



МАРКА №1  
В РОССИИ



**Detsky Mir**  
RETAIL CHAIN



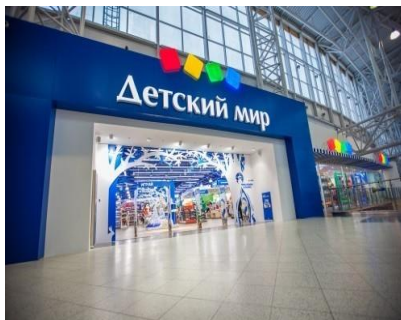
# Detsky Mir announces unaudited financial results for the 1st half of 2016

24 August 2016



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# Key financial and operating results in H1 2016



- **Total space increased** by 21 k sq m: from 490 k sq m in 2015 to 511 k sq m in H1 2016 driven by 20 new store openings <sup>1</sup>
- **Revenue increased** by 36.3% compared to the respective period of the previous year: from RUR 24.7bn in H1 2015 to RUR 33.7 bn in H1 2016
  - LFL<sup>2</sup> Detsky Mir revenue growth is 13.0% in H1 2016 (average ticket growth is 11.2% and traffic growth is 1.6%)
- **Gross profit increased** by 32.8% compared to the previous year: from RUR8.4 bn in H1 2015 to RUR11.2 bn in H1 2016
  - **Gross margin** in H1 2016 is 33.2%
- **Selling, administrative and other operating expenses** as a share of revenue decreased by almost 3 p.p. to 26.1% compared with 28.8% in H1 2015, driven by increased operational efficiency
- **OIBDA** increased by 83.1% year-on-year to RUB 2.4bn vs RUB 1.3bn in H1 2015; the **OIBDA margin** reached 7.1%
- **Net income** increased by 70.2% year-on-year to RUB 627mln
- **The net debt/adjusted OIBDA LTM ratio** <sup>3</sup> as of June 2016 improved to 1.8x vs 2.6x in H1 2015

## Notes:

<sup>1</sup> Net chain growth since the beginning of 2016 amounted to 19 stores including relocation

<sup>2</sup> LFL measures is calculated on the basis of operations of Detsky mir branded stores only. The Detsky Mir stores that are included in like-for-like comparisons are those stores that have been open within a calendar year for which the like-to-like comparison is being made. For example, the like-for-like comparison of retail sales between H1 2016 and H1 2015 would include revenue of all Detsky Mir stores that were opened during the course of 2014 and that were in operation during 2015 and H1 2016. Like-for-like revenue is calculated on the basis of store revenue in roubles (including VAT but excluding returns)

<sup>3</sup> Adjusted OIBDA LTM excludes one-off effects related to the disposal of the Yakimanka building and payments under the long term incentive scheme

# H1 2016 financial performance overview

## Key financials in H1 2016 vs. H1 2015 (RUB bn, unless specified otherwise)

RUB bn	H1 2015	H1 2016	Change YoY
<b>Number of stores (units)</b>	<b>347</b>	<b>444</b>	<b>28.0%</b>
<i>Detsky Mir<sup>1</sup></i>	303	400	32.0%
<i>ELC</i>	44	44	0.0%
<b>Selling space (thousand sq m )</b>	<b>411</b>	<b>511</b>	<b>24.3%</b>
<b>Revenue</b>	<b>24.7</b>	<b>33.7</b>	<b>36.3%</b>
<b>Gross profit</b>	<b>8.4</b>	<b>11.2</b>	<b>32.8%</b>
<i>Gross margin (%)</i>	34.1%	33.2%	-0.9p.p
<b>Selling, administrative and other operating expenses</b>	<b>7.1</b>	<b>8.8</b>	<b>23.5%</b>
<i>% of revenue</i>	28.8%	26.1%	-2.7p.p
<b>OIBDA</b>	<b>1.3</b>	<b>2.4</b>	<b>83.1%</b>
<i>OIBDA margin (%)</i>	5.3%	7.1%	1.8p.p
<b>Net income / (loss)</b>	<b>0.4</b>	<b>0.6</b>	<b>70.2%</b>
<i>Net profit margin (%)</i>	1.5%	1.9%	0.4p.p

## Key financials, LTM as of June 2016 vs. LTM as of June 2015 (RUB bn, unless specified otherwise)

RUB bn	LTM as of June 2015	LTM as of June 2016	Change YoY
<b>Revenue</b>	<b>52.1</b>	<b>69.5</b>	<b>33.5%</b>
<b>Gross profit</b>	<b>19.4</b>	<b>24.7</b>	<b>27.3%</b>
<i>Gross margin (%)</i>	37.2%	35.5%	-1.7p.p
<b>Selling, administrative and other operating expense<sup>2</sup></b>	<b>14.3</b>	<b>17.4</b>	<b>21.6%</b>
<i>% of revenue</i>	27.5%	25.0%	-2.4 p.p.
<b>OIBDA<sup>3</sup></b>	<b>5,1</b>	<b>7.3</b>	<b>43.3%</b>
<i>OIBDA margin (%)</i>	9.8%	10.5%	0.7p.p
<b>Net income / (loss)<sup>4</sup></b>	<b>2.4</b>	<b>2.4</b>	<b>3.3%</b>
<i>Net profit margin (%)</i>	4.5%	3.5%	-1.0p.p
<b>Net debt</b>	<b>13.0</b>	<b>13.0</b>	<b>0.01%</b>
<i>Net debt / OIBDA (x)</i>	2.6x	1.8x	

Source: DM's unaudited IFRS report as of H1 2016

<sup>1</sup> Chain growth since the beginning of 2016 amounted to 20 stores excluding relocation

<sup>2</sup> Excluding one-off effects related to the disposal of the Yakimanka building and payment of bonuses under the long term incentive scheme

## Key Facts

### 20 new stores

- In H1 2016 20 new stores were opened excluding relocation
- Total selling space has increased by 21 k sq.m since the beginning of the year

### Revenue growth +36%

- 36% growth of revenue in H1 2016 is due to:
  - Growth in LFL sales by 13%
  - Increasing maturity of stores opened in 2014 and 2015

### Improved operating efficiency

- Reduction of the share of Selling, administrative and other operating expenses from 28.8% to 26.1% of revenue driven by improved operating efficiency and costs cutting

### Revenue growth +34%

- Growth of revenue in the last twelve months results from:
  - High LFL sales growth
  - An all-time high number of stores opened in 2015 (104 new stores)
  - Increasing maturity of stores opened last year

### Improved operating efficiency

- Reduction of the share of Selling, administrative and other operating expenses from 27.5% to 25.0% of revenue driven by improved operating efficiency of business

### Improved net debt/adjusted OIBDA LTM ratio

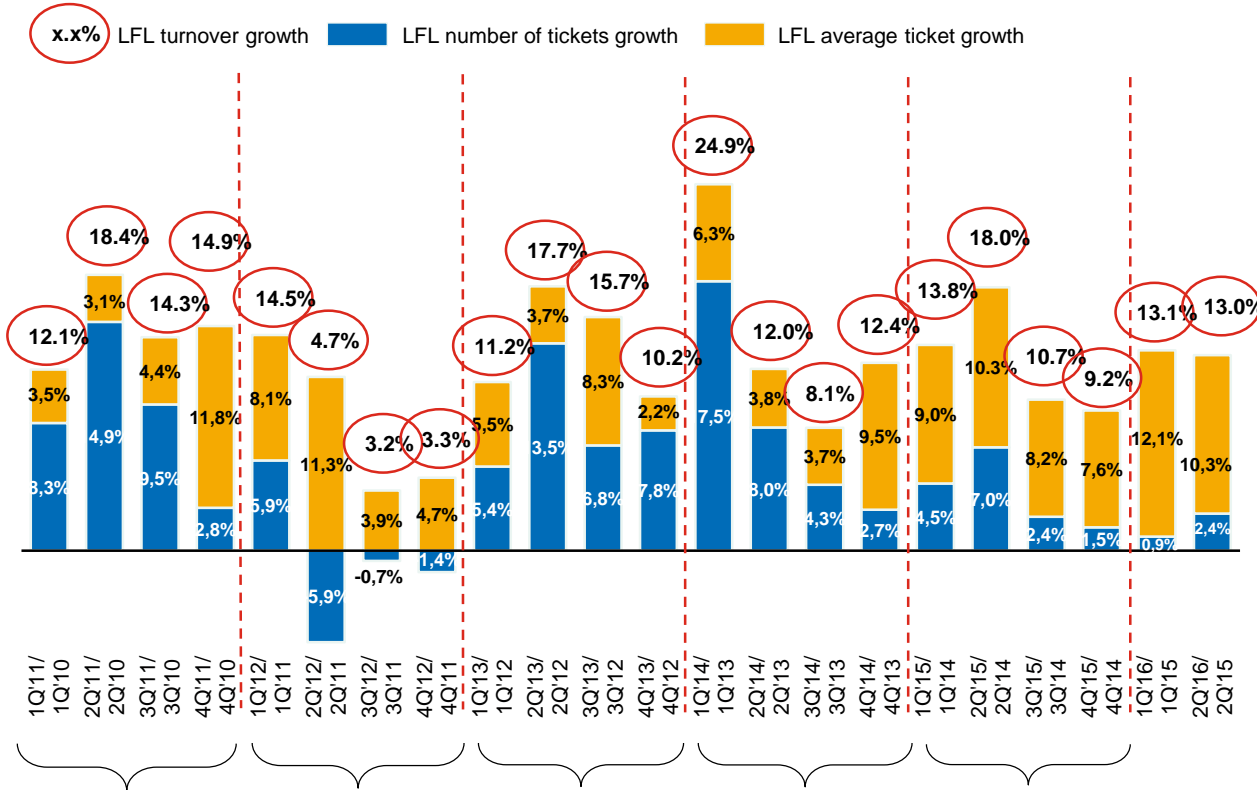
- The net debt/adjusted OIBDA LTM ratio as of June 2016 improved to 1.8x vs 2.6x in H1 2015

<sup>3</sup> Excluding one-off effects related to the disposal of the Yakimanka building and payment of bonuses under the long term incentive scheme

<sup>4</sup> Excluding one-off effects related to the disposal of the Yakimanka building, payment of bonuses under the long term incentive scheme and other non-operating one-off costs

# Robust like-for-like performance

## Like-for-like sales (in RUR)



### LFL growth in 2011

<b>Total</b>	<b>14.9%</b>
Average ticket	6.1%
Traffic (# of tickets)	8.3%

### LFL growth in 2012

<b>Total</b>	<b>5.6%</b>
Average ticket	6.4%
Traffic (# of tickets)	(0.7%)

### LFL growth 2013

<b>Total</b>	<b>13.4%</b>
Average ticket	4.8%
Traffic (# of tickets)	8.2%

### LFL growth 2014

<b>Total</b>	<b>13.6%</b>
Average ticket	5.1%
Traffic (# of tickets)	8.1%

### LFL growth 2015

<b>Total</b>	<b>12.4%</b>
Average ticket	8.4%
Traffic (# of tickets)	3.7%

### LFL growth H1 2016

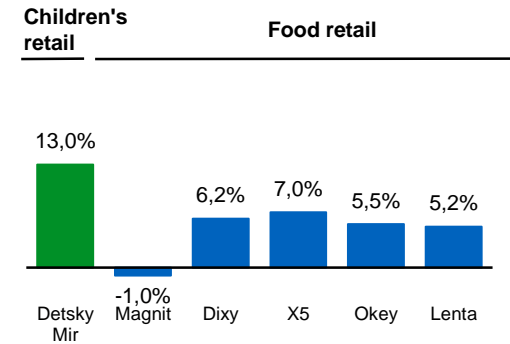
<b>Total</b>	<b>13.0%</b>
Average ticket	11.2%
Traffic (# of tickets)	1.6%

Source: Company data

## Comments

- Double-digit growth of the like-for-like sales was a result of competitive pricing policy, marketing activities and improvements in merchandising
- Key driver of the like-for-like sales is an increase in average ticket
- New openings under new store concept, attractive loyalty program, and competitive prices will be supportive for like-for-like growth in the future

## Like-for-like sales growth for H1 2016



**In H1 2016 Detsky Mir continues to demonstrate attractive growth rates (LFL +13%)**

\* LFL base for 2014 – 176 stores; 2015 – 210

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