

## M.Video-Eldorado increases its sales by 26% year-on-year in 2Q 2023. EBITDA margin for six months exceeded 4%

August 25, 2023, Moscow, Russia

**PJSC M.video** (M.Video-Eldorado Group, the Company, or the Group; MOEX: MVID), Russia's leading e-commerce and consumer electronics retailer, announces its operating and condensed unaudited consolidated financial results under International Financial Reporting Standards (IFRS) for the six months ended June 30, 2023.

### 2Q and 1H 2023 M.VIDEO-ELDORADO GROUP HIGHLIGHTS<sup>1</sup>

- **The Group's gross merchandise value (GMV<sup>2</sup>)** rose by 26.4% year-on-year in 2Q 2023. 1H 2023 GMV amounted to RUB 219.0 billion (incl. VAT) and decreased by 16.5% year-on-year due to unprecedented level of sales in February-March 2022 which mostly formed high GMV base of 1H 2022.
- **Total online sales<sup>3</sup>** rose by 3.7% year-on-year in 1H 2023 up to 71% of GMV and reached RUB 155.4 billion (incl. VAT). Mobile solutions account for about 50% of the Group's GMV.
- **The Group's revenue** rose by 21.0% year-on-year in 2Q 2023 and decreased by 18.1% year-on-year to RUB 179.2 billion in 1H 2023.
- **Gross margin** increased by 1.3 pp up to 21.8% despite overall macroeconomic volatility. **Gross profit** amounted to RUB 39.1 billion (RUB 39.2 billion under IFRS 16).
- **Selling, general and administrative expenses (SG&A) excluding depreciation and amortization** amounted to RUB 31.9 billion (RUB 22.1 billion under IFRS 16), having decreased by 15.7% year-on-year on the back of the program to boost operational efficiency.
- **The Group's EBITDA margin** increased by 0.9 p.p. up to 4.1%. **The Group's EBITDA** increased by 5.8% year-on-year up to RUB 7.4 billion (RUB 17.2 billion under IFRS 16), EBITDA growth in 2Q 2023 was over 80%.
- **The Group's net debt** as of June 30, 2023 was 83.4 billion. The Group's net debt growth was caused by import share increase up to 30% and procurement growth on the background of upward trend in sales.
- As at the end of June 2023, the **M.Video and Eldorado store network** consisted of 1,203 stores of all formats. The Group opened 13 new compact M.Video stores.
- The clients handed **around 2 million batteries and 27 thousand devices for recycling**, which is almost 20% more year-on-year.

## **Sergey Li, CEO of M.Video-Eldorado Group:**

“M.Video-Eldorado reported a recovery in turnover in 2Q 2023 compared to previous periods as imports grew and the situation with the assortment, credit programs and customer service stabilized. As expected, the Group’s GMV for 6M 2023 decreased year-on-year, which is attributable to an abnormally high investment demand in February and March 2022.

The upward trend in 2Q 2023 reflects the potential and scope for the Group to further improve its performance and strengthen its market position amid the gradual normalization of customer behavior. The share of imported goods in GMV increased up to 30% in 1H 2023 from the zero base of the previous year. We are now selling a wide range of consumer electronics across all price segments. We have seen a demand for new brands, including that for exclusive products on offer at M.Video-Eldorado only, and we are currently inviting new partners to join the marketplace. In 2023, the Company resumed its store openings program by launching M.Video’s new format that offers almost the same wide range of electronics in a floor area that is half the size of our typical store. We have opened 17 stores in this format delivering GMV that is 15% higher than planned on average, which testifies to the resilience of this business model. The Company plans to open dozens of stores in this format by the end of the year.”

## **Anna Garmanova, CFO of M.Video-Eldorado Group:**

“The returning of the assortment back to normal, expansion of imports, introduction of new brands and a wider choice of products available in our 3P marketplace (a model that does not require financing for the working capital) were the key drivers behind the Group’s strong financial performance in 1H 2023. Gross margin increased to 21.8%. The Group continues to work consistently to improve its operational efficiency and cost management. Thanks to our rational approach to optimizing the marketing budget, operating M.Video-Eldorado Group’s store network, improving the warehouse logistics and last-mile processes, and using financial instruments, we were able to cut costs by RUB 6 billion vs 1H 2022. EBITDA margin reached 4.1%, which is comparable to the results of global listed e-commerce and consumer electronics retailers. That said, the Group sees scope for further progress in terms of process optimization and returning to an EBITDA margin range of 4–5% in the foreseeable future.”

## **KEY OPERATIONAL DRIVERS IN 2Q AND 1H 2023:**

- The Group’s 1H 2023 GMV returned to normal seasonal distribution and reached RUB 219 billion. The Group’s 2Q 2023 GMV increased by 26.4% year-on-year. The 1H 2023 GMV decrease by 16.5% is attributable to an abnormally high investment demand in February and March 2022.
- The Group’s turnover was supported by the following drivers:
  - stronger sales of brands from China, Turkey, Belarus, Uzbekistan and Russia;
  - import procurement and logistics processes development, attracting new partners for the direct purchases of electronics and for the marketplace format to ensure the availability of wide variety of goods both in stores and online;
  - share of brands exclusively represented in M.Video-Eldorado Group, including private-label goods, achieved 8% of GMV. The unique assortment becomes a growth point and differentiation in the market;
  - 1H 2023 credit sales growth by 1.5 times due to the launch of renewed credit products and programs, including up to 30 months terms increase and range of assortment expansion, available for purchase under installment programs;
  - turnover of own marketplace increased by 3.5 times in 1H 2023 due to 2.5 times number of sellers growth and assortment expansion up to 140,000 SKUs.

- The Group's customers continued to make active use of mobile tools for purchases. Sales via the mobile platform, which includes customer and consultant apps, increased by 4 p.p. and reached 50% of GMV, among other things due to the shift of users from the website to mobile products. M.Video and Eldorado customer mobile app downloads increased by 56% year-on-year, having reached 62 million with monthly active users (MAU<sup>4</sup>) going up by 2.9%. This allows the Company to communicate with customers more and more directly and use promo and advertising mechanics more effectively
- In the first half of 2023, the Group launched new compact store format for M.Video, which is more flexible in terms of retail network development and cost-effective, with a sales area of 500-600 sq. meters and vertical storage system for goods. The new concept includes an assortment comparable to standard stores, while requiring lower investments and achieving profitability targets within the first year of operation. As of the end of the half-year, 13 compact format stores were opened, including in cities where the Group's stores had not previously been represented.

## M.VIDEO-ELDORADO GROUP'S KEY CONSOLIDATED FINANCIAL HIGHLIGHTS FOR 1H 2023

RUB million (excl. VAT)	IAS 17		Change y-o-y	IFRS 16		Change y-o-y
	1H 2023	1H 2022		1H 2023	1H 2022	
<b>Revenue</b>	<b>179,204</b>	<b>218,815</b>	-18.1%	<b>179,204</b>	<b>218,815</b>	-18.1%
<b>Gross profit</b>	<b>39,136</b>	<b>44,973</b>	-13.0%	<b>39,163</b>	<b>45,006</b>	-13.0%
<i>Gross margin, %</i>	21.8%	20.6%	+1.3 p.p.	21.9%	20.6%	+1.3 p.p.
<b>EBITDA</b>	<b>7,406</b>	<b>7,002</b>	+5.8%	<b>17,189</b>	<b>17,270</b>	-0.5%
<i>EBITDA margin, %</i>	4.1%	3.2%	+0.9 p.p.	9.6%	7.9%	+1.7 p.p.
<b>Net loss</b>	<b>-4,644</b>	<b>-3,747</b>	23.9%	<b>-6,136</b>	<b>-4,606</b>	33.2%

### REVENUE

In 1H 2023, the Group's revenue decreased by 18.1% year-on-year to RUB 179.2 billion. The key revenue drivers are described above in the *Key operational drivers in 2Q and 1H 2023* section.

### GROSS PROFIT

Gross margin increased by 1.3 p.p. to 21.8% despite the overall macroeconomic volatility on the back of growth in the share of high-margin services in total sales, development of partnerships with suppliers, optimization of warehouse logistics and last-mile processes.

### SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (SG&A)

In the first half of 2023, the Group continued to implement a cost reduction program by improving operational excellence. As a result, savings of SG&A expenses excl. D&A in 1H 2023 amounted to ~ RUB 6 billion or 15.7% despite a significant share of fixed costs. The key drivers behind changes in OPEX were a decrease in banking expenses due to an increase in the share of payments through the Faster Payments System (SBP) and with the MIR card, a decrease in the share of expenses on warehouse logistics as a result of optimization of processing and storage, and a decrease in advertising and marketing costs. Depreciation and amortization expenses went up to RUB 6.1 billion in the reporting period as compared to RUB 5.4 billion.

### EBITDA

The Group's EBITDA amounted to RUB 7.4 billion in 1H 2023 vs. RUB 7.0 billion in 1H 2022. EBITDA margin climbed 0.9 p.p. year-on-year, totaling 4.1% in 1H 2023 due to gross margin growth.

## NET PROFIT/LOSS

The Group's net loss in 1H 2023 amounted to RUB 4.6 billion vs RUB 3.7 billion in 1H 2022 due to growth of financial expenses and depreciation and amortization expenses. The high level of depreciation costs is due to significant investments in infrastructure and IT in previous periods. In 2022-2023, the amount of investments was normalized, which will deliver a reduction in D&A charges in the medium term.

## LEVERAGE

As of June 30, 2023, the Group's total debt increased by RUB 21.8 billion to RUB 92.6 billion, while cash and cash equivalents as at the end of the reporting period increased by RUB 6.3 billion to RUB 9.2 billion.

The Group's net debt for the reporting period went up by RUB 15.5 billion year-on-year to RUB 83.4 billion. The main reasons for the net debt growth are the launch of import operations and the necessity to advance payments for import supplies under conditions of low penetration of financial instruments as a result of unstable geopolitics. All of the Group's debt is denominated in rubles. Net debt / EBITDA as of 30 June 2023 stood at 5.3x.

## BUSINESS OVERVIEW AND KEY EVENTS AFTER THE REPORTING DATE

- On August 22, Moscow Exchange's Derivatives Market started trading deliverable futures contracts for the shares of PJSC M.video. The contract consists of 10 ordinary shares, the step of price is 1 Russian ruble, the short code is MV (underlying asset code is MVID). The decision of the Moscow Exchange to start trading M.Video derivatives is a response to the high interest of investors in the securities of the Group and confirms the high liquidity of the Company's stocks.
- Amid the fluctuations in the exchange rates, the Group froze prices from the middle of August at the minimum level of July in 30 product groups of socially important appliances including devices necessary for study.
- The Company within the development of fintech based on its own consumer credit platform «Direct Credit» launched the industry's first pilot project for lending to non-residents of the Russian Federation in stores. All foreign citizens aged 20-70 regardless of country of origin were given the opportunity to make a purchase of necessary appliances and electronics on credit.
- The Group earned the highest ratings for the digitalization of customer experience according to two influential ratings at once - Naumen and the Skolkovo Foundation. According to research, the retailer has been able to create the best seamless experience in retail across both brands' mobile apps, websites and stores, as well as provide quality customer service both in the contact center and digital channels using its own chatbot.
- The Group has become the largest electronic waste operator in Russia and a key partner of the first complex of electronics recycling plants in Russia - Ecopolis Corporation. M.Video and Eldorado provide about 15% of the total volume of devices delivered to the waste disposal plants.
- The company with the help of gamified 3D simulation created and introduced to the market its own digital influencer named Em.Vi. A virtual "employee" communicates with customers on the retailer's social networks, blogs on media platforms and participates in advertising campaigns.

The condensed unaudited consolidated financial results under International Financial Reporting Standards (IFRS) for the six months ended June 30, 2023 and the presentation on operational and financial results for 2Q and 1H are posted on the Group's corporate website at:

<https://www.mvideoeldorado.ru/ru/shareholders-and-investors/results-and-reports/results-center>

**M.Video-Eldorado Group (PJSC M.video)** is a leading Russian e-commerce and consumer electronics retailer that unites the M.Video and Eldorado brands. The Group includes the IT company "M.Tech", focused on the development of retail and e-commerce solutions, and the largest fintech platform in Russia in terms of loans issued "Direct Credit".

M.Video-Eldorado develops both an online platform and a network of stores under both brands, the total traffic of the company is about 1.2 billion visits per year. "M.Video" and "Eldorado" are the leaders in terms of the general spontaneous mention of the brand in the category of stores selling consumer electronics<sup>5</sup>.

M.Video-Eldorado Group operates a network of more than 1,200 stores in Russian cities from the Kaliningrad Region to Kamchatka and develops its own marketplace of consumer electronics, which provides a wide assortment and quick availability of goods throughout the country.

M.Video-Eldorado Group is the only Russian company in the retail electronics with shares traded on the stock market. Currently, the Company's shares are traded on the largest Russian stock exchange – the Moscow Stock Exchange (ticker: MVID).

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<sup>1</sup> Unless otherwise specified, all financial results of M.Video-Eldorado Group are provided in line with IAS 17.

<sup>2</sup> GMV (gross merchandise value) includes in-store purchases (including those from pickup points), paid and delivered online orders, and paid orders shipped from warehouses to corporate customers. Offline and online purchases can be made by both individuals and legal entities. GMV includes the Company's own and agency sales of goods and services. GMV includes VAT and is net of discounts granted to customers and returns made during the reporting period. GMV does not constitute the Company's revenue.

<sup>3</sup> Total online sales of M.Video-Eldorado Group include sales made on the web-platform (on the web-site and contact center) and on the mobile platform (via Customer app and Consultant app).

<sup>4</sup> MAU – monthly active users, or the average monthly number of active users of mobile apps.

<sup>5</sup> According to the quantitative marketing tracking research conducted by Millward Brown ARMI-Marketing LLC since 07/04/2022 till 12/25/2022 among 3825 respondents living in 348 cities of Russia.