

М.видео ^{первые*}
25 лет

PJSC M.Video Investor Day

March 22, 2018

MOEX, Moscow, Russia



М.видео ^{первые*}
25 лет



САФМАР

ПРОМЫШЛЕННО-ФИНАНСОВАЯ
ГРУППА

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**M.Video FY 2017 audited
IFRS results**

Russian CE Market Update

M.Video 4Q & FY 2017 Operational Highlights

M.Video FY 2017 Key Financial Highlights

**Eldorado acquisition
by M.Video**

Transaction Summary

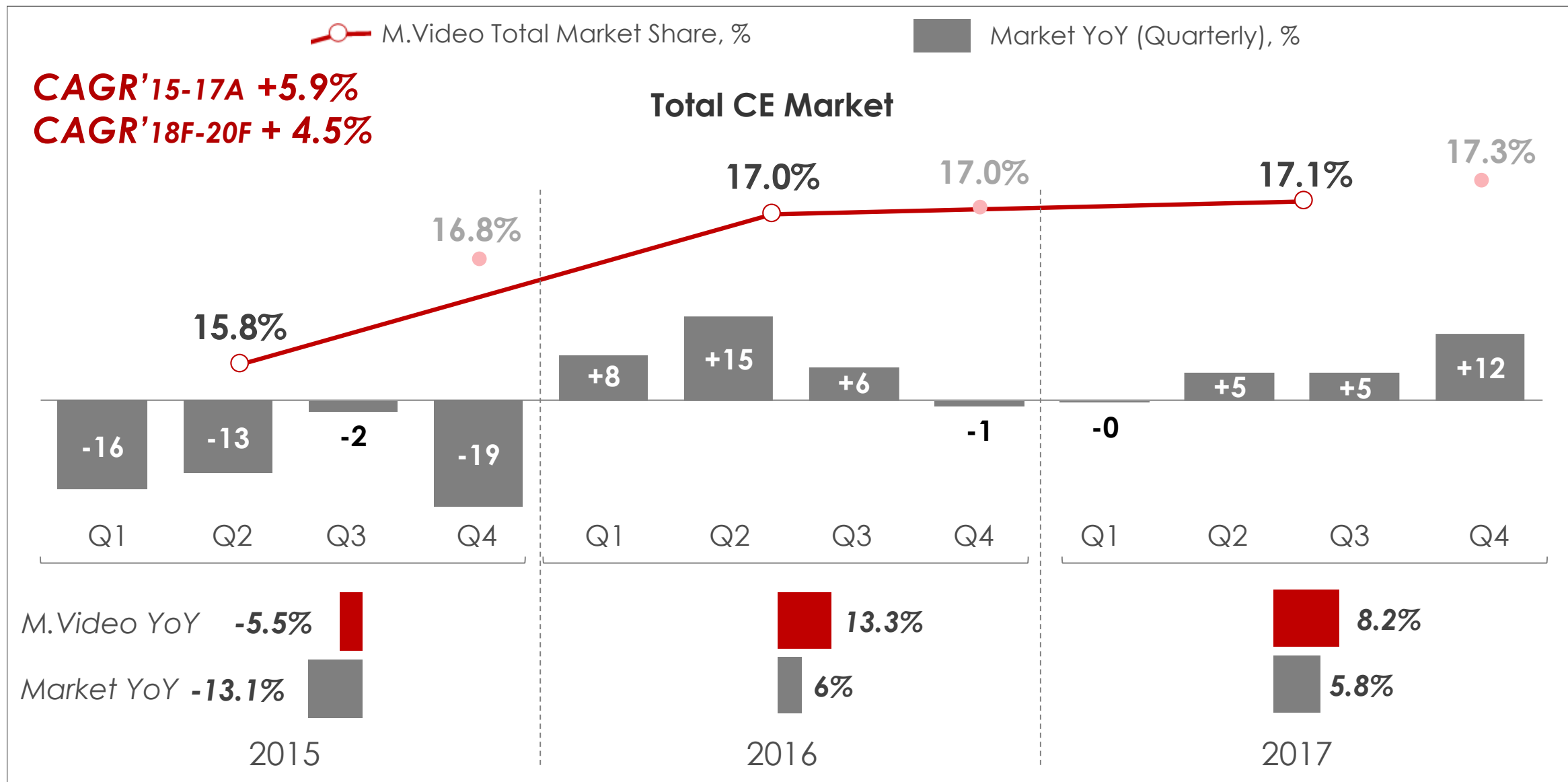
Strategic Rationale

Financial Rationale

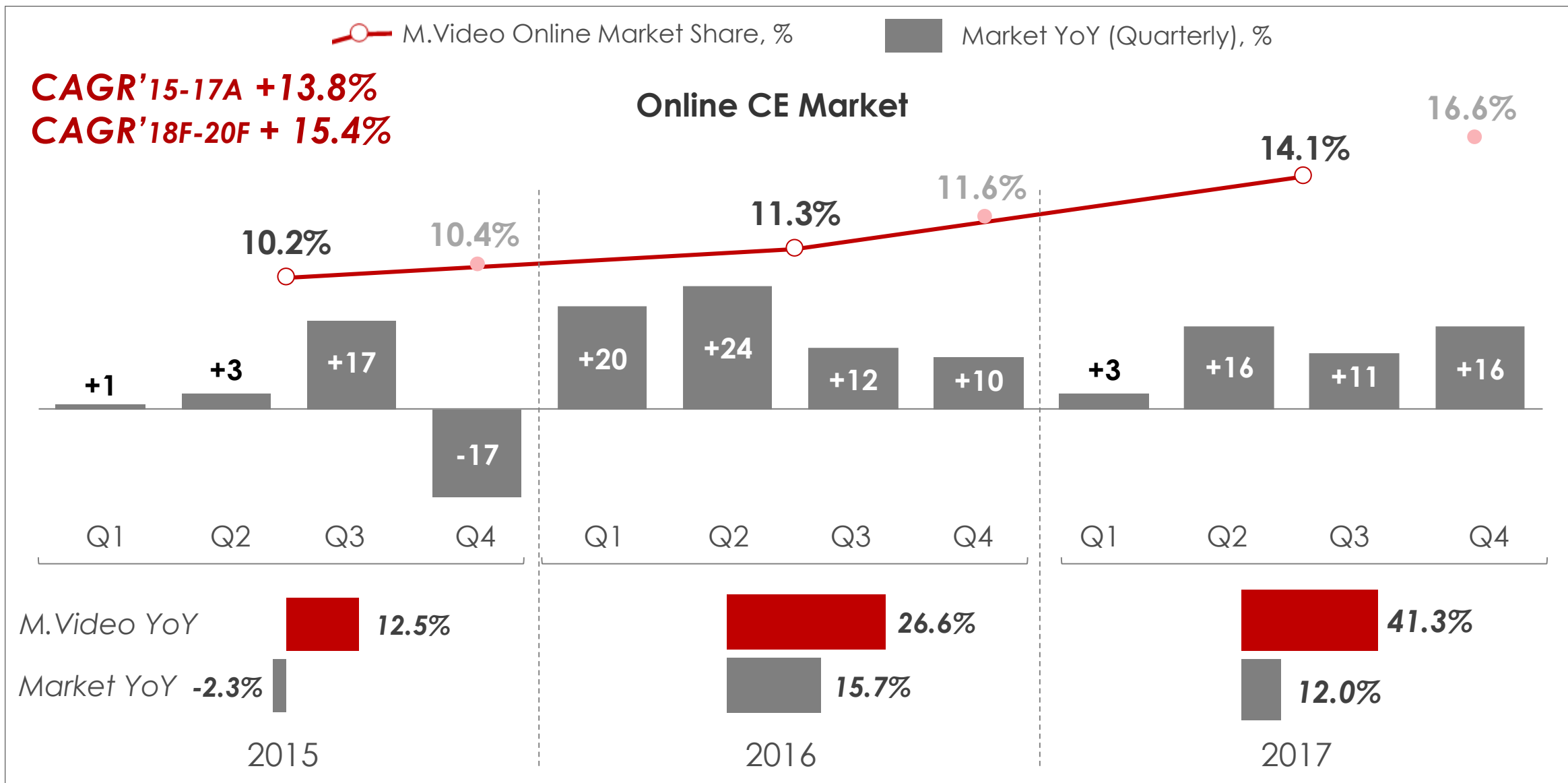
Combined Business Strategy

Q&A session

The market has stabilized, M.Video share was flat YoY



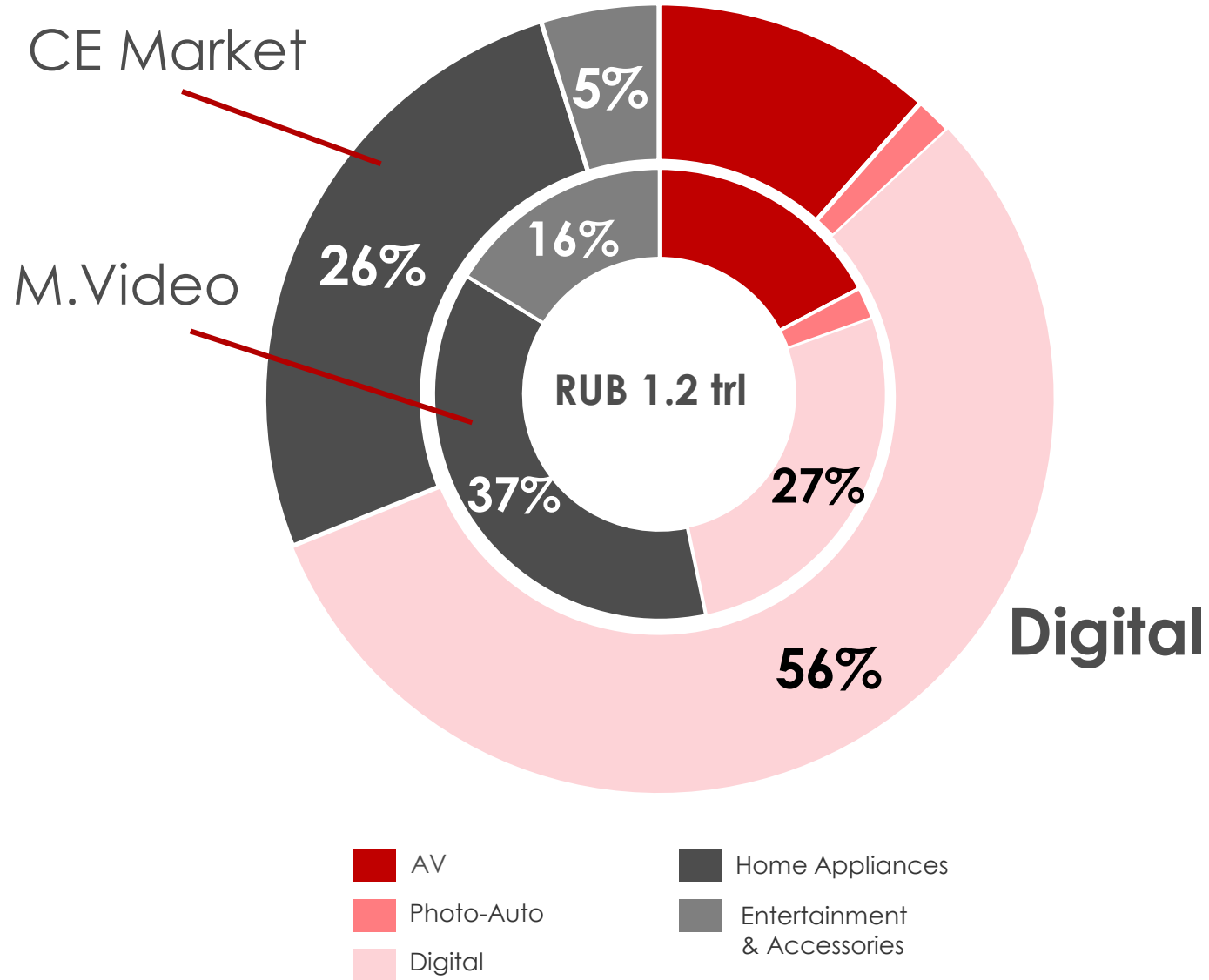
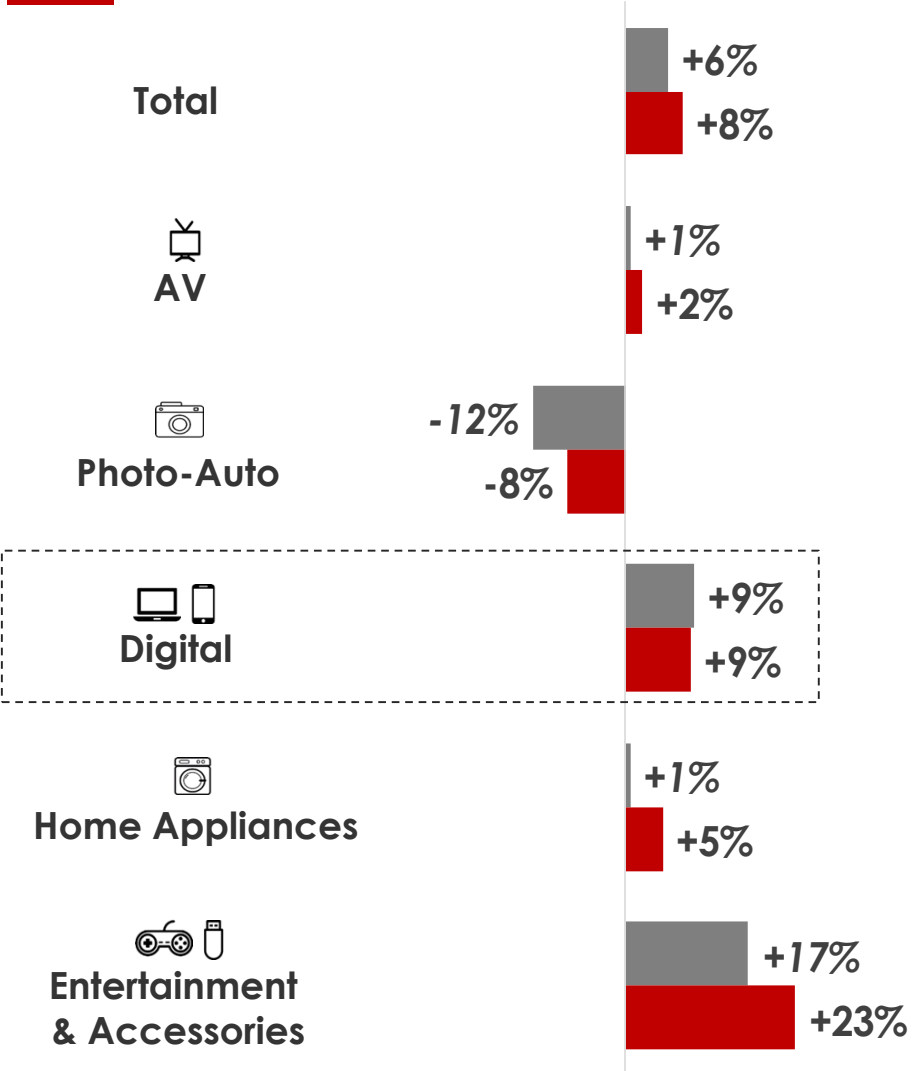
M.Video considerably gained share in growing online market reaching record-high 14%



M.Video grew in Digital with the market, but the category still underpenetrated and attractive

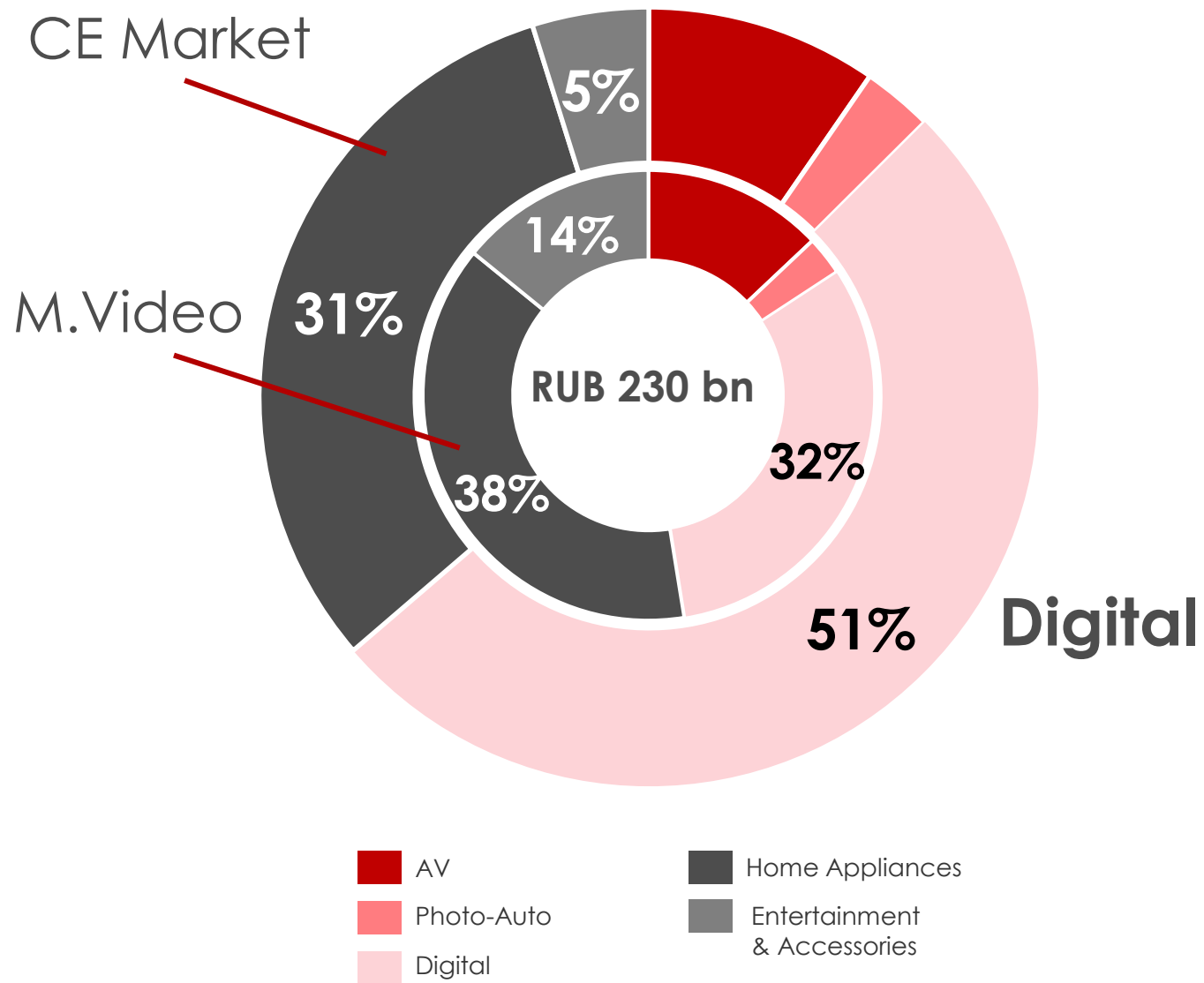
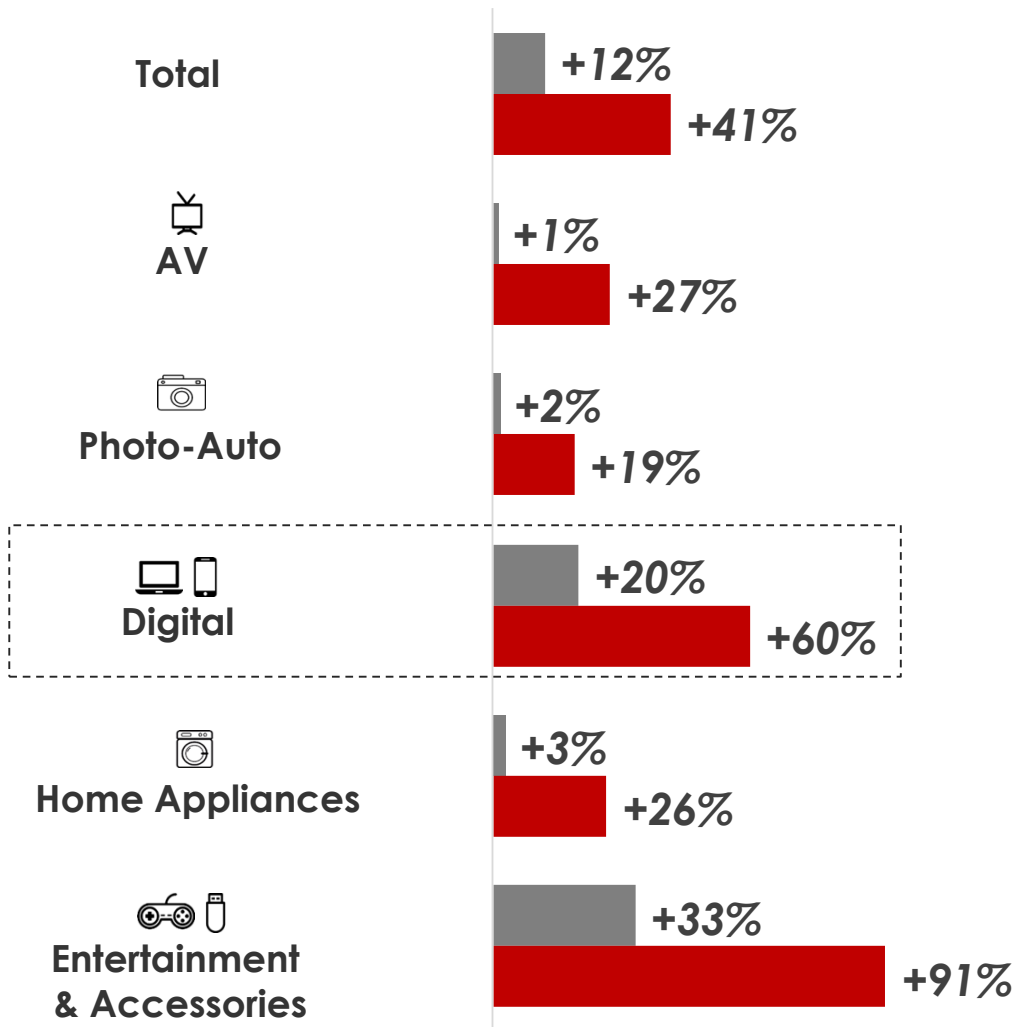
CE Market
M.Video Sales

YoY, %



In online M.Video greatly outperformed the market in all categories thanks to effective OMNI-strategy

Online CE Market
 M.Video Online Sales
 YoY, %



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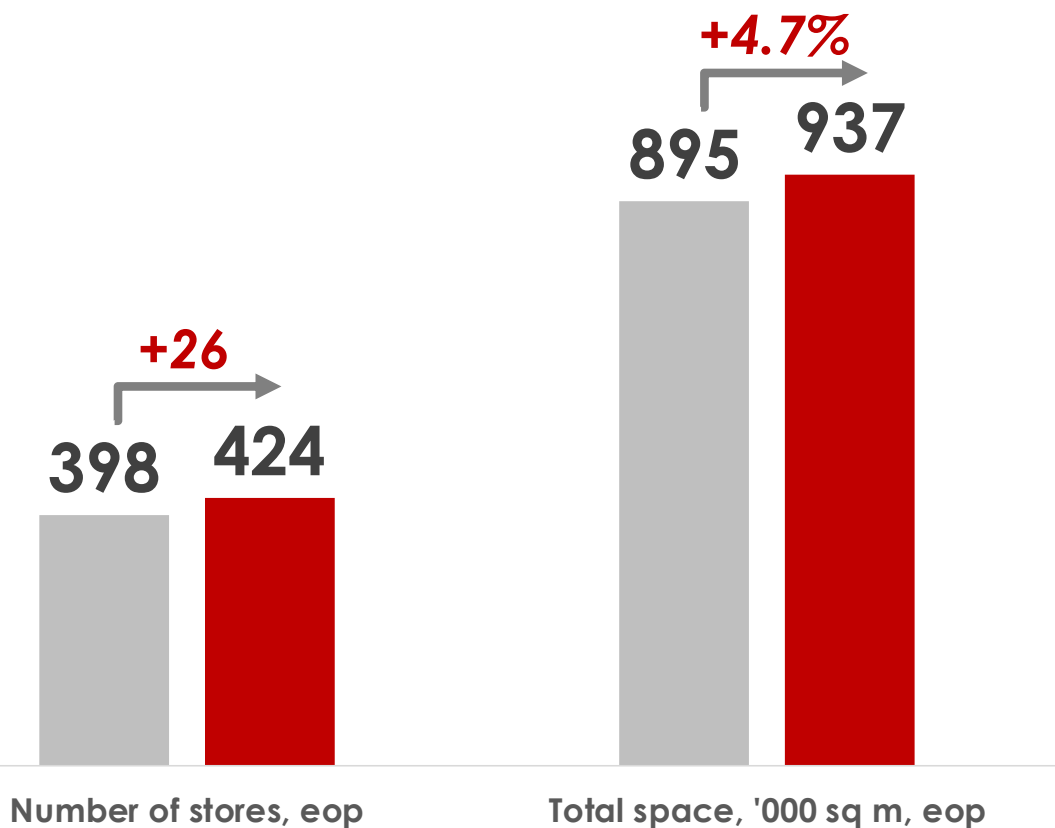
Financial Rationale

Combined Business Strategy

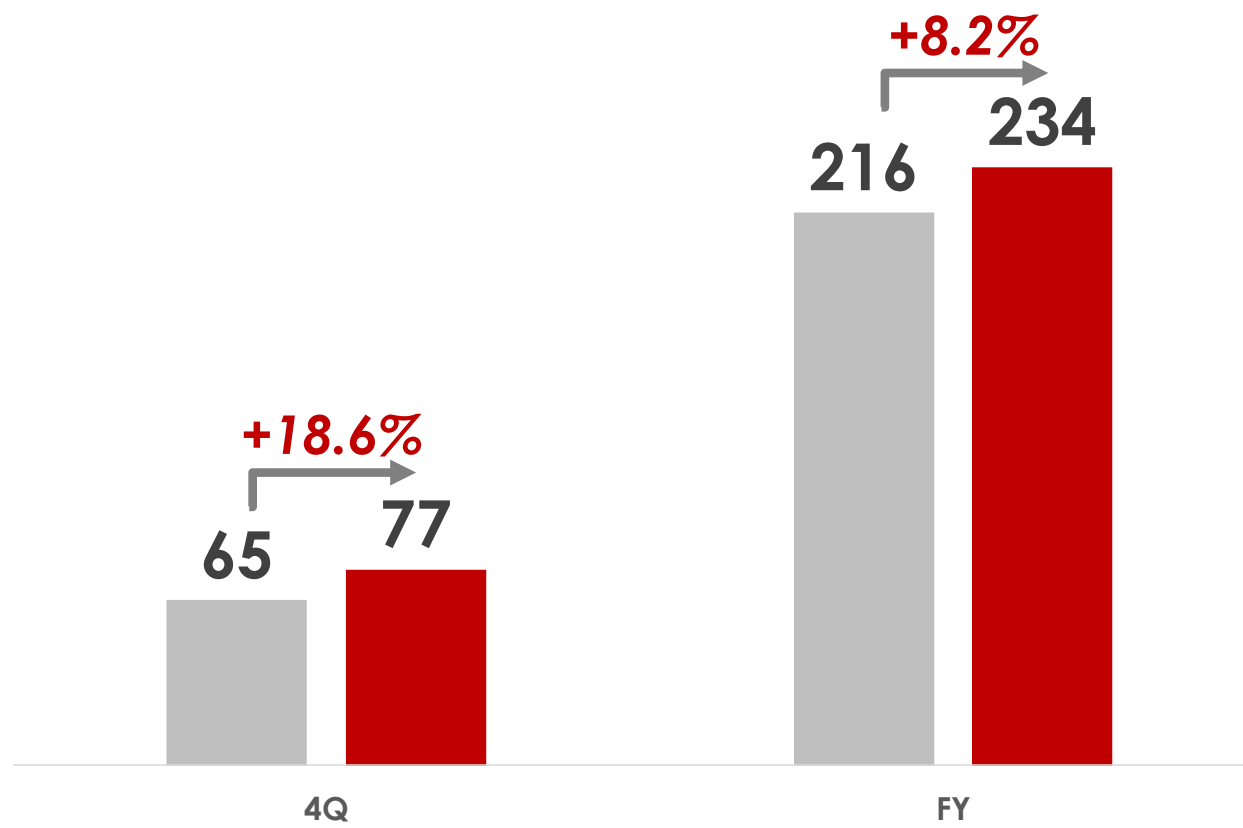
Q&A session

M.Video 4Q & FY 2017 operational highlights

FY 2017 Stores & Space Growth



4Q & FY 2017 Sales, RUB bn (VAT incl.)

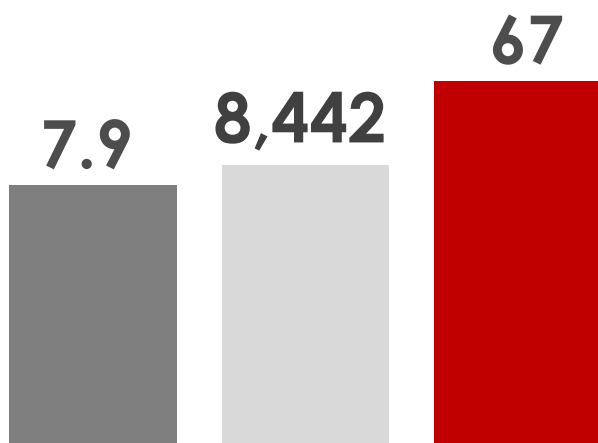


■ FY 2016 ■ FY 2017

■ 2016 ■ 2017

M.Video 4Q & FY 2017 LFL sales highlights

4Q 2017 Like-for-Like Stores Sales



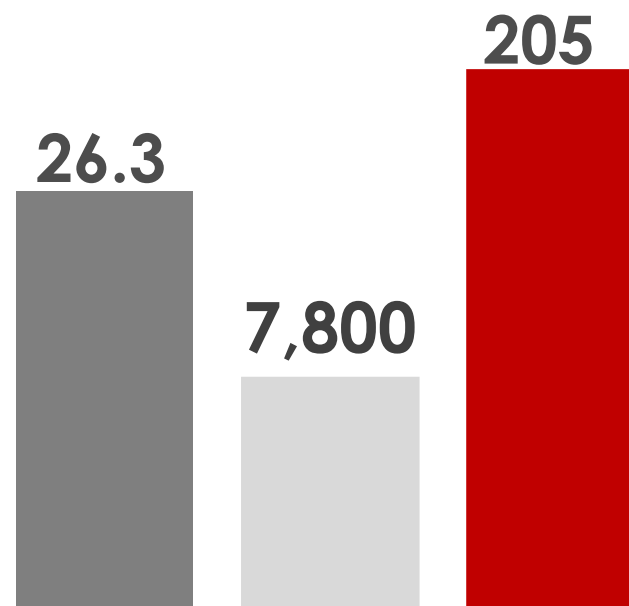
4Q 2017

■ Number of checks
mln of transactions

■ Average check
RUB, VAT incl.

■ Turnover
B'RUB, VAT incl.

FY 2017 Like-for-Like Stores Sales



FY 2017

■ Number of checks
mln of transactions

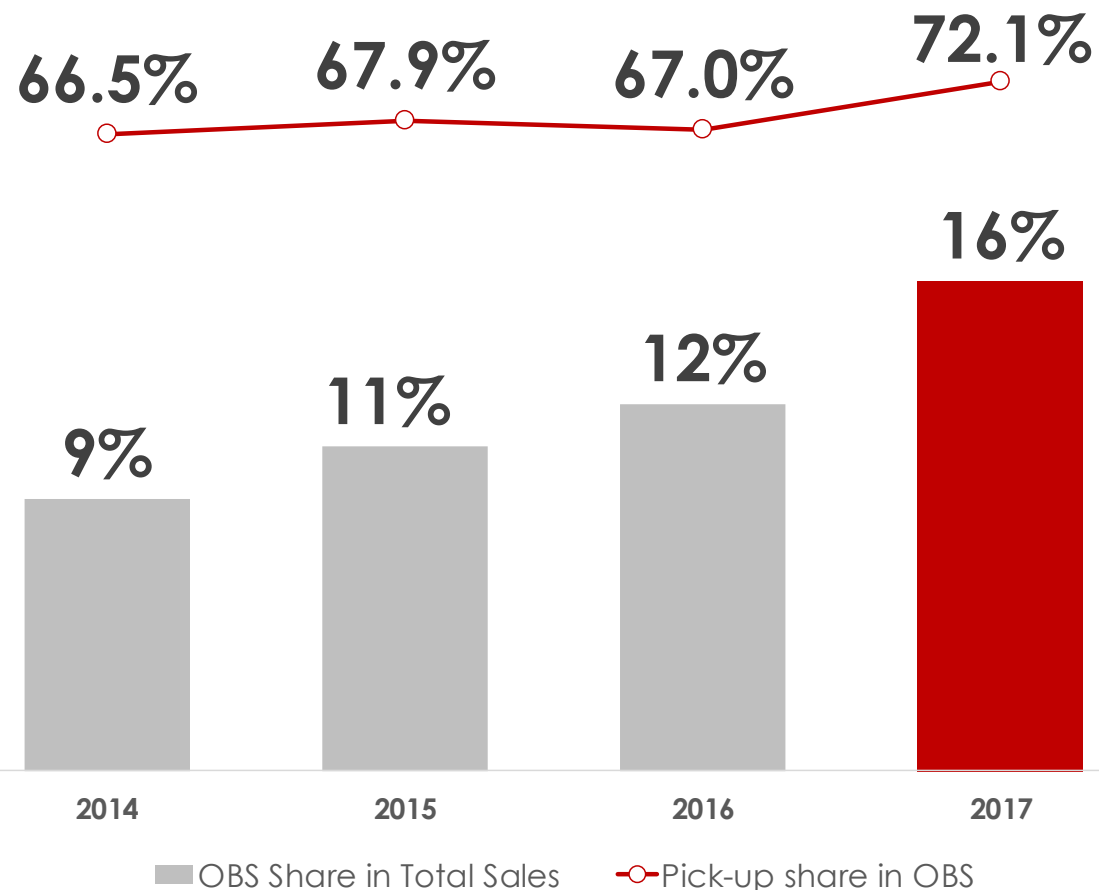
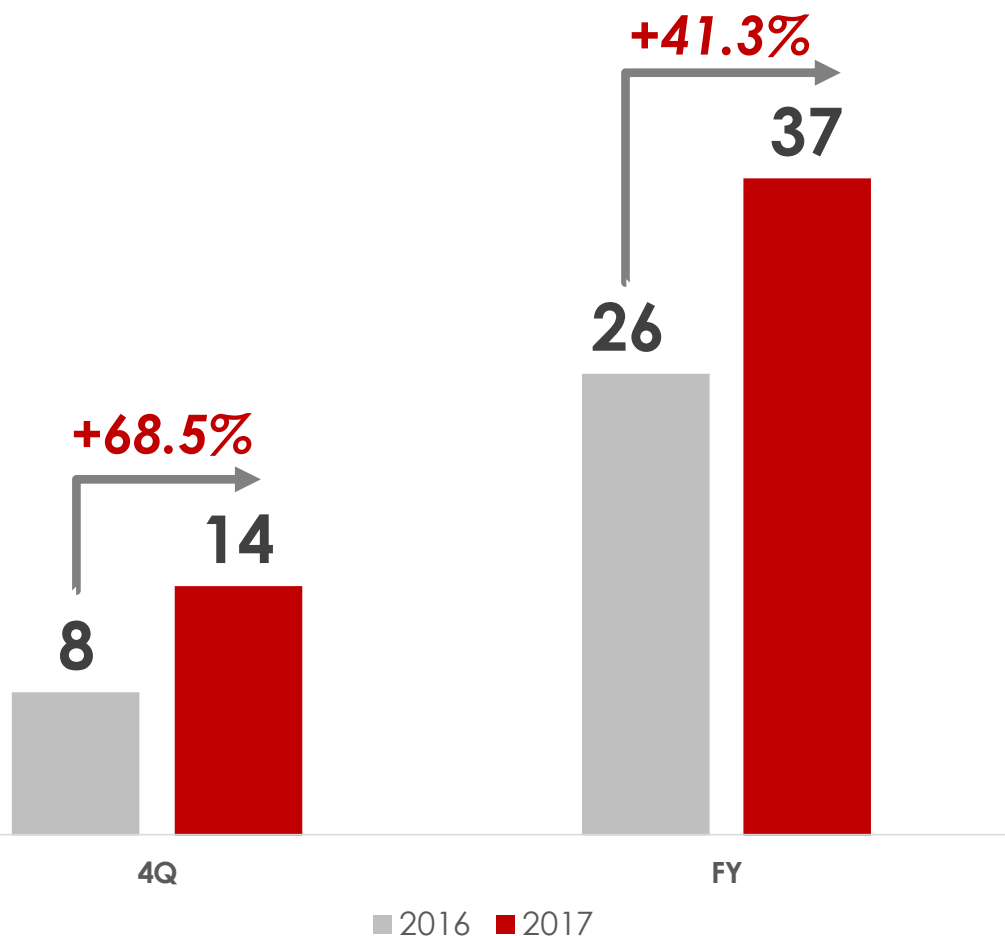
■ Average check
RUB, VAT incl.

■ Turnover
B'RUB, VAT incl.

M.Video record growth in online reaching 16% of total sales

4Q & FY 2017 Online Sales, RUB bn (VAT incl.)

2014-2017 Online Sales Share in Total Sales



M.Video strategic projects launched in 2017 added incremental revenue

Added Revenue 2017 (RUB bn)



Tablet-based in-store sales
(Real Time Dealing)

+2.4

- # of authorizations
714 thousand
- # of Omni-baskets sent
235 thousand
- # of cards issued
205 thousand



Shop-in-shop for
digital products & services

+3.5

- **Accessories** penetration rate
235%
- **Service** average penetration rate
51%



m_credit
Outsourced consumer
loans broker

+1.3

- **Approval rate** increase
to **85%**

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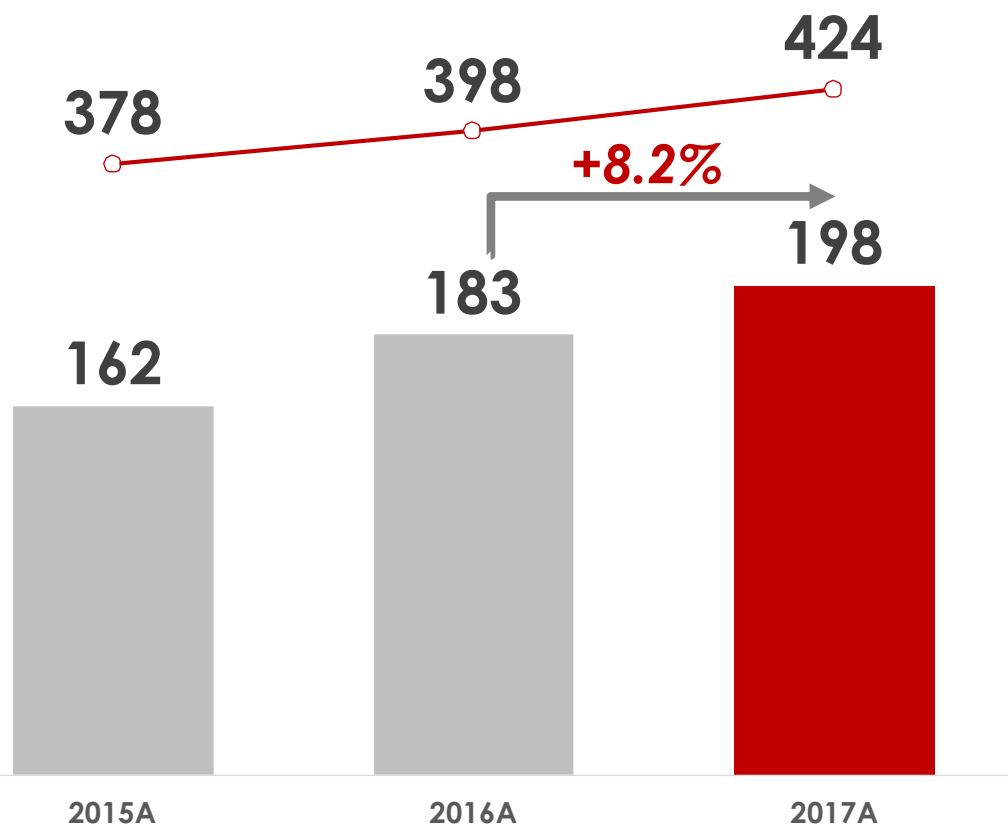
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M.Video FY 2017 key financial highlights

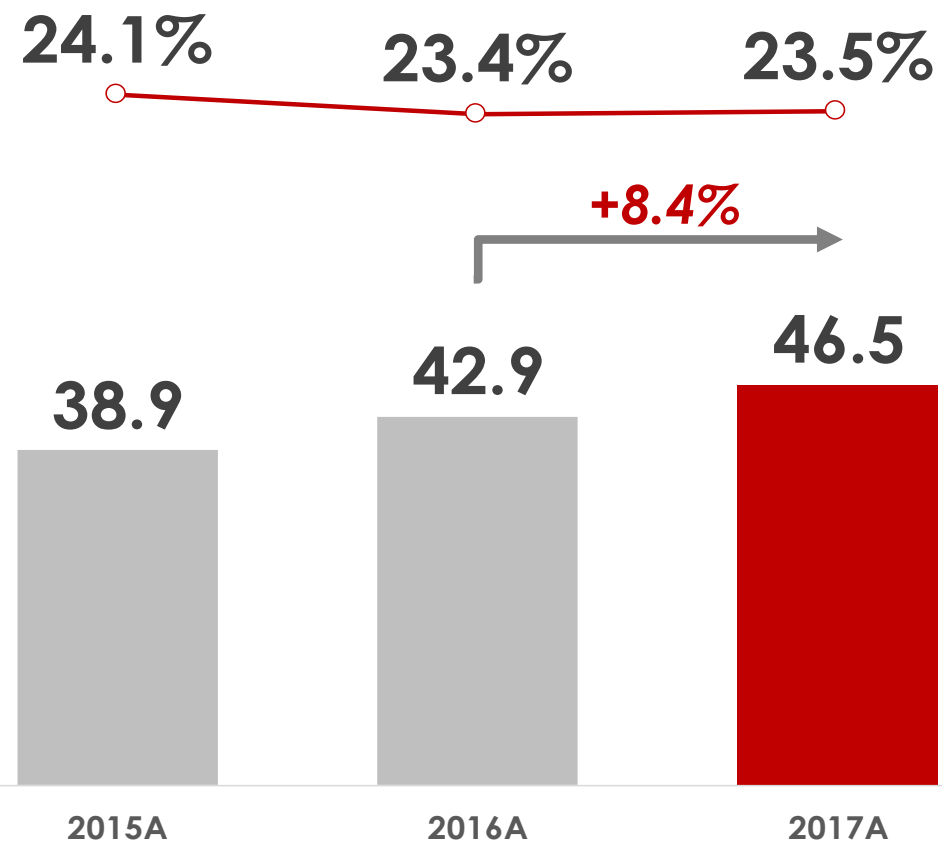
Revenue (net of VAT), RUB bn

CAGR'15-17 +10.7%



—○— No of Stores

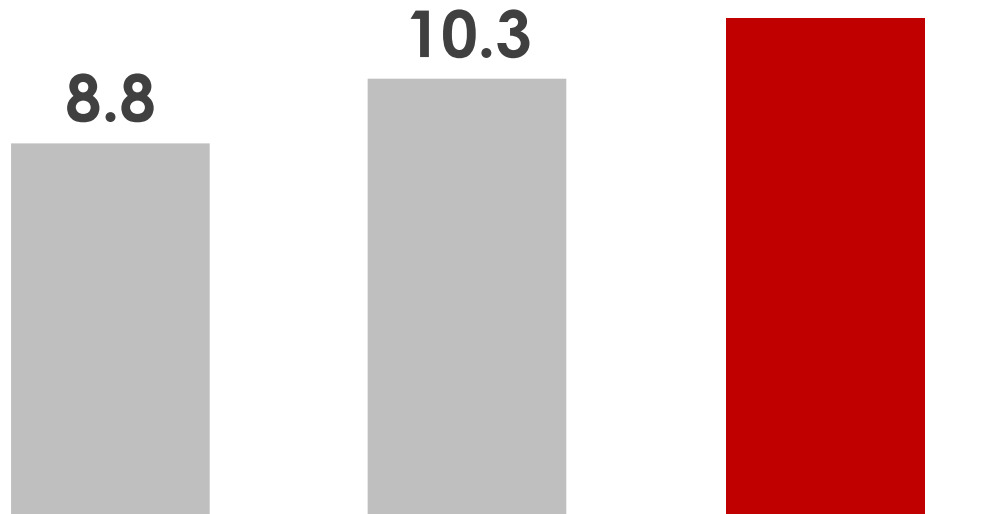
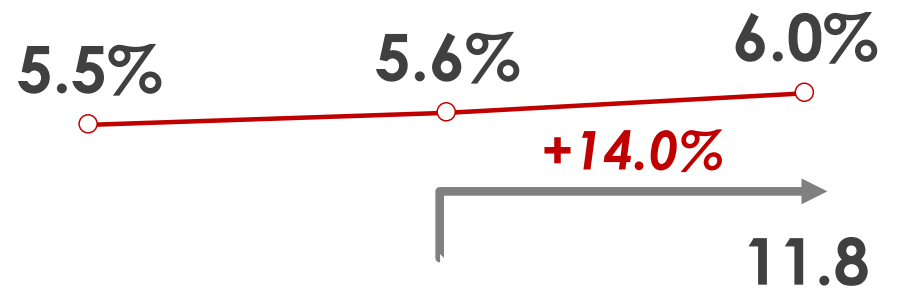
Gross Profit, RUB bn



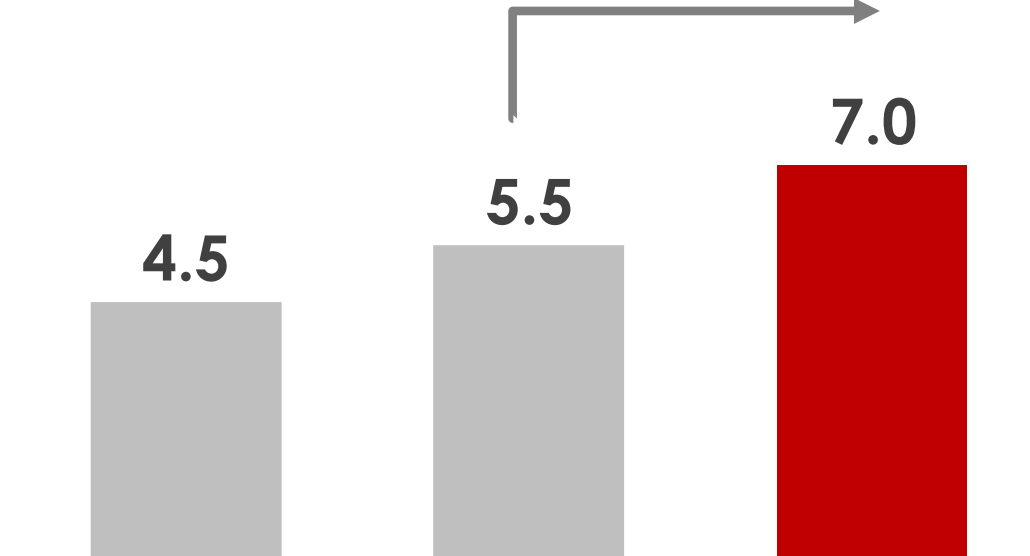
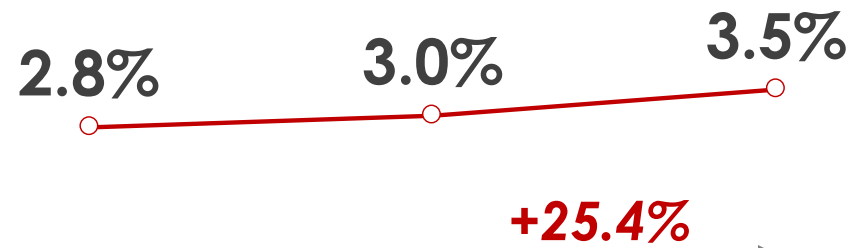
—○— Gross Margin, %

M.Video showed best EBITDA margin over 3 years, solid Net Income

EBITDA, RUB bn



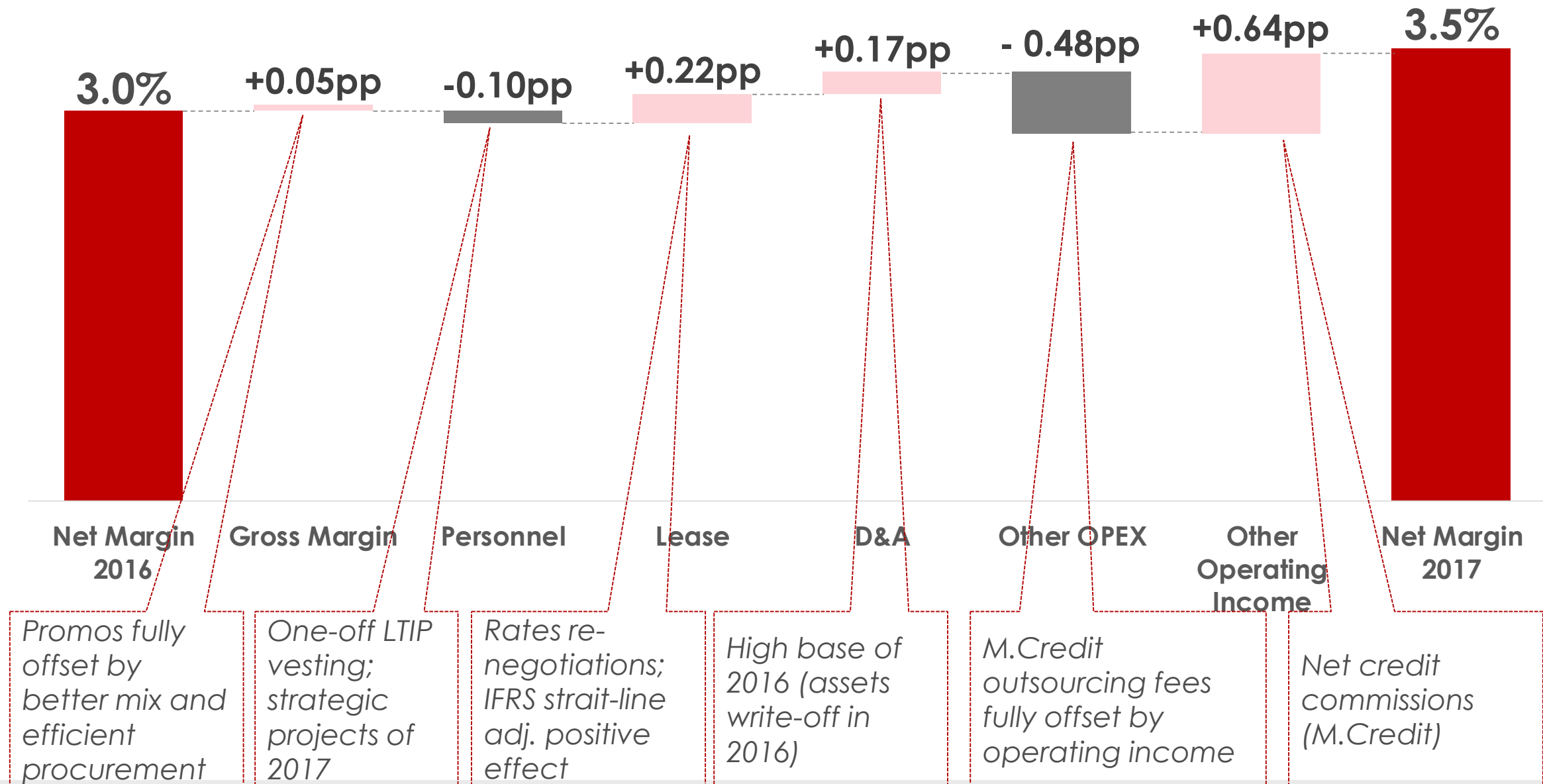
Net Income, RUB bn



—○— EBITDA Margin, %

—○— Net Margin, %

M.Video Net Margin improvement factors in FY 2017



Achievements



- Stable market share 17%
- Record 14% market share in online



- Online sales grew +41% YoY
- Share of OBS in Sales was up to 16%



- Services and accessories growth by +26% and +21%, due to strategic projects and eco-system



- EBITDA margin up by 40 bp's to 6.0%
- Net income up by 25% to RUB 7.0 bn



- Solid EoP cash balance of RUB 18 bn

Headwinds



- Russian CE market is maturing, the growth has slowed down to 5 - 6%



- In spite of M.Video strategic initiatives, single digit growth just above the market is forecasted in mid-term



- M_Mobile helps to compete in Digital, but M.Video needs to grow mobile category faster



- Competition from local CE players in Digital
- Intensifying presence of cross-boarder e-commerce players

What's next? New ambitious goals 2018+

1 PUBLIC COMPANY = *М.видео* 25^{лет} + **ЭЛЬДОРАДО**

2  "ONE RETAIL" CONCEPT IMPLEMENTATION

3 **goods.ru** BUILDING A WINNING RUSSIAN MARKETPLACE

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M.video Management LLC buys 100% in Eldorado LLC

Acquisition cost

Up to RUB **45.5** bn

Financing sources

Cash and Debt of c. RUB **40.0** bn

Deal timing

In Q2, 2018

Condition

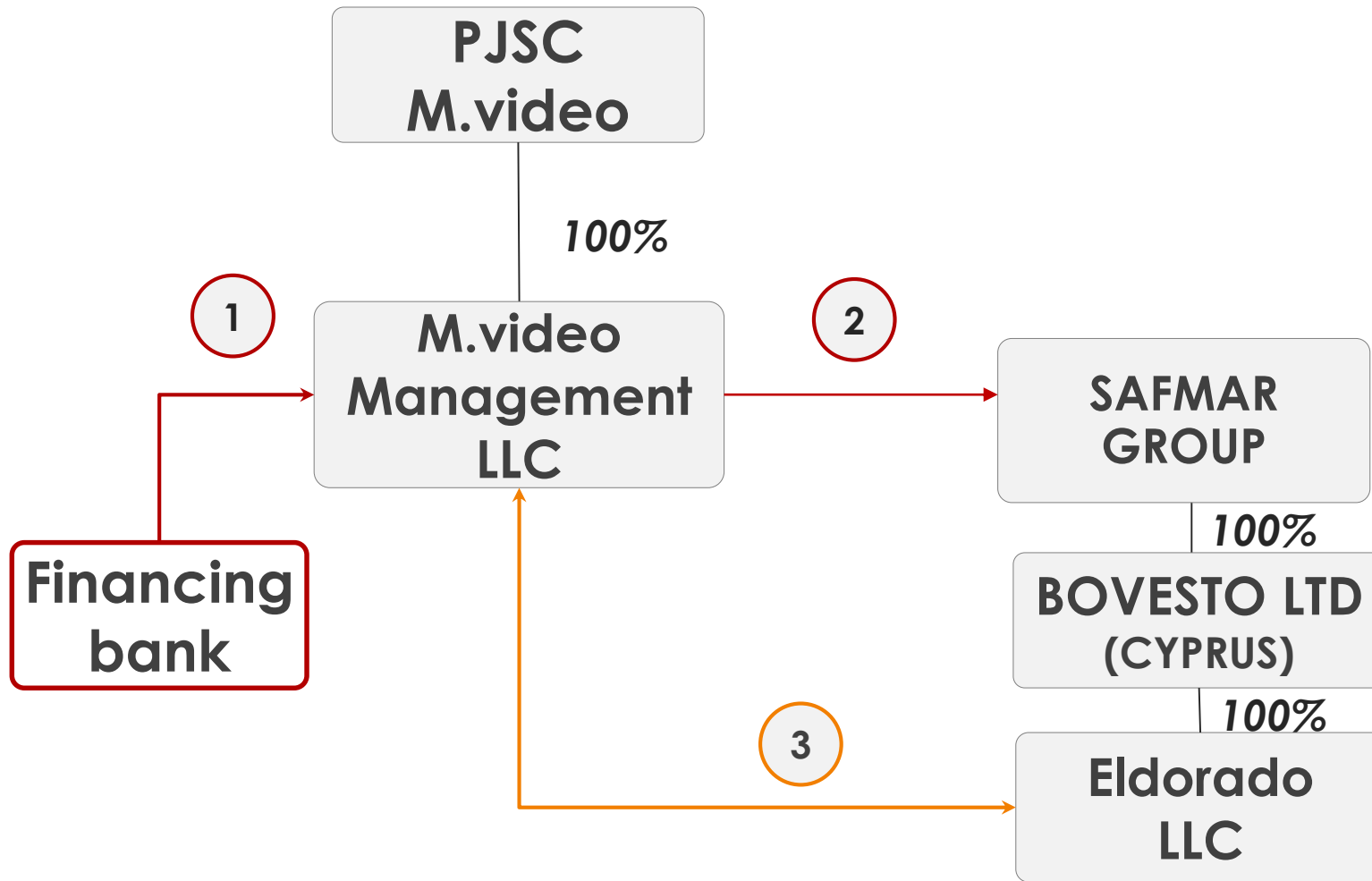
EGSM approval on April 13, 2018

Legal merger

In Q1, 2019

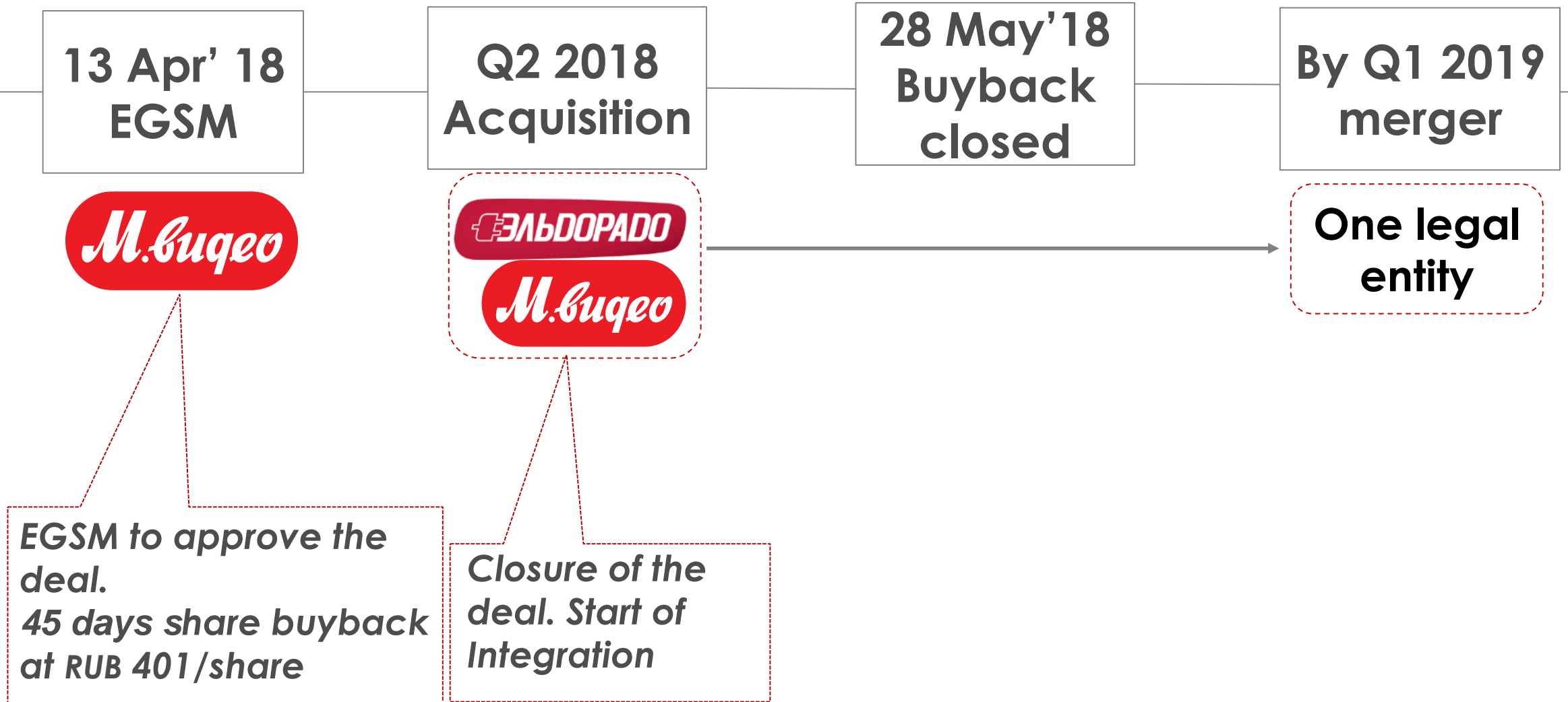
of M.Video Management & Eldorado LLC

High-level structure of Eldorado acquisition



- 1
 M.Video Management LLC takes c. RUB **40** bn loan to acquire 100% interest in BOVESTO LTD
- 2
 M.Video Management LLC acquires 100% in BOVESTO LTD from SAFMAR GROUP for up to RUB **45.5** bn
- 3
 Merger between M.video Management LLC and Eldorado LLC

Eldorado LLC integration key milestones



One legal entity is necessary for business efficiency

1

**Combined
procurement and
stock management**

- Market leader
- Easy stock relocation
- Common warehouses

2

**Lower maintenance
costs for single legal
entity**

- Elimination of functions duplication
- Elimination of possible transfer pricing risks
- IT-infrastructure optimization

3

**Public combined
company**

- Investors participation in common success
- Efficiency improvements and profitability growth
- Higher transparency of the business

**M.Video FY 2017 audited
IFRS results**

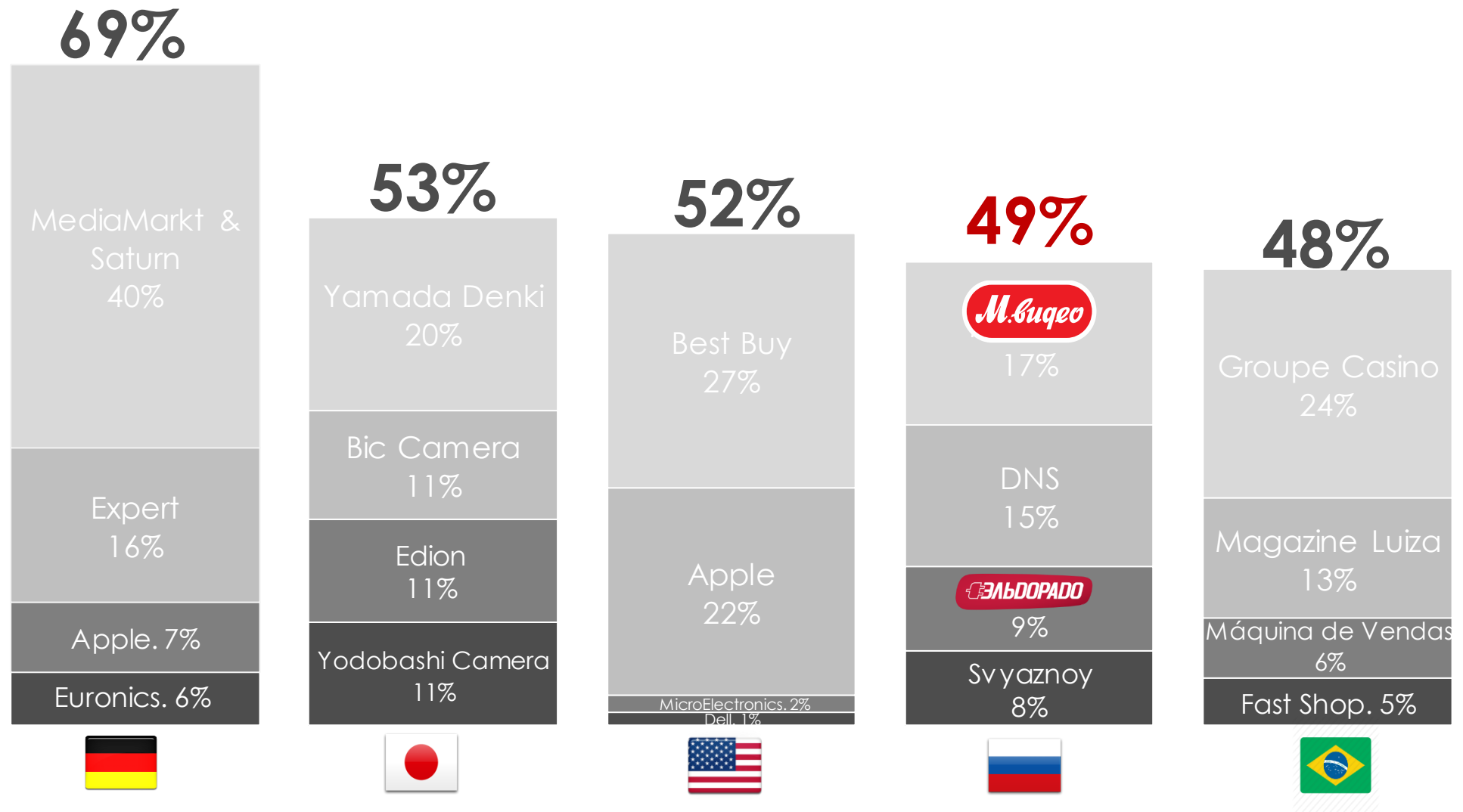
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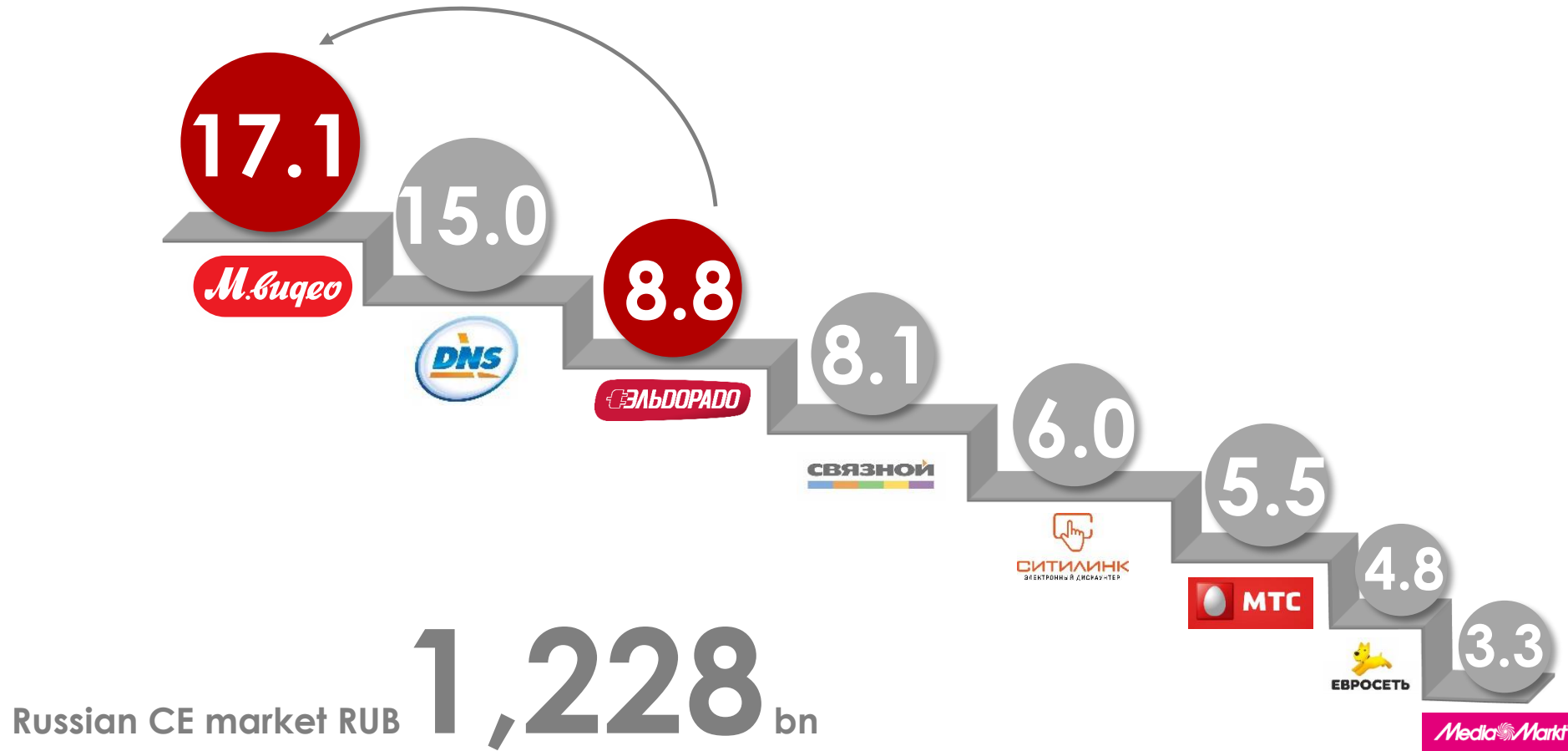
Russian Electronics retail is maturing and it is right time to take the lead in its consolidation



Sources used: GFK (M.Video & Eldorado), Euromonitor 2017 (the rest)

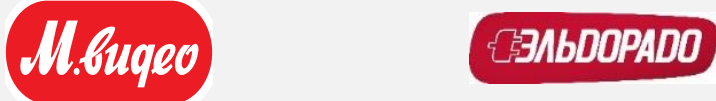
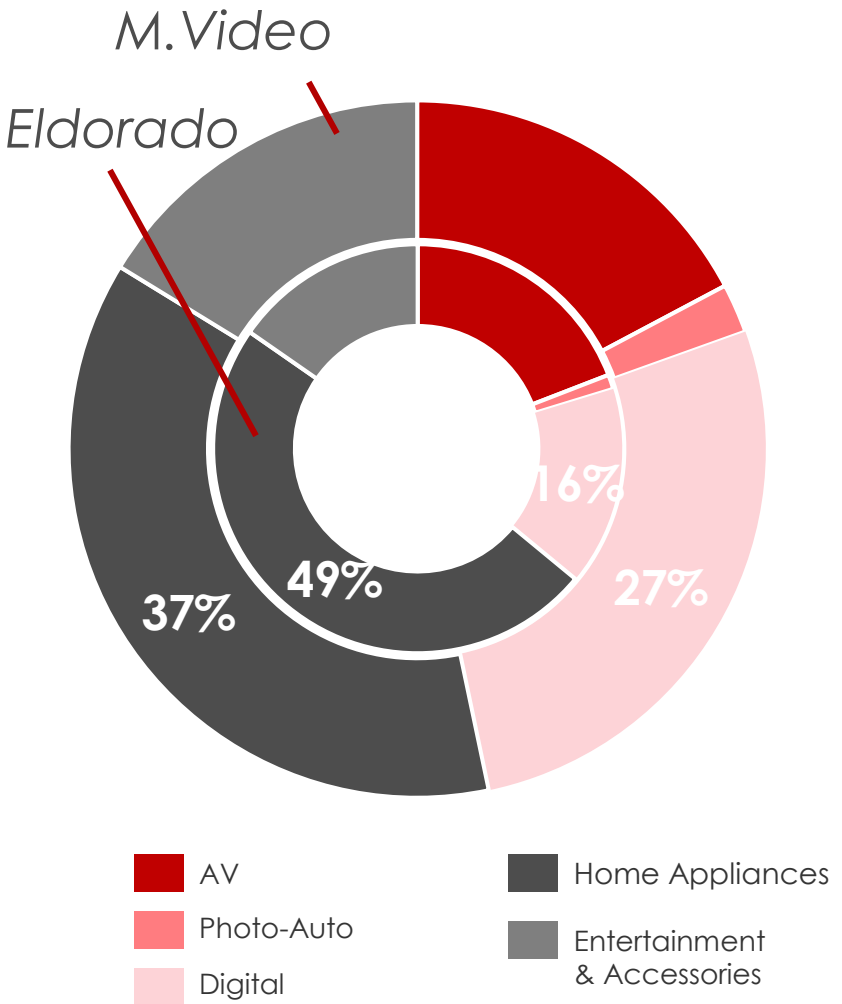
Russian CE market today: DNS is making visible progress

М.Видео + **ЭЛЬДОРАДО** = 25.9%



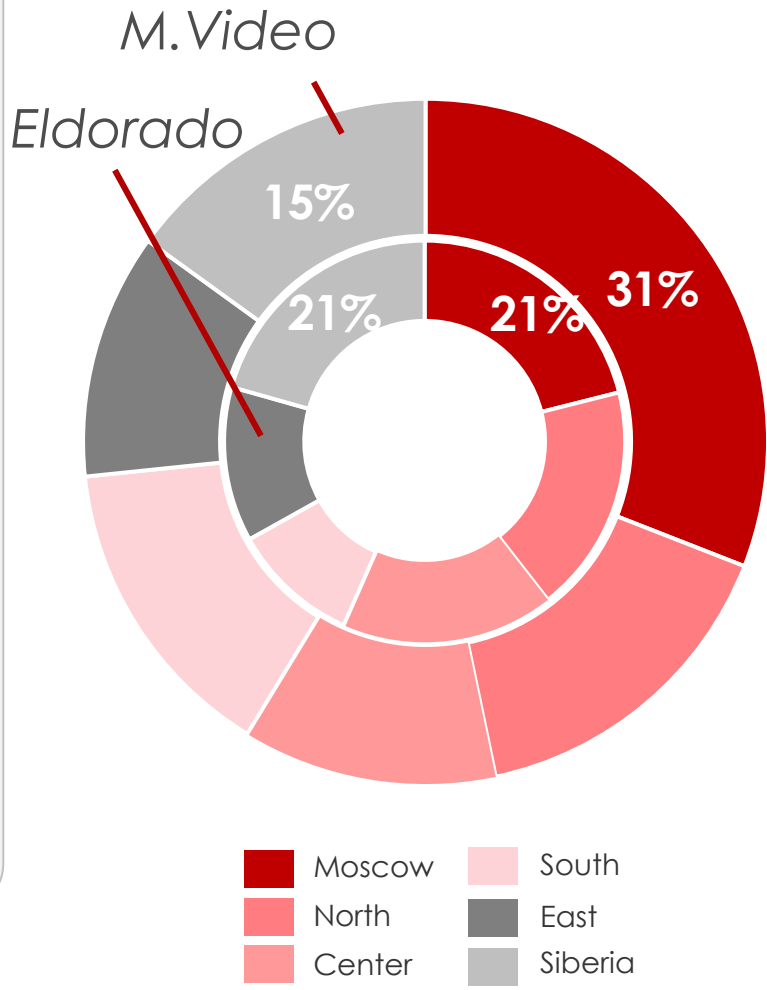
Complementarity in sales structure and operations make Eldorado a great M&A target for M.Video

Sales by Product Category



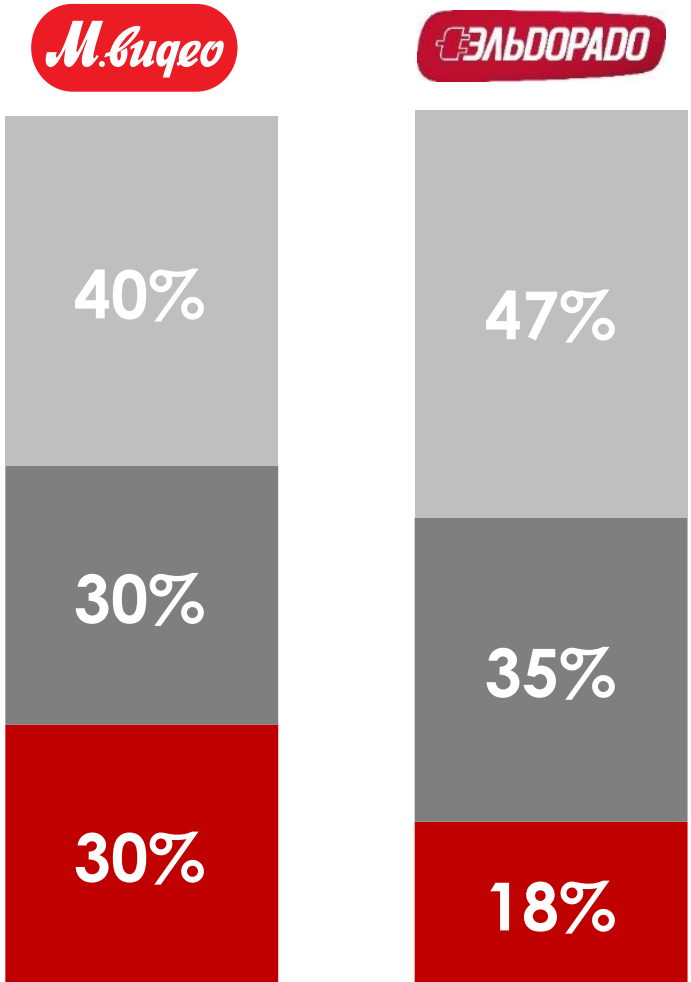
Years on the market	25	24
No of Stores	424	415
Average Selling Space	1,600	1,400
Average Ticket	7,700	5,200

Sales by Region

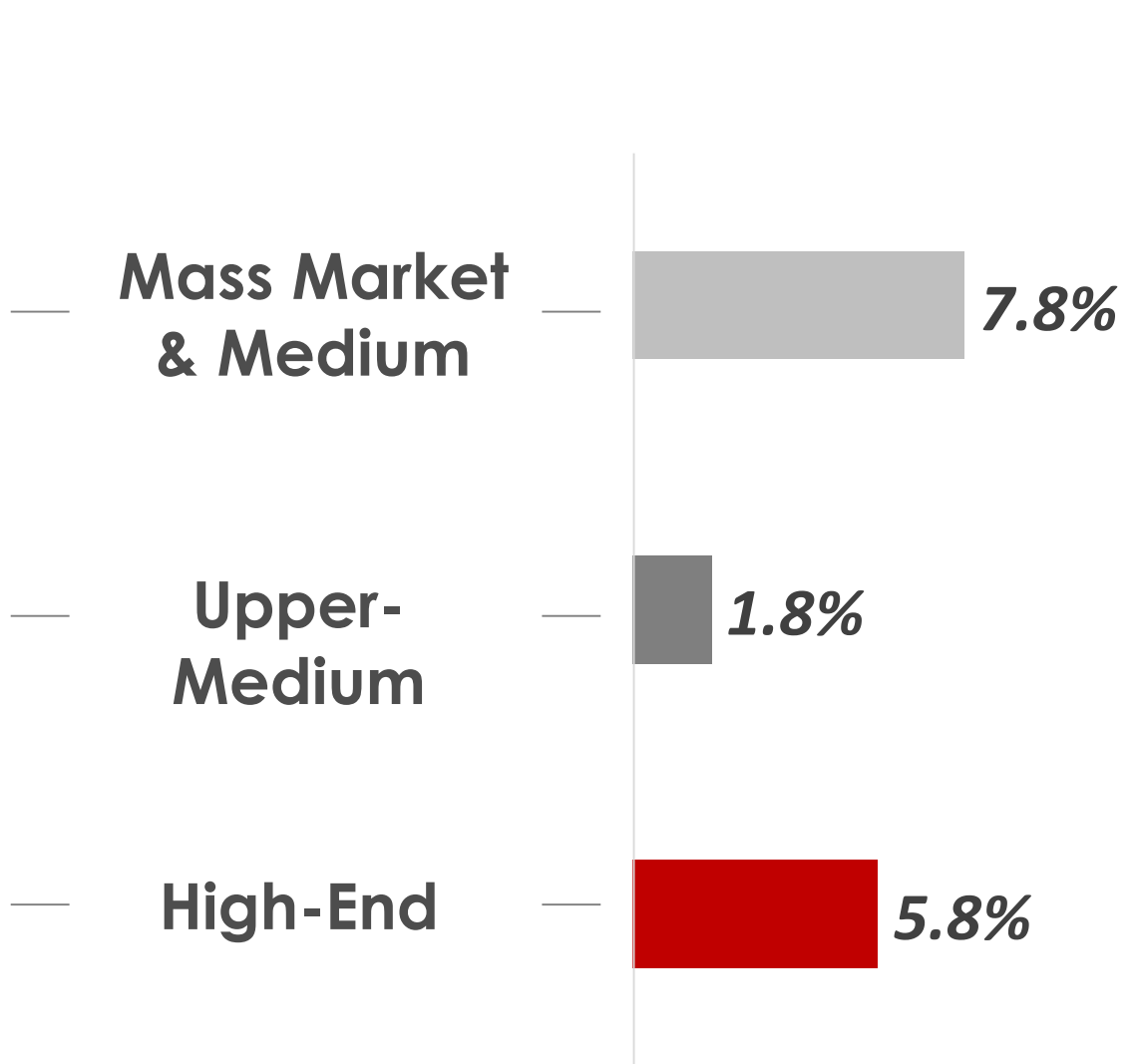


M.Video is strongly positioned in high-end segment, while Eldorado – in mass-market

Sales structure 2017, %



Market (17/16 YoY), %



Combined business strong fundamentals

839 Stores in 200 Cities

119 DCs across Russia



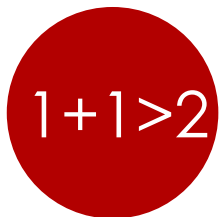
2017 HIGHLIGHTS

		
Net Revenue	198	106
	304	
Market Share	17.1%	8.8%
	25.9%	
Online Market Share	14.1%	8.6%
	22.7%	
Number of Stores	424	415
	839	
Total Area ('000 sq m)	937	762
	1,699	

The main goal of acquisition is to create an undisputable market leader



Strengthening of market position of the combined business,
by serving wider customer audience: from mass-market to high-end



Improving operational and financial performance of two companies,
due to coordinated development, cost optimizations and synergies



Sustainability of M.Video and Eldorado businesses



Building **long-term growth platform**

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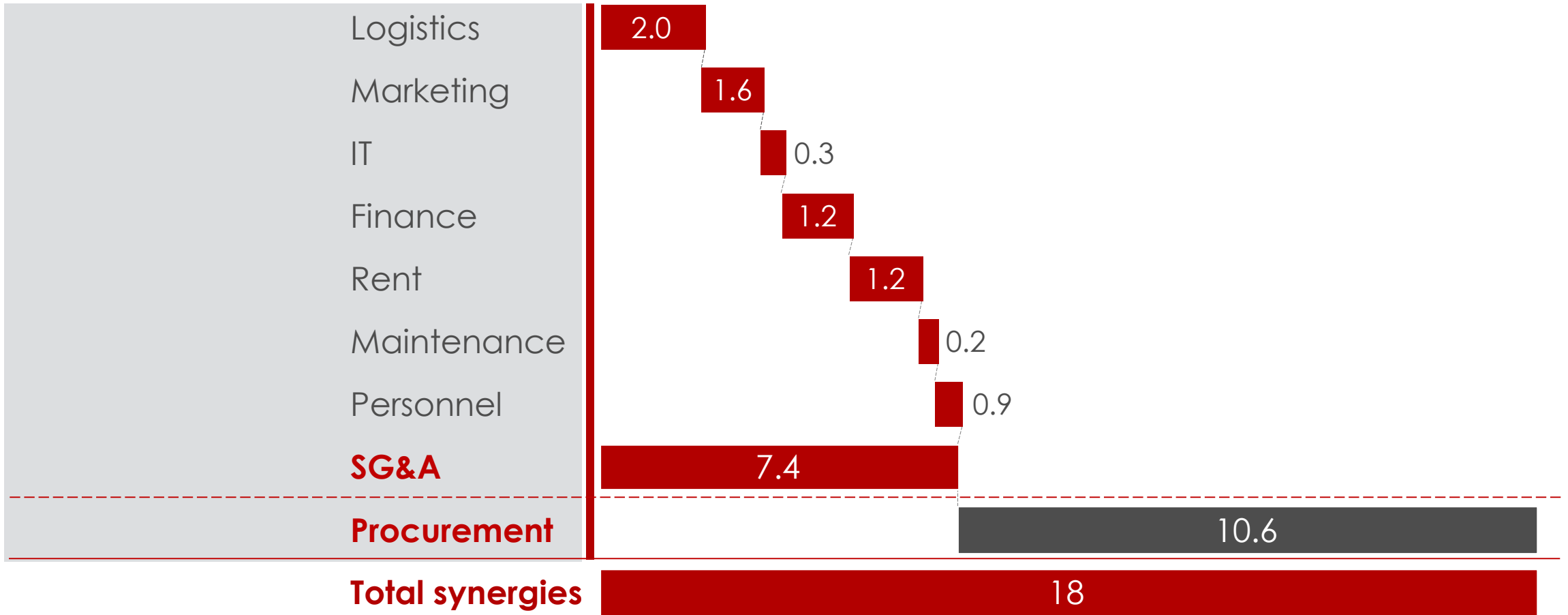
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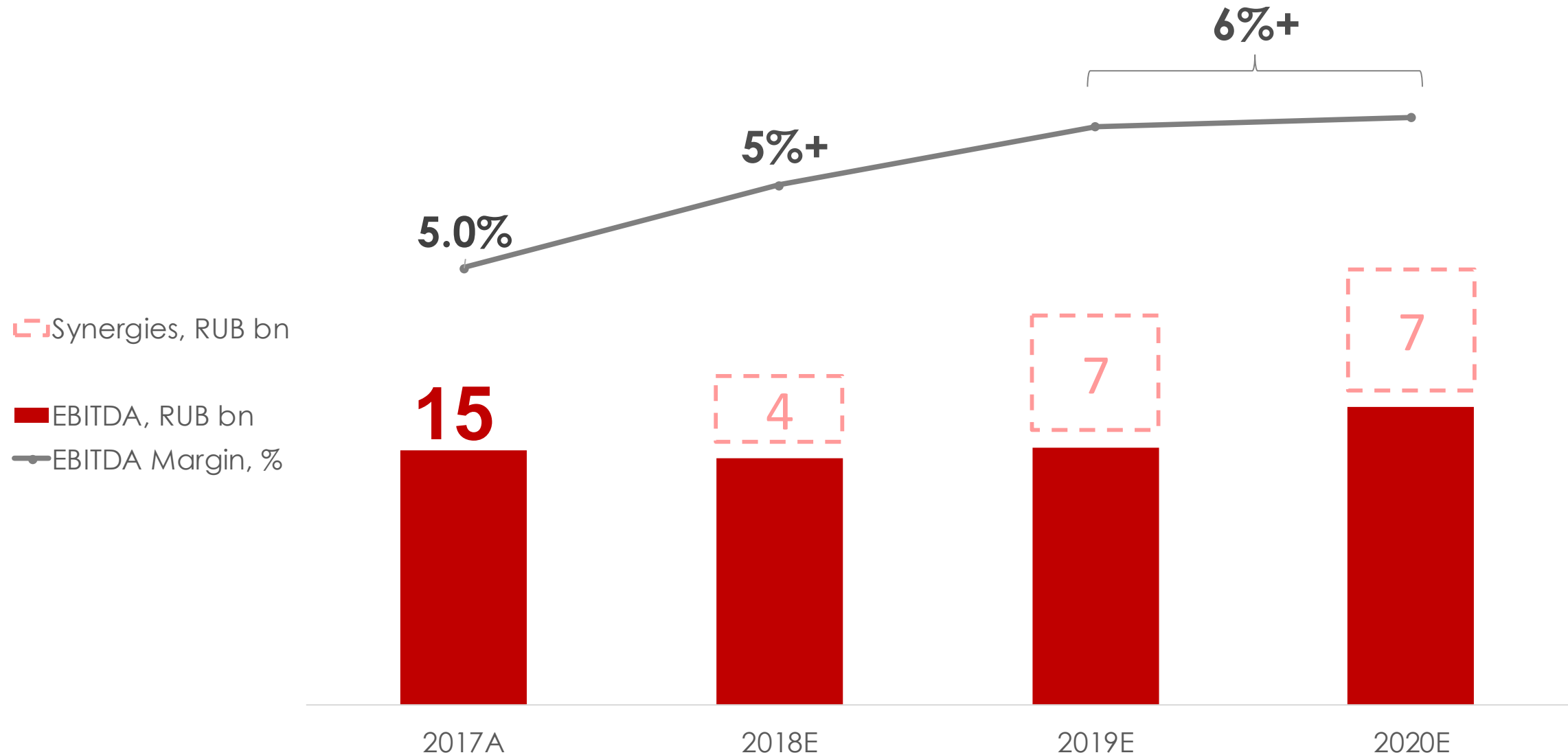
The acquisition will bring RUB 18 bn synergies over 3 years

Source of synergies

Positive effect on EBITDA



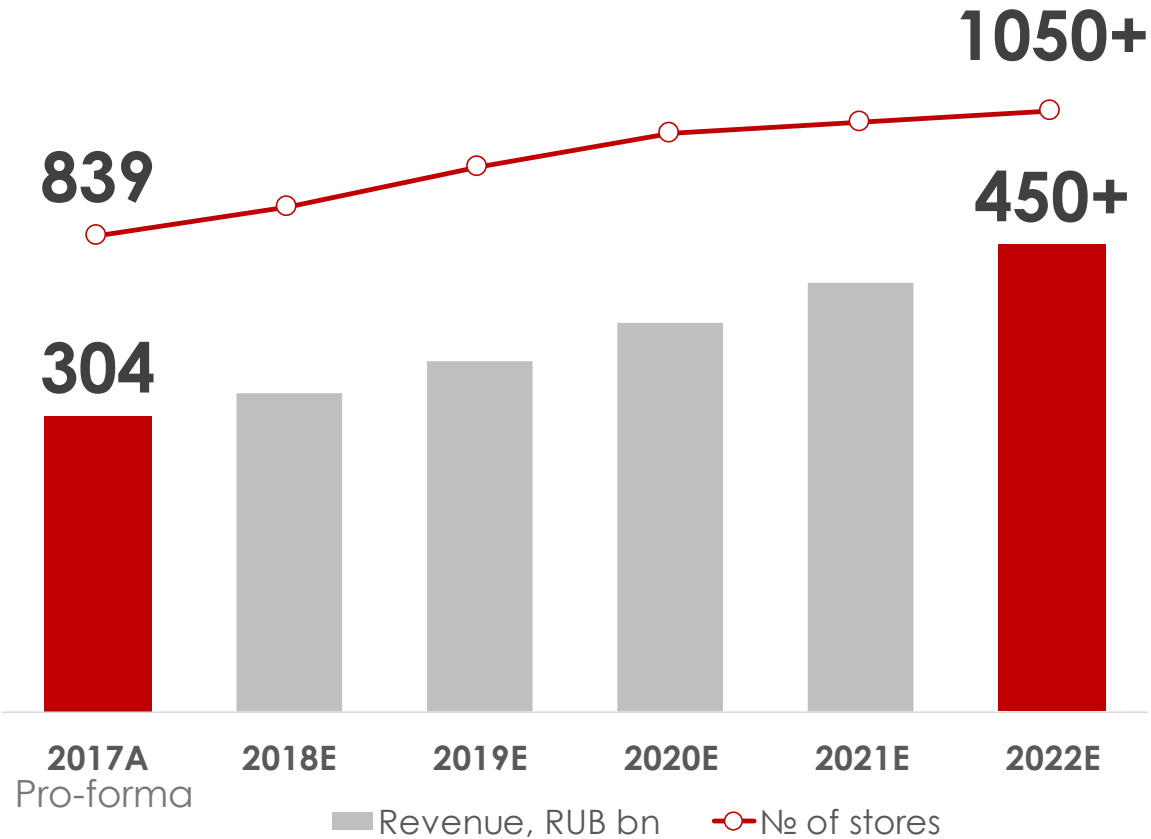
Combined EBITDA Margin of 6+% sustainable from 2019+



Group financial forecasts 2018E-2022E

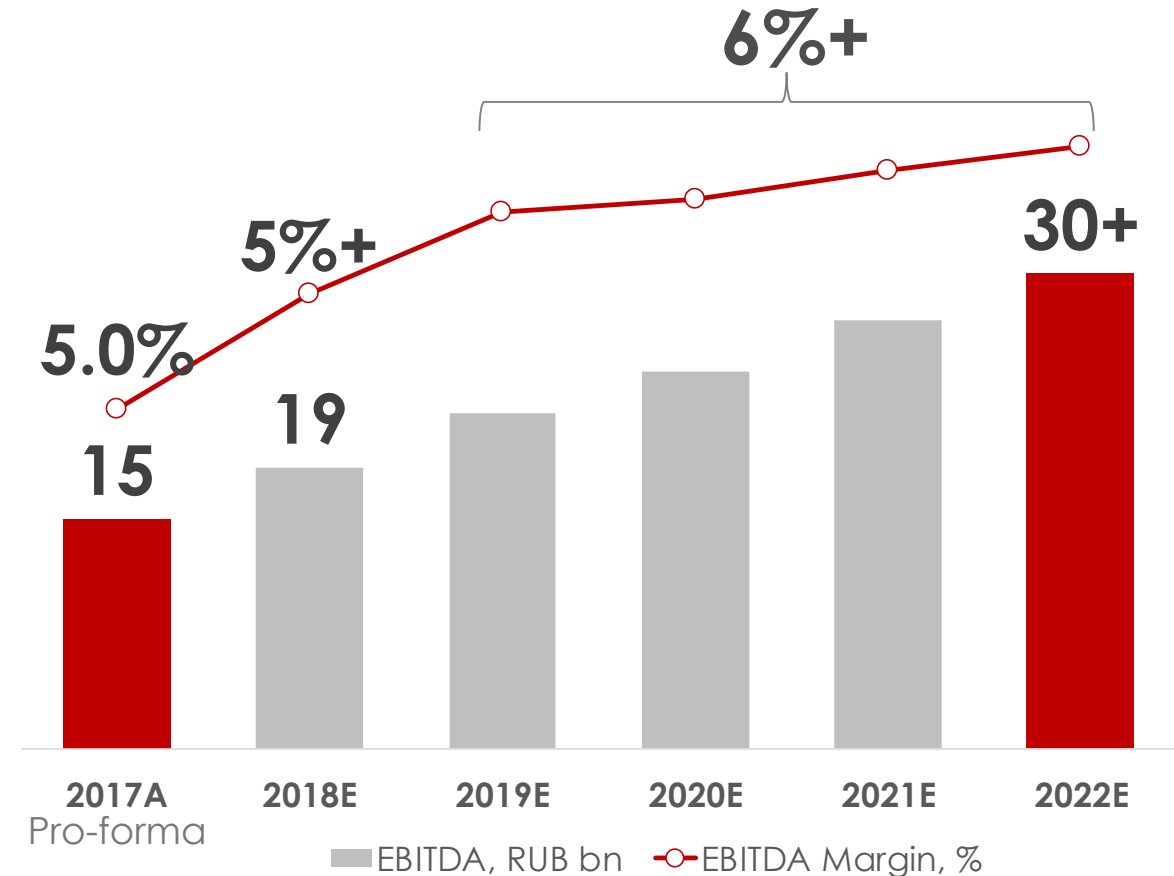
Revenue (net of VAT), RUB bn

CAGR'17-22F 8+%



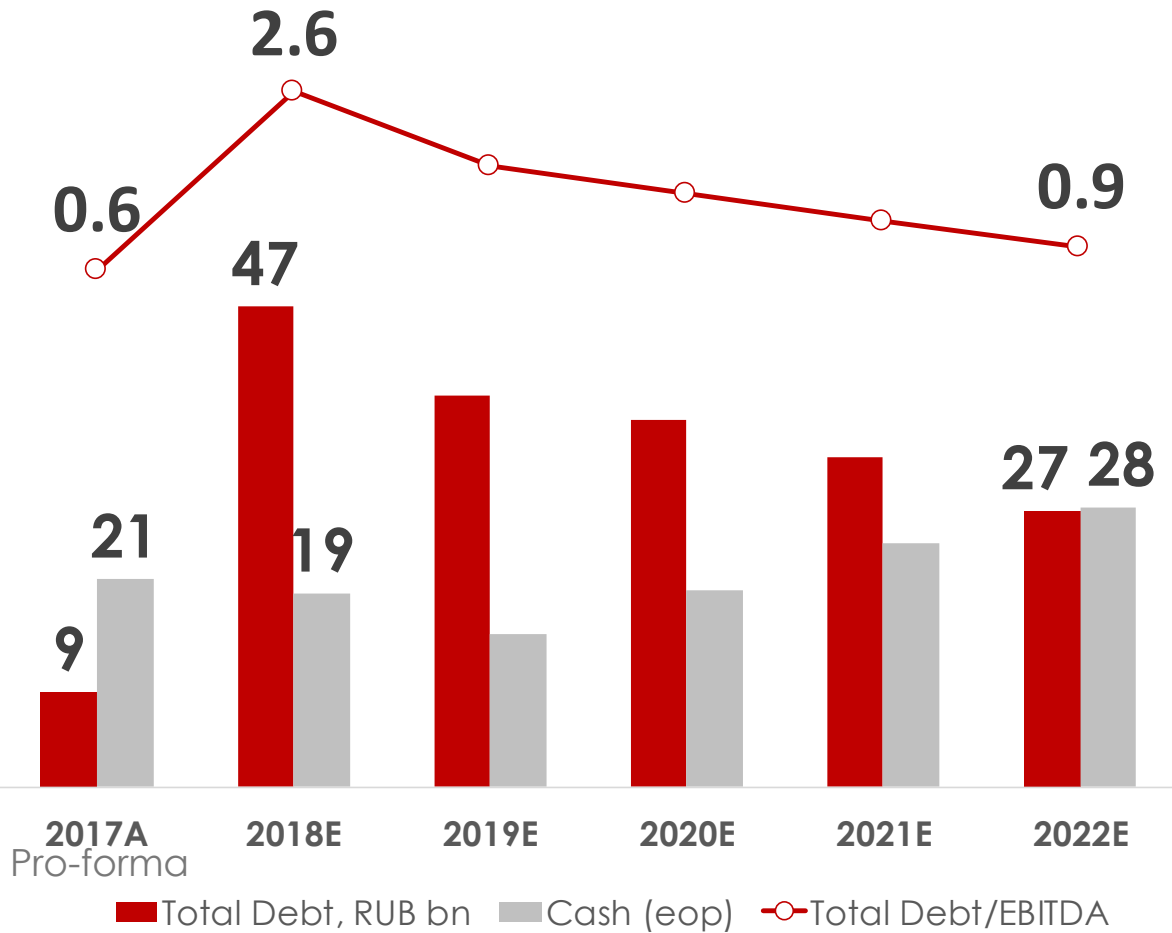
EBITDA, RUB bn

CAGR'17-22F 14+%

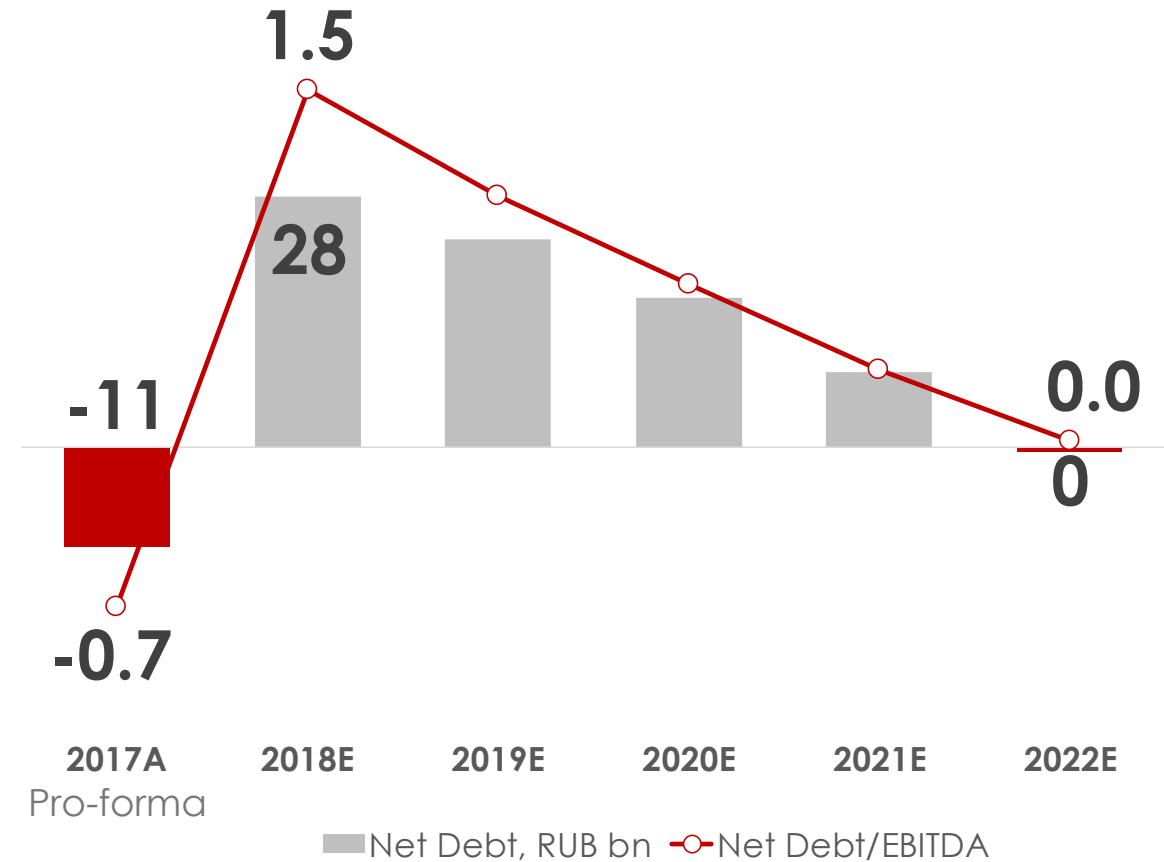


Group debt portfolio 2018E-2022E

Total Debt & Total Debt/EBITDA



Net Debt & Net Debt/EBITDA



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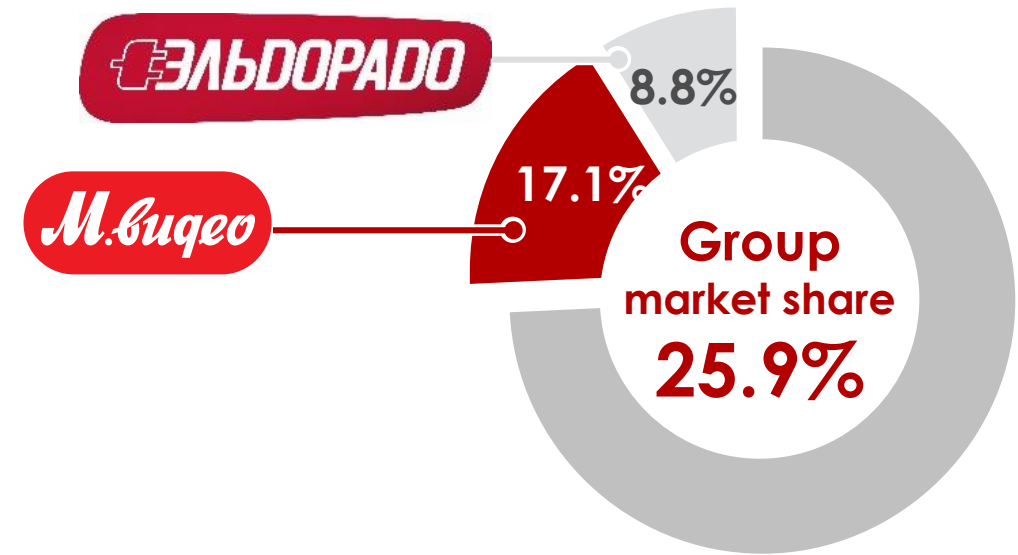
Q&A session

Merge strategy: One company – Two brands

ONE COMPANY

ONE OPERATING BUSINESS MODEL

TWO BRANDS



1 Business Model

2018

Centralization of operations keeping **2 brands**

2 EBITDA Margin 6%

2019

Sustainable EBITDA margin **6%+**

3 Market Share

2020+

CE market share **30%+**

Adhering to best corporate governance standards

- One Company
- One Model
- Two brands

AGM



SAID GUTSERIEV
Chairman of the Board of Directors

Board of Directors
of which
4 Independent Directors

14 members

4

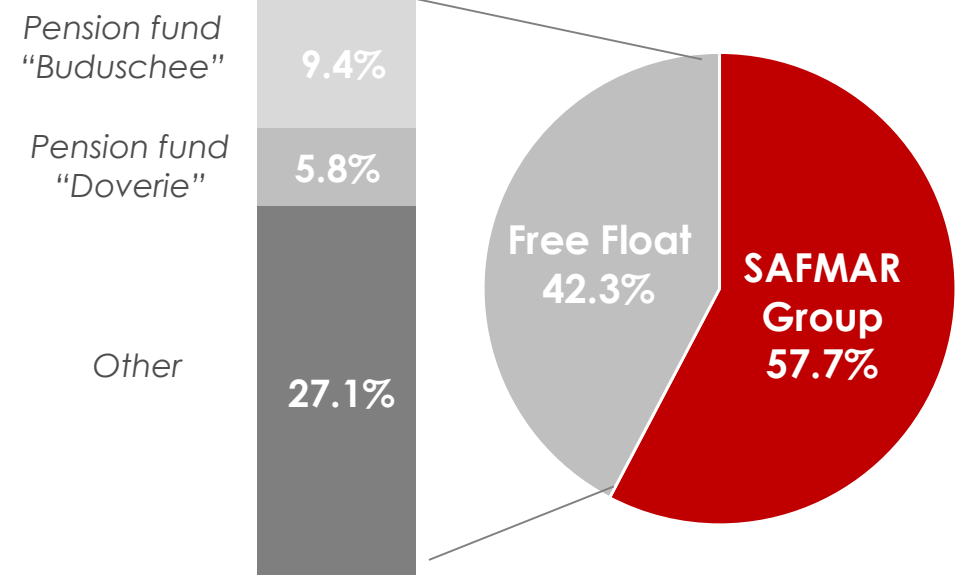
The Remuneration and Nomination Committee

- Remuneration policies and practices
- Recruitment, development and retention of the personnel

Audit Committee

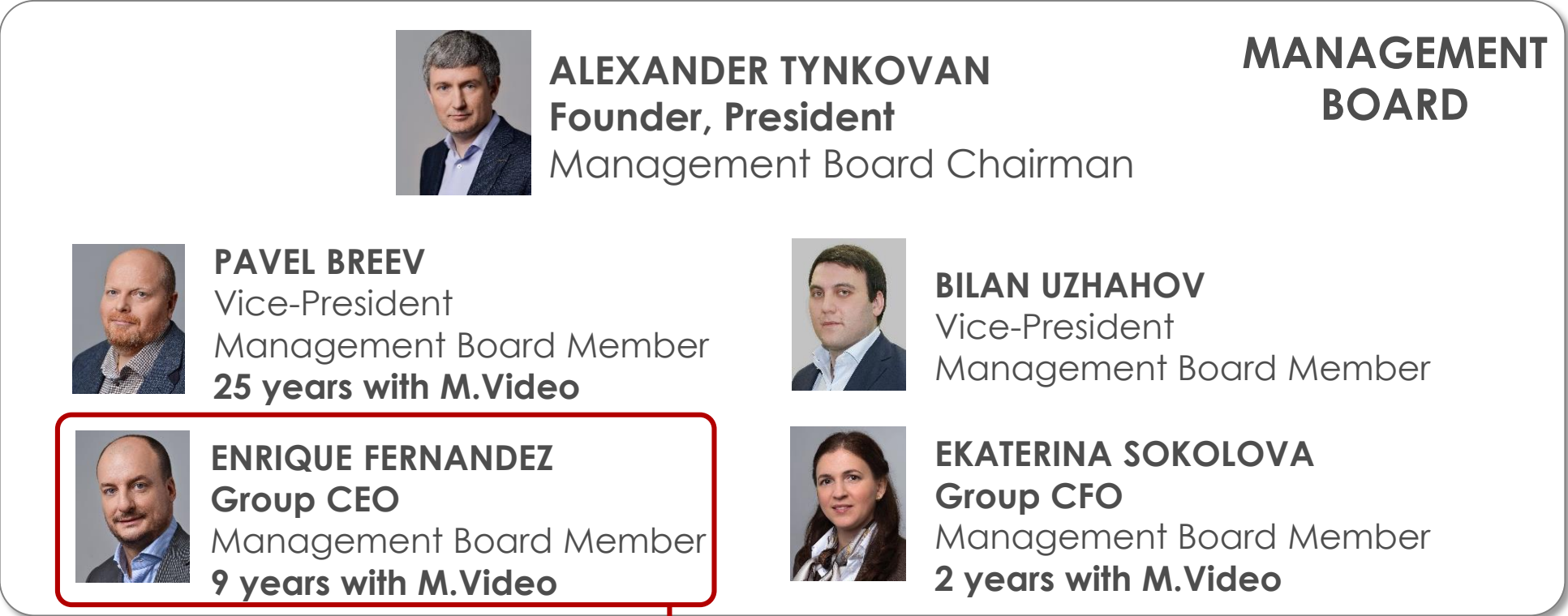
- Financial reporting
- Risk management, internal control
- Corporate governance
- External & internal audit

Capital Structure



Consistency in leadership – the team in place

- One Company**
- One Model**
- Two brands**



Two competing brands with one merged back office

One Company

One Model

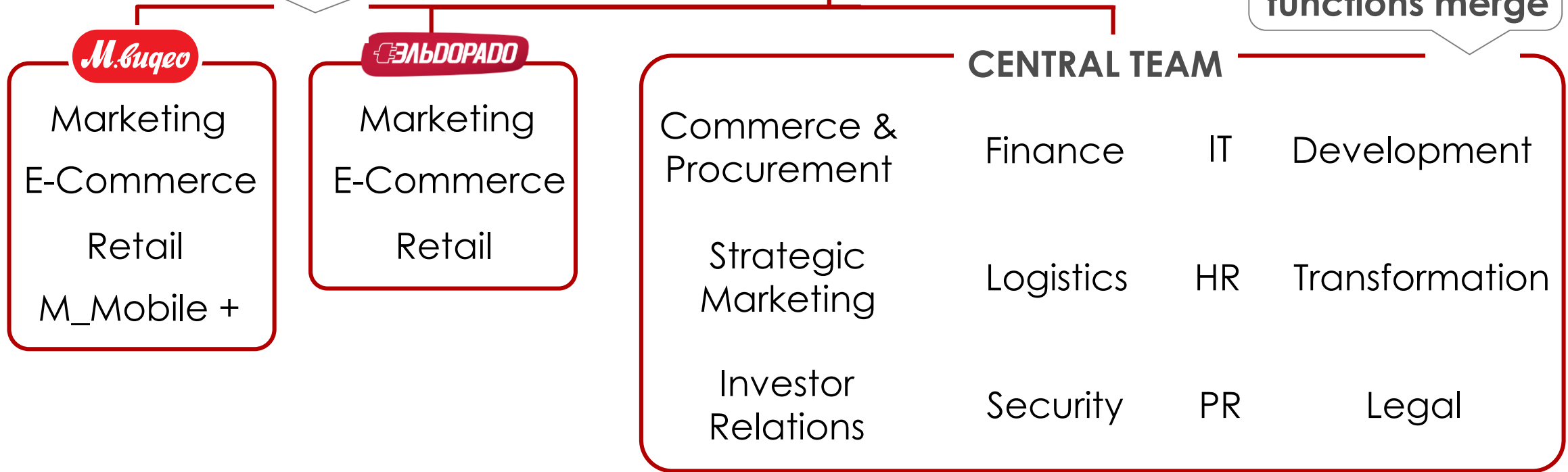
Two brands



ENRIQUE FERNANDEZ
 Group CEO
 Management Board Member

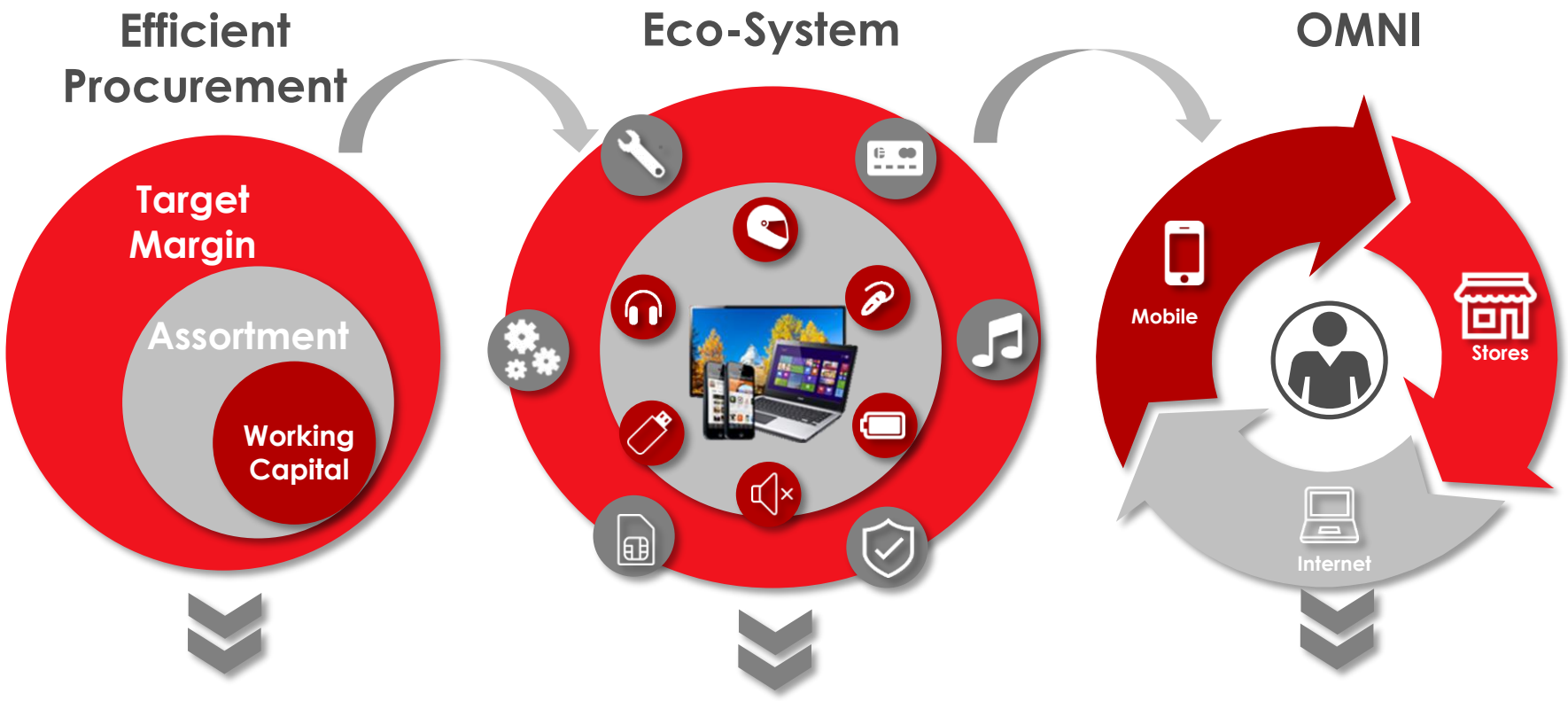
Front functions remain separate for each brand

Back office functions merge



M.Video efficient model to be rolled-out on Eldorado business

- One Company
- One Model
- Two brands



- 1 Best assortment = endless **online** shelf
- 2 Best price guarantee = price match **online**
- 3 Best service = across all channels

Two brands strategy 2018+

One Company

One Model

Two brands



Strategic Initiatives

“One Retail”



Re-start

600 m²



Customers

Customer Value Proposition

Evolution

Re-concept



Footprint

Strategy of Two Brands

Maximization

Re-design

“As big as we can”

“As big as we need”

Two brands differentiation and market positioning

- One Company
- One Model
- Two brands



Uniqueness

“One Retail”
 Leader
 Center of competence

Best deal
 Promo-oriented
 Affordability



Shopping experience

Top-level customer service

Simplicity
 Fast deal



Location

Best locations

Proximity locations

M.Video digital transformation to ONE RETAIL

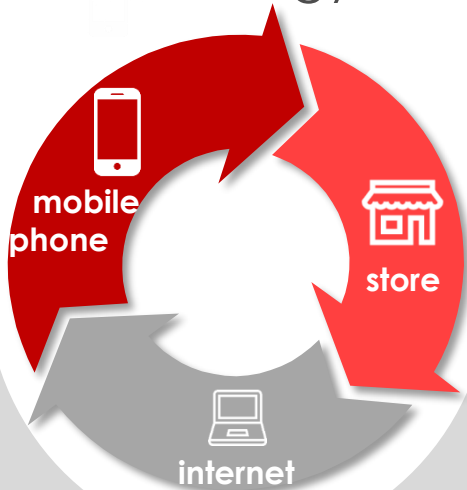
One Company

One Model

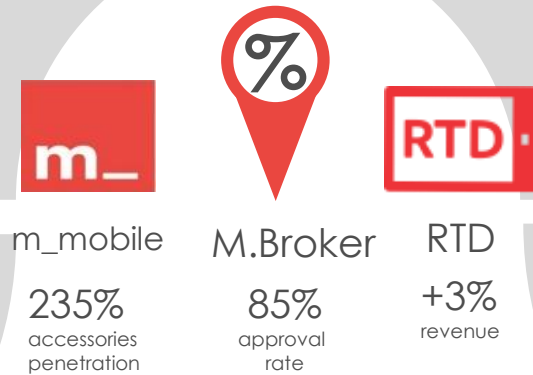
Two brands

2014

OMNI channel strategy



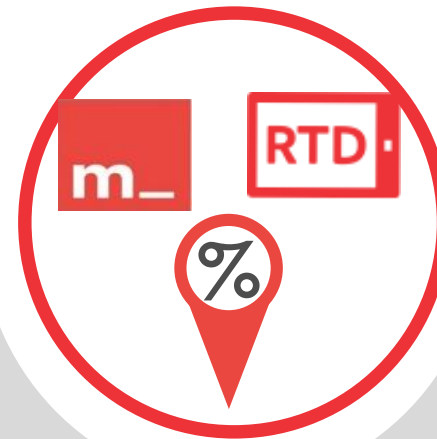
2015-2017



STRATEGIC projects

2018

CONVERGENCE



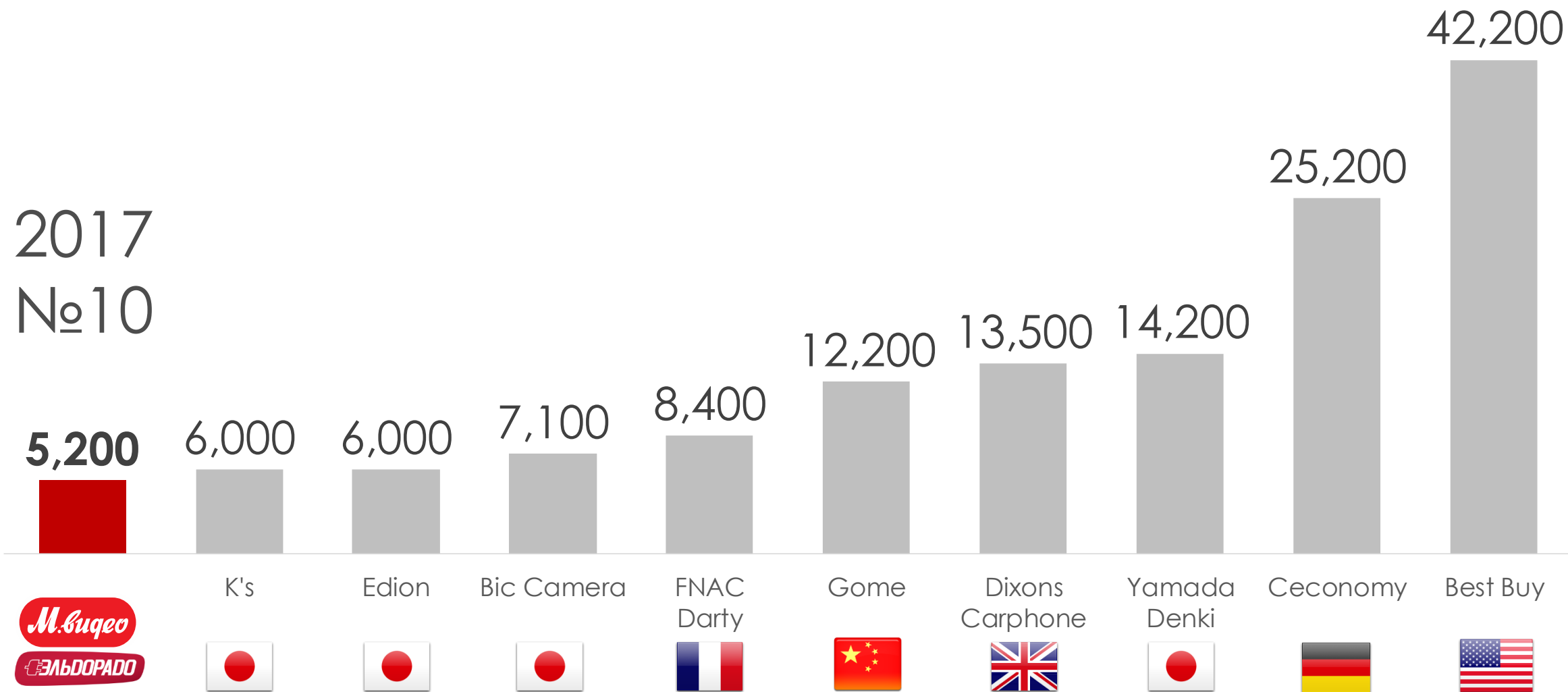
till 2022



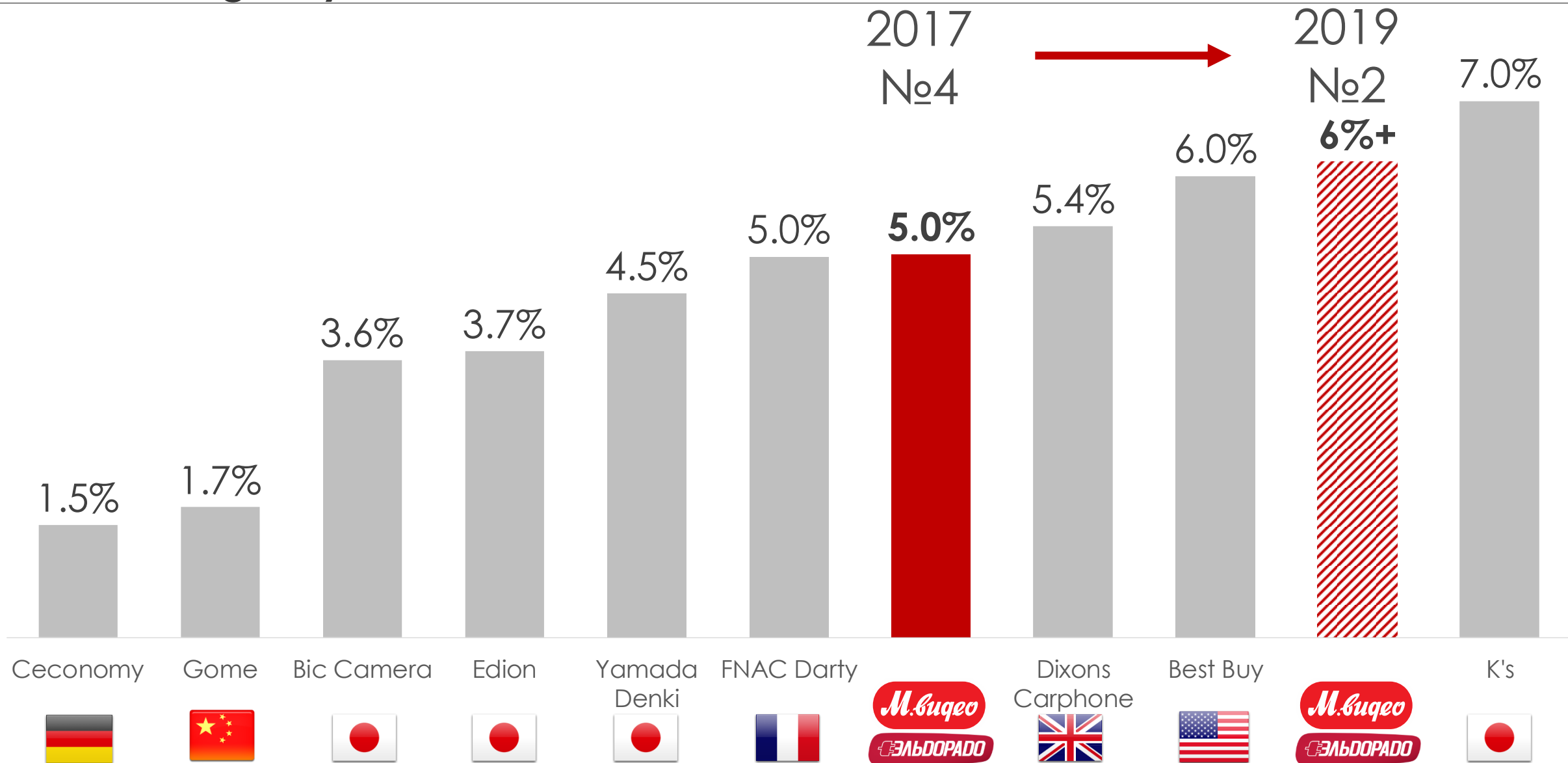
ONE RETAIL

M.Video & Eldorado joint business is in Top-10 public consumer electronics retailers worldwide by revenue

USD million



Combined company to have best-in-class EBITDA Margin by 2019+



Source: companies data as reported for 2017, Thompson Reuters

Joint business to bring additional value to all stakeholders



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APPENDIX I. M.Video Statement of Profit & Loss

	12m 2017		12m 2016		Change YoY	
	RUBm	% of Revenue	RUBm	% of Revenue	RUBm	%
Revenue	198 197		183 219		14 978	8.2%
Cost of Sales	151 670	76.5%	140 284	76.6%	11 386	8.1%
Gross profit	46 527	23.5%	42 935	23.4%	3 592	8.4%
SG&A	40 754	20.6%	37 351	20.4%	3 403	9.1%
Other operating income, net of expenses	2 407	1.2%	1 100	0.6%	1 307	118.8%
Operating profit	8 180	4.1%	6 684	3.6%	1 496	22.4%
Finance income / (cost), net	659	0.3%	511	0.3%	148	29.0%
Profit before income tax	8 839	4.5%	7 195	3.9%	1 644	22.8%
Income Tax Expense	1 885	1.0%	1 649	0.9%	236	14.3%
Net Income	6 954	3.5%	5 546	3.0%	1 408	25.4%
EBITDA	11 794	6.0%	10 344	5.6%	1 450	14.0%

APPENDIX II. M.Video SG&A Expenses

	12m 2017	as % of revenue		12m 2016	as % of revenue
	RUBm	%		RUBm	%
Payroll and related taxes	12 538	6.3%	●	11 415	6.2%
Lease expenses	8 885	4.5%	●	8 621	4.7%
Advertising & promotional expenses	3 827	1.9%	●	3 521	1.9%
Utilities, maintenance & other property operating costs	2 847	1.4%	●	2 802	1.5%
Warehouse services	1 484	0.7%	●	1 469	0.8%
Bank charges	1 600	0.8%	●	1 331	0.7%
Repairs and servicing	1 096	0.6%	●	1 082	0.6%
Security	979	0.5%	●	970	0.5%
Other SG&A	3 884	2.0%	●	2 480	1.4%
Subtotal	37 140	18.7%	●	33 691	18.4%
D&A	3 614	1.8%	●	3 660	2.0%
Total	40 754	20.6%	●	37 351	20.4%

APPENDIX III. M.Video Statement of Financial Position

	31.12.2017	31.12.2016	Change	
	RUBm	RUBm	RUBm	%
Assets				
Non-current Assets	23,663	18,959	4,704	24.8%
Fixed assets	7,936	8,127	(191)	-2.4%
Intangible assets	7,999	6,145	1,854	30.2%
Other non-current	7,728	4,687	3,041	64.9%
Current assets	97,862	81,342	16,520	20.3%
Inventory	52,283	45,170	7,113	15.7%
Accounts receivable	21,611	13,162	8,449	64.2%
Cash	17,791	18,763	(972)	-5.2%
Other	6,177	4,247	1,930	45.4%
Total Assets	121,525	100,301	21,224	21.2%
Liabilities and equity				
Stockholders' equity	23,154	15,951	7,203	45.2%
Equity attributable to owners of the Company	22,924	15,950	6,974	43.7%
Non-controlling interests	230	1	229	22900.0%
Liabilities	98,371	84,350	14,021	16.6%
Accounts payable to suppliers	77,698	66,285	11,413	17.2%
Other current liabilities	20,669	17,990	2,679	14.9%
Other non-current liabilities	4	75	(71)	-94.7%
Total Liabilities and Equity	121,525	100,301	21,224	21.2%

APPENDIX IV. M.Video Cash Flow Statement

	12m 2017	12m 2016	Change YoY	
	RUBm	RUBm	RUBm	%
Operating CF				
Operating cash flows before movements in WC	11,816	10,238	1,578	15.4%
Inventory change	(7,118)	(1,044)	(6,074)	581.8%
Trade payables	11,413	8,123	3,290	40.5%
Others	(8,389)	(1,996)	(6,393)	320.3%
Interest paid	-	(56)	56	-100.0%
Income tax paid	(2,704)	(1,831)	(873)	47.7%
Net CF from operations	5,018	13,434	(8,416)	-62.6%
Investing CF				
CAPEX - PPE	(2,088)	(1,816)	(272)	15.0%
CAPEX - IA	(3,168)	(2,368)	(800)	33.8%
Net inflow\ (outflow) from deposits	(1,631)	-	(1,631)	100.0%
Investment in associates	(15)	-	(15)	100.0%
Withdrawal of deposits with an original maturity of more than 90 dc	-	800	(800)	-100.0%
Interest received	661	527	134	25.4%
Net CF from investing activities	(6,241)	(2,857)	(3,384)	118.5%
Financing CF				
Net CF from financing activities	249	(3,591)	3,840	106.9%
Net increase/(decrease) in cash and cash equivalents	(974)	6,986	(7,960)	-113.9%
Net foreign exchange difference	2	(2)		
CASH AND CASH EQUIVALENTS, bop	18,763	11,779	6,984	59.3%
CASH AND CASH EQUIVALENTS, eop	17,791	18,763	(972)	-5.2%