

Detsky Mir Group Adjusted EBITDA Increased by 40% in May 2020

Moscow, Russia, 15 June 2020 – Detsky Mir Group (the “Group”, “Detsky Mir” or the “Company”, MOEX: DSKY), the largest specialized children’s goods retailer in Russia and Kazakhstan, is disclosing select operational and unaudited financial performance metrics for April and May 2020, in connection with the gradual lifting of emergency lockdown and quarantine measures in Russia related to the COVID-19 epidemic¹.

May 2020 Financial Highlights²

- The Group’s net consolidated unaudited revenue increased by 6.7% year-on-year to RUB 10.1bn.
- Online revenue³ grew by 3.3x year-on-year to RUB 3.1 bn.
 - The share of online sales in total net revenue of Detsky Mir in Russia increased 3x relative to May-19 to 32%.
 - At the same time, the share of courier delivery service grew by 9.6 p.p. year-on-year to 22.4%.
- As of 31 May 2020, the majority of the Group’s 851 stores⁴ remained open to customers.
 - In Russia, 38 Detsky Mir stores, as well as all 58 ELC and ABC stores were temporarily closed
 - The Company fully reopened its entire retail chain in Kazakhstan.
 - All Detmir stores in Belarus continued to operate as normal.
- Gross margin increased by 0.6 p.p. relative to May-19 to 29.6%, mainly thanks to a substantial rise in the share of “Fashion and Footwear” category (growth of 7.6 p.p. relative to May-19 to 35%). The share of sales of high-margin goods grew thanks to pent-up demand and the upcoming summer season.
- SG&A⁵ as a percentage of revenue decreased by 1.6 p.p. relative to May-19 to 20.1%.
 - Thanks to the anti-crisis measures undertaken, the Company reduced its leasing costs as a percentage of revenue by 0.9 p.p. relative to May-19.
 - Personnel costs as a percentage of revenue decreased by 0.1 p.p. relative to relative to May-19.
 - The high growth of free traffic in the online channel allowed to optimize marketing expenses as a percentage of revenue by 0.04 p.p. relative to May-19.
- Adjusted EBITDA margin increased by 2.4 p.p. relative to May-19 to 10.0%.
 - Adjusted EBITDA⁶ increased by 40% year-on-year to RUB 1,005 m.
 - EBITDA⁷ increased by 38.7% year-on-year to RUB 959 m.
- Net debt⁸ as of 31 May 2020 totalled RUB 26.4bn. Net debt/adjusted EBITDA LTM⁹ ratio was 1.8x against 2.1x at the end of May-19.

April 2020 Financial Highlights

- The Group’s net consolidated unaudited revenue decreased by 19.9% year-on-year to RUB 7.5 bn.
- Online revenue grew by 3.7x year-on-year to RUB 2.9 bn.

(1) This is a one-off disclosure of financial information aimed at providing investors with sufficient information on the Company’s operations during the COVID-19 period. The Company does not plan to provide similar disclosure of results on a monthly basis.

(2) Hereinafter, data are presented without taking into account the application of IFRS standard 16 “Leases”. The Company’s consolidated financial measures for 2019-2020 and related interim periods are based on proforma financial information prepared as if IFRS 16 “Leases” had not been adopted, and thus do not represent IFRS measures.

(3) Hereinafter, this channel includes online orders at www.detmir.ru, including in-store pick-up.

(4) Including 58 ELC and ABC stores, five Detmir Pickup stores as well as eleven Zoolavr stores.

(5) Hereinafter, selling, general and administrative expenses do not include depreciation and amortization expenses, as well as additional share-based compensation expense and cash bonuses under the LTI program.

(6) Hereinafter, adjusted EBITDA is calculated as profit for the period before income tax expense, foreign exchange loss/gain, finance expense, finance income, depreciation and amortization of fixed assets and intangible assets, adjusted for share-based compensation expense and cash bonuses under the LTI program.

(7) Hereinafter, EBITDA is calculated as profit for the period before income tax expense, foreign exchange loss/gain, finance expense, finance income, and depreciation and amortization of fixed assets and intangible assets.

(8) Hereinafter, net debt is calculated as total borrowings (defined as long-term loans and borrowings and short-term loans and borrowings, and current portion of long-term loans and borrowings) less cash and cash equivalents. Lease liabilities are not included in the calculation of net debt.

(9) Hereinafter, adjusted EBITDA LTM is calculated as adjusted EBITDA for the last 12 months.

- The share of online sales in total net revenue of Detsky Mir in Russia increased almost 5x relative to April-19 to 41.6%.
- At the same time, the share of courier delivery service grew by 14.1 p.p. year-on-year to 25.3%.
- As of 30 April 2020, the majority of the Group's 846 stores remained open to customers.
 - In Russia, 83 Detsky Mir stores, as well as all 58 ELC and ABC stores were temporarily closed.
 - 36 stores were temporarily closed in Kazakhstan, though facilities for pickups of online orders were organized at most of the closed store locations.
 - All Detmir stores in Belarus continued to operate as normal.
- Gross margin decreased 8.7 p.p. relative to April-19 to 27.8%, mainly due to a significant increase in the share of sales of low-margin products (baby food, diapers).
- SG&A as a percentage of revenue decreased by 2.1 p.p. relative to April-19 to 20.1%. Thanks to the anti-crisis measures taken, the managed to reduce its leasing and personnel costs as a percentage of revenue by 0.7 p.p. and 1.2 p.p. relative to April-19, respectively.
- Adjusted EBITDA margin decreased by 7.3 p.p. relative to April-19 to 7.8%.
 - Adjusted EBITDA decreased by 58.8% year-on-year and was RUB 580 m.
 - EBITDA decreased by 58.1% year-on-year and totalled RUB 576 m.
- Net debt as of 30 April 2020 totalled RUB 27.9 bn. Net debt/adjusted EBITDA LTM ratio was 2.0x against 1.8x at the end of April-19.

Maria Davydova, PJSC Detsky Mir Chief Executive Officer, said:

"Thanks to the active transformation into an omnichannel business in recent years and the focus on operational efficiency, we have been able to adapt quickly to the current highly turbulent market. In May, we continued to consolidate our online channel, significantly increasing its share in total sales, and our total sales returned to growth. Based on the results of the first 11 days of June, we accelerated the Group's total sales growth rate to 32.3% year-on-year, and are planning to open all of the 34 stores that remain temporarily closed to customers by the end of this month. Thanks to the timely anti-crisis measures taken to reduce operating expenses, we managed not only to maintain high profitability of our business in April, but also to increase our adjusted EBITDA in May by 40% year-on-year."

As part of the strategy that focuses on the online channel, our key tasks are to expand the assortment of children's goods, to launch our marketplace full-scale in August, and to strengthen our logistics capabilities by launching regional distribution centers in large cities across Russia. We are also constantly improving the user experience in all of our services and sales channels, guided by the "mobile first" principle aimed at sales promotion via mobile devices. Our main goal is to become one of the key apps on our customers' smartphones."

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The Detsky Mir Group of Companies (MOEX:DSKY) is a multi-format retailer and the leader in the children's goods sector in Russia. The Group comprises the Detsky Mir and the Detmir Pickup retail chains, the ELC (Early Learning Centre in Russia) and the ABC retail chains, as well as the Zoozavr pet supplies retail chain. The Company operates a retail chain of 777 Detsky Mir stores located in 298 cities in Russia, Kazakhstan and Belarus, five Detmir Pickup stores, as well as 46 ELC, 12 ABC and eleven Zoozavr stores as of 31 May 2020. The total selling space was approximately 851,000 square meters.

Detsky Mir Group's shareholder structure as of the date of this announcement is as follows: PJSC AFK Sistema¹⁰ – 33.38%; Russian-Chinese Investment Fund (RCIF)¹¹ – 7.56%, Free float – 59.06%.

Websites: detmir.ru, elc-russia.ru, ir.detmir.ru

(10) Sistema PJSC is a publicly-traded diversified Russian holding company serving over 150 million customers in the sectors of telecommunications, children's goods retail, paper and packaging, healthcare services, agriculture, high technology, banking, real estate, pharmaceuticals and hospitality

(11) RCIF, an equity investment fund established by the Russian Direct Investment Fund (RDIF) and China Investment Corporation (CIC), holds its stake in PJSC Detsky Mir through its funds: Floette Holdings Limited and Exarzo Holdings Limited.

Disclaimer:

Some of the information in these materials may contain projections or other forward-looking statements regarding future events or the future financial performance of Detsky Mir. You can identify forward looking statements by terms such as “expect”, “believe”, “anticipate”, “estimate”, “intend”, “will”, “could,” “may” or “might” the negative of such terms or other similar expressions. Detsky Mir wishes to caution you that these statements are only predictions and that actual events or results may differ materially. Detsky Mir does not intend to update these statements to reflect events and circumstances occurring after the date hereof or to reflect the occurrence of unanticipated events. Many factors could cause the actual results to differ materially from those contained in projections or forward-looking statements of Detsky Mir, including, among others, general economic conditions, the competitive environment, risks associated with operating in the Russian Federation, rapid technological and market change in the industries Detsky Mir operates in, impact of COVID-19 pandemic on macroeconomic situation on the markets of presence and financial results of Detsky Mir and its subsidiaries, as well as many other risks specifically related to Detsky Mir and its operations.