



Detsky Mir Increased GMV by 7.6% in Q1 2022. EBITDA Came in at RUB 2.6 bn

Moscow, Russia, 16 May 2022. Detsky Mir Group ("Detsky Mir" or the "Company", MOEX: DSKY), a multi-vertical digital retailer and the leader in the children's goods sector in Russia and Kazakhstan, announces its unaudited consolidated financial results in accordance with International Financial Reporting Standards (IFRS) for the first quarter ended 31 March 2022.

Q1 2022 Operating Highlights¹

- The Group's gross merchandise value (GMV)² increased 7.6% to RUB 42.7 bn (incl. VAT).
- The Group's total online sales³ grew 19.9% to RUB 13.1 bn (incl. VAT):
 - The share of online sales in Russia reached 32.0%.
- The Group's net revenue⁴ increased 6.1% to RUB 37.9 bn.
- Gross profit increased 8.3% to RUB 11.4 bn.
 - Gross margin was 30.2%.
- Selling, general, and administrative (SG&A) expenses⁵ as a percentage of revenue increased 2.2 p.p. to 23.2%.
- EBITDA⁶ fell 9.8% to RUB 2.6 bn.
- Adjusted profit before tax⁷ came in at RUB 1.1 bn.
- The net debt/EBITDA LTM ratio⁸ stood at 1.7x. Net debt was RUB 31.2 bn.
- Sales of private labels and direct imports in Russia totaled 44.8% of total sales.
- The Company opened 8 new stores: 3 Detsky Mir branded stores in Russia, 2 Detsky Mir stores in Kazakhstan, 2 Detmir stores in Belarus, and 1 Zoozavr store.
- The total number of Group stores amounted to 1,125 (up 245 stores year-on-year) across 447 cities and towns in Russia, Kazakhstan and Belarus.
- The Group's total selling space increased 8.9% year-on-year to 982,000 sq. m.
- Total warehouse space was 238,000 sq. m.

Q1 2022 Key Events

- Detsky Mir launched a new distribution center in PNK Park Berezovsky, a Class A+ industrial park near Yekaterinburg. With 63,000 sq. m of floor space and a design capacity of 2.4 million SKUs, the distribution center will support the smooth delivery of goods to Detsky Mir chain stores and next-day deliveries of at least 80% of all online orders across the Ural Federal District. Goods destined for the Russian Far East and Kazakhstan will also be handled by the center. The distribution center's throughput is expected to be over 35,000 orders per day. The launch of the new warehouse facility will also create 1,000 new jobs for local communities.
- The Company cut the prices of essential goods to make them as affordable as possible. Items include baby and toddler food, baby hygiene products, baby feeding supplies, and a selection of items from our apparel and footwear category. The total list of these essential goods encompasses about 90 SKUs from the Detsky Mir product assortment.
- Detsky Mir automated its transport management processes. The Company announced the introduction of a carrier web portal that integrates with its in-house automated Transport Management System (TMS), unlocking streamlined management of transport processes and monitoring at all stages.

- The rating agency RAEX (Expert RA) affirmed Detsky Mir's credit rating at ruAA- with a stable outlook.
- The Company announced the launch of an open market buyback program for its ordinary shares listed on the Moscow Exchange totaling up to RUB 3.5 bn over a period until 9 August 2022 unless extended or terminated by the Company earlier.

ESG Highlights

- The Detsky Mir Charitable Foundation announced the 2021 results of its key campaigns: "Uchastvuyte!" ("Participate!") and "Uyut v Priyut" ("Comfort to Shelters"). Over the reporting period, the Foundation collected and donated more than RUB 1 bn worth of goods.
- Detsky Mir teamed up with the World Wildlife Fund (WWF) to design and launch a limited collection of T-shirts and sweatshirts for 2 to 6 year olds that feature images of vulnerable species of animals that can be found in Russia, including the bowhead whale, snow leopard, polar bear, sea otter, oriental stork, as well as the symbol of the WWF – the panda. All garments in the collection are made using Better Cotton Initiative-certified cotton.
- Detsky Mir and Dmitrov RTI Plant, Russia's largest recycling plant, announced the results of their 2021 campaign The New Life of Your Unwanted Clothes and Shoes and Its Benefits for You. In the reporting year, 2.7 tonnes of waste from shoe and textile manufacturing were collected and handed over for recycling.

Maria Davydova, CEO of PJSC Detsky Mir:

"At Detsky Mir, we are more than just the industry leader – we are a systemically important company that plays a socially significant role of providing children with essential food and non-food goods. No matter what happens, we remain focused on our number one objective – protecting the interests of our customers and providing a wide range of the goods they need at affordable prices across all regions of operation."

The first quarter of 2022 turned out to be a challenging one for Detsky Mir and the market more broadly. Despite macroeconomic turbulence, the Company managed to boost gross merchandise value by 7.6% and digital sales by 19.9%. The share of online sales in Russia reached 32% in Q1 2022, with the marketplace's share of online sales more than doubling to 8.7%. This strong growth of the marketplace has enabled the Company to expand its product range and improve the customer experience, all while optimizing its inventory investment. We continue to invest in logistics infrastructure, unlocking further growth for our digital channel."

We continue to push private labels across all categories, maintaining our strong focus on the transition to direct import contracts to provide the best price guarantee to our customers. In Q1 2022, the share of private labels and direct imports stood at 44.8% of total sales, up 4.3 p.p. year-on-year."

In the first quarter, our core focus was on ensuring uninterrupted operations, keeping a wide range of products at affordable prices on our shelves and online, and streamlining operating costs. We are doing everything we can to overcome the challenges facing us."

The Company is committed to a strong financial discipline, ensuring that its financial position remains stable. As at quarter-end, our net debt/EBITDA ratio remained at a comfortable 1.7x."

Despite the challenging macroeconomic environment, we are confidently looking to the future and are keeping our focus on further consolidation of the market."

OPERATING HIGHLIGHTS

Detsky Mir Group's GMV & Revenue⁹

GMV, RUB m (incl. VAT)	1Q 2022	1Q 2021	Δ, %
Group	42,645	39,634	7.6%
Russia	40,097	37,879	5.9%
Kazakhstan	1,903	1,379	38.0%
Belarus	645	376	71.5%
Total online sales, RUB m (incl. VAT)	1Q 2022	1Q 2021	Δ, %
Group	13,100	10,922	19.9%
Russia	12,818	10,812	18.6%
Kazakhstan	246	110	123.6%
Belarus	36	0	-
Online share in total sales, %	1Q 2022	1Q 2021	Δ, %
Group	30.7%	27.6%	3.1 p.p.
Russia	32.0%	28.5%	3.5 p.p.
Kazakhstan	12.9%	8.0%	4.9 p.p.
Belarus	5.6%	0.0%	5.6 p.p.
Revenue, RUB m	1Q 2022	1Q 2021	Δ, %
Group	37,850	35,672	6.1%
Detsky Mir in Russia	35,355	34,001	4.0%
Detsky Mir in Kazakhstan	1,672	1,232	35.8%
Detmir in Belarus	559	326	71.7%
Zoozavr	264	113	133.0%

In Q1 2022, the Group's GMV increased 7.6% year-on-year to RUB 42.7 billion. The increase in the Group's GMV in the first quarter was driven by the organic growth of selling space in the countries where the Group operates. The headwinds affecting sales volumes were the spread of the new COVID-19 variant and changes in consumer behavior amid a challenging macroeconomic environment, inflationary pressure and currency volatility in Russia. Group sales in Kazakhstan and Belarus have continued to grow apace. In Q1 2022, GMV in Kazakhstan increased 38% year-on-year to RUB 1.9 billion. Sales in Belarus rose 71.5% to RUB 645 million.

In the reporting quarter, our total online sales grew 19.9%, with their share in total sales in Russia standing at 32.0% (up 3.5 p.p. year-on-year). The ongoing pandemic spurred demand in the online segment. Detsky Mir's online sales have continued to grow in Kazakhstan, where the online segment is expanding at around double-digit rates. In the first quarter, the Group's online GMV in Kazakhstan increased 123.6%.

The Group's net revenue grew by 6.1% year-on-year. The Group's revenue in Kazakhstan increased by 35.8%, while net revenue was up 71.7% year-on-year in Belarus. In the reporting period, the net revenue of Zoozavr pet supplies stores grew 133% to RUB 264 million.

Products for newborns and toys were the most popular categories in the first quarter. Products for newborns represented 34.1% of the sales mix (up 0.5 p.p. year-on-year). Toys made up 29.5% (down 2.8 p.p. year-on-year). Another top-performing category, apparel and footwear, came in at 27.1% (up 1.5 p.p. year-on-year).

Detsky Mir continues to reinforce its exclusive product assortment position. Q1 2022 sales of private labels and direct imports in Russia grew to 44.8% of total sales (up 4.3 p.p. year-on-year). This growth was primarily driven by an increase in the share of apparel and footwear sales (where private labels and direct imports account for 96%), as well as in the share of private labels in products for newborns and toys.

Online Performance¹⁰

Online metrics (Web and mobile platforms)	1Q 2022	1Q 2021	Δ, %
Online visits, m	177.9	145.3	22.5%
Online orders, m	7.5	7.3	2.7%
Conversion Rate	4.2%	5.0%	(0.8) p.p.
Marketplace metrics (Russia)	1Q 2022	1Q 2021	Δ, %
Marketplace sales, RUB m (incl. VAT)	1,144	399	186.7%
Share of total online sales, %	8.7%	3.7%	5.0 p.p.
Online assortment, SKUs	878	217	304.6%
Online orders by delivery (Russia), %	1Q 2022	1Q 2021	Δ, %
Click & collect	82.8%	85.7%	(2.9) p.p.
Courier delivery	17.2%	14.3%	2.9 p.p.
Online orders by platform (Russia), %	1Q 2022	1Q 2021	Δ, %
Mobile platform	82.0%	74.0%	8.0 p.p.
Web platform	18.0%	26.0%	(8.0) p.p.
Mobile app metrics (Russia)	1Q 2022	1Q 2021	Δ, %
Installations, m	13.8	8.7	58.6%
MAU, m	3.8	3.0	26.7%

Online sales continued to grow throughout the first quarter following an increase in web traffic, primarily via the mobile app. The number of online visitors increased by 22.5% in the reporting quarter to 177.9 million. Online orders were up 2.7% to 7.5 million. Conversion dropped 0.8 p.p. to 4.2% in Q1 2022.

In-store pickup from branded stores remains the most popular delivery option in the online segment. However, this channel's share in total online sales decreased to 82.8% over the quarter, down 2.9% p.p. year-on-year. The drop in in-store pickup was driven by a stronger demand for courier delivery amid the spread of the new COVID-19 variant, as well as the Q1 2022 introduction of prepayment for orders placed through this delivery channel.

The mobile app continues to gain popularity among our customers, with the share of online orders placed on the app growing to 82.0% in Q1 2022 (up 8.0 p.p. year-on-year). Since launch, the app has been downloaded 13.8 million times. The mobile platform's monthly active users (MAU) grew by 26.7% to 3.8 million.

Detsky Mir's online assortment has increased to 878,000 SKUs over the year. In Q1 2022, the marketplace's contribution to the Group's GMV amounted to 8.7% of the Group's total online sales in Russia (up 5.0 p.p. year-on-year).

Like-For-Like (LFL) Sales Growth at Detsky Mir Stores¹¹

Like-for-like (Russia, Kazakhstan and Belarus)	1Q 2022	1Q 2021	Δ, %
Like-for-like revenue growth	-2.1%	7.9%	(10.0) p.p.
Like-for-like number of tickets growth	-13.6%	4.5%	(18.1) p.p.
Like-for-like average ticket growth	13.3%	3.2%	10.1 p.p.
Like-for-like (Russia)	1Q 2022	1Q 2021	Δ, %
Like-for-like revenue growth	-3.0%	7.5%	(10.5) p.p.
Like-for-like number of tickets growth	-14.3%	4.5%	(18.8) p.p.
Like-for-like average ticket growth	13.1%	2.9%	10.2 p.p.
Like-for-like (Kazakhstan)	1Q 2022	1Q 2021	Δ, %
Like-for-like revenue growth	14.7%	17.4%	(2.7) p.p.
Like-for-like number of tickets growth	5.5%	5.9%	(0.4) p.p.
Like-for-like average ticket growth	8.8%	10.8%	(2.0) p.p.
Like-for-like (Belarus)	1Q 2022	1Q 2021	Δ, %
Like-for-like revenue growth	10.8%	42.5%	(31.7) p.p.
Like-for-like number of tickets growth	2.7%	26.9%	(24.2) p.p.
Like-for-like average ticket growth	7.9%	12.3%	(4.4) p.p.

In the reporting quarter, total like-for-like (LFL) sales in all countries across our footprint declined by 2.1%. The fall in LFL sales was driven by a drop in consumer demand amid a challenging macroeconomic environment, a significant acceleration in inflation and the ongoing pandemic, with continued restrictions requiring electronic proof of vaccination or antibodies when visiting shopping malls in some Russian regions.

Other countries of operation showed positive performance. The greatest growth in LFL sales came from Kazakhstan. This is, in many respects, due to the low base effect: most of our stores in Kazakhstan were forced to temporarily close in Q1 2021 to curb the spread of COVID-19.

In Belarus, we see footfall stabilizing as the new stores that opened in 2019–2021 fully ramped up.

Group Retail Chain Expansion¹²

Retail Chain	Number of stores		
	1Q 2022	1Q 2021	Δ, %
Group	1,125	880	27.8%
Detsky Mir in Russia	851	783	8.7%
Detsky Mir in Kazakhstan	47	41	14.6%
Detmir in Belarus	23	13	76.9%
Detmir mini	110	22	400.0%
Zoozavr	94	21	347.6%
Total space ('000 sq. m)	982	902	+8.9%

As at Q1-end, the total number of Group stores was up 27.8% year-on-year to 1,125, spread across 447 cities and towns in Russia, Kazakhstan and Belarus. The relatively strong year-on-year increase in store count was organic growth, supported by the closure of ABC and ELC stores in Q3 2020. In Q1 2022, the Company opened 8 new stores: 3 Detsky Mir branded stores in Russia, 2 Detsky Mir stores in Kazakhstan, 2 Detmir stores in Belarus, and 1 Zoozavr store. The Group's total retail selling space increased 8.9% year-on-year to 982,000 sq. m.

The Company continues to expand its logistics infrastructure, including by adding new partner pickup points and automated parcel lockers, the number of which has grown to 45,000 since the start of the year.

In the first quarter, Detsky Mir launched a new federal distribution center in the Urals. The Company currently operates three federal distribution centers in the Moscow Region and Yekaterinburg and three regional distribution centers in the Rostov and Novosibirsk Regions, as well as in the Republic of Tatarstan. Total warehouse space is 238,000 sq. m.

Loyalty Program¹³

Detsky Mir's loyalty program (Russia)	1Q 2022	1Q 2021	Δ, %
Total loyalty card holders, m	30.5	27.6	10.6%
Share of loyalty card holders in total sales, %	87.1%	85.9%	1.2 p.p.
Active loyalty card holders, m	11.7	10.9	6.9%
Online active loyalty card holders, m	4.3	3.7	18.7%
Share of online active loyalty card holders, %	37.2%	33.5%	3.7 p.p.

The number of loyalty program members in Russia is constantly growing, with 30.5 million cardholders as at quarter-end (an increase of 2.9 million cards year-on-year). The share of purchases made by loyalty card holders amounted to 87.1% of total tickets (up 1.2 p.p. year-on-year).

There are now 11.7 million active loyalty card holders. The number of active digital loyalty card holders increased by 18.7% to 4.3 million, which represents 37.2% of the total number of active cards.

FINANCIAL HIGHLIGHTS

Consolidated Statement of Profit or Loss Highlights¹⁴

Russian Ruble (RUB), million	IAS 17			IFRS 16		
	Q1 2022	Q1 2021	Δ, %	Q1 2022	Q1 2021	Δ, %
Revenue	37,850	35,672	6.1%	37,850	35,672	6.1%
Gross profit	11,421	10,550	8.3%	11,421	10,550	8.3%
<i>% of revenue</i>	<i>30.2%</i>	<i>29.6%</i>	<i>0.6 p.p.</i>	<i>30.2%</i>	<i>29.6%</i>	<i>0.6 p.p.</i>
Selling, general and administrative expenses	(8,781)	(7,478)	17.4%	(5,967)	(4,927)	21.1%
<i>% of revenue</i>	<i>23.2%</i>	<i>21.0%</i>	<i>2.2 p.p.</i>	<i>15.8%</i>	<i>13.8%</i>	<i>2.0 p.p.</i>
Forgivable loan (one-off)	-	-	-	-	-	-
Other operating income	1	31	-	72	41	-
EBITDA	2,553	2,830	(9.8)%	5,438	5,391	0.9%
<i>% of revenue</i>	<i>6.7%</i>	<i>7.9%</i>	<i>(1.2) p.p.</i>	<i>14.4%</i>	<i>15.1%</i>	<i>(0.7) p.p.</i>
Adjusted EBITDA¹⁵	2,641	3,103	(14.9)%	5,526	5,664	(2.4)%
<i>% of revenue</i>	<i>7.0%</i>	<i>8.7%</i>	<i>(1.7) p.p.</i>	<i>14.6%</i>	<i>15.9%</i>	<i>(1.3) p.p.</i>
Adjusted profit/(loss) before tax	1,144	2,075	(44.9)%	1,096	2,051	(46.6)%
<i>% of revenue</i>	<i>3.0%</i>	<i>5.8%</i>	<i>(2.8) p.p.</i>	<i>2.9%</i>	<i>5.7%</i>	<i>(2.8) p.p.</i>
Profit/(loss) for the period	(517)	1,313	-	(555)	1,294	-
<i>% of revenue</i>	<i>-1.4%</i>	<i>3.7%</i>	<i>-</i>	<i>-1.5%</i>	<i>3.6%</i>	<i>-</i>
Net debt	31,203	24,042	29.8%	31,203	24,042	29.8%
Lease liabilities	-	-	-	39,779	36,831	8.0%
Net debt / EBITDA	1.7x	1.4x				
Net Debt / adjusted EBITDA LTM	1.8x	1.4x				

The Group's revenue increased 6.1% to RUB 37.9 bn in Q1 2022, with gross profit up 8.3% at RUB 11.4 bn and gross margin up 0.6 p.p. year-on-year to 30.2% of revenue. The increase in gross margin came amid an increase in the share of sales of private labels and direct imports, as well as effective pricing and margin management. The Company's EBITDA decreased 9.8% over the first quarter to RUB 2.6 bn. EBITDA margin reached 6.7%, down 1.2 p.p. year-on-year. This was mainly driven by a drop in footfall amid the continued COVID-19 restrictions imposed on stores in Russia in January and February, coupled with a market-wide decline in customer demand on the back of high economic uncertainty. Furthermore, additional pressure came from key operating cost inflation, which outstripped sales growth.

Adjusted profit before tax for Q1 2022 was RUB 1.1 bn vs. RUB 2.1 bn for the same period last year.

During Q1 2022, Detsky Mir experienced FX losses totaling RUB 1,5 bn, compared to a loss of RUB 56 m in the same period last year. The key driver behind this was the revaluation of accounts payable to suppliers of goods. As a result, the Group posted a net loss of RUB 517 m for Q1 2022 vs. a net profit of RUB 1.3 bn for the same period last year.

Selling, general, and administrative expenses

Russian Ruble (RUB), million	IAS 17			IFRS 16		
	Q1 2022	Q1 2021	Δ, %	Q1 2022	Q1 2021	Δ, %
Payroll	3,515	3,002	17.1%	3,515	3,002	17.1%
% of revenue	9.3%	8.4%	0.9 p.p.	9.3%	8.4%	0.9 p.p.
Rent & Utilities	3,407	3,021	12.8%	595	471	26.3%
% of revenue	9.0%	8.5%	0.5 p.p.	1.6%	1.3%	0.3 p.p.
Advertising & Marketing	319	201	58.7%	319	201	58.7%
% of revenue	0.8%	0.6%	0.2 p.p.	0.8%	0.6%	0.2 p.p.
Other	1,540	1,254	22.8%	1,538	1,253	22.7%
% of revenue	4.1%	3.5%	0.6 p.p.	4.1%	3.5%	0.6 p.p.
Selling, general and administrative expenses (excl. D&A and LTI)	8,781	7,478	17.4%	5,967	4,927	21.1%
% of revenue	23.2%	21.0%	2.2 p.p.	15.8%	13.8%	2.0 p.p.
Depreciation and amortization expenses	772	627	23.1%	2,951	2,682	10.0%
% of revenue	2.0%	1.8%	0.2 p.p.	7.8%	7.5%	0.3 p.p.
Additional bonus accruals under the LTI program	88	273	(67.8)%	88	273	(67.8)%
% of revenue	0.2%	0.8%	(0.6) p.p.	0.2%	0.8%	(0.6) p.p.

Selling, general, and administrative expenses (excluding depreciation, amortization and LTI) came in at 23.2% of revenue in the reporting quarter, up 2.2 p.p. year-on-year. The main drivers of this growth in costs relative to revenue included the Group's overall increase in operating costs amid rising inflation in Q4 2021, as well as a decline in like-for-like sales in Q1 2022 (−2.1% year-on-year).

Consolidated Cash Flow Statement Highlights

Russian Ruble (RUB), million	IAS 17			IFRS 16		
	Q1 2022	Q1 2021	Δ, %	Q1 2022	Q1 2021	Δ, %
Adjusted EBITDA	2,641	3,103	(14.9)%	5,526	5,664	(2.4)%
<i>Add / (deduct):</i>	-	-	0.0%	-	-	0.0%
<i>Change in working capital</i>	(6,365)	(7,338)	(13.3)%	(6,460)	(7,252)	(10.9)%
<i>Net interest and income tax paid</i>	(1,365)	(1,049)	30.1%	(2,121)	(1,580)	34.2%
Other operating cash flows	516	340	51.8%	443	329	34.7%
Net cash used in operating activities	(4,573)	(4,944)	(7.5)%	(2,612)	(2,839)	(8.0)%
Net cash used in investing activities	(889)	(945)	(5.9)%	(889)	(945)	(5.9)%
Free cash flow	(5,462)	(5,889)	(7.3)%	(3,501)	(3,784)	(7.5)%
Net cash generated from financing activities	9,569	5,273	81.5%	7,608	3,168	140.2%
Cash and equivalents, beginning of the period	3,807	1,826	108.5%	3,807	1,826	108.5%
Cash and equivalents, end of the period	8,968	1,014	784.4%	8,968	1,014	784.4%
Net increase in cash & cash equivalents	4,107	(616)	-	4,107	(616)	-
Effect of changes in foreign exchange rates	1,054	(196)	-	1,054	(196)	-

In Q1 2022, operating cash flow before changes in working capital (adjusted EBITDA) contracted 14.9% year-on-year and amounted to RUB 2.6 bn. Investments in working capital dropped 13.3% year-on-year to RUB 6.4 bn. Changes in working capital were driven by better cash collection management in Q1 2022. Lower receivables balanced out the higher inventories at quarter-end following a change in the procurement calendar vs. the same period last year. Net cash used in operating activities amounted to RUB 4.6 bn (-7.5% year-on-year).

Net cash used in investing activities and to acquire fixed and intangible assets fell to RUB 889 m (-5.9% year-on-year). This reduction in CAPEX came on the back of fewer new openings and a revised IT project calendar schedule. By the end of the first quarter, the Company had invested RUB 83 m in the expansion of its retail network and RUB 358 m in IT infrastructure.

Cash from financing activities in the reporting period amounted to RUB 9.6 bn vs. RUB 5.3 bn in the same period last year.

Cash and cash equivalents increased from RUB 3.8 bn as at the beginning of Q1 2022 to RUB 9 bn as at the end of the quarter.

As of 31 March 2022, the Company's total debt was RUB 40.2 bn, including short-term (55.2%) and long-term (44.8%) debt. Net debt was RUB 31.2 bn at quarter-end, while net debt/adjusted EBITDA stood at 1.8x. All of the Company's debt is denominated in Russian rubles.

Detsky Mir's average weighted cost of debt as of the end of the reporting period amounted to 12.0% per annum. In the reporting period, the Bank of Russia raised its key rate by 11.5 p.p., from 8.5% to 20%. As of 31 March 2022, the Company's available undrawn credit limit with leading Russian and international banks totaled RUB 29.7 bn.

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Detsky Mir Group (MOEX: DSKY) is a multi-vertical digital retailer and the leader in the children's goods sector in Russia and Kazakhstan, as well as a significant player in Belarus. The Group comprises the Detsky Mir and the Detmir Mini retail chains, the detmir.ru online store and marketplace, as well as the Zoozavr pet supplies retail chain. As of 31 March 2022, the Group operates 1,125 stores across 447 cities and towns in Russia, Kazakhstan and Belarus. The Group's total selling space is 982,000 sq. m.

Websites: detmir.ru, ir.detmir.ru

Disclaimer:

Some of the information in these materials may contain projections or other forward-looking statements regarding future events or the future financial performance of Detsky Mir. You can identify forward-looking statements by terms such as "expect", "believe", "anticipate", "estimate", "intend", "will", "could", "may" or "might", the negative of such terms or other similar expressions.

Detsky Mir wishes to caution you that these statements are only predictions and that actual events or results may differ materially. Detsky Mir does not intend to update these statements to reflect events and circumstances occurring after the date hereof or to reflect the occurrence of unanticipated events. Many factors could cause the actual results to differ materially from those contained in projections or forward-looking statements of Detsky Mir, including, among others, general economic conditions, the competitive environment, risks associated with operating in the Russian Federation, rapid technological and market change in the industries Detsky Mir operates in, the impact of the COVID-19 pandemic on the macroeconomic situation in the markets of presence and financial results of Detsky Mir and its subsidiaries, as well as other risks specifically related to Detsky Mir and its operations.

Notes:

(1) The data on comparative dynamics are given year-on-year and exclude the effect of the IFRS 16 – Leases accounting standard. The Company's consolidated financial metrics for 2021 and 2022 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) Gross merchandise value (GMV) includes purchases at the Group's retail stores and goods and services sold through the website and mobile application, which may be own or third-party goods and services. GMV includes value added tax, net of discounts given to customers and net of returns and canceled orders during the reporting period.

(3) Total online sales include all sales through the Company website and mobile app, including home delivery and in-store pickup. It includes value added tax, net of discounts given to customers and net of returns and canceled orders during the reporting period.

(4) Revenue is net of value added tax and includes revenue from the sale of goods as well as fees charged by the Group to third-party sellers for selling their goods through the Group marketplace.


(5) Selling, general, and administrative expenses (SG&A) are calculated as selling, general, and administrative expenses adjusted for depreciation of fixed assets and amortization of intangible assets, as well as share-based and cash bonus payments to management under the Long-Term Incentive (LTI) program.

(6) See Attachment A for definitions and reconciliation of EBITDA to IFRS financial metrics.

(7) Adjusted net profit before tax is calculated as profit for the period before income tax adjusted for the share-based compensation expense and cash bonuses under the LTI program and FX gain/loss. See Attachment A.

(8) Net debt is calculated as total borrowings (defined as long-term loans and borrowings, short-term loans and borrowings, and the current portion of long-term loans and borrowings) less cash and cash equivalents. Lease liabilities are not included in the calculation of net debt. EBITDA LTM is calculated as EBITDA for the last 12 months.

(9) Detsky Mir in Russia includes all sales of children's goods in Russia, as well as the sales of the Detmir Mini chain (Detmir Pickup was renamed to Detmir Mini in Q3 2021). Zoozavr includes all sales of pet products, including sales made via the Company website and mobile app.



(10) Online assortment (number of SKUs) includes all merchandise featured on the Company website and mobile app. Installations of the mobile app reflect the total number of app installations between its launch (December 2019) and the end of the reporting period. MAU – monthly active users – indicates the average number of active mobile app users in a month.

(11) LFL sales growth in Russian rubles, LFL number of tickets growth and LFL average ticket growth are based on stores in operation for at least 12 full calendar months preceding the reporting date. A store is considered comparable and is included in the calculation of the monthly LFL if the difference between the number of days worked in comparable months does not exceed three working days.

(12) In order to improve margins by accelerating the opening of our small-format Detmir Mini stores, the Group decided to close its ELC and ABC stores in Q3 2020, which accounted for 0.8% of total Group revenue in 2019.

(13) Cardholders who made at least one purchase at Detsky Mir during the last 12 months are considered active. Digital loyalty card holders who made at least one online purchase through the Company website or mobile application within the last 12 months are considered active.

(14) Despite the fact that the Company has adopted IFRS 16 – Leases for its audited financial results early (from 1 January 2018), key financial metrics in the unaudited statements have been compared as though IFRS 16 had not been applied, as in management's opinion, this approach allows the Company to more accurately assess the trends and dynamics of its business growth. This section also sets out our financial results in accordance with IFRS 16 – Leases.

(15) Adjusted EBITDA is calculated as profit for the period before income tax, FX loss/gain, finance expense, finance income, depreciation and amortization, adjusted for share-based compensation expense and cash bonuses under the LTI program. See Attachment A.

Attachment A

EBITDA is calculated as profit for the period before income tax, FX gain/(loss), finance expense, finance income, depreciation of fixed assets and amortization of intangible assets, as well as profit from acquiring controlling stakes in subsidiary companies. EBITDA margin is calculated as EBITDA expressed as a percentage of revenue. Our definition of EBITDA may differ from that of other companies; it is not an IFRS measure and should be considered in addition to, but not as a substitute for, the information contained in our consolidated financial statements. We believe that EBITDA provides useful information to investors because it is an indicator of the strength and performance of our ongoing business operations, including our ability to fund capital expenditures, acquisitions of businesses and other investments and our ability to raise finance and service debt. While depreciation and amortization are considered operating costs under IFRS, these expenses primarily represent the non-cash expenses associated with long-term assets acquired or created in prior periods. Our approach to EBITDA calculation is commonly used by investors and analysts to evaluate and compare the current and future operating performance and value of companies.

Adjusted EBITDA and adjusted profit for the period are used to evaluate the operating performance of companies and represent financial metrics adjusted for one-off gains and losses beyond business operations. We believe that adjusted metrics provide investors with additional useful information to measure our financial performance, particularly comparable data from period to period, because they exclude one-off gains and losses.

Russian Ruble (RUB), million	IAS 17		IFRS 16	
	Q1 2022	Q1 2021	Q1 2022	Q1 2021
Profit / (Loss) for the period	(517)	1,313	(555)	1,294
<i>Add / (deduct):</i>				
Finance income	(116)	(2)	(117)	(4)
Finance expense	841	403	1,596	935
Foreign exchange loss	1,511	56	1,511	56
Income tax expense / (benefit)	62	433	52	428
Depreciation and amortization	772	627	2,951	2,682
EBITDA	2,553	2,830	5,438	5,391
<i>Reverse effect of:</i>				
Additional bonus accruals under the LTI program / (Income received from partial termination of employees' right to receive shares under the LTI program)	88	273	88	273
Adjusted EBITDA	2,641	3,103	5,526	5,664

Russian Ruble (RUB), million	IAS 17		IFRS 16	
	Q1 2022	Q1 2021	Q1 2022	Q1 2021
Profit / (Loss) before tax	-455	1,746	-503	1,722
<i>Reverse effect of:</i>				
Additional bonus accruals under the LTI program	88	273	88	273
Foreign exchange gain/(loss), net	1,511	56	1,511	56
Adjusted profit before tax	1,144	2,075	1,096	2,051

Attachment B

Detsky Mir Group

Unaudited Consolidated Statement of Profit or Loss and Other Comprehensive Income
prepared in accordance with IFRS
(in millions of Russian Rubles)

	Three months ended 31 March	
	2022	2021
Revenue	37,850	35,672
Cost of sales	(26,429)	(25,122)
Gross profit	11,421	10,550
Selling, general and administrative expenses	(9,006)	(7,882)
Other operating income, net	72	41
Operating profit	2,487	2,709
Finance income	117	4
Finance expenses	(1,596)	(935)
Foreign exchange loss, net	(1,511)	(56)
(Loss) /profit before tax	(503)	1,722
Income tax expense	(52)	(428)
(Loss) /profit for the period	(555)	1,294
Other comprehensive income /(loss):		
Items that may be reclassified subsequently to profit or loss		
Effect of translation to presentation currency	18	(9)
Total comprehensive (loss)/income for the period	(537)	1,285

Unaudited Consolidated Statement of Financial Position prepared in accordance with IFRS
(in millions of Russian Rubles)

	31 March 2022	31 March 2021 (restated) ¹
ASSETS		
NON-CURRENT ASSETS		
Property, plant and equipment	11,710	9,654
Intangible assets	1,811	1,442
Right-of-use assets	36,213	33,760
Deferred tax assets	3,196	2,512
Other non-current assets	142	130
Total non-current assets	53,072	47,498
CURRENT ASSETS		
Inventories	57,443	42,827
Trade receivables	1,581	3,091
Advances paid and other receivables	2,403	1,684
Prepaid income tax	242	186
Cash and cash equivalents	8,968	1,014
Total current assets	70,637	48,802
TOTAL ASSETS	123,709	96,300
EQUITY AND LIABILITIES		
EQUITY		
Share capital	1	1
Treasury shares	(1,934)	(278)
Additional paid-in capital	5,793	5,793
Accumulated deficit	(6,118)	(6,930)
Currency translation reserve	135	117
Total equity deficit	(2,123)	(1,297)
NON-CURRENT LIABILITIES		
Lease liabilities	31,871	28,579
Long-term loans and borrowings	18,010	19,310
Deferred tax liabilities	348	90
Total non-current liabilities	50,229	47,979
CURRENT LIABILITIES		
Trade payables	37,295	29,204
Short-term loans and borrowings and current portion of long-term loans and borrowings	22,161	5,746
Lease liabilities	7,908	8,252
Advances received, other payables and accrued expenses	7,081	5,388
Deferred revenue	1,077	1,009
Income tax payable	81	19
Total current liabilities	75,603	49,618
Total liabilities	125,832	97,597
TOTAL EQUITY AND LIABILITIES	123,709	96,300

¹ In order to improve the presentation of certain lines in the consolidated statement of financial position the Group made the following presentation changes: deferred revenue relating to gift cards in the amount of RUB 535 million was reclassified from Advances received, other payables and accrued expenses line to Deferred revenue line as at 31 March 2021.

Unaudited Consolidated Statement of Cash Flows prepared in accordance with IFRS
(in millions of Russian Rubles)

	Three months ended 31 March	
	2022	2021 (restated) ²
Operating activities:		
(Loss) /profit for the period	(555)	1,294
Adjustments for:		
Depreciation and amortization expense	2,951	2,682
Finance expenses	1,596	935
Foreign exchange loss, net	1,511	56
Write-offs of merchandise inventories relating to shrinkage and write-down to net realizable value	507	552
Change in estimated breakage of bonus points under loyalty program	68	(28)
Income tax expense recognized in profit or loss	52	428
Expense on equity-settled share-based compensation	46	100
Change in estimated breakage of gift cards	(18)	-
Finance income	(117)	(4)
Other	(72)	(22)
Changes in working capital:		
Decrease in trade receivables	2,874	579
Decrease /(increase) in advances paid and other receivables	7	(123)
Increase in inventories	(5,226)	(875)
Decrease in trade payables	(4,496)	(6,781)
Increase in advances received, other payables and accrued expenses	734	152
Decrease in deferred revenue	(353)	(204)
Cash used in operations	(491)	(1,259)
Interest paid	(1,258)	(654)
Interest received	115	2
Income tax paid	(978)	(928)
Net cash used in operating activities	(2,612)	(2,839)
Investing activities:		
Payments for property, plant and equipment	(628)	(871)
Payments for intangible assets	(270)	(79)
Proceeds from sale of property, plant and equipment	9	5
Net cash used in investing activities	(889)	(945)
Financing activities:		
Purchase of treasury shares	(1,717)	-
Repayment of loans and borrowings	(7,401)	(14,407)
Lease payments	(1,961)	(2,105)
Proceeds from loans and borrowings	18,687	19,680
Net cash generated by financing activities	7,608	3,168
Net increase/(decrease) in cash and cash equivalents	4,107	(616)
Cash and cash equivalents, beginning of the period	3,807	1,826
Effect of changes in foreign exchange rates on cash and cash equivalents	1,054	(196)
Cash and cash equivalents, end of the period	8,968	1,014

² In order to improve the presentation of certain lines in the consolidated statement of cash flows the Group made the following presentation changes:

1) Separation of the change in estimated breakage of bonus points under loyalty program for the three months ended 31 March 2021: "Decrease in deferred revenue" line was increased by RUB 28 million, whereas "Change in estimated breakage of bonus points under loyalty program" line was changed for the respective amount.

2) Separation of the change in deferred revenue relating to gift cards for the three months ended 31 March 2021: "Decrease in deferred revenue" line was decreased by RUB 179 million, whereas "Increase in advances received, other payables and accrued expenses" line was changed for the respective amount.

Had the Group continued applying IAS 17 instead of IFRS 16:

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Detsky Mir Group

Unaudited Consolidated Statement of Financial Position (in millions of Russian Rubles)

Had the Group continued applying IAS 17 instead of IFRS 16:

	31 March 2022	31 March 2021 (restated) ³
ASSETS		
NON-CURRENT ASSETS		
Property, plant and equipment	11,710	9,654
Intangible assets	1,811	1,442
Deferred tax assets	2,445	1,836
Other non-current assets	247	225
Total non-current assets	16,213	13,157
CURRENT ASSETS		
Inventories	57,443	42,827
Trade receivables	1,581	3,091
Advances paid and other receivables	2,623	2,042
Prepaid income tax	242	186
Cash and cash equivalents	8,968	1,014
Total current assets	70,857	49,160
TOTAL ASSETS	87,070	62,317
EQUITY AND LIABILITIES		
EQUITY		
Share capital	1	1
Treasury shares	(1,934)	(278)
Additional paid-in capital	5,793	5,793
Accumulated deficit	(3,116)	(4,227)
Currency translation reserve	139	132
Total equity	883	1,421
NON-CURRENT LIABILITIES		
Long-term loans and borrowings	18,010	19,310
Deferred tax liabilities	348	90
Total non-current liabilities	18,358	19,400
CURRENT LIABILITIES		
Trade payables	37,295	29,204
Short-term loans and borrowings and current portion of long-term loans and borrowings	22,161	5,746
Advances received, other payables and accrued expenses	7,215	5,518
Deferred revenue	1,077	1,009
Income tax payable	81	19
Total current liabilities	67,829	41,496
Total liabilities	86,187	60,896
TOTAL EQUITY AND LIABILITIES	87,070	62,317

³ In order to improve the presentation of certain lines in the consolidated statement of financial position the Group made the following presentation changes: deferred revenue relating to gift cards in the amount of RUB 535 million was reclassified from Advances received, other payables and accrued expenses line to Deferred revenue line as at 31 March 2021.

Detsky Mir Group

Unaudited Consolidated Statement of Cash Flows (in millions of Russian Rubles)

Had the Group continued applying IAS 17 instead of IFRS 16:

	Three months ended 31 March	
	2022	2021 (restated) ⁴
Operating activities:		
(Loss) /profit for the period	(517)	1,313
Adjustments for:		
Foreign exchange loss, net	1,511	56
Finance expenses	841	403
Depreciation and amortization expense	772	627
Write-offs of merchandise inventories relating to shrinkage and write-down to net realizable value	507	552
Change in estimated breakage of bonus points under loyalty program	68	(28)
Income tax expense recognized in profit or loss	62	433
Expense on equity-settled share-based compensation	46	100
Change in estimated breakage of gift cards	(18)	-
Finance income	(116)	(2)
Other	1	(11)
Changes in working capital:		
Decrease in trade receivables	2,874	579
Decrease /(increase) in advances paid and other receivables	97	(203)
Increase in inventories	(5,226)	(875)
Decrease in trade payables	(4,496)	(6,781)
Increase in advances received, other payables and accrued expenses	739	146
Decrease in deferred revenue	(353)	(204)
Cash used in operations	(3,208)	(3,895)
Interest paid	(502)	(123)
Interest received	115	2
Income tax paid	(978)	(928)
Net cash used in operating activities	(4,573)	(4,944)
Investing activities:		
Payments for property, plant and equipment	(628)	(871)
Payments for intangible assets	(270)	(79)
Proceeds from sale of property, plant and equipment	9	5
Net cash used in investing activities	(889)	(945)
Financing activities:		
Purchase of treasury shares	(1,717)	-
Proceeds from loans and borrowings	18,687	19,680
Repayment of loans and borrowings	(7,401)	(14,407)
Net cash generated by financing activities	9,569	5,273
Net increase/(decrease) in cash and cash equivalents	4,107	(616)
Cash and cash equivalents, beginning of the period	3,807	1,826
Effect of changes in foreign exchange rates on cash and cash equivalents	1,054	(196)

⁴ In order to improve the presentation of certain lines in the consolidated statement of cash flows the Group made the following presentation changes:

1) Separation of the change in estimated breakage of bonus points under loyalty program for the three months ended 31 March 2021: "Decrease in deferred revenue" line was increased by RUB 28 million, whereas "Change in estimated breakage of bonus points under loyalty program" line was changed for the respective amount.

2) Separation of the change in deferred revenue relating to gift cards for the three months ended 31 March 2021: "Decrease in deferred revenue" line was decreased by RUB 179 million, whereas "Increase in advances received, other payables and accrued expenses" line was changed for the respective amount.