commissions

APPENDIX II: 1H 2017 Statement of Financial Position



	30.06.2017	31.12.2016	Change	
	RUBm	RUBm	RUBm	%
Assets				
Non-current Assets	18 711	18 959	(248)	-1,3%
Fixed assets	7 885	8 127	(242)	-3,0%
Intangible assets	6 533	6 145	388	6,3%
Other non-current	4 293	4 687	(394)	-8,4%
Current assets	62 189	81 342	(19 153)	-23,5%
Inventory	39 562	45 170	(5 608)	-12,4%
Accounts receivable	12 608	13 162	(554)	-4,2%
Cash	6 714	18 763	(12 049)	-64,2%
Other	3 305	4 247	(942)	-22,2%
Total Assets	80 900	100 301	(19 401)	-19,3%
Liabilities and equity				
Stockholders' equity	18 443	15 951	2 492	15,6%
Equity attributable to owners of the Company	18 442	15 950	2 492	15,6%
Non-controlling interests	1	1	-	0,0%
Liabilities	62 457	84 350	(21 893)	-26,0%
Accounts payable to suppliers	48 084	66 285	(18 201)	-27,5%
Other current liabilities	14 369	17 990	(3 621)	-20,1%
Other non-current liabilities	4	75	(71)	-94,7%
Total Liabilities and Equity	80 900	100 301	(19 401)	-19,3%

APPENDIX II: 1H 2017 Statement of Cash Flows



	1H 2017	1H 2016	Change YoY	
	RUBm	RUBm	RUBm	%
Operating CF				
Operating cash flows before movements in WC	4 604	3 625	979	27,0%
Inventory change	5 471	3 819	1 652	43,3%
Trade payables	(18 201)	(16 127)	(2 074)	12,9%
Others	(1 116)	1 536	(2 652)	-172,7%
Income tax paid	(1 556)	(1 299)	(257)	19,8%
Net CF from operations	(10 798)	(8 446)	(2 352)	27,8%
Investing CF				
CAPEX - PPE	(686)	(399)	(287)	71,9%
CAPEX - IA	(984)	(742)	(242)	32,6%
Net inflow\ (outflow) from deposits	-	800	(800)	-100,0%
Investment in associates	(15)	-	(15)	-100,0%
Interest received	432	376	56	14,9%
Net CF from investing activities	(1 253)	35	(1 288)	n/a
Financing CF				
Net CF from financing activities	-	-	-	-
Net increase/(decrease) in cash and cash equivalents	(12 051)	(8 411)	(3 640)	43,3%
Net foreign exchange difference	2	(1)		
CASH AND CASH EQUIVALENTS, bop	18 763	11 779	6 984	59,3%
CASH AND CASH EQUIVALENTS, eop	6 714	3 367	3 347	99,4%

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