



detsky mir

Investor Presentation

Leading specialized children's goods retailer in Russia

November 2019

The information contained herein pertaining to Public Joint Stock Company "Detsky mir" (the "Company") has been provided by the Company solely for use at this presentation. By attending this presentation, or by reading these presentation slides, you agree to be bound by the limitations set out below. This presentation does not constitute or form part of, and should not be construed as, an offer, solicitation or invitation to sell or issue, or any solicitation of any offer to purchase or subscribe for, any securities of the Company or any other entity, nor shall any part of it nor the fact of its distribution form part of, or be relied on in connection with, any contract or investment decision relating thereto.

Certain statements in this announcement are not historical facts and are forward looking statements. Forward looking statements include statements concerning the Company's plans, expectations, projections, objectives, targets, goals, strategies, future events, future revenues or performance, capital expenditures, financing needs, plans or intentions relating to acquisitions, our competitive strengths and weaknesses, financial position and future operations and development, the Company's business strategy and the trends the Company anticipates in the industries and the political and legal environment in which the Company operates and any other information that is not historical information. By their very nature, forward looking statements involve inherent risks and uncertainties, both general and specific, and risks exist that the predictions, forecasts, projections and other forward looking statements will not be achieved. Given these risks and uncertainties, you are cautioned not to place undue reliance on such forward looking statements. Neither the Company nor the Selling Shareholders intend, and assume any obligation, to update any forward looking statement contained herein.

This document is strictly confidential to the recipient and 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 the Company, the Selling Shareholders or any of their respective 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 the Company, the Selling Shareholders or their respective 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 and the information contained herein is for information purposes only and does not constitute or form part of any offer of, or the solicitation of an offer to acquire or dispose of securities in the United States, Canada, Australia or Japan or in any other jurisdiction in which such an offer or solicitation is unlawful. The securities referred to herein (the "Shares") have not been and will not be registered under the U.S. Securities Act of 1933 (the "Securities Act"), or under the applicable securities laws of any state or other jurisdiction of the United States, Canada, Australia or Japan. The Shares may not be offered or sold in the United States unless registered under the Securities Act or offered in a transaction exempt from, or not subject to, the registration requirements of the Securities Act and the securities laws of any relevant state or other jurisdiction of the United States. There will be no public offering of the Shares in the United States.

This document and any offer of securities to which it relates are only addressed to and directed at (1) in any Member State of the European Economic Area, persons who are "qualified investors" as defined in Regulation (EU) 2017/1129 (as amended, the "Prospectus Regulation"); and (2) in the United Kingdom, persons who (i) have professional experience in matters relating to investments who fall within article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended) (the "Order"); (ii) fall within Article 49(2)(a) to (d) of the Order; or (iii) are persons to whom an offer of the Shares may otherwise lawfully be made (all such persons referred to in (1) and (2) together being referred to as the "Relevant Persons"). The information regarding the offering set out in this document must not be acted on or relied on by persons who are not Relevant Persons. Any investment or investment activity to which this document relates is available only to Relevant Persons and will be engaged in only with Relevant Persons.

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

1 Detsky Mir at a glance

2 Our investment story

3 Recent financial performance

4 Appendix

1

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 59% share of specialized children's goods retail market and 23% share of total children's goods market in Russia in 2018

Iconic brand
with 99% prompted awareness¹

783 branded stores in 267 cities
in Russia, Kazakhstan and Belarus, of which 713 Detsky Mir, 62 ELC & ABC and 8 Zozavr stores²

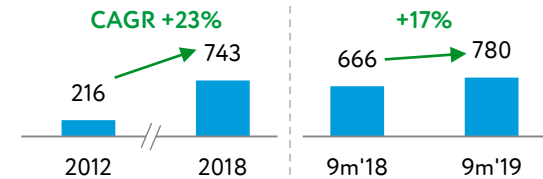
Prime locations in modern shopping malls with average store selling space of ~1,100 sqm

Top-3 online children's goods retailer
15% market share in online children's retail in 2018

Publicly listed
on the Moscow Stock Exchange since February 2017 with current free-float of 32.0%

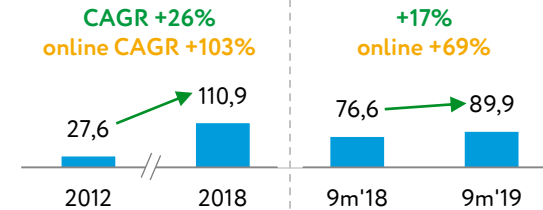
Strong operational and financial results⁵

Total number of stores



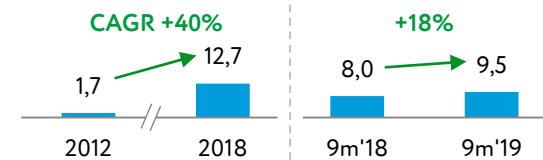
14.3%
Share of online revenue in Russia Oct-19

Total revenue (RUB bn)



11.4%
Adj. EBITDA LTM margin 9m'19

Adjusted EBITDA⁴ (RUB bn)



64%
Cash conversion³ LTM 9m'19

c.10%
Dividend yield⁶

1.4x
Net debt/LTM adj. EBITDA 9m'19

Diversified product mix with 20-30ths SKUs

Share in revenue in 2018



Source: Company data, Ipsos Comcon

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

² As of 31 October 2019

³ Calculated as (Adj. EBITDA - Capex) / Adj. EBITDA

⁴ 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

⁵ Under IAS 17

⁶ Calculated as dividend per share announced in the last 12 months (RUB 4.45 for 2018 and RUB 5.06 interim dividend for 9M 2019 recommended by the BoD on 5-Nov-19) / share price as of 5-Nov-19

⁷ Including large items, stationery, sports and seasonal goods

Transition to omni-channel model with nationwide physical network and booming online channel



Continuous upgrades of online platform

- "Last mile" delivery with same-day (up to 6 hours) and next-day options
- "Ideal in-store service" with ~90% of online orders ready for collection within one hour
- Full-feature mobile app
- UI/UX – full re-design
- Pilot marketplace



Further geographical expansion

- Entrance to Belarus
- Continued growth in Kazakhstan and Russia's Far East



Increased share of private label and direct imports

- 42.4% of our sales in 9m'19 from 27.8% in 2015



Launch of new line – pet supplies

- Opened 9 Zozavr branded stores since Dec-18

2012 2017 (IPO) 9m'19

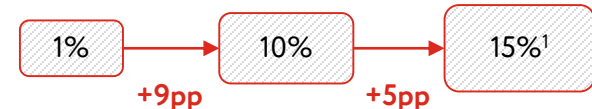
Number of stores (#)



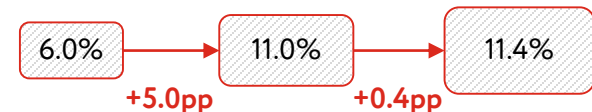
Market share total



Market share online



Adj. EBITDA margin LTM²



Dividend payout



Source: Company data, Ipsos Comcon

¹ For 2018

² Under IAS 17

High-growth online channel with best-in-class logistics proposition and superior economics

Detsky Mir demonstrates one of the highest growth rates and has the leading delivery proposition

	Market position and growth			Direct delivery ¹		
	Market share in total children's goods retail in Russia (% , 2018)	Online revenue growth (% , 2017-18)	Market share in online children's goods retail in Russia (% , 2018)	Price (RUB)	Time	Free of charge in-store click and collect
detsky mir	23%	89%	15%	199 / 99	6 h. / 1 day ²	1 hour 90% of orders
Дочки-Сыночки	5%	25%	5%	199	1 day	1 hour
WILDBERRIES	4% ³	63%	36%	200	3 days	na
кораблик	4%	0%	3%	na	na	1 hour
OZON.RU	1% ³	142%	10%	249	1 day	na
myToys	1% ³	35%	5%	360	2 days	na
mammy	<1% ³	(11%)	4%	na	na	na

Online sales are mainly generated by organic traffic with minimum marketing enabled by superior customer proposition and brand awareness



Source: Company data for Detsky Mir, Ipsos Comcon data for peers and Detsky Mir market shares, companies websites for direct delivery and in-store pick-up terms

¹ Delivery terms in selected city in Russia with population of 1.0-1.5m for diapers set in price range of RUB 1,500-2,000 as indicated on each website during 2-3pm Moscow time on 31-Oct-19

² Same-day (up to 6 hours) delivery is provided in 17 major cities in Russia (c.50% of covered geographies by product turnover), next-day delivery is provided in 30 major cities in Russia (c.80% of covered geographies by product turnover)

³ Estimated as share of online sales volume in total size of children's goods retail market

⁴ As % of total revenue in Russia

2

Our investment story

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

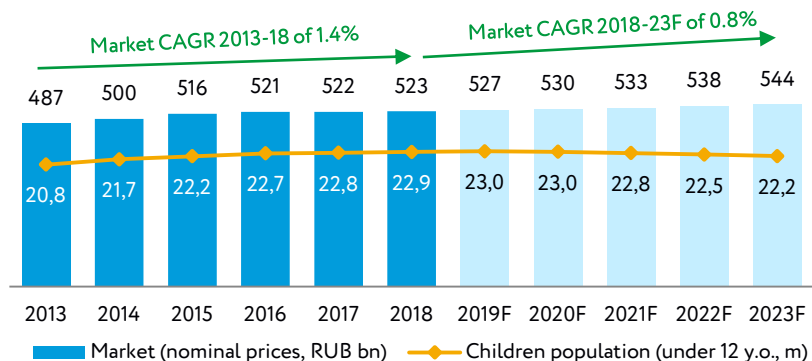
-  Undisputed market leader in children's goods retail market in Russia in 2018 with significant growth potential in online **1**
-  Category-defining brand with highly popular customer proposition **2**
-  Well-defined growth strategy diversified across multiple avenues **3**
-  Omni-channel model enhanced by strong infrastructure backbone geared up for future growth **4**
-  Asset-light cash-generative business model providing strong returns on capital and enabling consistent dividend payments **5**
-  Strong management team with well-established governance and supportive shareholders **6**

Undisputed market leader in children's goods retail market with significant growth potential in online



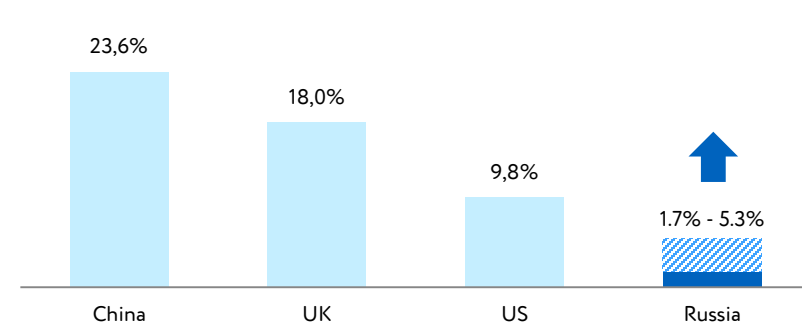
Large and stable market

Russian children's goods market and children population¹



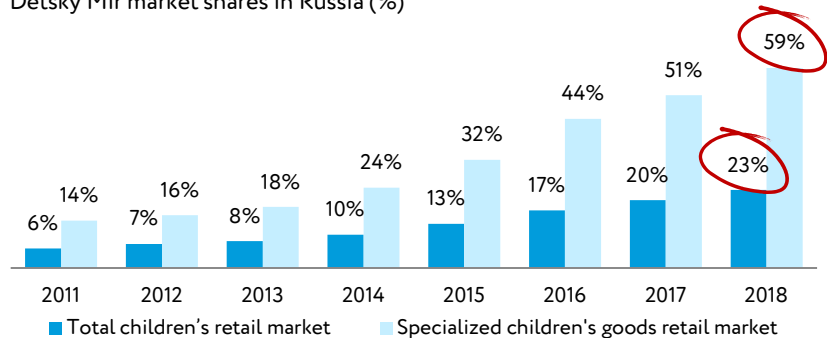
Low penetration of online retail driving future growth

Share of online sales in total retail market in 2018 (%)



Detsky Mir has been building on its market leadership ...

Detsky Mir market shares in Russia (%)



... and has potential to further consolidate this fragmented market

Structure of children's goods retail market in Russia in 2018 (%)



Source: Company data, Ipsos Comcon report, National statistical institutes of China, the UK and the USA, Rosstat, AKIT
¹Market size calculated as sales in retail prices (including VAT) in the Russian Federation in cities with over 100,000 population

Category-defining brand with highly popular customer proposition

Leading customer proposition

Brand positioning

Iconic Russian household name with 70-year history
99% prompted awareness¹
92% unprompted awareness¹

Product offering and convenience

One-stop-shop across key children's categories
Product offering of ~20,000 SKUs for a typical store and ~50,000 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

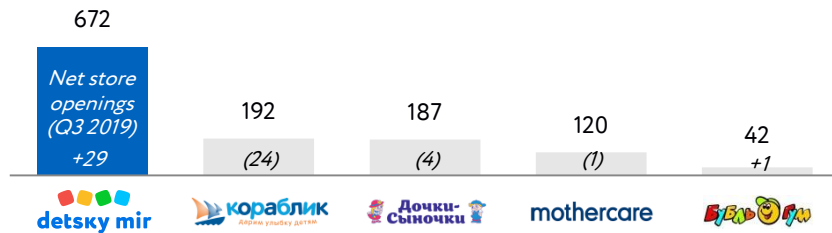
Price segment from medium to medium-low
We aim to offer highly competitive pricing in baby food and hygiene products
Periodic sales and promotions

Loyalty program

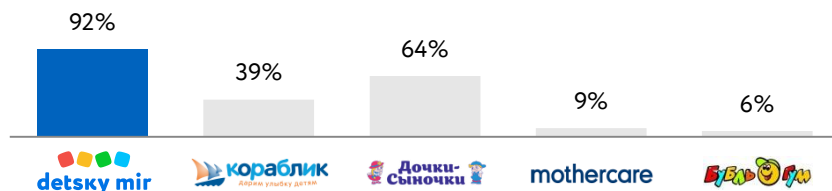
c.23m loyalty cards (c.10.4m active loyalty cards²)
c.14.2m contact base of users as of September 2019
Average ticket for loyalty card holders is significantly higher vs. customers without cards

Bigger, better and more recognizable than the competition

Number of stores (Q3 2019)³



Brand recognition (unprompted, December 2017)



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

¹ Based on consumer survey conducted in December 2017

² Cardholders who made at least one purchase at Detsky Mir during the last 12 months to 30 September 2019 are considered active

³ Excluding Kazakhstan and Belarus; excluding ELC&ABC and Zoozavr stores

⁴ Retail revenue only

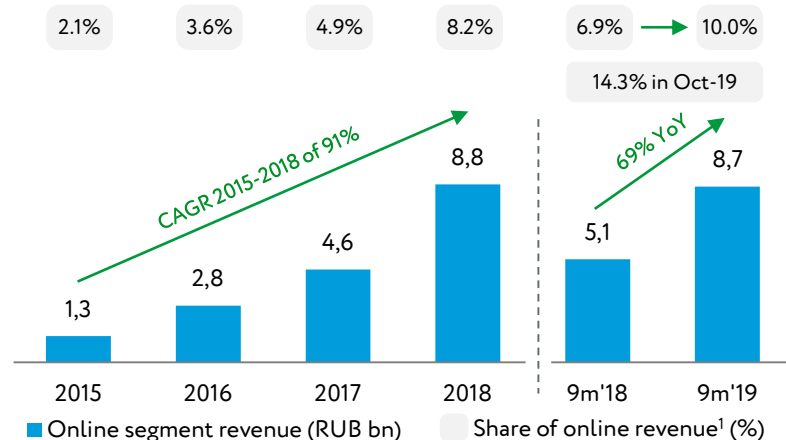
Well-balanced product mix across traffic generators and high-margin products

Product segment	Gross margin	Traffic generation	Revenue breakdown ⁴ (2018)
Newborns	✓	✓ ✓ ✓	32%
Toys	✓ ✓	✓ ✓	33%
Fashion	✓ ✓ ✓	✓	25%
Large items and other	✓ ✓	✓ ✓	10%

Well-defined growth strategy diversified across multiple avenues: e-Commerce development

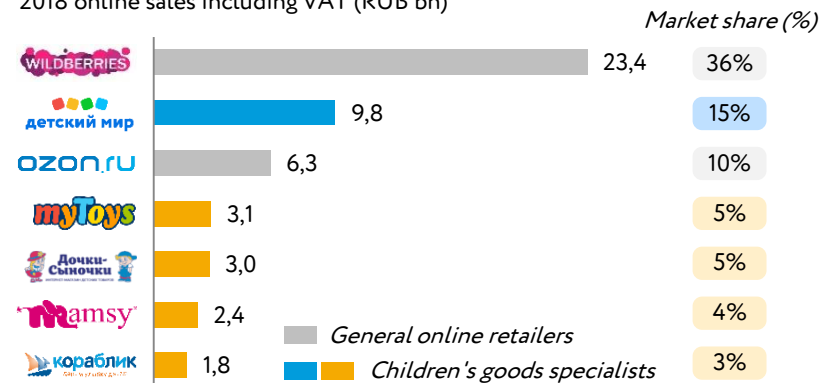
Exponential growth across all key metrics driven by ...

Accelerated online revenue growth

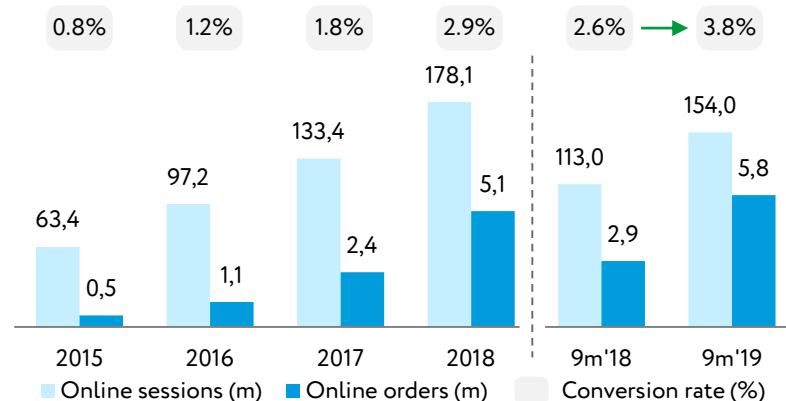


Top player in children's online retail

2018 online sales including VAT (RUB bn)

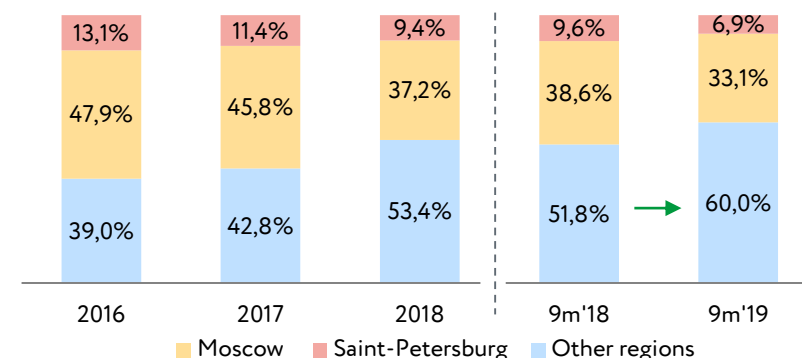


Continued growth in traffic and substantial improvement in conversion rates...



... driven by an increasing share of regional sales

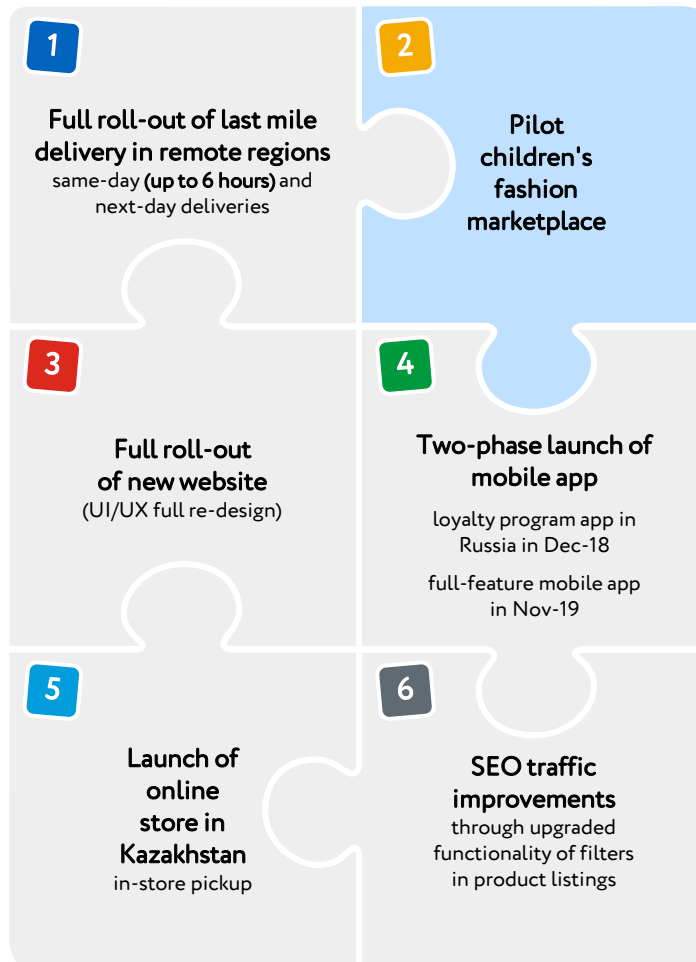
Share of value in online orders (%)



Well-defined growth strategy diversified across multiple avenues: e-Commerce development

... continuous development of our online platform

Strategic initiatives introduced in 2019



Pilot marketplace focused on children's fashion to diversify SKUs and underpin future growth in online



Assortment

Local producers as well as famous European brands



Marketing

Full integration into DM marketing and promotions



Pricing

Price segments: medium to medium-high



Vendors interface

Marketing and data-analytics tools



Economics

Commission based 3PL model with all-in 25-30% take rate



New verticals

to be launched in case of successful development of pilot

Marketplace to drive leadership in breadth of children's fashion assortment by leveraging existing infrastructure

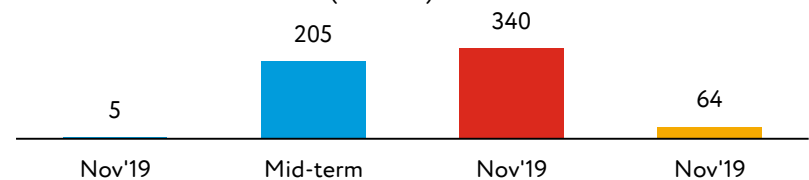
10% of online sales

in mid-term to come from marketplace

300+ vendors

in mid-term

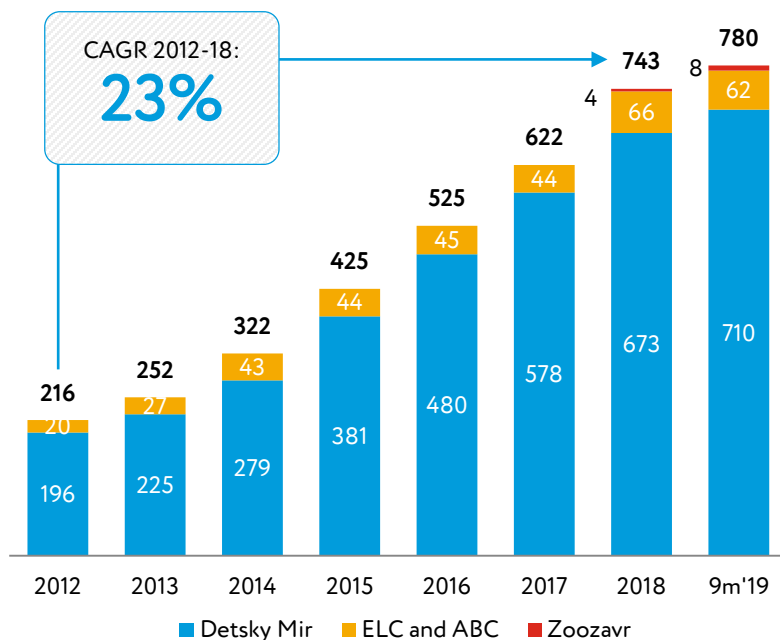
Children's fashion assortment (SKU ths¹)



Well-defined growth strategy diversified across multiple avenues: **whitespace potential**

Taking over whitespace in large and small cities as well as international markets

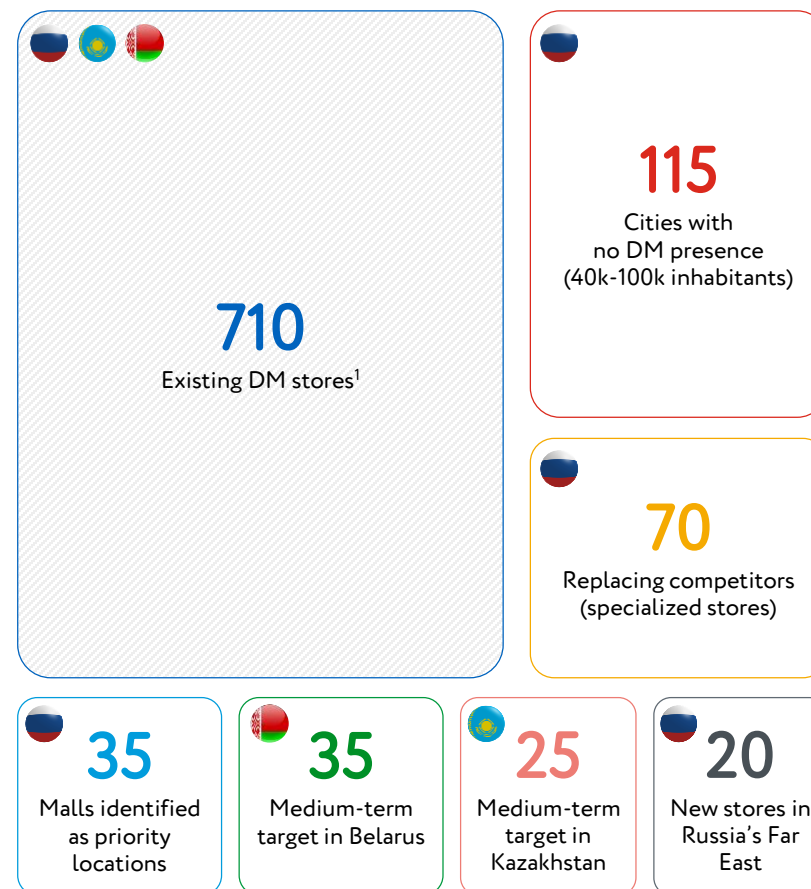
Number of stores (incl. ELC, ABC and Zoozavr)



- **Active international expansion in CIS countries**
 - Successfully entered Belarus with 5 stores opened
 - Expanded to new cities in Kazakhstan (+52% y-o-y revenue in 9m'19)
- **Continued regional expansion**
 - Opened 8 stores in Russia's Far East

At least 300 new DM stores in 2019-22 with **IRR >40%**

Visible expansion pipeline (number of stores)



Well-defined growth strategy diversified across multiple avenues: **focus on traffic generation**

Invest purchasing power into competitive pricing and effective merchandising with focus on traffic generating categories and private labels to drive strong LFL sales growth and growing gross profit per sqm

Competitive pricing

- ✓ "Mid" to "mid-" prices
- ✓ Highly competitive pricing in traffic-generating categories
- ✓ Discounts and loyalty programs

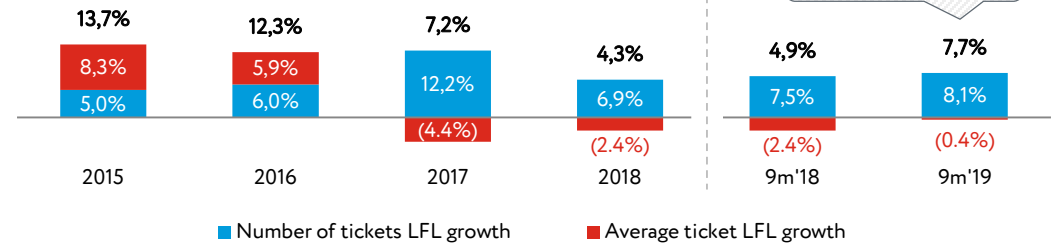
Active development of private label

- ✓ Growing the share of private labels and direct imports across all main product categories
- ✓ Focus on toys as key margin-driving category, with mid-term private label/direct imports share target of 30%

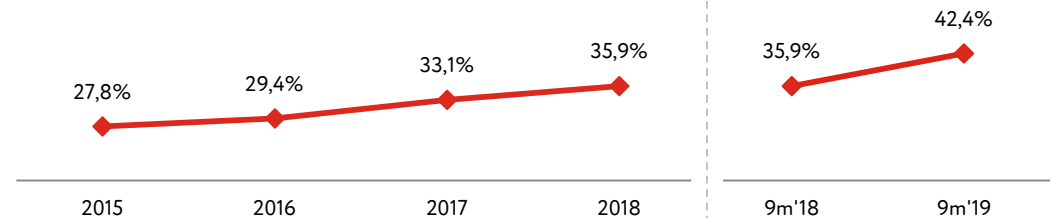
Effective marketing and merchandising

- ✓ Innovative store concepts based on highly interactive formats
- ✓ Focus on best-in-class customer experience

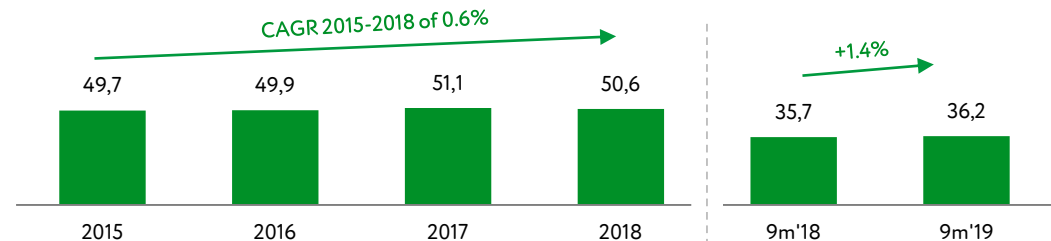
Strong traffic growth¹



Increasing share of private label and direct imports in revenue



Growing gross profit per sqm (RUB ths)³



Source: Company data

¹ LFL growth includes only DM stores in Russia that have been in operation for at least 12 full calendar months. Revenue of each store included in LFL comparison represents retail revenue of the store (incl. VAT, excluding plastic bags) for respective period, but excludes store revenue for those months in which the store was not operating for 3 days or more

² Average LFL y-o-y growth in 9m 2019 for X5, Magnit, Lenta and O'KEY

³ Calculated by dividing gross profit for the period by average selling space for the period (calculated in thousands of square metres as simple average of selling space as of the beginning and as of the end of the period)

Omni-channel model enhanced by strong infrastructure backbone geared up for future growth



Multi-regional network with diverse set of store formats

- 780 stores located in 266 cities across Russia, Kazakhstan and Belarus as of 30-Sep-19
- Various Detsky Mir store formats (from 600 sqm to over 2,000 sqm) allowing flexible roll-out



E-commerce platform with multiple client touchpoints

- Access to online store via website (desktop, tablet, mobile) and full-feature mobile app
- In-store pick-up service (87% of online orders in 9m'19) and courier delivery (13%)



Developed distribution infrastructure

- Two modern DCs located in Moscow region with total area of 132.5k sqm
- New c.60k sqm DC to be launched in Ural region in 2020



Integrated IT system

- Set-up SAP system manages stock balances
- IT-infrastructure is able to support up to 1,200 Detsky Mir stores with in-store pick-up function

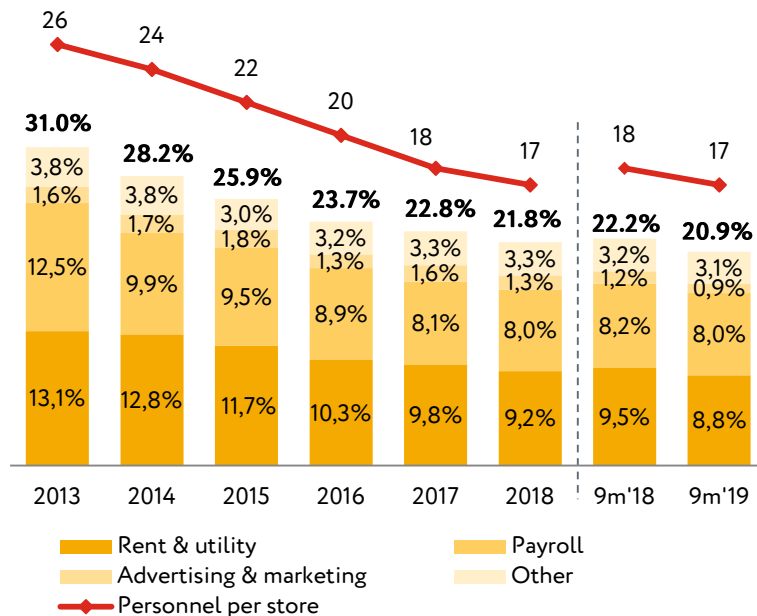
Focus on execution excellence to achieve superior operating margins

Improvement of 370bps in adjusted EBITDA¹ margin since 2013 driven by:

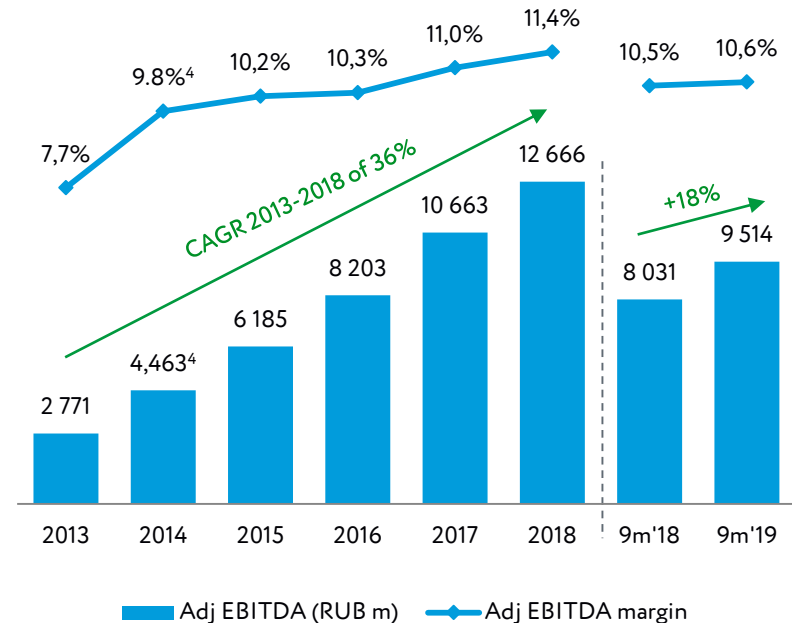
- ✓ Reduction of average personnel per store from 26 in 2013 to 17 in 2018 enabled by greater business processes automation and adoption of advanced software, resulting in reduced time and effort required per transaction
- ✓ Decline in rental costs as % of sales driven by improving sales density and negotiation of favorable rental terms with landlords, supported by our status of "anchor" traffic generator for shopping malls
- ✓ Reduction in adjusted SG&A² as % of revenue by over 920bps over 2013-2018



Adjusted SG&A expenses² as % of sales and personnel per store³



Adjusted EBITDA¹



Source: Company data

Note: The Group's consolidated financial statements for 2013 under US GAAP and for 2014-2019 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

¹ 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

² Adjusted SG&A expenses are calculated excluding depreciation and amortisation and additional bonus payments under the LTI program

³ Excluding personnel in headquarters

⁴ Less one-off RUB 1,164m net gain from disposal of Yakimanka store

Asset-light cash-generative business model providing strong returns on capital and enabling 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 ...

	2013	2014	2015	2016	2017	2018
Revenue growth	30%	26%	33%	31%	22%	14%
Selling space growth	10%	22%	26%	21%	15%	12%
Adj. EBITDA ¹ , RUB bn	2.8	4.5 ²	6.2	8.2	10.7	12.7
Capex, RUB bn	(0.8)	(1.9)	(5.3)	(1.7)	(2.5)	(3.8)
Dividends, RUB bn	(0.4)	(1.9)	(3.0)	(4.4)	(4.8)	(6.1)
Adj. net debt ³ / Adj. EBITDA LTM ¹	1.8x	0.6x	1.7x	1.4x	1.0x	1.4x
ROIC LTM^{4,5}	71%	71%	62%	71%	78%	70%

Source: Companies' disclosure and reporting

Note: The Group's consolidated financial statements for 2013 under US GAAP and 2014-2018 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

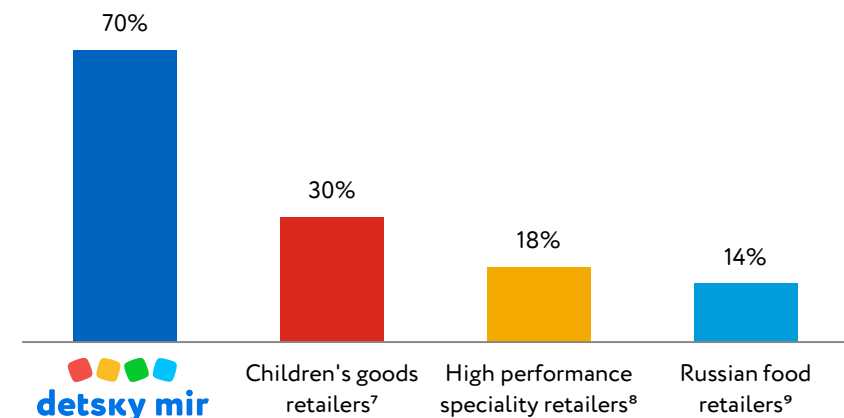
¹ Adj. EBITDA is calculated as profit for the year before income tax, FX gain/loss, gain on acquisition of controlling interest in associate, impairment of goodwill, net finance expense, D&A, adjusted for the one-off effect relating to disposal of the Yakimanka building in 2014, as well as share-based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

² Less RUB 1,164m net gain from disposal of Yakimanka store

³ 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)

... and a leading ROIC⁴ in global retail context

CY 2018⁶, median values for respective peer groups



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

⁵ 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)

⁶ Calendarized to December year-end

⁷ Five Below, Children's Place, Carters, Jumbo and Baby Bunting

⁸ Clicks, Lojas Renner, LPP, CCC, Raia Drogasil, B&M, Liverpool and XXL

⁹ X5, Magnit and Lenta

Strong management team with well-established governance and supportive shareholders

Highly experienced management



Vladimir Chirakhov
CEO

Held senior positions at Korablik, M.video



Anna Garmanova
CFO

Held senior positions at Podruzhka, Understanding and Reconciliation Fund



Farid Kamalov
COO

Held senior positions at MediaMarkt, Korablik, M.Video



Maria Davydova
Deputy CEO for Commercial Activities

Held senior positions at Enter Svyaznoy, Arbat Prestige



Tatyana Mudretsova
Marketing Director

Held senior positions at Osnova Telecom, Beeline, DDB and Publicis



Maria Volodina
Commercial Director for Apparel and Footwear

Held senior positions at Sela, Reebok Rus, Kira Platinina, TJ Collection





Pavel Pischikov
Director for E-Commerce

Held senior positions at Dochki-Sinochki ("Daughters and Sonnies") and X5 Retail Group



Vyacheslav Mikhnenko
Director of Logistics

Previously Operational Logistics Director at X5 and Chief Logistics Officer at Kopeika

 Years of sector experience  Years with Detsky Mir

Management incentive programs

	LTI from 2017 to 2020	LTI from 2020 to 2023
Key objective	Increase post-IPO market capitalization	Creation of sustainable value for the shareholders
Participants	21 key employees	20+ key employees
Budget	Up to 4.6% of Detsky Mir's market value growth (including dividend payout) during the program Additional cash payments expected at RUB 500m ¹	Up to 4.6% of Detsky Mir's market value growth (including dividend payout) during the program

Source: Company data
¹ Plus any social taxes

Strong governance framework

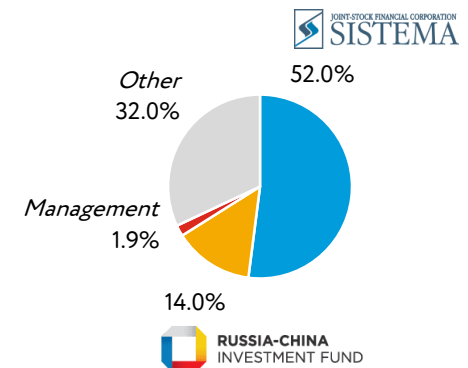
BoD of 10 members
including 3 INEDs

Established **Audit, Strategy, and Nomination and Remuneration** committees

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

Prominent shareholder base

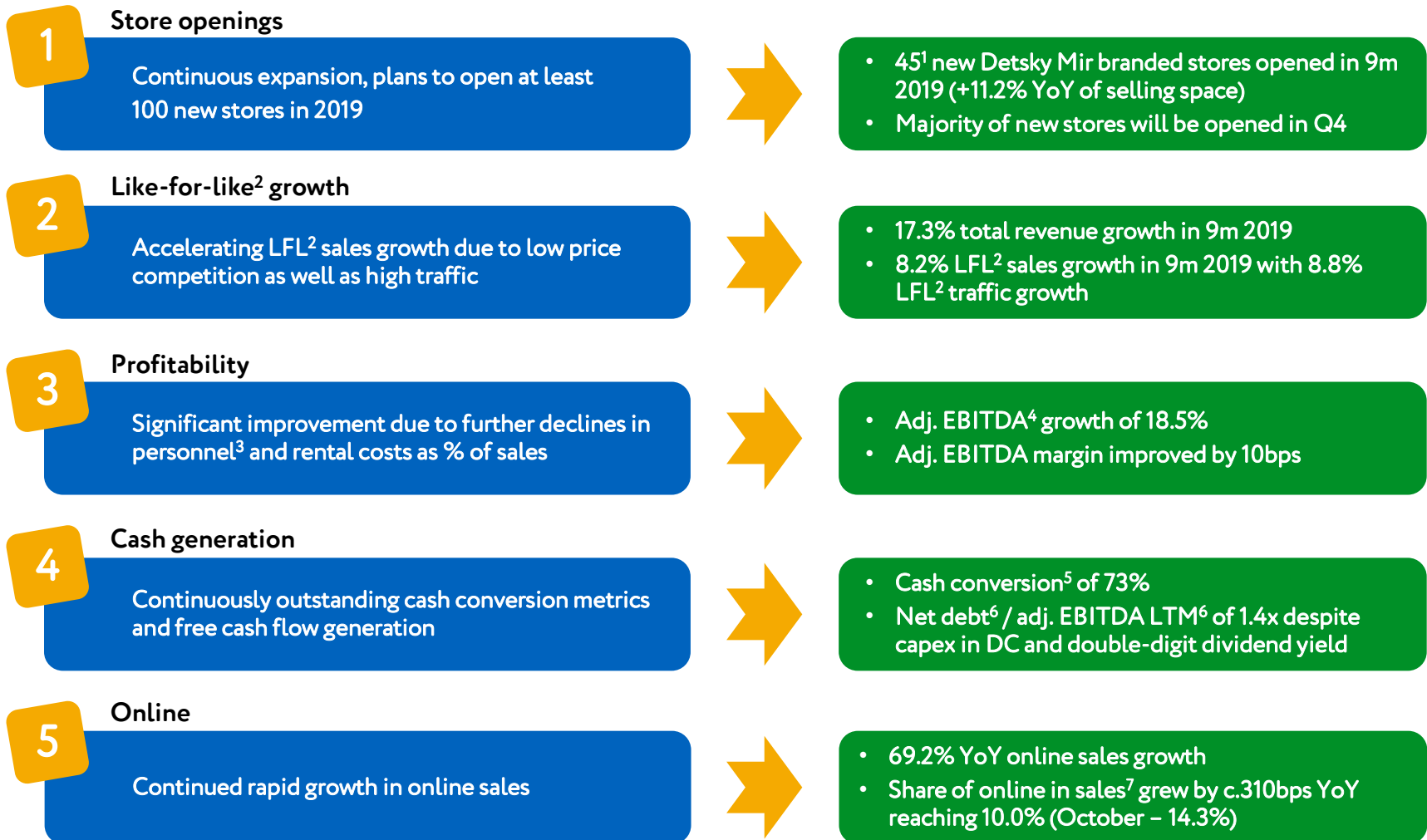
Shareholding structure (Nov-2019)



3

Recent financial performance

9m 2019 financial highlights



Source: Company data. Note: The Company's consolidated financial measures for 2018-2019 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 In 9m 2019, Detsky Mir closed eight stores

² Hereinafter, LFL growth includes only DM stores in Russia and Kazakhstan that have been in operation for at least 12 full calendar months. Revenue of each store included into like-for-like comparison represents retail revenue of the store (including VAT, excluding plastic bags and revenue from online orders delivered by couriers) for respective period but excludes store revenue for those months in which the store was not operating for 3 days or more

³ Excluding share-based compensation and cash bonuses under the LTI program

⁴ Hereinafter, adj. EBITDA is calculated as profit for the period before income tax expense, foreign exchange (loss)/gain, gain on acquisition of controlling interest in associate, finance expense, finance income, depreciation and amortization, adjusted for share-based compensation expense and cash bonuses under the LTI program

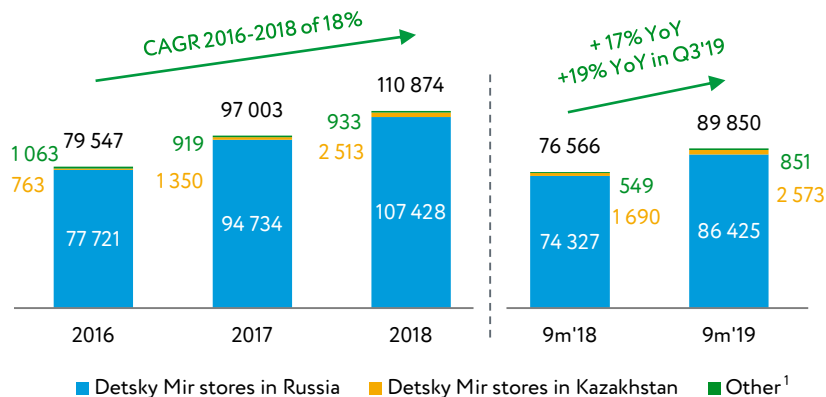
⁵ Hereinafter, calculated as (Adj. EBITDA – Capex) / Adj. EBITDA

⁶ Hereinafter, net debt is calculated as total borrowings (defined as long term loans and borrowings and short-term loans and borrowings and current portion of long-term loans and borrowings) less cash and cash equivalents. Lease liabilities are not included in the calculation of net debt. Adj. EBITDA LTM is calculated as adj. EBITDA (as defined above) for the past 12-months period

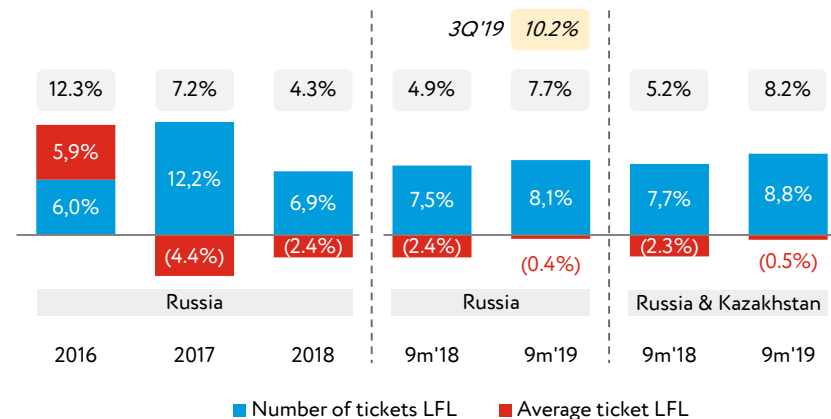
⁷ Online share in Detsky Mir revenue in Russia

Continued solid top-line growth

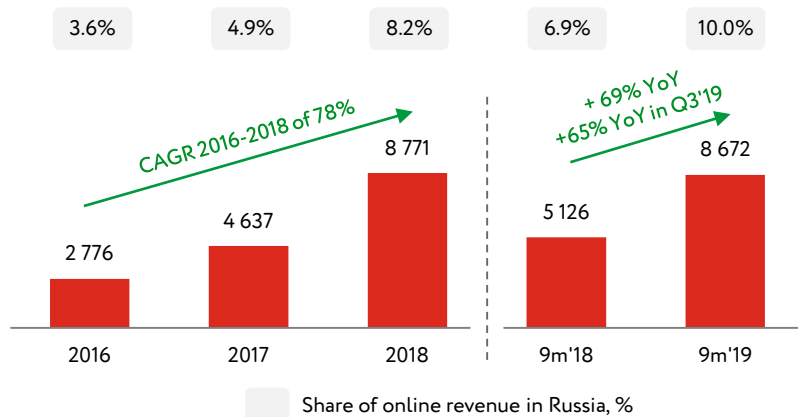
Total revenue (RUB m)



Like for like sales growth

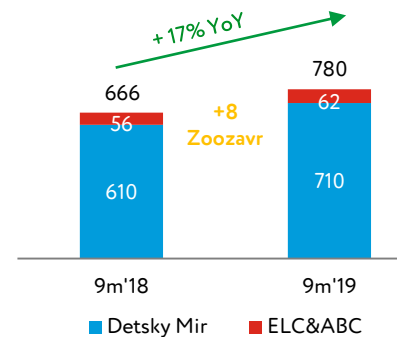


E-commerce revenue (RUB m)

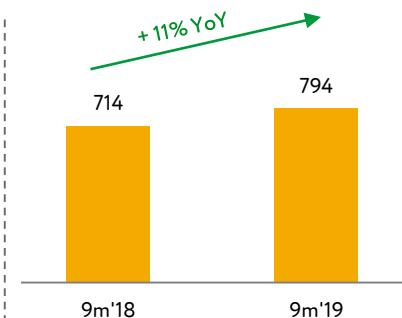


Store network

of stores



Selling area (sqm 000s)



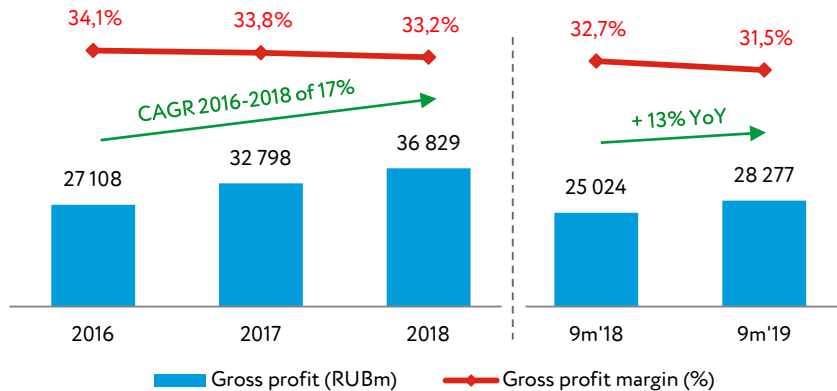
Source: Company data

Note: Company's consolidated financial measures for 2018-2019 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

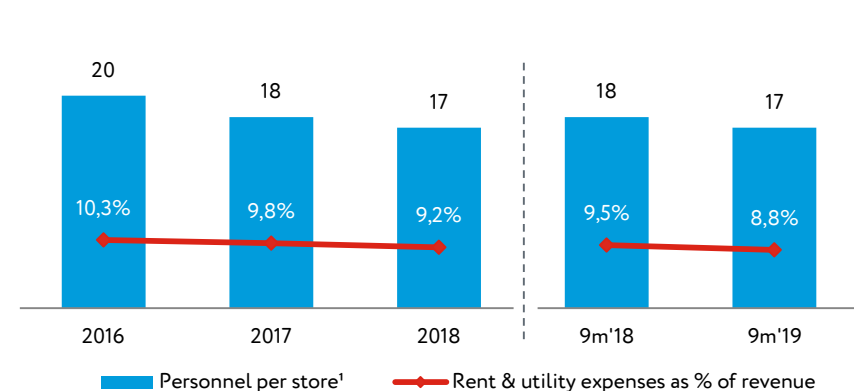
¹ This segment includes performance of ELC, ABC, Zoozavr stores as well as Detsky Mir retail chain in Belarus

Consistently strong profitability

Slightly declining gross margin due to investment in price leadership ...

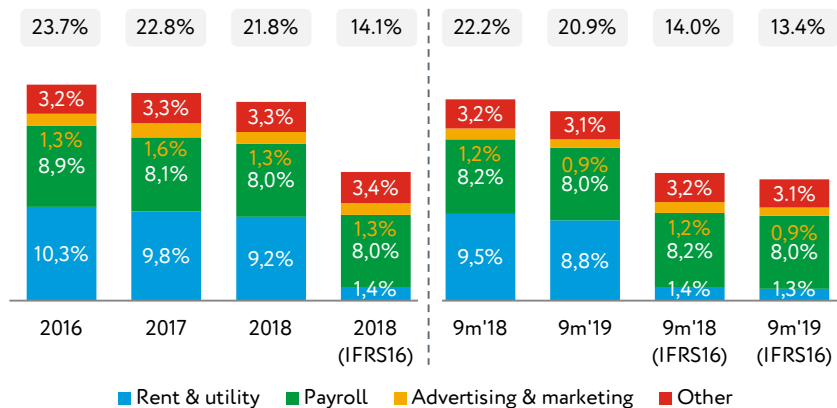


... is offset by gradual optimization of store personnel and reduction of rent costs ...

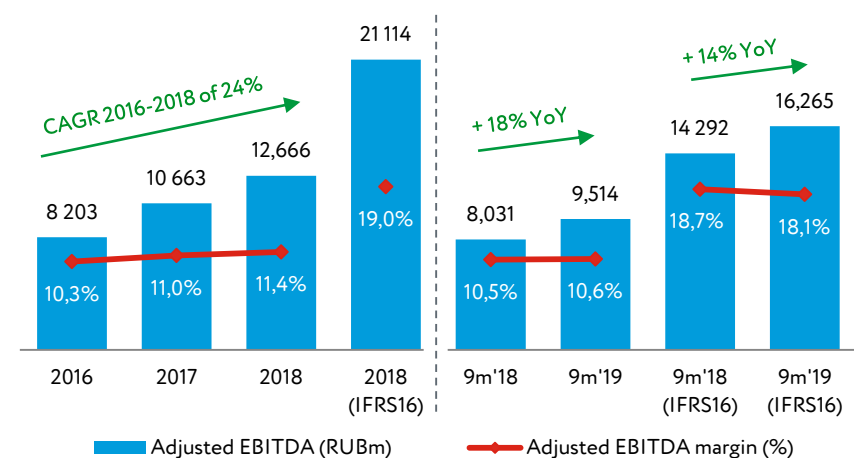


... along with consistently declining SG&A expenses (as % of revenue) ...

Adjusted SG&A expenses² as % of revenue



... resulting in consistently strong and improving profitability



Source: Company data

Note: The Company's consolidated financial statements for 2016-2019 under IFRS are presented without reference to the application of IFRS 16, unless specified otherwise

¹ Excluding personnel in headquarters

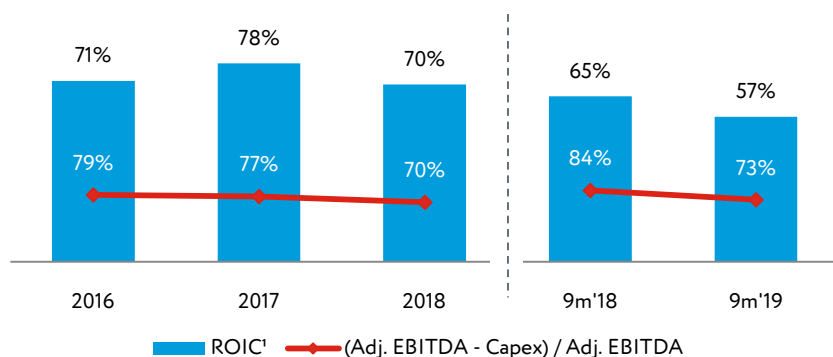
² Adjusted SG&A expenses calculated as selling, general and administrative expenses adjusted for depreciation and amortization expenses, additional share-based compensation expense

Strong cash flow conversion

Comments

- Strong cash conversion (Adj. EBITDA - Capex / Adj. EBITDA) driven by high level of ROIC
- Decrease of investment in NWC significantly affecting Operating Cash flow:
 - Improved inventories turnover on the back of stock optimization
 - Normalized receivables turnover thanks to collection of supplier bonuses
- Increase in financing expense on the back of increased leverage and the seasonality of the business
- 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)

	2016	2017	2018	9m'18	9m'19	9m'18 IFRS 16	9m'19 IFRS 16
Adjusted EBITDA	8,203	10,663	12,666	8,031	9,514	14,292	16,266
Changes in NWC	(405)	(1,123)	(7,156)	(6,958)	(3,815)	(6,670)	(3,752)
Cash income taxes paid	(1,468)	(1,523)	(1,083)	(618)	(957)	(618)	(957)
Net finance expense paid	(1,813)	(1,645)	(1,624)	(1,110)	(1,393)	(2,893)	(3,190)
Other operating cash flow	1,285	708	688	348	520	345	520
Operating cash flow	5,801	7,080	3,489	(306)	3,870	4,458	8,886
CAPEX	(1,747)	(2,468)	(3,793)	(1,283)	(2,567)	(1,283)	(2,567)
DC construction	-	-	(1,825)	-	(399)	-	(399)
Store openings, IT & maintenance ²	(1,747)	(2,468)	(1,968)	(1,283)	(2,167)	(1,283)	(2,167)
Free cash flow	4,054	4,612	(303)	(1,589)	1,303	3,173	6,321
Investment cash flow	3,165	(1,370)	(3,794)	(1,283)	(2,544)	(1,283)	(2,544)
Financial cash flow	(8,455)	(5,000)	483	(88)	(3,943)	(4,851)	(8,960)
Change in cash	512	710	180	(1,677)	(2,618)	(1,677)	(2,618)

Source: Company data

Note: The Company's consolidated financial measures for 2018-2019 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); adjusted for amounts receivable under the loan issued to CJSC "DM-Finance" in 2015-16, as well as for net book value of the building occupied by the Bekasovo distribution center in 2015

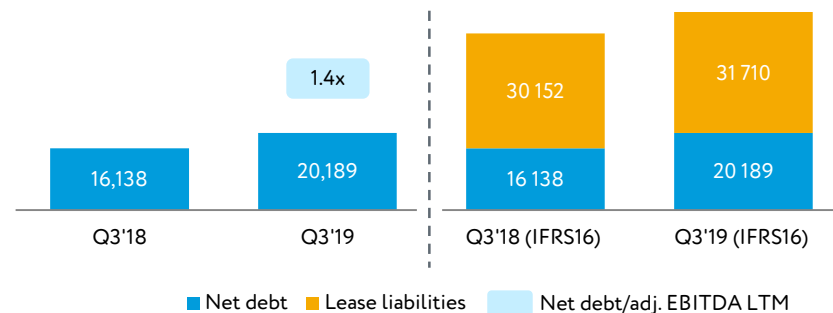
² In 9m 2019, the increase in capital expenses was driven by a RUB 844m payment (net of VAT) for the acquisition of premises for the Company's new flagship store in Moscow

Comments

- Commitment to a conservative financial policy
 - Fully RUB-denominated debt to match RUB revenue
 - Relationships with multiple Russian and international banks
- Net debt / adj. EBITDA LTM ratio as of 30 September 2019 is 1.4x vs. 4.0x average covenant level across the loan portfolio (before IFRS16)
 - Increased due to investments in own DC and commercial premises for a flagship store in Moscow (RUB 3.1bn)
- Weighted average interest rate¹ – 8.4% (as of 9m 2019)
- Most of the debt has fixed interest rate
- No contingent off-balance sheet liabilities

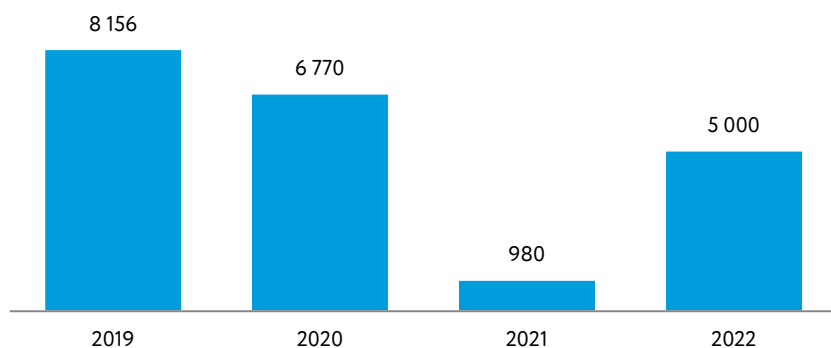
Leverage

- Q3 2019 total debt – RUB 20.9bn

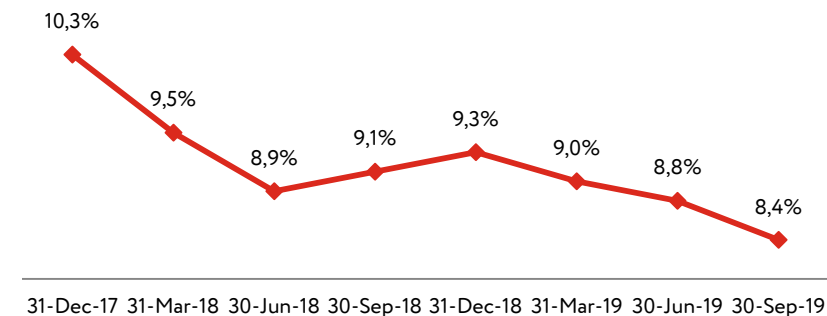


Debt maturities (30 September 2019)

(RUB m)



Weighted average interest rate¹ (%)



Source: Company data

Note: The Company's consolidated financial measures for 2018-2019 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

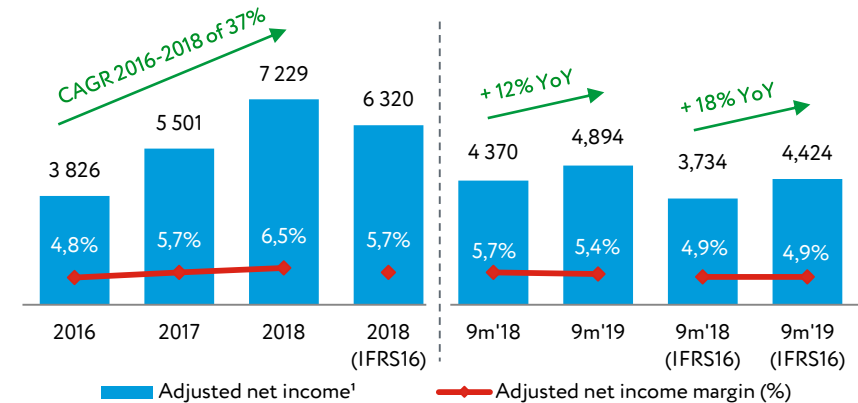
¹ Calculated on the basis of the weighted interest rates applying to the specified indebtedness (weighted by the principal amount of such indebtedness) as of the dates specified

Sustainably high returns to shareholders

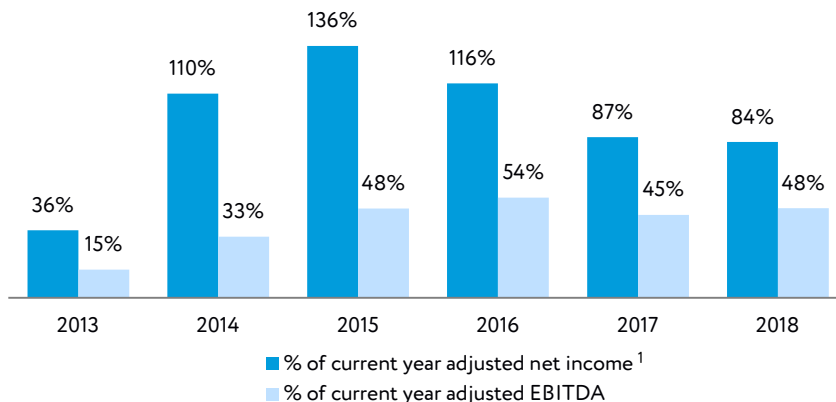
Comments

- Asset-light cash generative model underpins significant dividend paying capacity
 - Dividends as major differentiator from the majority of Russian high-growth food retailers
 - Ability 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, up to 100% of net income under RAS paid out
 - Typically two dividend payments per year (9m interim and full year)
- Detsky Mir paid out the final dividend for FY2018 of RUB 3.3bn in Q2 2019, as well as interim dividends for 9m 2018 of RUB 3.2bn in Q4 2018
- BoD recommended to pay out an interim dividend for 9m 2019 of RUB 3.7bn

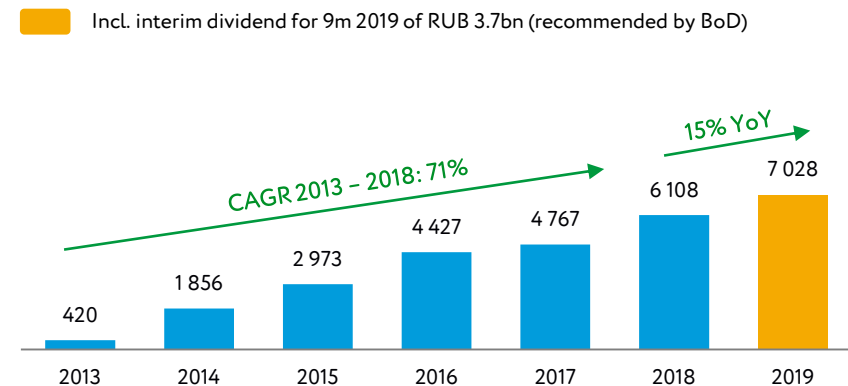
Adjusted net income (RUB m)¹



Dividends as % of adjusted EBITDA and adjusted net income



History of declared dividends (RUB m)



Source: Company data

Note: The Company's consolidated financial measures for 2018-2019 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

Guidance update

	Near term previous guidance (5 March 2018)	2018 actual	Mid- to long-term previous guidance (5 March 2018)	Updated guidance (7 November 2019)
Store count	<ul style="list-style-type: none"> ~70 new stores in 2018 	100 new stores opened ¹	<ul style="list-style-type: none"> ~250 new stores in 2018-2021 (increased to 300 in Q3 2018) 	<ul style="list-style-type: none"> At least 100 new stores in 2019 At least 300 new stores in 2019-2022
Revenue	<ul style="list-style-type: none"> Driven by store openings, LFL & ramp ups of new stores 	✓	<ul style="list-style-type: none"> Driven by store openings, LFL & ramp ups of new stores 	<ul style="list-style-type: none"> Same drivers, enhanced by new target for 30% share of online in Detsky Mir total revenue in Russia in mid-term
LFL revenue growth	<ul style="list-style-type: none"> Single-digit growth outperforming the market, positive traffic growth, below-inflation ticket growth, plus effect of new store ramp ups 	4.3% LFL growth, outperforming the market	<ul style="list-style-type: none"> Single-digit growth outperforming the market, positive traffic growth, below-inflation ticket growth, plus effect of new store ramp ups 	Same guidance
Gross margin	<ul style="list-style-type: none"> Stable 	Continued investing in prices to attract traffic (-60 bps)	<ul style="list-style-type: none"> Stable 	Continued investment in prices to attract traffic, slightly declining to stable as % of revenue
Rent & utility expenses	<ul style="list-style-type: none"> Rents/sqm rise initially slightly above inflation then in line with inflation, so stable as % of revenue 	Continued decline as % of revenue (-60 bps)	<ul style="list-style-type: none"> Rents/sqm rise initially slightly above inflation then in line with inflation, so stable as % of revenue 	Slightly declining to stable as % of revenue
Personnel expenses²	<ul style="list-style-type: none"> Slightly declining to stable as % of revenue 	Continued decline as % of revenue (-10 bps)	<ul style="list-style-type: none"> Slightly declining to stable as % of revenue 	Same guidance
Adjusted EBITDA margin	<ul style="list-style-type: none"> Double-digit 	Improved by 40bps	<ul style="list-style-type: none"> Double-digit 	Same guidance

Source: Company data

Note: The guidance presented do not account for the new IFRS 16 "Lease" accounting standards

¹ In 2018, Detsky Mir closed five stores

² Adjusted for share-based compensation and cash bonuses under the LTI program



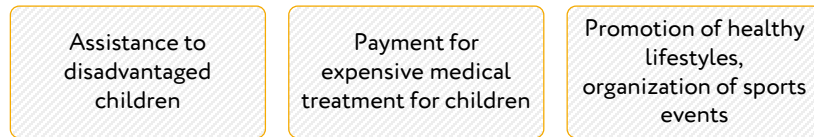
detsky mir

Appendix

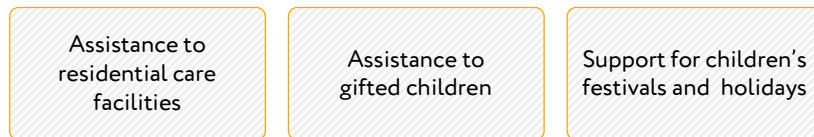
Sustainable development: focus on social and environmental responsibility

Charitable activities

Priority charity areas



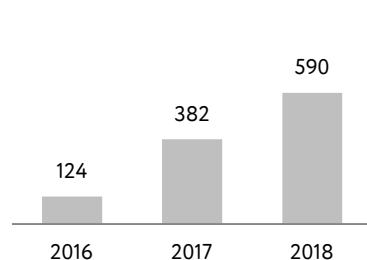
Care for over 450ths disadvantaged children in Russia and Kazakhstan (2018)



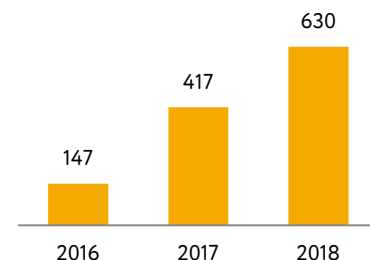
Charity fund

- Our social activity is implemented by the Detsky Mir Charity Fund (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 2018, DM suppliers donated goods of RUB 553m to the fund

Goods donated to the fund (RUB m)



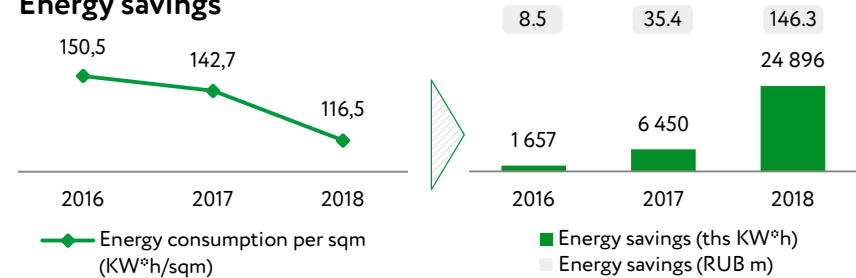
Charity spending (raised and own funds, RUB m)



Source: Company data

Environmental responsibility

Energy savings



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 2018, 242 ths 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 2018, 350 stores participated in these projects

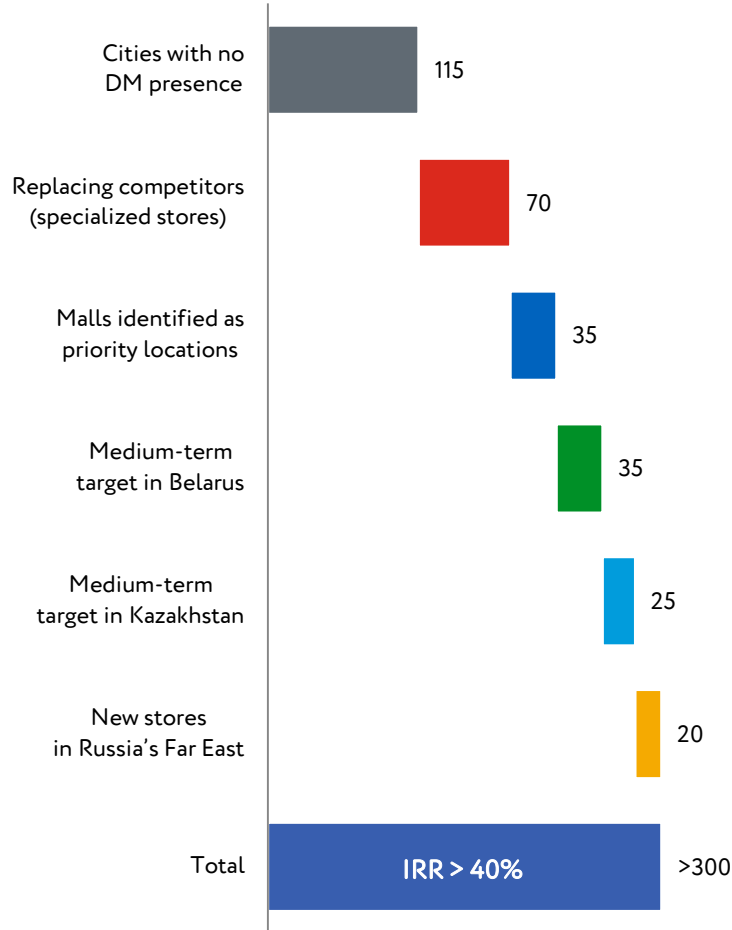
Collection of waste for recycling (2018)

2,190t cardboard from distribution centers

1,100t cardboard from stores

Detsky Mir stores expansion pipeline

Target store rollout (2019-2022)



Geographical location

- 673¹ Existing DM stores
- 115 Cities with no DM Presence (40k -100k inhabitants)
- 70 Replacing competitors (specialized stores)
- 35 Malls identified as priority locations for DM (in the large cities of presence)
- 35 Medium-term target stores in Belarus
- 25 Medium-term target stores in Kazakhstan
- 20 New stores in Russia's Far East Federal District



Source: Company data

¹ Only Detsky Mir branded stores as of 31-Dec-18

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. Financial¹</i>	25%	4% - 15%	3% - 9%
	<i>incl. Functional²</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

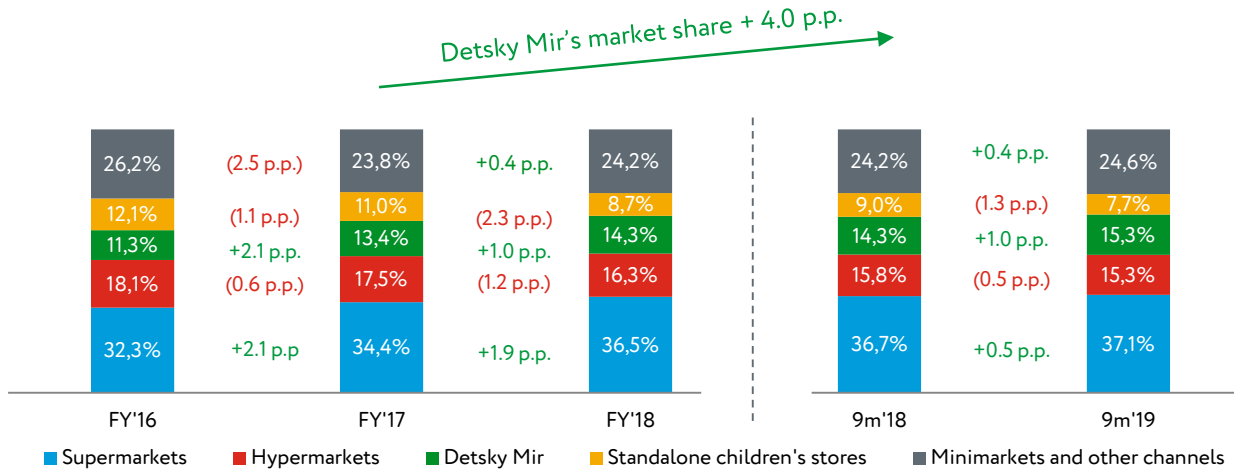
Incentive program to cement the management's long-term focus on shareholder value creation

¹ Financial KPIs – EBITDA, net income, revenues

² Functional KPIs – specific operational KPIs, individual for each role

Case study: gaining market share in baby food and diapers sales

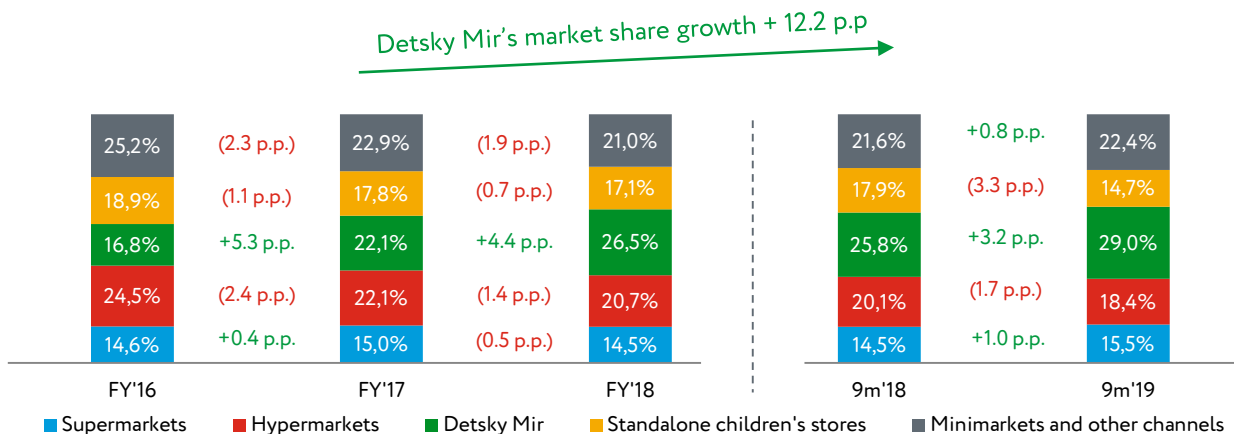
Baby food sales by channel in Russia



Comments

- Baby food and diapers remain key traffic-generating categories for children's goods stores
- Only stores specialized in children's goods offer a full range of baby food and diapers products unlike hypermarkets, which are focused on "bestseller" SKUs
- Detsky Mir took market share away from other channels in these categories
- Notably, Detsky Mir has outperformed food retailers, which have been the largest sales channel for baby food historically
- Detsky Mir's baby food market share increased by 35% to 15.3% in 9m'19 (vs. 2016)
- Detsky Mir's diapers market share increased by 1.7x to 29.0% in 9m'19 (vs. 2016)

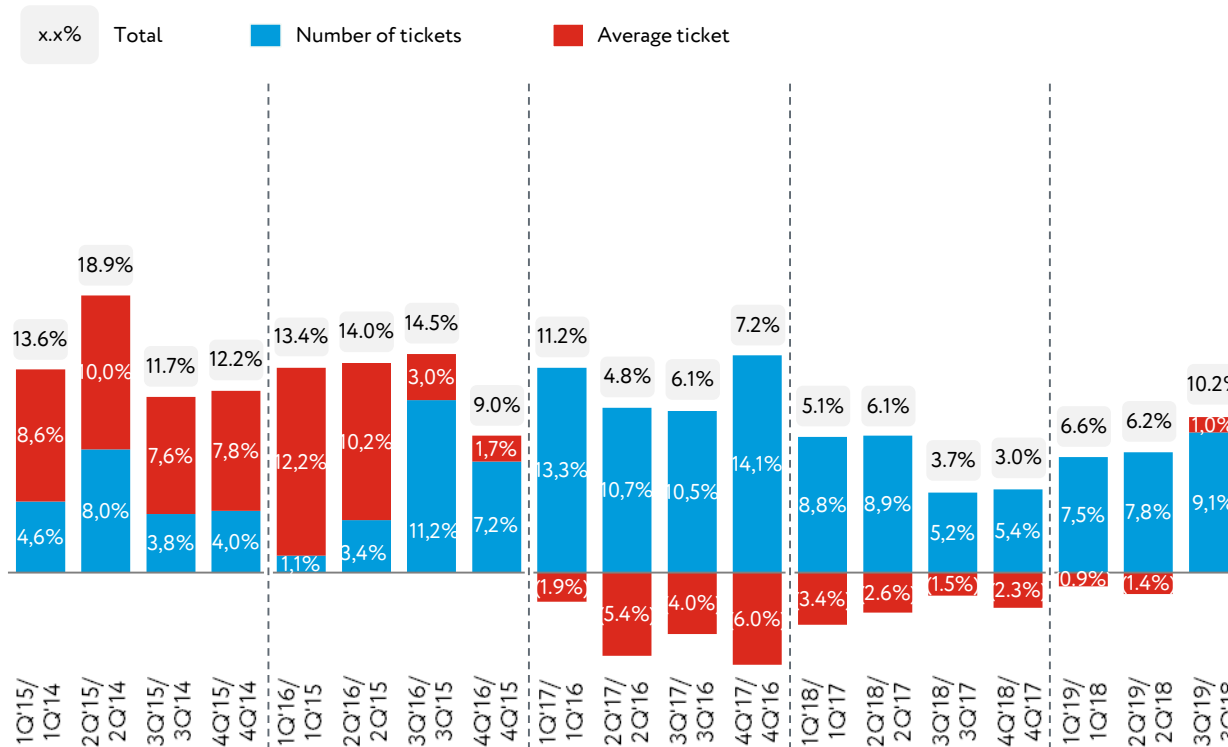
Diapers sales by channel in Russia



Detsky Mir's share of the diapers market increased by 1.7x over several years

Robust like-for-like performance

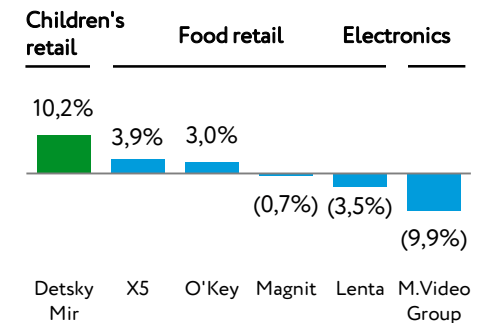
Like-for-like revenue growth



Comments

- Strong growth of like-for-like sales was a result of a competitive pricing policy, marketing activities and improvements in merchandising
- Focus on attracting new customers, resulting in high single digit LFL number of tickets growth
- New openings under new store concept, attractive loyalty program and competitive prices are key factors supporting further like-for-like growth

Like-for-like revenue growth in 3Q'19



LFL growth

	LFL growth 2016	LFL growth 2017	LFL growth 2018	LFL growth 9m'19
Total	12.3%	7.2%	4.3%	7.7%
Average ticket	5.9%	(4.4%)	(2.4%)	(0.4%)
Number of tickets	6.0%	12.2%	6.9%	8.1%

Detsky Mir demonstrated attractive LFL revenue growth rate (+10.2%) in Q3 2019

Source: Company data, publicly available data with respect to other companies

*LFL growth in RUB terms. LFL growth includes only DM stores in Russia that have been in operations for at least 12 full calendar months

Financial performance summary

(RUB m, unless specified otherwise)¹

	2016	2017	2018	9m'18	9m'19
Number of stores	525	622	743	666	780
Detsky Mir stores	480	578	673	610	710
ELC, ABC, Zoozavr stores	45	44	70	56	70
Selling space (k sqm)	596	688	768	714	794
Revenue	79,547	97,003	110,874	76,566	89,850
% total sales growth	31.4%	21.9%	14.3%		17.3%
% LFL sales growth	12.3%	7.2%	4.3%	4.9%	7.7%
Revenue per sqm ² (RUB thousand / sqm)	146	151	152	109	115
Online sales ⁴	2,776	4,637	8,771	5,126	8,672
Share of online sales in Russia	3.6%	4.9%	8.2%	6.9%	10.0%
Gross profit	27,108	32,798	36,829	25,024	28,277
Margin, %	34.1%	33.8%	33.2%	32.7%	31.5%
Gross profit per sqm² (RUB thousand / sqm)	50	51	51	36	36
Adjusted SG&A	18,884	22,127	24,116	16,968	18,753
% of revenue	23.7%	22.8%	21.8%	22.2%	20.9%
Adjusted EBITDA	8,203	10,663	12,666	8,031	9,514
Margin, %	10.3%	11.0%	11.4%	10.5%	10.6%
Adjusted profit for the period	3,826	5,501	7,229	4,370	4,894
Margin, %	4.8%	5.7%	6.5%	5.7%	5.4%
Total debt	14,638	13,591	21,470	17,617	20,906
Cash and cash equivalents	(2,445)	(3,155)	(3,335)	(1,479)	(717)
Adjusted net debt⁴	11,133	10,436	18,135	16,138	20,189
Adjusted net debt / LTM Adjusted EBITDA	1.4x	1.0x	1.4x		1.4x
Capex	(1,747)	(2,468)	(3,794)	(1,283)	(2,567)
% of revenue	2.2%	2.5%	3.4%	1.7%	2.9%
Dividends declared⁶	4,427	4,767	6,108	6,108	7,028

Comments

Sales Growth

- Strong support from both network expansion and LFL
- Solid LFL Sales growth rates
- High rate of new openings in 9m 2019 (45 stores⁵)

Improved Operating Efficiency

- Slightly declining gross margin due to investment in price leadership to support traffic and LFL growth
- Over 400bps improvement in SG&A as % of sales from 2015 to 2018 (-130bps 9m'19 vs 9m'18)

Superior EBITDA Margin

- Major SG&A optimisation measures implemented by the new management team since 2013
- Over 120bps margin increase from 2015 to 2018 (+10bps 9m'19 vs 9m'18)
- Double-digit EBITDA margin achieved in 2015 and improved in 2016-2019, expected to be maintained in mid-term

Capex

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

Conservative Financial Policy

- Net debt / adj. EBITDA LTM as of 30-September-2019 is 1.4x 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 14-fold from 2013

Source: Company data

¹ The Company's consolidated financial measures for 2018-2019 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

² Calculated per average space for the period

³ Online sales (including sales via "in-store pickup" service)

⁴ Adjusted Net Debt is calculated as net debt adjusted for amounts receivable under the loan issued to CJSC "DM-Finance" (Sistema's subsidiary), fully repaid on February 27, 2017

⁵ In 9m 2019, Detsky Mir closed eight stores

⁶ Dividends declared in 9m 2019 and 9m 2018 included interim dividends recommended by BoD in Q4

Contact information

A business card for Sergey Levitskiy, Head of Investor Relations at Detsky mir. The card is white with rounded corners and contains contact information and the company logo. The background of the card features faint, light gray geometric shapes like a star, a triangle, a circle, and a square.


Sergey Levitskiy
Head of Investor Relations
slevitskiy@detmir.ru
+7 903 971-43-65

Detsky mir
+7 495 781-08-08, ext. 2315

detmir.ru