



# Detsky Mir Investor Presentation

Leading specialized children's goods retailer in Russia

# Disclaimer

## THIS DOCUMENT IS NOT AN OFFER TO SELL OR A SOLICITATION OF AN OFFER TO SUBSCRIBE FOR OR PURCHASE ANY SECURITIES

Certain information in this document is forward-looking, and reflect Detsky Mir's current expectations and projections about future events, which reflect various assumptions made by Detsky Mir. These assumptions may or may not prove to be correct and no representation is made as to the accuracy of such information. By their nature, forward-looking statements involve known and unknown risk and uncertainty because they relate to future events and circumstances. These risks, uncertainties and assumptions could adversely affect the outcome and financial effects of the plans and events described herein. Forward-looking statements contained in this document regarding past trends or activities should not be taken as a representation that such trends or activities will continue in the future. Detsky Mir does not undertake any obligation to update or revise any forward-looking statements in this document, whether as a result of new information, future events or otherwise. You should not place undue reliance on forward-looking statements, which speak only as of the date of this document.

This document is strictly confidential to the recipient may not be distributed to the press or any other person, and may not be reproduced in any other form. No reliance may be placed for any purpose whatsoever on the information contained in this document or on its completeness. No representation or warranty, express or implied, is given by or on behalf of Detsky Mir or any of its directors, officers or employees or any other person as to the accuracy or completeness of the information contained in this document and no liability whatsoever is accepted by Detsky Mir or its affiliates, advisors, agents, directors, officers or employees nor any other person for any loss howsoever arising, directly or indirectly, from any errors or omissions of information or use of such information or otherwise arising in connection therewith.

This document does not constitute an offer of securities for sale in the United States of America. Neither this document nor any copy of it, nor the information contained herein, in whole or in part, may be taken or transmitted into, or distributed, directly or indirectly in or to the United States. Any failure to comply with this restriction may constitute a violation of U.S. securities laws. No securities of Detsky Mir have been or will be registered under the United States Securities Act of 1933 or the securities laws of any state of the United States, and unless so registered may not be offered or sold except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws.

This document is only addressed to persons in member states of the European Economic Area who are "qualified investors" within the meaning of Article 2(1)(e) of the Prospectus Directive (Directive 2003/71/EC and amendments thereto). In addition, in the United Kingdom, this document is only directed at (1) qualified investors who are investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "Order") or high net worth entities falling within Article 49(2)(a)-(d) of the Order or (2) persons to whom it may otherwise lawfully be communicated.

This document is not an offer or an invitation to make offers or advertisement of securities in the Russian Federation.



# Detsky Mir at a glance

# Russia's children goods retail market leader with strong growth and attractive shareholder returns



## Key facts



### Undisputed #1 player

with 67% share of specialized children's goods retail market and 26% share of total children's goods market in Russia in 2019



### Iconic brand

with 99% prompted awareness<sup>1</sup>



### 868 branded stores in 331 cities

in Russia, Kazakhstan and Belarus, of which 832 Detsky Mir, 20 Zoozavr stores and 16 Detmir Pickup<sup>2</sup>



### Prime locations

in modern shopping malls with average store selling space of ~1,100 sqm



### Top-3 online children's goods retailer

19% market share in online children's retail in 2019

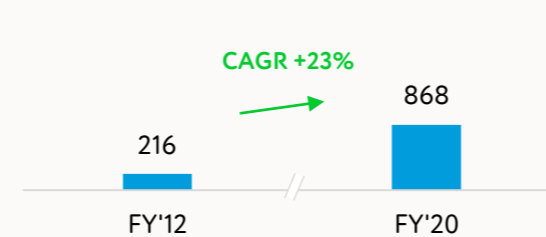


### Publicly listed

on the Moscow Stock Exchange since February 2017 with current free-float of 75%

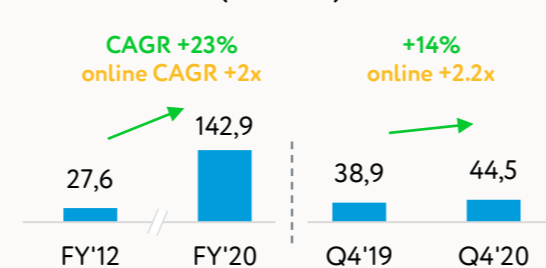
## Strong operational and financial results<sup>3</sup>

### Total number of stores



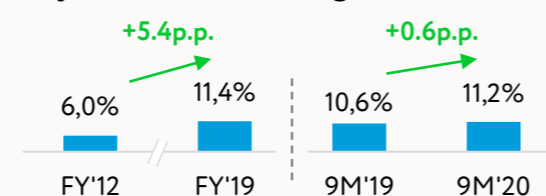
**+93**  
New store openings in FY 2020

### Total revenue (RUB bn)



**+5.9%**  
LFL in Q4 2020 (Russia and Kazakhstan)

### Adjusted EBITDA<sup>5</sup> margin



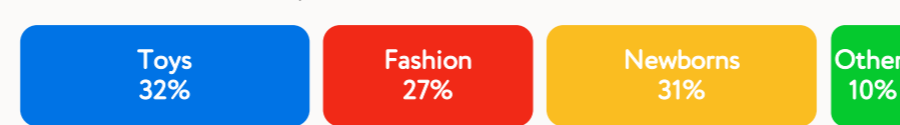
**30%**  
Share of online revenue in Russia Q4 2020

**89%**  
Cash conversion<sup>4</sup> Q3 2020

**100%**  
Dividend payout ratio<sup>6</sup>

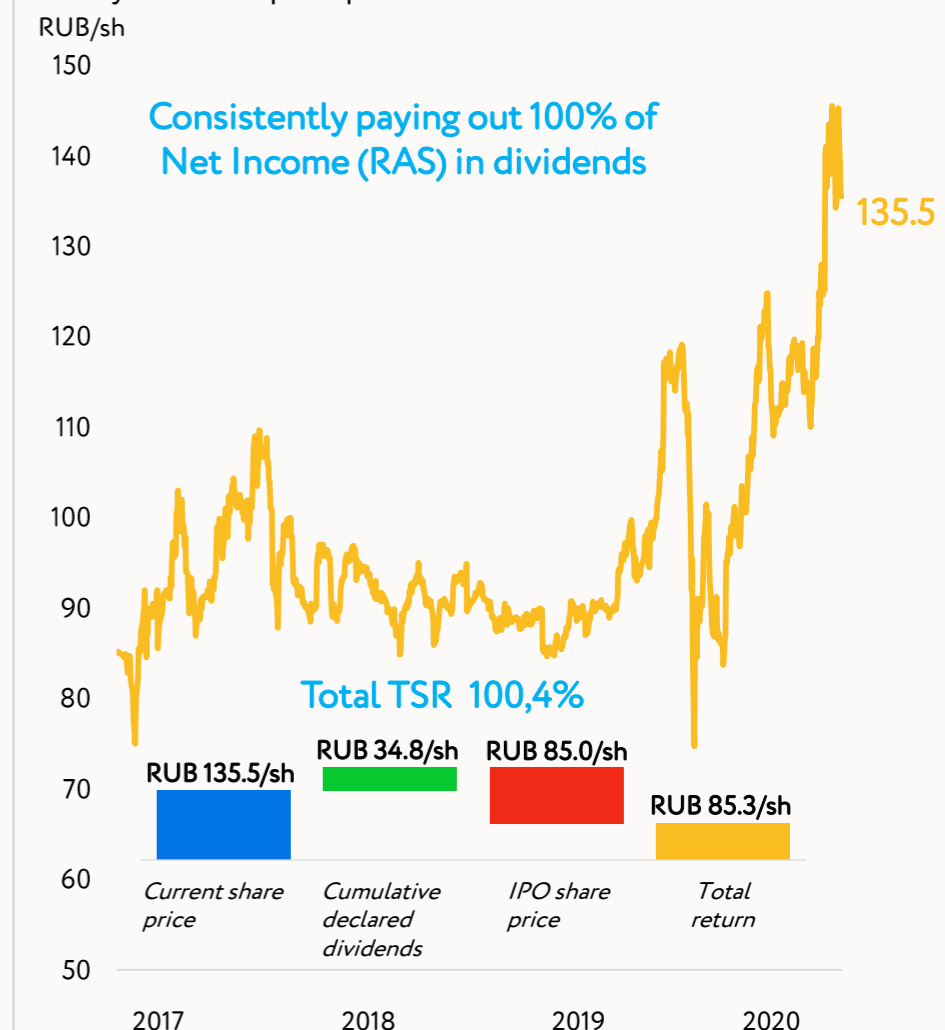
**1.1x**  
Net debt/LTM adj. EBITDA 9M 2020

### Revenue breakdown, 2019



## Generating attractive returns for investors

### Detsky Mir share price performance since IPO



Source: Company data, Ipsos Comcon, MOEX as of 31 December 2020

<sup>1</sup> "Children Goods Market in Russia" report by Ipsos Comcon ("Ipsos Comcon report"). Consumer survey conducted in December 2017

<sup>2</sup> As of 31 December 2020

<sup>3</sup> Under IAS 17

<sup>4</sup> Calculated as (Adj. EBITDA - Capex) / Adj. EBITDA

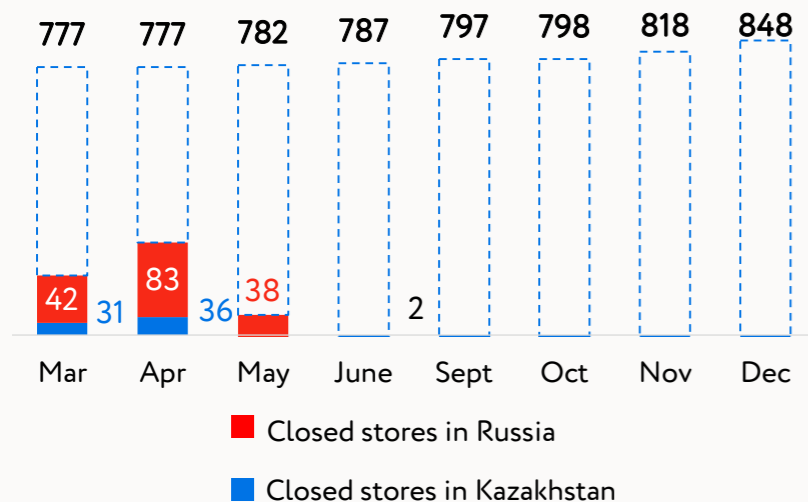
<sup>5</sup> Under IAS 17 Adjusted for the one-off effect relating to additional bonus accruals and Income received from partial termination of employees' right to receive shares under the LTI program

<sup>6</sup> Based on net profit under Russian Accounting Standards

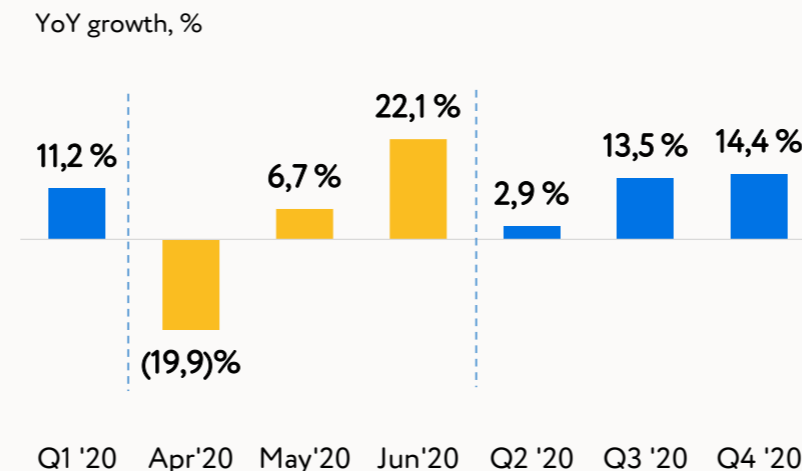
<sup>7</sup> Including large items, stationery, sports and seasonal goods

# Impact of Covid on business performance

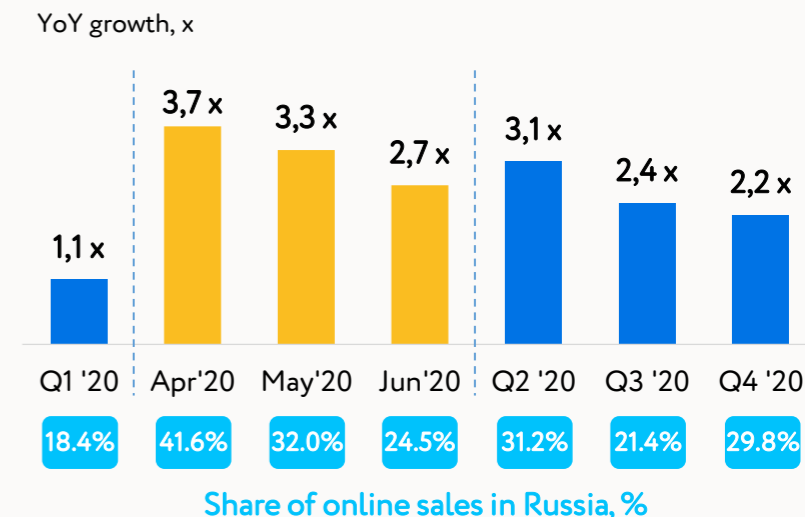
## DM store closings were limited



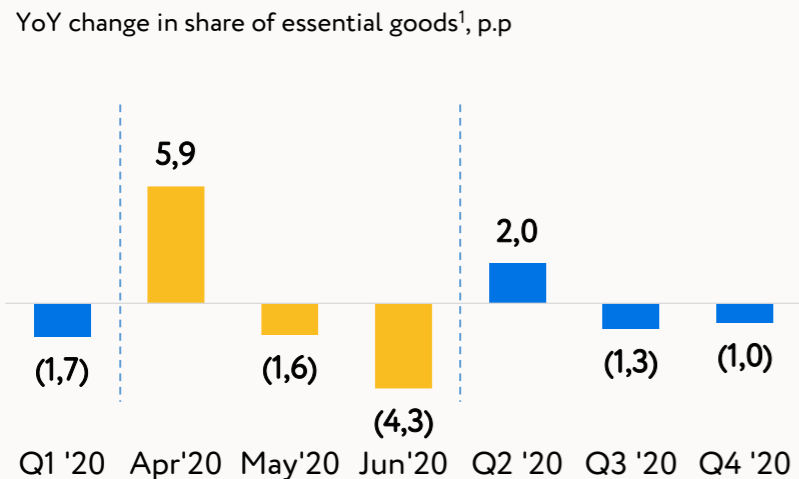
## Sales rapidly recovered ...



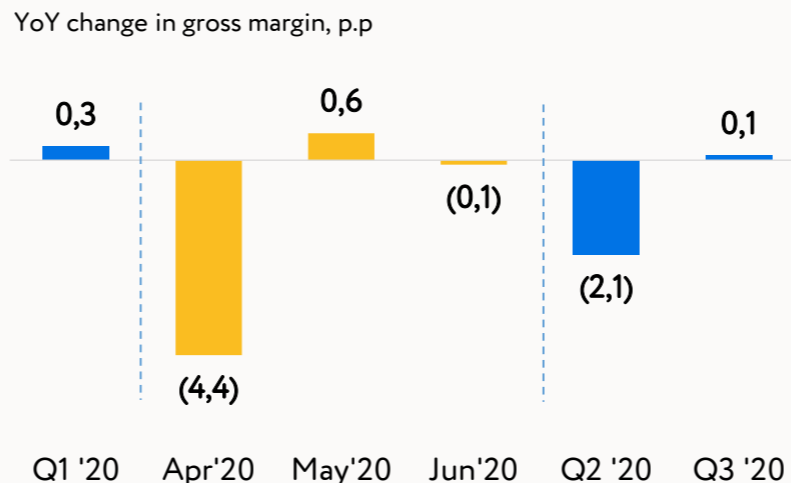
## ...thanks to explosive growth in online sales



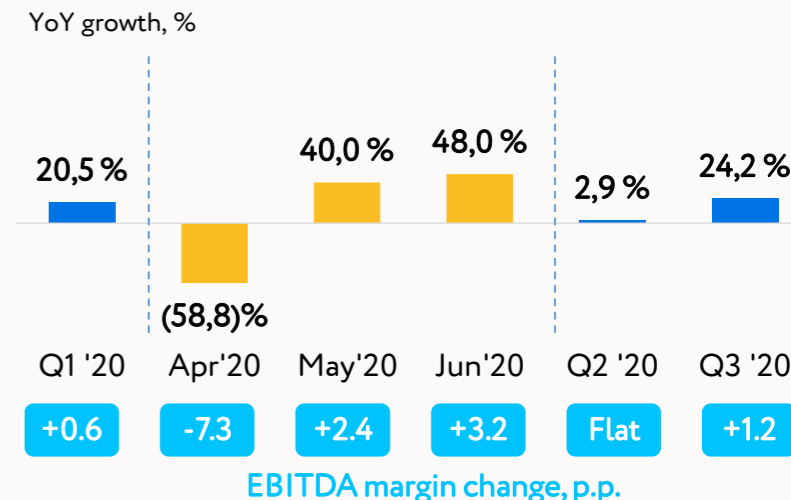
## Change in the share of essential goods<sup>1</sup>...



## ...negatively affected gross margin...



## ... while cost measures helped to restore EBITDA growth



Source: Company data

<sup>1</sup> Essential goods include newborn category

# Unlocking new growth horizons

## YTD 2020 business highlights

- 83 new Detsky Mir & Detmir PuP stores opened in 2020
- Over 80% of online revenue generated via in-store pickup
- New mobile app (c. 70% of online orders) with 6.1 m downloads
- Enhanced UX: revamped shopping cart, also launching new personal account and Apple Pay and Google Pay features (A/B testing: +15% RPU)
- (1P) assortment expansion: 150k SKUs vs 100k SKUs as of Q4'19
- (3P) successfully piloting marketplace: 100k SKUs vs 5k SKUs as of Q4'19
- Launching a full-featured IT platform for merchants' accounts (first stage of a full scale rollout of marketplace)
- Launching the first Regional DC in the South region (leased 6,000 sq. m)
- Signed a preliminary agreement on opening a second Regional DC in Q2'21 based on Russian Post's fulfillment center (leased 8,000 sq. m)
- Signed an agreement with PNK Group to construct a third federal DC in Yekaterinburg in Q1'22 (63,200 sq. m)
- Rollouting super-express delivery (up to 2 hours), also launching own delivery service based on an in-house IT platform
- Launched initiative to increase the number of partnership pick-up points (incl. pick-up lockers in food retailers) from 6k to 12k in 2021
- 20 pilot Zozavr pet supplies stores opened to date
- Identified the first partners for digital services (next update in 1H'21)

## Drivers of future upside (2021-2024)

- 300 new Detsky Mir core format stores
- 800 new Detmir Pickup stores
- 45% share of online sales
- Mobile first concept with **best-in-class app**
- Store digitalisation with **70% NPS** across channels
- Full scale rollout** of children's goods marketplace
- Leadership in the assortment targeting **2,400k SKUs** (Fashion and FMCG)
- GMV to reach a **double-digit share** of our online sales
- 80% of online orders to be delivered next-day
- Launch of **2** Federal DCs and **3** Regional DCs
- Aggressive roll-out of pet supplies retail chain: **500** new Zozavr stores with a **30%** online share in sales
- Targeting **double-digit** pet supplies market share
- Targeting launch of at least **2** children's digital services

Expand omni-channel proposition and enhance UX/CX

Marketplace to drive assortment breadth

Accelerated investment in logistics

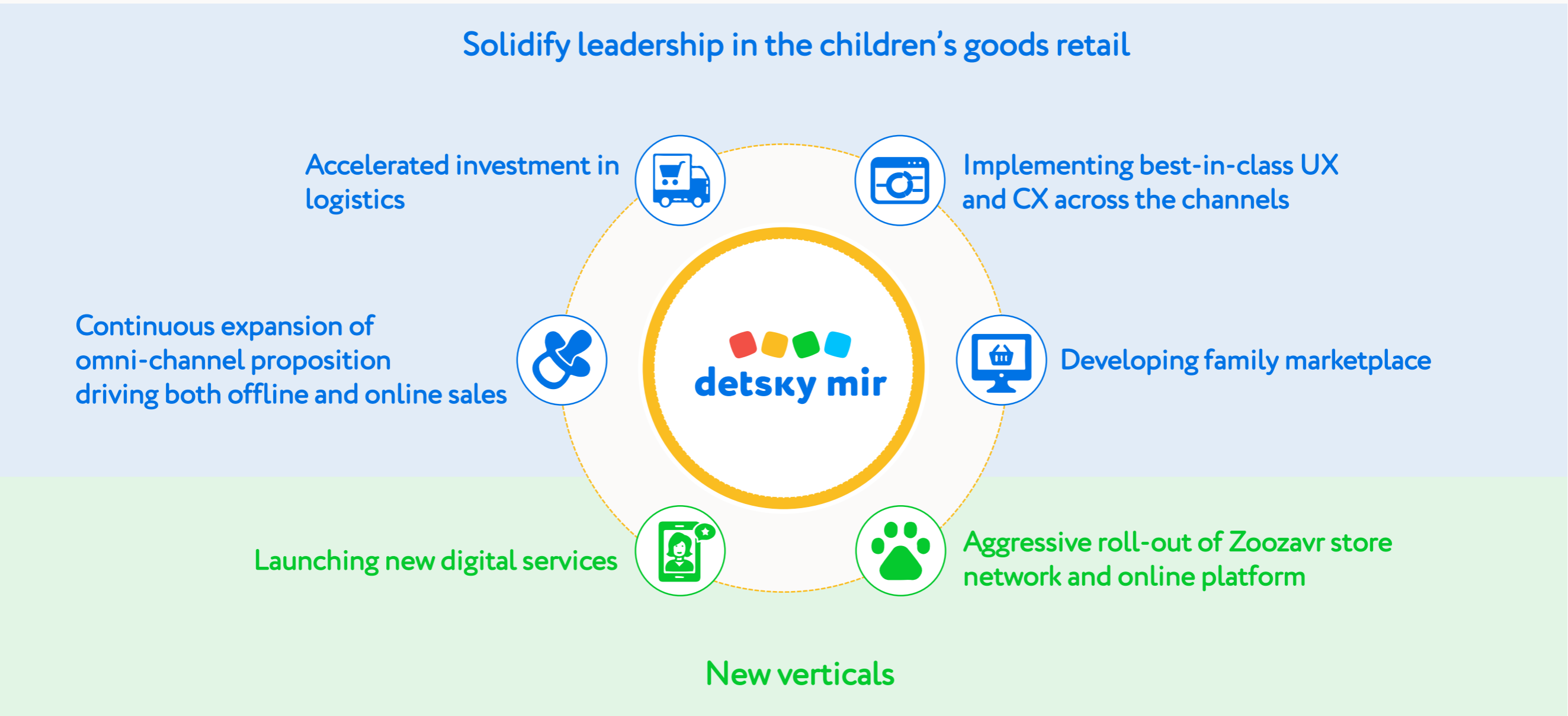
New verticals



## Strategic priorities

# Our Strategy 2020 – key building blocks

## Solidify leadership in the children's goods retail

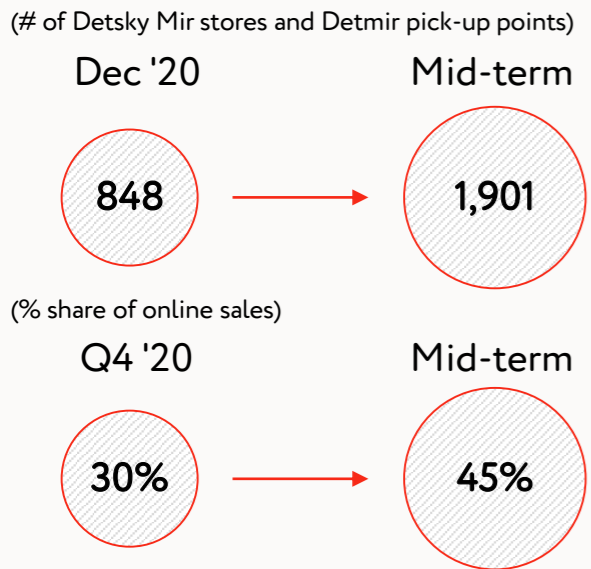




# Cement & build on the omni-channel leadership

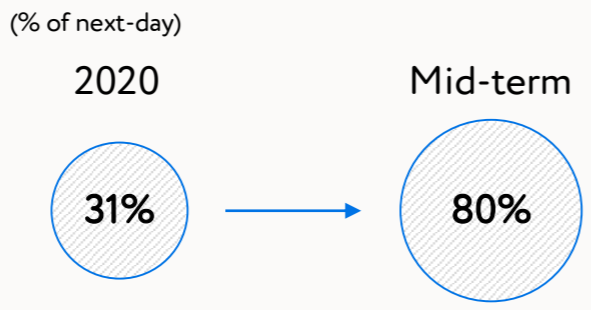
## Expand omni-channel retail platform

Opening **300+** Detsky Mir stores and **800** Detmir pick-up points;  
 Now targeting **45%** share of online sales



## Accelerated investment in logistics

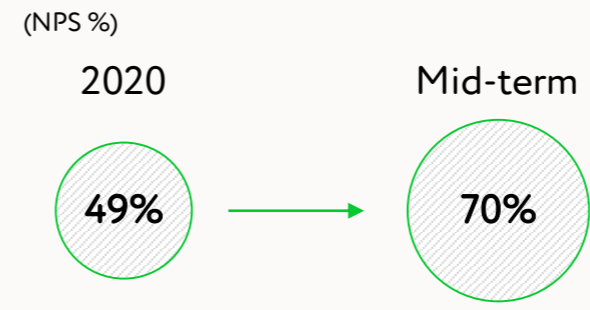
**c.80%** of online orders to be delivered next-day



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

## Enhancing UX/CX

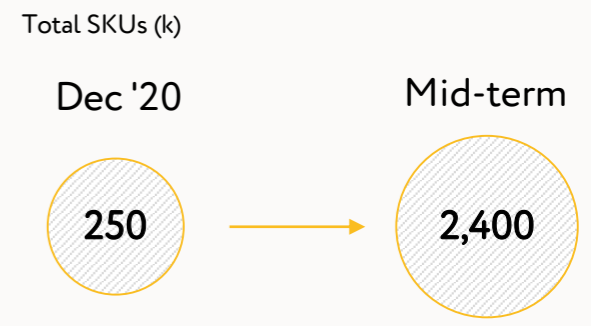
Achieving **70%** NPS across the channels



- 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



- 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

# Synergetic growth in new verticals

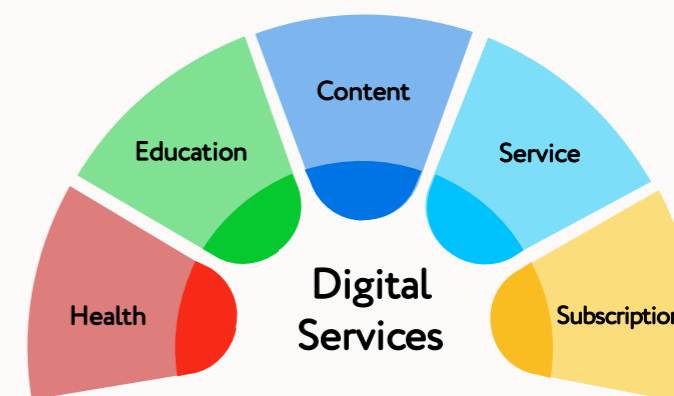
## Zoozavr – specialised pet supplies shop

- 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





# Our investment story

# Detsky Mir – leading specialized children's goods retailer in Russia



-  Undisputed market leader in children's goods retail market in Russia with significant growth potential in online 1
-  Category-defining brand with highly popular customer proposition 2
-  Unique omni-channel model with multiple initiatives for further enhancement 3
-  Emerging new strong layers of growth beyond core business model 4
-  Asset-light cash-generative business model providing for strong returns on capital and consistent dividend payments 5
-  Strong management team with well-established market-oriented governance practices 6

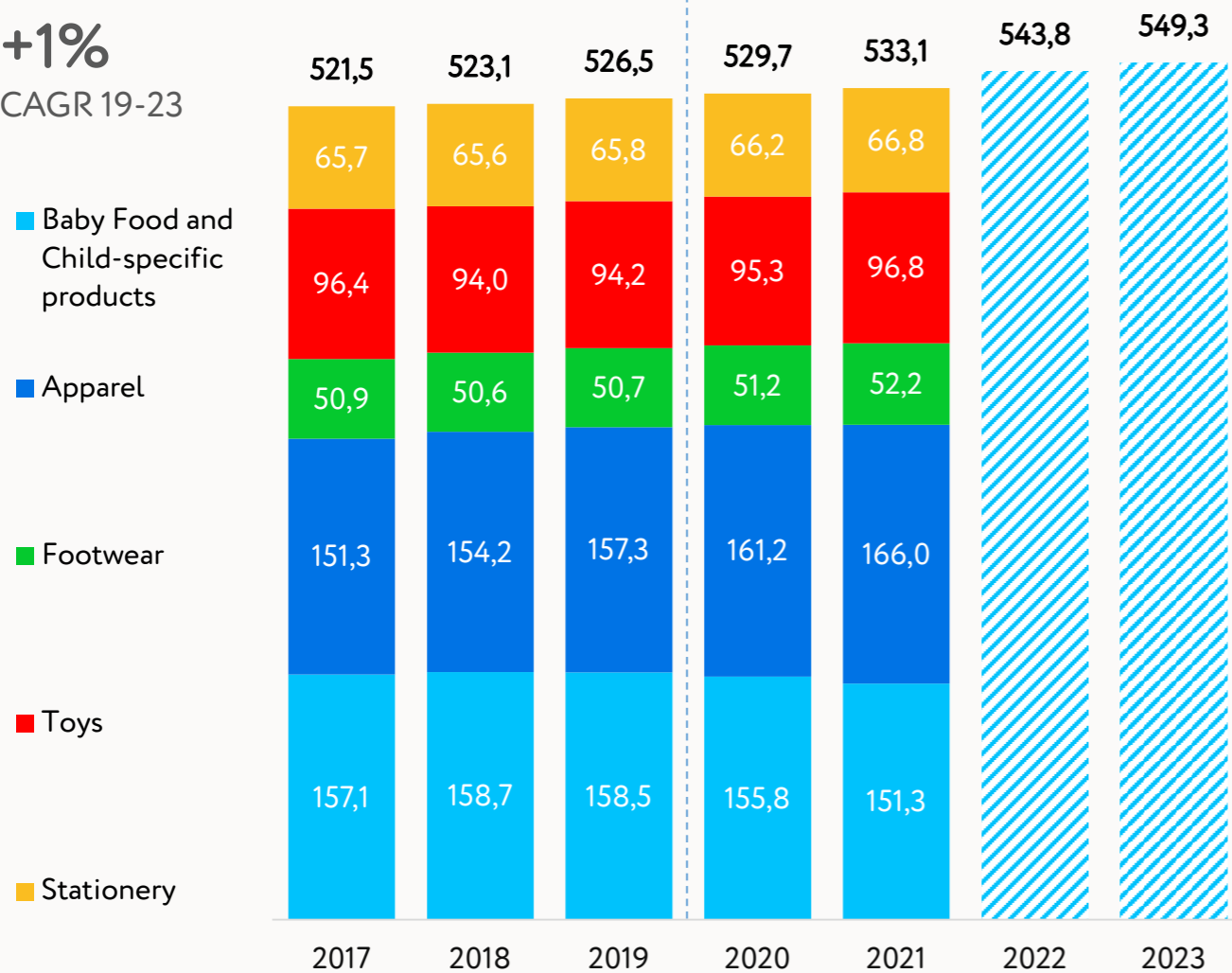
# Russian children's goods market overview

## 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%**

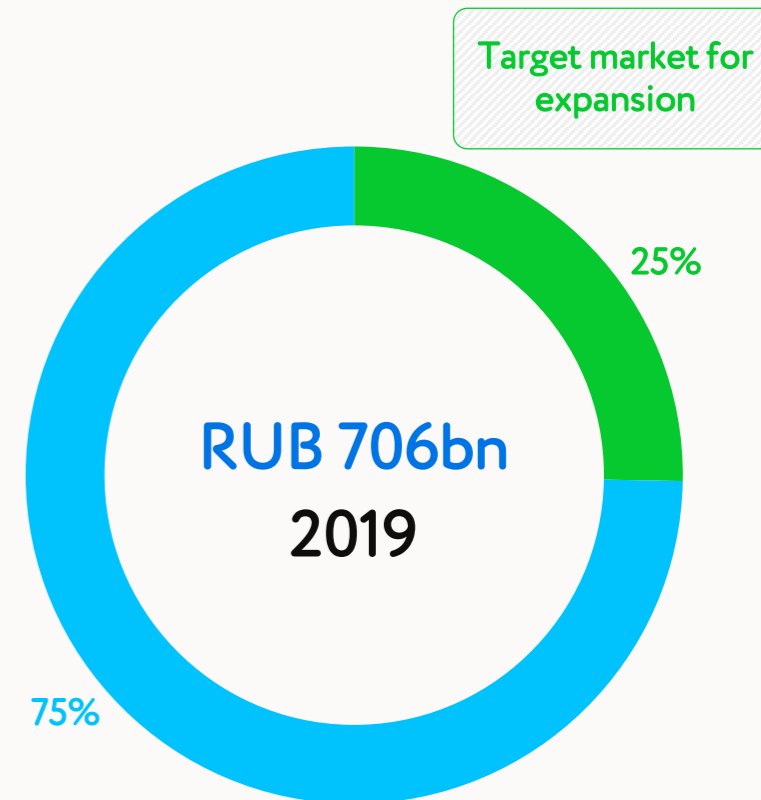
Detsky Mir market share in all Russian cities

**26%**

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

Cities with less than 100k population

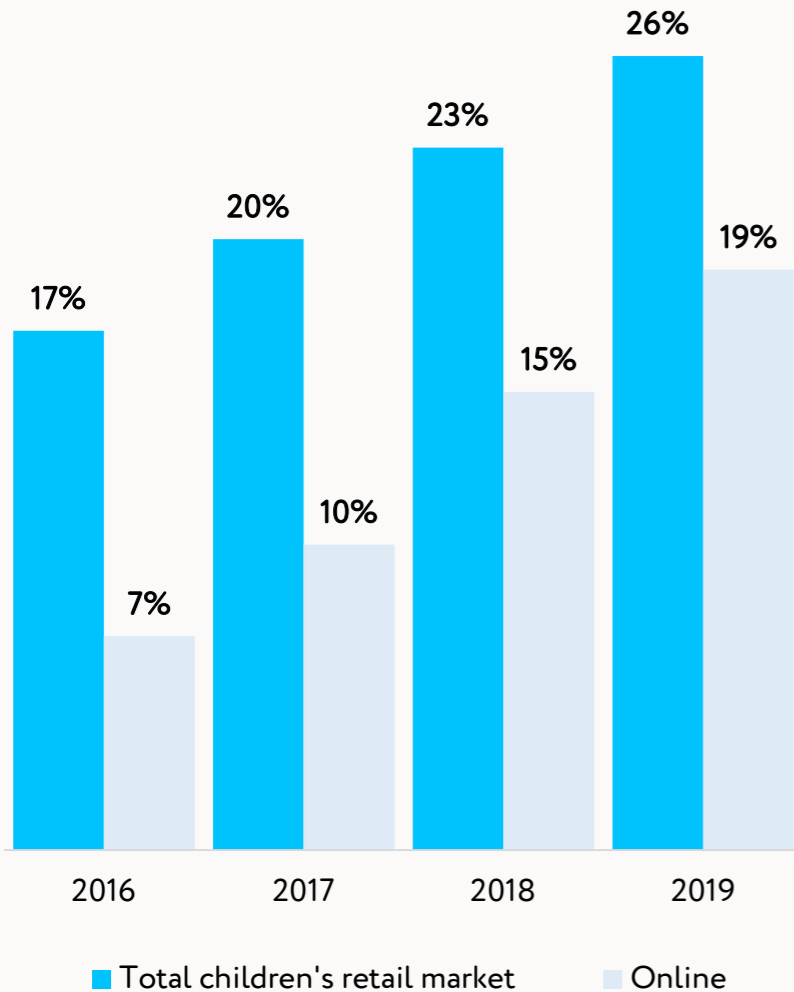
Cities with over 100k population



# Market environment evolution

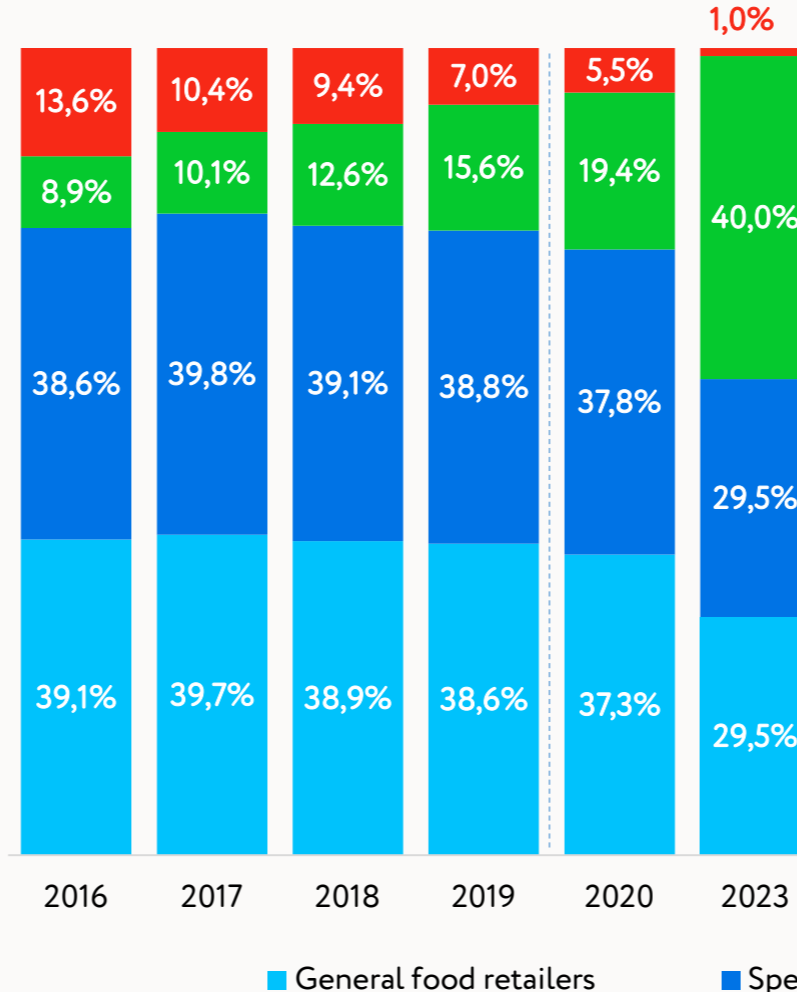
Detsky Mir has been historically building on its market leadership

Detsky Mir market shares (%)<sup>1</sup>



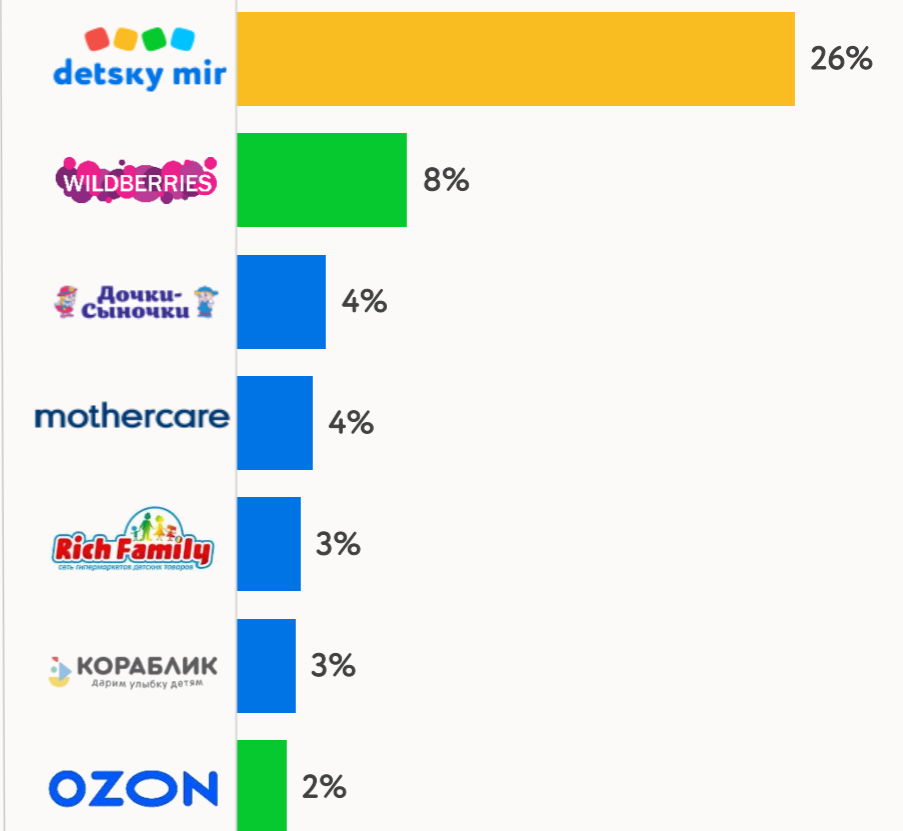
Online channel is becoming more important and expected to grow 2.6x in 2019-23

Russian children's goods market breakdown by channels (%)<sup>1</sup>



Online marketplaces evolving into most notable competitors

Market share in total children's goods retail in Russia (%)<sup>1</sup>



Source: Company data, Ipsos Comcon report

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

# Category-defining brand with highly popular customer proposition

## Leading customer proposition

### Brand positioning

Iconic Russian household name with 70-year history  
99% prompted awareness<sup>1</sup>  
92% unprompted awareness<sup>1</sup>

### Product offering and convenience

One-stop-shop across key children's categories  
Product offering of ~20,000 SKUs for a typical store and ~250,000 SKUs for online  
Fast fashion (8 seasons)  
Full omni-channel model with convenient delivery options  
Convenient locations in high foot traffic areas

### Attractive pricing and promotions

Price segment from medium to medium-low  
We aim to offer highly competitive pricing in baby food and hygiene products  
Periodic sales and promotions

### Loyalty program

c.26.8m loyalty cards (c.10.7m active loyalty cards<sup>2</sup>)  
c.15.9m contact base of users as of December 2020  
Average ticket for loyalty card holders is significantly higher vs. customers without cards

## Bigger, better and more recognizable than the competition

Number of stores (2019)<sup>3</sup>



Brand recognition (Aided and Spontaneous awareness, February 2020)



## Well-balanced product mix across traffic generators and high-margin products

Product segment	Gross margin	Traffic generation	Revenue breakdown <sup>4</sup> (2020 and 2019)	
Newborns	✓	✓✓✓	30%	31%
Toys	✓✓	✓✓	31%	32%
Fashion	✓✓✓	✓	29%	27%
Large items and other	✓✓	✓✓	10%	10%

Source: Detsky Mir for Company and peers data; Ipsos Comcon for brand recognition metrics

<sup>1</sup> Based on consumer survey conducted in February 2020

<sup>2</sup> Cardholders who made at least one purchase at Detsky Mir during the last 12 months to 31 December 2020 are considered active

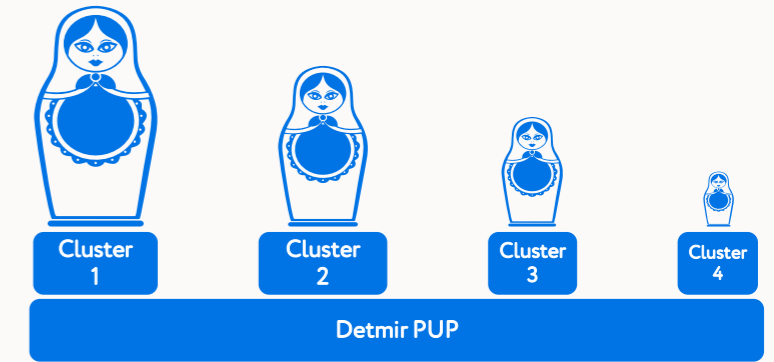
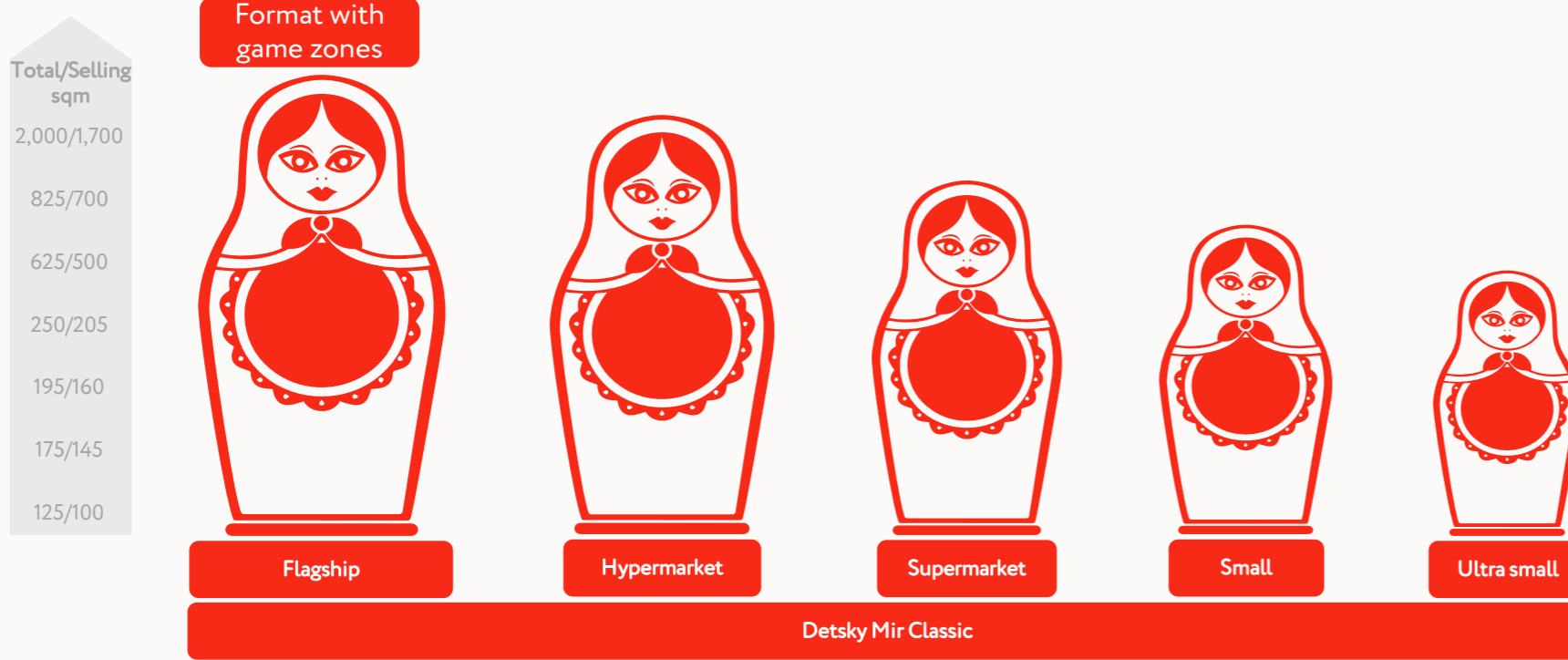
<sup>3</sup> Excluding Kazakhstan and Belarus; excluding ELC&ABC and Zozavr stores

<sup>4</sup> Retail revenue only

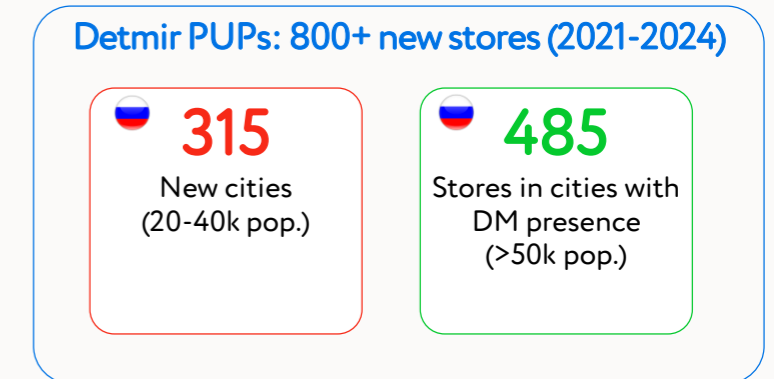
# Embedded formats strategy with solid expansion pipeline

Pickup points are a unifying feature of all formats

Modernised diversified formats with unified standards



Clear medium-term white space



Source: Company data





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

- ✓ Pick-ups with an unlimited shelf from DCs plus ~2,000 SKUs in-store
- ✓ Capture smaller cities with 40k-100k population, expanding our market size by 30+% to RUB 706bn
- ✓ 800+ stores medium-term, 1,200+ more stores longer term
- ✓ High-single-digit EBITDA margin
- ✓ 30%+ IRR on 7-year cash flows (w/o terminal value)
- ✓ Relies on regional DCs coverage within 500m, Store capex RUB 3-4m



### In-store 2.0

- ✓ Modernise and expand online order pick-ups and fulfilment within existing DM Classic stores
  - ✓ Increased selling space (+15 sqm)
  - ✓ Capex: <RUB 300k per store
- Goals:
- ✓ From 20% to 38% online orders of in-store turnover
  - ✓ Composite service level ≥90%



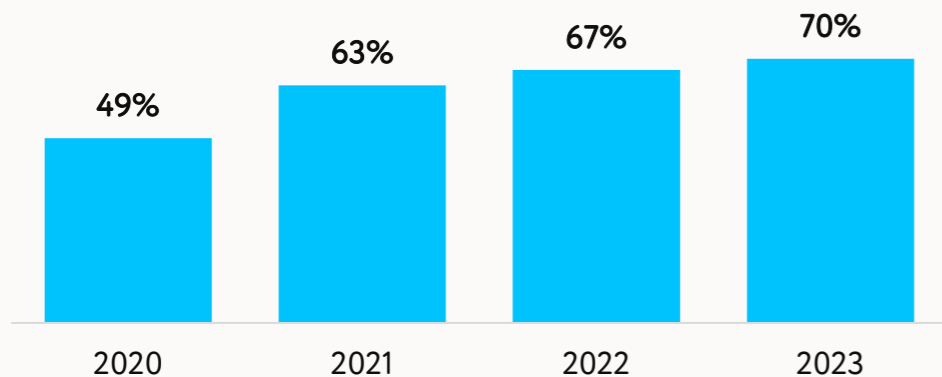
### Detsky Mir 3.0

- ✓ Full digital transformation and modernisation of all stores to make them fully online and pick-up capable
- ✓ Clear and accessible navigation
- ✓ Unified customer service center in all stores
- ✓ Fresher and more “digital” look & feel for shoppers implemented at new stores
- ✓ Automated solutions: electronic price tags, employee apps, self-checkouts

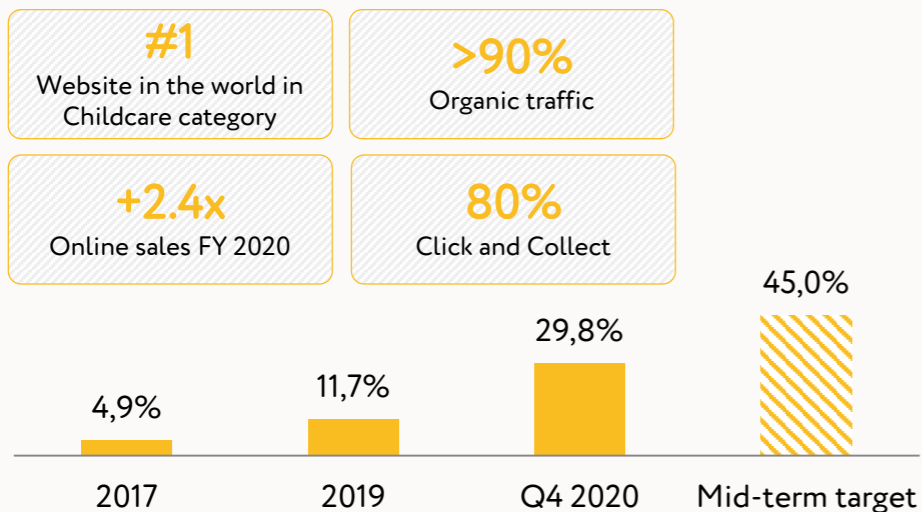


# Investing in mobile app as key driver to deliver strategic objectives



## Targeting 70% NPS across the channels in mid-term

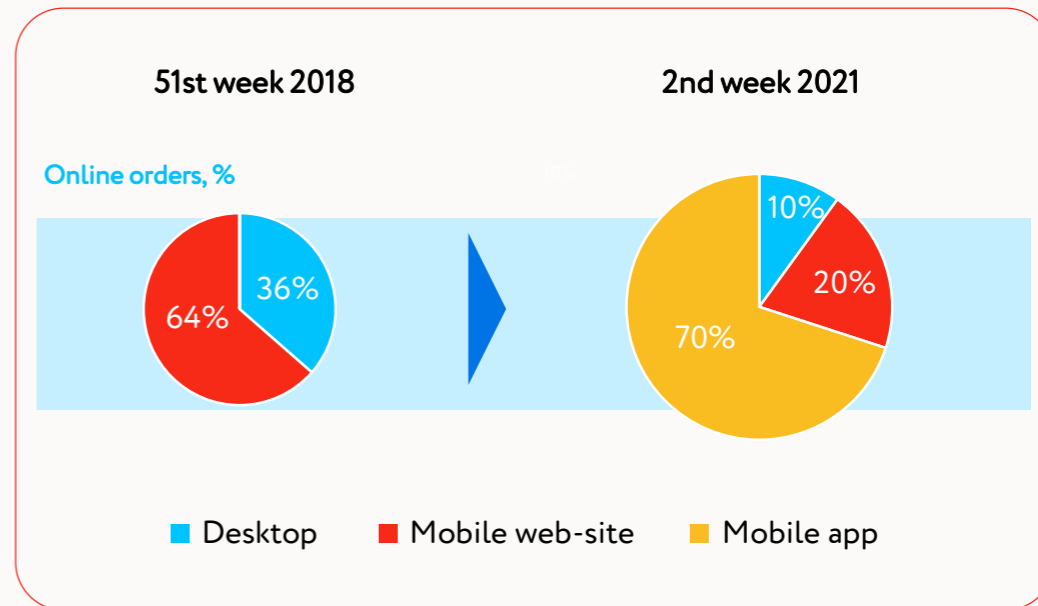


## Share of online sales<sup>1</sup>



## “Mobile first” concept – Detsky Mir mobile app

- 6.1 million downloads<sup>2</sup>
- #40 ↑ #10 App ranking in Shopping category<sup>3</sup> 
- #36 ↑ #10 App ranking in Shopping category<sup>3</sup> 



## 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

<sup>1</sup> As % of total revenue in Russia

<sup>2</sup> Number of downloads over 52 weeks of 2020

<sup>3</sup> As of 31 December 2020 vs. 24 November 2019 based on AppAnnie data

# 3 DM's Marketplace

## Why DM Marketplace?

- ✓ Provide our shoppers with broadest possible assortment they have come to expect
- ✓ Provide our suppliers a great platform to reach customers and manage inventory
- ✓ Lower costs than competitors by building on top of existing infrastructure
- ✓ Limited capex and no extra working capital

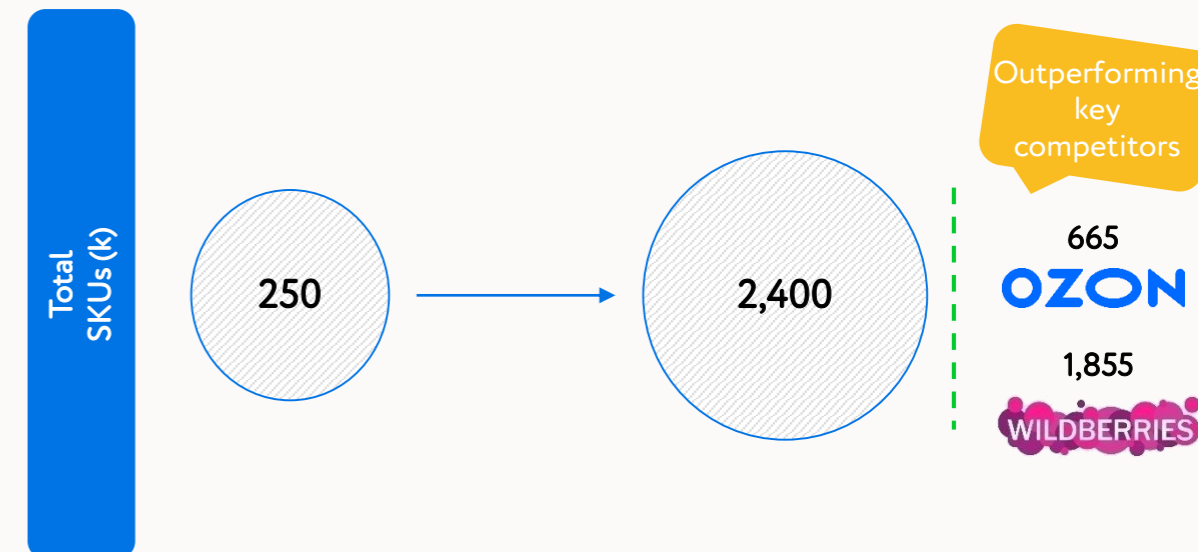
## DM Marketplace profile

<p><b>Assortment</b> Initially focus on children's FMCG and fashion</p>	<p><b>Pricing</b> Mid-to mid-high price segments</p>
<p><b>Economics</b> 3PL commission-based model</p>	<p><b>Customers</b> Shoppers: same target base, same loyalty program Merchants: local producers and well-known international brands</p>
<p><b>Service platform</b> DM provides interface and logistics / delivery on same platform as its 1P e-Commerce</p>	<p><b>New verticals</b> To be launched based on success of core categories</p>

Source: Company data

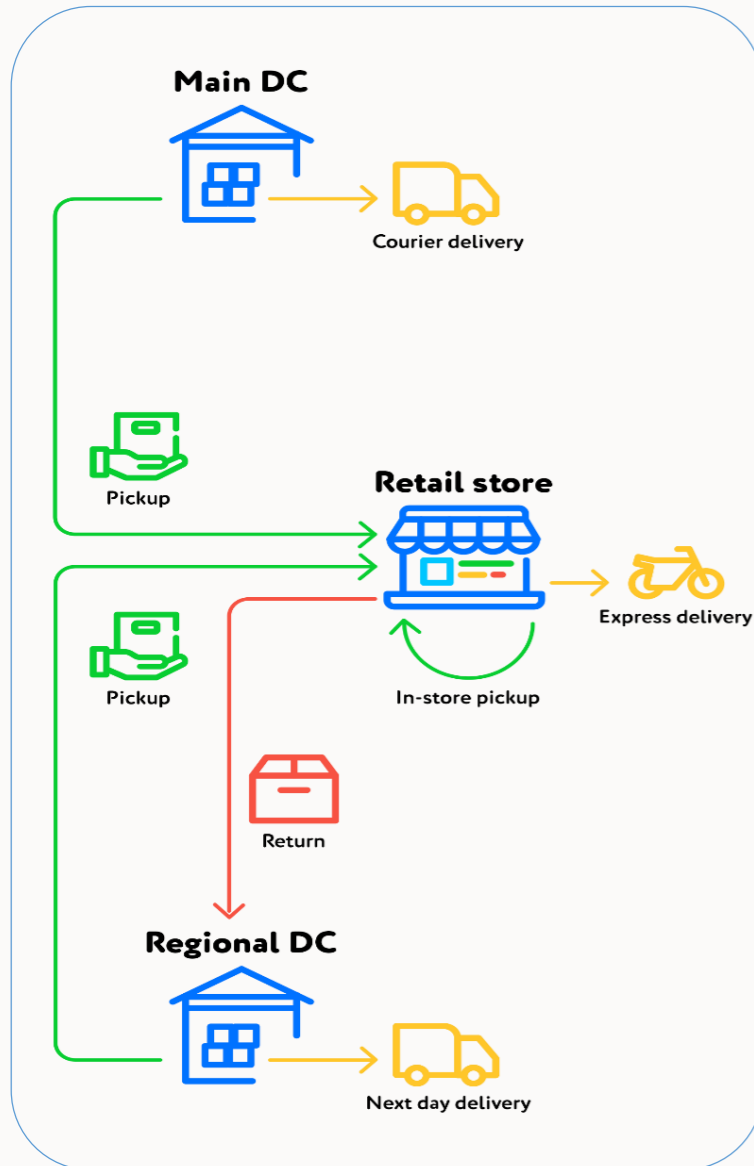
## Long-term vision

- Overtake key local competition in relevant SKUs
- GMV representing double-digit share of our online sales
- 20-25% fixed/actual 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



# 3 complementary channels to optimise speed and coverage of courier delivery

## Omni-channel delivery platform



 Assortment

Main DC


2.4m SKUs

Regional DCs

200k SKUs

"Last mile" through retail chain

20k-30k SKUs

 Number of locations

2<sup>1</sup> 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

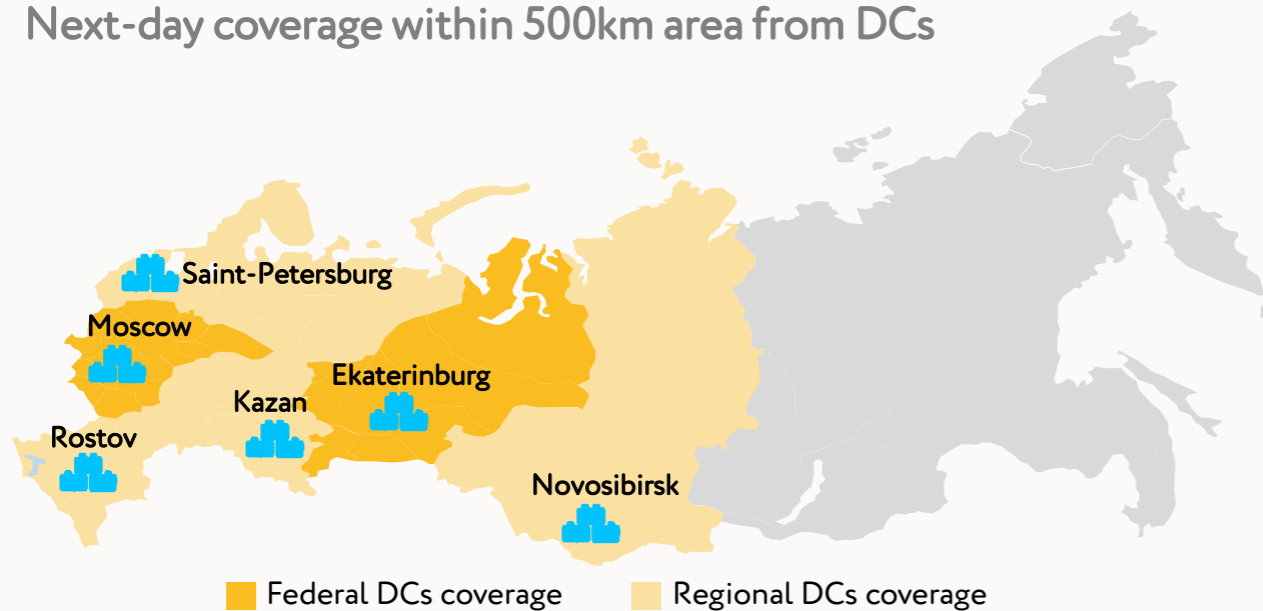
1-20 days

Next-day

Same-day  
~3 hours

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

## Next-day coverage within 500km area from DCs



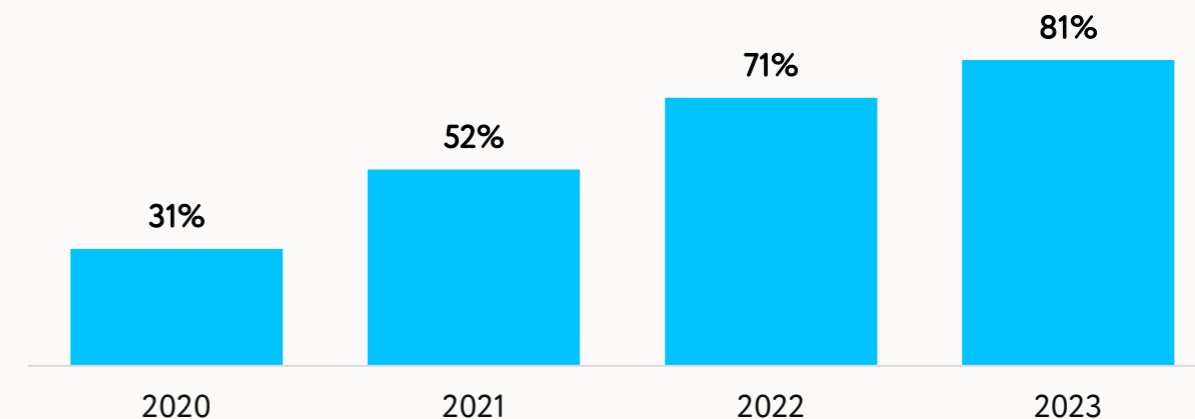
## Distribution centers overview

Distribution center	Launch	SKUs, m	Population, m
Moscow (Bekasovo 1 and 2)	Opened	2.4	48.3
Rostov	Opened	0.2	15.9
Kazan	Q2 2021	0.2	14.9
Ekaterinburg	Q1 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
<b>Total</b>			<b>123.5</b>

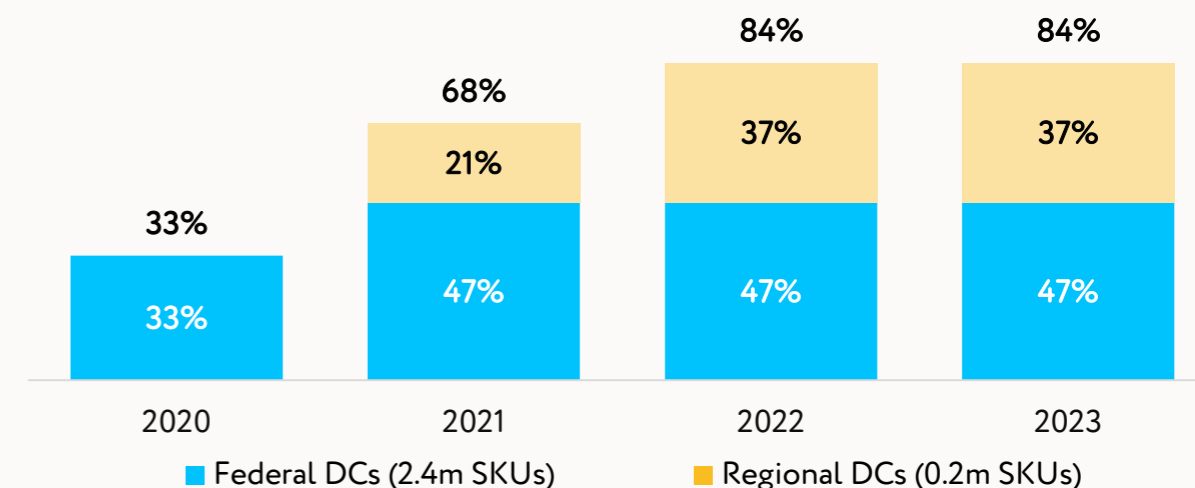
Source: Company data

## Growing availability of next-day delivery

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



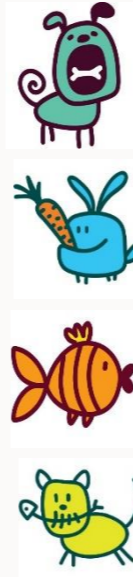
Federal and Regional DCs Coverage as % of Russia population, (%)



# Zoozavr – entering promising pets supplies market

## Store Format

- 200sqm total/170sqm selling area
- At shopping center or street retail, close to a chain food retailer
- Comprehensive assortment:
  - ~6.5k SKUs in store
  - >10.0k SKUs online – Upcoming private labels range
- Store capex of RUB 3-4m
- Cross-integration with DM: stores, ordering, pickups, logistics
- Effective online coverage of entire Russia via DM's footprint



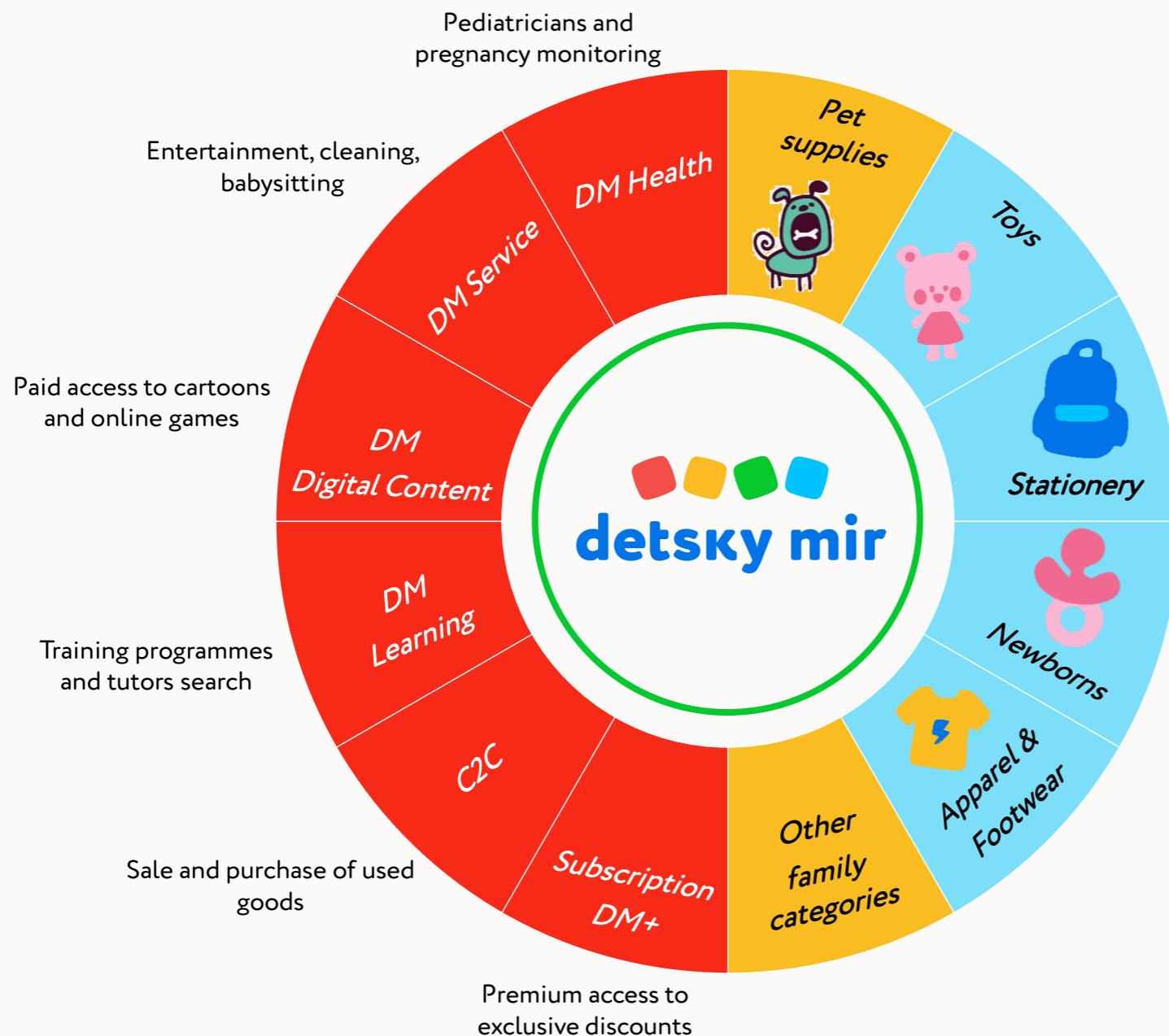
## Why Zoozavr?

- Russian pet supplies market is large at RUB 294bn (2019)
- Solid market 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 with weak competition
  - Top 5 specialist players account for only 8% market share
  - No highly recognized brand or large, well-funded and efficient player
- Large overlap with children's goods target customers and suppliers

## Key Next Steps

- ✓ Full new store rollout mode: 70 new stores in 2021, get to 500+ stores in medium-term
- ✓ Get to 30% online share
- ✓ Private label programme by end of 2021 (reach at least 30%)
- ✓ Develop veterinary supplies category to differentiate vs. online competition

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



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

Piloting in 1H 2021

## 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**

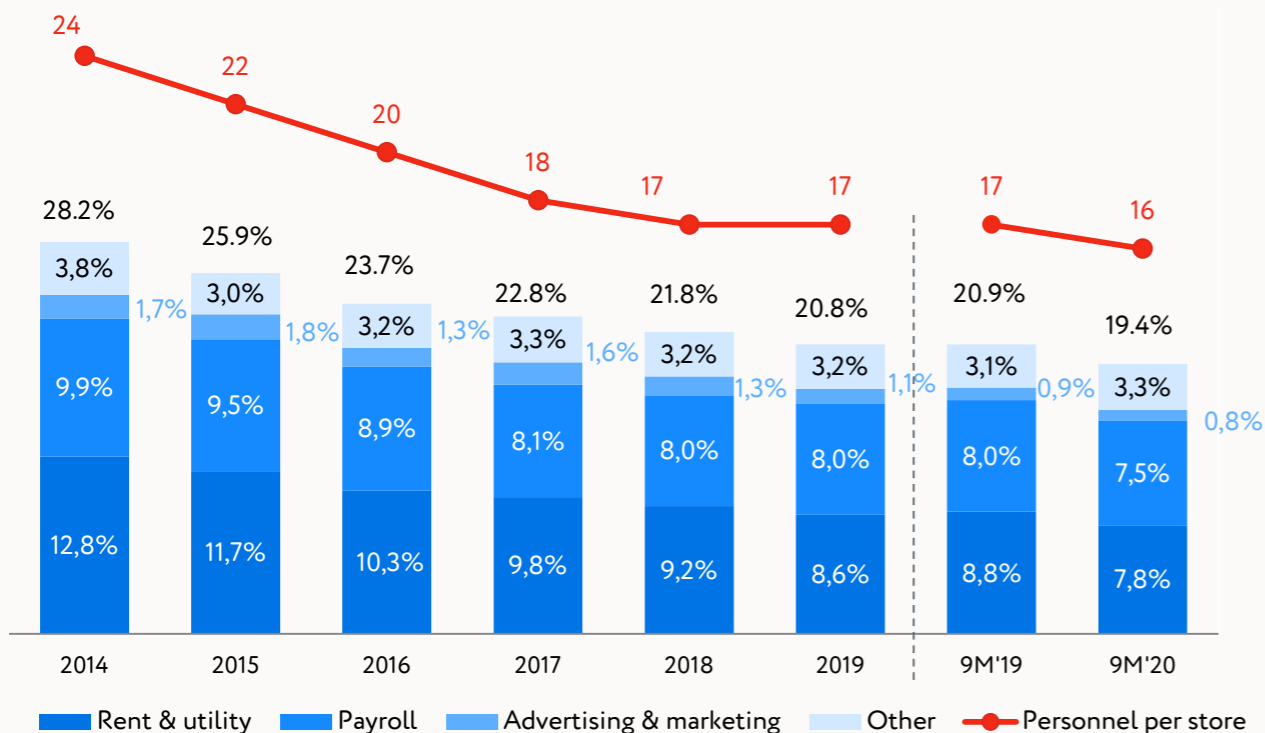
- Business diversification
- Retention and growth of the target audience
- Building long-term relationships with clients
- More data on household members
- Increased purchase frequency

## Improvement of 160bps in adjusted EBITDA<sup>1</sup> margin since 2014 driven by:

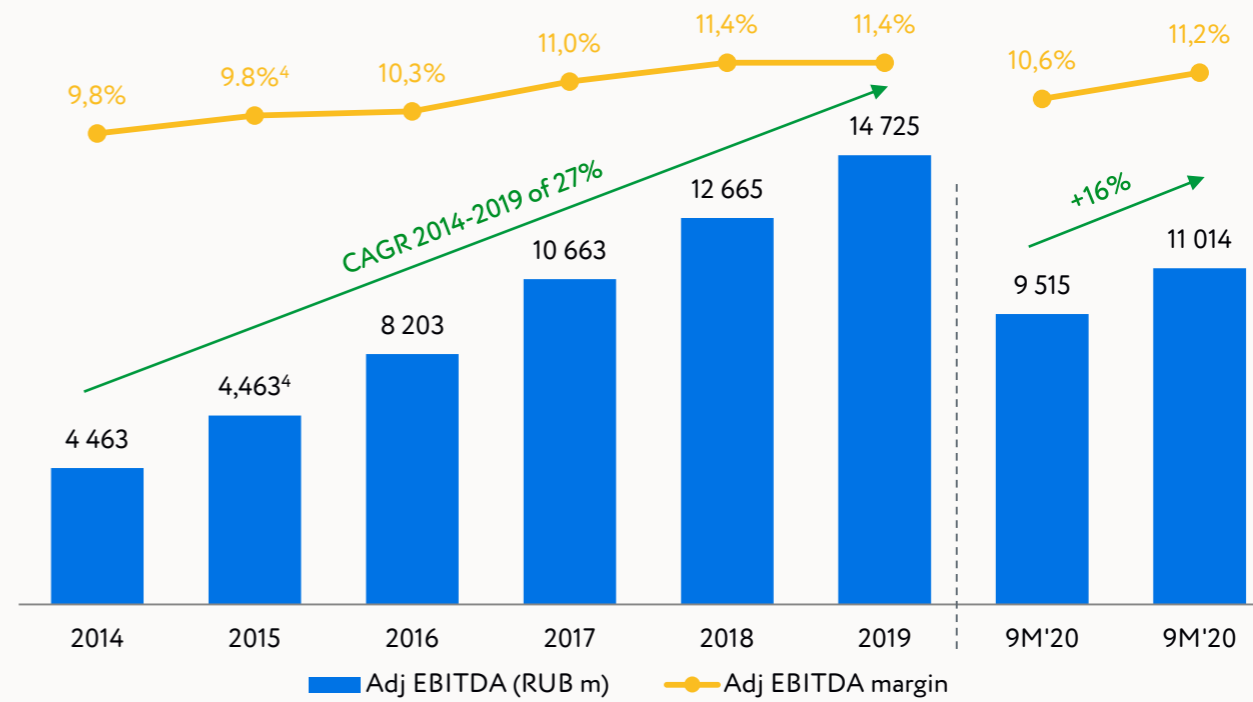
- ✓ Reduction of average personnel per store from 24 in 2014 to 16 in 9M 2020 enabled by greater business processes automation and adoption of advanced software, resulting in reduced time and effort required per transaction
- ✓ Decline in rental costs as % of sales driven by improving sales density and negotiation of favourable rental terms and received discounts from landlords, supported by our status of "anchor" traffic generator for shopping malls
- ✓ Reduction in adjusted SG&A<sup>2</sup> as % of revenue by over 740bps over 2014-2019 (-150bps YoY in 9M 2020)



## Adjusted SG&A expenses<sup>2</sup> as % of sales and personnel per store<sup>3</sup>



## Adjusted EBITDA<sup>1</sup>



Source: Company data

Note: The Group's consolidated financial statements for 2013 under US GAAP and for 2014-2020 under IFRS and as restated according to IAS 17 for 2018-19. For the line items and the periods presented, there was no difference between the figures under US GAAP and IFRS

<sup>1</sup> Adjusted EBITDA is calculated as profit for the year before income tax, FX gain/loss, gain on acquisition of controlling interest in associate, net finance expense, D&A, adjusted for the one-off effect relating to disposal of the Yakimanka building in 2014, as well as share-based compensation and cash bonuses under the LTI program; <sup>2</sup> Adjusted SG&A expenses are calculated excluding depreciation and amortisation and additional bonus payments under the LTI program; <sup>3</sup> Excluding personnel in headquarters; <sup>4</sup> Less one-off RUB 1,164m net gain from disposal of Yakimanka store



# Asset-light cash-generative business model providing for strong returns on capital and consistent dividend payments

## Attractive new store economics and disciplined roll-out ...

- Capex of c. RUB 13m per 1 standard DM store
- Strict investment criteria: IRR hurdle rate of 40% on 7-year cash flows (not accounting for terminal value)
- Total maturity period – 18-24 months
- Targeted EBITDA breakeven in 6 months after a store opening
- Payback period of 2.5-3.0 years



## ... supported by well-controlled rental costs

- Prime locations in high-traffic modern shopping malls
- Most rental agreements with right to lease for more than 5 years and fixed annual increases
- Unilateral termination rights for Detsky Mir (with reasonable notice periods)
- Limited currency risk for leased properties (denominated in respective local currencies in Russia, Kazakhstan and Belarus, or with fixed caps for USD and EUR exchange rates)

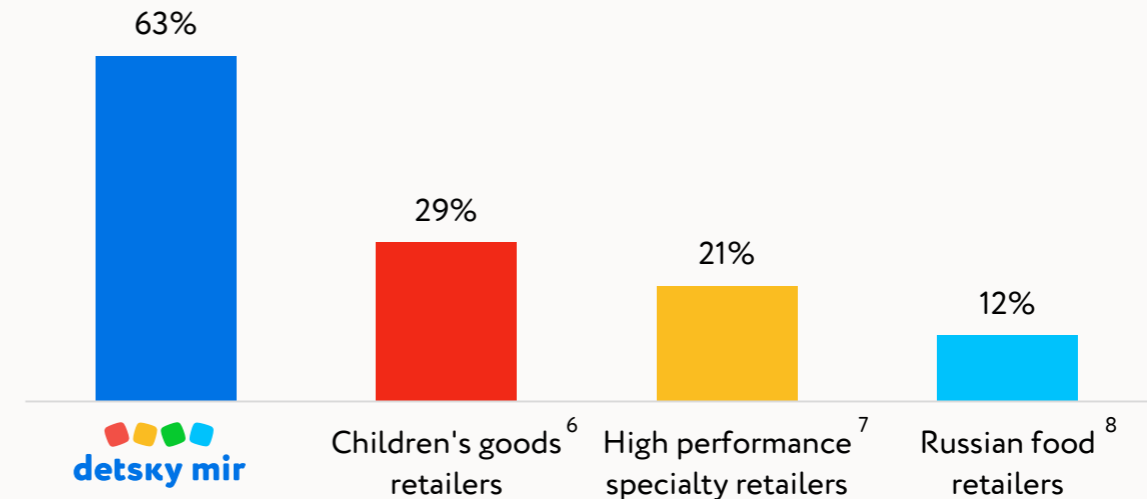


## Resulting in strong returns ...

	2014	2015	2016	2017	2018	2019
Revenue growth	26%	33%	31%	22%	14%	16%
Selling space growth	22%	26%	21%	15%	12%	10%
Adj. EBITDA <sup>1</sup> , RUB bn	4.5 <sup>2</sup>	6.2	8.2	10.7	12.7	14.7
Capex, RUB bn	(1.9)	(5.3)	(1.7)	(2.5)	(3.8)	(3.5)
<b>Dividends, RUB bn</b>	<b>(1.9)</b>	<b>(3.0)</b>	<b>(4.4)</b>	<b>(4.8)</b>	<b>(6.1)</b>	<b>(7.0)</b>
Adj. net debt <sup>3</sup> / Adj. EBITDA LTM <sup>1</sup>	0.6x	1.7x	1.4x	1.0x	1.4x	1.2x
<b>ROIC LTM<sup>4,5</sup></b>	<b>71%</b>	<b>62%</b>	<b>71%</b>	<b>78%</b>	<b>70%</b>	<b>63%</b>

## ... and a leading ROIC<sup>4</sup> in global retail context

FY 2019, median values for respective peer groups



Source: Companies' disclosure and reporting

Note: The Group's consolidated financial statements for 2013 under US GAAP and 2014–2020 under IFRS (before IFRS16). For the line items and the years presented, there was no difference between the calculation of numbers or presentation under US GAAP and IFRS

<sup>1</sup> Adj. EBITDA is calculated as profit for the year before income tax, FX gain/loss, gain on acquisition of controlling interest in associate, impairment of goodwill, net finance expense, D&A, adjusted for the one-off effect relating to disposal of the Yakimanka building in 2014, as well as share-based compensation and cash bonuses under the LTI program

<sup>2</sup> Less RUB 1,164m net gain from disposal of Yakimanka store

<sup>3</sup> Adj. Net Debt is calculated as total borrowings (long term borrowings and short-term borrowings and current portion of long-term borrowings) less cash and cash equivalents adjusted for amounts receivable under the loan issued to CJSC "DM-Finance" (RUB 5.2bn in 2014, RUB 5.8bn in 2015 and RUB 1.1bn in 2016)

<sup>4</sup> Calculated as operating profit divided by average capital invested (simple average of capital invested as at the respective dates). Capital invested is calculated as net debt plus total equity/(equity deficit)

<sup>5</sup> Adjusted for amounts receivable under the loan issued to CJSC "DM-Finance" in 2014, 2015 and 2016; as well as for net book value of the building occupied by the Bekasovo distribution center of RUB 3.1bn (for 2015 only, given it was completed in 2015, but was not operational for the most of 2015)

<sup>6</sup> Five Below, Children's Place, Carters, Jumbo and Baby Bunting

<sup>7</sup> Clicks, Lojas Renner, LPP, CCC, Raia Drogasil, B&M, Liverpool and XXL

<sup>8</sup> X5, Magnit and Lenta

# Strong management team with well-established public market-oriented governance practices

## Highly experienced management



**Maria Davydova**  
*Chief Executive Officer*  
Held senior positions at Enter Svyaznoy, Arbat Prestige



**Anna Garmanova**  
*Chief Financial Officer*  
Held senior positions at Podruzhka, Understanding and Reconciliation Fund



**Farid Kamalov**  
*Chief Operating Officer*  
Held senior positions at MediaMarkt, Korablik, M.Video



**Konstantin Frischberg**  
*Commercial Director – FMCG*  
Held senior positions at Enter, Wikimart, Samsung Electronics



**Maria Volodina**  
*Commercial Director – Apparel and Footwear*  
Held senior positions at Sela, Reebok Rus, Kira Plastinina, TJ Collection




**Nikolay Ermakov**  
*Chief Technical Officer*  
Held senior positions at X5 Retail Group, Gett and Rambler & Co



**Pavel Pischikov**  
*E-Commerce Director*  
Held senior positions at Dochki-Sinochki ("Daughters and Sonnies") and X5 Retail Group



**Denis Gurov**  
*Logistics Director*  
Previously Logistics Director at Dixy Group and Pharmacy Chain 36,6

 Years of sector experience  Years with Detsky Mir

## Management incentive programs

- IPO LTI program completed in Feb 2020
- New LTI program adopted by the Board for the period of 2020-2023
- New programme based on the same principles – c. 20 key employees; payout up to 4.6% of total shareholder return (growth in market capitalization + dividends) over the life of the programme

## Strong governance framework

BoD of 10 members including 3 INEDs

Audit, Strategy and ESG, and Nomination and Remuneration committees

Audit, as well as Nomination and Remuneration committees are chaired by INEDs

## Prominent shareholder base

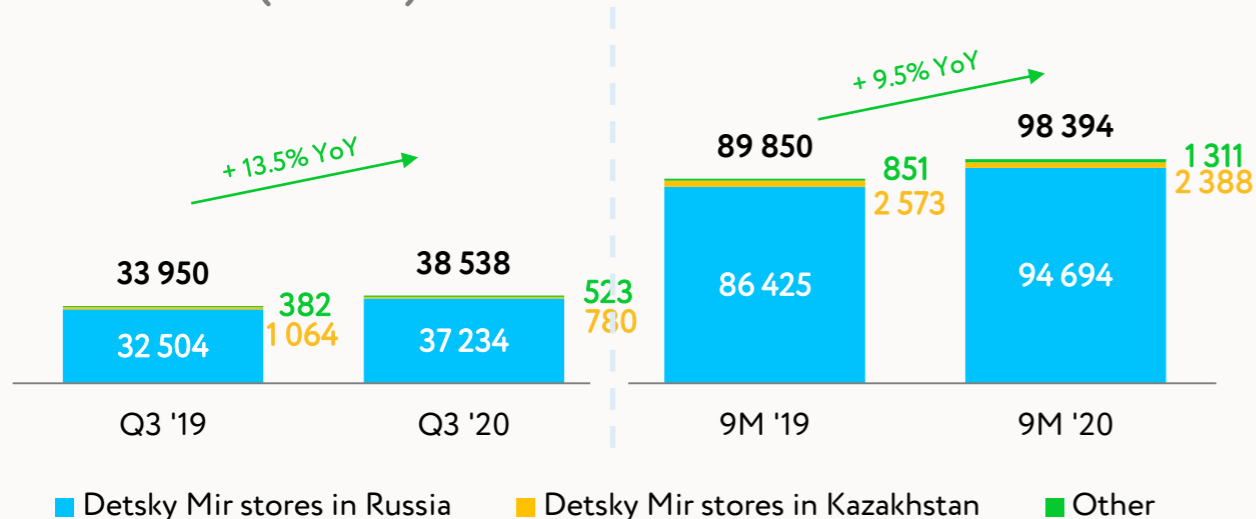
Altus Capital<sup>1</sup> – 25%  
Free float<sup>2</sup> – 75%



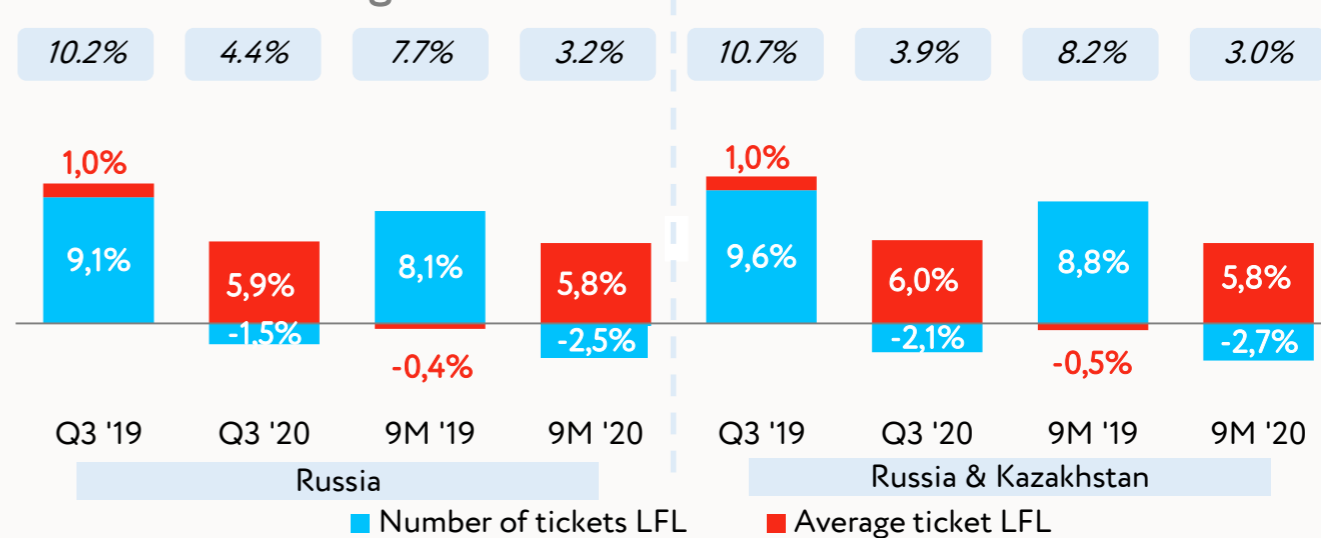
# Recent financial performance

# Continued top-line growth

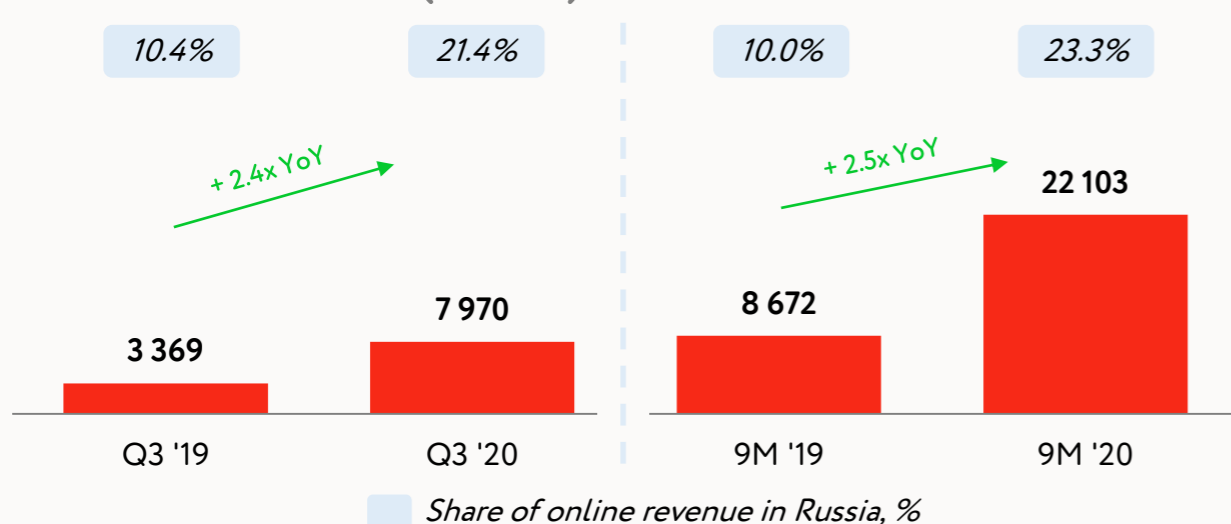
## Total revenue (RUB m)



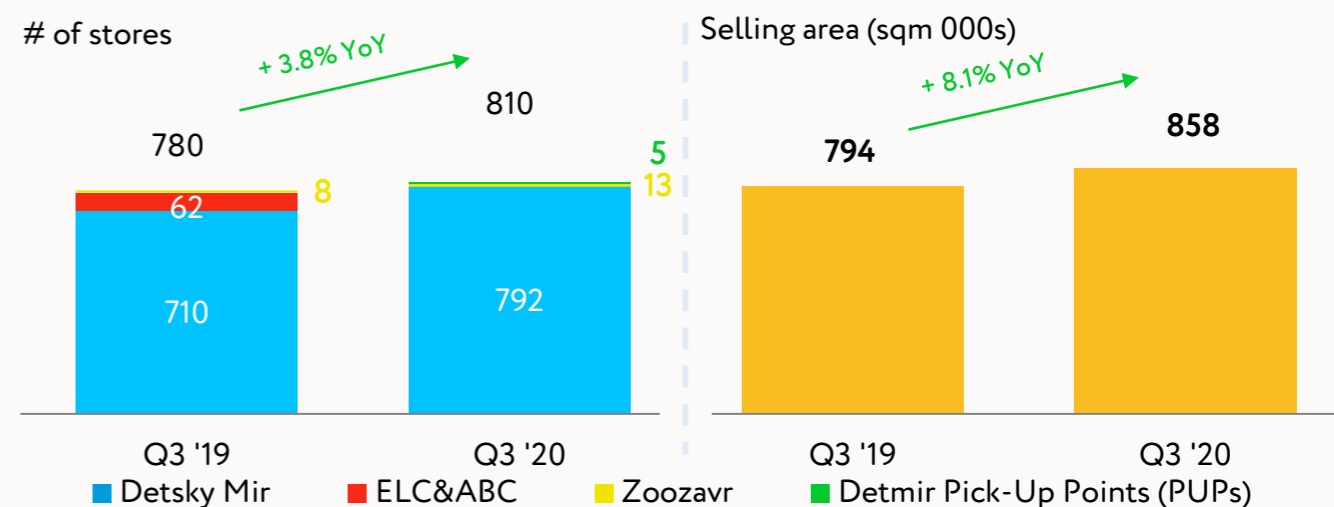
## Like-for-like sales growth



## E-commerce revenue (RUB m)



## Retail chain



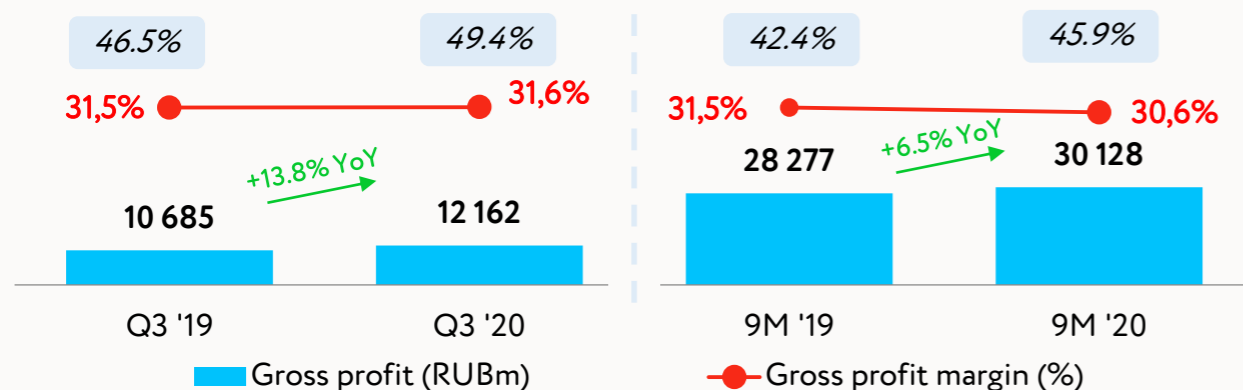
Source: Company data. The Company's consolidated financial measures for 2019-2020 and related interim periods are based on proforma financial information prepared as if IFRS 16 'Leases' had not been adopted, and thus do not represent IFRS measures.

<sup>1</sup> This segment includes performance of ELC, ABC, Zoozavr stores as well as Detsky Mir retail chain in Belarus

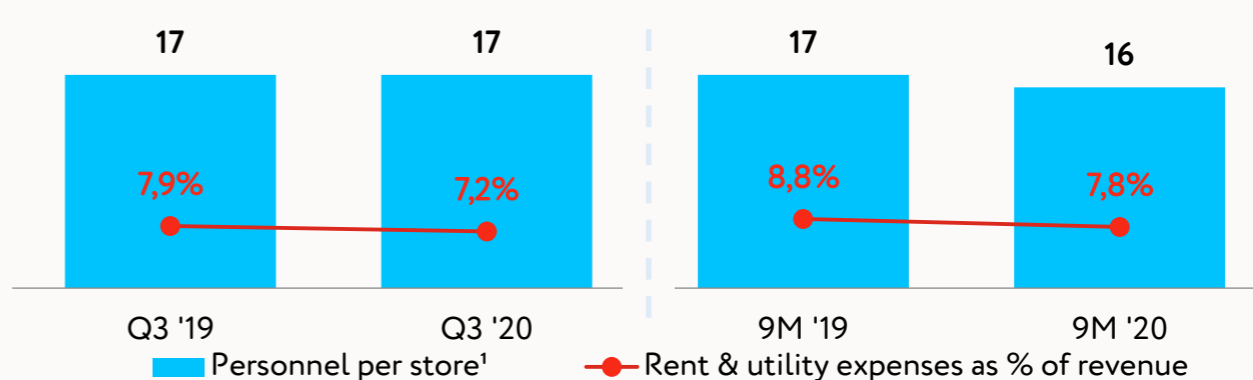
# Consistently strong profitability

## Keep investing gross margin in price leadership ...

Private label & direct imports, % of revenue

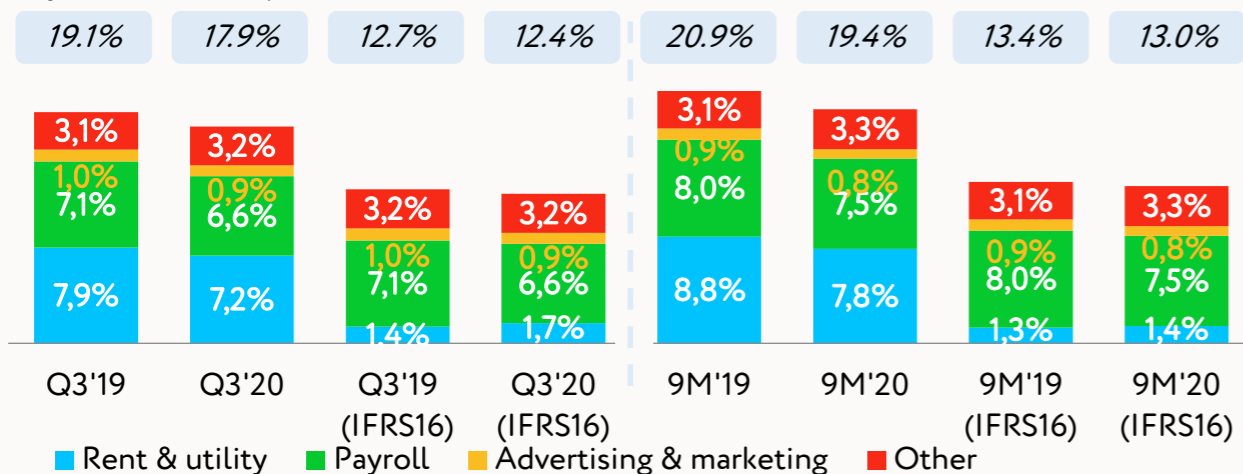


## ... while optimising store personnel and reducing rental costs ...

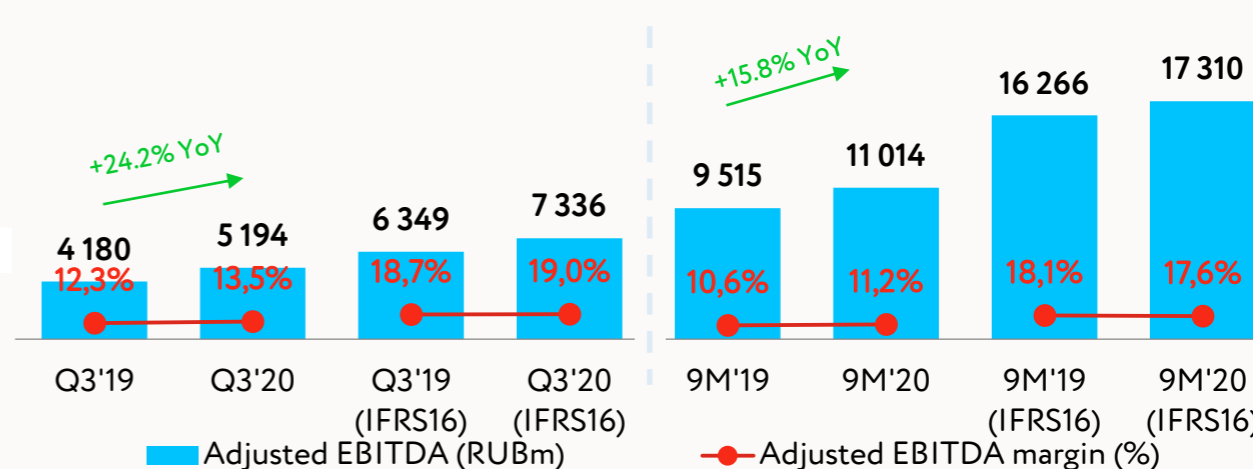


## ... to reduce SG&A expenses as % of revenue...

Adjusted SG&A expenses<sup>2</sup> 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.

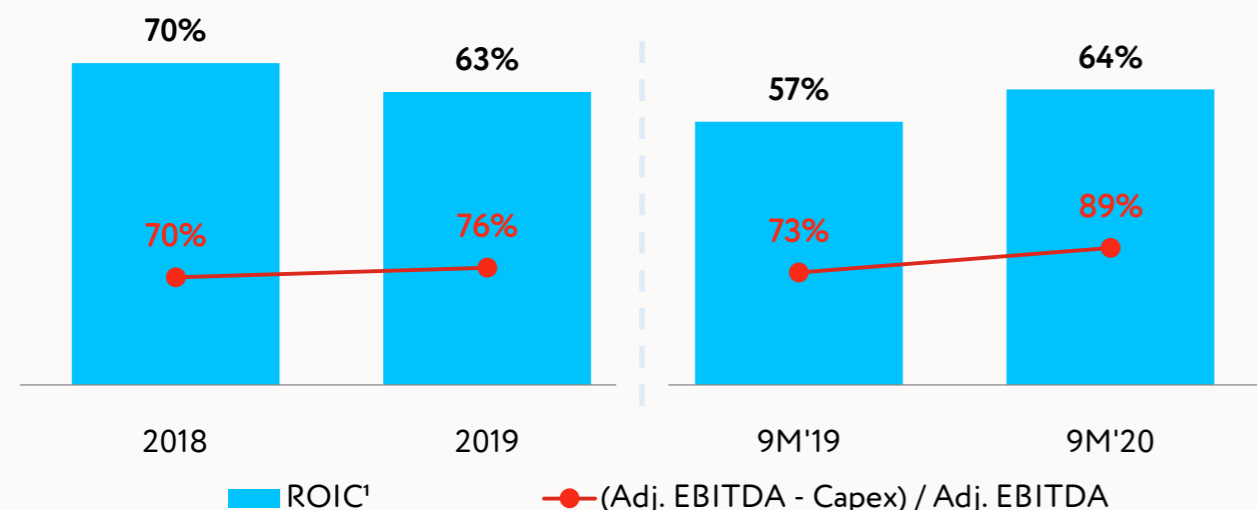
<sup>1</sup> Excluding personnel in headquarters. <sup>2</sup> Hereinafter, adjusted selling, general and administrative expenses is calculated as selling, general and administrative expenses adjusted for depreciation and amortisation expenses, additional share-based compensation expense and cash bonuses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

# Strong cash flow conversion

## Comments

- Strong cash conversion (Adj. EBITDA - Capex) / Adj. EBITDA driven by high ROIC
- Solid operating cash flow despite an increase in NWC in Q2 due to COVID-19
- Low finance expense on the back of the decrease YoY in net debt and interest rate
- Disciplined capex focused on store openings and selective investments in IT and infrastructure; limited maintenance capex requirements
  - Capex decreased by 52% YoY thanks to a less aggressive store expansion, as well as the absence of one-off capital expenses which were made in 2019

## Strong cash conversion and financial returns



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

<sup>1</sup> 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);

<sup>2</sup> In 2019, the increase in capital expenses was driven by a RUB 844m payment (net of VAT) for the acquisition

## Cash flow (RUB m)

	2018	2019	9M'19	9M'20	9M'19 IFRS 16	9M'20 IFRS 16
Adjusted EBITDA	12,666	14,725	9,515	11,014	16,266	17,310
Changes in NWC	(7,156)	(132)	(3,815)	(7,124)	(3,752)	(7,079)
Cash income taxes paid	(1,083)	(1,696)	(957)	(985)	(957)	(985)
Net finance expense paid	(1,624)	(2,023)	(1,393)	(1,336)	(3,190)	(3,140)
Other operating cash flow	688	348	520	1,156	520	1,118
<b>Operating cash flow</b>	<b>3,489</b>	<b>11,222</b>	<b>3,870</b>	<b>2,726</b>	<b>8,887</b>	<b>7,224</b>
CAPEX	(3,793)	(3,507)	(2,567)	(1,221)	(2,567)	(1,221)
DC construction	(1,825)	(449)	(399)	(110)	(399)	(110)
Store openings, IT & maintenance <sup>2</sup>	(1,968)	(3,058)	(2,167)	(1,110)	(2,167)	(1,110)
<b>Free cash flow</b>	<b>(303)</b>	<b>7,715</b>	<b>1,303</b>	<b>1,505</b>	<b>6,321</b>	<b>6,321</b>
Investment cash flow	(3,794)	(3,467)	(2,545)	(1,192)	(2,545)	(1,192)
Financial cash flow	483	(9,322)	(3,943)	(1,807)	(8,961)	(6,305)
<b>Change in cash</b>	<b>180</b>	<b>(1,567)</b>	<b>(2,618)</b>	<b>(273)</b>	<b>(2,618)</b>	<b>(273)</b>

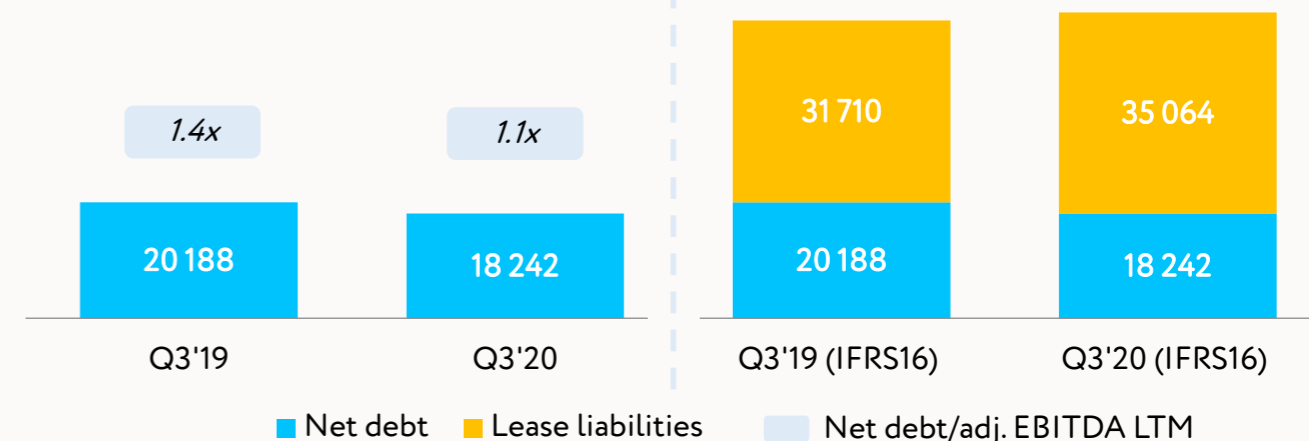
# Conservative financial policy

## Comments

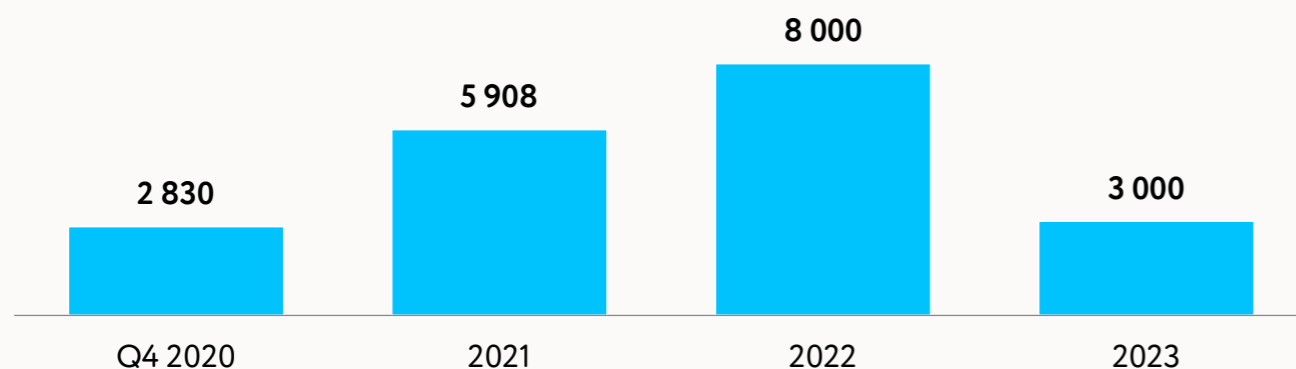
- Commitment to a conservative financial policy
  - Fully RUB-denominated debt to match RUB revenue, mostly fixed rates
  - Relationships with multiple Russian and international banks
- Net debt / adj. EBITDA LTM ratio as of 30 September 2020 is 1.1 vs. 4.0x average covenant level across the loan portfolio (before IFRS-16)
  - Decreased YoY thanks to CAPEX and NWC optimisation
- Weighted average interest rate<sup>1</sup> –7.4% (as of Q3'20)
- No contingent off-balance sheet liabilities
- Available undrawn credit limit of RUB 30bn for refinancing of the current credit portfolio aiming at its further diversification

## Leverage

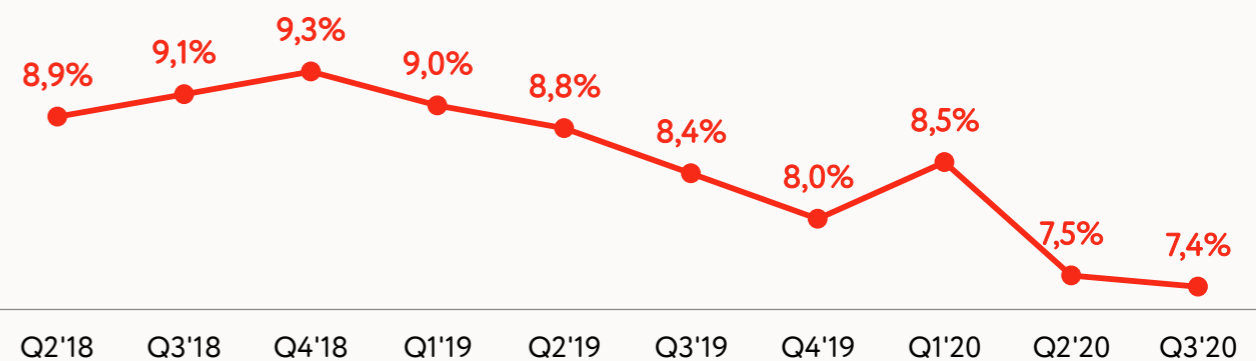
Q3'20 total debt – RUB 19.7bn



## Debt maturities as of 30 September 2020 (RUB m)



## Weighted average interest rate<sup>1</sup> (%)



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

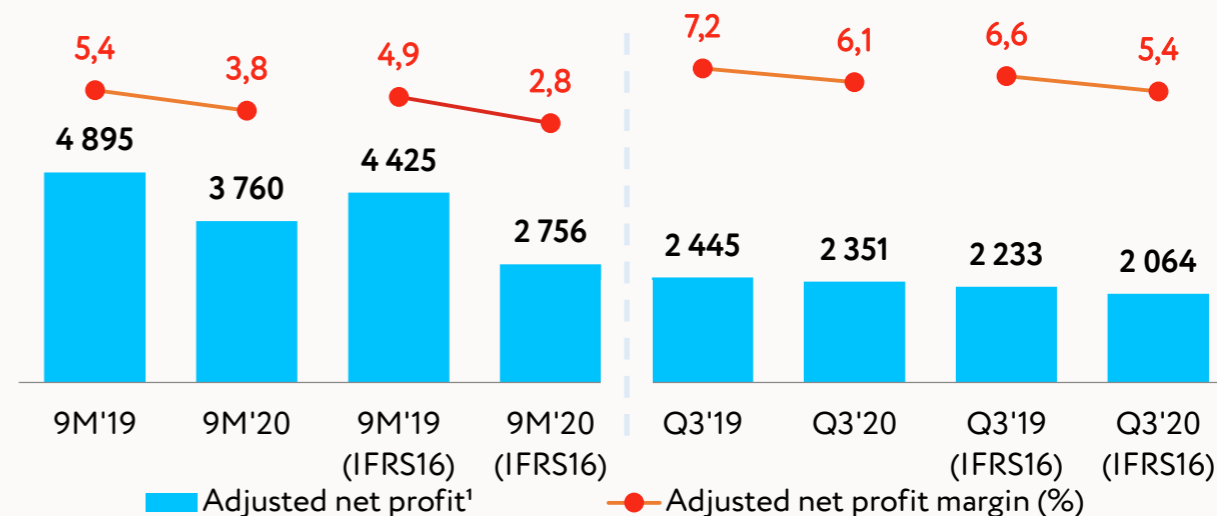
<sup>1</sup> Calculated on the basis of the weighted interest rates applying to the specified indebtedness (weighted by the principal amount of such indebtedness) as of the dates specified

# Sustainably high returns to shareholders

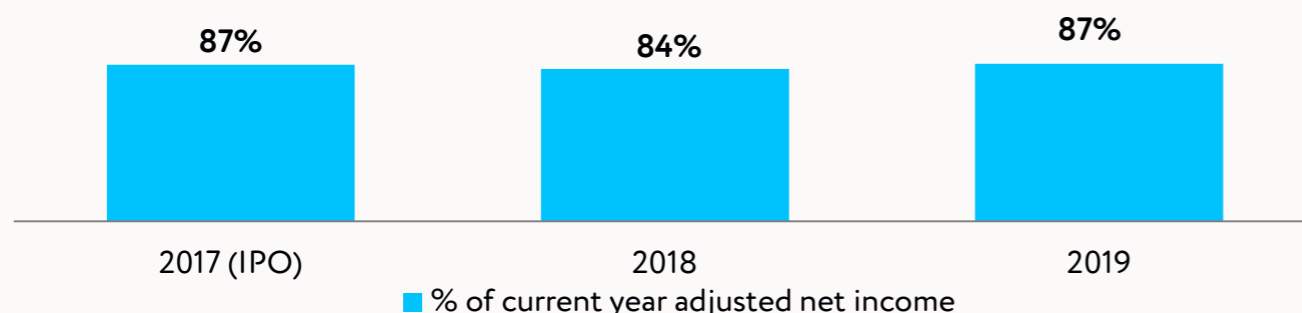
## Comments

- 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 4.1bn for Q4 2019 in Q2-Q3 2020
- Executive team will recommend the BoD and its Shareholders to pay out an interim dividends for 9M 2020 of RUB 3.8bn (100% of net income under RAS)
- FX losses of RUB 2.6bn affected adjusted net profit in 9M'20 (80% non-cash)

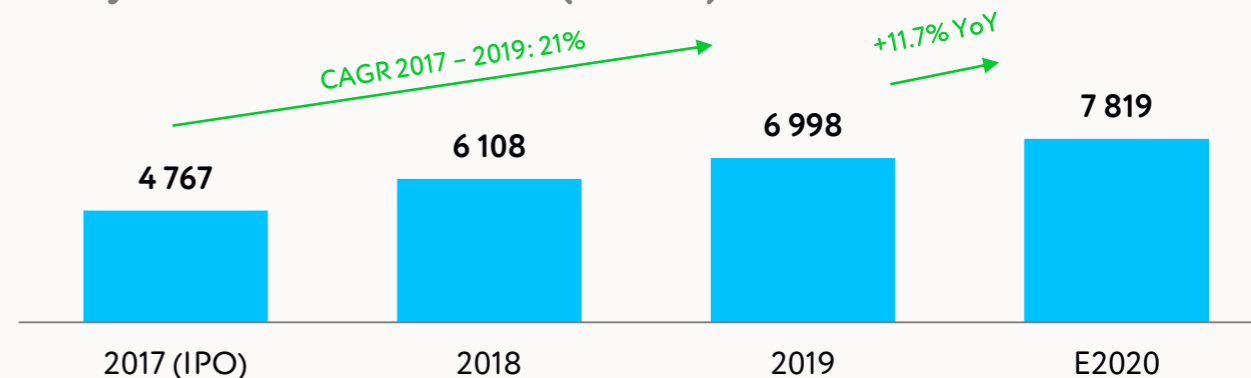
## Adjusted net income (RUB m)<sup>1</sup>



## Dividends as % of adjusted net income



## History of declared dividends (RUB m)<sup>2</sup>



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

<sup>1</sup> 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

<sup>2</sup> 2020 Dividends are subject to the BoD and shareholder votes



# Short and mid-term guidance reiterated

## FY2019

### New store openings

- 101 new stores

### Revenue

- 7.2% total LFL growth, 8.5% ticket
- 16.1% total revenue growth
- Share of online sales at 11.2%

### Adjusted EBITDA margin

- 11.4% under IAS17
- 18.5% under IFRS16
- 32.3% gross margin
- Rent & utility expenses of 8.6% and personnel expenses of 8.0% of sales

### Leverage

- 1.2x leverage

### Dividends







- 87% of IFRS net income
- 100% of RAS net income

## Guidance

- 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
- New strategic initiatives (Zoozavr, PUP, MP) allow the Company to sustain similar growth rate as in past few years
- Online revenue to increase to 45% of total revenue
- 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
- Disciplined financial policy with target leverage below 2.0x despite accelerated investment in logistics and IT
- Payout ratio of at least 50% of IFRS net income
- Management recommendation - 100% of RAS net income

# 5 Appendix

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

Allowance per child		Before changes	After Changes
1 <sup>st</sup> child		-	RUB 467k
2 <sup>nd</sup> child		RUB 467k	RUB 150k
3 <sup>rd</sup> child		-	RUB 450k
1 <sup>st</sup> child		c. 540k children	
2 <sup>nd</sup> child		c.560k children	
3 <sup>rd</sup> 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 c. RUB 700bn for families with children starting from June 2020

- One-off payments related to COVID-19
  - 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
  - RUB 5thd per child for children <7 years old in December
- Ongoing support for lower income families
  - RUB 5.5thd per child per month for children 3-7 years old accruing from January 2020

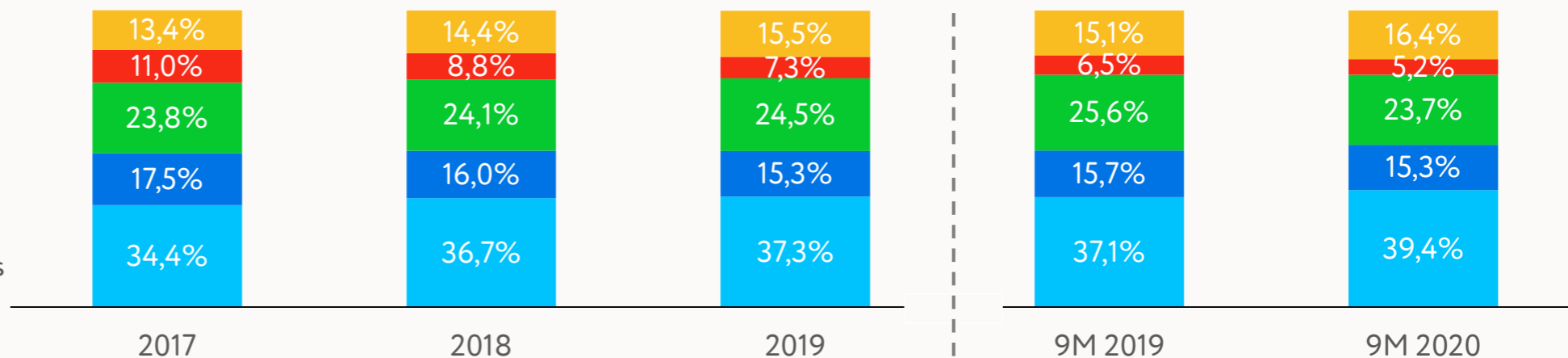
# Gaining market share in baby food and diapers segments

## 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

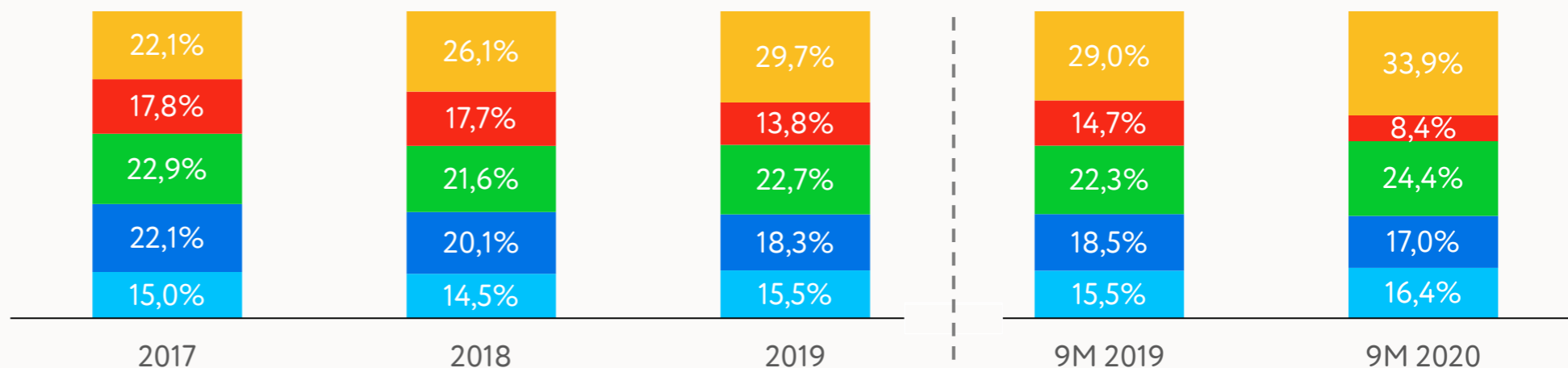


## Diapers sales by channel in Russia

**+1.5x**

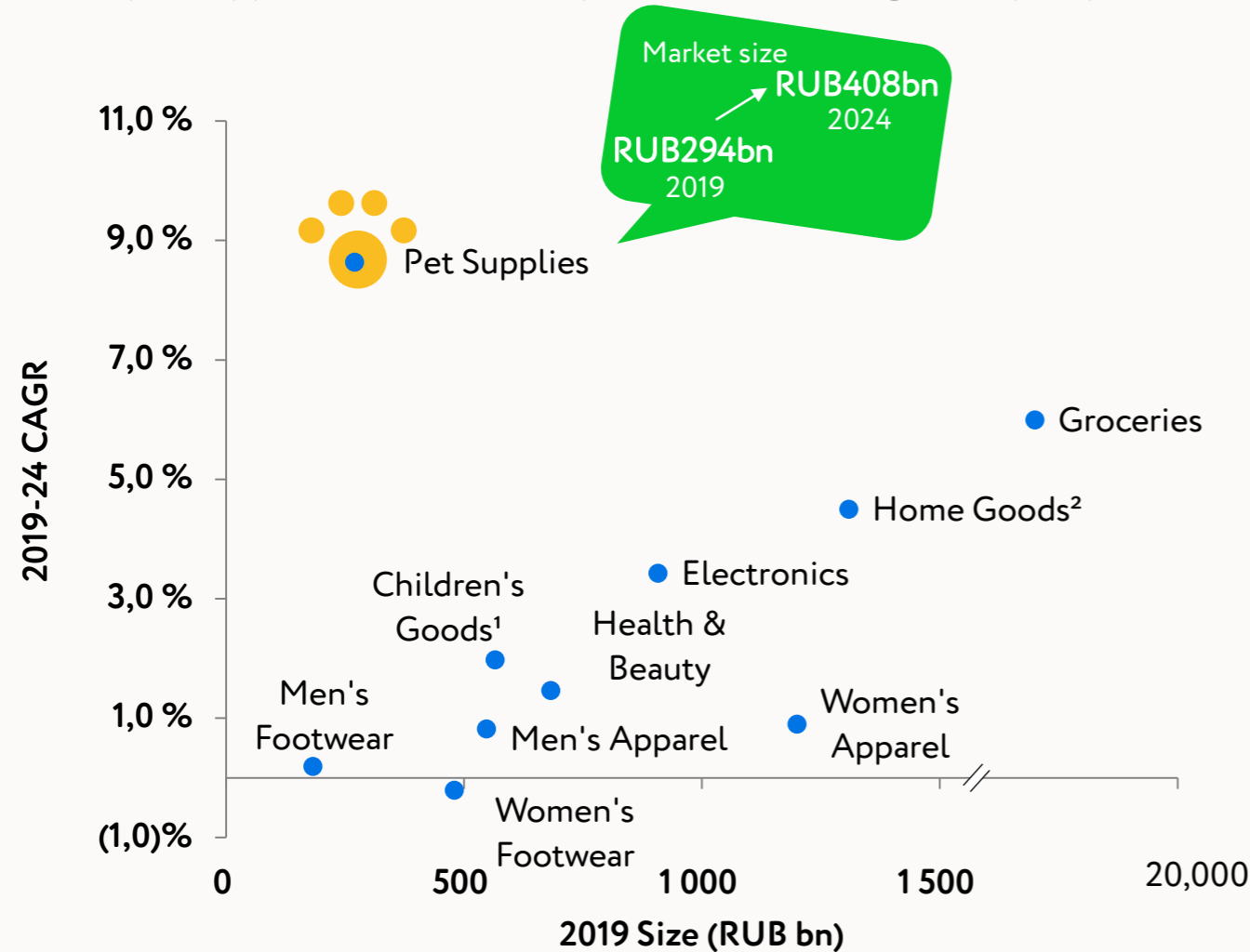
Detsky Mir's market share growth over 3 years

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

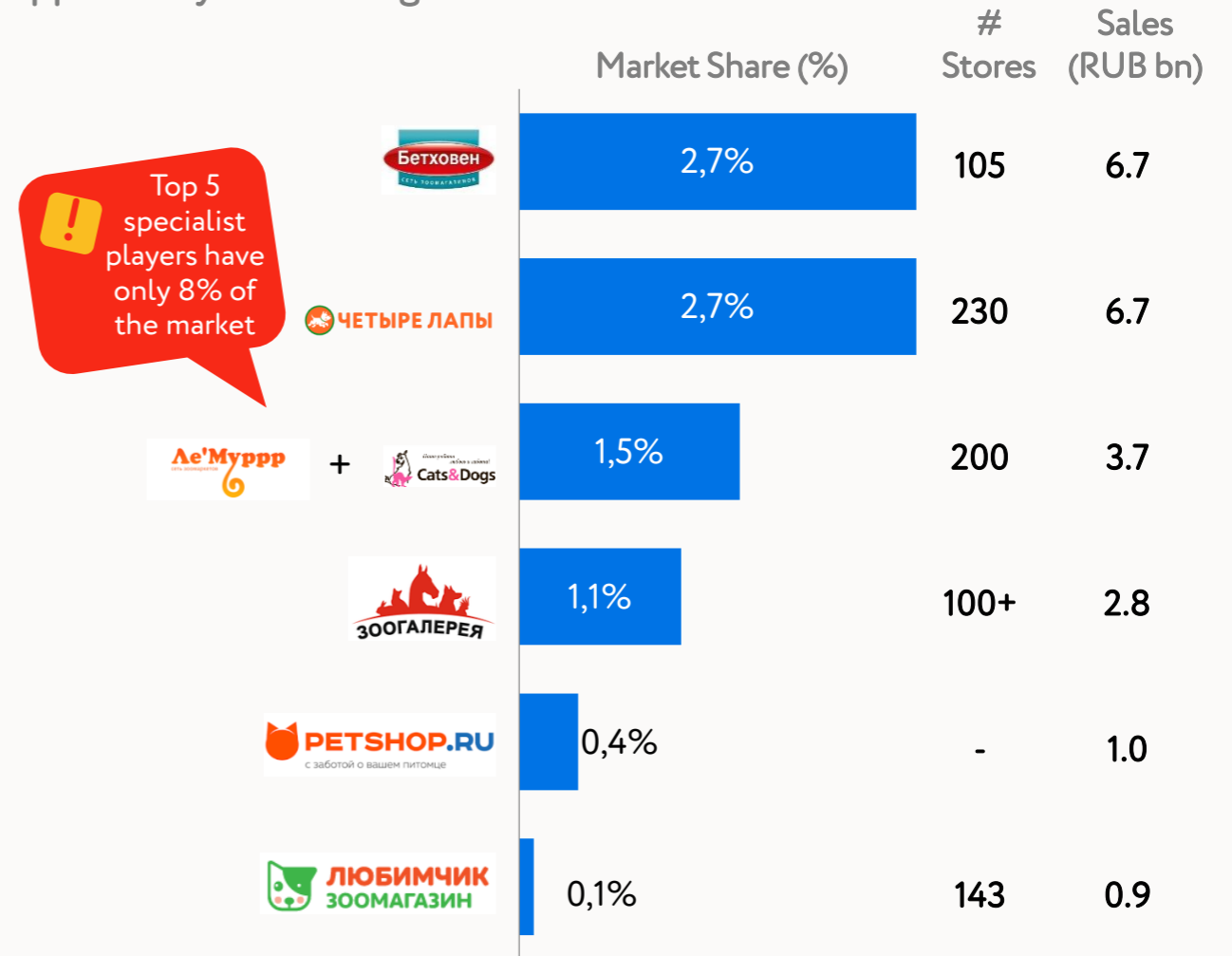


# Pet supplies – a very promising market for Detsky Mir

Russia pet supplies market is best positioned from a growth prospective



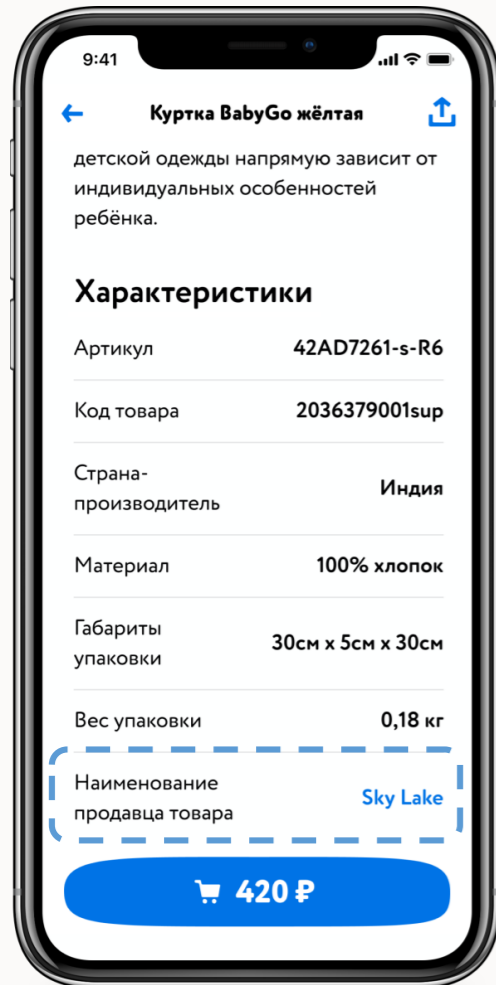
Top pet supplies specialists in Russia are small & fragmented – opportunity for DM to gain sizeable market share



Source: Euromonitor (Retail Value RSP); Company data

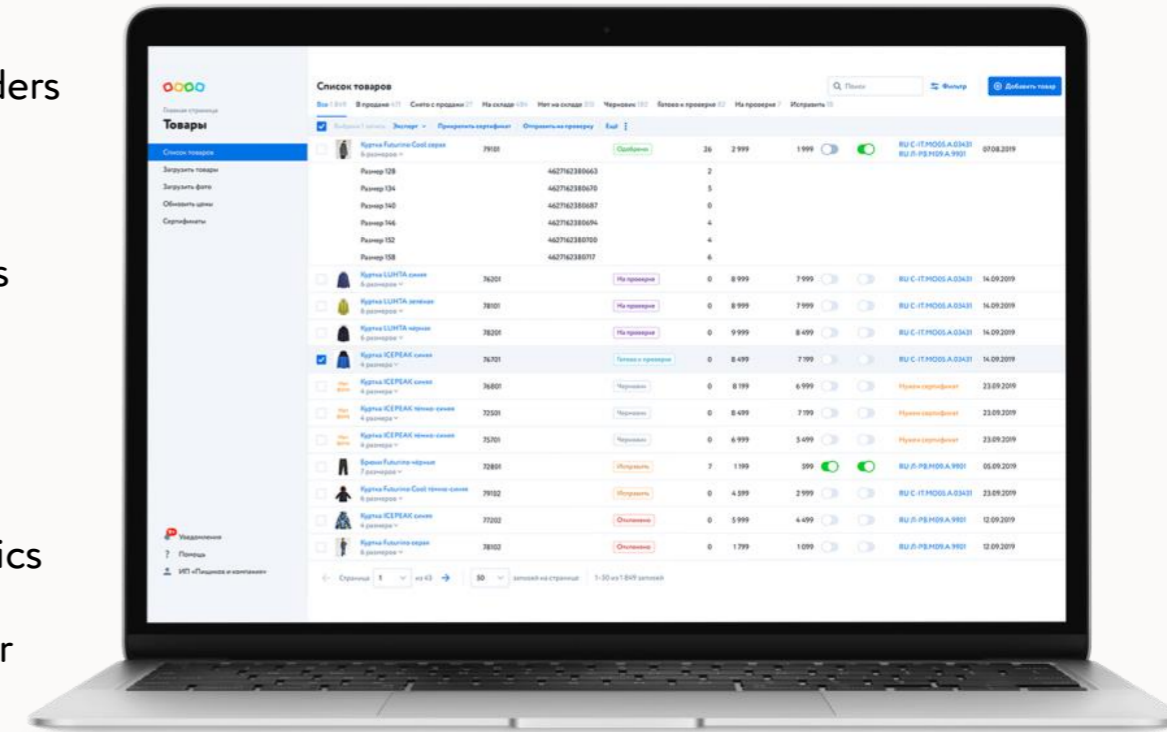
# Attractive and convenient digital platform for shoppers & merchants

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

# Detsky Mir 3.0: store design modernisation & visual transformation

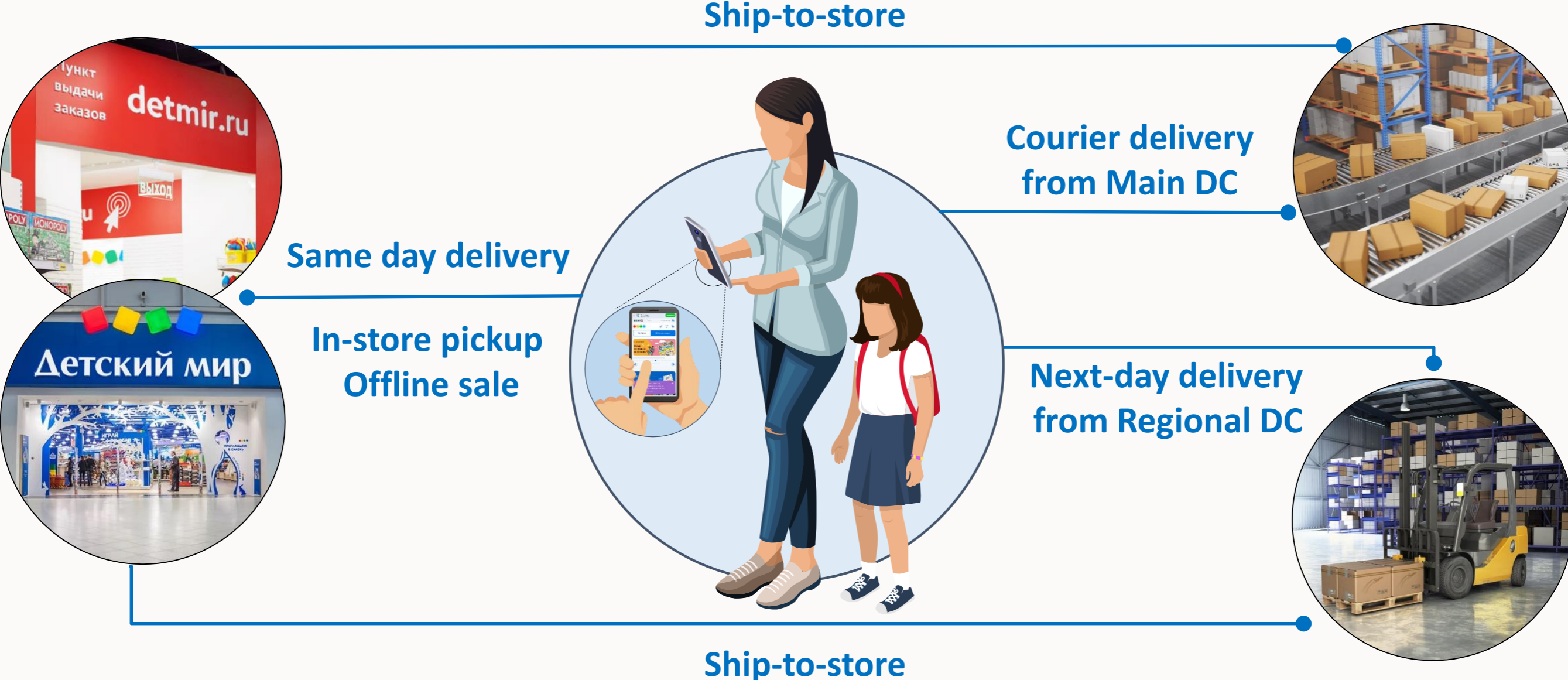


## Modernised store design concept

- 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 store<sup>1</sup>
- Scalability to other formats
- Will be applied to new store openings
- Same cost as existing store concept



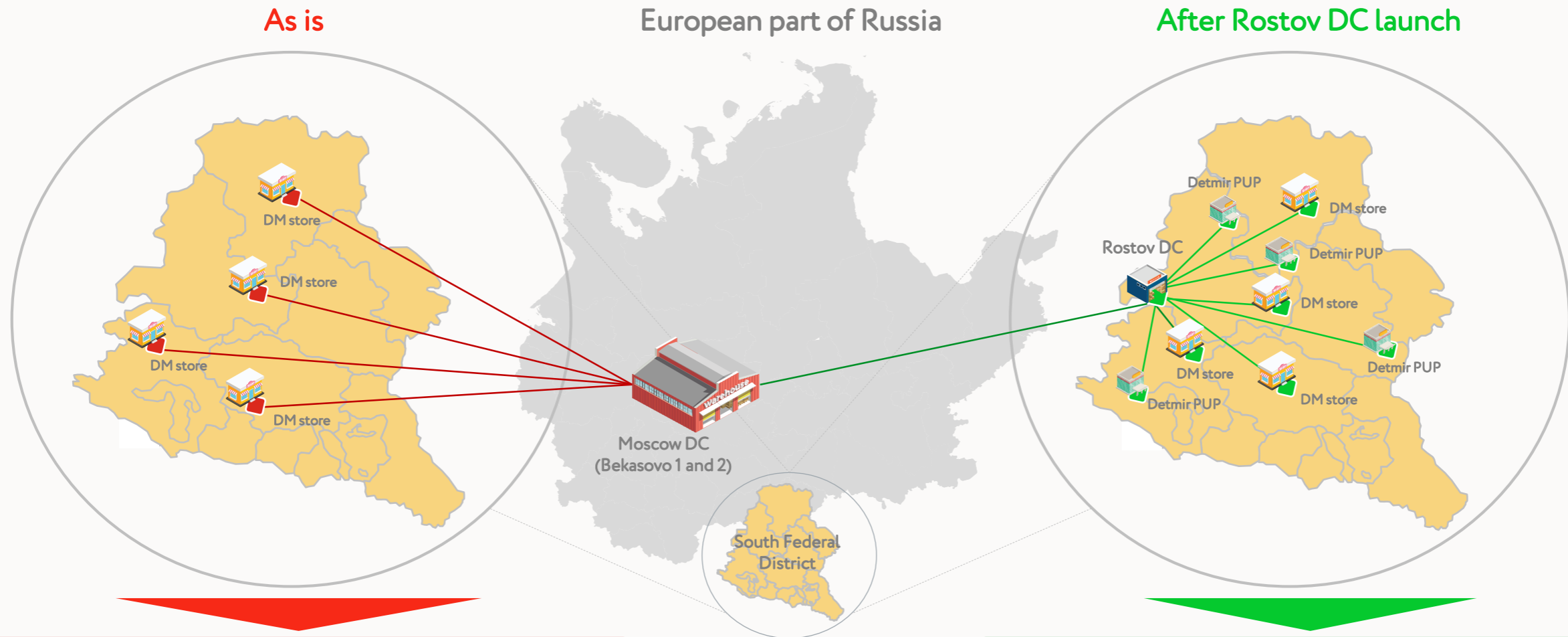
# Proximity to the customer at the core of our logistics architecture detsky mir



Source: Company data



# 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

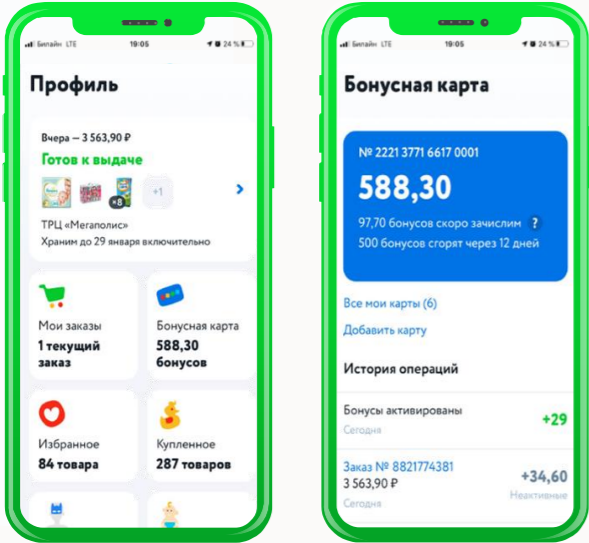
- Rostov DC and 100 Detsky Mir stores + 200 Detmir pick-up points (PUPs)
- ✓ 200k SKUs available for next day delivery
- ✓ Ship-to-store: 1-2 days delivery in 80% of stores from Rostov DC
- ✓ Over 9m customers have access to same-day delivery in 43 cities
- ✓ Capital investment of RUB 100m

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

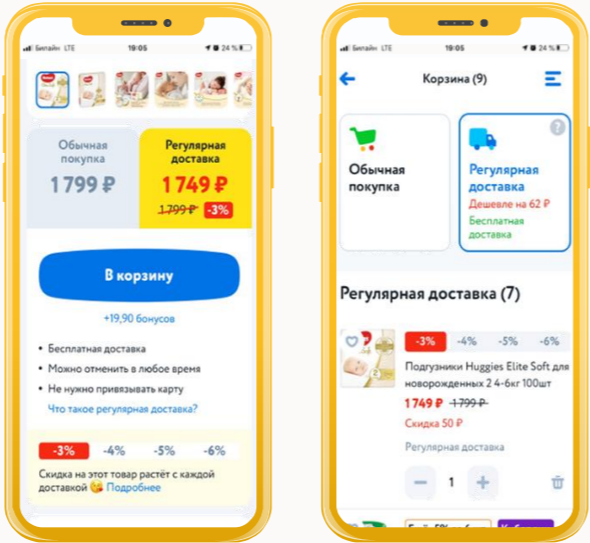
# Multiple initiatives in development to achieve best-in-class mobile UX



## New personal account



## Subscription



## New planning and prioritisation

Explore customers needs

Define targets with a focus on NPS growth and UX improvement

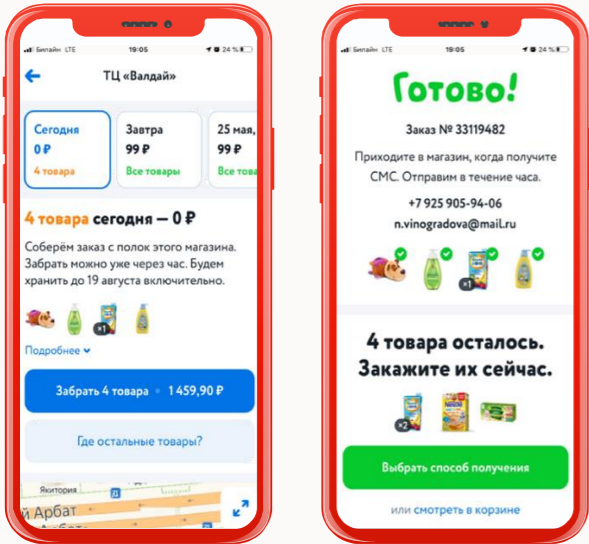
Prioritise based on impact on UX

Assign responsibilities

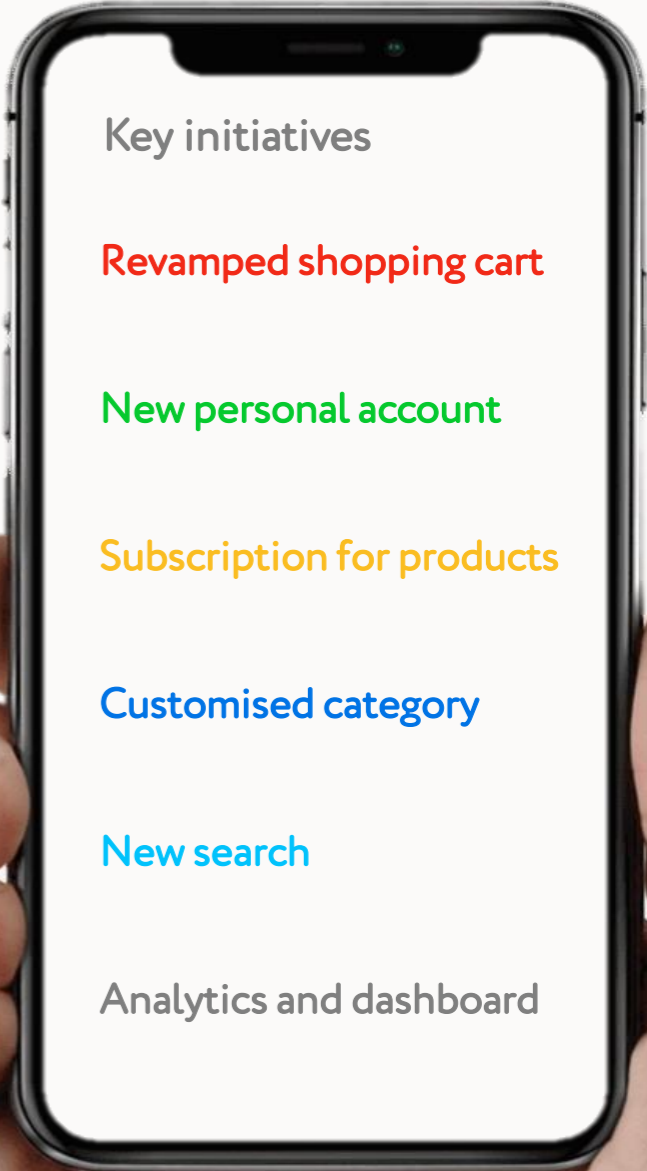
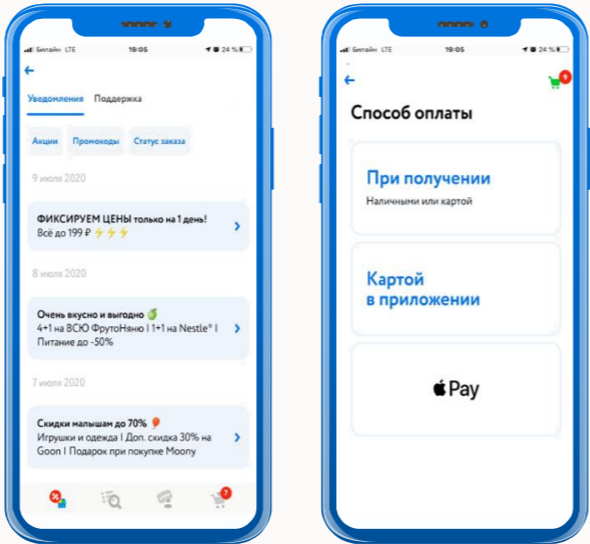
Collect users' feedback

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

# Top management compensation structure overview

## Annual compensation structure

		CEO	«CEO-1»	«CEO-2»
Fixed		50%	50%-80%	70%-85%
Variable	Total	50%	20%-50%	15%-30%
	<i>Incl. Financial<sup>1</sup></i>	25%	4%-15%	3%-9%
	<i>Incl. Financial<sup>2</sup></i>	25%	16%-35%	10.5%-24%

## Last LTI programme

### At IPO

- %-based payment linked to valuation increase at IPO
- Amount calculated as 3% from the differential between new liquidity event (i.e. IPO) price and RCIF price in 2015
- 50%/50% cash and share based payments (via purchases of shares in the open market)

### After IPO

- Approved by the Board of Directors in August 2017
- Covers the 3-year period to February 2020, the third anniversary of the Company's IPO, senior management in continuing employment by the Company as of that anniversary will be eligible for cash payments from a pool equivalent in value to up to 4.6% of the increase in the Company's stock market value (including dividend payments) over the period
- The LTIP also provides for additional cash payments expected to total around RUB 500m (plus any social taxes)

## New equity-based compensation programme

### The new 3-year LTIP

- Approved by the Board of Directors in October 2019
- Covers the 3-year period from the end date of the previous program (Feb 8, 2020) to February 7, 2023
- Senior management team in continuing employment by the Company and in program membership as of April 30, 2024 will be eligible for the Company's share grants and cash payments from a bonus fund valued at up to 4.6% of the increase in the Company's stock market value (incl. dividend payments) over the period. The new LTIP includes more than 20 key employees of the Company

Incentive program to cement the management's long-term focus on shareholder value creation

<sup>1</sup> Financial KPIs – EBITDA, net income, revenues

<sup>2</sup> Functional KPIs – specific operational KPIs, individual for each role

# Sustainable development: focus on social and environmental responsibility

## Large, Attractive and Promising Market

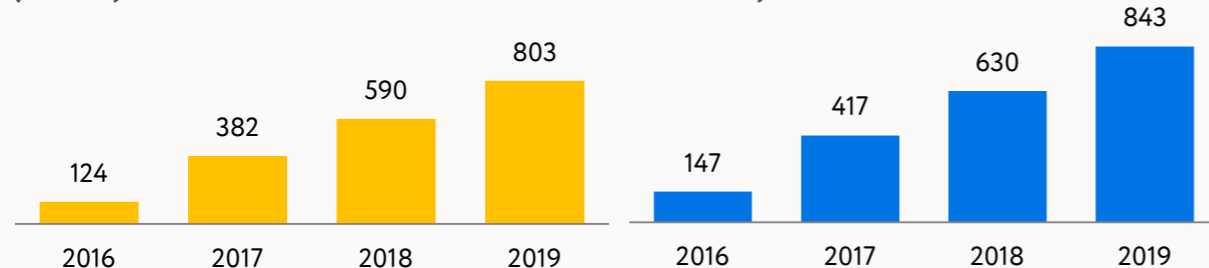
### Priority charity areas

Assistance to disadvantaged children	Healthcare support for children from low-income families	Promotion of healthy lifestyles, organization of sports events
Cooperation with 1,146 welfare organizations in Russia, Kazakhstan and Belarus (2019)		
Assistance to residential care facilities	Assistance to gifted children	Support for children's festivals and holidays

### Charity fund

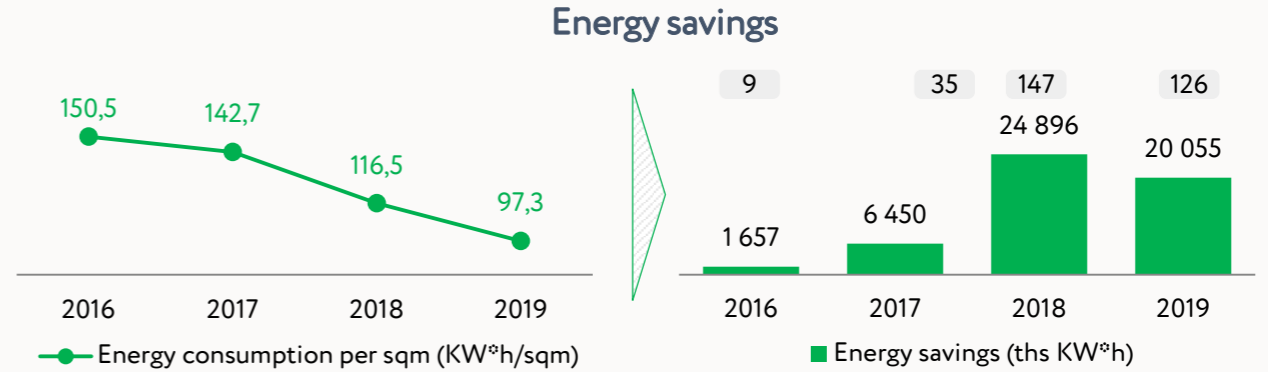
- Our social activity is implemented by the Detsky Mir Charity Fund ([www.bf.detmir.ru](http://www.bf.detmir.ru)) established in 2004
- Charitable activities are financed from voluntary donations received by the fund, as well as funds allocated from the Company's budget
  - In 2019, DM visitors donated goods of RUB 757m to the fund (Charity Program "Participate!")

Goods donated to the fund (RUB m)



Source: Company data

## Synergies with Core Business



### Ecological consumer packaging

- Sale of paper bags in Moscow and the Moscow Region stores was launched in December 2015 and afterwards scaled up across the entire chain in 2016
  - In 2019, 433 ths (+79% YoY) pieces of paper bags were sold
- Eco-friendly consumer packaging is expected to gradually replace plastic bags, significantly reducing adverse environmental impact



### Waste management

- Since 2014, waste paper and polyethylene packaging films are collected from warehouses
  - Waste is sorted separately and transferred to a specialized organization for further recycling
- In 2015, we introduced projects to collect of waste for recycling from stores
  - In 2019, 370 stores participated in these projects

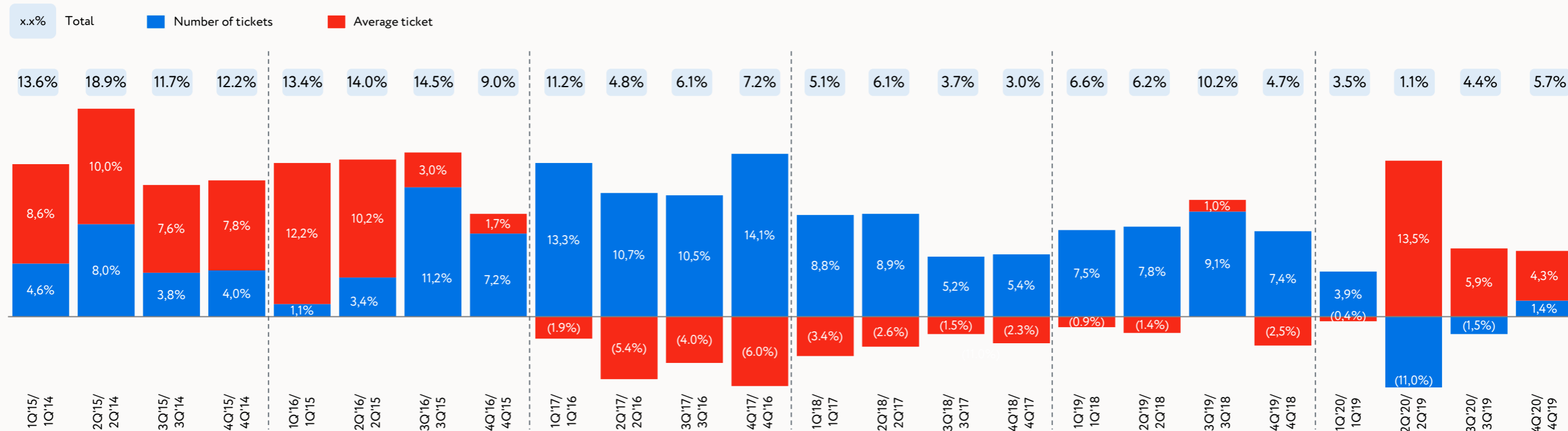
### Collection of waste for recycling (2019)

2,485t cardboard from distribution centers

1,800t cardboard from stores

# Robust like-for-like performance

## Like-for-like revenue growth



### LFL growth

Total  
Average ticket  
Number of tickets

### LFL growth 2016

12.3%  
5.9%  
6.0%

### LFL growth 2017

7.2%  
(4.4%)  
12.2%

### LFL growth 2018

4.3%  
(2.4%)  
6.9%

### LFL growth 2019

6.8%  
(1.0%)  
7.9%

### LFL growth 2020

4.0%  
5.4%  
(1.4%)

**Detsky Mir (Russia) demonstrated attractive LFL revenue growth rate (+4.0%) in 2020**

# Financial performance summary

(RUB m, unless specified otherwise)<sup>1</sup>

	2018	2019	9M 2019	9M 2020
<b>Number of stores</b>	<b>743</b>	<b>842</b>	<b>780</b>	<b>810</b>
Detsky Mir and Detmir Pickup	673	770	710	797
ELC, ABC, Zoozavr stores	70	72	70	13
<b>Selling space (k sqm)</b>	<b>768</b>	<b>843</b>	<b>794</b>	<b>858</b>
<b>Revenue</b>	<b>110,874</b>	<b>128,764</b>	<b>89,850</b>	<b>98,394</b>
% total sales growth	14.3%	16.1%	17.3%	13.5%
% LFL sales growth	4.9%	7.2%	7.7%	3.2%
LTM Revenue per sqm <sup>2</sup> (RUB thousand / sqm)	152	160	165	166
Online sales <sup>4</sup>	8,771	14,489	8,672	22,103
Share of online sales in Russia	8.2%	11.7%	10.0%	23.3%
<b>Gross profit</b>	<b>36,829</b>	<b>41,532</b>	<b>28,277</b>	<b>30,128</b>
Margin, %	33.2%	32.3%	31.5%	30.6%
<b>LTM Gross profit per sqm<sup>2</sup> (RUB thousand / sqm)</b>	<b>51</b>	<b>52</b>	<b>53</b>	<b>53</b>
Adjusted SG&A	24,116	26,799	18,753	19,066
% of revenue	21.8%	20.8%	20.9%	19.4%
<b>Adjusted EBITDA</b>	<b>12,666</b>	<b>14,725</b>	<b>9,515</b>	<b>11,014</b>
Margin, %	11.4%	11.4%	10.6%	11.2%
<b>Adjusted profit for the period</b>	<b>7,229</b>	<b>8,022</b>	<b>4,895</b>	<b>3,760</b>
Margin, %	6.5%	6.2%	5.4%	3.8%
<b>Total debt</b>	<b>21,470</b>	<b>19,250</b>	<b>20,906</b>	<b>19,738</b>
Cash and cash equivalents	(3,335)	(1,769)	(717)	(1,496)
<b>Net debt</b>	<b>18,135</b>	<b>17,481</b>	<b>20,188</b>	<b>18,242</b>
Net debt / LTM Adjusted EBITDA	1.4x	1.2x	1.4x	1.1x
<b>Capex</b>	<b>(3,794)</b>	<b>(3,507)</b>	<b>(2,567)</b>	<b>(1,221)</b>
% of revenue	3.4%	2.7%	2.9%	1.2%
<b>Dividends declared</b>	<b>6,108</b>	<b>6,998</b>	<b>6,698</b>	<b>7,819<sup>4</sup></b>

## Comments

### Sales growth

- Strong support from online channel and company's rapid adjustment to the pandemic-affected environment conditions
- Lower LFL Sales growth rate caused by lower traffic because of the government's measures on the lockdown but supported but stronger average ticket size growth

### Improved operating efficiency

- Declining gross margin due to investment in price leadership to support LFL growth
- Improvement in SG&A by 1.5 p.p YoY driven by increased operational efficiency

### Superior EBITDA margin

- Increase in EBITDA margin supported by significant discounts from landlords during lockdown
- Substantial share of variable part in the payroll allowed to brought the SG&A share down as well

### Capex

- Asset-light business model allows to achieve superior cash flow generation

### Conservative financial policy

- Net debt / adj. EBITDA as of 30-September-2020 is 1.1x vs. 4.0x average leverage covenant level across the loan portfolio

### Attractive returns for shareholders

- Continuous dividend payout track record
- Yearly dividend payments increased more than 19-fold from 2013

Source: Company data

<sup>1</sup> The Company's consolidated financial measures for 2018-2020 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

<sup>2</sup> Calculated per average space for the period

<sup>3</sup> Online sales (including sales via "in-store pickup" service)

<sup>4</sup> Declared dividends includes the Executive team's recommendation of the payment of the interim dividends for 9M 2020 of RUB 3.8bn (100% of net income under RAS)

## Contact information

---

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](#)



**Sergey Levitskiy**

Head of Strategy and Investor Relations

slevitskiy@detmir.ru

+7 495 781 08 08 (ext. 2315)