



FY 2020

Audited Financial Results

Leading children's goods retailer in Russia

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FY 2020 Financial highlights

1 Accelerated top-line growth

- Total sales growth amounted to **11.0%** in FY 2020 (accelerated to **14.3% YoY** in Q4 2020)
- **4.0% LFL sales growth** (Russia) in FY 2020 (**+5.7% YoY** in Q4 2020 with **1.4% LFL traffic growth**)

2 Explosive online sales growth

- **2.4x YoY** online sales growth in FY 2020 (**+2.2x YoY** in Q4 2020)
- Online share grew by **2.2x YoY** to **25.2%** in FY 2020 (**30%** online share in Q4 2020)

3 Continuous retail chain expansion

- **71 new DM**, as well as **10 new Zoozavr** and **12 Detmir PUP stores** opened in FY 2020
- **+6.4% YoY** selling space growth in FY 2020

4 Superior EBITDA margin

- Reduced **SG&A cost margin** by **1.9 p.p. YoY** to **18.9%** in FY 2020
- **Adjusted EBITDA margin** up by **0.5 p.p. YoY** to **11.9%** in FY 2020 (**Record High**)

5 Strong cash flow conversion

- **Cash conversion** improved for FY 2020: **86%** vs 76% a year ago
- Decline in **Leverage** to **1.1x** vs 1.2x a year ago despite **100% dividend payout** and **11% YoY increase in dividend payments in FY 2020**

Progressing on Strategy 2020 execution

2024 Targets¹

Omni-channel retail platform



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



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

Enhancing UX/CX



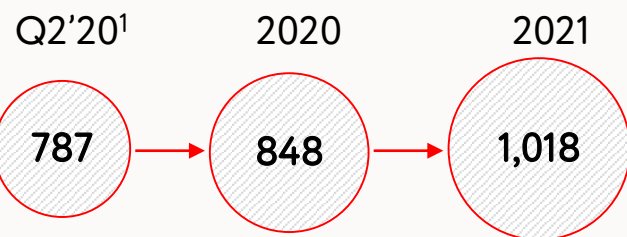
Store digitalisation with **70% NPS** across channels



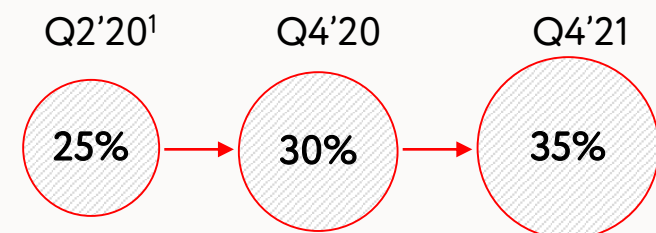
Mobile-first concept with **best-in-class** app

Performance update

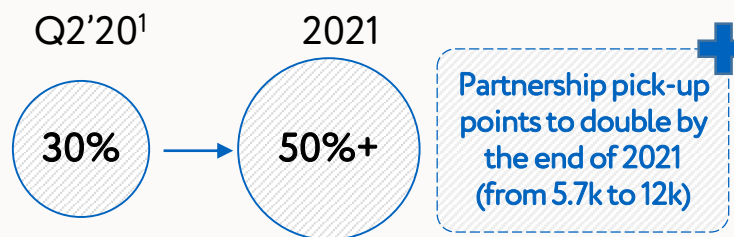
(# of Detsky Mir stores and Detmir pick-up points)



(% share of online sales)



(% of next-day)



Signed a preliminary agreement on opening **a second Regional DC** in Q2'21

Signed an agreement to construct **a third federal DC** in Yekaterinburg in Q1'22

Detsky Mir 3.0 digital concept approved, opening of stores in the new format since 2021

Modernisation of existing stores in mid-term, including **120** stores in 2021

Enhanced UX in our mobile app in 2020

Revamped shopping cart

New personal account

Apple / Android Pay

Favourites

Source: Company data

¹As was presented at the Capital Market Day (August 2020)

Progressing on Strategy 2020 execution (cont'd)

2024 Targets¹

Performance update

Marketplace to drive assortment breadth



Leadership in the assortment breadth (2,400k SKUs)



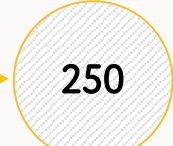
GMV to reach a double-digit share of our online sales

(# of SKUs)

Q2'20¹

2020

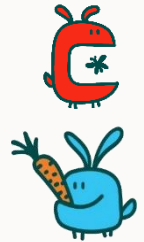
2021



2.4% share of GMV in online in Q4'20

Launching a full-featured IT platform for merchants' accounts (first stage of a full scale rollout of marketplace)

Zoozavr – specialised pet supplies retailer



500 Zoozavr stores in mid-term, share of online 30%+

30% private label share in mid-term

(Zoozavr stores in operation)

Q2'20¹

2020

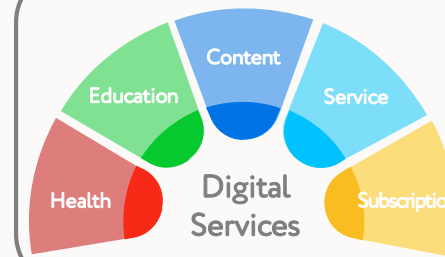
2021



56% share of online sales in 2020

7 private label brands across categories comprising 600 SKUs to be launched in Q1'22

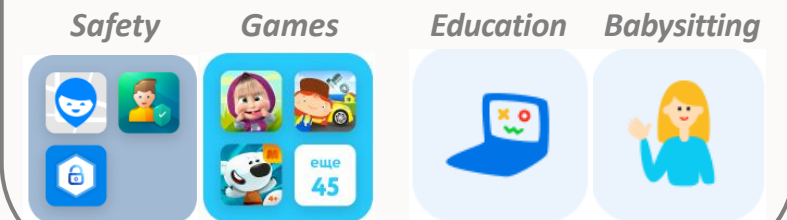
Digital services for children



Enter digital services and products market

20 partners were selected to participate in a pilot stage of digital products marketplace

70 mobile apps and 30 services tested on Android platform in Moscow region

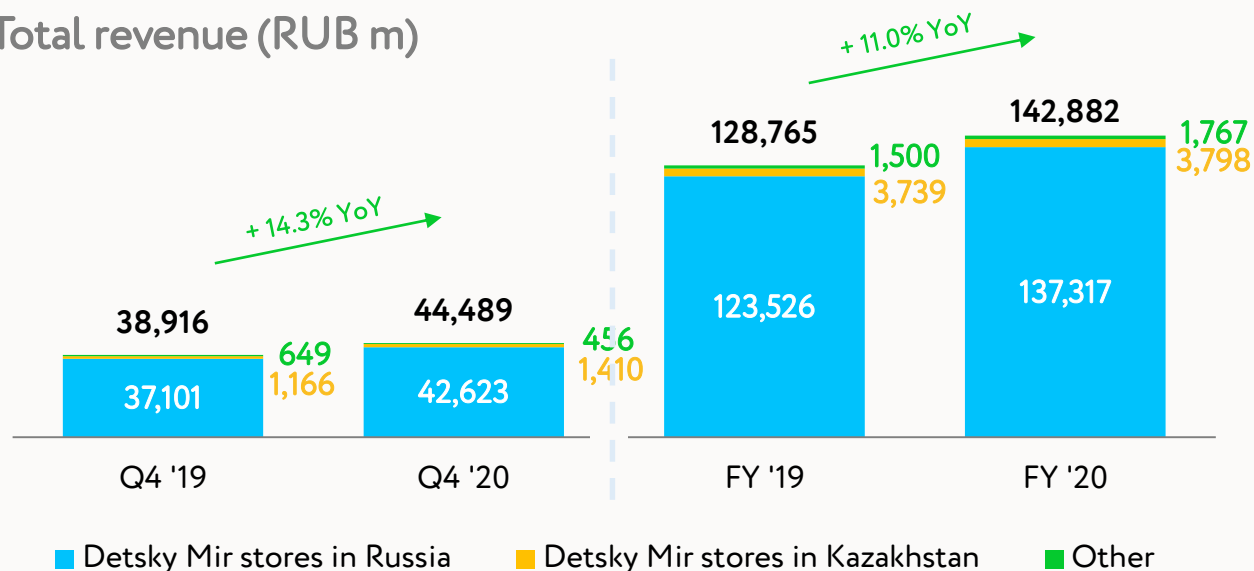


Source: Company data

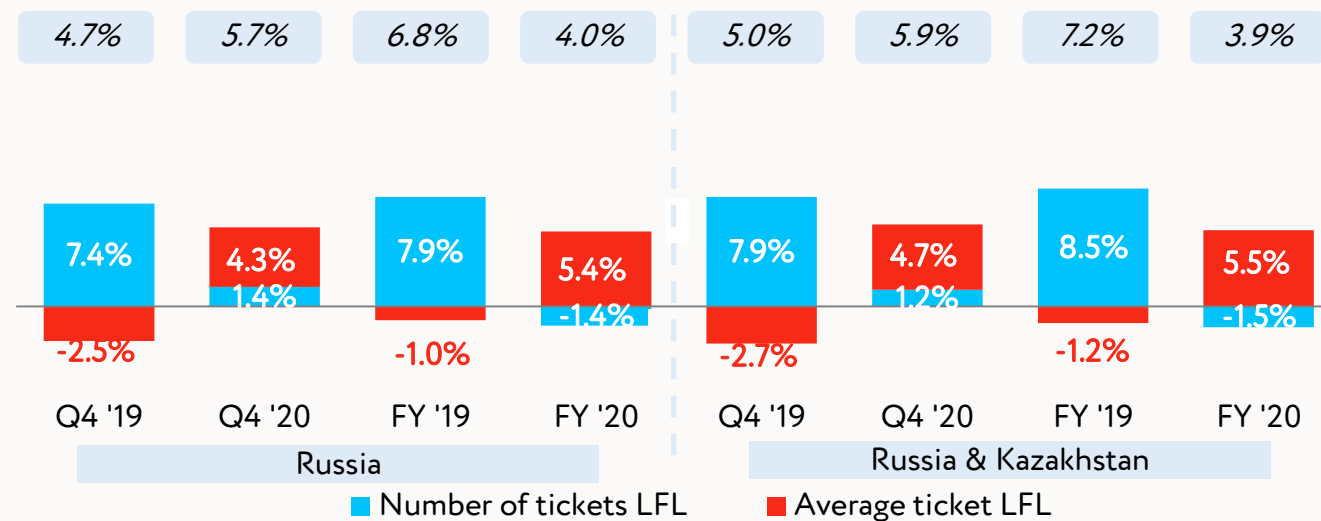
¹As was presented at the Capital Market Day (August 2020)

Continued top-line growth

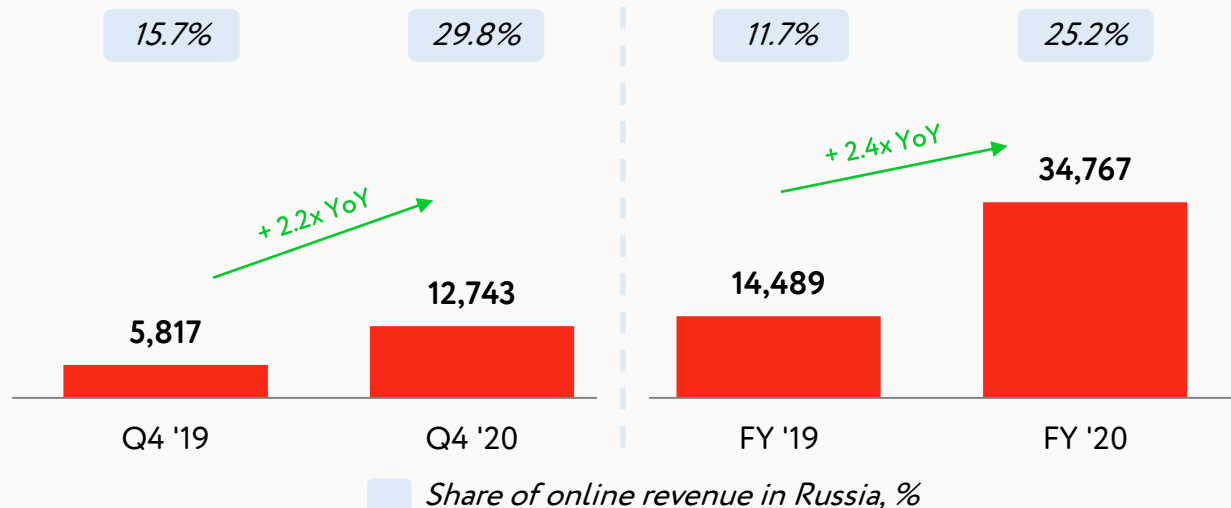
Total revenue (RUB m)



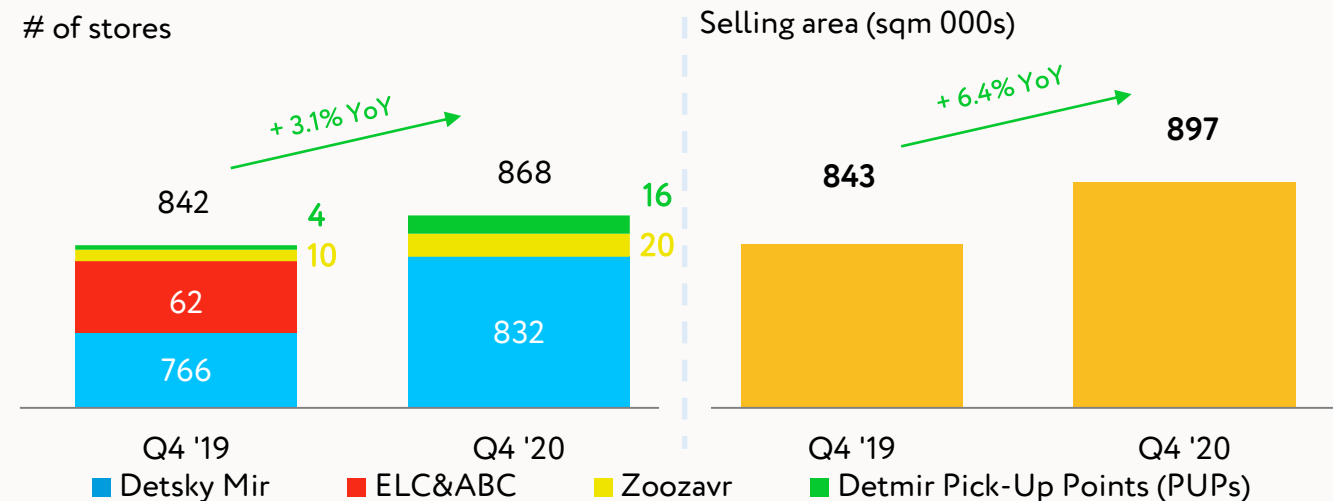
Like-for-like sales growth



E-commerce revenue (RUB m)



Retail chain



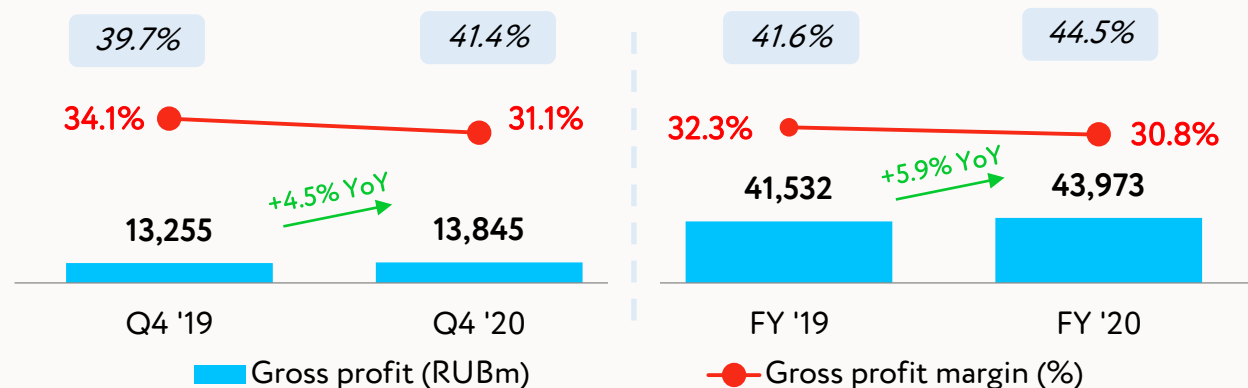
Source: Company data. The Company's consolidated financial measures for 2019-2020 and related interim periods are based on proforma financial information prepared as if IFRS 16 'Leases' had not been adopted, and thus do not represent IFRS measures.

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

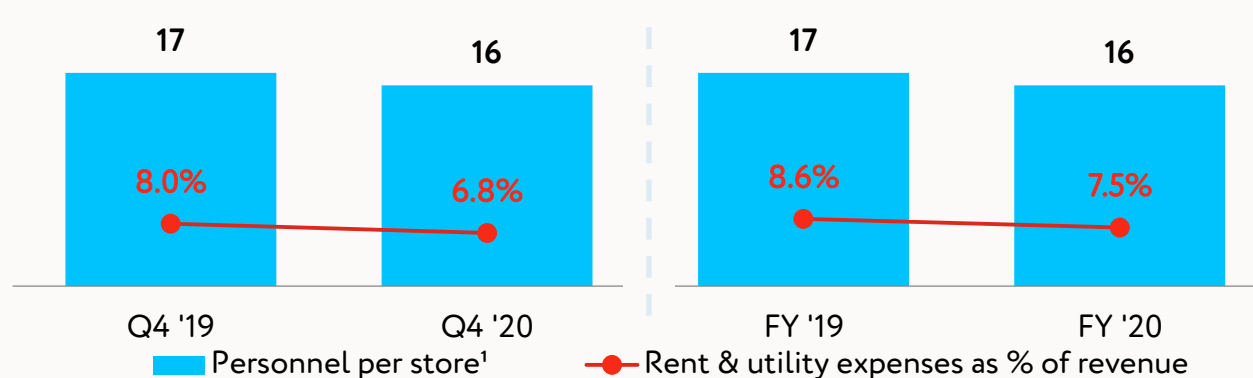
Consistently strong profitability

Keep investing gross margin in price leadership ...

Private label & direct imports, % of revenue

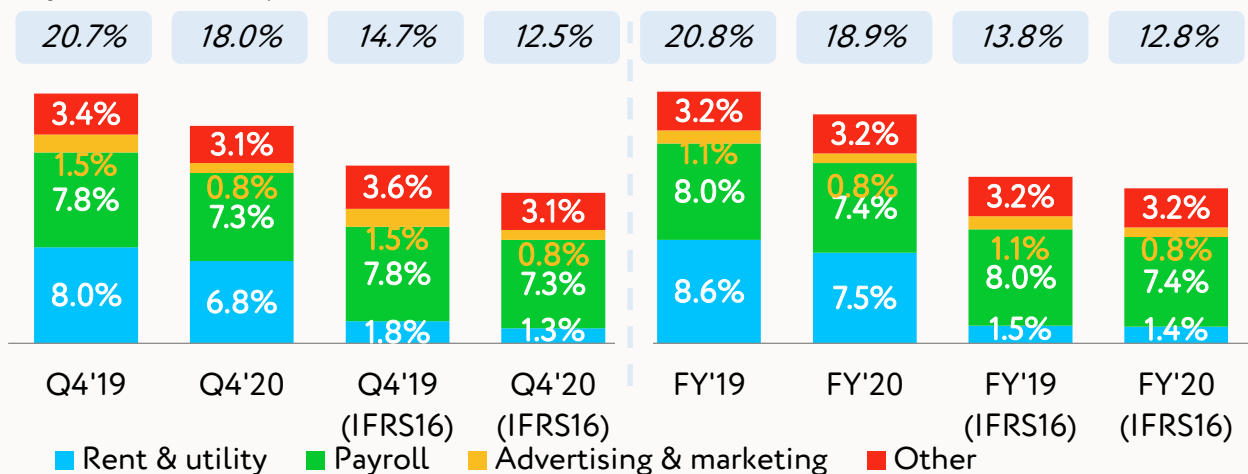


... while optimising store personnel and reducing rental costs ...

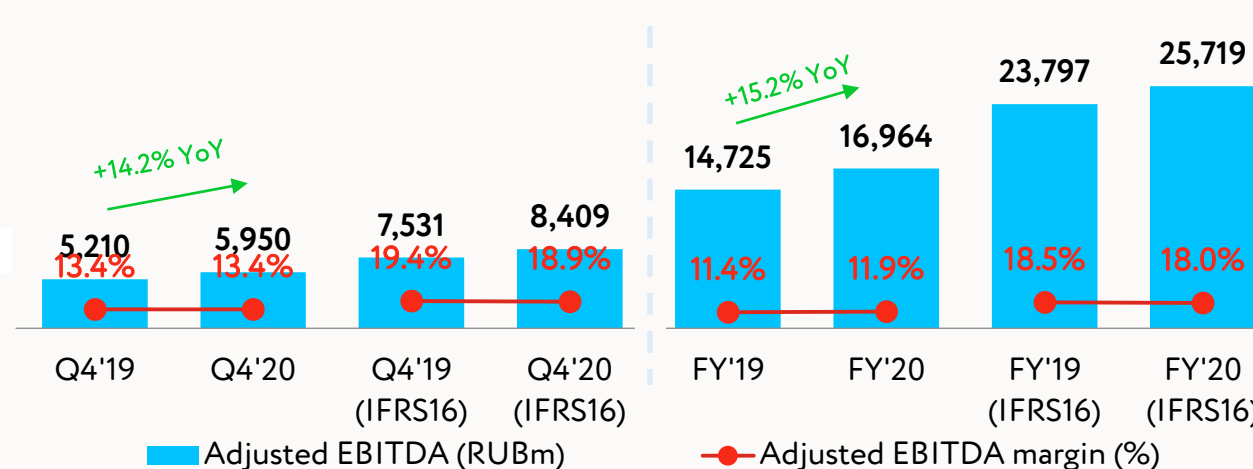


... to reduce SG&A expenses as % of revenue...

Adjusted SG&A expenses² as % of revenue



... and drive solid profitability



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

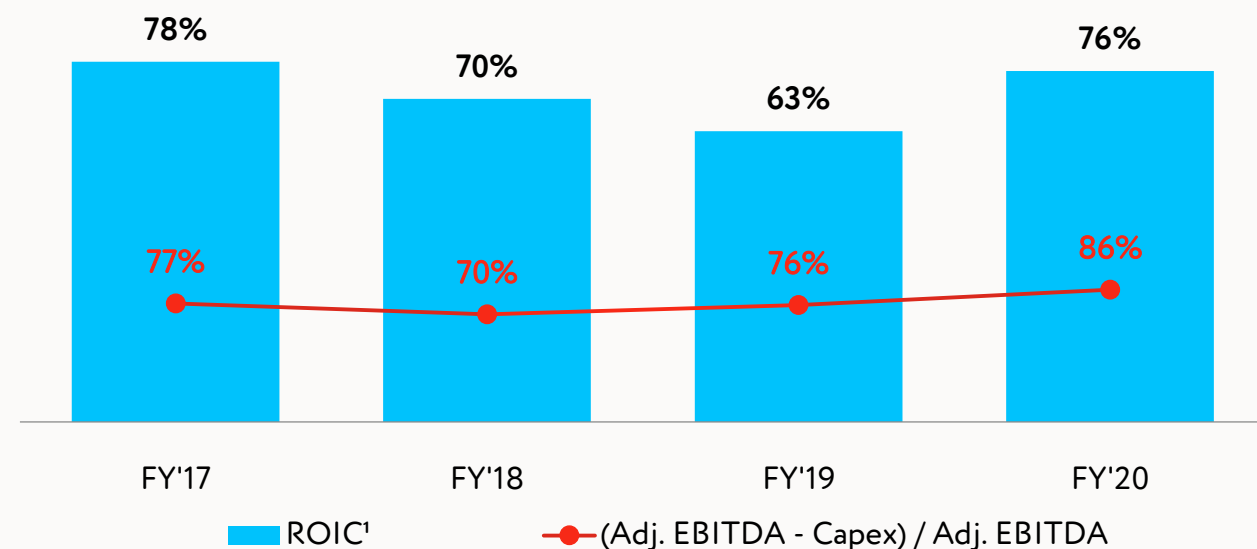
¹ Excluding personnel in headquarters. ² Hereinafter, adjusted selling, general and administrative expenses is calculated as selling, general and administrative expenses adjusted for depreciation and amortisation expenses, additional share-based compensation expense and cash bonuses under the LTI program.

Strong cash flow conversion

Comments

- Strong cash conversion (Adj. EBITDA - Capex) / Adj. EBITDA driven by high ROIC
- Solid operating cash flow despite an increase in NWC in Q2 due to COVID-19
- Low finance expense on the back of the flat net debt and decrease in interest rate
- Disciplined capex focused on store openings and selective investments in IT and infrastructure; limited maintenance capex requirements
 - Capex decreased by 31,6% 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

¹ Calculated as operating profit for the past 12-months period, divided by average capital invested (simple average of the balance of capital invested at the end of respective periods). Capital invested is calculated as net debt plus total equity/(equity deficit);

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

Cash flow (RUB m)

	2019	2020	FY'19 IFRS 16	FY'20 IFRS 16
Adjusted EBITDA	14,725	16,964	23,797	25,719
Changes in NWC	284	(4,298)	308	(4,342)
Cash income taxes paid	(1,696)	(1,980)	(1,696)	(1,980)
Net finance expense paid	(2,023)	(1,911)	(4,596)	(4,219)
Other operating cash flow	348	1,576	414	1,542
Operating cash flow	11,638	10,351	18,228	16,720
CAPEX	(3,507)	(2,400)	(3,507)	(2,400)
DC construction	(449)	(600)	(449)	(600)
Store openings, IT & maintenance ²	(3,058)	(1,800)	(3,058)	(1,800)
Free cash flow	8,131	7,951	14,721	14,320
Investment cash flow	(3,467)	(2,358)	(3,467)	(2,358)
Financial cash flow	(9,322)	(7,302)	(15,912)	(13,671)
Change in cash	(1,151)	691	(1,151)	691
Effect of changes in foreign exchange rates	(415)	(634)	(415)	(634)

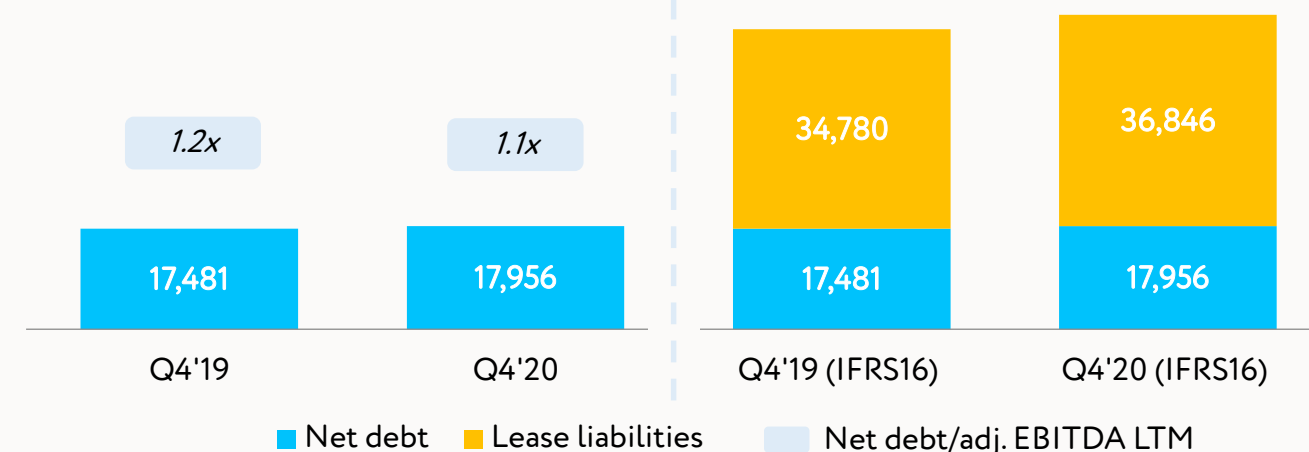
Conservative financial policy

Comments

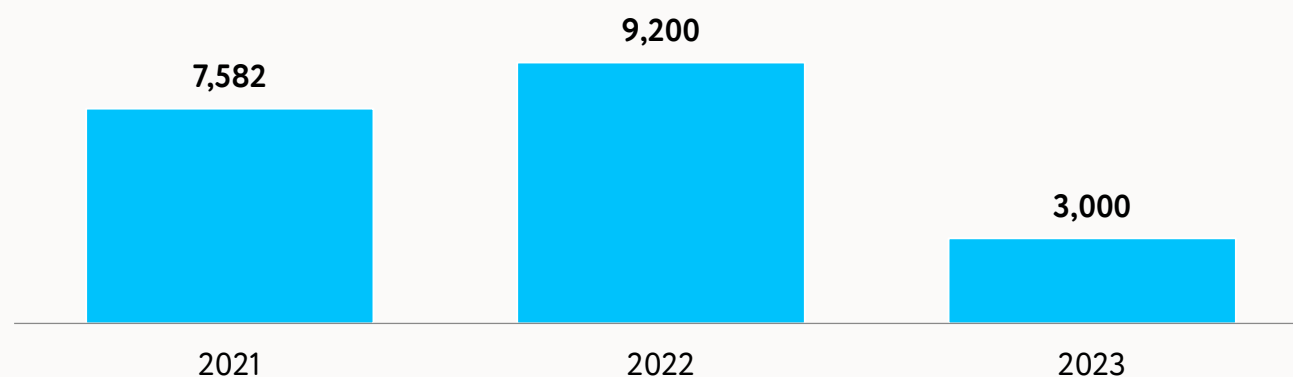
- Commitment to a conservative financial policy
 - Fully RUB-denominated debt to match RUB revenue, mostly fixed rates
 - Relationships with multiple Russian and international banks
- Net debt / adj. EBITDA LTM ratio as of 31 December 2020 is 1.1 vs. 4.0x average covenant level across the loan portfolio (before IFRS-16)
 - Decreased YoY thanks to CAPEX and NWC optimisation
- Weighted average interest rate¹ –6.7% (as of Q4'20)
- No contingent off-balance sheet liabilities
- Available undrawn credit limit of RUB 34.3 bn for refinancing of the current credit portfolio aiming at its further diversification

Leverage

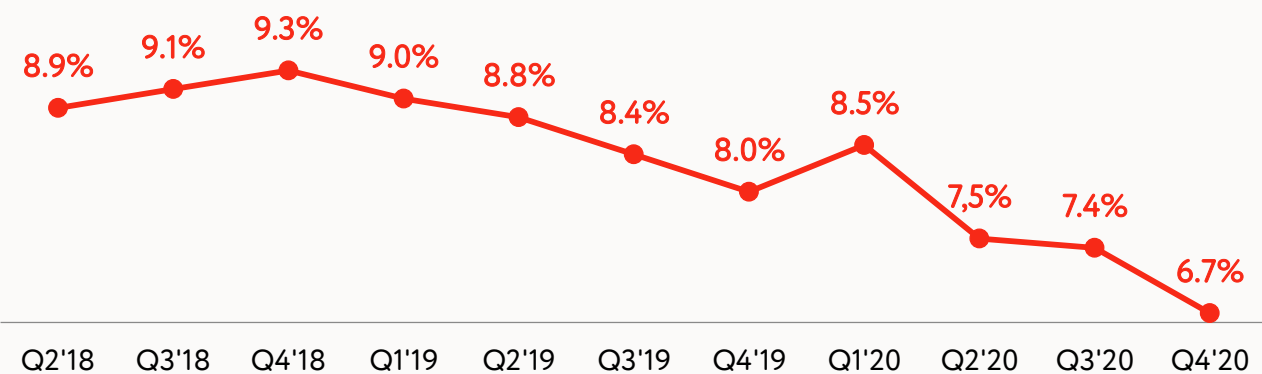
Q4'20 total debt – RUB 19.8bn



Debt maturities as of 31 December 2020 (RUB m)



Weighted average interest rate¹ (%)



Source: Company data

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

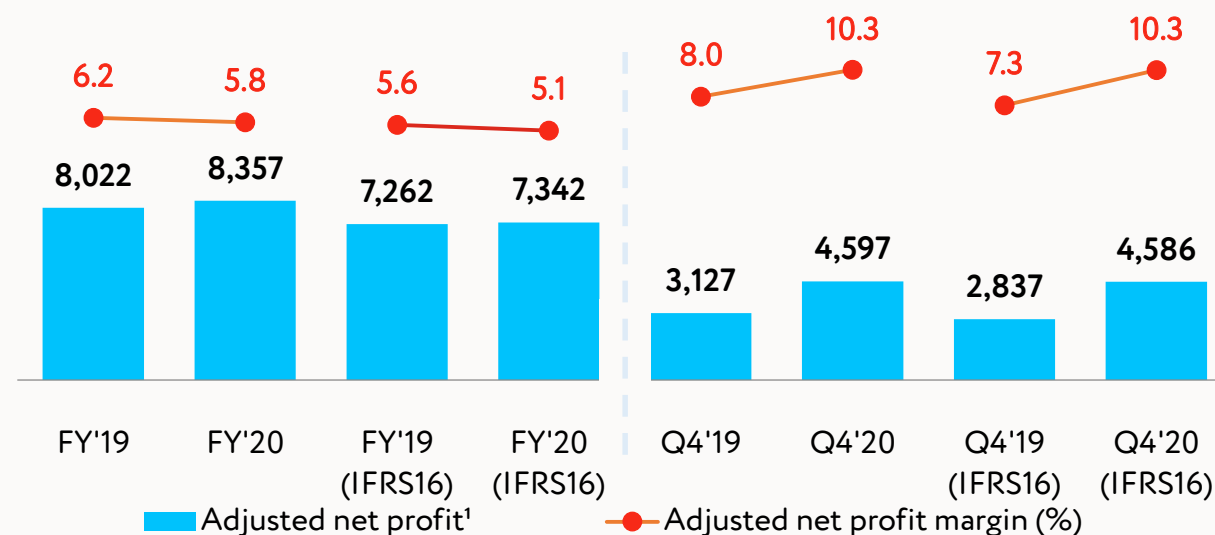
¹ Calculated on the basis of the weighted interest rates applying to the specified indebtedness (weighted by the principal amount of such indebtedness) as of the dates specified

Sustainably high returns to shareholders

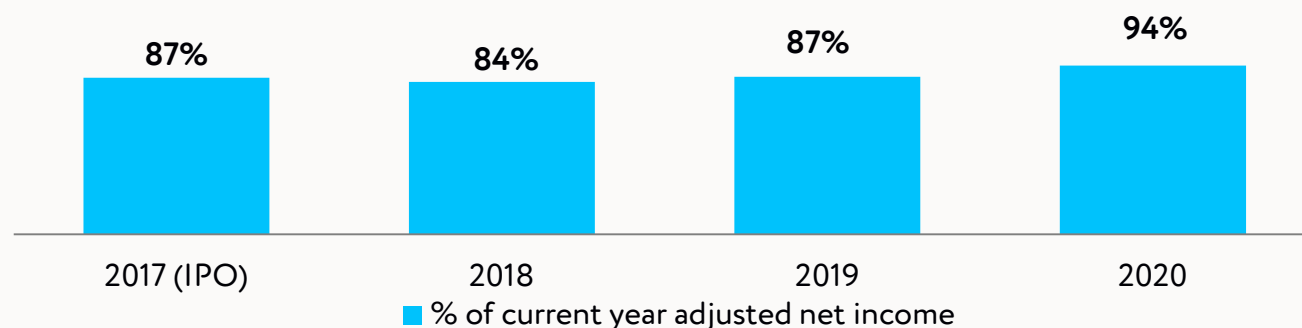
Comments

- Asset-light cash generative model underpins significant dividend paying capacity
 - Dividends as major differentiator from most Russian high-growth retailers
 - Able to consistently maintain sound leverage levels despite significant dividend payout
- Dividend policy: payout ratio of at least 50% of consolidated IFRS net income for the previous year
 - Historically, paying out up to 100% of net income under RAS
 - Typically two dividend payments per year (9m interim and full year)
- Detsky Mir paid out interim dividends of RUB 3.7bn for 9m 2019 in Q4 2019, and dividends of RUB 4.1bn for Q4 2019 in Q2-Q3 2020
- Detsky Mir paid out interim dividends of RUB 3.8bn for 9m 2020 in Q4 2020
- FX losses of RUB 2.1bn affected adjusted net profit in FY'20 (69% non-cash)
- Executive Board will recommend to pay out final dividend for Q4'20 of RUB 4.5bn (+c.10% YoY) in 2021

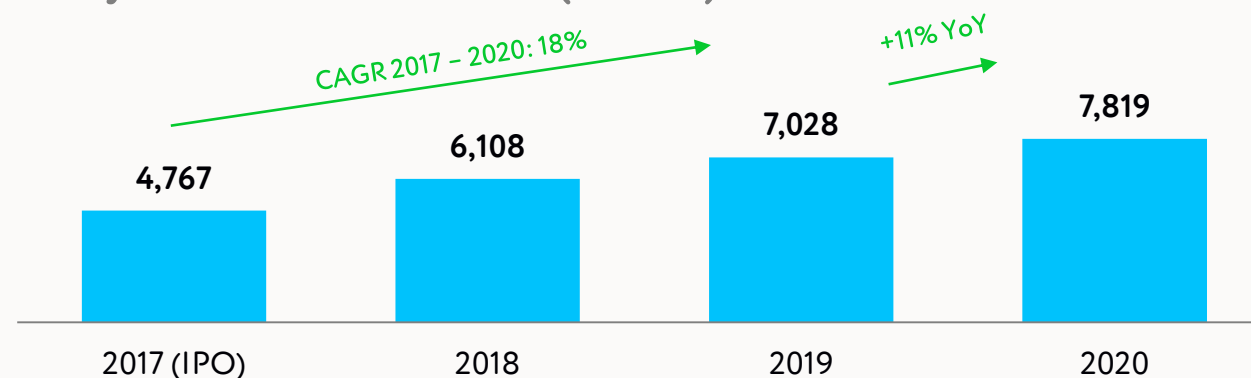
Adjusted net income (RUB m)¹



Dividends as % of adjusted net income



History of declared dividends (RUB m)



Source: Company data

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







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

Short and mid-term guidance reiterated

	FY2020	Guidance
New store openings	<ul style="list-style-type: none">Detsky Mir: 71Detmir PUP: 12Zoozavr: 10	<ul style="list-style-type: none">Detsky Mir: 70 in 2021; 230 in medium-termDetmir PUP: 100 in 2021; 800 in medium-termZoozavr: 70 in 2021; 500 in medium-term
Revenue	<ul style="list-style-type: none">3.9% total LFL growth (RUS & KZ)11.0% total revenue growthShare of online sales at 25.2%	<ul style="list-style-type: none">New strategic initiatives (Zoozavr, Detmir PUP, Marketplace) allow the Company to double total sales in medium-termOnline revenue share increased to 45% in medium-term
Adjusted EBITDA margin	<ul style="list-style-type: none">11.9% under IAS1718.0% under IFRS1630.8% gross marginRent & utility expenses of 7.5% and personnel expenses of 7.4% of sales	<ul style="list-style-type: none">10% area under IAS17Double-digit under IFRS16Continued gross margin investment in trafficGrow share of higher-margin PL sales to ~60%Reduced personnel & rental expense margins thanks to efficiency
Leverage	<ul style="list-style-type: none">1.1x leverage	<ul style="list-style-type: none">Disciplined financial policy with target leverage below 2.0x despite accelerated investment in logistics and IT
Dividends	<ul style="list-style-type: none">94% of IFRS net income100% of RAS net income	<ul style="list-style-type: none">Payout ratio of at least 50% of IFRS net income (IAS17)Management recommendation - 100% of RAS net income

 **Appendix**

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

Allowance per child		Before changes	After Changes (2021)
1 st child		–	RUB 483k
2 nd child		RUB 467k	RUB 156k
3 rd child		–	RUB 639k
1 st child		c. 540k children	
2 nd child		c.560k children	
3 rd child		c.230k children	
Total program		c. RUB 260bn	C.RUB 450bn
Cumulative incremental funds available		+RUB 190bn	

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

Additional payments of RUB c.600bn 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 <8 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

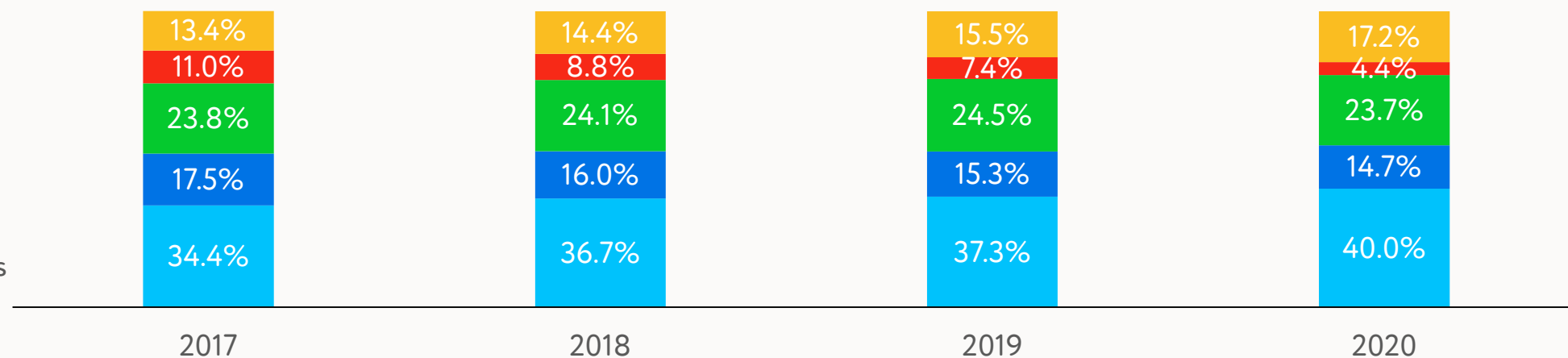
Gaining market share in baby food and diapers segments

Baby food sales by channel in Russia

+1.3x

Detsky Mir's market share growth over 3 years

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

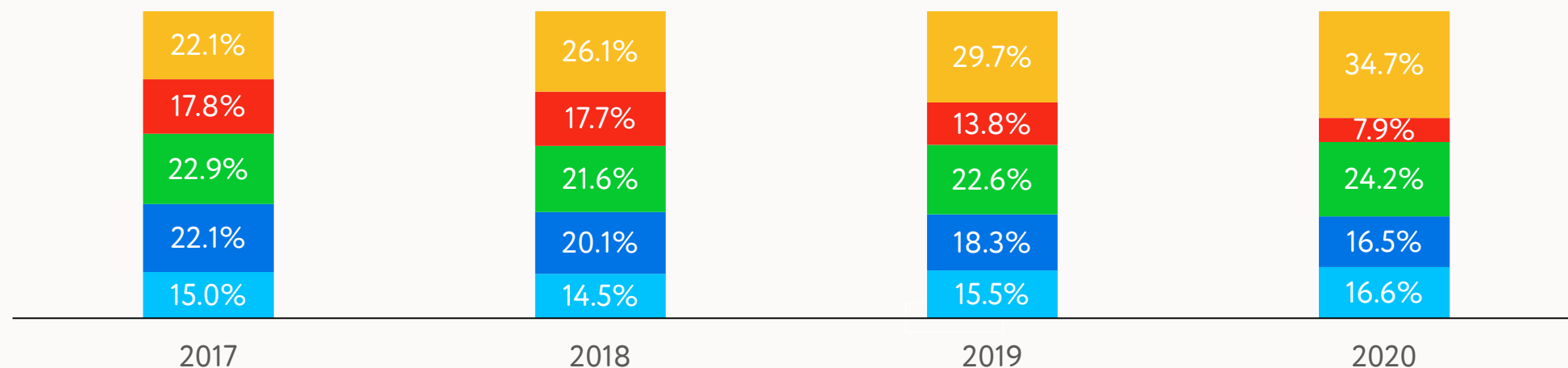


Diapers sales by channel in Russia

+1.6x

Detsky Mir's market share growth over 3 years

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



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. Financial²</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

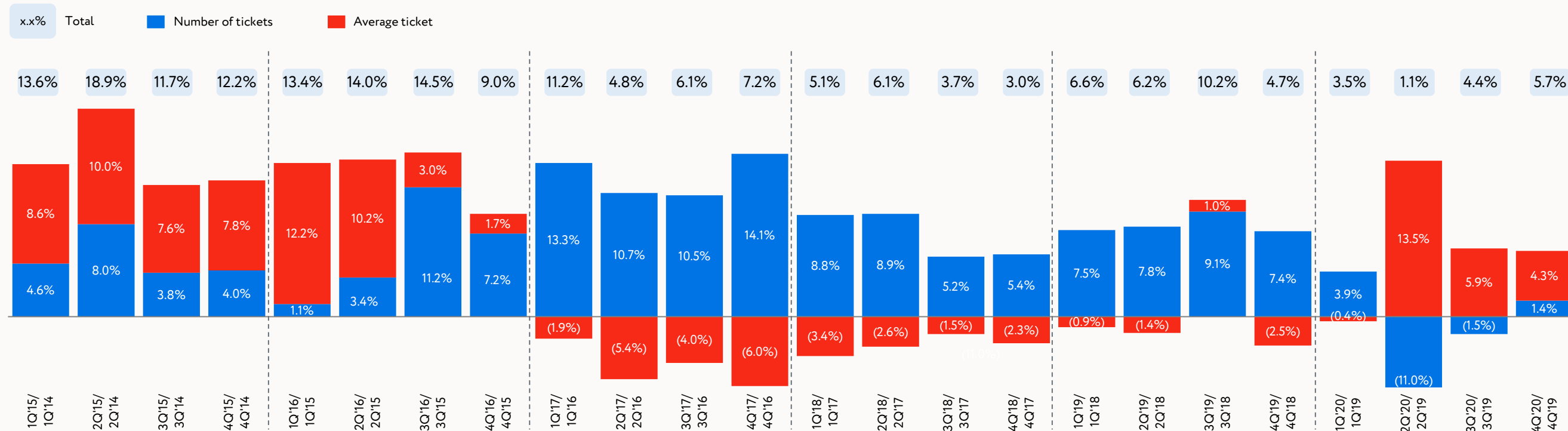
Incentive program to cement the management's long-term focus on shareholder value creation

¹ Financial KPIs – EBITDA, net income, revenues

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

Robust like-for-like performance

Like-for-like revenue growth (Russia)



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)¹

	2017	2018	2019	2020
Number of stores	622	743	842	868
Detsky Mir and Detmir Pickup	578	673	770	848
ELC, ABC, Zoozavr stores	44	70	72	20
Selling space (k sqm)	688	768	843	897
Revenue	97,003	110,874	128,764	142,882
% total sales growth	21.9%	14.3%	16.1%	11.0%
% LFL sales growth (RUS & KZ)	7.2%	4.9%	7.2%	3.9%
Revenue per sqm ² (RUB thousand / sqm)	151	152	160	164
Online sales ³	4,637	8,771	14,489	34,767
Share of online sales in Russia	4.9%	8.2%	11.7%	25.2%
Gross profit	32,798	36,829	41,532	43,973
Margin, %	33.8%	33.2%	32.3%	30.8%
Gross profit per sqm² (RUB thousand / sqm)	51	51	52	51
Adjusted SG&A	22,127	24,116	26,799	27,063
% of revenue	22.8%	21.8%	20.8%	18.9%
Adjusted EBITDA	10,663	12,666	14,725	16,964
Margin, %	11.0%	11.4%	11.4%	11.9%
Adjusted profit for the period	5,501	7,229	8,022	8,357
Margin, %	5.7%	6.5%	6.2%	5.8%
Total debt	13,591	21,470	19,250	19,782
Cash and cash equivalents	(3,155)	(3,335)	(1,769)	(1,826)
Net debt	10,436	18,135	17,481	17,956
Net debt / LTM Adjusted EBITDA	1.0x	1.4x	1.2x	1.1x
Capex	(2,468)	(3,794)	(3,507)	(2,400)
% of revenue	2.5%	3.4%	2.7%	1.7%
Dividends declared	4,767	6,108	7,028	7,819

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 1.9 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 31-Dec-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 by 1.6x from 2017 (IPO)

Source: Company data

¹ The Company's consolidated financial measures for 2017-2020 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

² Calculated per average space for the period

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

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](#)

Please find below the link to the updated IR Calendar.

[Investor Calendar](#)



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