M.Video Increases Net Profit by 25% to 7 Billion RUB in FY2017

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M.Video’s net revenue increased by 8.2% year-on-year to 198 billion Russian rubles (RUB) in 2017. The increase in sales was driven by higher like-for-like stores sales, as well as rapid growth in online purchases, which accounted for 15.7% of total sales (compared to 12.0% in 2016).

M.Video maintained its leadership position on the Russian consumer electronics market, reaching a market share of 17.1%. During the reporting period the company was able to increase its market share on the online sales market to a record 14.1% (up from 11.3% in 2016).

M.Video’s gross profit amounted to 46.5 billion RUB in 2017, an increase of 8.4% year-on-year. At the same time, gross profit margin grew by 0.1 p.p to 23.5%.

The Company’s EBITDA grew considerably, increasing by 14.0% year-on-year to 11.8 billion RUB.

M.Video’s EBITDA margin reached 6.0%, a record high for the last three years.

Net profit grew by 25.4% in 2017 to 7 billion RUB, while net profit margin amounted to 3.5% in 2017 compared to 3.0% the previous year.

M.Video President Alexander Tynkovan commented:

"Despite a challenging start to the year amid a decline in consumer activity in the first quarter of 2017, M.Video was able not only to increase sales for the full year, but also to show considerable improvement across all financial performance metrics, which speaks to the strength of our balanced effective business model and high level of corporate governance. M.Video has successfully managed to implement OMNI-channel retail, offered customers a seamless online and offline experience, and this is reflected in the Company's results for the period, namely a stronger overall market position, increased like-for-like sales and rapid growth in the online segment. By enhancing its IT-systems and introducing innovations in all areas, from procurement to HR, M.Video is undergoing a transformation into a digital business, which, even on a saturated market, allows the company to better anticipate customer expectations and deliver growth of equity investments".

M.Video Chief Executive Officer Enrique Fernandez added:

“M.Video’s market share in the Russian online consumer electronics segment has nearly caught up with our overall market share position, reaching 16.6% in the fourth quarter of 2017. We are successfully competing with internet players using our retail network as a competitive advantage. In the online segment, M.Video has managed to outpace the market in all categories thanks to our efficient OMNI-channel strategy.

“Our technical solutions and the new ecosystem approach to sales that we have implemented over the past two years has enabled M.Video to actively build out its presence in the digital appliances segment, attracting a new and younger clientele, while at the same time preserving M’Video’s profitability. The M.Credit consumer lending program and Real Time Dealing project for stores we launched only a year ago are already having a positive effect on our revenue, and I am confident that they will become one of the key competitive advantages in the fight for new customers”.

M.Video’s Key consolidated financial results for 2017:

Millions of RUB	2017		2
Net revenue	198,197		1
Gross profit	46,527		
Gross profit margin, %	23.5		
Sales, general and administrative expenses	(40,754)		(3
Other operating income, net of other operating expenses	2,407		
Operating profit	8,180		
Net profit	6,954		
Net profit margin, %	3.5		
EBITDA	11,794		
EBITDA margin, %	6.0		

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M.Video is the largest Russian consumer electronics and appliances retail chain by revenue. The Company started its operations in 1993. In November 2007, M.Video became the first publicly traded company in the domestic consumer electronics retail sector. The Company’s shares presently trade on Moscow Exchange, Russia’s largest exchange platform (ticker: MVID).

As of 31 December 2017, M.Video operates 424 brand name stores in 169 Russian cities. The selling space of M.Video stores is 693,000 sq. m, and the total space was 937,000 sq. m. Last year the 26 new stores were opened.