



Detsky Mir Strategy 2020



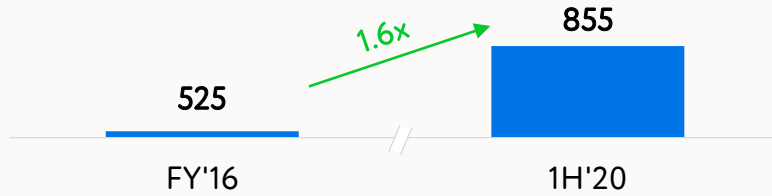
Executive Summary

Maria Davydova (CEO)

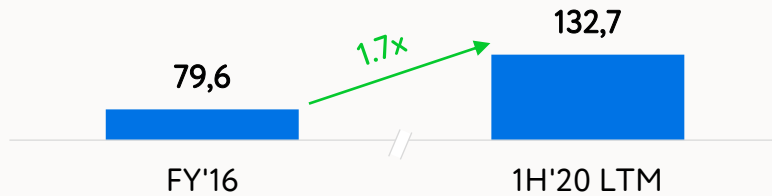
Detsky Mir – 3.5 years as a public company

Strong performance since IPO

Total number of stores



Total revenue (RUB bn)



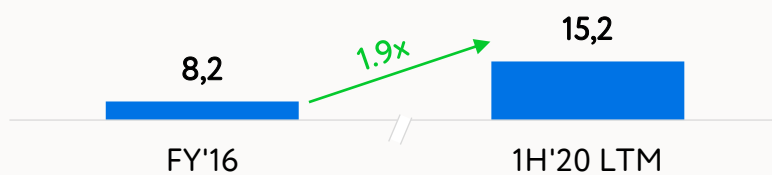
Online sales (RUB bn)

as % of total revenue



Adj. EBITDA IAS 17 (RUB bn)

Margin (%)



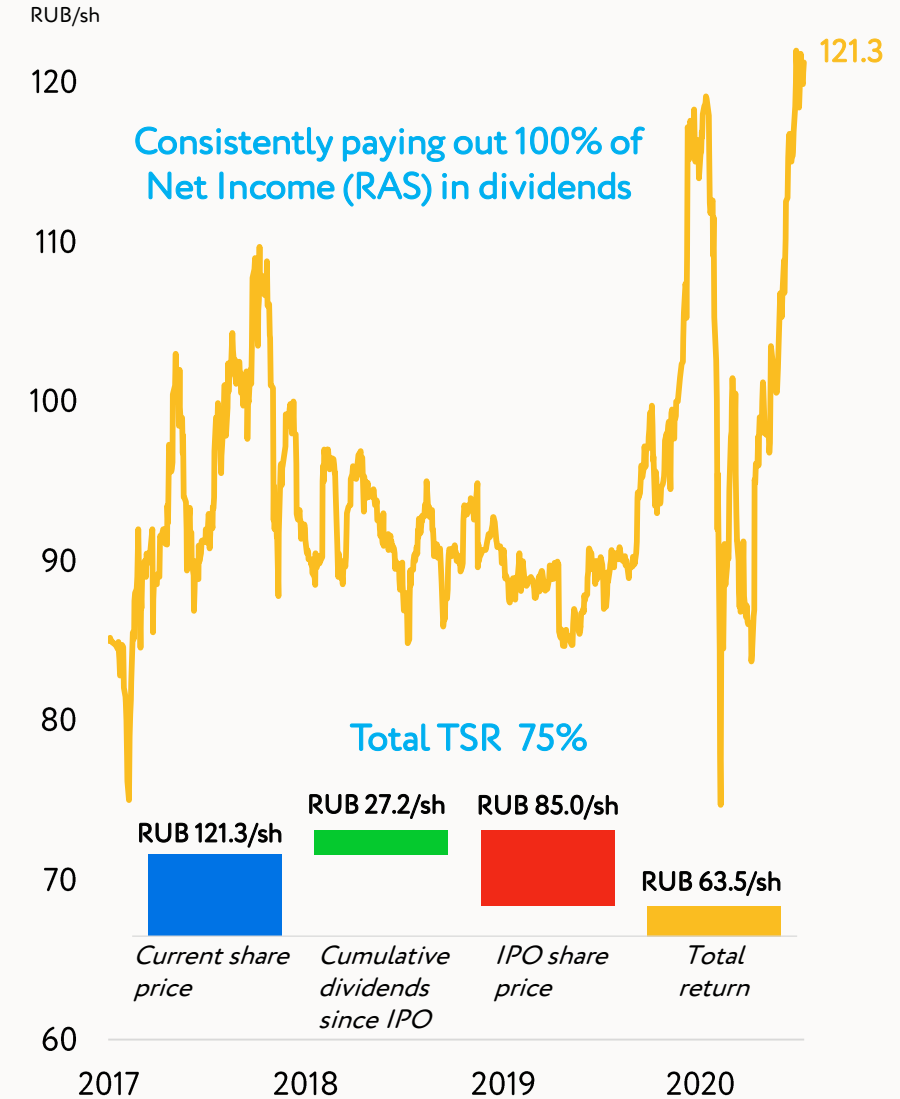
Consistently delivering on guidance

Historical performance vs. guidance



Generating attractive returns for investors

Detsky Mir share price performance since IPO

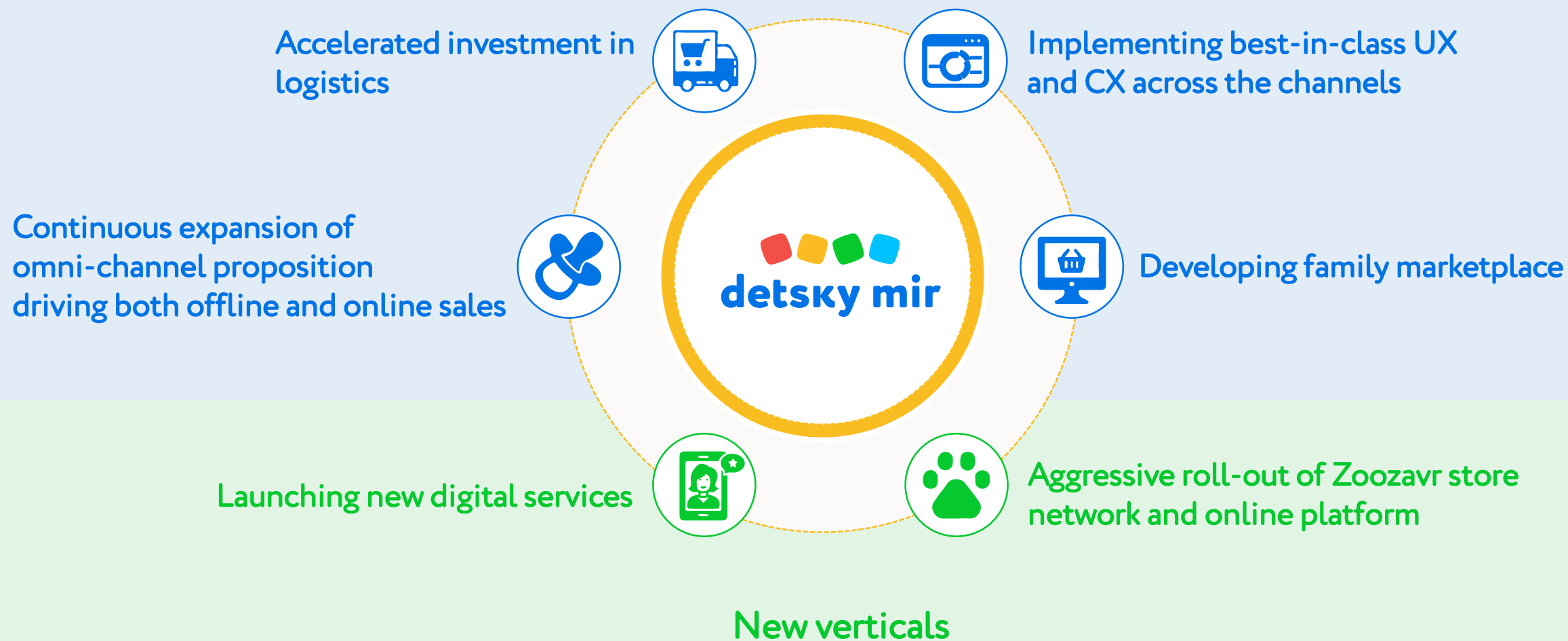


Source: Company data, FactSet as of 19 August 2020

¹ Share of online sales in 1H 2020.

Our Strategy 2020 – key building blocks

Solidify leadership in the children's goods retail



Cement & build on the omni-channel leadership

Expand omni-channel retail platform

Opening **300+** Detsky Mir stores and **800** Detmir pick-up points;

Now targeting **45%** share of online sales

(# of Detsky Mir stores and Detmir pick-up points)

Now¹ **787** → Mid-term **1,901**

(% share of online sales)

Now¹ **c.25%** → Mid-term **45%**

Accelerated investment in logistics

c.80% of online orders to be delivered next-day

(% of next-day)

Now² **30%** → Mid-term **80%**

- Launch of **2** Federal DCs and **3** Regional DCs
- Federal DC capex - **RUB 2.5bn**, Regional DC capex - **RUB 100m**

Enhancing UX/CX

Achieving **70%** NPS across the channels

(NPS %)

Now² **55%** → Mid-term **70%**

- Mobile first concept
- Developing **best-in-class** app
- Store digitalisation initiatives underpinning online sales via offline channel

Marketplace to drive assortment breadth

Targeting **2,400k** SKUs

(k SKUs)

Now¹ **150** → Mid-term **2,400**

- Leadership in the assortment breadth
- Development of VAS for merchants – accounting, advertising and promotion

Omni-channel leadership thanks to RUB 4bn CAPEX in mid-term in our IT platform, including logistics, IT infrastructure and licenses, marketplace and UX

Source: Company data

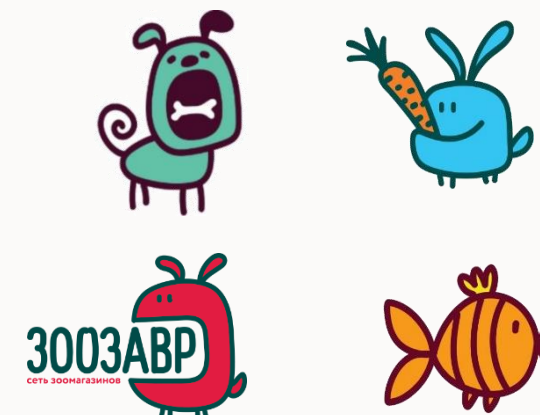
¹ As of 30 June 2020

² Latest available data

Synergetic growth in new verticals

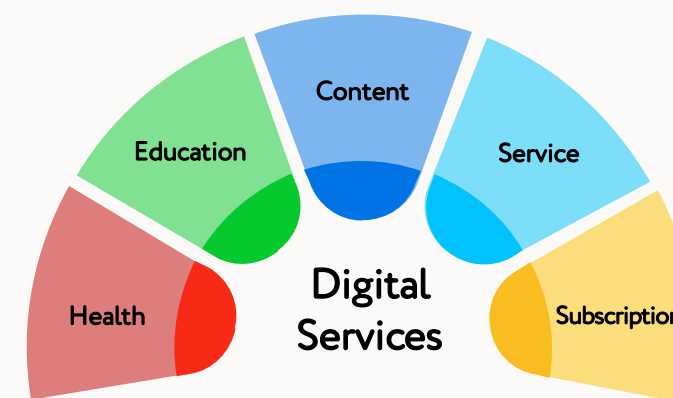
Zoozavr – specialised pet supplies shop

- Pipeline of **500 Zoozavr stores** in mid-term, share of online **30%+**
- Targeting **double-digit** market share in mid-term
- Introduction of **private label** categories aiming to achieve **30%** share in mid-term



Digital services and entertainment for children

- Defining key monetary KPIs and selection criteria
- Targeting launch of **at least 2 children's digital services** in mid-term
- Focus on building long-term relationships with the client



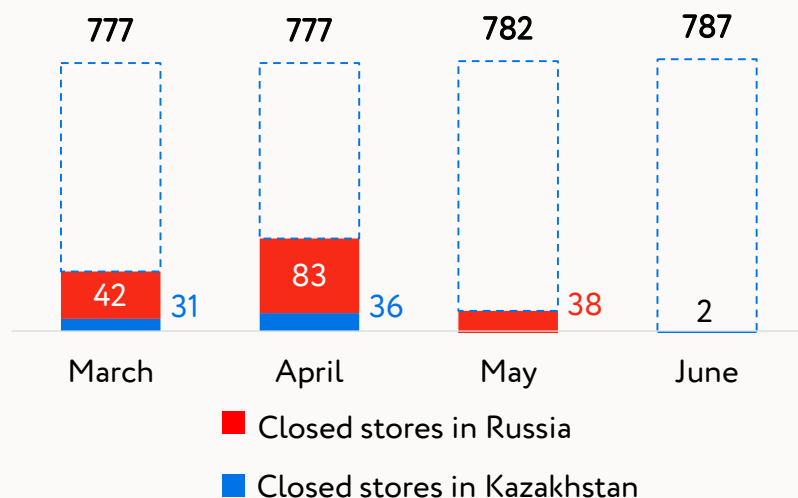


Recent financial performance and Covid-19 impact update - Q2 2020

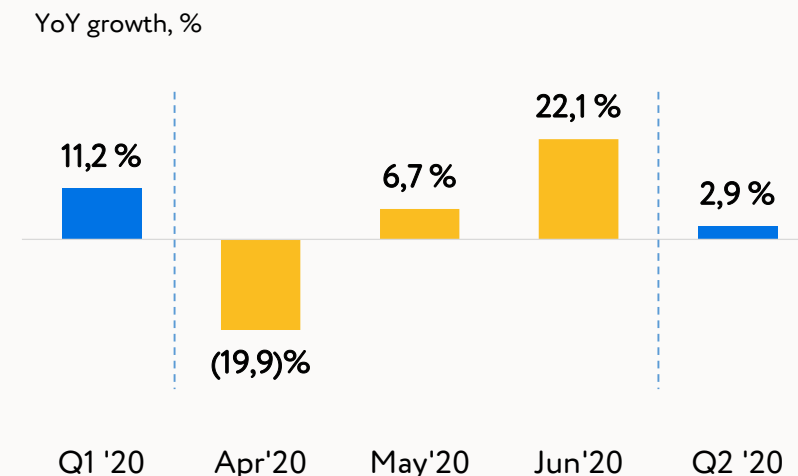
Anna Garmanova (CFO)

Impact of Covid on business performance

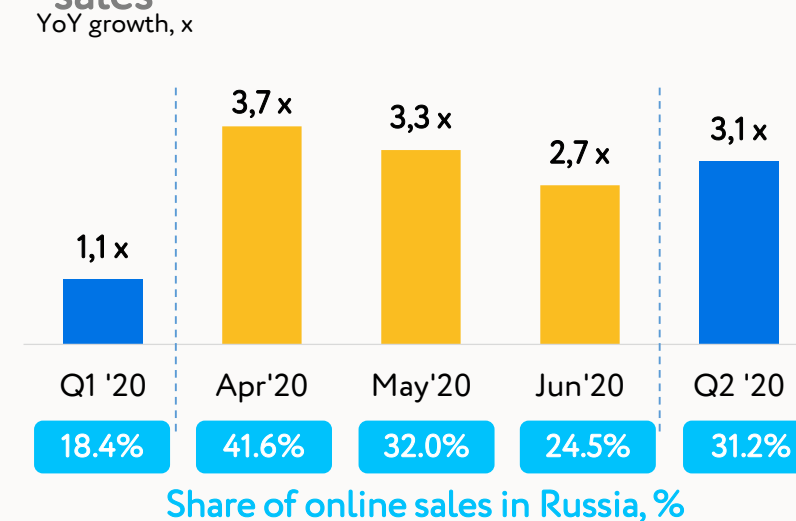
DM store closings were limited



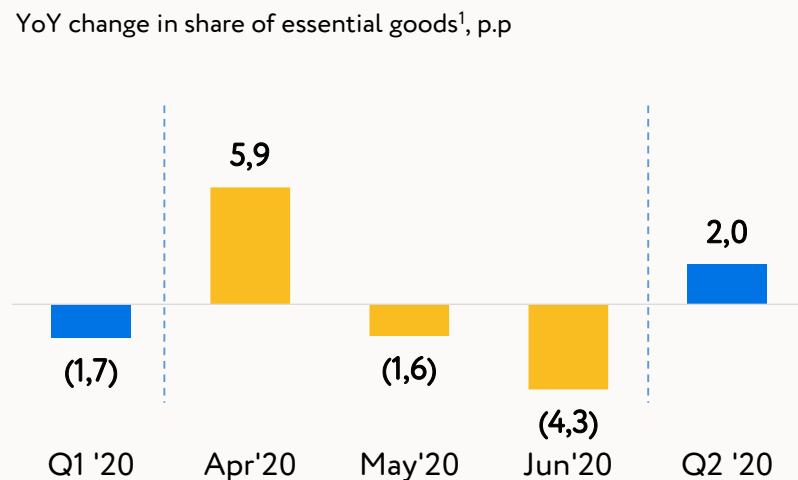
Sales rapidly recovered ...



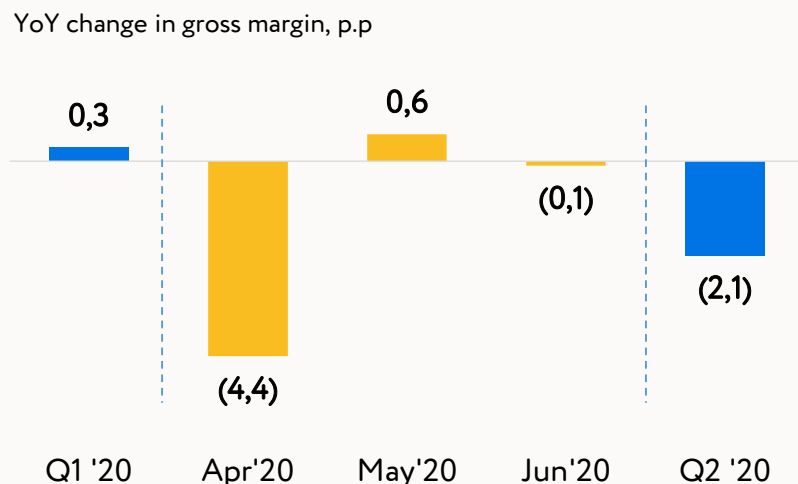
...thanks to explosive growth in online sales



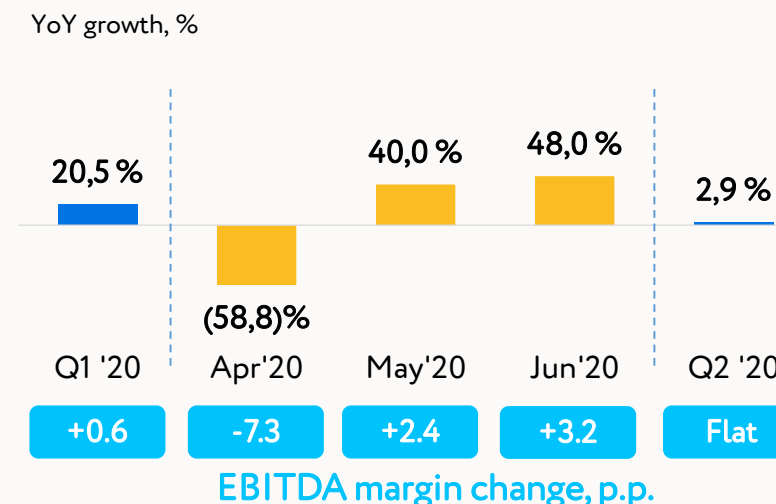
Change in the share of essential goods¹...



...negatively affected gross margin...



... while cost measures helped to restore EBITDA growth

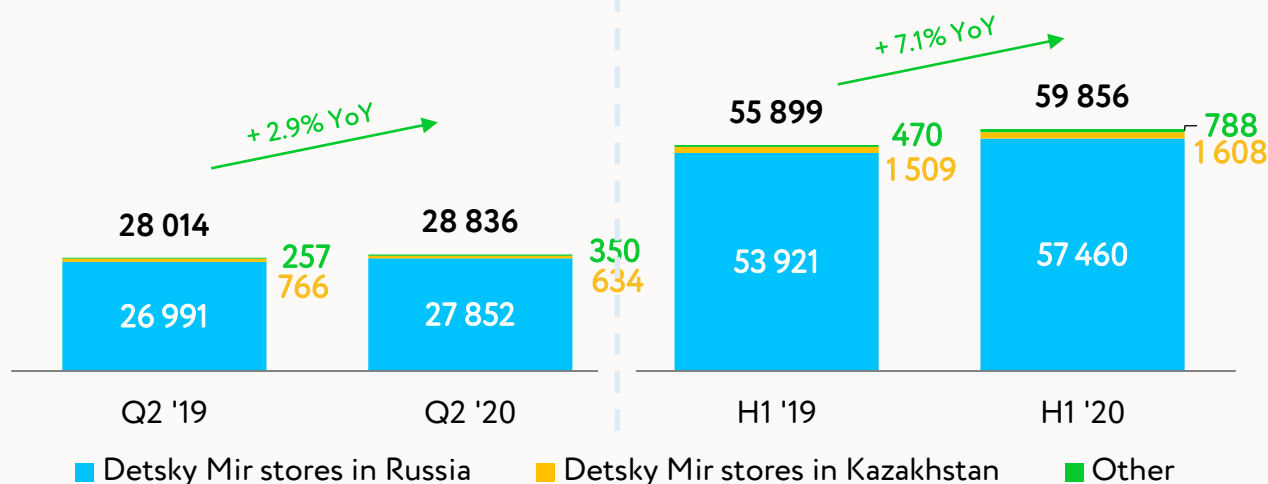


Source: Company data

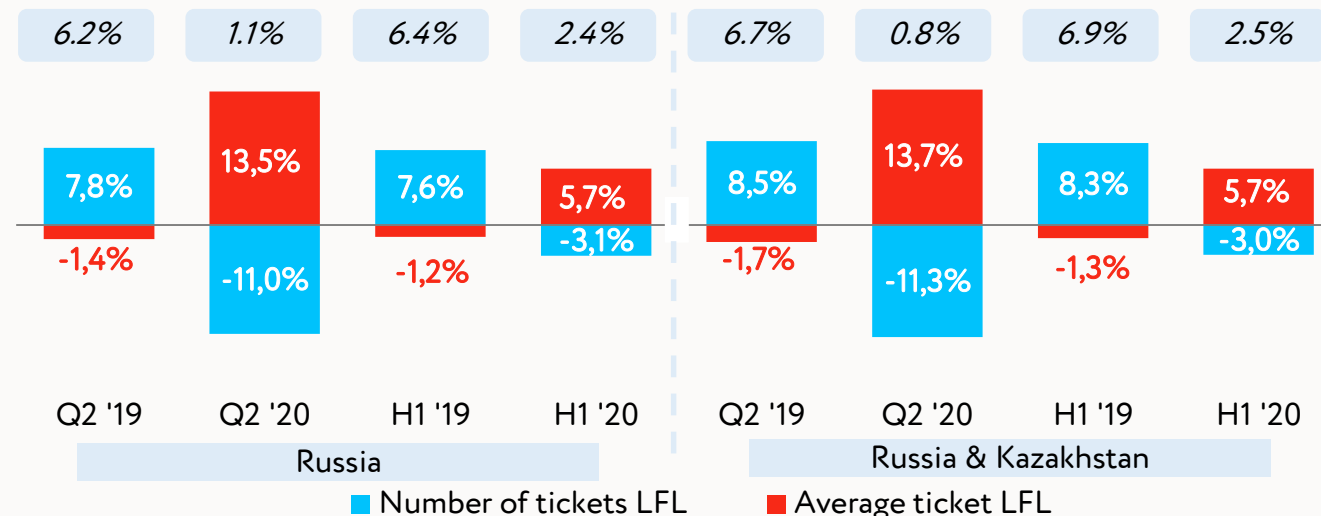
¹ Essential goods include newborn category

Continued top-line growth

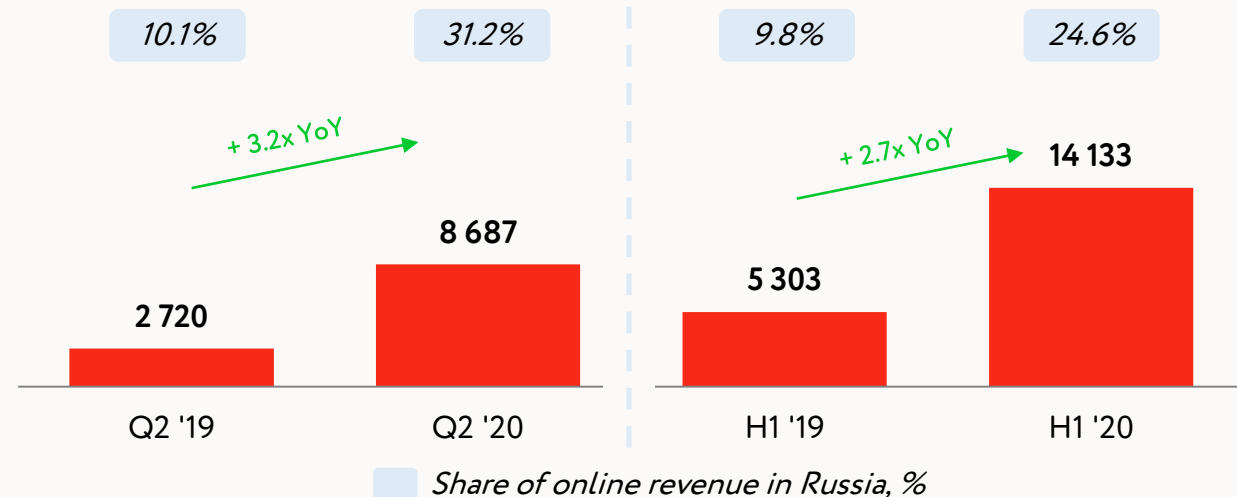
Total revenue (RUB m)



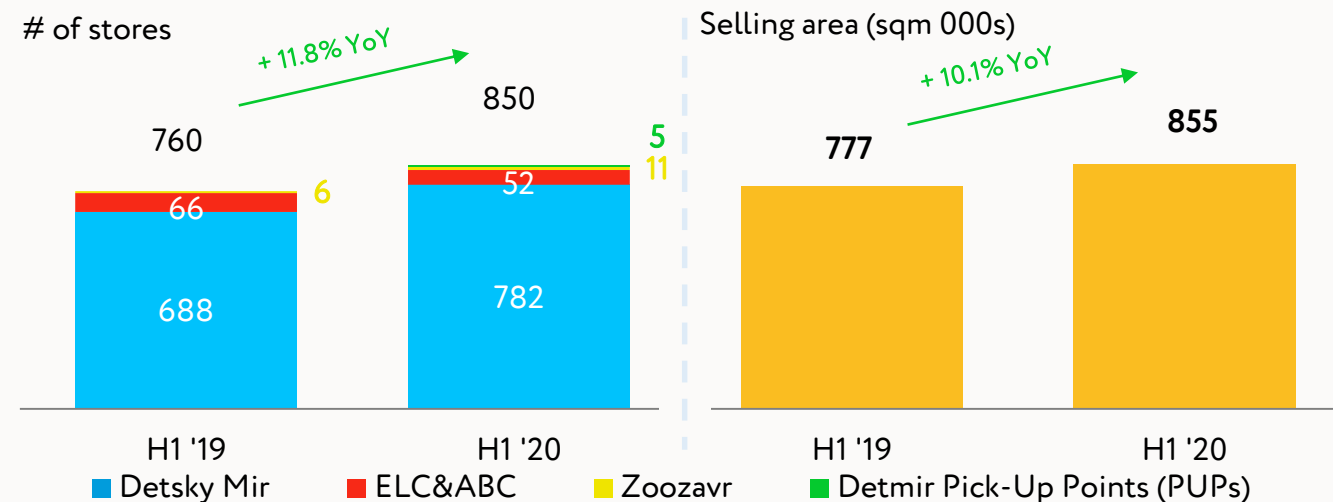
Like-for-like sales growth



E-commerce revenue (RUB m)



Retail chain



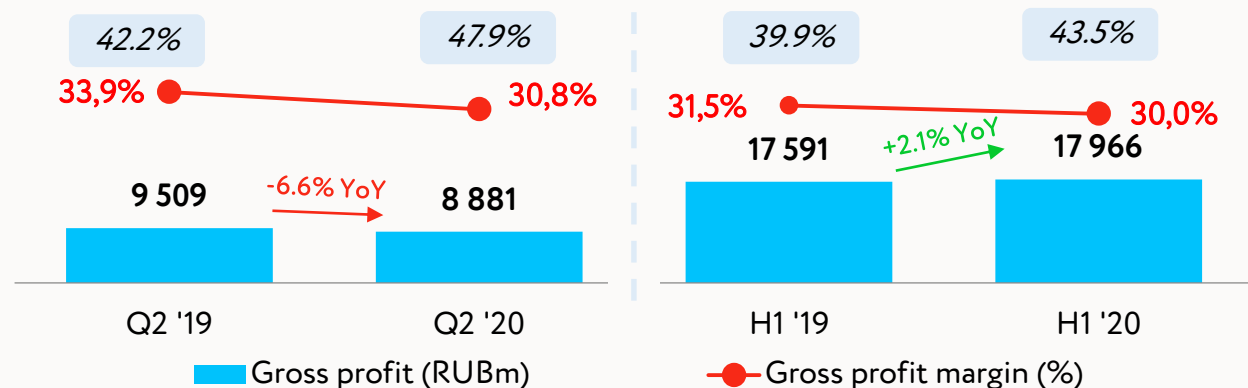
Source: Company data. The Company's consolidated financial measures for 2019-2020 and related interim periods are based on proforma financial information prepared as if IFRS 16 'Leases' had not been adopted, and thus do not represent IFRS measures.

¹ This segment includes performance of ELC, ABC, Zoozavr stores as well as Detsky Mir retail chain in Belarus (8 stores)

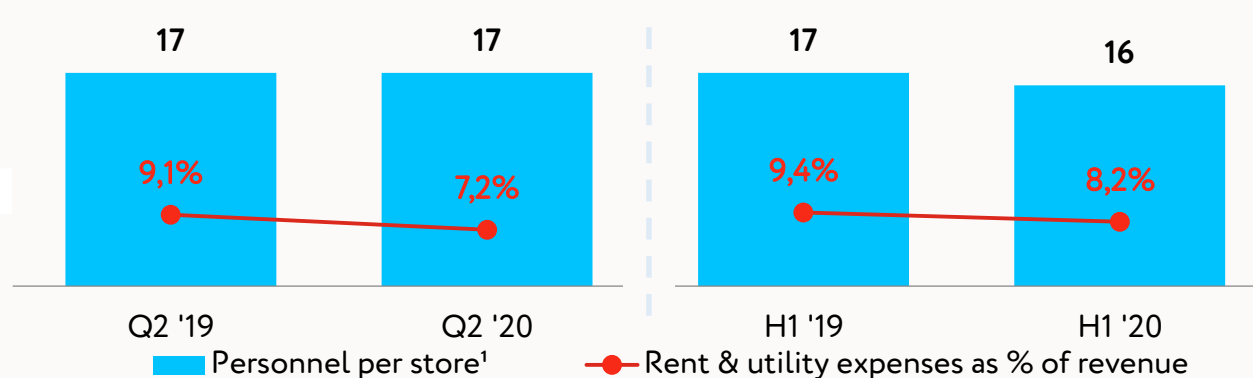
Consistently strong profitability

Keep investing gross margin in price leadership ...

Private label & direct imports, % of revenue

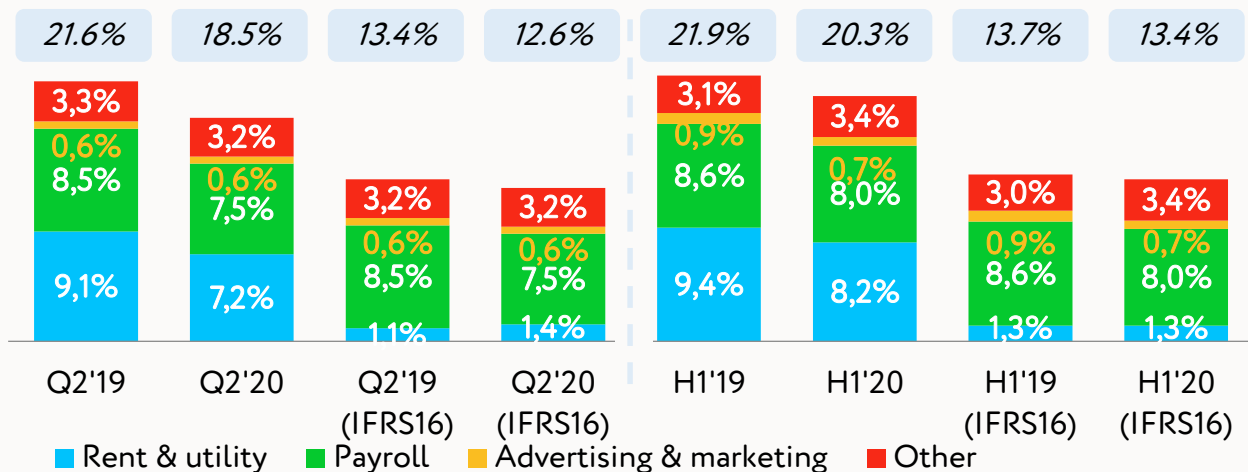


... while optimising store personnel and reducing rental costs ...

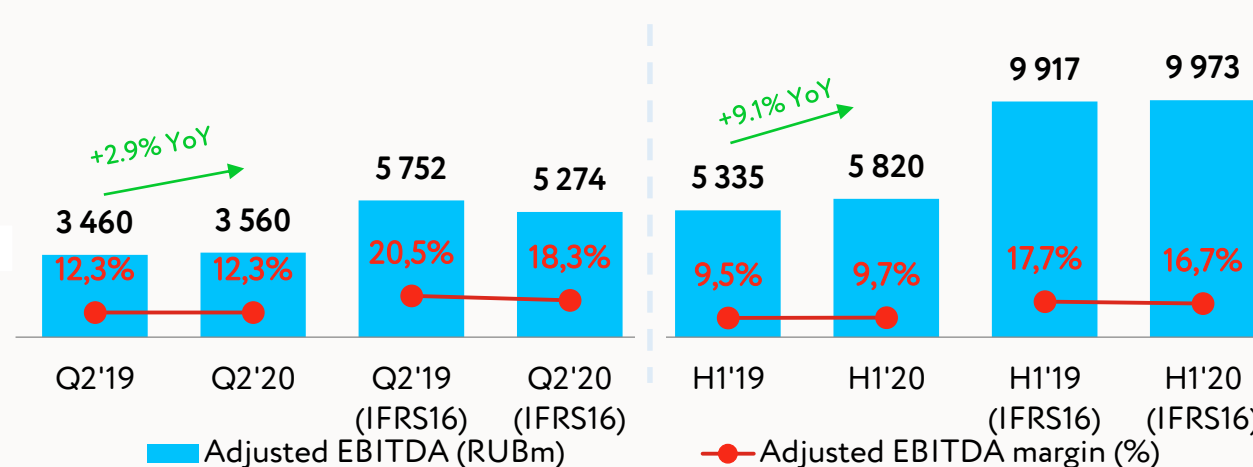


... to reduce SG&A expenses as % of revenue...

Adjusted SG&A expenses² as % of revenue



... and drive solid profitability



Source: Company data. 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.

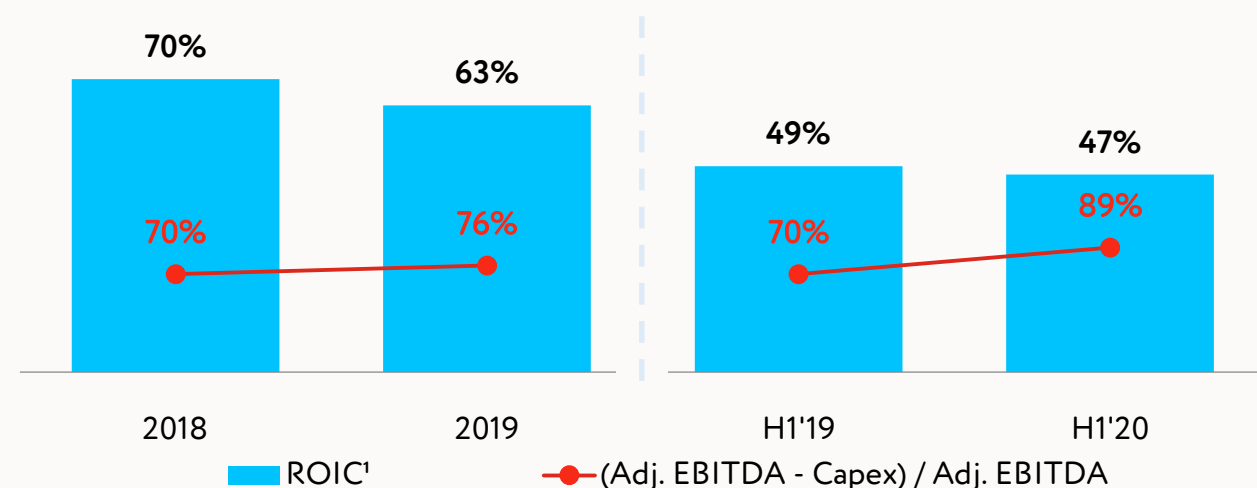
¹ Excluding personnel in headquarters. ² Hereinafter, adjusted selling, general and administrative expenses is calculated as selling, general and administrative expenses adjusted for depreciation and amortisation expenses, additional share-based compensation expense and cash bonuses under the LTI program.

Strong cash flow conversion

Comments

- Strong cash conversion (Adj. EBITDA - Capex) / Adj. EBITDA driven by high ROIC
- Increase in NWC led to significant decline in operating cash flow:
 - Slowing total sales growth in Q2 2020 due to COVID-19
 - Extra inventory added to mitigate FX risks with net effect of RUB 1bn on NWC
- Increase in financing expense on the back of the increase in the cash position to RUB 11 bn (financed by debt) in April-May
- Disciplined capex focused on store openings and selective investments in IT and infrastructure; limited maintenance capex requirements

Strong cash conversion and financial returns



Cash flow (RUB m)

	2018	2019	H1'19	H1'20	H1'19 IFRS 16	H1'20 IFRS 16
Adjusted EBITDA	12,666	14,725	5,335	5,820	9,917	9,973
Changes in NWC	(7,156)	(132)	(6,893)	(11,128)	(6,681)	(11,199)
Cash income taxes paid	(1,083)	(1,696)	(659)	(712)	(659)	(712)
Net finance expense paid	(1,624)	(2,023)	(988)	(1,106)	(2,245)	(2,338)
Other operating cash flow	688	348	143	436	95	394
Operating cash flow	3,489	11,222	(3,062)	(6,689)	428	(3,882)
CAPEX	(3,793)	(3,507)	(1,616)	(669)	(1,616)	(669)
DC construction	(1,825)	(449)	(378)	(102)	(378)	(102)
Store openings, IT & maintenance ²	(1,968)	(3,058)	(1,238)	(567)	(1,238)	(567)
Free cash flow	(303)	7,715	(4,678)	(7,358)	(1,189)	(4,550)
Investment cash flow	(3,794)	(3,467)	(1,596)	(648)	(1,596)	(648)
Financial cash flow	483	(9,322)	2,641	8,499	(849)	5,692
Change in cash	180	(1,567)	(2,017)	1,162	(2,017)	1,162

Source: Company data

Note: 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

1 Calculated as operating profit for the past 12-months period, divided by average capital invested (simple average of the balance of capital invested at the end of respective periods). Capital invested is calculated as net debt plus total equity/(equity deficit); 2 In 2019, the increase in capital expenses was driven by a RUB 844m payment (net of VAT) for the acquisition

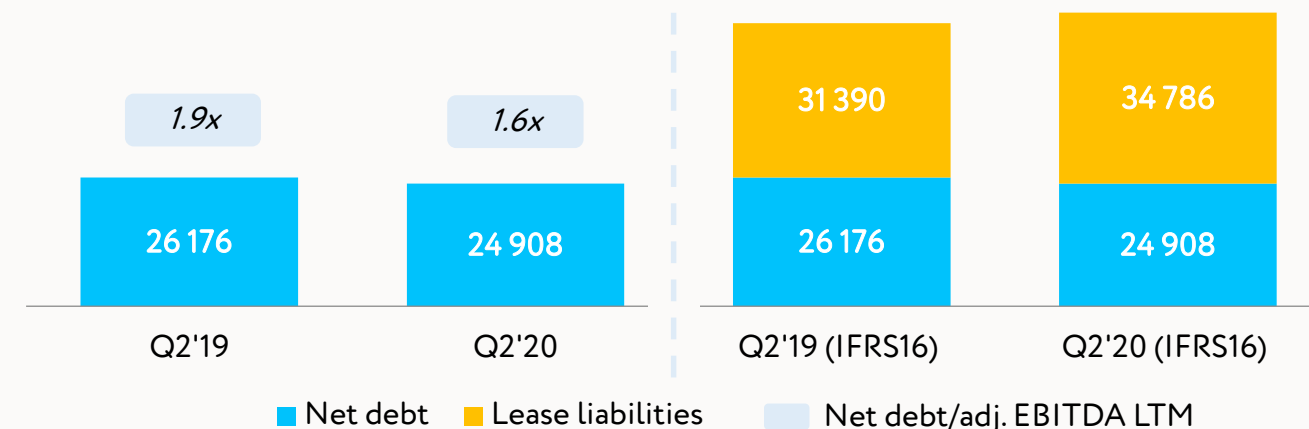
Conservative financial policy

Comments

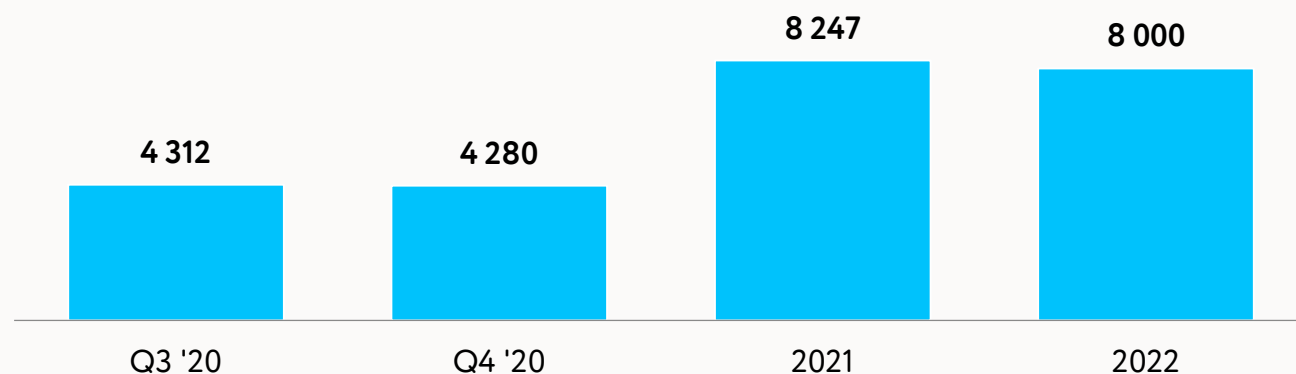
- Commitment to a conservative financial policy
 - Fully RUB-denominated debt to match RUB revenue, mostly fixed rates
 - Relationships with multiple Russian and international banks
- Net debt / adj. EBITDA ratio as of 30 June 2020 is 1.6 vs. 4.0x average covenant level across the loan portfolio (before IFRS-16)
 - Decreased YoY thanks to CAPEX and NWC optimisation
- Weighted average interest rate¹ –7.5% (as of Q2'20)
- No contingent off-balance sheet liabilities
- Available undrawn credit limit of RUB 27.7bn for refinancing of the current credit portfolio aiming at its further diversification and cost reduction

Leverage

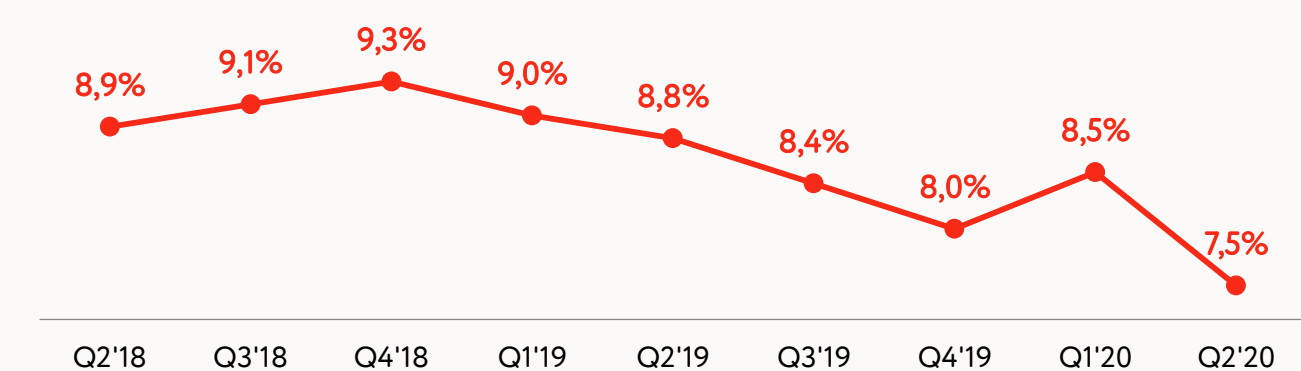
Q2'20 total debt – RUB 27.8bn



Debt maturities as of 30 June 2020 (RUB m)



Weighted average interest rate¹ (%)



Source: Company data

Note: 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

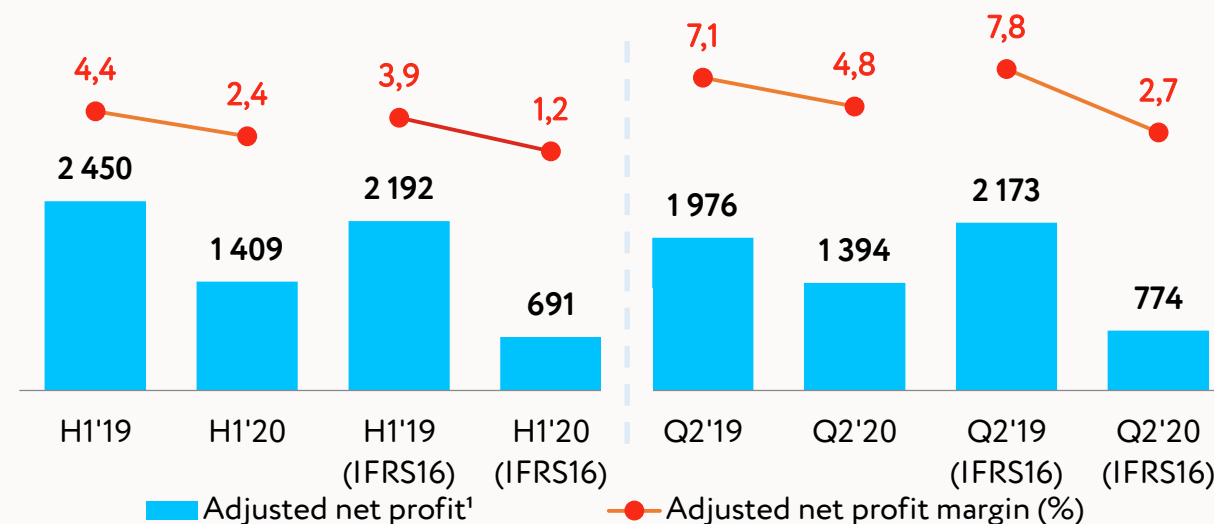
¹ Calculated on the basis of the weighted interest rates applying to the specified indebtedness (weighted by the principal amount of such indebtedness) as of the dates specified

Sustainably high returns to shareholders

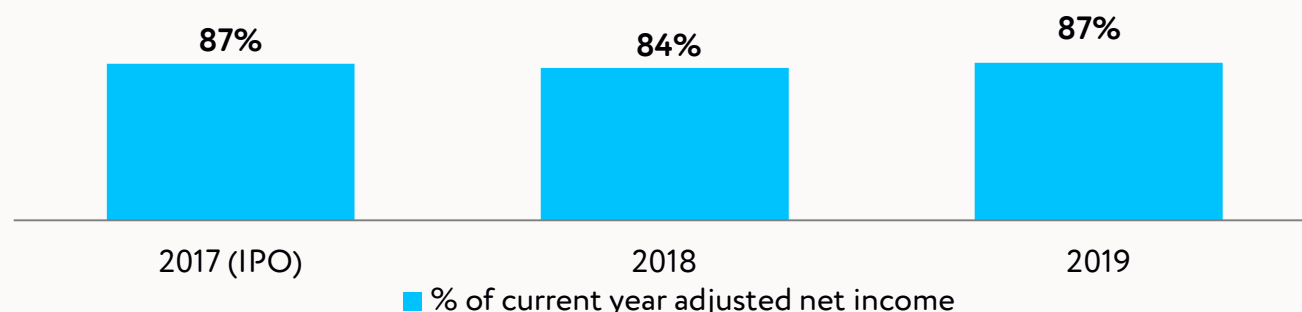
Comments

- Asset-light cash generative model underpins significant dividend paying capacity
 - Dividends as major differentiator from most Russian high-growth retailers
 - Able to consistently maintain sound leverage levels despite significant dividend payout
- Dividend policy: payout ratio of at least 50% of consolidated IFRS net income for the previous year
 - Historically, paying out up to 100% of net income under RAS
 - Typically two dividend payments per year (9m interim and full year)
- Detsky Mir paid out interim dividends of RUB 3.7bn for 9m 2019 in Q4 2019, and dividends of RUB 2.2bn for 2019 in Q2 2020.
- BoD recommended EGM to approve a dividend payment of the remaining undistributed profit for Q4 2019 of RUB 1.8bn. The record date for dividend is 29-Sep-2020.
- Unrealised FX losses of RUB 1.5bn affected adjusted net losses in H1'20.

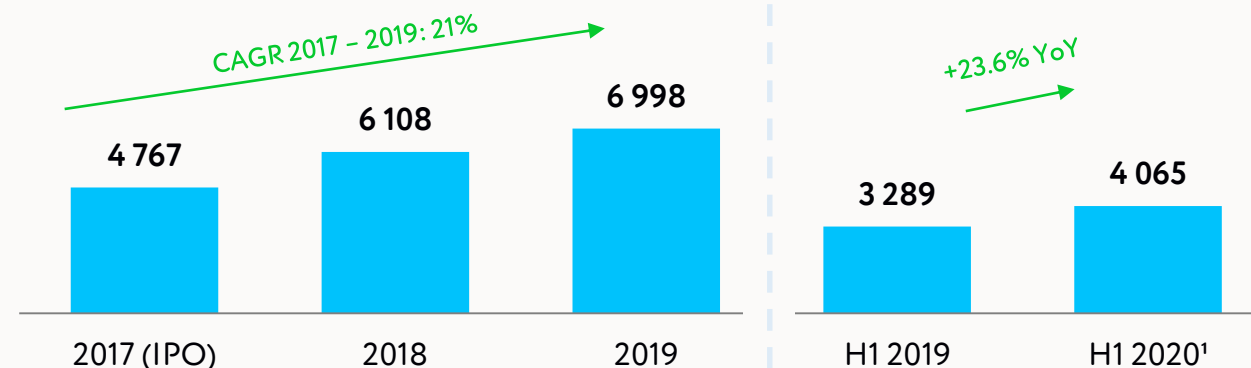
Adjusted net income (RUB m)¹



Dividends as % of adjusted net income



History of declared dividends (RUB m)



Source: Company data

Note: 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

¹ Hereinafter adjusted net profit is calculated as profit for the period adjusted for the share-based compensation expense and cash bonuses under the LTI program

² Declared dividends includes the BoD's recommendation of the payment of the remaining undistributed profit for Q4 2019 (RUB 1.8bn or RUB 2.5 per ordinary share)

Guidance update

	2019 actual	Previous guidance (5-Mar-2018, updated 7-Nov-2019)	New guidance
New store openings	<ul style="list-style-type: none"> 101 new stores 	<ul style="list-style-type: none"> At least 100 new stores in 2019 80 stores in 2020 (mostly opened in Q4) At least 300 stores in medium-term 	<ul style="list-style-type: none"> 70 Detsky Mir stores in 2020 (mostly in Q4) At least 300 Detsky Mir stores in medium-term Detmir PUP: 10 in 2020; 800 in medium-term Zoozavr: 10 in 2020; 500 in medium-term
Revenue	<ul style="list-style-type: none"> 7.2% total LFL growth, 8.5% ticket 16.1% total revenue growth Share of online sales at 11.2% 	<ul style="list-style-type: none"> Single-digit LFL growth ahead of the market, positive traffic, below inflation ticket, puts new store ramp-up effects Online revenue to increase to ~30% of total revenue 	<ul style="list-style-type: none"> New strategic initiatives (Zoozavr, PUP, MP) allow the Company to sustain similar growth rate as in past few years (double-digit total sales growth) Online revenue to increase to 45% of total revenue
Adjusted EBITDA margin	<ul style="list-style-type: none"> 18.5% under IFRS16 11.4% under IAS17 32.3% gross margin Rent & utility expenses of 8.6% and personnel expenses of 8.0% of sales 	<ul style="list-style-type: none"> Double-digit under IAS17 Upper-teens under IFRS16 Continued gross margin investment in traffic Reduced personnel & rental expense margins thanks to efficiency 	<ul style="list-style-type: none"> 10% area under IAS17 Double-digit under IFRS16 Continued gross margin investment in traffic Grow share of higher-margin PL sales to ~60% Reduced personnel & rental expense margins thanks to efficiency
Leverage	<ul style="list-style-type: none"> 1.2x leverage 	<ul style="list-style-type: none"> Conservative financial policy 	<ul style="list-style-type: none"> Conservative financial policy with target leverage below 2.0x
Dividends	<ul style="list-style-type: none"> 87% of IFRS net income 	<ul style="list-style-type: none"> Payout ratio of at least 50% of IFRS net income Management recommendation - 100% of RAS net income 	<ul style="list-style-type: none"> Payout ratio of at least 50% of IFRS net income Management recommendation - 100% of RAS net income



Market

Sergey Levitskiy
(Head of Strategy and Investor Relations)

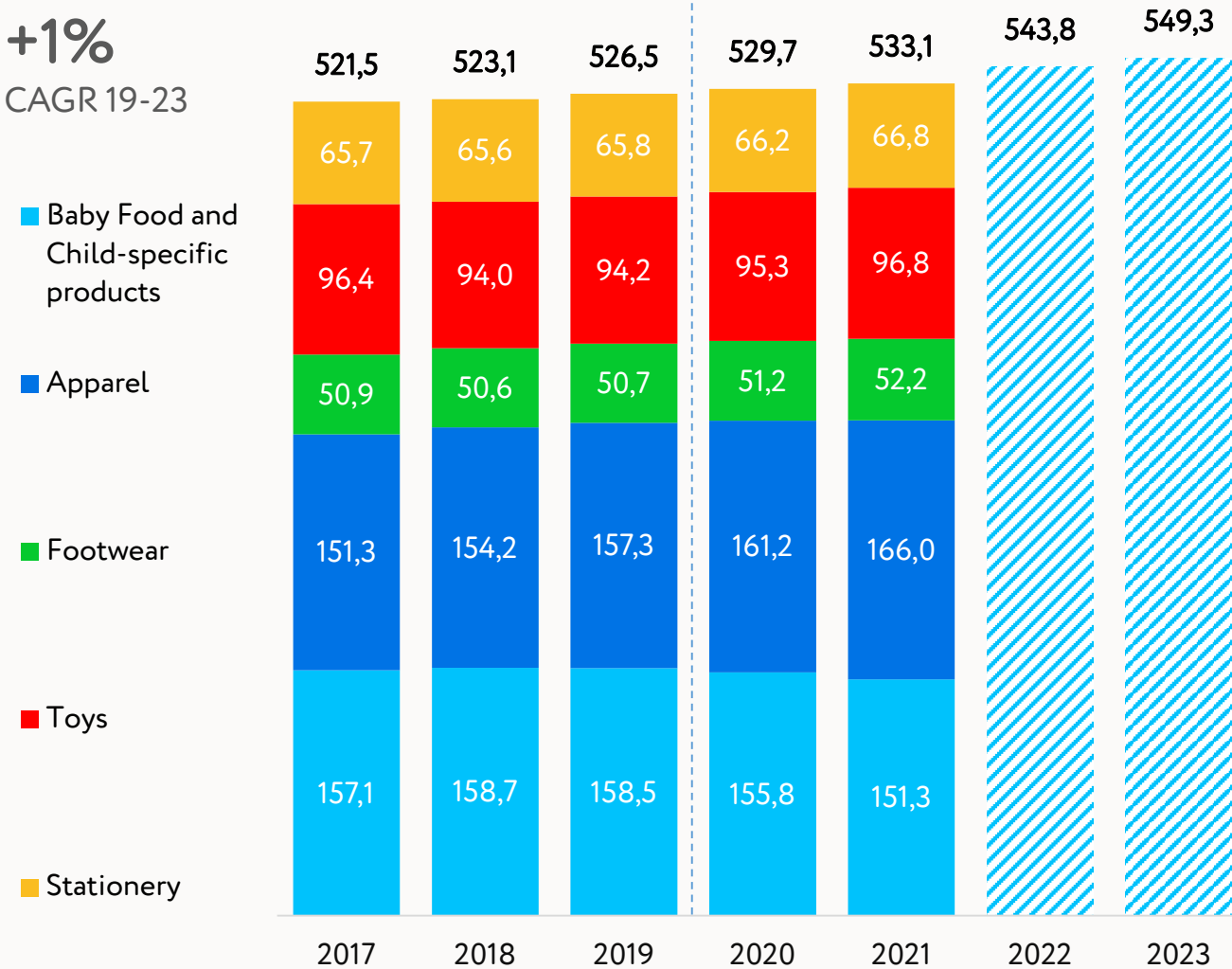
Russian children's goods market overview

Slowing market growth

Russian children's goods market in cities with over 100k population based on pre-COVID 19 estimates made in February 2020 (RUB bn)

+1%

CAGR 19-23



Source: Company data, Ipsos Comcon report

Growth potential in small cities

Market size in cities with over 10k population (RUB bn)

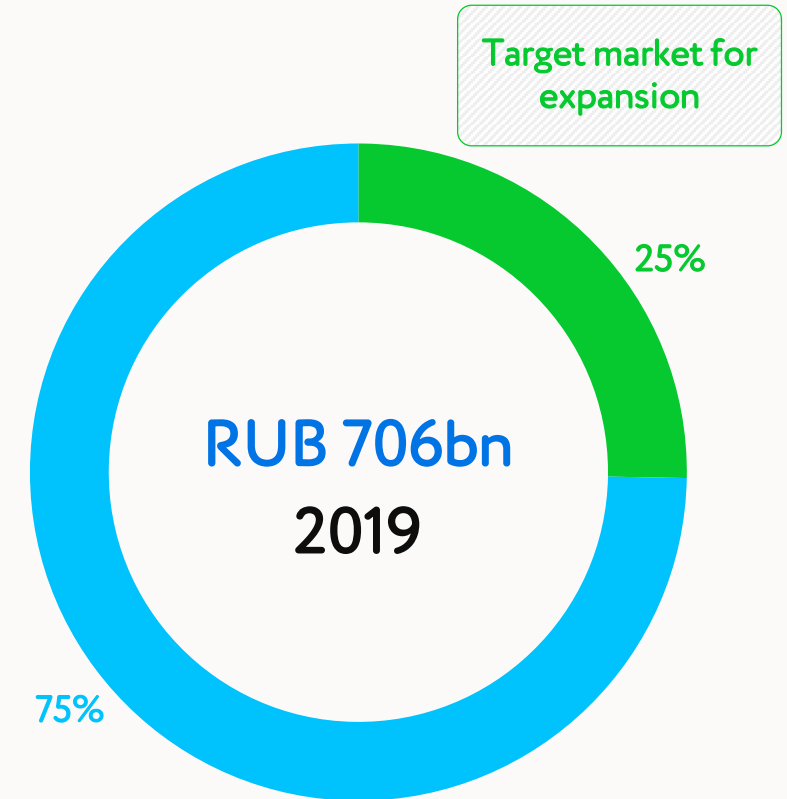
19%

Detsky Mir market share in all Russian cities







26%

Detsky Mir market share in Russian cities with over 100k population

- Cities with less than 100k population
- Cities with over 100k population



New Government measures to support birth rates and boost disposable income for families with children

Allowance per child		Before changes	After Changes
1 st child		–	RUB 467k
2 nd child		RUB 467k	RUB 150k
3 rd child		–	RUB 450k
1 st child		c. 540k children	
2 nd child		c.560k children	
3 rd child		c.230k children	
Total program		c. RUB 260bn	C.RUB 440bn
Cumulative incremental funds available		+RUB 180bn	

- New measures announced in the President’s address to the nation on 15 January 2020
 - Approved by the State Duma and the Federation Council on 20 February 2020 and 26 February 2020, respectively
- Strictly defined use of proceeds, overwhelmingly linked to purchases of housing and compensation of mortgage payments
- Nonetheless, significant indirect benefit for the children’s market given extension of overall funds available to families
 - Incremental funds available = c. 1/3 of the total children’s good market size
- Russian Government expects substantial positive impact of the new measures on the actual birth rates
 - Supporting demographics remains of paramount importance for the Government

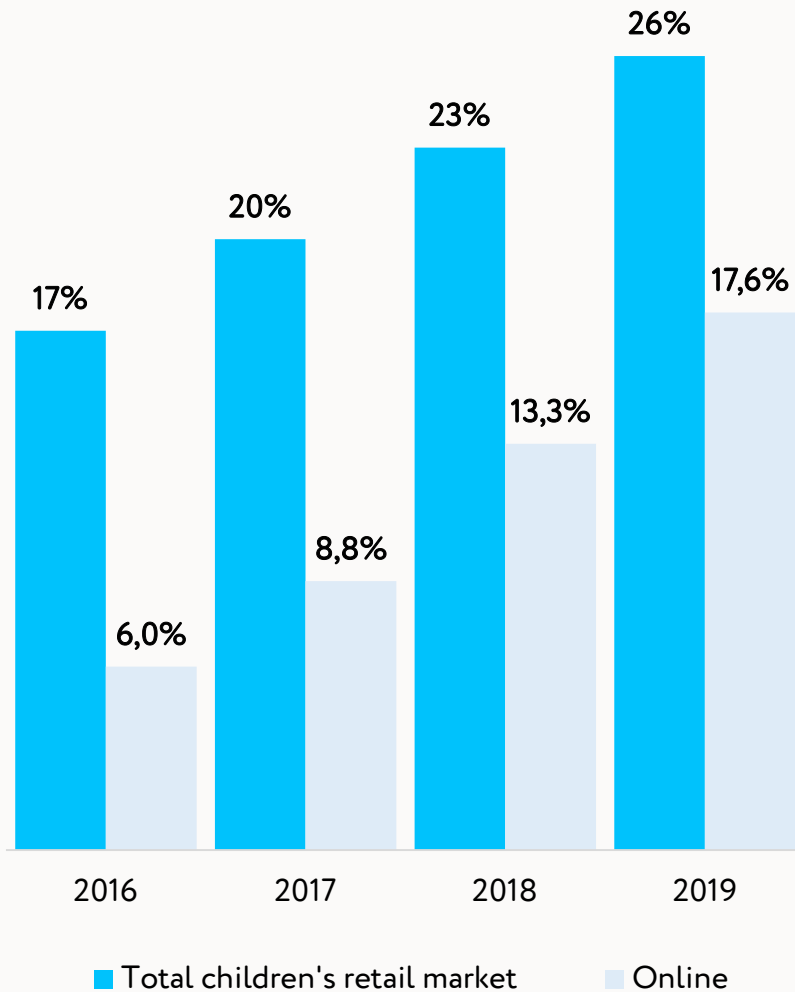
Additional payments of RUB 632bn for families with children starting from June 2020

- One-off payments related to COVID-19 (RUB 496bn)
 - RUB 15thd per child in Q2 2020 for children <3 years old
 - RUB 10thd per child for children 3-16 years old in June
 - RUB 10thd per child for children <16 years old in July
- Ongoing support for lower income families (RUB 136bn)
 - RUB 5.5thd per child per month for children 3-7 years old accruing from January 2020

Market environment evolution

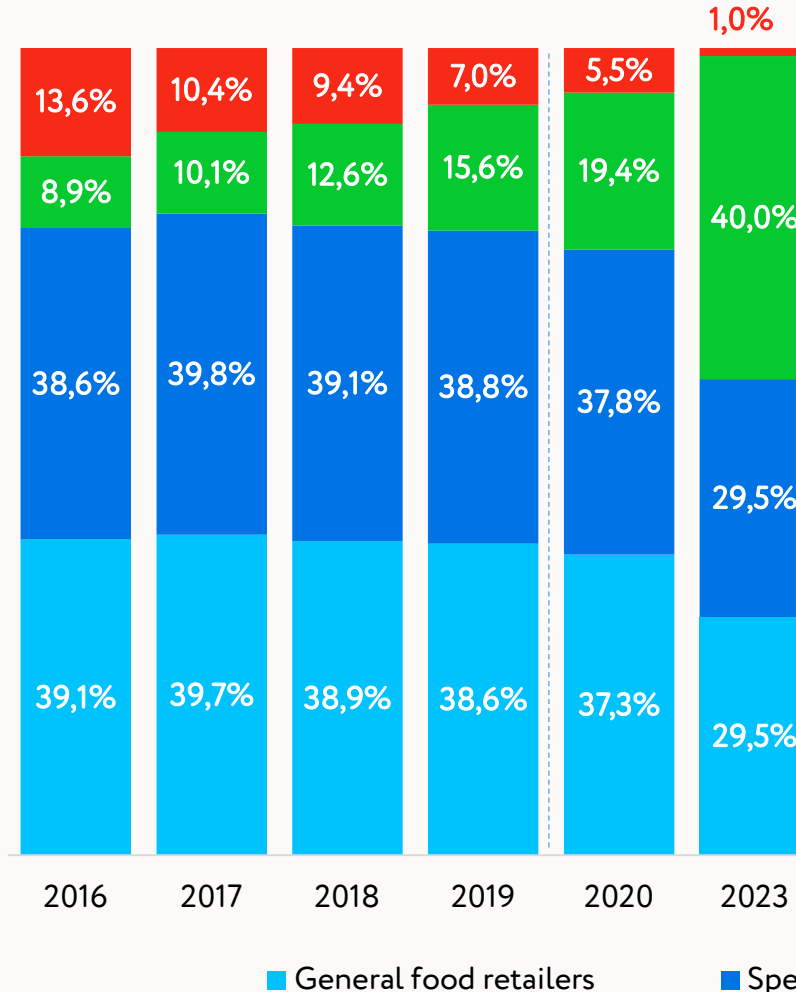
Detsky Mir has been historically building on its market leadership

Detsky Mir market shares (%)¹



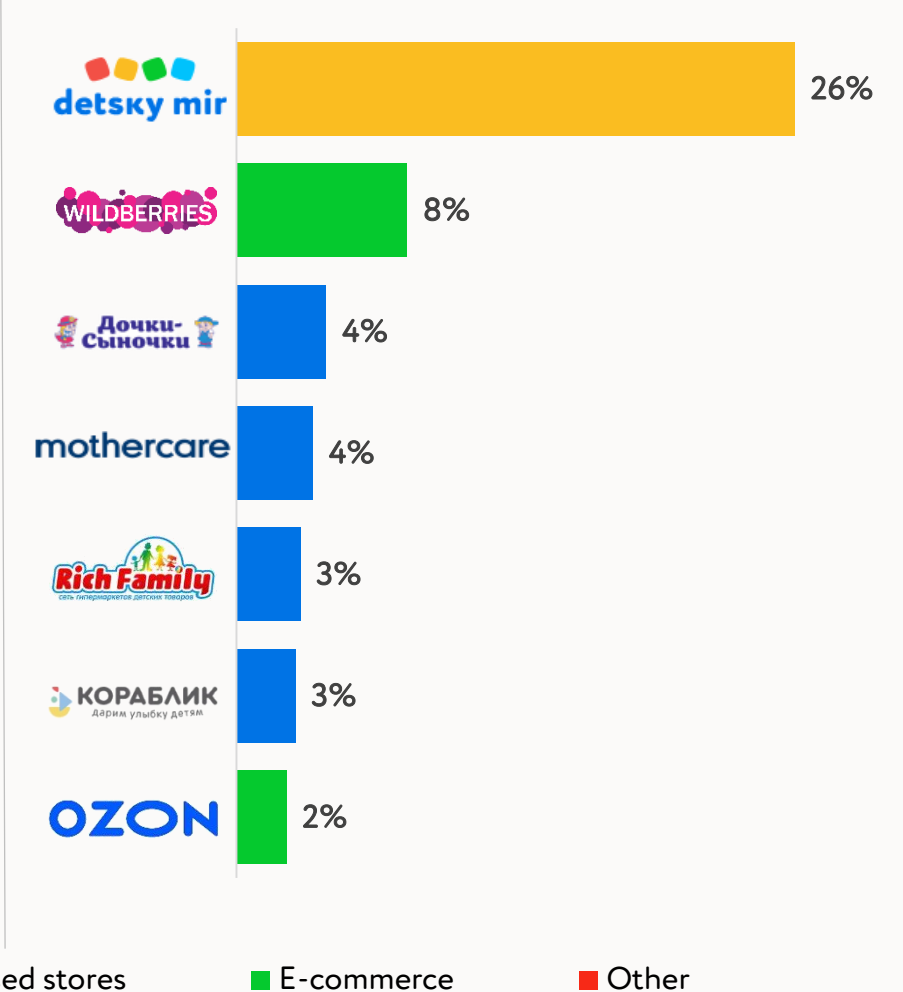
Online channel is becoming more important and expected to grow 2.6x in 2019-23

Russian children's goods market breakdown by channels (%)¹



Online marketplaces evolving into most notable competitors

Market share in total children's goods retail in Russia (%)¹



Source: Company data, Ipsos Comcon report

¹Market size calculated as sales in retail prices (including VAT) in the Russian Federation in cities with over 100k population

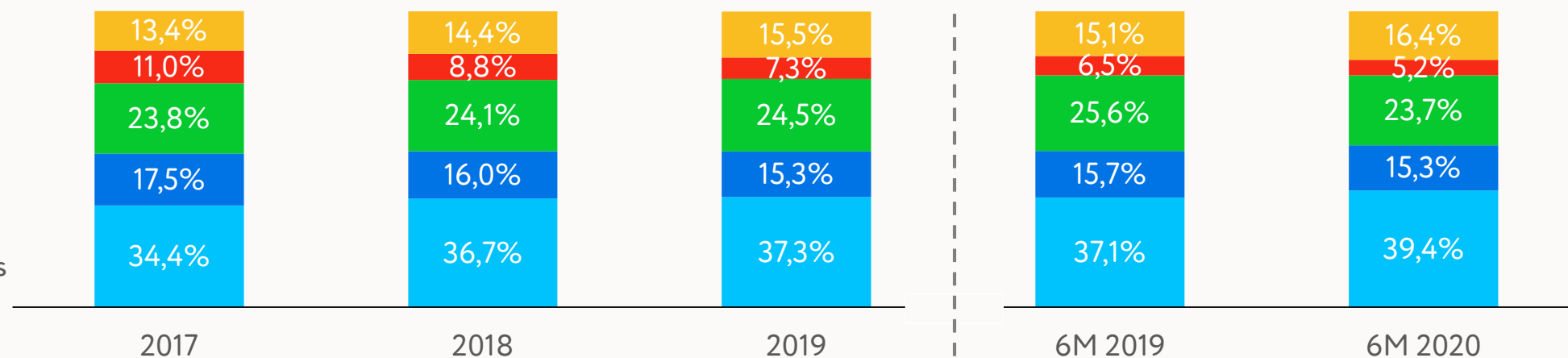
Gaining market share in baby food and diapers segments

Baby food sales by channel in Russia

+1.2x

Detsky Mir's market share growth over 3 years

- Supermarkets
- Hypermarkets
- Minimarkets
- Specialised stores
- Detsky Mir

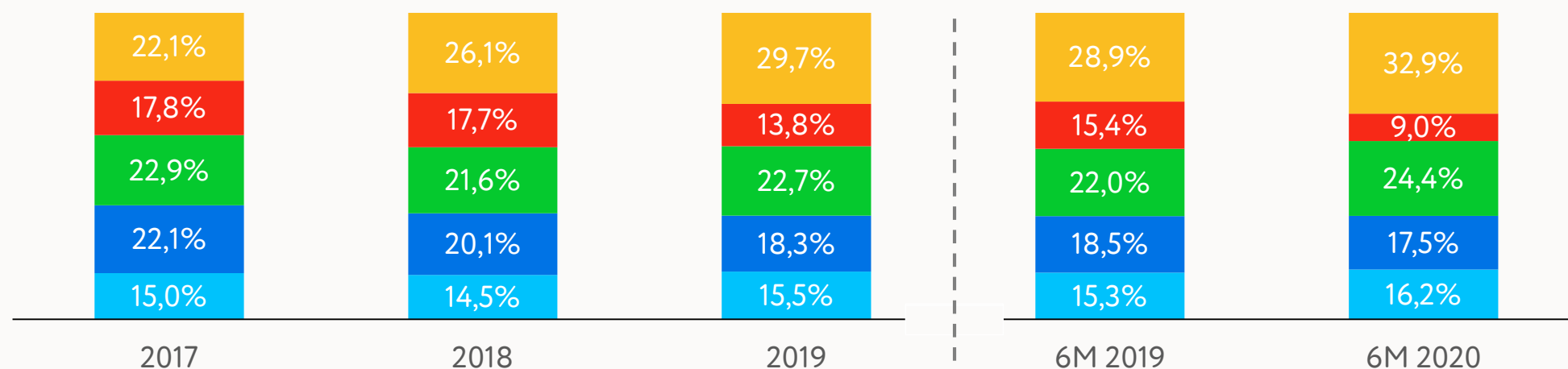


Diapers sales by channel in Russia

+1.5x

Detsky Mir's market share growth over 3 years

- Supermarkets
- Hypermarkets
- Minimarkets
- Specialised stores
- Detsky Mir



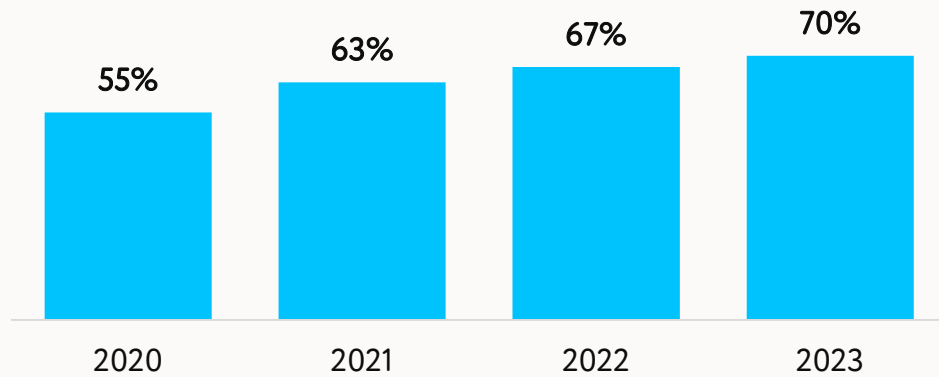


Omni-ecosystem: UX / mobile

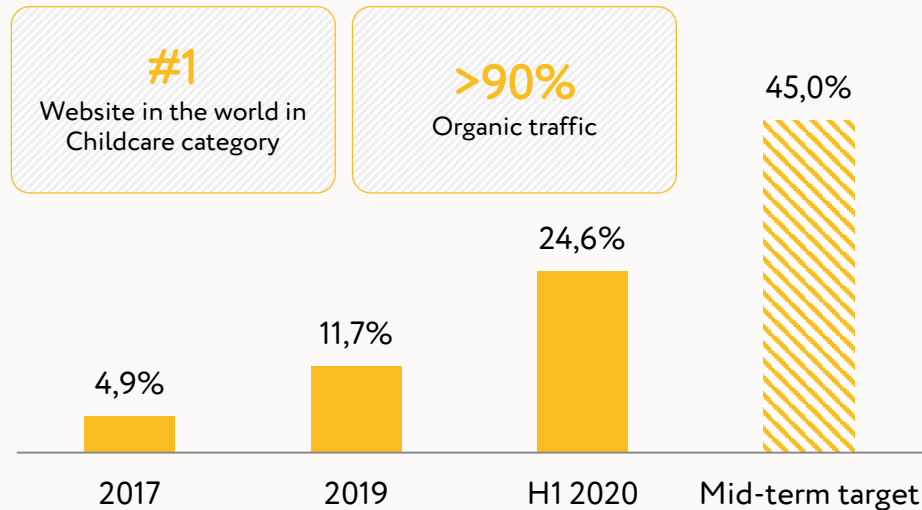
Pavel Pishchikov (Head of eCommerce)

Investing in mobile app as key driver to deliver strategic objectives

Targeting 70% NPS across the channels in mid-term



Share of online sales¹

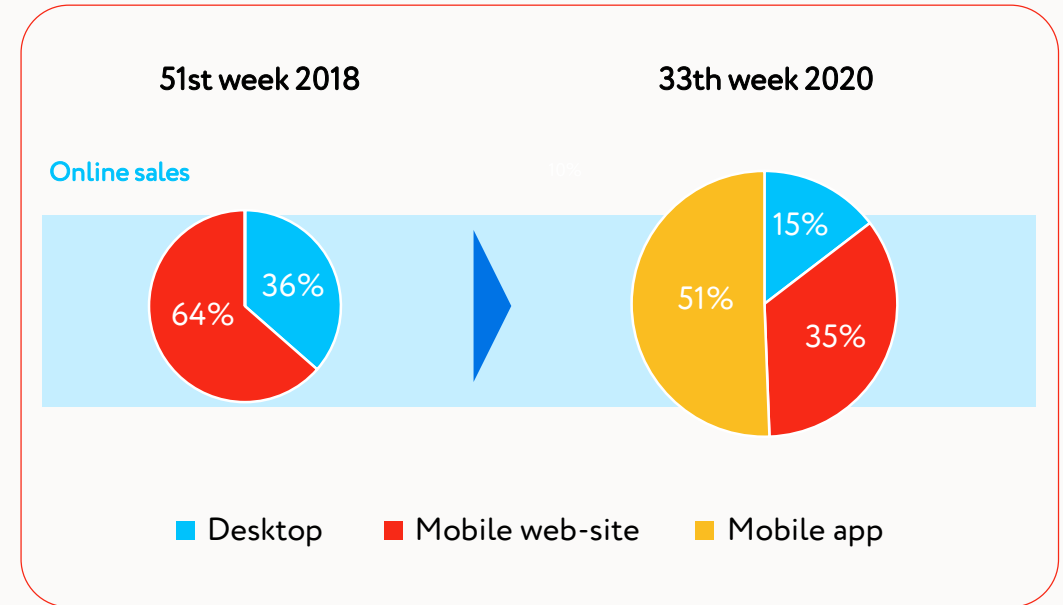


“Mobile first” concept – Detsky Mir mobile app

3.5 million downloads²

#40 ↑ **#15**
App ranking in Shopping category³

#36 ↑ **#14**
App ranking in Shopping category³



Developing Tier 1 app

- ✓ Catalogue
- ✓ Search
- ✓ Filters and sorting
- ✓ Shopping cart and checkout
- ✓ Favourites
- ✓ Online payment
- ✓ Chat support
- ✓ Recurring orders subscription
- ✓ Personalised product recommendations
- ✓ Personal account with order history



Source: Company data, AppAnnie, SimilarWeb

¹ As % of total revenue in Russia

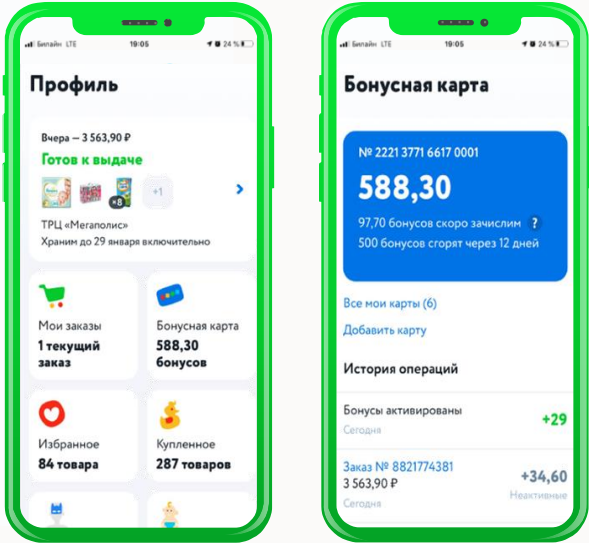
² Number of downloads over 33 weeks of 2020

³ As of 17 August 2020 vs. 24 November 2019 based on AppAnnie data

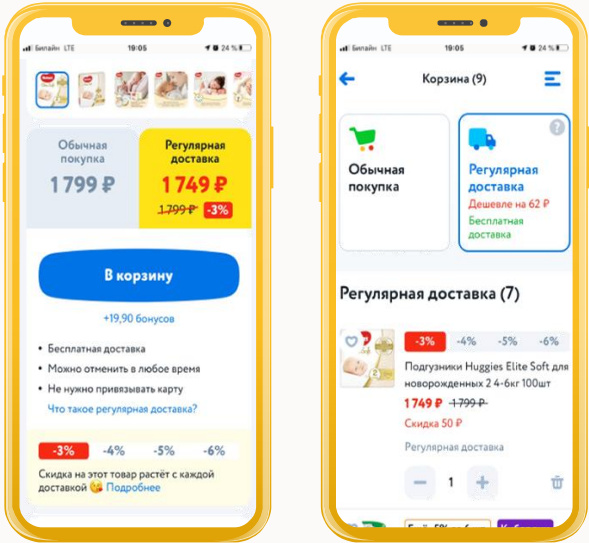
Multiple initiatives in development to achieve best-in-class mobile UX



New personal account



Subscription



New planning and prioritisation

Explore customers needs

Define targets with a focus on NPS growth and UX improvement

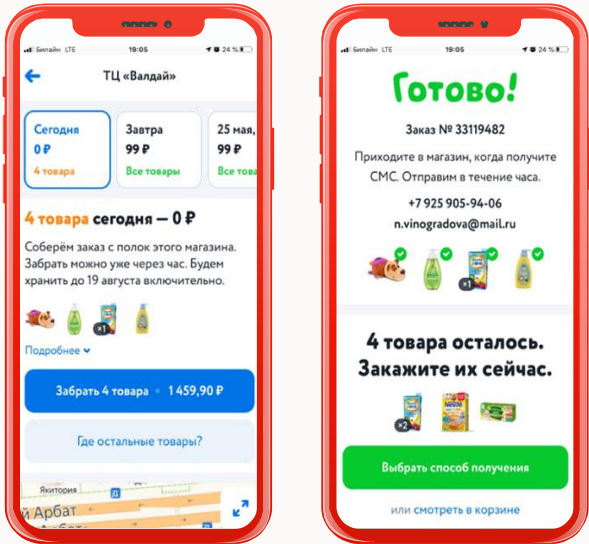
Prioritise based on impact on UX

Assign responsibilities

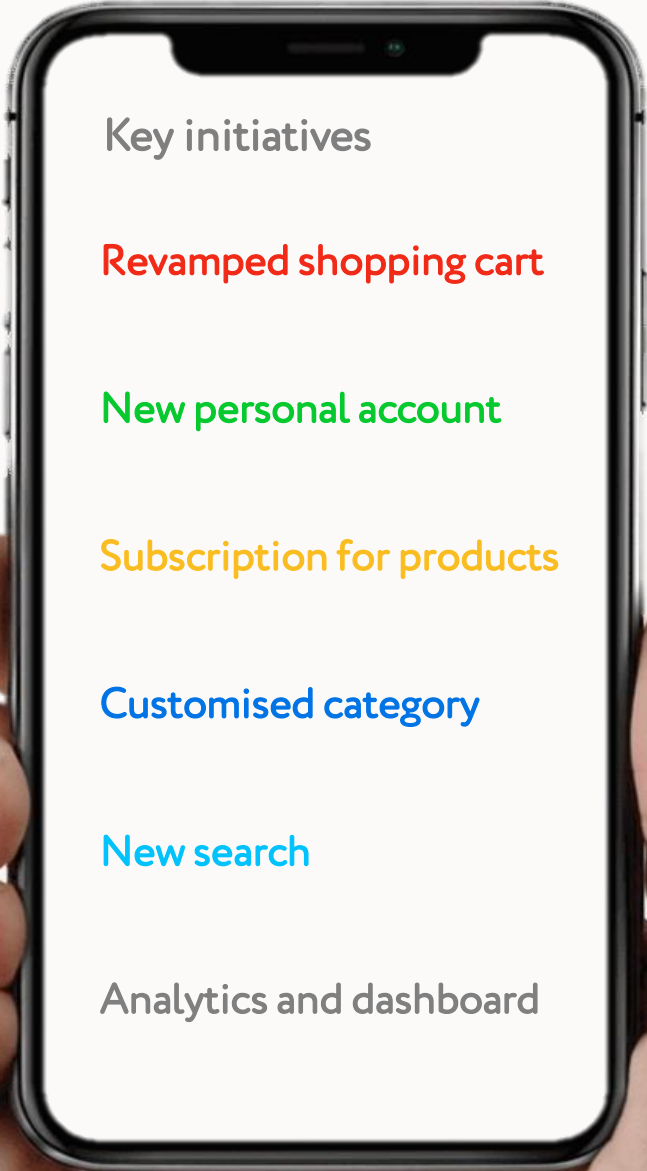
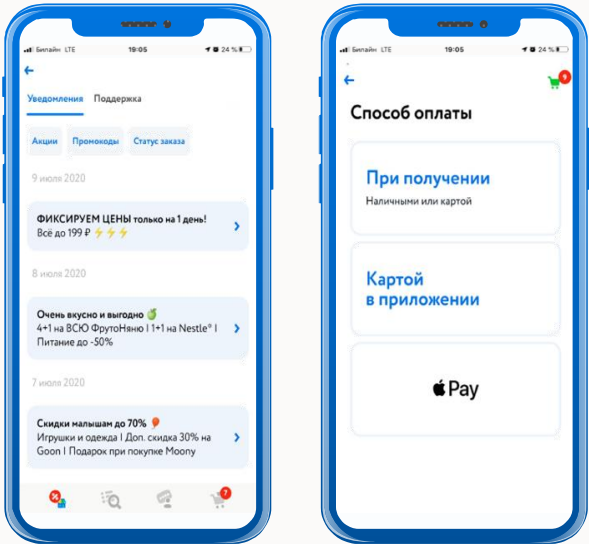
Collect users' feedback

Single projects backlog and KPIs for multiple departments

Shopping cart



Notifications & Payment options



Key initiatives

Revamped shopping cart

New personal account

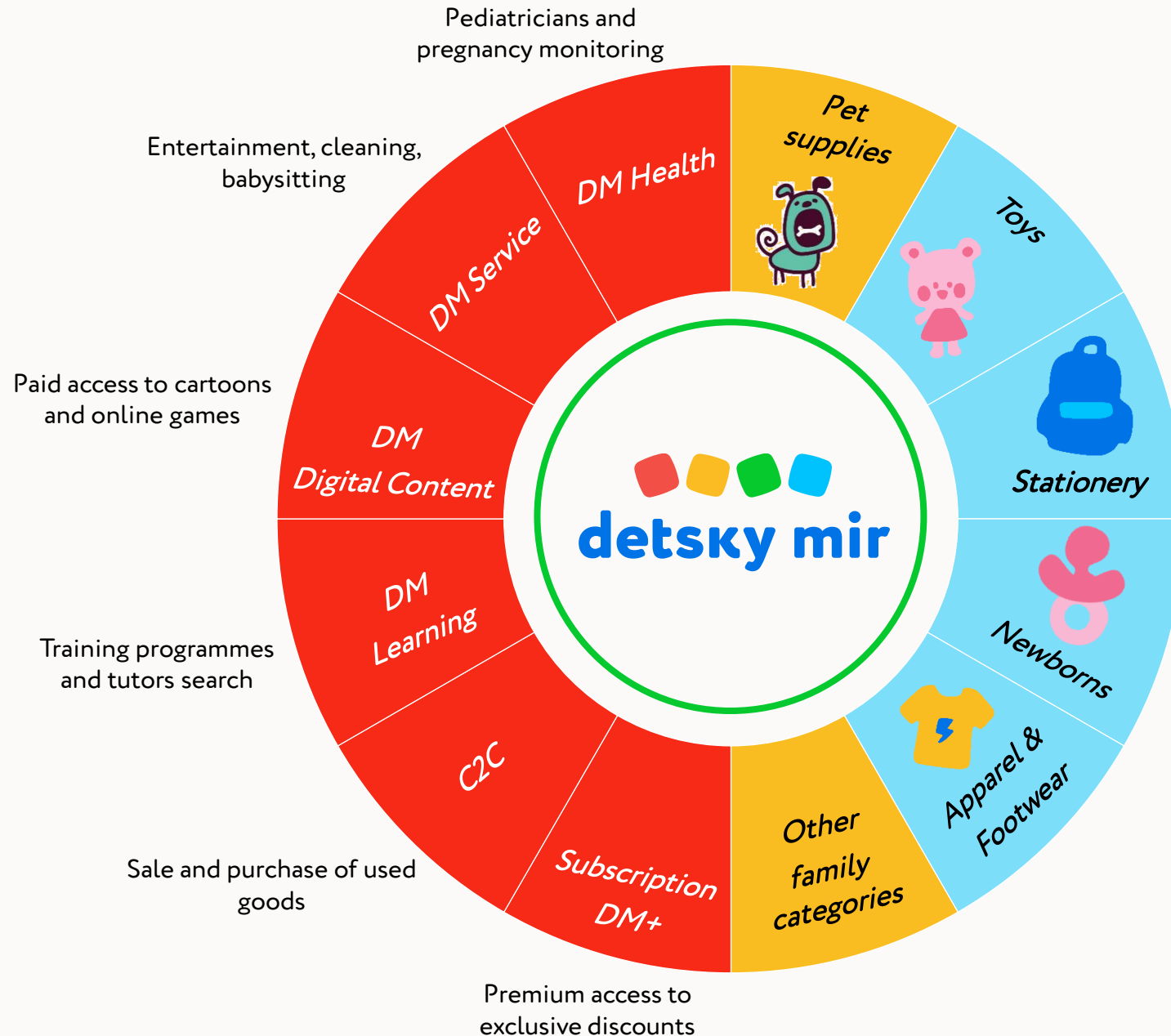
Subscription for products

Customised category

New search

Analytics and dashboard

“Beyond retail” – digital services as the next growth layer



Targeting launch of at least 2 children digital services in mid-term

Define financial KPIs and selection criteria by the end of 2020

Key benefits

For Customers

- High confidence in brand
- Savings from accumulation and using points across multiple products
- Unique customer experience at all touchpoints
- The right content at the right time

For Detsky Mir

- Business diversification
- Retention and growth of the target audience
- Building long-term relationships with clients
- More data on household members
- Increased purchase frequency



DM Marketplace

Pavel Pishchikov (E-commerce Head)

Our Vision for DM's Marketplace

Why DM Marketplace?

- ✓ **Need to offer widest possible assortment:**
"Any shopper must be able to find any product for their child with us"
- ✓ **Marketplace is the most efficient and cheapest way to provide the widest assortment:**
"Suppliers can more easily manage and sell their inventory, while we incur no extra working capital"
- ✓ **We can provide a marketplace at lower cost than the competition by building it on top of our extensive existing e-Commerce platform:**
"Lower service and marketing costs, plus limited capex by using our brand, infrastructure, logistics and huge shopper/supplier base"

Experimental profile for the Marketplace



Assortment

Initially focus on children's FMCG and fashion



Pricing

Mid-to mid-high price segments



Economics

3PL commission-based model



Customers

Shoppers: same target base, same loyalty program
Merchants: local producers and well-known international brands



Service platform

DM provides interface and logistics / delivery on same platform as its 1P e-Commerce



New verticals

To be launched based on success of pilot

DM's Marketplace offers a compelling CVP to shoppers & merchants



Shoppers

Merchants

Single convenient and familiar one-stop online destination for all children's needs seamless with Detmir.ru / app

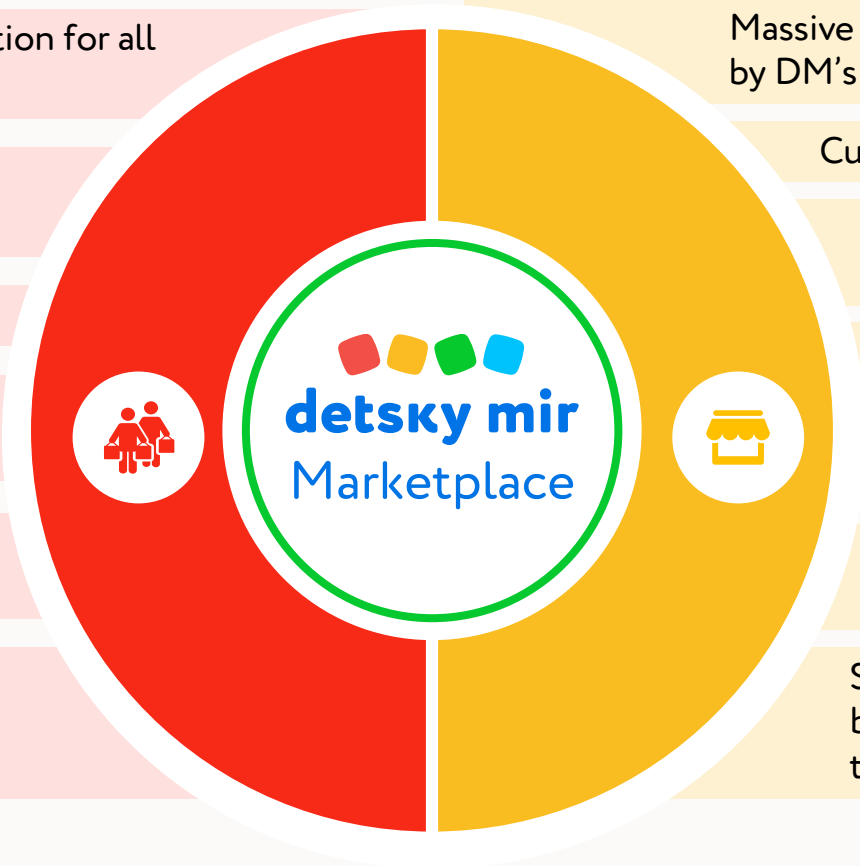
Access to greatest number of merchants with the most extensive assortment

Lowest price promise

Continue to transact with DM, a trusted provider with proven quality and safety record

Same familiar DM orders pickup, delivery and returns / exchanges process and policies

Ability to use standard DM loyalty program and promos



Massive traffic of customers seeking children's goods, attracted by DM's brand, service and price promise

Customer communication tools: feedback, notifications

Capability to most efficiently move and manage inventory

Easy access via account setup or API

Ready-made online storefront, with ability to integrate into broader omni-channel offering

Well-developed and reliable storage and fulfilment services from DM

Superior focused children's goods shopper analytics for better marketing propositions and core customer targeting vs. generalist marketplaces

✓ Safe fulfilment

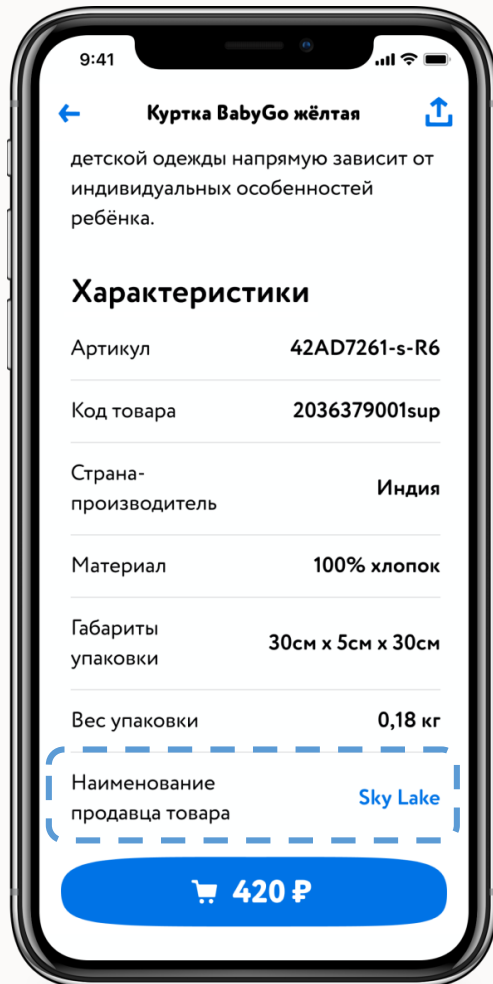
✓ Safe payments

✓ Safe data

Source: Company data

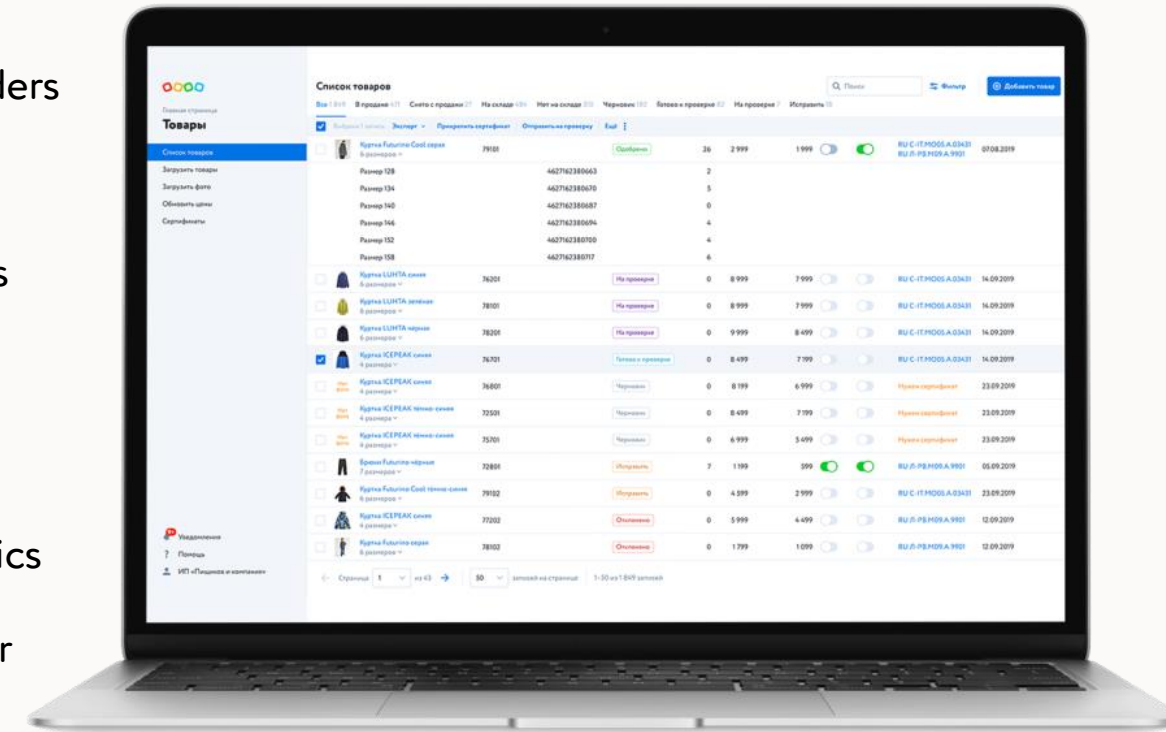
Attractive and convenient digital platform for shoppers & merchants

Shopper interface –
MP fully embedded into and
undistinguishable from detmir.ru / app
offerings



Merchant personal account – **expanding list of features**

- ✓ Create SKU and product description
- ✓ Set prices
- ✓ Generate warehouse shipment orders
- 🕒 Respond to customer inquiries
- 🕒 Join promotional events and offers
- 🕒 Advertising tools
- 🕒 Priority positioning
- 🕒 Obtain demand and pricing analytics
- 🕒 Separate fees for storage and order assembly
- 🕒 Inventory management tools
- 🕒 Accounting and reporting tools

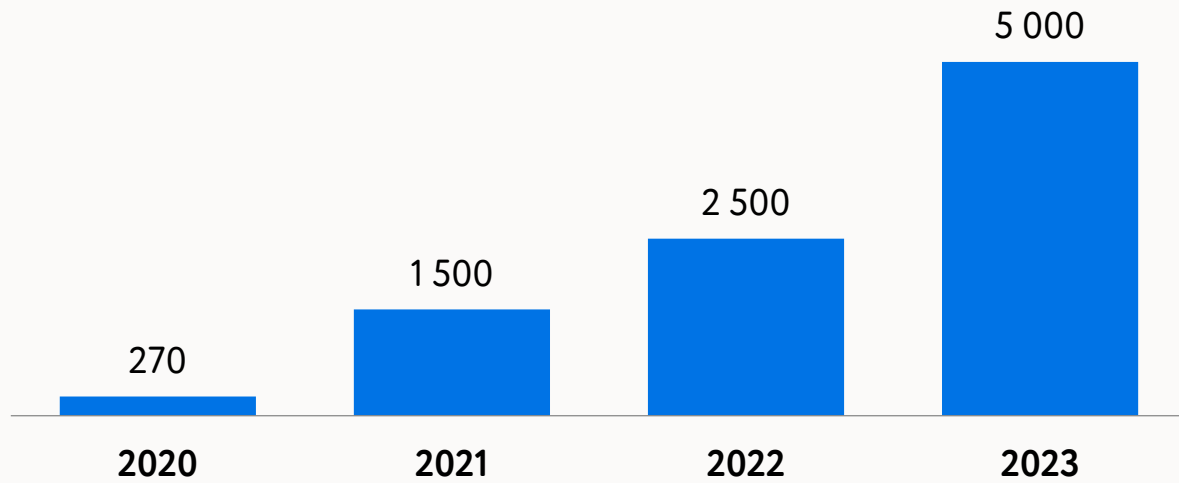


✓ Provided now

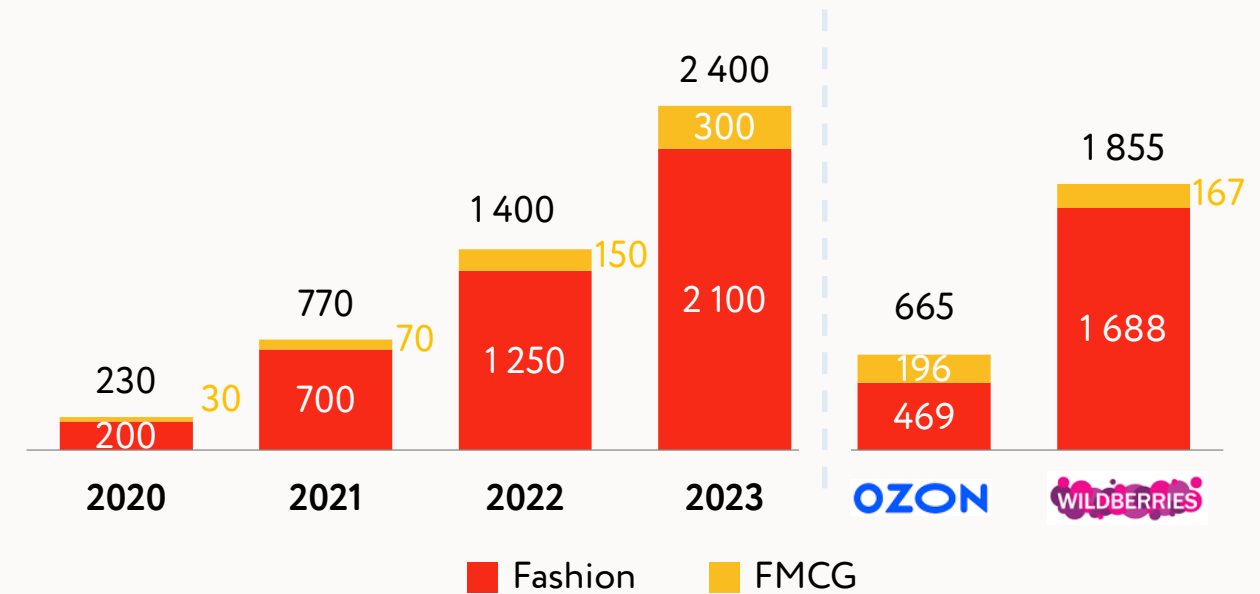
🕒 Pending shortly

Key performance targets for DM Marketplace

of 3P merchants



SKUs (k)



Progress to date

- Turnover since Nov-19 12.0% ahead of plan
- 47k Fashion SKUs from 35 suppliers on resale and commission basis
- 655 FMCG SKUs from 10 suppliers on commission basis
- 40 agreements signed

Long-term vision

- Overtake key local competition in relevant SKUs
- GMV represents a double-digit share of our online sales
- 20-25% commission rate
- Cost structure
 - Mainly logistics, delivery, personnel
 - Low marketing cost vs other MPs thanks to “free” traffic / strong brand
- Upper single-digits EBITDA-to-GMV ratio

Potential expansion into new marketplace verticals

	Market size (RUB bn)	2019-24 Growth	Market size SKUs (k)	
			Ozon	WB
Pharma	1,385	5%	31	5
Home goods	1,308	5%	562	393
Women's apparel	1,200	1%	405	3,983
Women's footwear	479	0%	122	1,219
Beauty and health	1,005	3%	116	159
Electronics	907	3%	220	170
Men's apparel	547	1%	278	804
Men's footwear	182	0.2%	34	288
Jewelry	283	(2%)	10	115
Books	272	-	435	81

Potential new verticals to be driven by market size, growth outlook, fit with existing offerings and competitive landscape



Digital transformation of the retail chain

Farid Kamalov (COO)

Digital transformation of the retail chain

2020

2021

2022

2023

2024

1

New store format: compact Detmir Pick-Up-Points (PUPs)

Capture smaller cities

800+ stores medium-term

1,200+ more stores longer term

2

In-store 2.0

Modernise and expand online order pick-ups and fulfilment within existing DM Classic stores

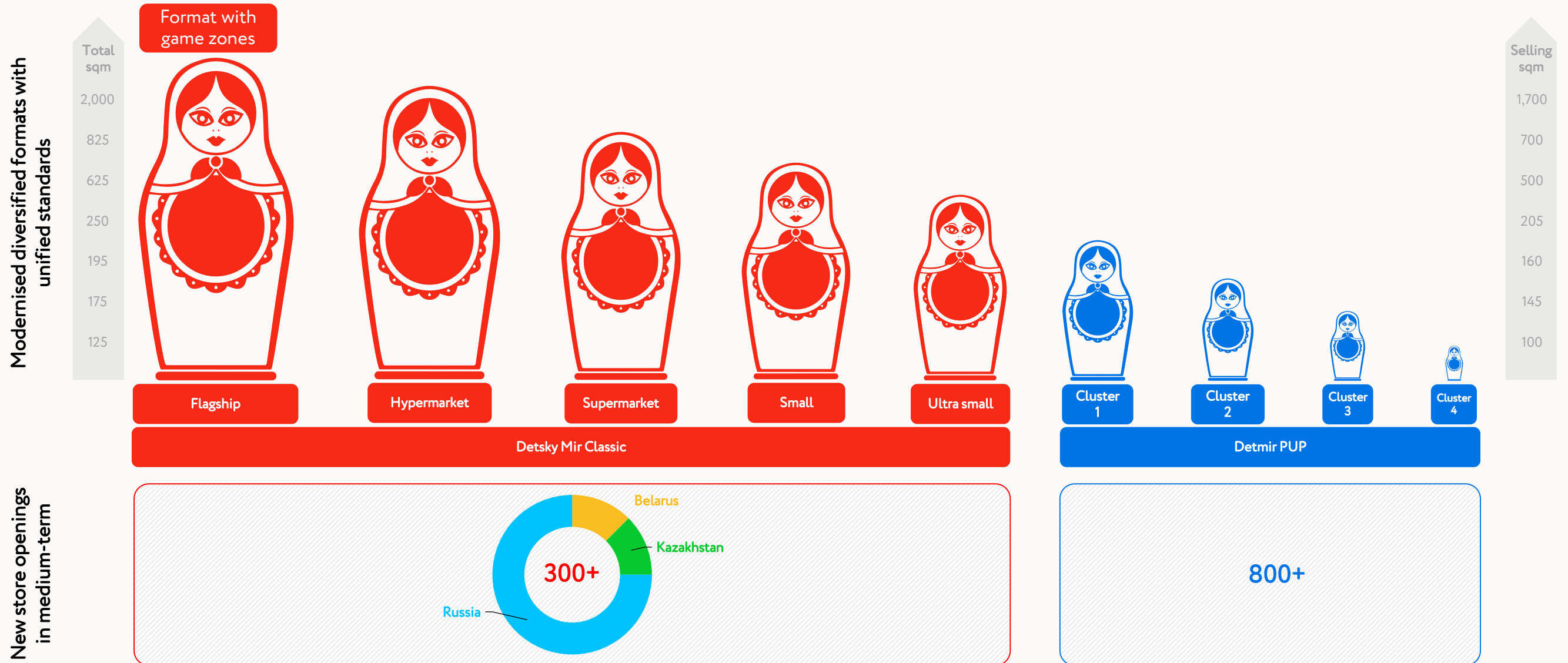
3

Detsky Mir 3.0

Full digital transformation and modernisation of all stores to make them fully online and pick-up capable

Embedded formats strategy

Pickup points are a unifying feature of all formats



Source: Company data

1 Why Detmir Pick-Up-Points (PUPs)?

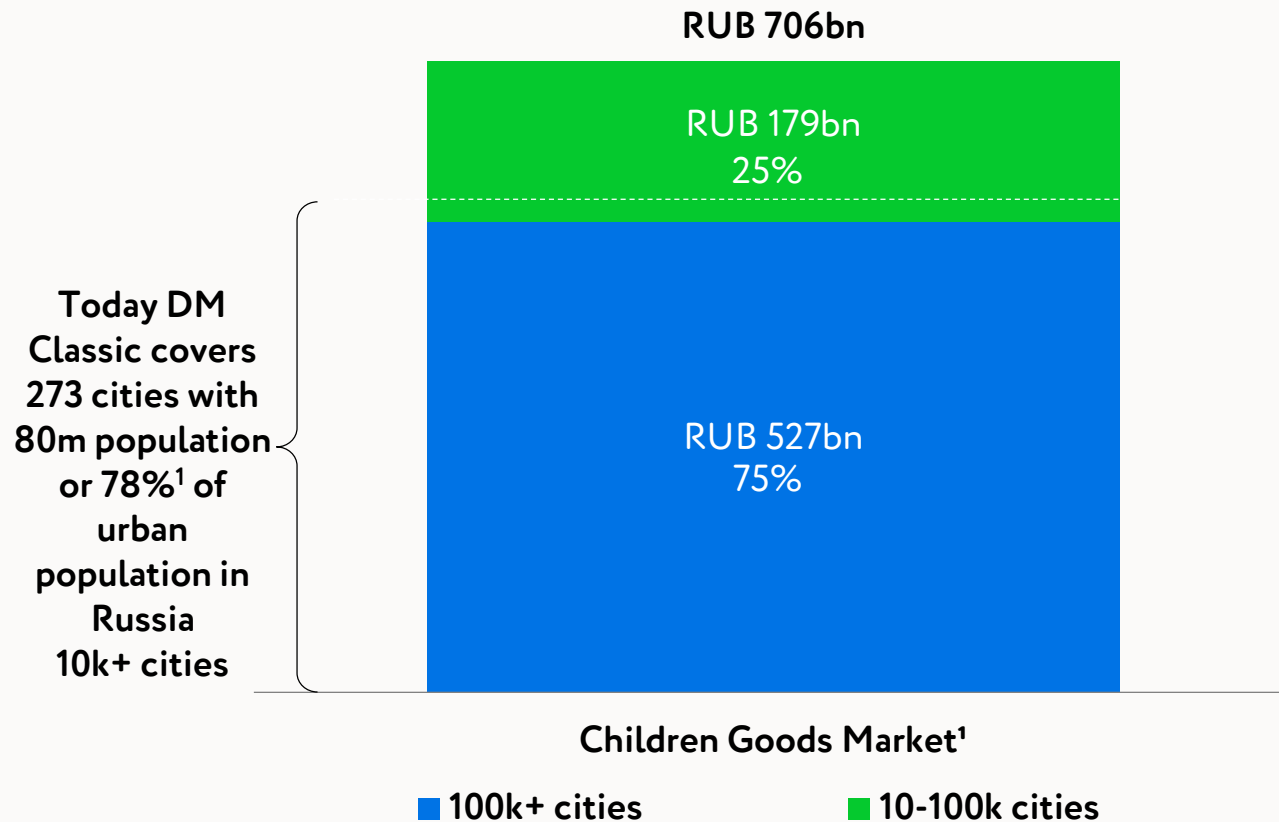
Expand addressable offline market to smaller towns unable to support a full DM store

Continue to grow the chain once core format approaches full penetration

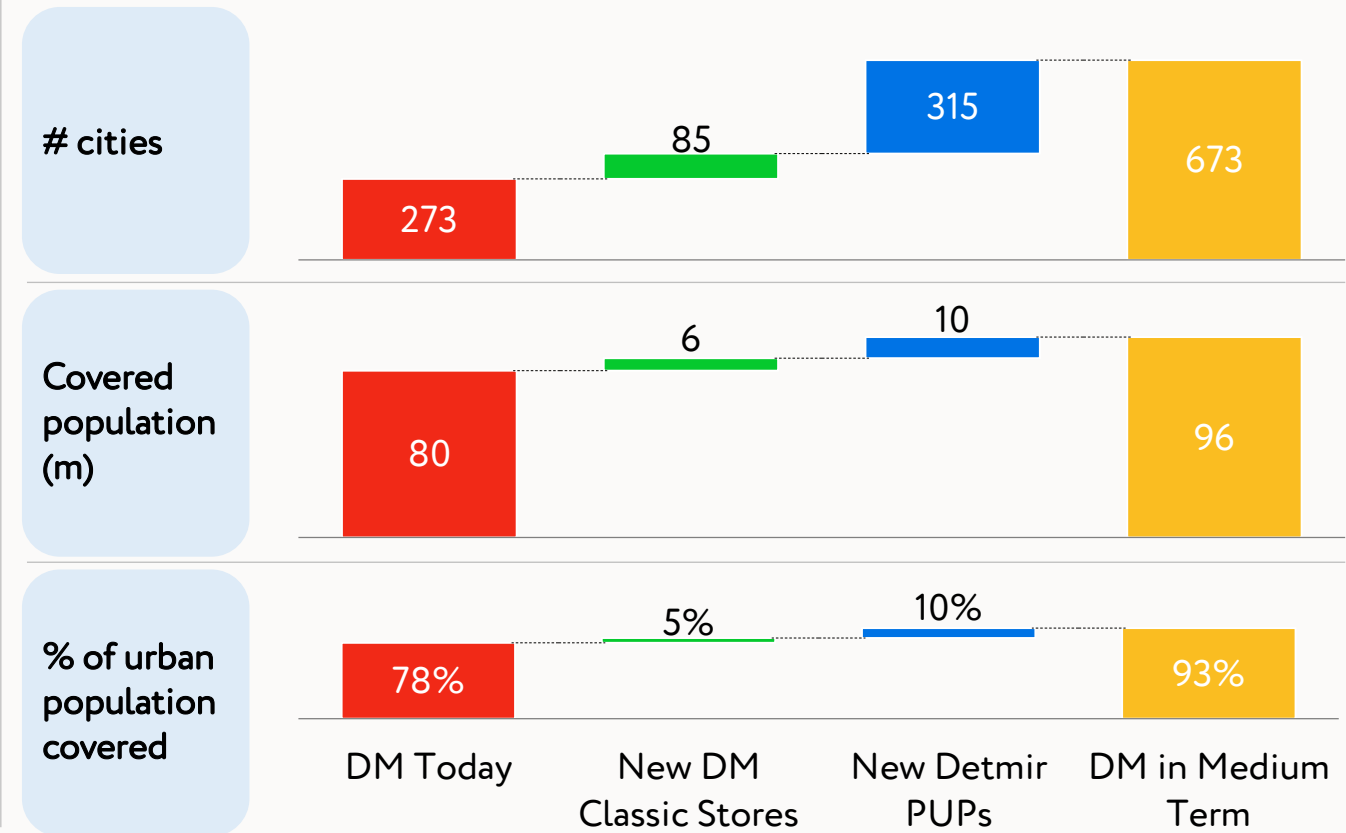
Capture market share in geographies with less competition

Enhance online order pickup / delivery reach and share of sales

Expanded market potential...



... and enhanced 3-year growth trajectory



Source: Company data, Rosstat, Ipsos Comcon

¹ In cities with 10k+ population.

1 What is Detmir PUP?

Format profile

- 100-200 sqm total area
- ~80% selling area of total area
- ~2,000 SKUs
- FMCG + Fashion for 0-24 month olds
- 10-50k small town catchment areas
- Next day delivery from regional DC
- 50%/50% offline/online¹ sales

Compelling store-level economics

- ~ 29% gross margin
- High single-digit EBITDA margin
- EBITDA breakeven under 1 year
- 3 years ramp-up period
- 3-year payback period
- 30%+ IRR on 7-year cash flows (w/o terminal value)
- RUB 3-4m opening capex



Source: Company data

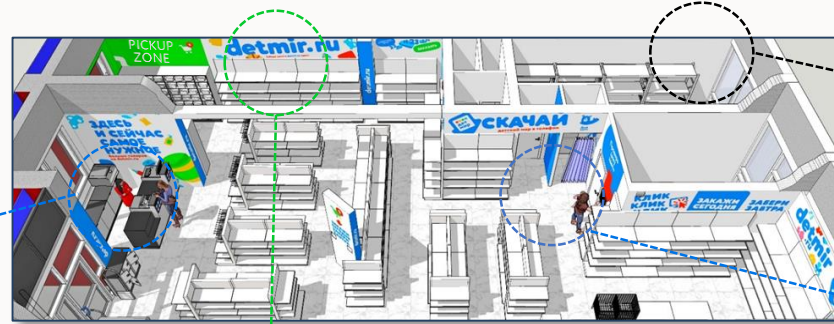
¹ Online orders assembled in-store or shipped to store.

1 PUP layout: optimised for digital strategy

Create an **infinite shelf** for Detsky Mir across online & offline

Staffing

- Only 2-3 employees per store
- Fully interchangeable across tasks: online order assembly, floor sales, shelf re-stocking, backroom



Backroom

- Storage
- Technical

Checkout area
2 cash registers

Pickup zone

Returns/exchanges desk

Shelves/lockers for online orders

Selling floor

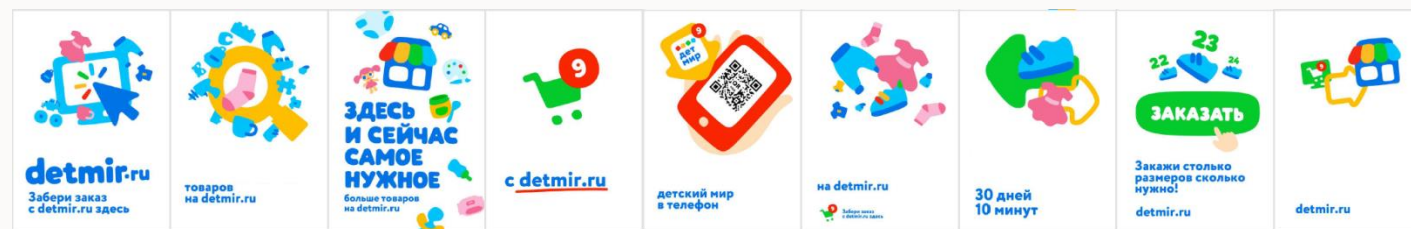
On-shelf SKUs for most essential daily needs

- Diapers
- Baby formula
- Food
- Hygiene
- Childcare
- Toys for infants
- Toys for girls
- Toys for boys
- Arts & crafts
- Building blocks

Fitting room





In-store online orders terminal

Signage designs and messages identical to detmir.ru and app, for consistent omnichannel look and feel

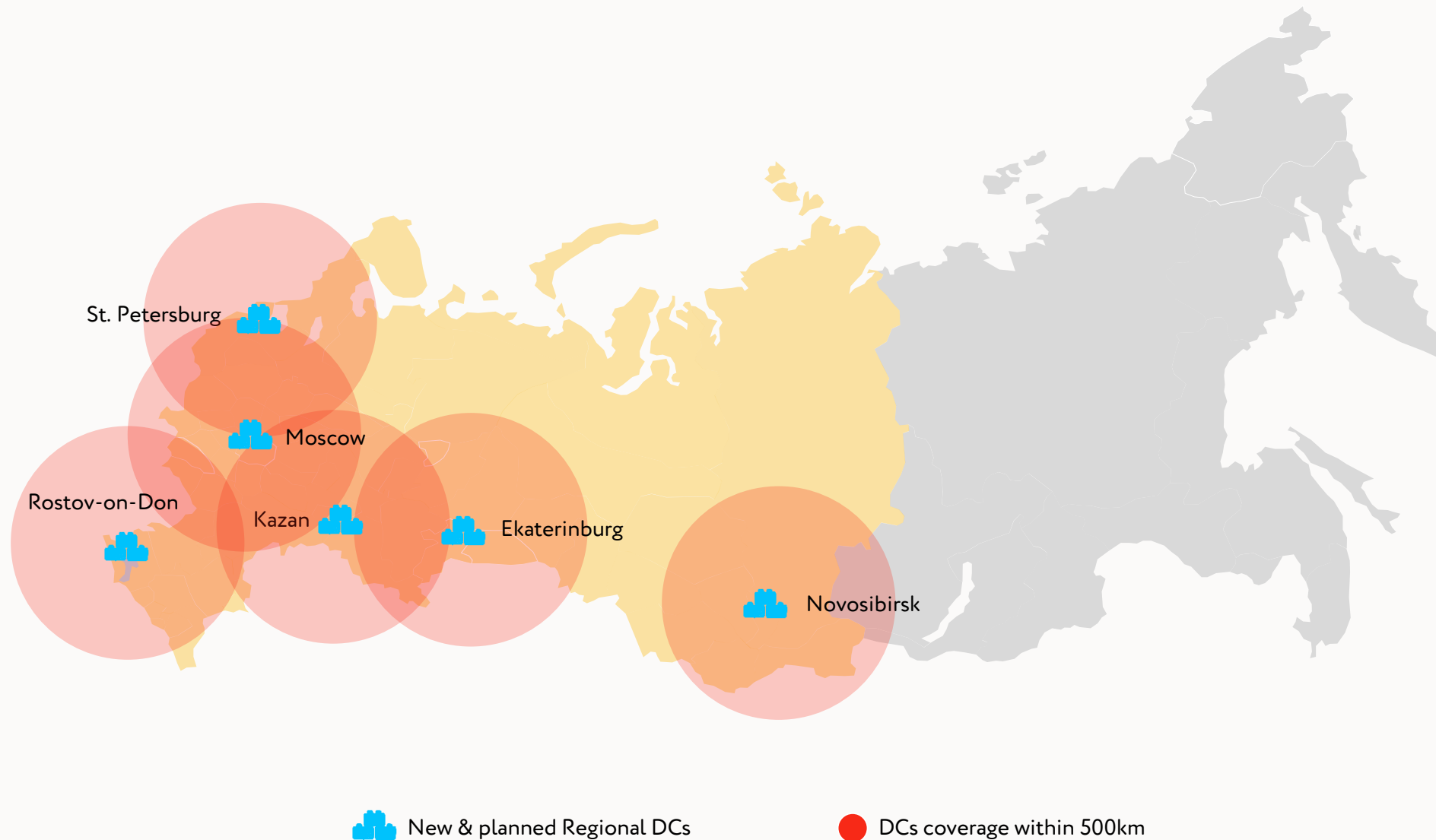


1 Cluster-based PUP stores roll out plan

Initially target 20k cities











	 Main Detmir PUP	 Additional Detmir PUP Formats		
	Cluster 1	Cluster 2	Cluster 3	Cluster 4
Total Area	195 sqm	175 sqm	125 sqm	100 sqm
Selling Space	160 sqm	144 sqm	103 sqm	82 sqm
Number of SKUs	1,765 - 2,122	1,765 - 2,122	996 - 1,315	
				

1 Rollout of Detmir PUPs hinges on new Regional DCs



- Regional DCs necessary to the PUPs core proposition
- Enable small towns coverage within 500km radius of DC
- Allow for efficient and regular PUPs restocking
- Allow to increase share of next day delivery from c.30% to c.80% in medium term
- PUPs rollout will follow regional DCs footprint

1 PUPs assortment strategy: share in turnover

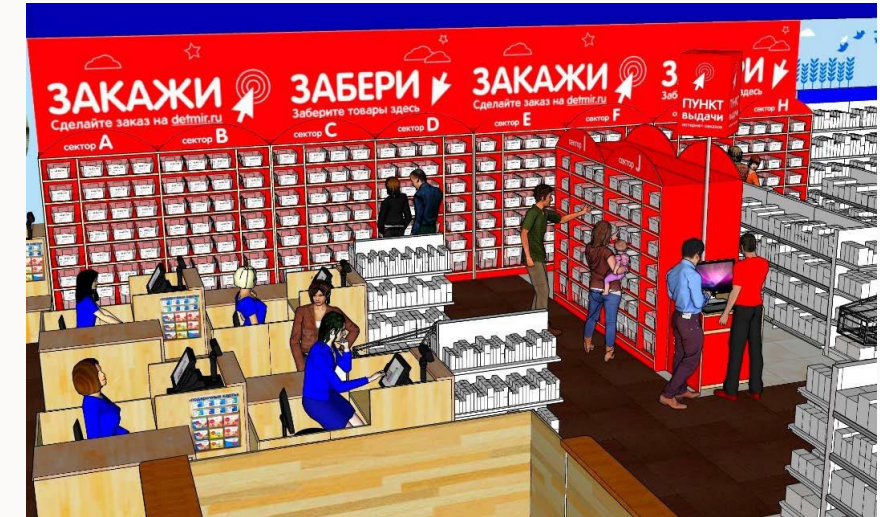
	Offline	Online	Total
 Toys	17%	13%	30%
 Books, stationery, multimedia	1%	1%	2%
 Food	13%	11%	24%
 Diapers	10%	10%	20%
 Personal care	2%	1%	3%
 Large items	0%	6%	6%
 Apparel	6%	4%	10%
 Footwear	1%	1%	2%
 Sports	0%	2%	2%
 Seasonal / New Year	0%	1%	1%
Total	50%	50%	100%

Growth area with upside to gross margin

2 In-store zone 2.0: as is

- ? Only 20% online orders of in-store turnover
- ? Not enough storage capacity for increased online orders flow
- ? Orders storage takes up too much space from selling floor
- ? Pick-up lockers / boxes affect visual perception of store
- ? Need to speed up and improve pick-up service experience

Current layouts



2 In-store zone 2.0: to do

Support growing share of online channel via offline stores network



Increased selling space (+15 sqm)



Optimised order storage layout

- Separated and hidden by a wall from main floor
- Leave a few open shelves for small orders



Expanded checkout zone: separate pickup checkout to skip main queues



Modernise logistics within store: from order assembly to the client



Better directed shopper traffic



Capex: <RUB 300k per store

New layouts



Goals

- 38% online orders of in-store turnover in medium-term
- Capacity for >250 daily orders handled/stored per store
- Composite service level $\geq 90\%$
- Stores modernised
 - 70 in 2020
 - 100+ in 2021
- Use as blueprint for integrated in-store zone for Detsky Mir 3.0 format

3 Detsky Mir 3.0: digitalisation of processes and equipment

Main development areas

- ✓ Modernised in-store logistics
 - From order assembly to client
 - Speed and quality of assembly
- ✓ Client service center (CSC)
 - Unified zone for all shopper services
- ✓ Digital identity with infinite shelf concept
 - “Digitalised” look and feel of signage and marketing materials
 - Visual connectivity to online site, mobile app and electronic services
- ✓ Tech enablers for assortment management
 - Efficient decisions for ever-expanding SKUs

Select pilot projects 2020-2023

- Self-checkout / scan & go**
 - Full self-service zone
 - Self-checkout registers
 - One-time online pre-registration
 - Link to loyalty card
- Electronic price tags**
 - Centralised price changes for selling floor
 - Optimisation of price tag replacements
- Mobile app for employees**
 - Push order notifications
 - SKU info
 - Price checks (own & competitors')
 - Full order assembly flow management
 - Info messages and controls
 - Full store audits
 - KPI tracking
 - Recruiting
 - Testing
 - News service

3 Detsky Mir 3.0: store design modernisation & visual transformation



Modernised store design concept

- Clear and accessible navigation
- Fresher and more “digital” store look & feel for shoppers
- Use concepts developed by FITCH for the Q4 2020 refurbishment of Mega Teply Stan flagship store¹
- Scalability to other formats
- Will be applied to new store openings
- Same cost as existing store concept



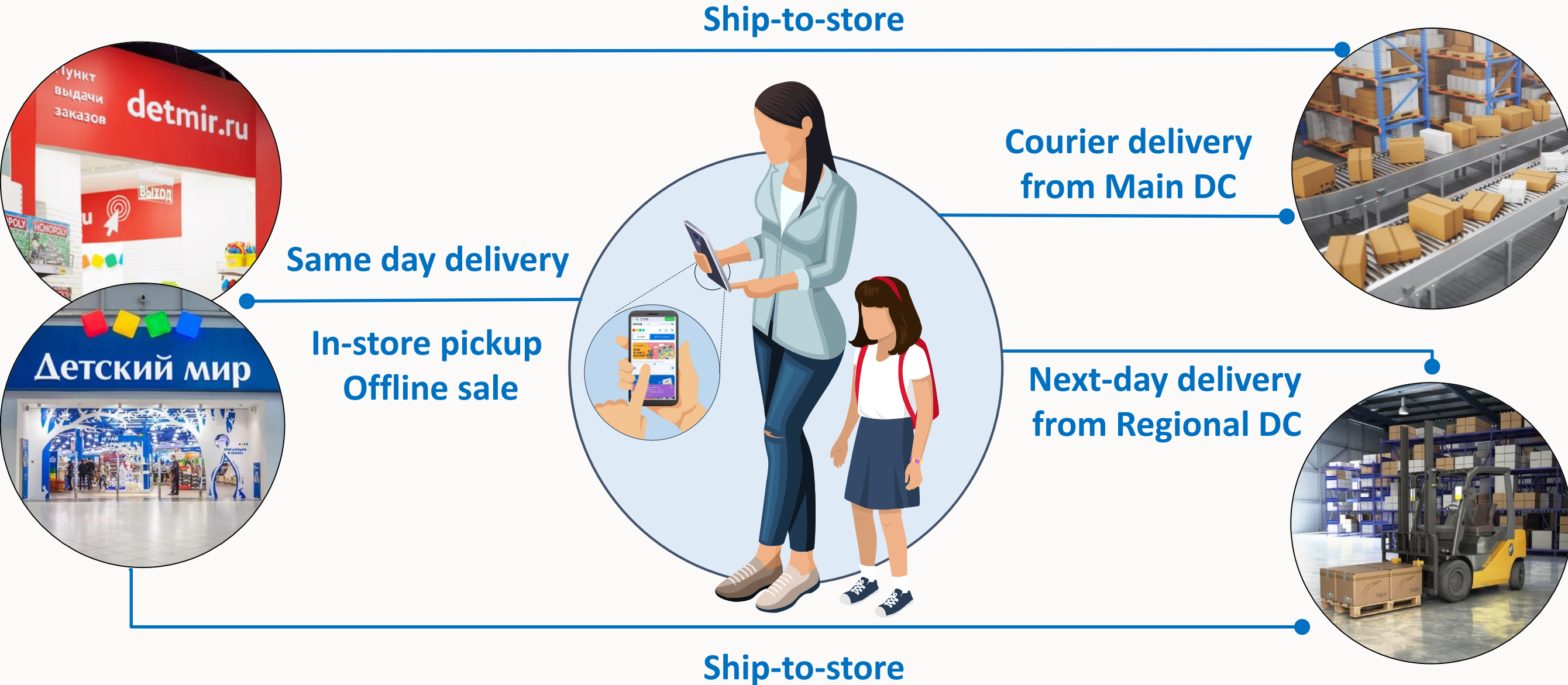
Source: Company data
¹ Located in Moscow region



Omni-ecosystem: Logistics

Denis Gurov (Head of Logistics)

Proximity to the customer at the core of our logistics architecture

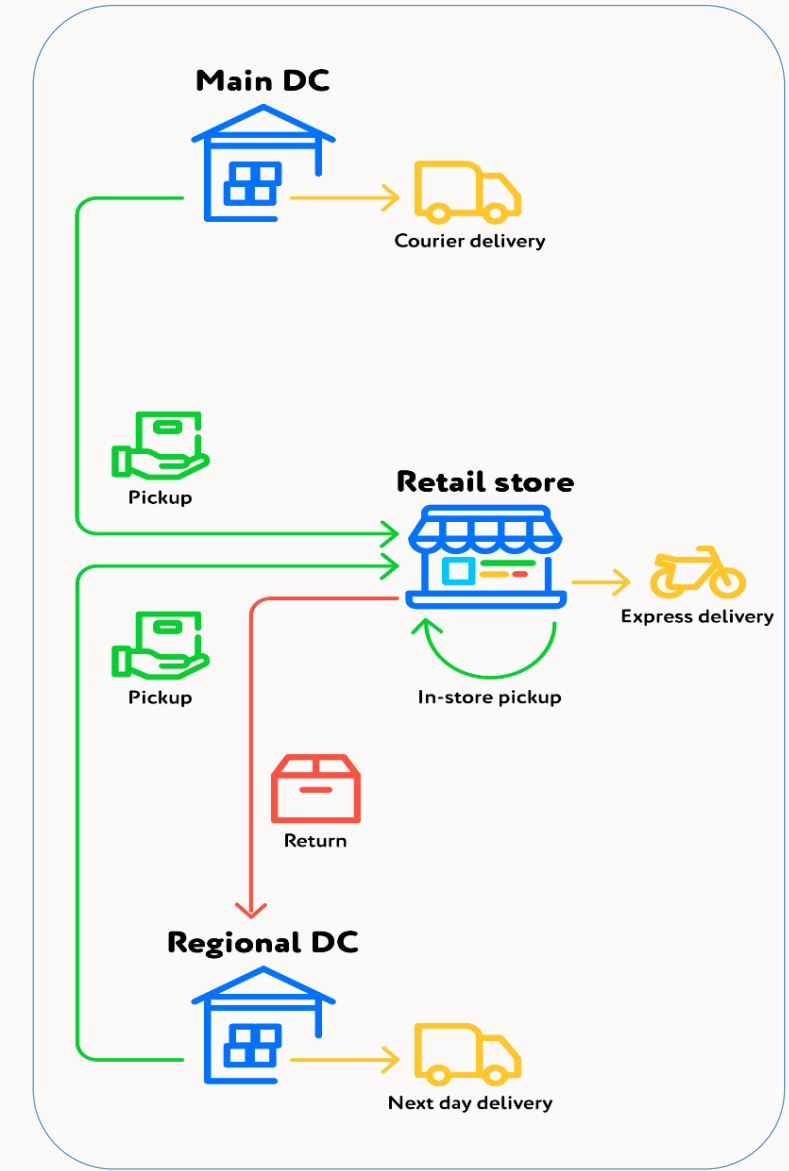


Source: Company data

3 complementary pillars to optimise speed and coverage of courier delivery

	Main DC	Regional DCs	"Last mile" through retail chain
Assortment	2.4m SKUs	200k SKUs	20k-30k SKUs
Number of locations	2 ¹ Main DC + 2 DCs in the pipeline	1 Regional DC + 3 DCs in the pipeline	500 stores
Coverage	95% of Russia population	500km from Regional DCs, 84% of Russia population	5km within stores, 30% of Russia population
Speed	1-20 days	Next-day	Same-day ~3 hours

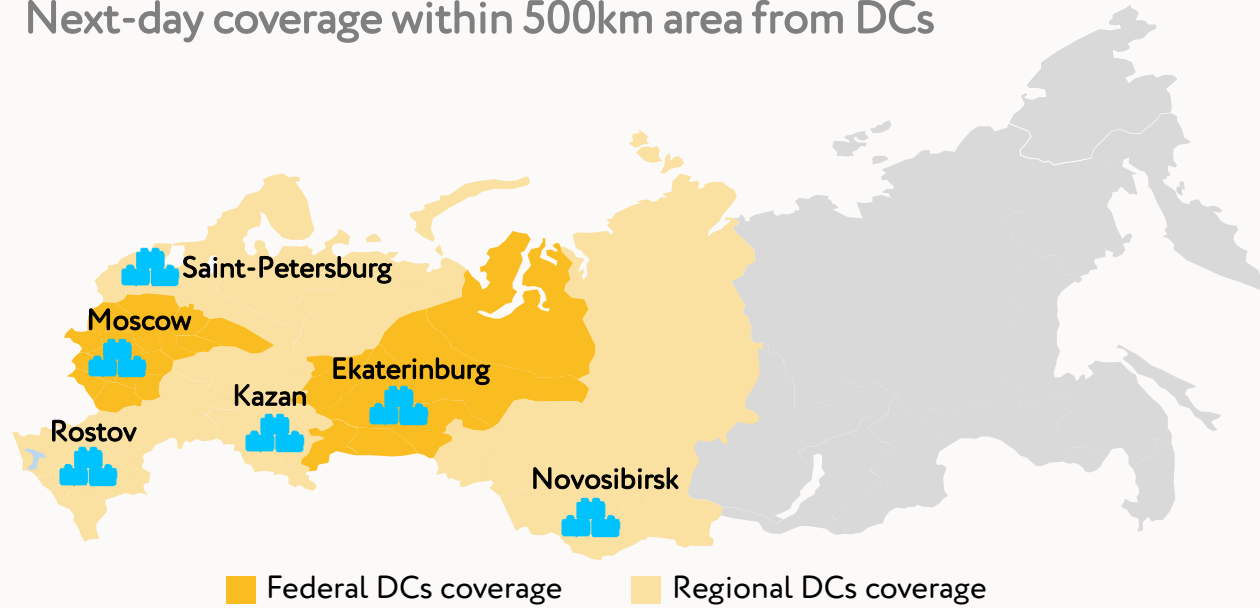
Omni-channel delivery platform



Source: Company data
¹ Bekasovo 1 and 2

Roll-out of regional DCs to boost availability of next-day delivery

Next-day coverage within 500km area from DCs



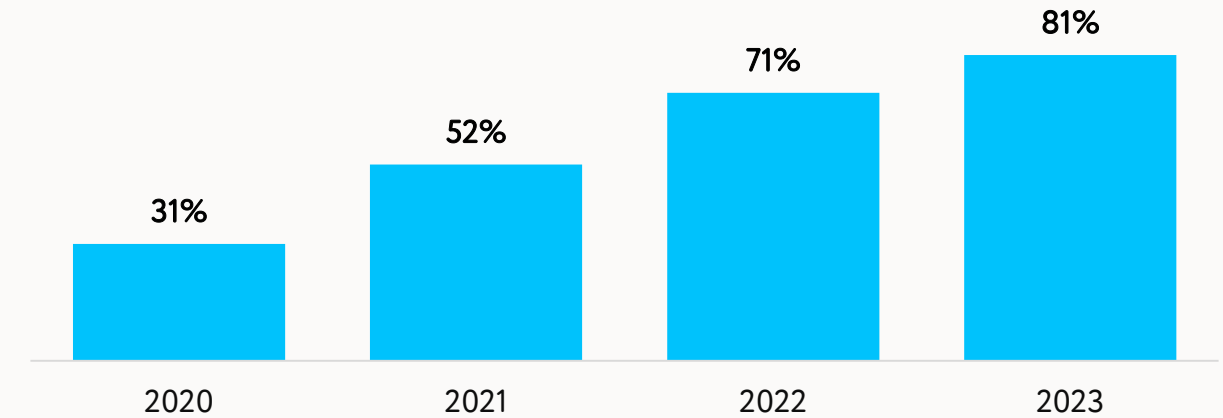
Distribution centers overview

Distribution center	Launch	SKUs, m	Population, m
Moscow (Bekasovo 1 and 2)	Opened	2.4	48.3
Rostov	Opened	0.2	15.9
Kazan	2021	0.2	14.9
Ekaterinburg	2022	2.4	20.5
Saint-Petersburg	2022	0.2	9.5
Novosibirsk	2022	0.2	14.4
Federal DC #4	2024	2.4	TBU
Total			123.5

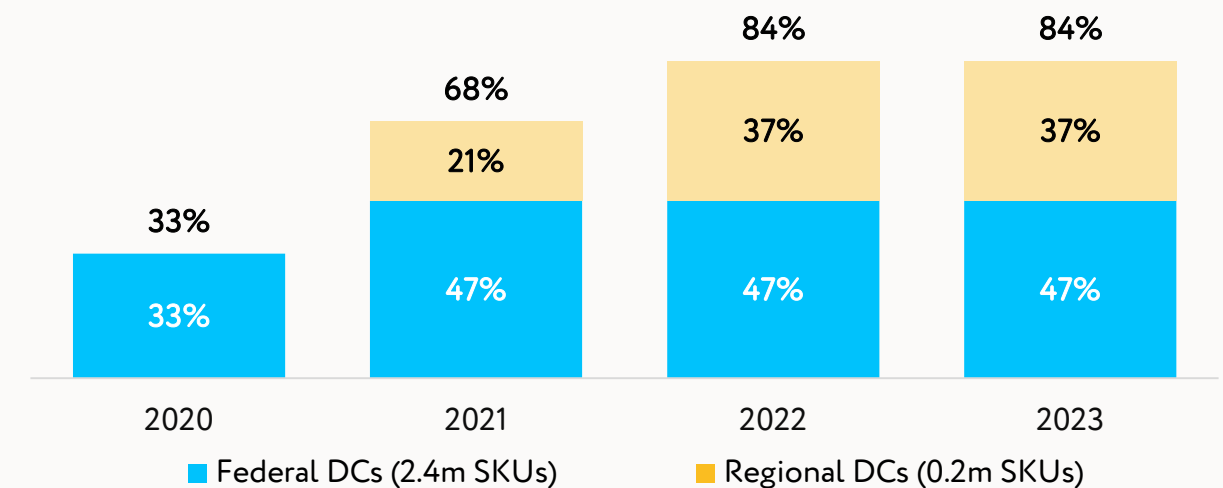
Source: Company data

Growing availability of next-day delivery

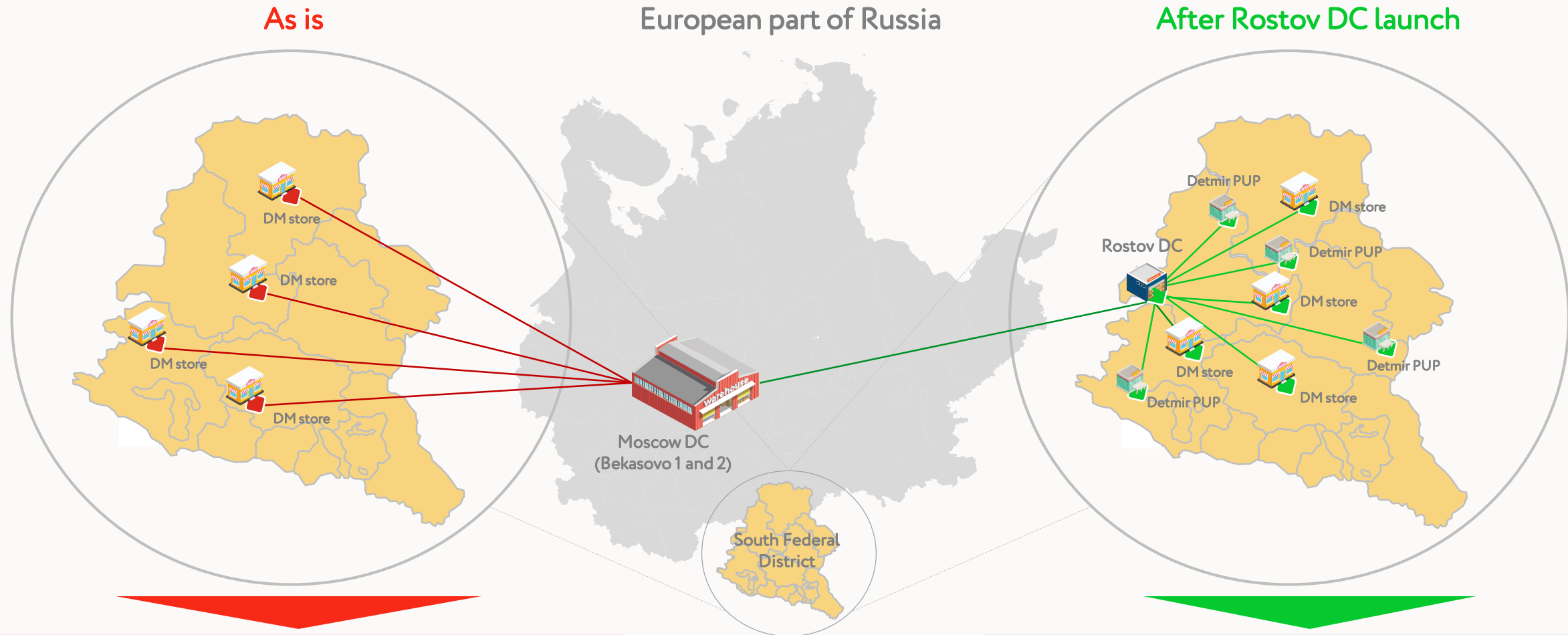
Share of next-day delivery in total revenue, (%)



Federal and Regional DCs Coverage as % of Russia population, (%)



Zoom-in: Regional DC in South Federal District



100 Detsky Mir stores in South Federal District

- × 30k SKUs available for next day delivery
- × Ship-to-store: 1-2 days delivery in 20% of stores from Moscow DC
- × Same-day delivery available to 3m customers in 3 cities
- × Relatively high delivery cost from Moscow DC

Rostov DC and 100 Detsky Mir stores + 200 Detmir pick-up points (PUPs)

- ✓ 200k SKUs available for next day delivery
- ✓ Ship-to-store: 1-2 days delivery in 80% of stores from Rostov DC
- ✓ Over 9m customers have access to same-day delivery in 43 cities
- ✓ Capital investment of RUB 100m

Source: Company data
 Note: Location of Detsky Mir's stores is for illustrative purposes only



Pet supplies

Maria Davydova (CEO)

Opportunity to consolidate a large market with synergies with core business

Large, Attractive and Promising Market

- ✓ Sizeable market in Russia with RUB 294bn annual sales
- ✓ Solid growth outlook
 - 8.6% 2019-24E CAGR, outpacing children's goods
 - Rising pet ownership rate, while children's birth rates are sluggish
- ✓ Same low elasticity to macro as children's goods
- ✓ High fragmentation plus weak, small and ineffective competition – ripe for consolidation



Synergies with Core Business

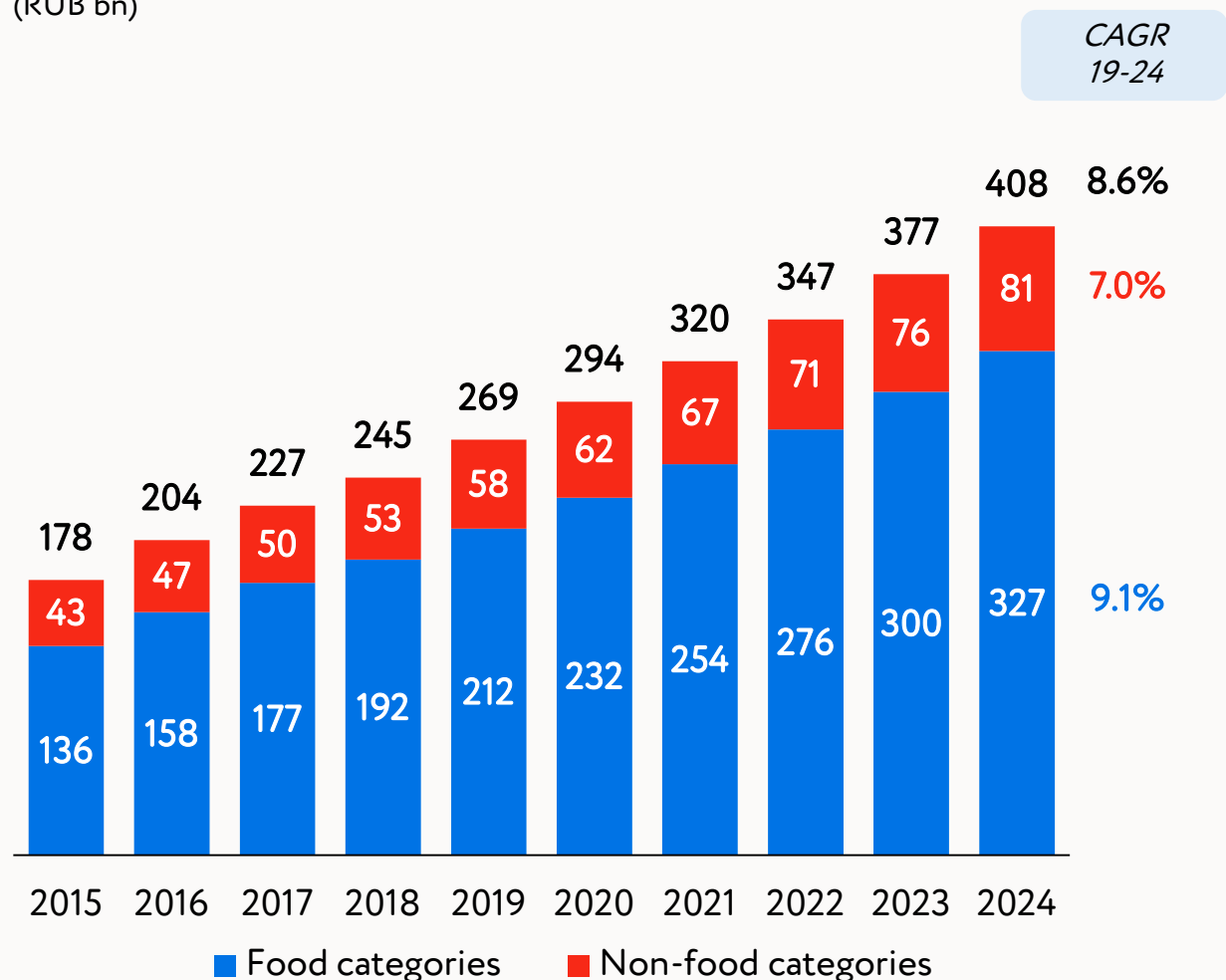
- ✓ High degree of target customer & supplier overlap with children's goods
- ✓ Ability to leverage existing distribution channels: store pickups, online ordering platform, marketplace
- ✓ Ability to leverage existing logistics: DCs, transport
- ✓ Easier access and better terms at shopping centres where DM is a valued tenant
- ✓ Ample financial and management resources relative to other players
- ✓ High operating efficiency enables an aggressive market entry

Enter the market organically with a new independent Zoozavr brand positioned as a specialist retailer with a wide assortment and lowest prices

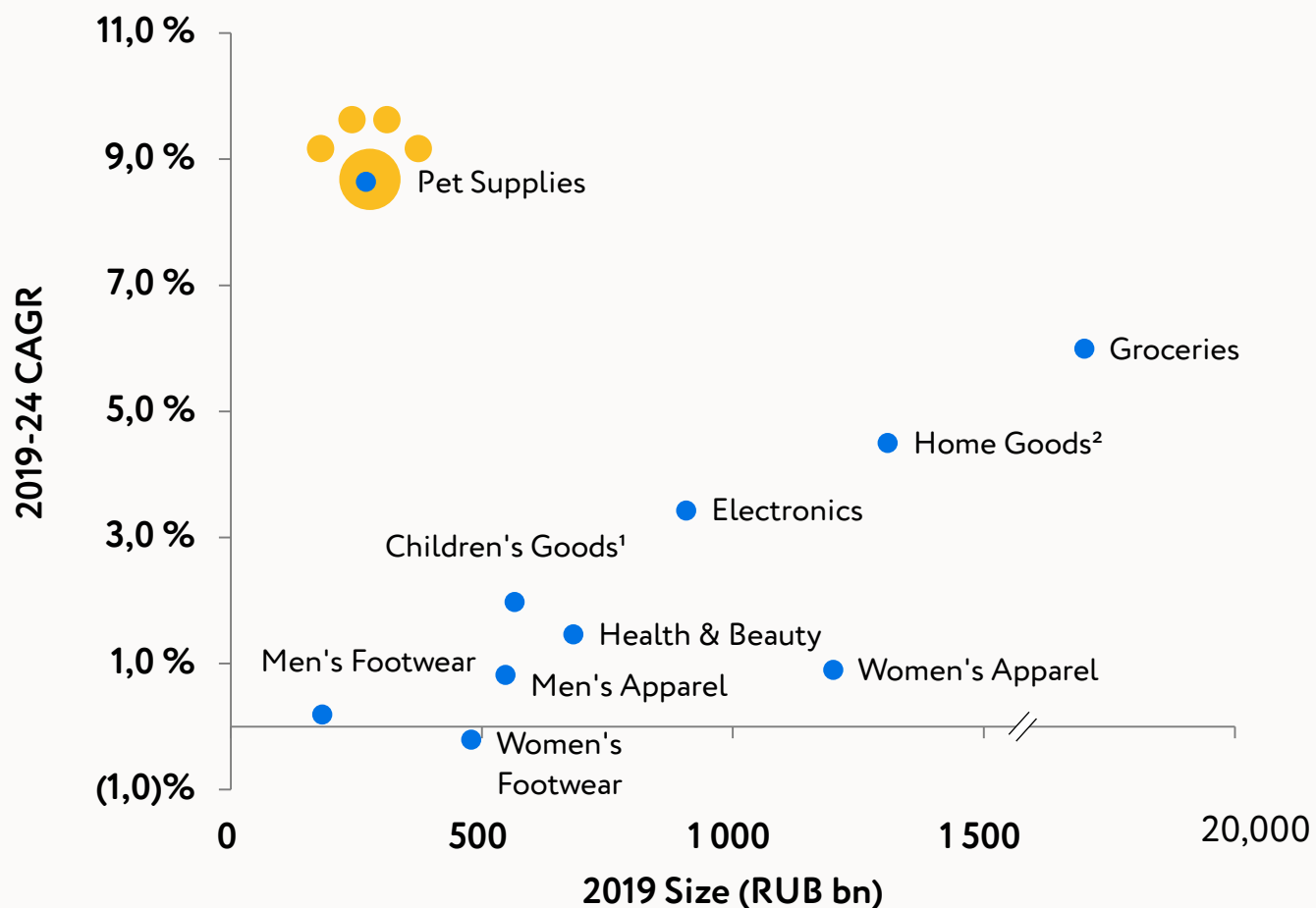
The market is already sizeable, but with high growth outlook

Russia pet supplies retail market size & forecast

(RUB bn)



Pet supplies are best-positioned from a growth perspective



Source: Euromonitor (Retail Value RSP).

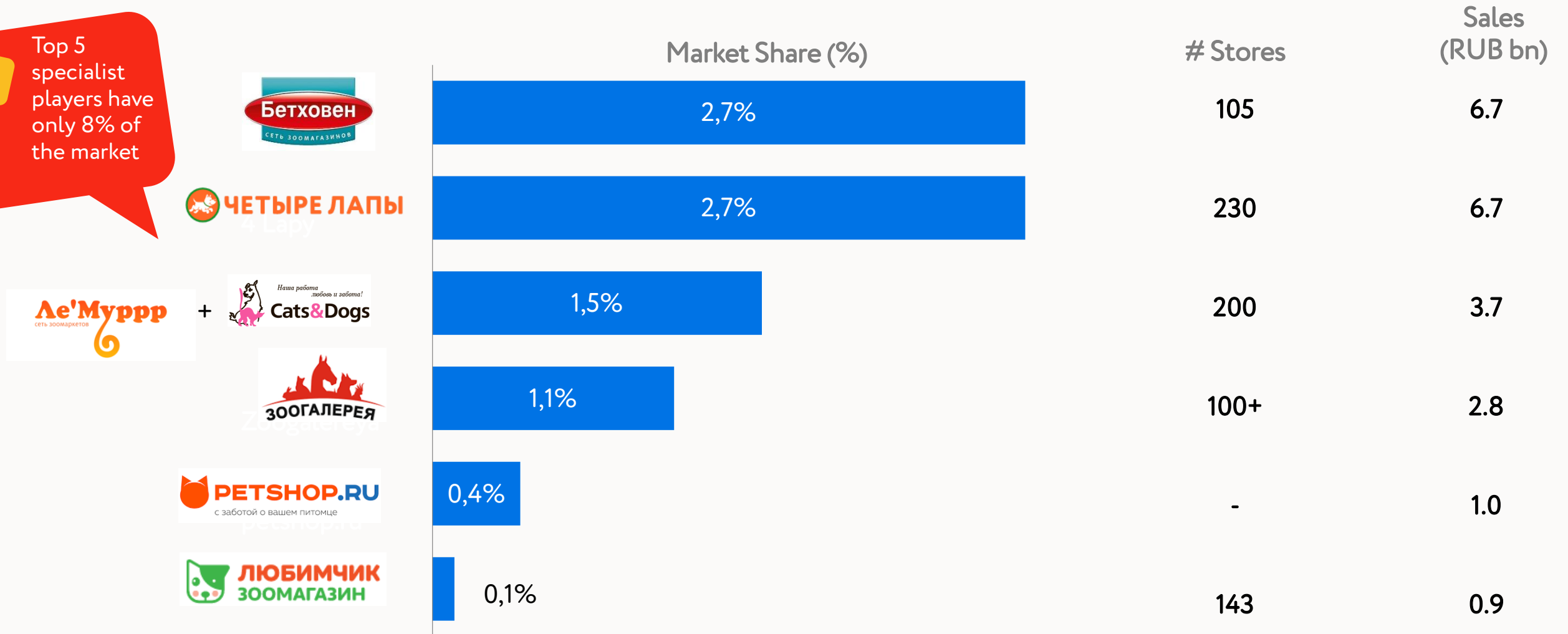
¹ Includes Childrenswear, Children's Footwear, Baby and Child-specific Products, Traditional Toys and Games

² includes Home Improvement and Gardening, Homewares and Home Furnishings

Opportunity to gain sizeable share of a fragmented market

Top pet supplies specialists are small & fragmented

! Top 5 specialist players have only 8% of the market



Source: Company data

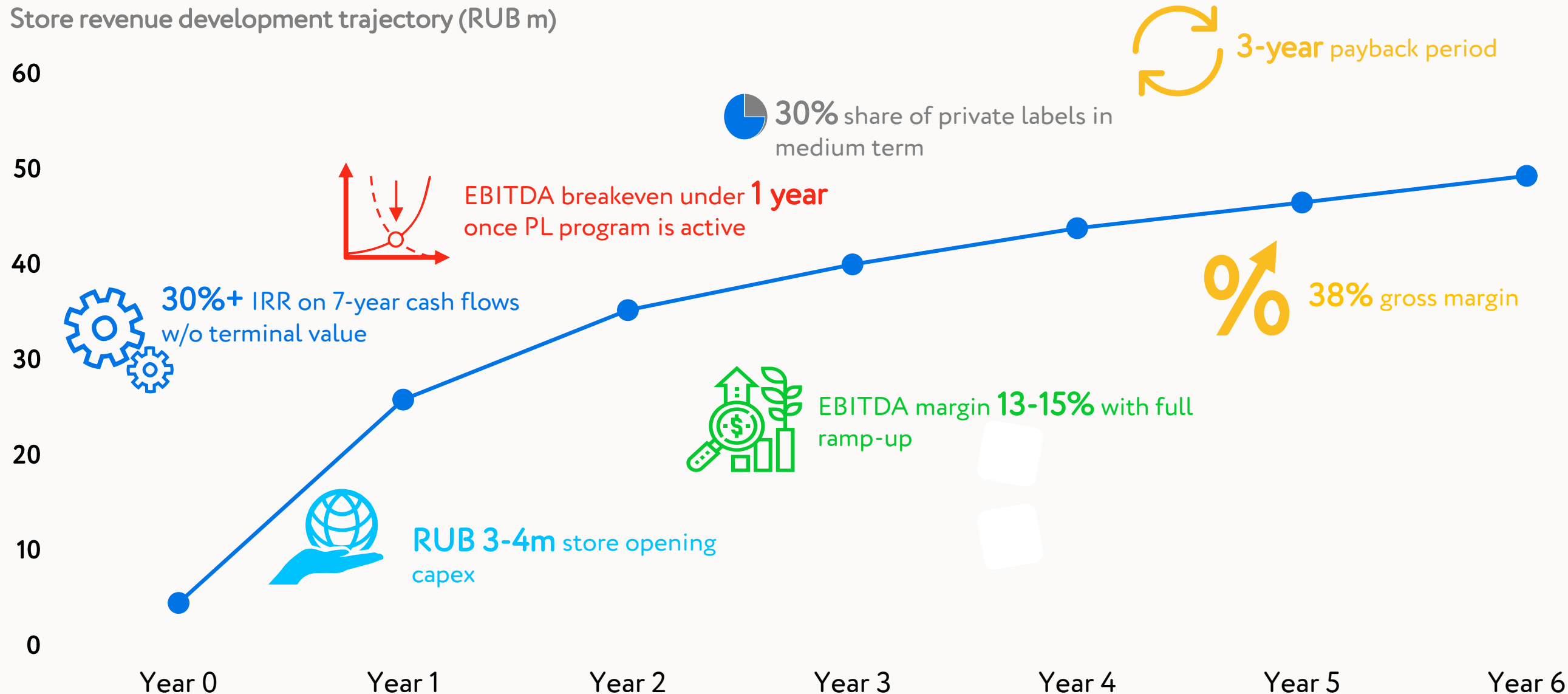
Zoozavr store format & concept 2020

- 100-150 sqm total/ 80-100 sqm selling area
- Locations:
 - At shopping centre
 - Street retail
- Comprehensive assortment
 - ~6.5k SKUs in store
 - >10.0k SKUs online
 - Upcoming **private labels** range
- Closely integrated with our broader business via **combined DM-Zoozavr**:
 - **Loyalty programme**
 - **Online shopping**
 - **Delivery and pickups** to stores of both formats
- Effective **online coverage of entire Russia** via DM's footprint
- Omnichannel pricing and “Best Price” policy make Zoozavr **lowest-priced** among specialised pet supplies retailers and **competitive in online** (same as DM in children’s goods)



Zoozavr format economics

Store revenue development trajectory (RUB m)



Source: Company data

¹ At full scale

Progress & observations to date

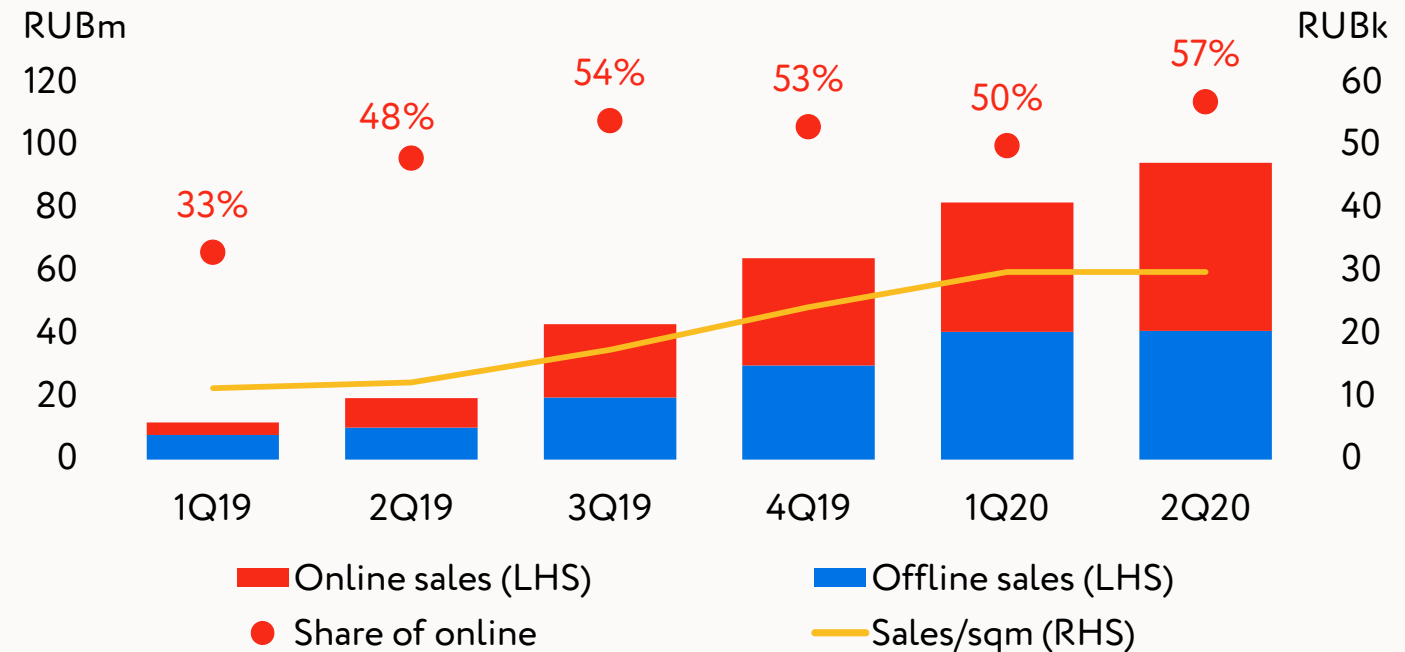
Pilot Programme

- ✓ 11 pilot stores opened to date: in Moscow, Moscow Region & 1 store in Tambov
- ✓ 10 more store openings by 2020YE
- ✓ Online sales launched
- ✓ Decision to roll-out nationwide chain made based on pilot

Key Next Steps

- ✓ Full new store rollout mode: 70 new stores in 2021, get to 500+ stores in medium-term
- ✓ Develop online offering in parallel with store rollouts using DM's infrastructure
- ✓ Private label programme at least 30% by end of 2021
- ✓ Develop veterinary supplies category to differentiate vs. online competition

Early performance results



- No drop off in offline revenue and sales/sqm during Covid-19 lockdowns
 - Pet supplies stores deemed essential and remained open
 - Market showing resiliency to downturn
- Online an important driver of overall sales growth
 - Internet orders direct from DCs will represent 30% upside to instore sales

Detsky Mir post meeting survey

Dear participants of the Q2 & H1 2020 Results and Strategy Update Video Conference,

We have prepared a short feedback survey on our investment case and IR activities. The survey should take just a few minutes.

Your feedback and opinions are important and valuable to us.

Please follow this link to fill in the feedback survey. All results are anonymous. Thank you in advance.

[Feedback Survey](#)

Contact information



Sergey Levitskiy

Head of Strategy and Investor Relations

slevitskiy@detmir.ru

+7 495 781 08 08 (ext. 2315)