



# Detsky Mir

# Investor Presentation

Leading children's goods retailer in Russia

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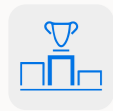


# Detsky Mir at a glance

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



## Key facts



### Undisputed #1 player

22% share of total children's goods market in Russia in 2020



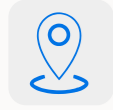
### Iconic brand

with 98% prompted awareness<sup>(1)</sup>



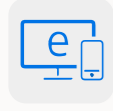
### 880 branded stores in 350 cities

in Russia, Kazakhstan and Belarus, of which 837 Detsky Mir, 21 Zoozavr stores and 22 Detmir Pickup<sup>(2)</sup>



### Prime locations

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



### Top-4 online retailer in Russia by number of orders

+2.4x online sales growth in 2020

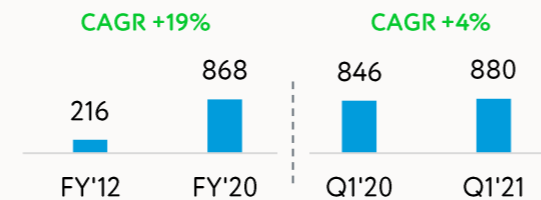


### Publicly listed

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

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

### Total number of stores



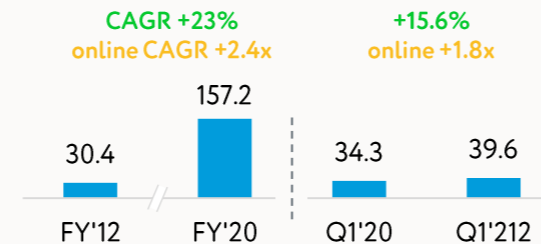
**+93**

New store openings in FY 2020

**+7.9%**

LFL in Q1 2021 (Detsky Mir's Group)

### Total GMV<sup>(4)</sup> (RUB bn)



**29%**

Share of online sales in Russia Q1 2021

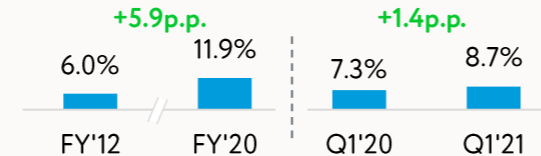
**86%**

Cash conversion<sup>(4)</sup> FY 2020

**100%**

Dividend payout ratio<sup>(7)</sup>

### Adjusted EBITDA<sup>(6)</sup> margin



**1.1x**

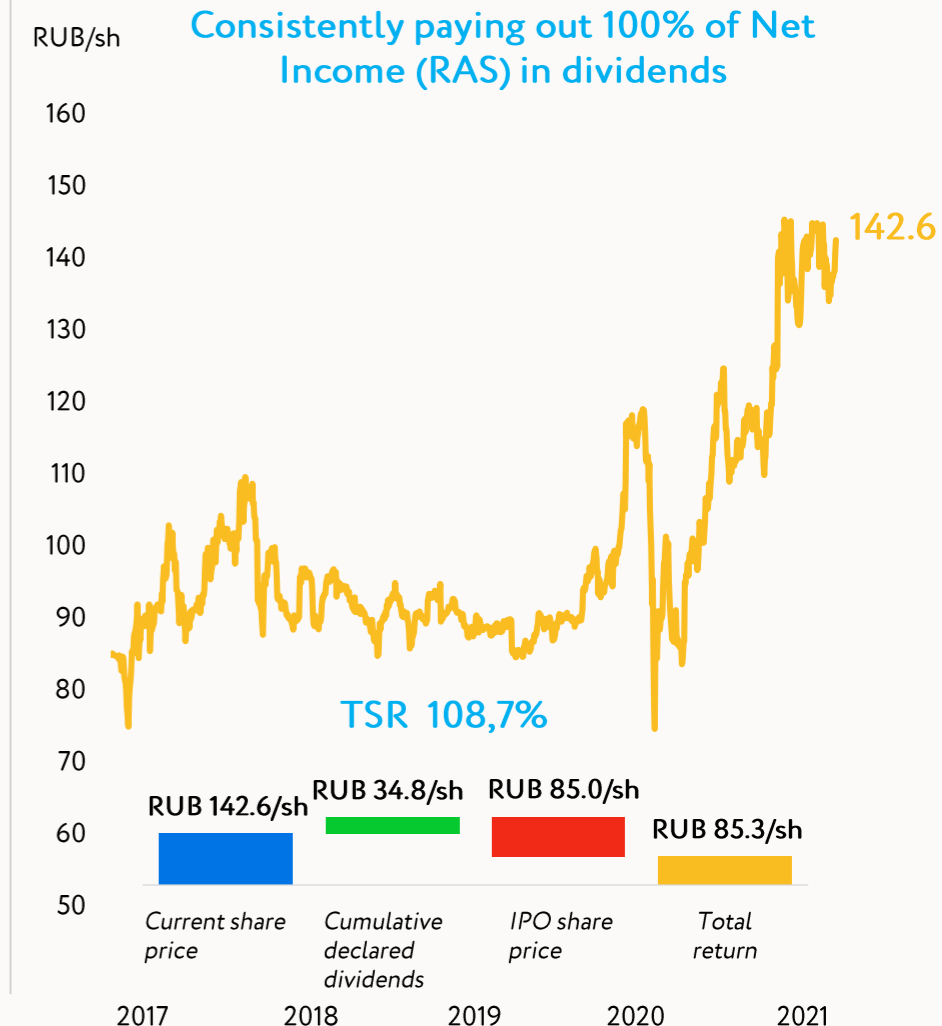
Net debt/adj. EBITDA 2020

### Revenue breakdown, 2020



## Generating attractive returns for investors

### Detsky Mir share price performance since IPO



Source: Company data, Ipsos Comcon, MOEX as of 31 March 2021

(1) "Children Goods Market in Russia" report by Ipsos Comcon ("Ipsos Comcon report"). Consumer survey conducted in December 2020

(2) As of 31 March 2021

(3) Under IAS 17

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

(5) 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 (incl. value added tax, net of discounts given to customers and net of returns and cancelled orders)

(6) 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 (as percentage of Revenue)

(7) Based on net profit under Russian Accounting Standards

(8) Including large items, stationery, sports and seasonal goods



## Strategic priorities

# Our Strategy 2020 – key building blocks

## Solidify leadership in the children's goods retail

Accelerated investment in logistics

Continuous expansion of omni-channel proposition driving both offline and online sales

Enter digital services and products market

Implementing best-in-class UX and CX across the channels

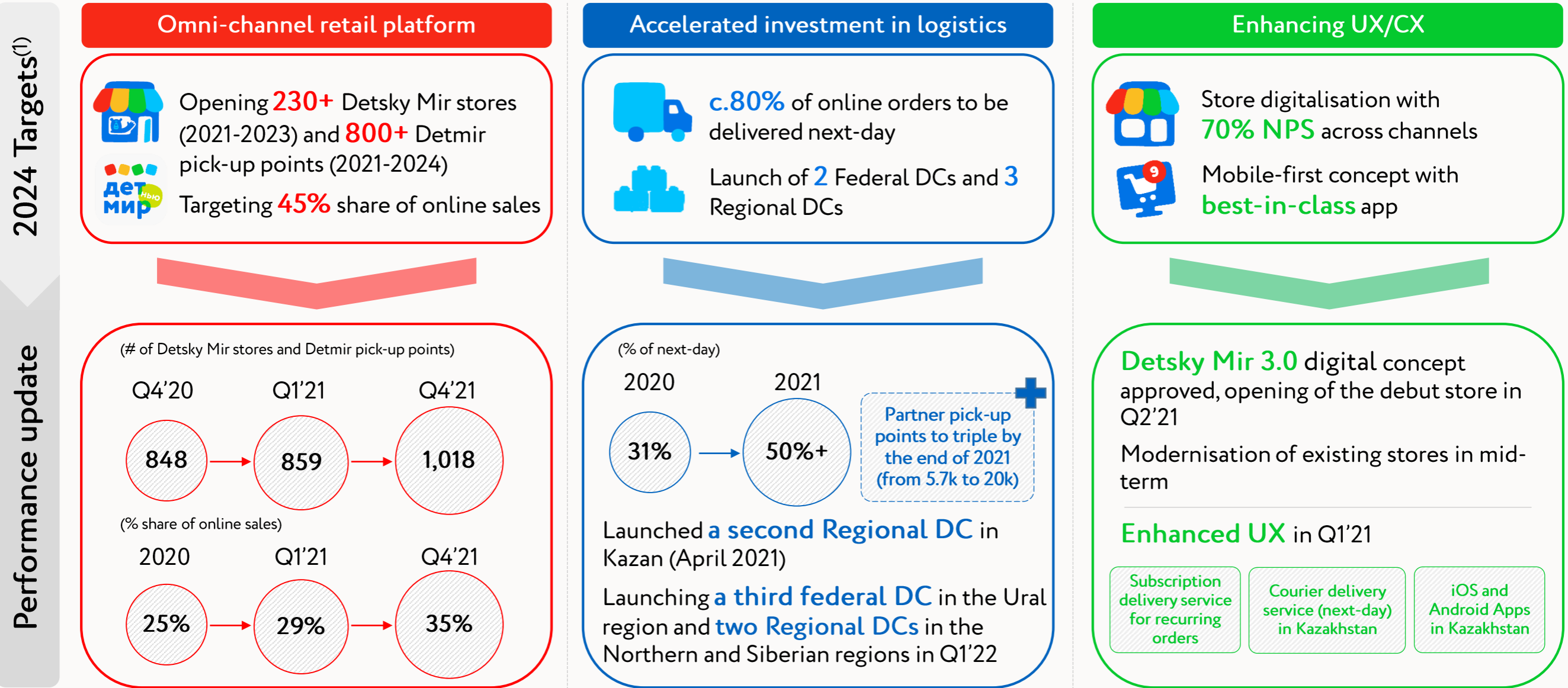
Developing family marketplace

Aggressive roll-out of Zoozavr store network and online platform



## New verticals

# Progressing on Strategy 2020 execution



# Progressing on Strategy 2020 execution (cont'd)

2024 Targets<sup>(1)</sup>

Performance update

## Marketplace to drive assortment breadth



Leadership in assortment breadth  
(2,400k SKUs)



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

(# of SKUs)

Q4'20

250

Q1'21

321

Q4'21

c.1,000

**3.7%** share of GMV in online in Q1'21

Launched a full-feature IT platform for merchants' accounts

## 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)

Q4'20

20

Q1'21

21

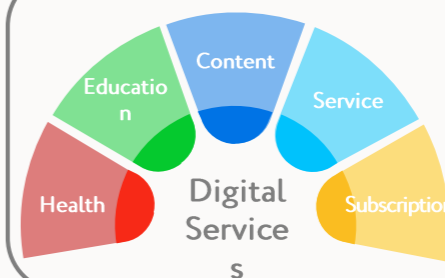
Q4'21

90

**50%** share of online sales in Q1'21

**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

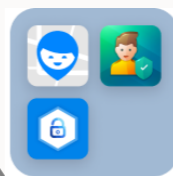
**70** mobile apps and **30** services tested on  
Android platform in Moscow region

Safety

Games

Education

Babysitting



(1) As was presented at the Capital Market Day (August 2020).  
Source: Company data.



## **Our investment story**

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



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

1



Category-defining brand with highly popular customer proposition

2



Unique omni-channel model with multiple initiatives for further enhancement

3



Emerging new strong layers of growth beyond core business model

4



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

5



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

6

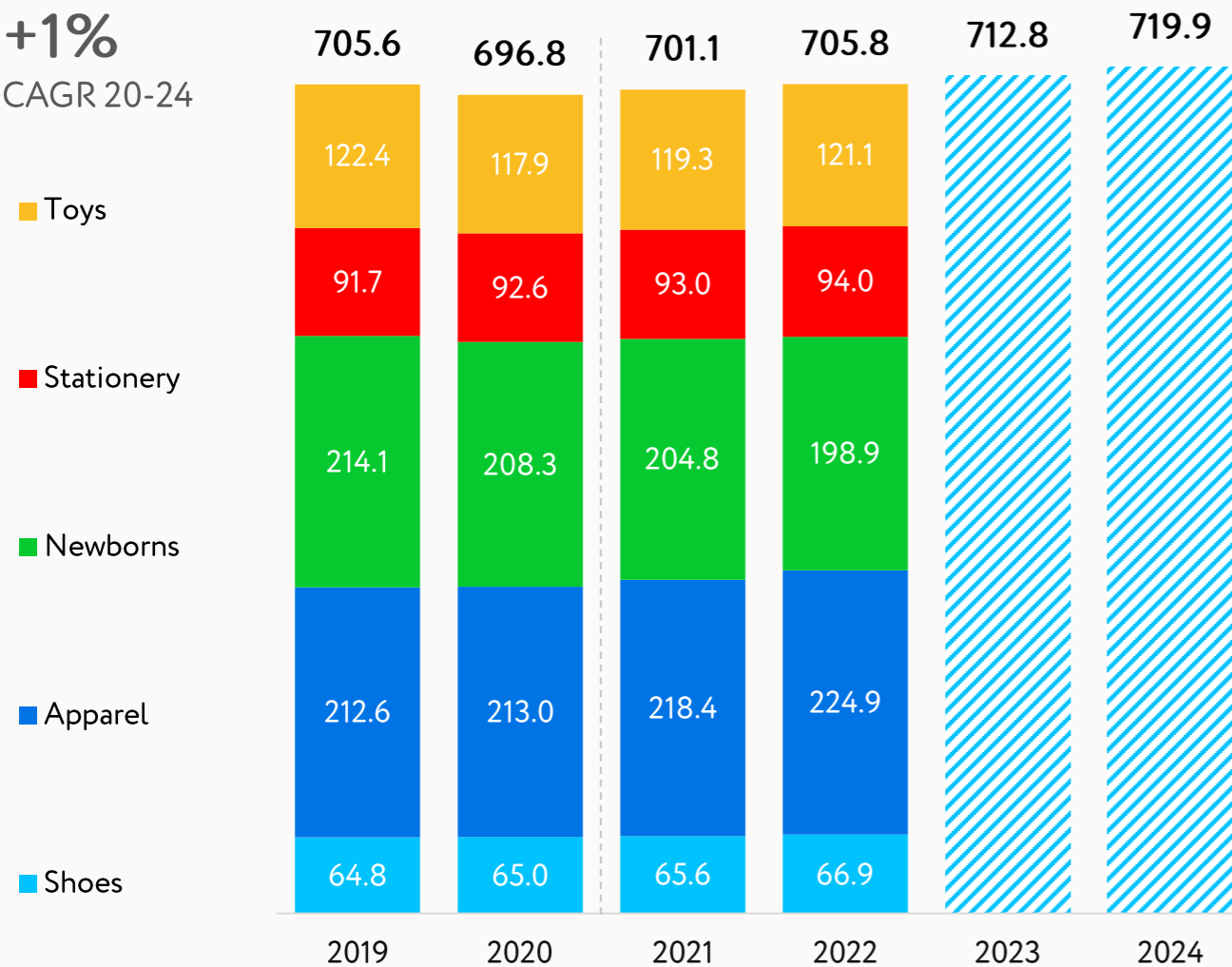
# Solid addressable market for Detsky Mir

## Healthy outlook on key market...

Russian children's goods market in all Russian cities<sup>(1)</sup> (RUB bn)

**+1%**

CAGR 20-24



## ...with further growth potential in other categories

Market size in all Russian cities<sup>(1)</sup> (RUB bn)

**22%**

Detsky Mir market share in Russian children's goods

**17%**

Detsky Mir market share children's goods and pet supplies combined

Children's goods market in Russia

Pet supplies market in Russia

Target market for expansion

30%

**RUB 992bn**  
**2020**

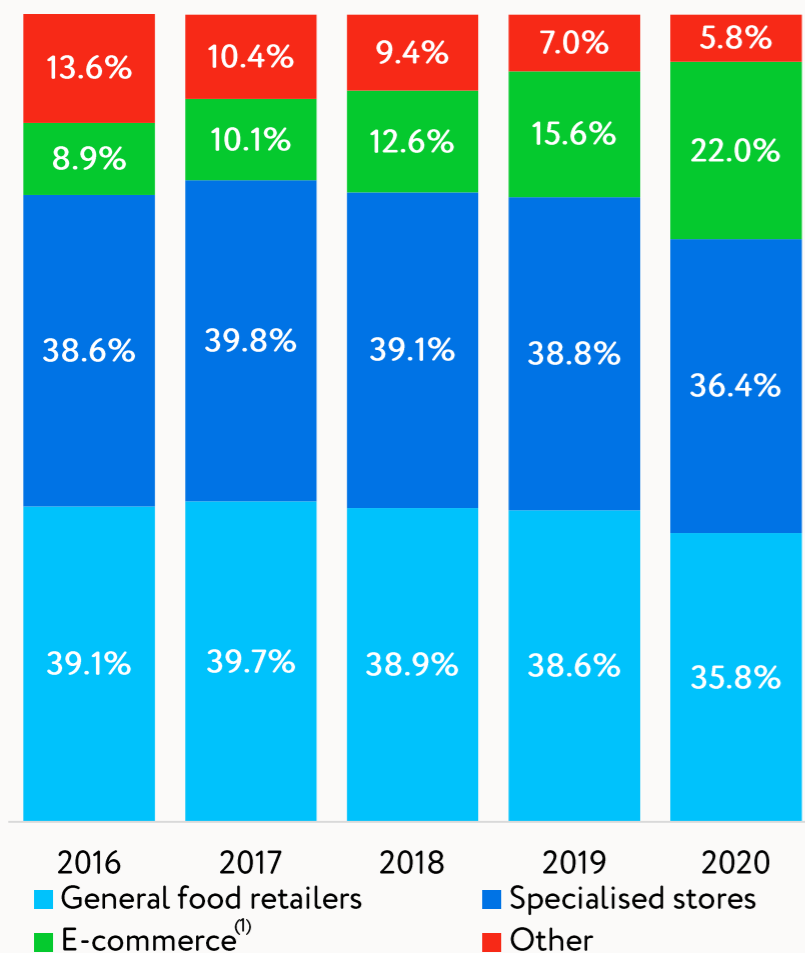
70%

(1) Market volume is counted in retail prices including VAT (10%, except for pets products, charged with 20% VAT) in all Russian cities (population). Detsky Mir share estimation is based on total Detsky Mir sales.  
Source: Company data, Ipsos Comcon report, Euromonitor.

# Market environment evolution

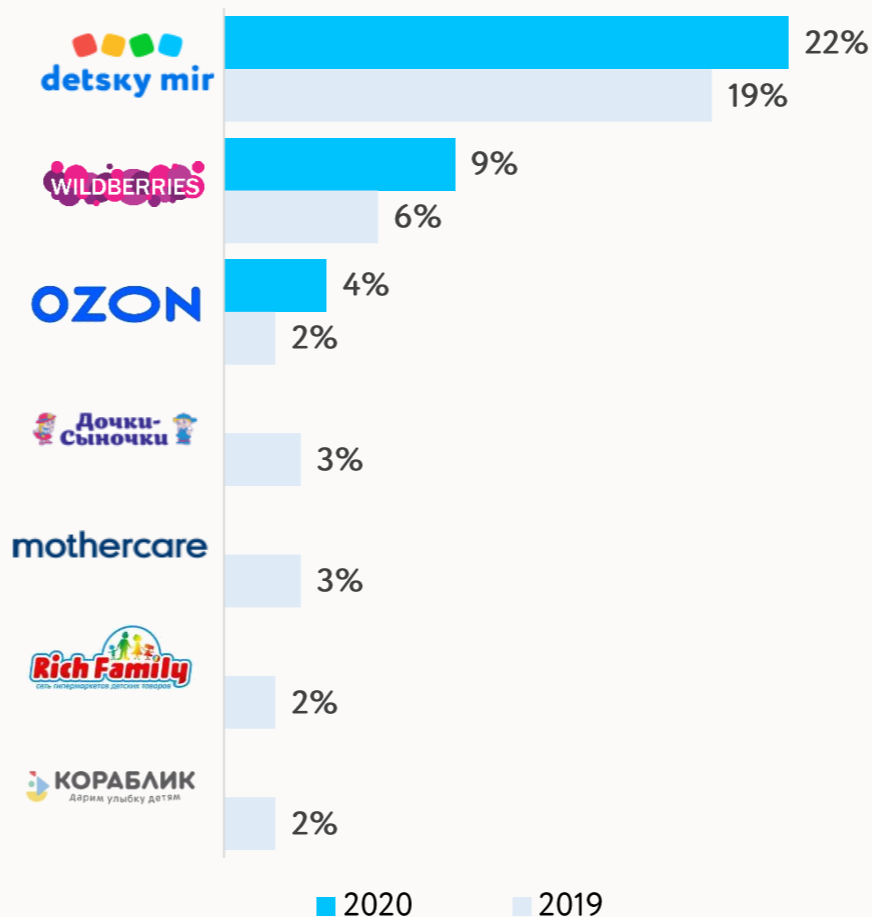
Online is one of the most fast-growing channels ...

Russian children's goods market breakdown by channels (%)



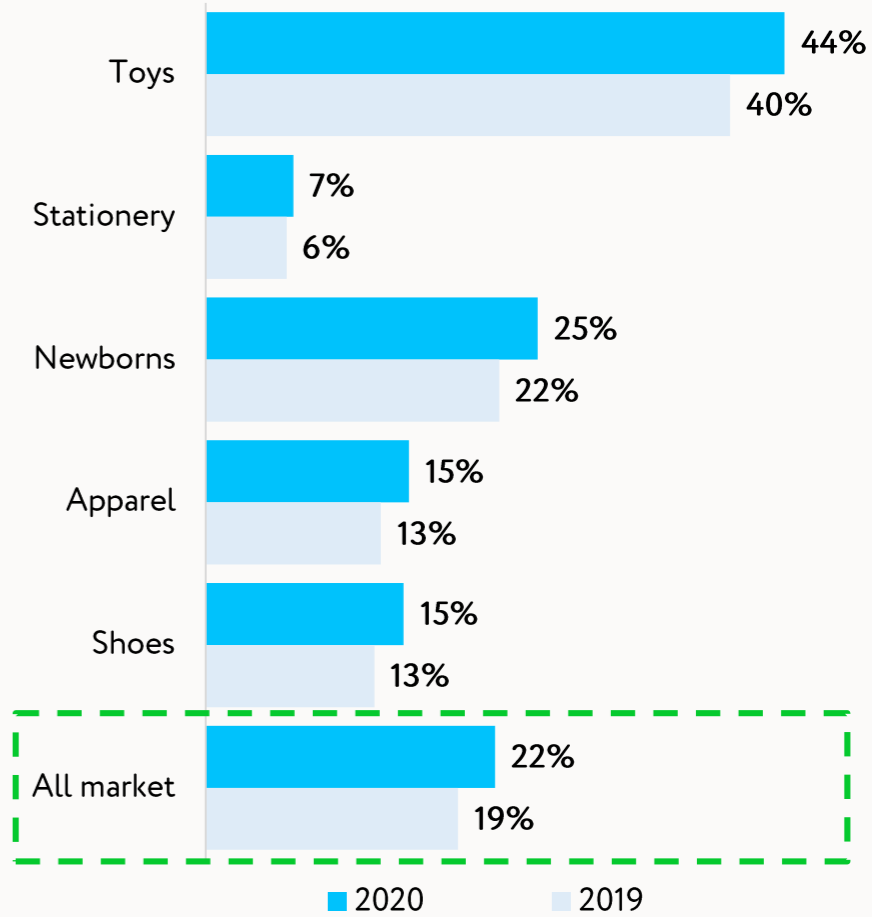
...while Detsky Mir maintains dominant market position ...

Market share in total children's goods retail in Russia<sup>(2)</sup> (%)



...building on its market leadership in all segments

Detsky Mir market share by segment<sup>(2)</sup> (%)



(1) Represents children's goods ordered online (excluding online stores of offline retailers from other sales channels).

(2) Market share is based on sales (including VAT of c. 10%) and market volume estimation in Russian total urban population. Market share for Detsky Mir is based on the consolidated IFRS data (excl. Kazakhstan, Belarus and Zoozavr stores).

Source: Company data, Ipsos Comcon report, SPARK, Data Insight.

# Category-defining brand with highly popular customer proposition

## Leading customer proposition

### Brand positioning

Iconic Russian household name with 70-year history  
98% prompted awareness<sup>(1)</sup>  
82% unprompted awareness<sup>(1)</sup>

### Product offering and convenience

One-stop-shop across key children's categories  
Product offering of ~20,000 SKUs for a typical store and ~321,000 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

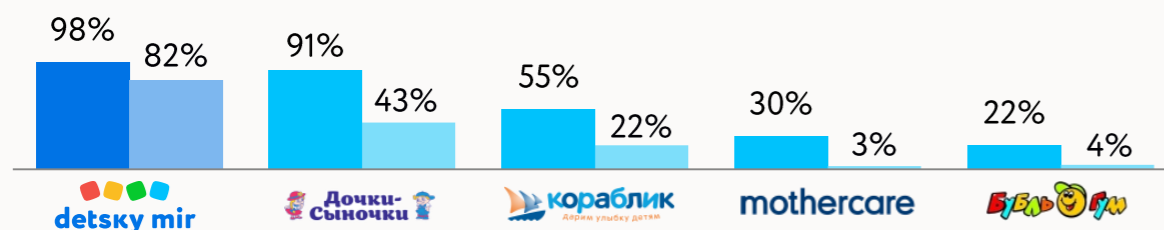
c.27.5m loyalty cards  
c.10.8m active loyalty cards<sup>(2)</sup> (34% online customers)  
c.16.1m contact base of users as of March 2021  
Average ticket for loyalty card holders is significantly higher vs. customers without cards

## Bigger, better and more recognizable than the competition

Number of stores (Q1 2021)<sup>(3)</sup>



Brand recognition (Aided and Spontaneous awareness, December 2020)



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

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

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

(1) Based on consumer survey conducted in December 2020

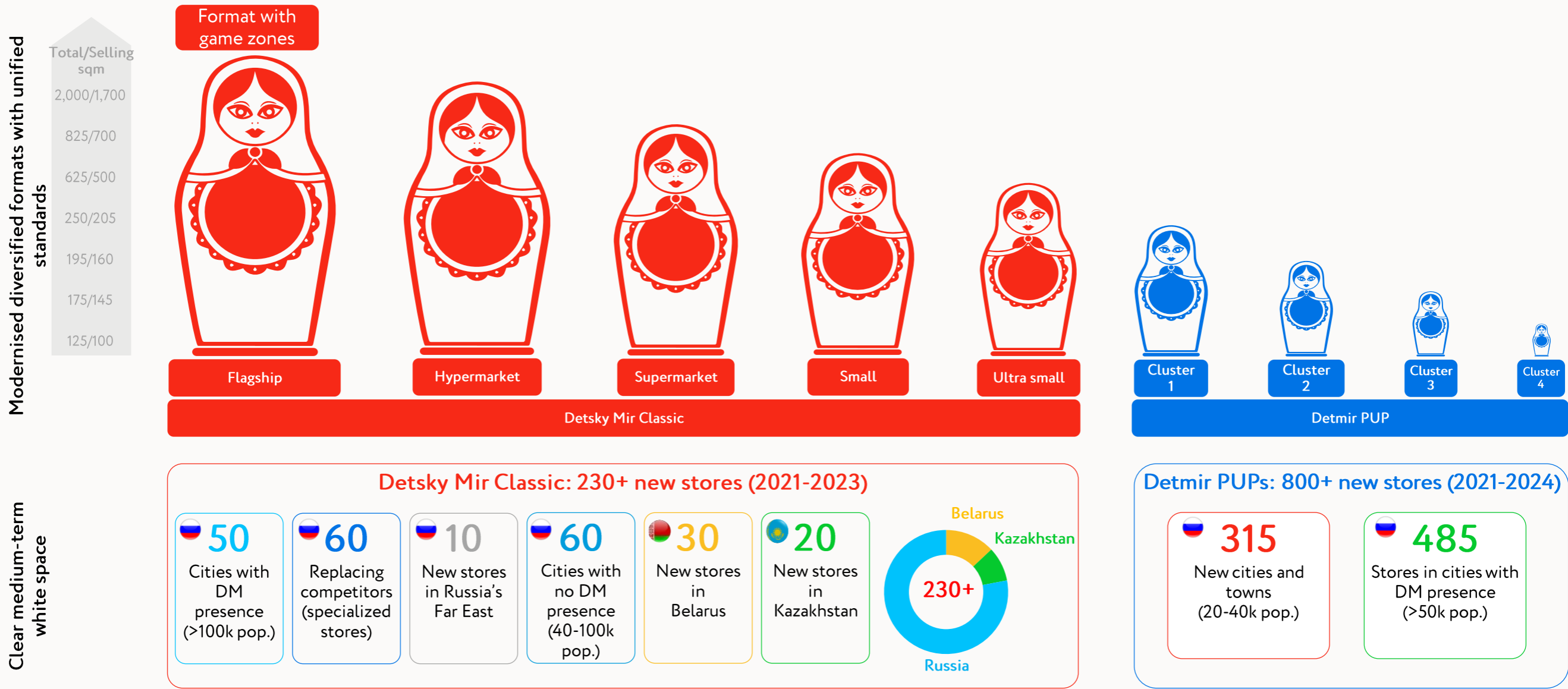
(2) Cardholders who made at least one purchase at Detsky Mir during the last 12 months to 31 December 2020 are considered active

(3) Excluding Kazakhstan and Belarus stores, as well as Zoozavr stores

(4) Retail revenue only

# Embedded formats strategy with solid expansion pipeline

Pickup points are a unifying feature of all formats



Source: Company data

# Digital transformation of retail chain

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

- ✓ Pick-ups with an unlimited shelf from DCs plus ~2,000 SKUs in-store
- ✓ Capture smaller cities with 5k-100k population, expanding our market size by 30+% to c.RUB 700bn
- ✓ 800+ stores medium-term, 1,200+ more stores longer term
- ✓ High-single-digit EBITDA margin
- ✓ 30%+ IRR on 7-year cash flows (w/o terminal value)
- ✓ Relies on regional DCs coverage within 500m, Store capex RUB 3-4m



Source: Company data

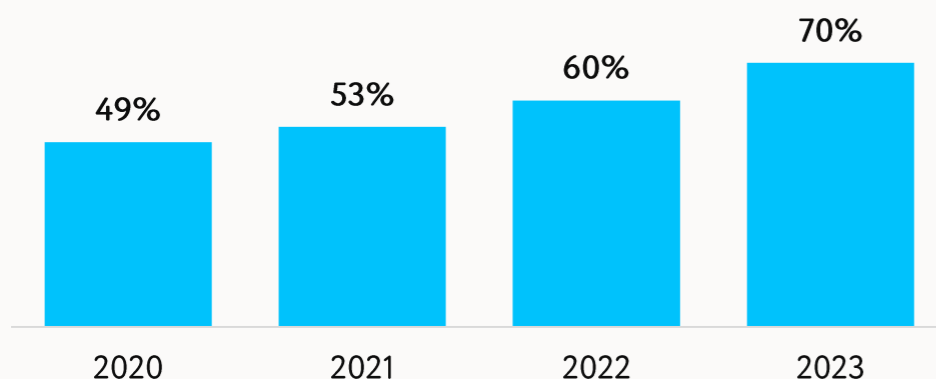
## Detsky Mir 3.0

- ✓ Full digital transformation and modernisation of all existing stores in the mid-term (<RUB 1m capex per store) to make them fully online and pick-up capable
- ✓ New store openings under Detsky Mir 3.0 concept since 2021 with store capex unchanged
- ✓ Store format: 900-1,000sqm total area; simplified store design allowing for more space for products and customer zones
- ✓ Omni-channel design concept providing unified customer communication in stores and online
- ✓ Clear and accessible navigation
- ✓ Digital look & feel for shoppers implemented at new stores
- ✓ Automated solutions: electronic price tags, employee apps, self-checkouts

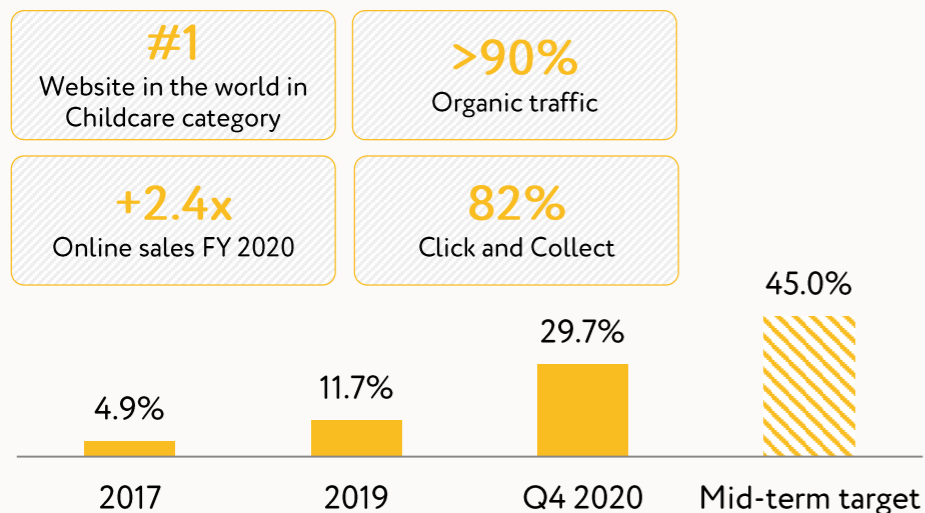


# Investing in mobile app as key driver to deliver strategic objectives

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



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



Source: Company data, AppAnnie, SimilarWeb

(1) As % of total revenue in Russia

(2) Cumulative number of downloads since launch as of Q1 2021

(3) As of 31 December 2020 vs. 24 November 2019 based on AppAnnie data

## "Mobile first" concept – Detsky Mir mobile app

8.7 million  
downloads<sup>(2)</sup>

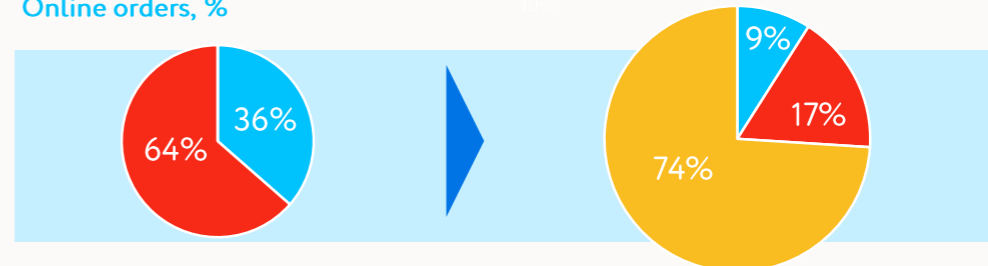
#40 ↑ #10  
App ranking in Shopping  
category<sup>(3)</sup>

#36 ↑ #10  
App ranking in Shopping  
category<sup>(3)</sup>

Q4 2018

Q1 2021

Online orders, %



Desktop

Mobile web-site

Mobile app

## Developing Tier 1 app

- ✓ Catalogue
- ✓ Filters and sorting
- ✓ Shopping cart and checkout
- ✓ Favourites
- ✓ Online payment
- ✓ Personal account with order history
- ⌚ Search
- ⌚ Chat support
- ⌚ Recurring orders subscription
- ⌚ Personalised product recommendations

Tier 3

Tier 2

Tier 1

 detsky mir

Mid-term

✓ Provided now

⌚ Pending shortly

# Detsky Mir marketplace

## Why DM Marketplace?

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

## DM Marketplace profile



### Assortment

Initially focus on children's FMCG and fashion



### Pricing

Mid-to mid-high price segments



### Economics

3PL commission-based model



### Customers

Shoppers: same target base, same loyalty program  
Merchants: local producers and well-known international brands



### Service platform

DM provides interface and logistics / delivery on same platform as its 1P e-Commerce



### New verticals

To be launched based on success of core categories

## Long-term vision

- Overtake key local competition in relevant SKUs (2,400k SKUs)
- GMV representing double-digit share of our online sales
- 19-22% fixed/actual commission rate
- Cost structure
  - Mainly logistics, delivery, personnel
  - Low marketing cost vs other MPs thanks to “free” traffic / strong brand

## Q1 2021 highlights

**751**

Number of suppliers added

**3.7%**

Share of marketplace in total online sales (%)

**321**

GMV (RUBm)

**836**

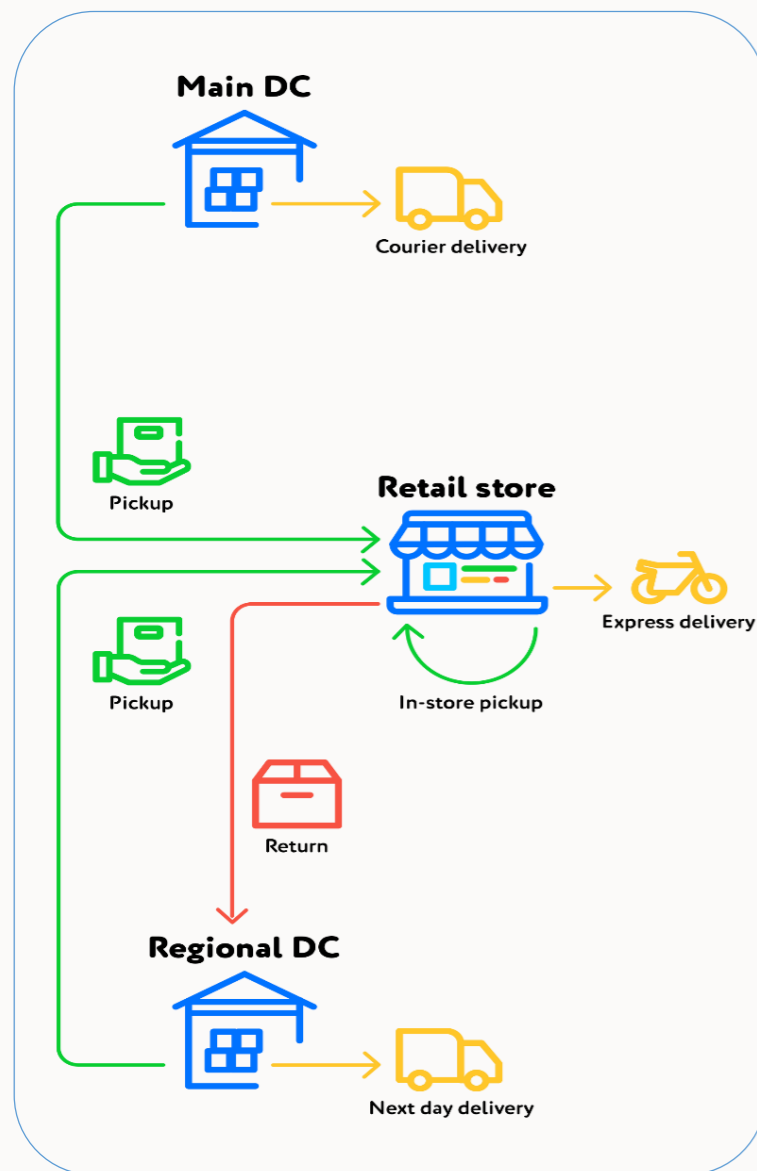
Brands shipped

## Key initiatives in 2021

- ✓ Achieve 5% share of GMV in e-commerce
- ✓ Transition to a structural commission (similar to Ozon and Wildberries)
- ✓ Deeper monetisation of merchants
- ✓ Automation of logistics processes
- ✓ Improvement of reverse logistics management

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

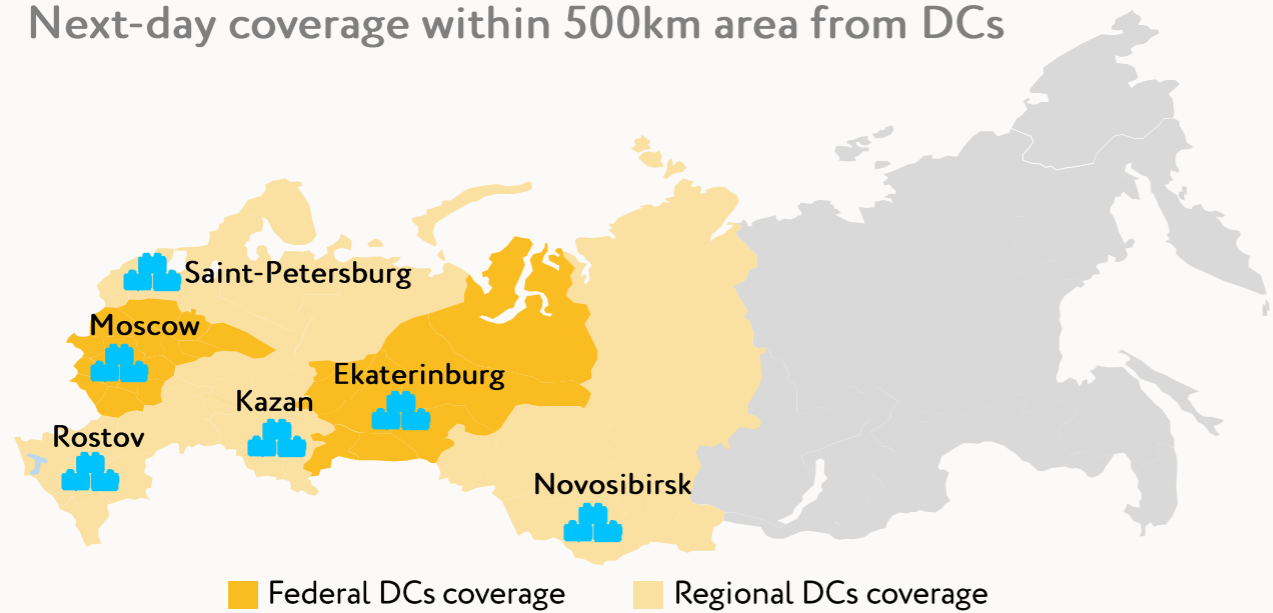
## Omni-channel delivery platform



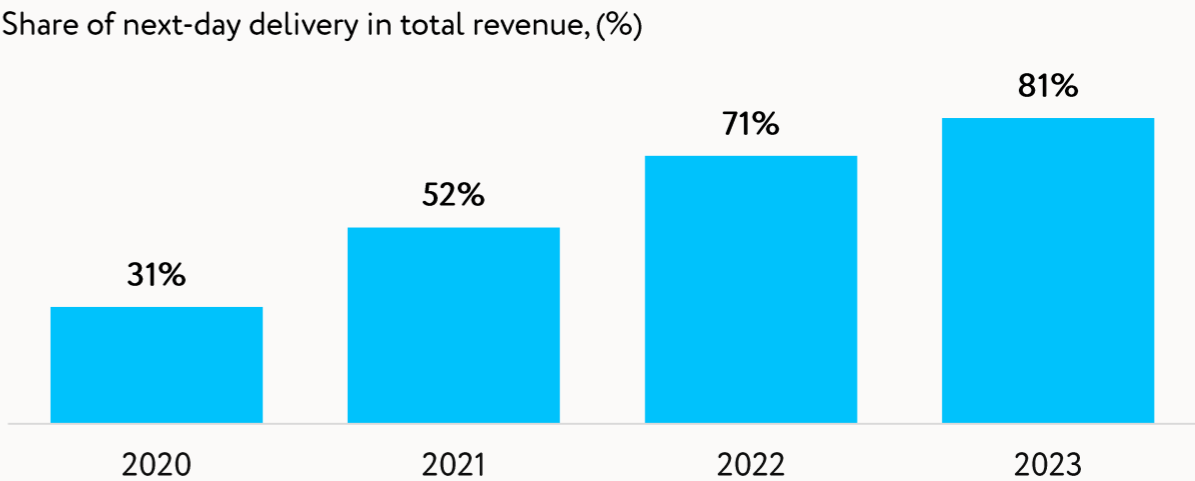
	Main DC	Regional DCs	"Last mile" through retail chain
Assortment	2.4m SKUs	200k SKUs	20k-30k SKUs
Number of locations	2 Main DC <sup>(1)</sup> + 2 DCs in the pipeline	2 Regional DC + 2 DCs in the pipeline	500 stores
Coverage	95% of Russia population	500km from Regional DCs, 84% of Russia population	5km within stores, 30% of Russia population
Speed	1-20 days	Next-day	Same-day ~3 hours

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

Next-day coverage within 500km area from DCs

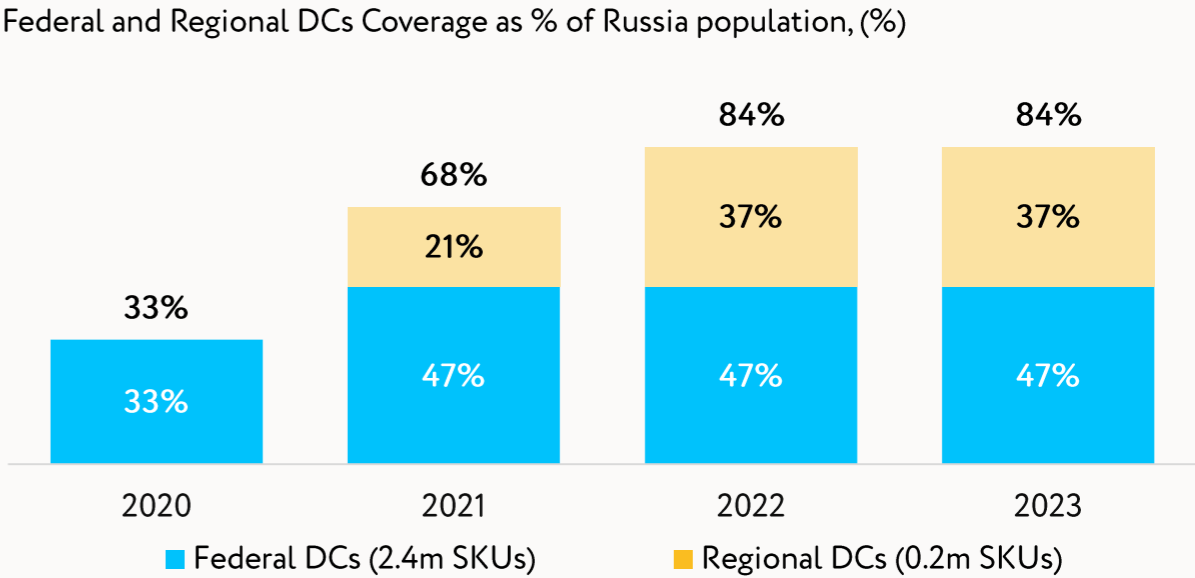


Growing availability of next-day delivery



Distribution centers overview

Distribution center	Launch	SKUs, m	Population, m
Moscow (Bekasovo 1 and 2)	Opened	2.4	48.3
Rostov	Opened	0.2	15.9
Kazan	Opened	0.2	14.9
Ekaterinburg	Q1 2022	2.4	20.5
Saint-Petersburg	Q1 2022	0.2	9.5
Novosibirsk	Q1 2022	0.2	14.4
Federal DC #4	2023	2.4	TBU
Total			123.5



Source: Company data

# Zoozavr – entering promising pets supplies market

## Store Format

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



## Why Zoozavr?

- Russian pet supplies market is large at RUB 296bn (2020)
- Solid market growth outlook
  - 8.3% 2020-24E CAGR, outpacing children's goods
  - Rising pet ownership rate, while children's birth rates are sluggish
  - Same low elasticity to macro as children's goods
- High fragmentation with weak competition
  - Top 5 specialist players account for only 8% market share
  - No highly recognized brand or large, well-funded and efficient player
- Large overlap with children's goods target customers and suppliers

### Performance highlights in 2020

- ✓ ~RUB 350m sales
- ✓ Share of online sales reached 56% in total sales
- ✓ Loyalty program members generated ~75% of total sales

### Immediate steps

- ✓ 70+ new stores in 2021
- ✓ Launch of 7 private labels with 600 SKUs in 1Q'22
- ✓ Develop veterinary supplies category to differentiate vs. online competition



## Entering digital services and products market in mid-term

### Pilot results

- In December 2020, the pilot stage of digital products marketplace was launched in our mobile app
- 20 partners were selected and 70 apps for children and parents added (including parental control and GPS locators, educational apps for toddlers, entertainment and games, etc.)
- 30 new services such as babysitting and dog walking, cleaning, online medicine, husband for an hour services added in March 2021
- In April 2021, we successfully finished a pilot stage, starting to develop a full-fledged platform

### Key benefits

#### For Customers

- High confidence in brand
- Savings from accumulation and using points across multiple products
- Unique customer experience at all touchpoints
- The right content at the right time

#### For Detsky Mir

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

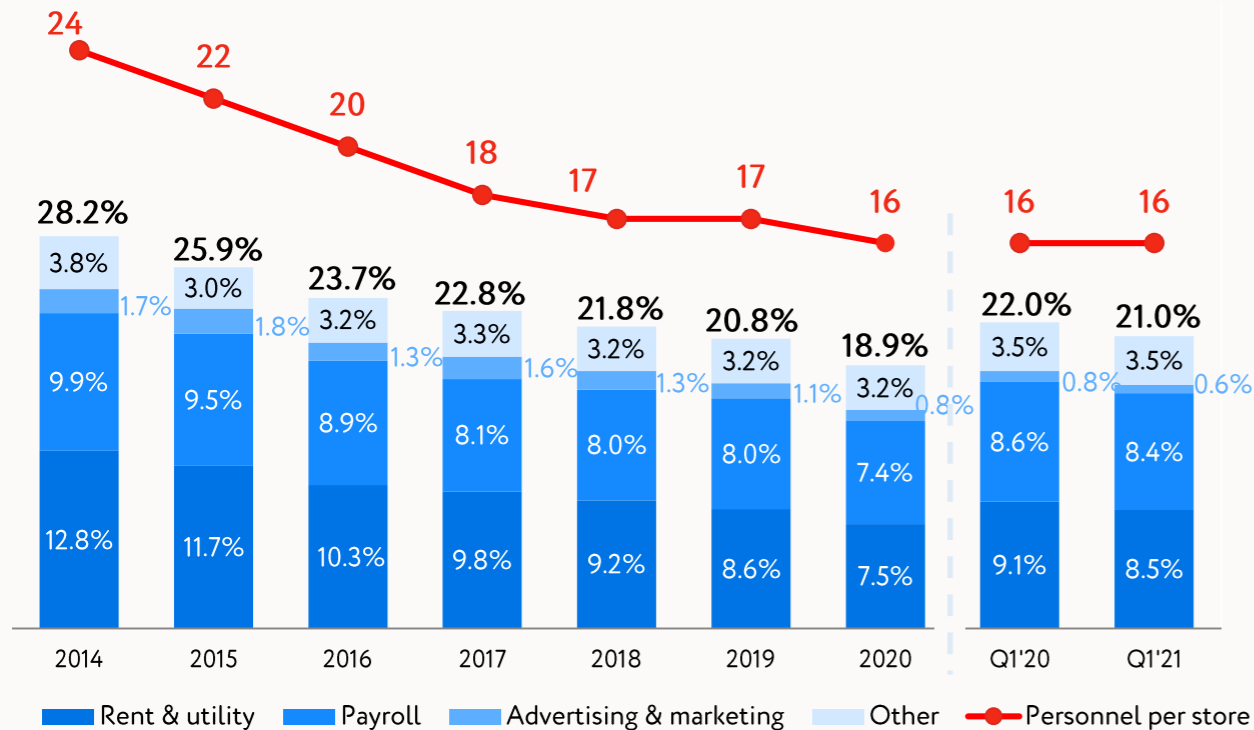
# Focus on execution excellence to achieve superior operating margins

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

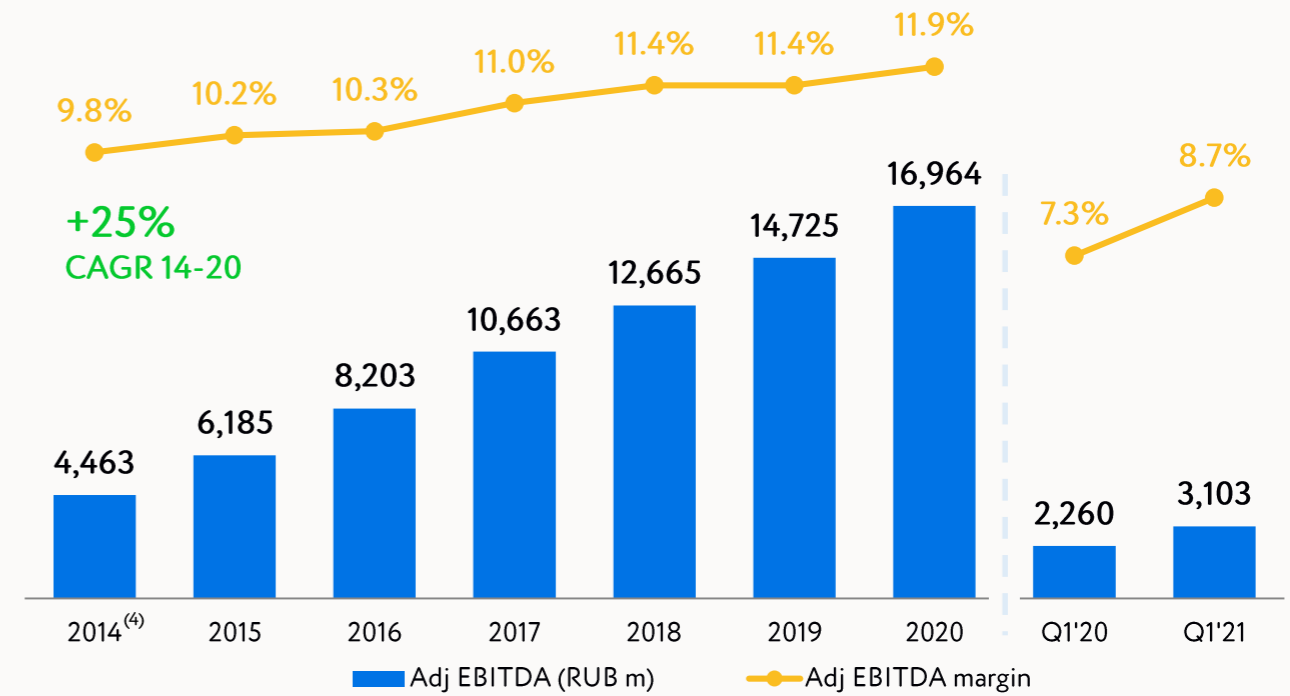
- ✓ Reduction of average personnel per store from 24 in 2014 to 16 in Q1 2021 enabled by greater business processes automation and adoption of advanced software, resulting in reduced time and effort required per transaction
- ✓ Decline in rental costs as % of sales driven by improving sales density and negotiation of favourable rental terms and received discounts from landlords, supported by our status of "anchor" traffic generator for shopping malls
- ✓ Reduction in adjusted SG&A as % of revenue by over 930 bps over 2014-2020 (-100bps YoY in Q1 2021)



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



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



Source: Company data

Note: The Group's consolidated financial statements for 2013 under US GAAP and for 2014-2020 under IFRS and as restated according to IAS 17 for 2018-21. 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 for strong returns on capital and consistent dividend payments

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

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



## Resulting in strong returns ...

	2014	2015	2016	2017	2018	2019	2020
Revenue growth	26%	33%	31%	22%	14%	16%	11%
Selling space growth	22%	26%	21%	15%	12%	10%	6%
Adj. EBITDA <sup>(1)</sup> , RUB bn	4.5 <sup>(2)</sup>	6.2	8.2	10.7	12.7	14.7	17.0
Capex, RUB bn	(1.9)	(5.3)	(1.7)	(2.5)	(3.8)	(3.5)	(2.4)
<b>Dividends, RUB bn</b>	<b>(1.9)</b>	<b>(3.0)</b>	<b>(4.4)</b>	<b>(4.8)</b>	<b>(6.1)</b>	<b>(7.0)</b>	<b>(7.8)</b>
Adj. net debt <sup>(3)</sup> / Adj. EBITDA LTM <sup>(1)</sup>	0.6x	1.7x	1.4x	1.0x	1.4x	1.2x	1.1x
<b>ROIC<sup>(4), (5)</sup></b>	<b>71%</b>	<b>62%</b>	<b>71%</b>	<b>78%</b>	<b>70%</b>	<b>63%</b>	<b>76%</b>

Source: Companies' disclosure and reporting

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

(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)

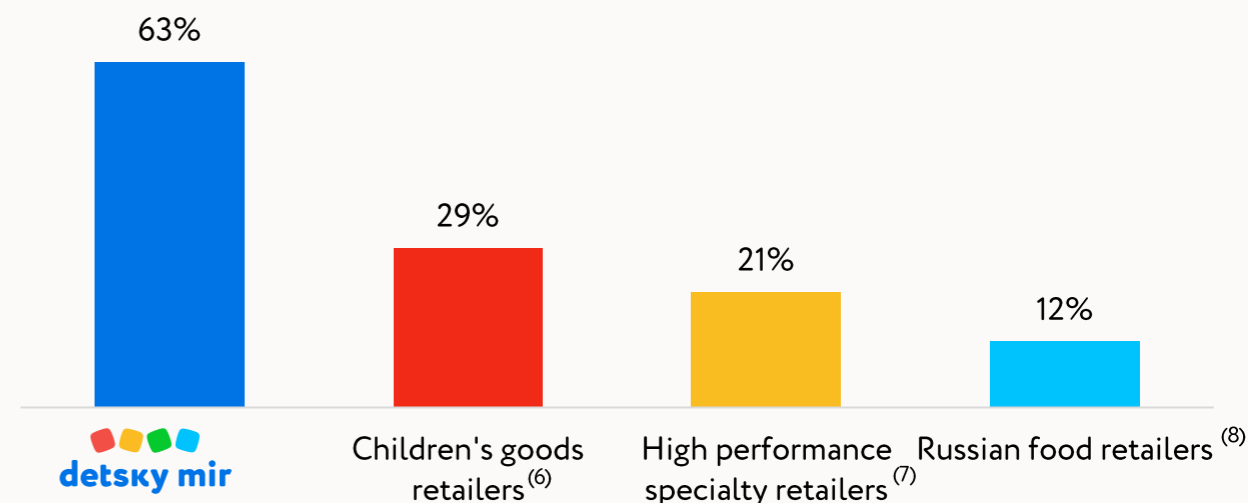
## ... supported by well-controlled rental costs

- 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)



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

FY 2019, median values for respective peer groups



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

(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) Five Below, Children's Place, Carters, Jumbo and Baby Bunting; (7) Clicks, Lojas Renner, LPP, CCC, Raia Drogasil, B&M, Liverpool and XXL; (8) X5, Magnit and Lenta

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

## Highly experienced management



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



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



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



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



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





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



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



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

 Years of sector experience  Years with Detsky Mir

## Management incentive programs

- IPO LTI program completed in Feb 2020
- New LTI program adopted by the Board for the period of 2020-2023
- New programme based on the same principles – c. 40 key employees; payout up to 4.6% of total shareholder return (growth in market capitalization + dividends) over the life of the programme

## Strong governance framework

BoD of 10 members  
with **50% INEDs**  
(incl. **Independent Chairwoman**)

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

Audit, as well as Nomination and Remuneration committees –  
**100% INEDs**

## Prominent shareholder base

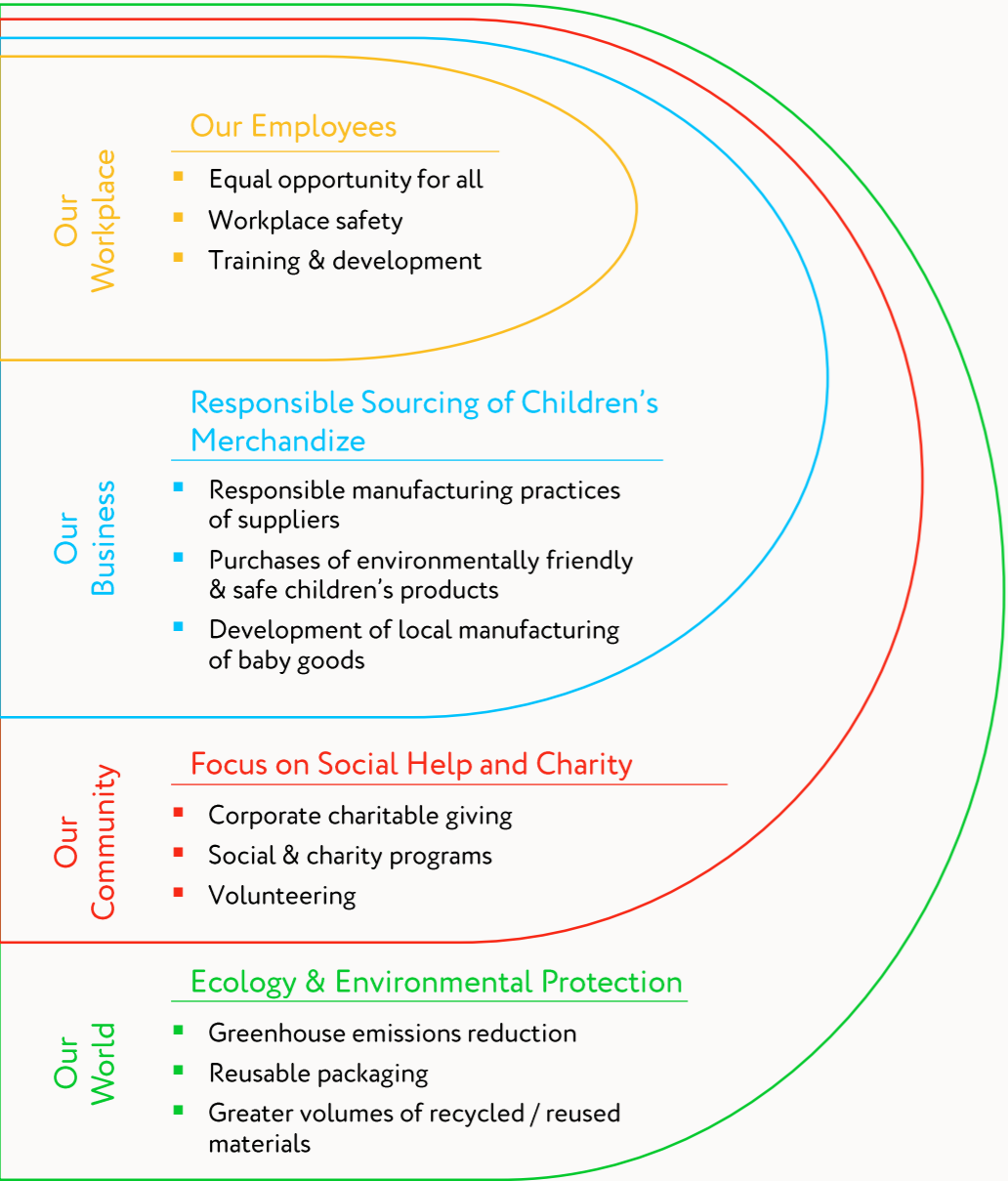
**Altus Capital<sup>(1)</sup> – 25%**  
**Free float<sup>(2)</sup> – 75%**



# 4 ESG

# Focus on ESG evolution

## 4 Pillars of Sustainability Strategy



## Key Achievements in 2020

Sustainable Development Workgroup headed by CFO

Enhanced prerogatives of BoD Strategy & Sustainable Development Committee

ESG Analysis and Road Map

Greenhouse emissions report (1,2&3 scope ratios)

**Extensive work with suppliers**

- 100% signed to Supplier Code of Conduct
- 100% comply with Prohibited & Restricted Chemical List
- Zero Discharge of Hazardous Chemicals program: 69% of purchases in clothing and 37% in shoes

Improved energy efficiency at DCs & stores, eco requirements for transportation & logistics services

Eco programs at stores & offices: collection of clothing, shoes, appliances, batteries & paper for reuse / recycle

## 2021 ESG Targets

Develop & implement long-term Sustainable Development strategy and incorporate it to management incentives

Develop of long-term partnerships and joint initiatives in environmental and responsible waste management areas

Improve ESG ratings (currently "B" from MSCI)

Better Cotton Initiative: 2% share of cotton goods purchased

Audit suppliers' compliance with sustainable development principles

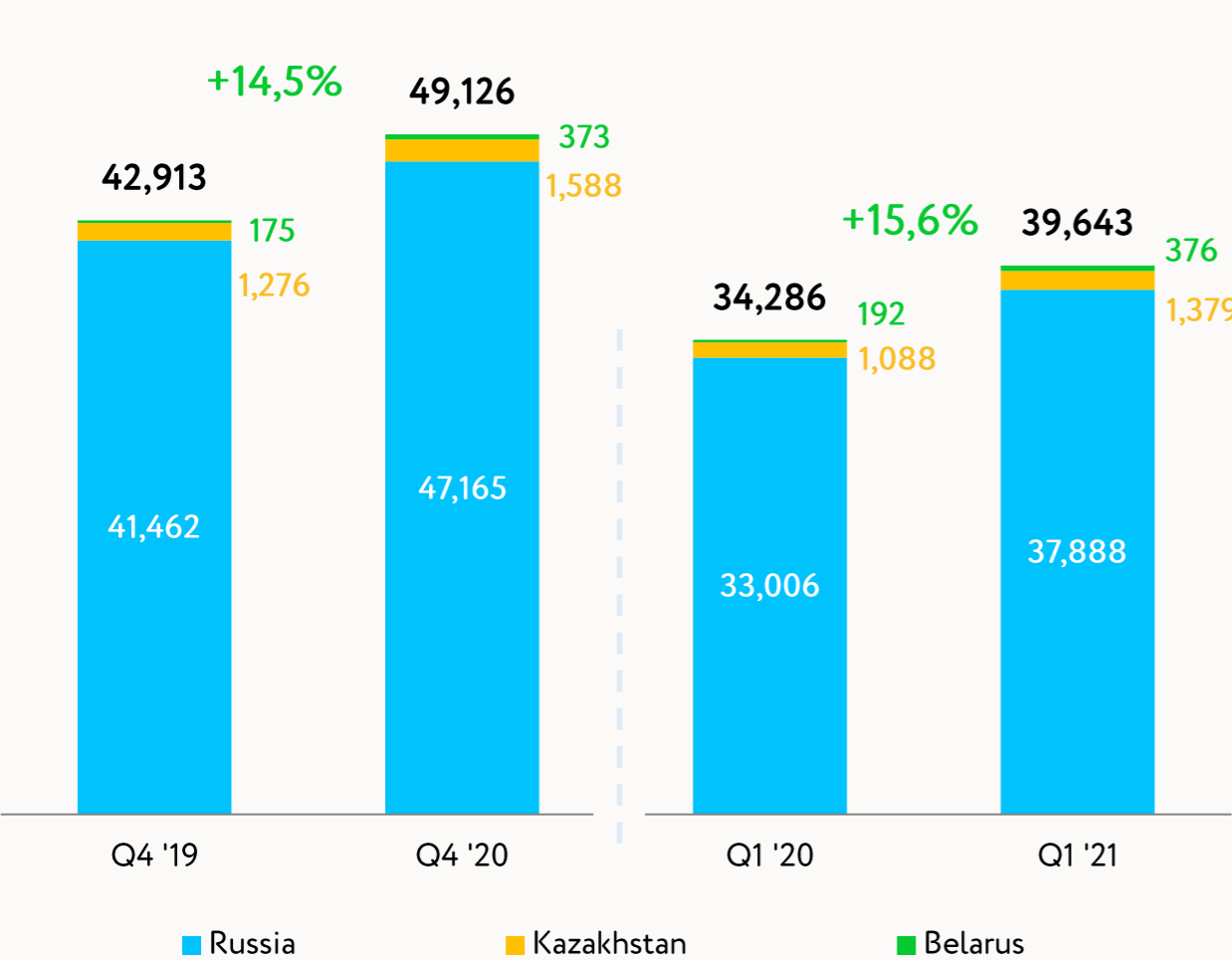
Improve ratio of Zero Discharge of Hazardous Chemicals in clothing and shoes



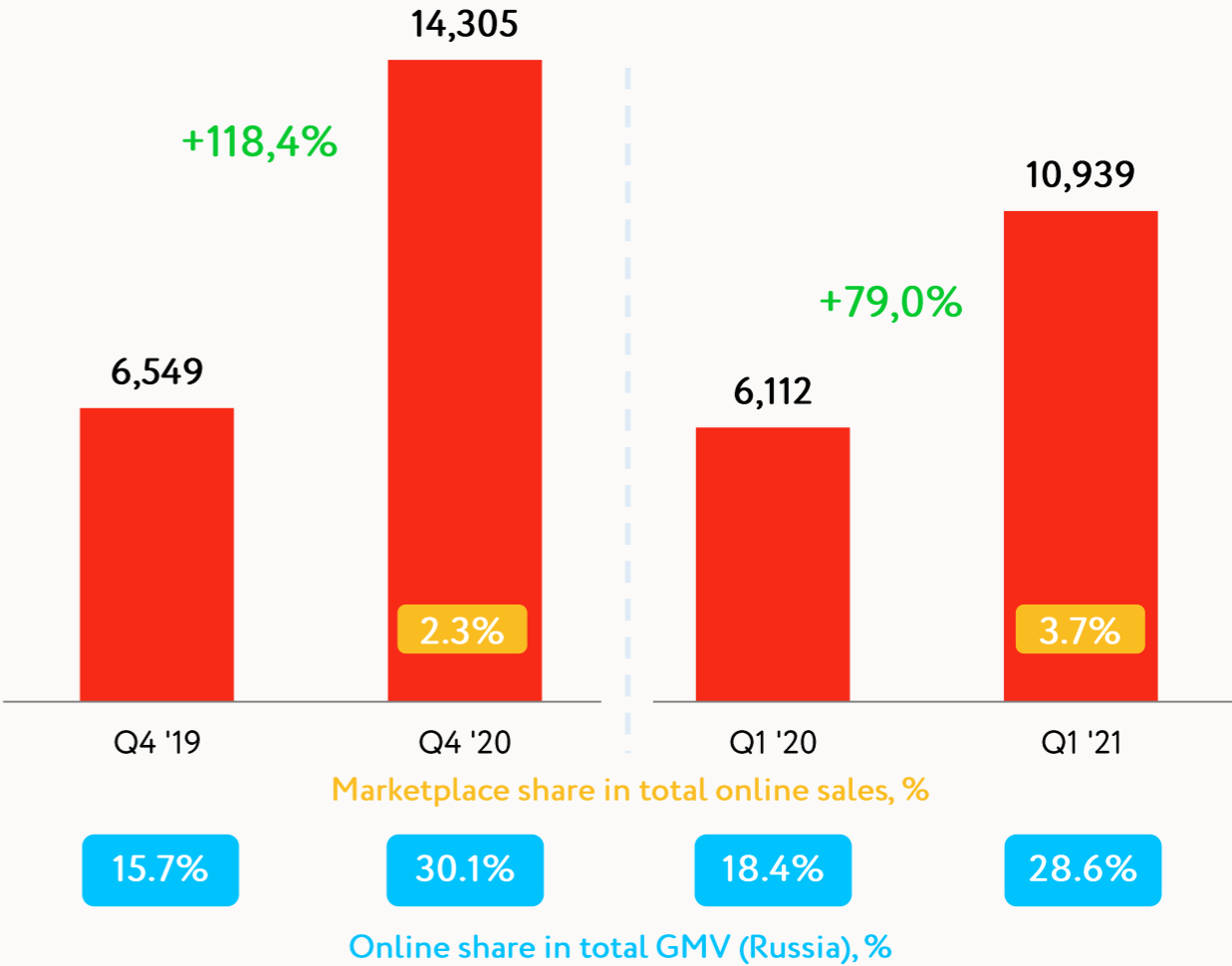
## Recent financial performance

# Continued top-line growth

Total GMV<sup>(1)</sup> growth accelerated...  
(RUB m) incl. VAT



...thanks to explosive growth in online sales<sup>(2)</sup>  
(RUB m) incl. VAT

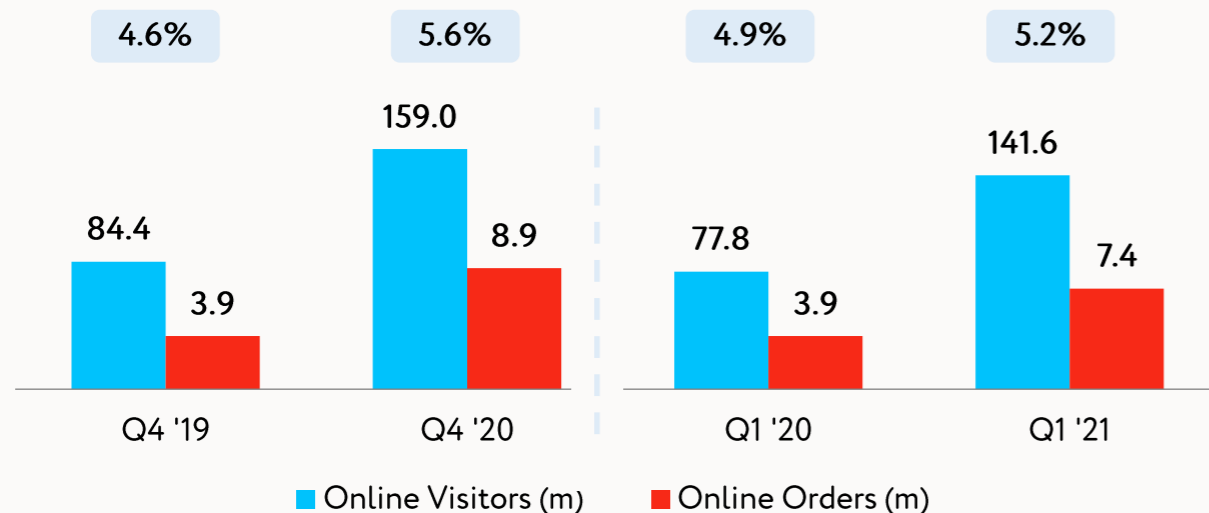


(1) Hereinafter, GMV (gross merchandise value) includes purchases at the Group's retail stores and goods and services sold through the website and mobile application, which may be own or third-party goods and services. GMV includes value added tax, net of discounts given to customers and net of returns and cancelled orders during the reporting period.  
(2) Hereinafter, 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 cancelled orders during the reporting period.  
Source: Company data.

# Solid online performance with strong loyal customer base

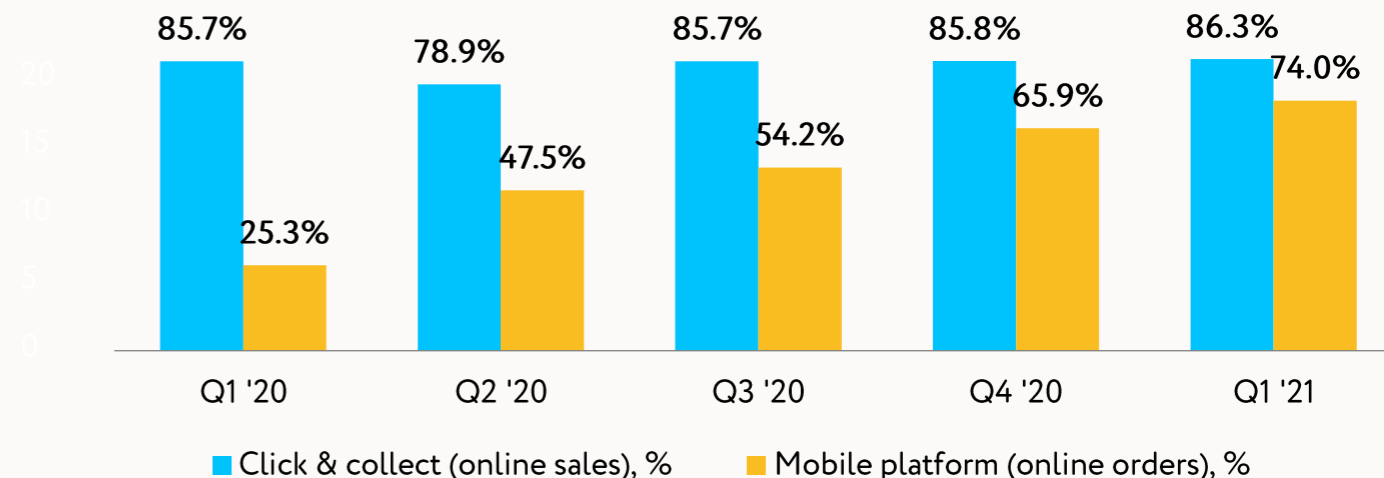
## Continuous growth in traffic and improving conversion rate

(Web and mobile platforms)



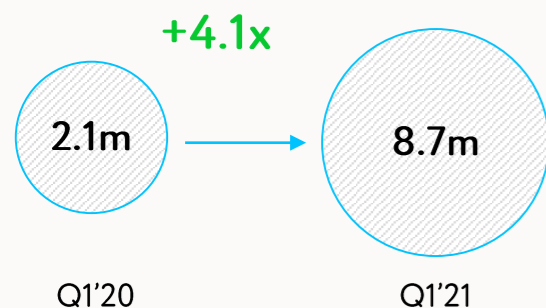
## Click & collect and Mobile app are largest channels

(Russia)

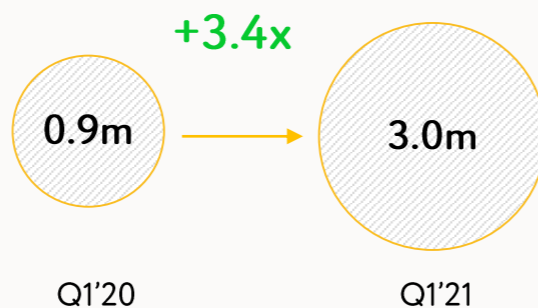


## Healthy mobile app metrics

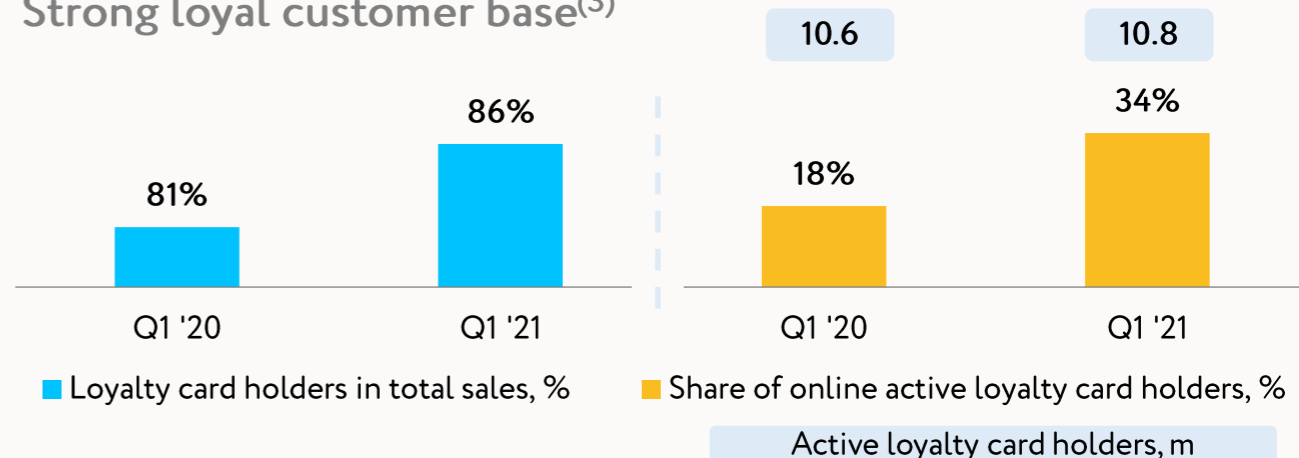
Installations<sup>(1)</sup>



MAU<sup>(2)</sup>



## Strong loyal customer base<sup>(3)</sup>



(1) Reflects the total number of app installations between its launch (December 2019) and the end of the reporting period.

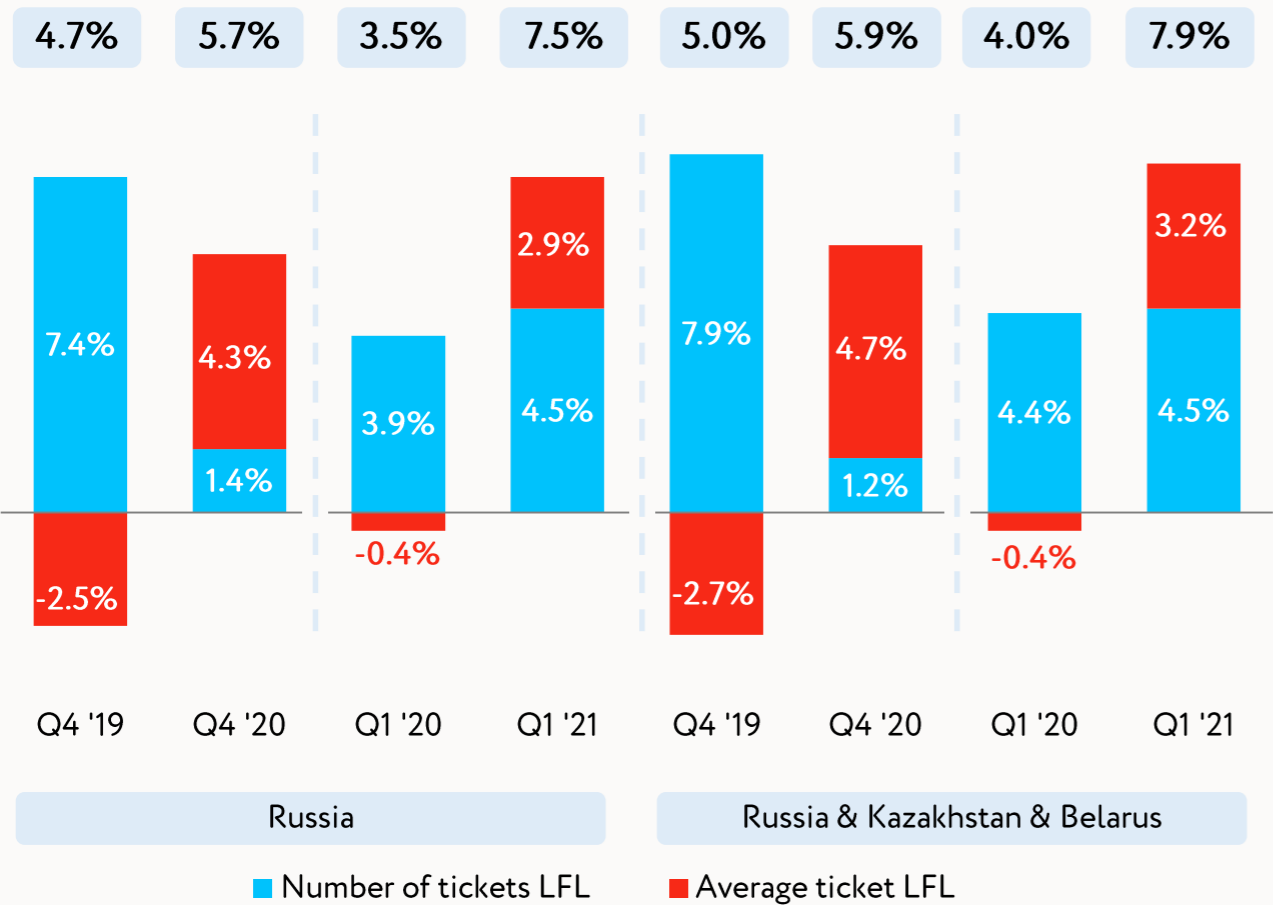
(2) MAU – monthly active users – the average number of active mobile app users in a month.

(3) Cardholders who made at least one purchase at Detsky Mir during the last 12 months are considered active. Online 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 cardholders.

# Retail chain started a trajectory of steady growth

## Robust like-for-like sales<sup>(1)</sup>

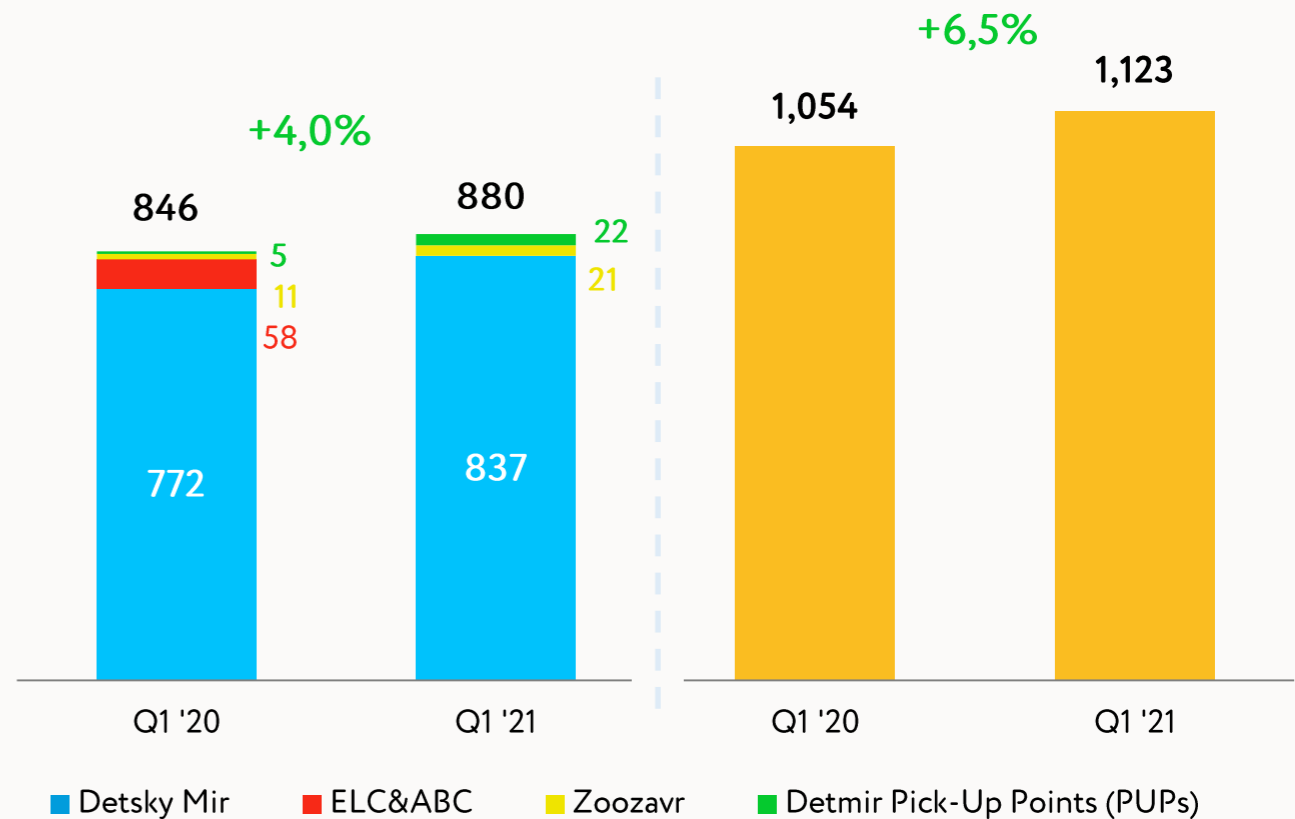
(RUB m)



## Group's retail chains expansion<sup>(2)</sup>

# of stores

Total space (sqm 000s)  
Selling area (80%)



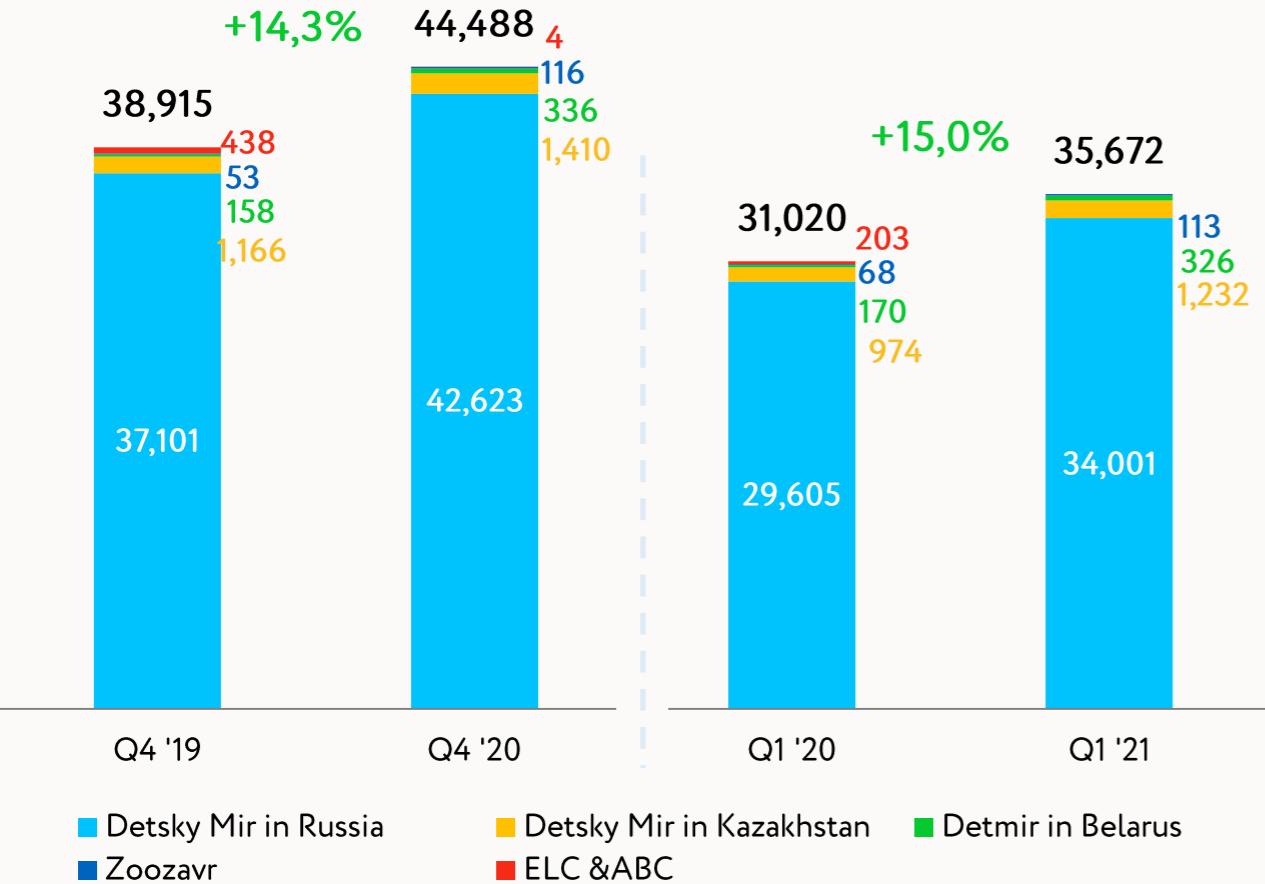
(1) LFL revenue growth in Russian rubles, LFL number of tickets growth and LFL average ticket growth are based on stores in operation for at least 12 full calendar months preceding the reporting date. A store is considered comparable and is included in the calculation of the monthly like-for-like if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

(2) In order to improve margins by accelerating the opening of our small-format Detmir Pickup 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.

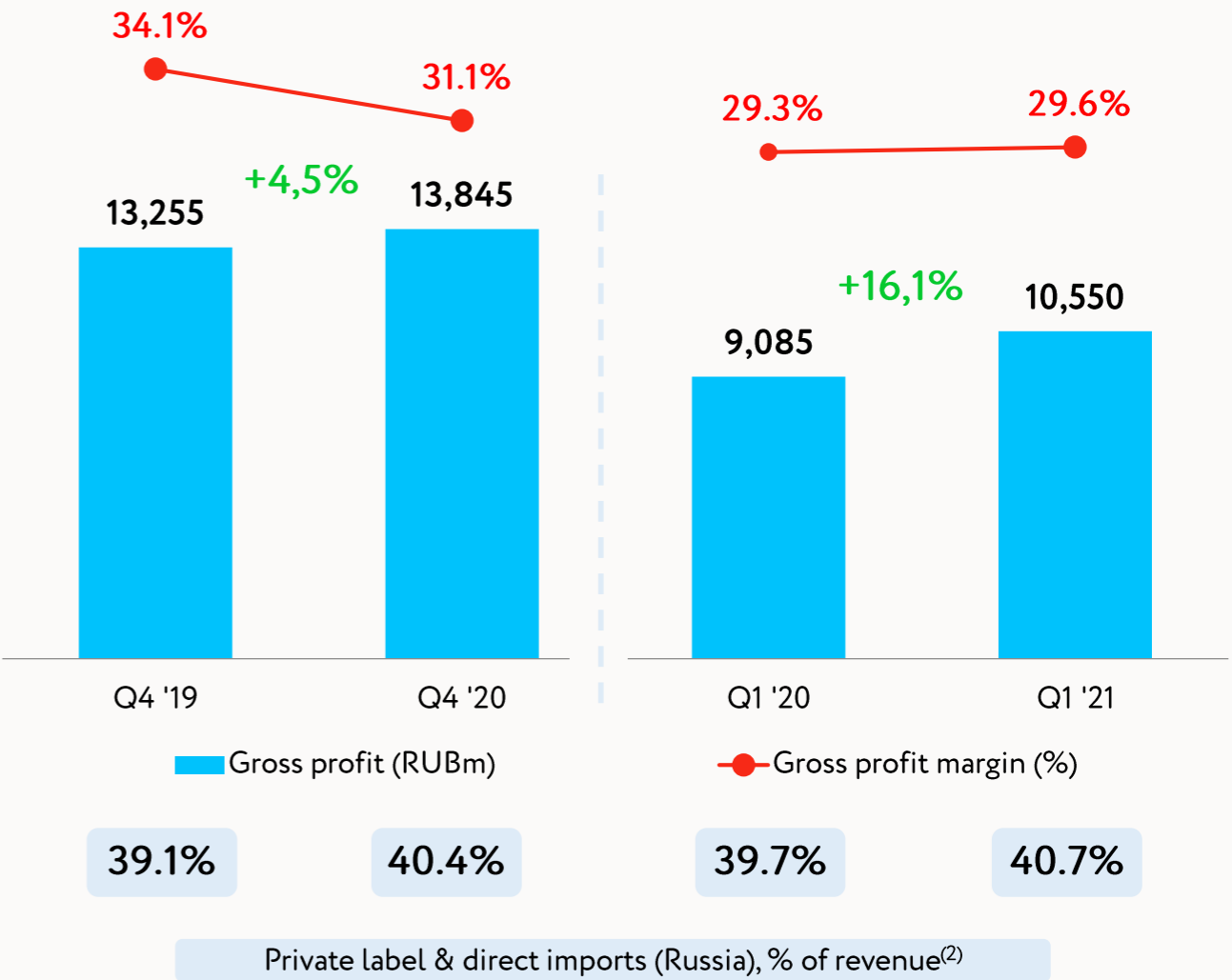
Source: Company data.

# High revenue growth and solid gross margin driven by private-label expansion

Group revenue is growing across all segments<sup>(1)</sup>  
(RUB m)



Keep investing gross margin in price leadership



Source: Company data.

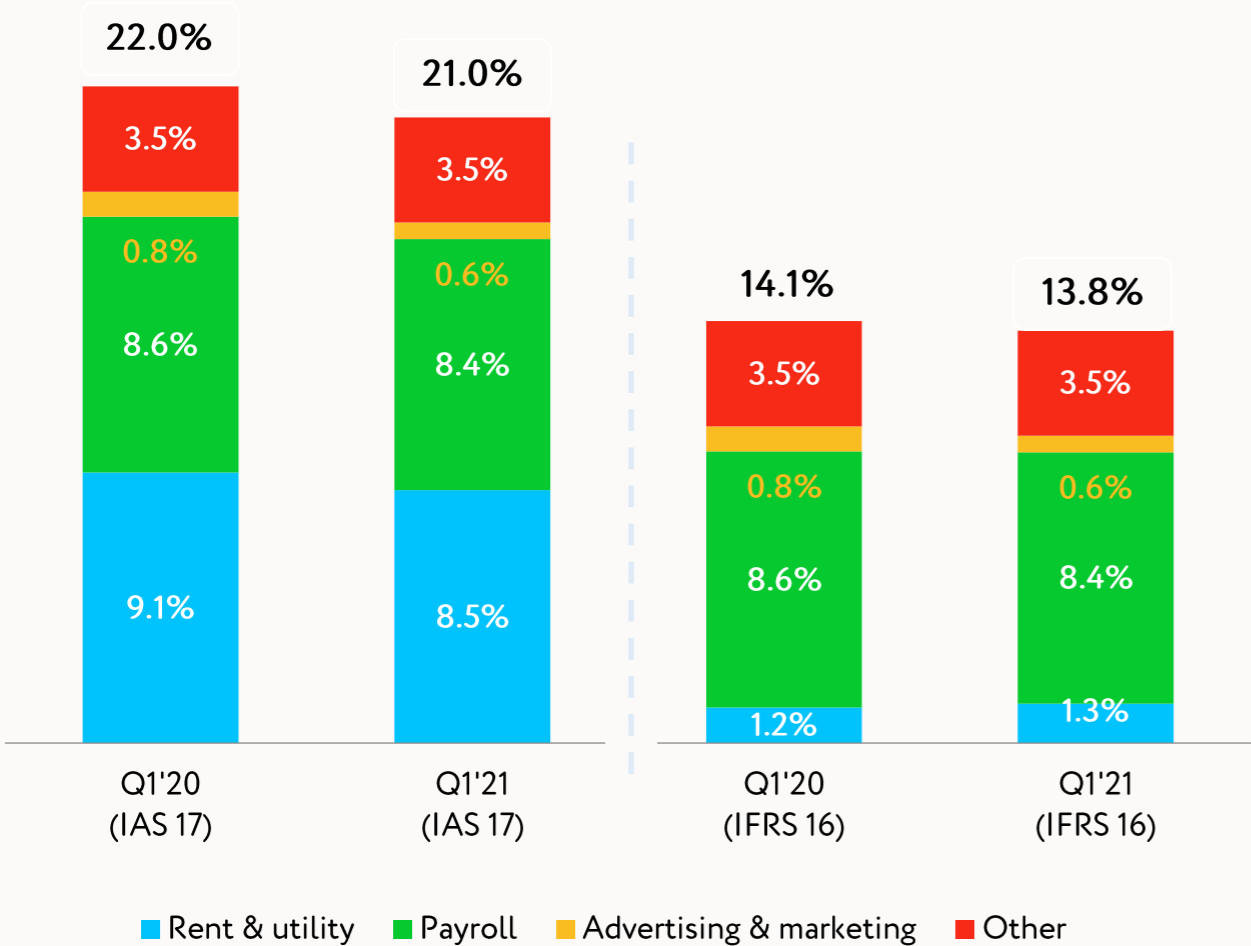
(1) Hereinafter, revenue is net of value added tax and includes revenue from the sale of goods as well as fees charged by the Group to third-party sellers for selling their goods through the Group marketplace. Detsky Mir in Russia includes all sales of children's goods in Russia, as well as the sales results of the Detmir Pickup chain. Zoozavr includes all sales of pet products, including sales made via the Company website and mobile app.

(2) Sales of private labels and direct imports in Russia include sales of all children's goods in Russia, including through the Company website and mobile application.

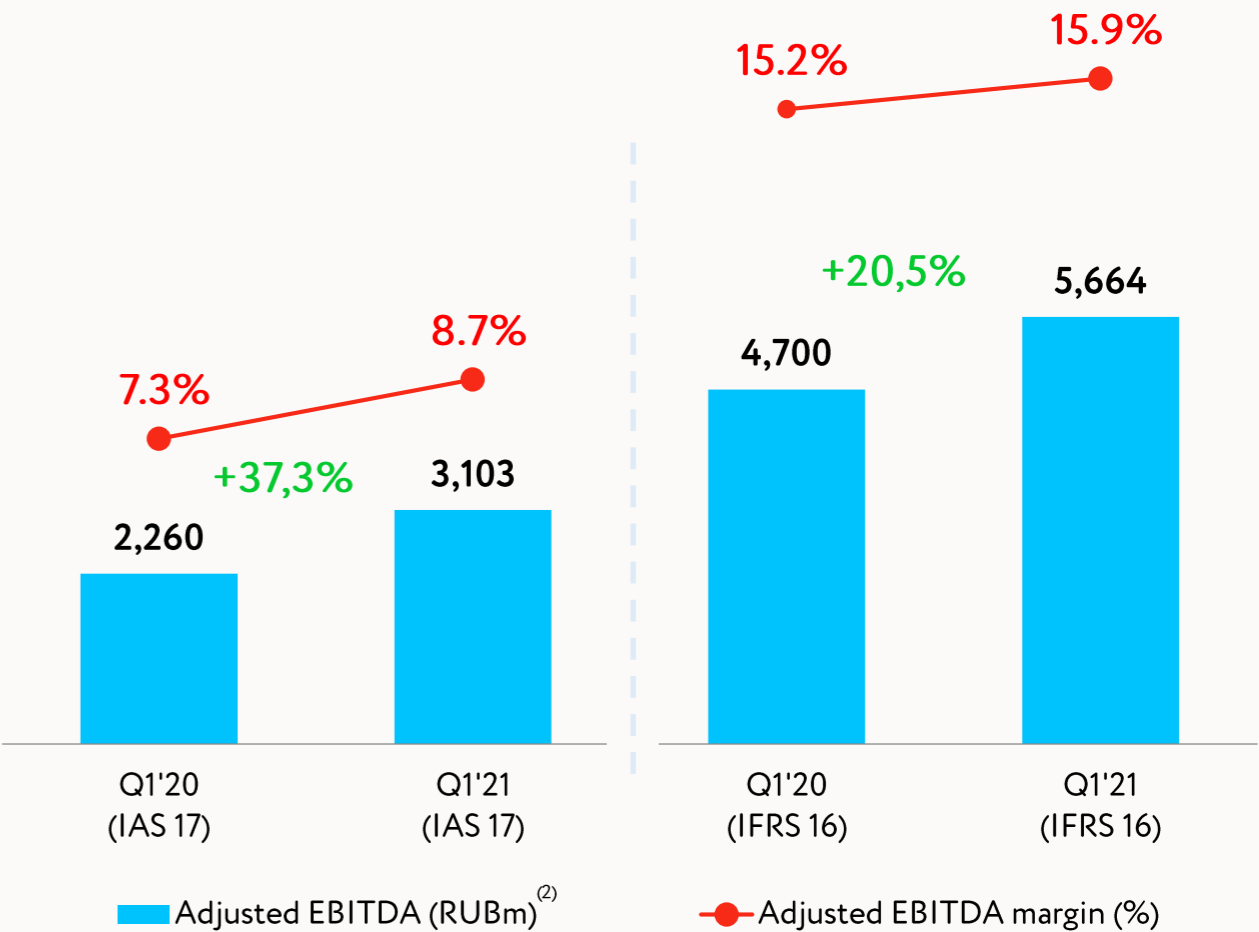
# Consistently strong profitability

## Optimising payroll and rental costs...

Adjusted SG&A expenses<sup>(1)</sup> as % of revenue



## ... drive solid profitability



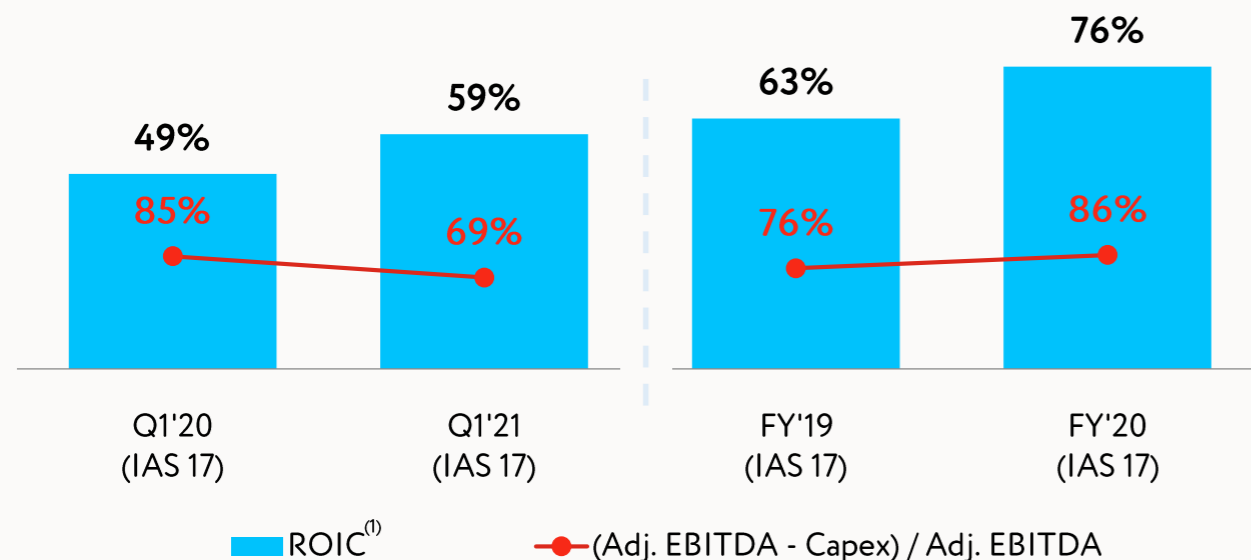
(1) Hereinafter, adjusted selling, general and administrative expenses is calculated as selling, general and administrative expenses adjusted for depreciation and amortisation expenses, additional share-based compensation expense and cash bonuses under the LTI program.  
(2) Hereinafter, adjusted EBITDA 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.  
Source: Company data.

# Strong cash flow conversion

## Comments

- Improvement in operating cash flow driven by high EBITDA growth and decrease in NWC investments
- Low finance expense on the back of decrease in debt and interest rate
- Disciplined capex focused on store openings and selective investments in IT and infrastructure; limited maintenance capex requirements
  - Capex grew by 2.8x YoY due to an advance payment for the construction of the third federal distribution center, located in the Ural region (RUB 688 m)

## Strong return on investment capital



## Cash flow evolution

(RUB m)	Q1'20 IAS 17	Q1'21 IAS 17	Q1'20 IFRS 16	Q1'21 IFRS 16
Adjusted EBITDA	2,260	3,103	4,700	5,664
Changes in NWC	(7,680)	(7,368)	(7,616)	(7,280)
Cash income taxes paid	(702)	(928)	(702)	(928)
Net finance expense paid	(179)	(121)	(821)	(652)
Other operating cash flow	(79)	371	(81)	357
<b>Operating cash flow</b>	<b>(6,380)</b>	<b>(4,944)</b>	<b>(4,520)</b>	<b>(2,839)</b>
CAPEX	(338)	(950)	(338)	(950)
DC construction	(28)	(668)	(28)	(668)
Store openings, IT & maintenance	(310)	(262)	(310)	(262)
<b>Free cash flow</b>	<b>(6,718)</b>	<b>(5,894)</b>	<b>(4,858)</b>	<b>(3,789)</b>
Investment cash flow	(326)	(945)	(326)	(945)
Financial cash flow	15,754	5,273	13,894	3,168
<b>Change in cash</b>	<b>9,048</b>	<b>(616)</b>	<b>9,048</b>	<b>(616)</b>
Effect of changes in foreign exchange rates	19	(196)	19	(196)

(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).  
 Source: Company data.

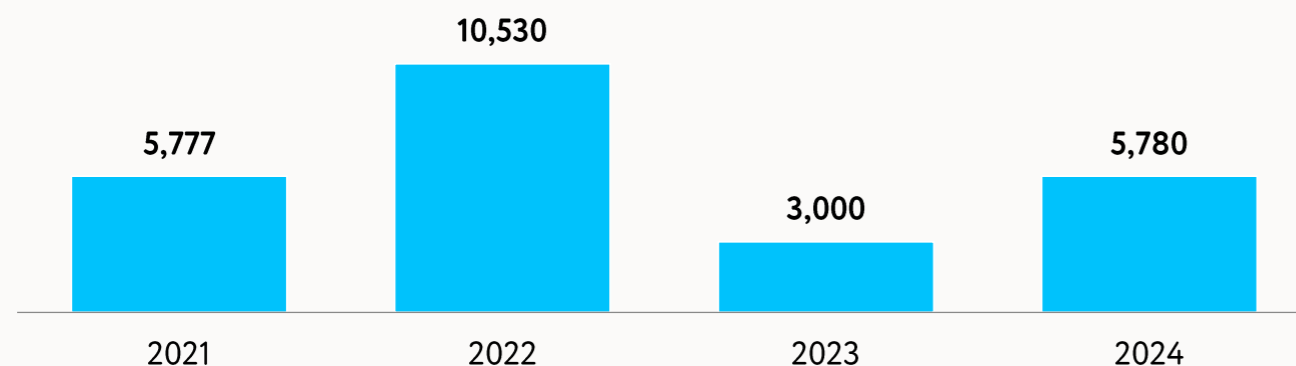
# Conservative financial policy

## 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 March 2021 is 1.4 vs. 4.0x average covenant level across the loan portfolio (IAS 17)
  - Decreased YoY thanks to CAPEX and NWC optimisation
- Weighted average interest rate<sup>(1)</sup> – 6.6% (as of Q1'21)
- No contingent off-balance sheet liabilities
- Available undrawn credit limit of RUB 32.5 bn for refinancing of the current credit portfolio aiming at its further diversification

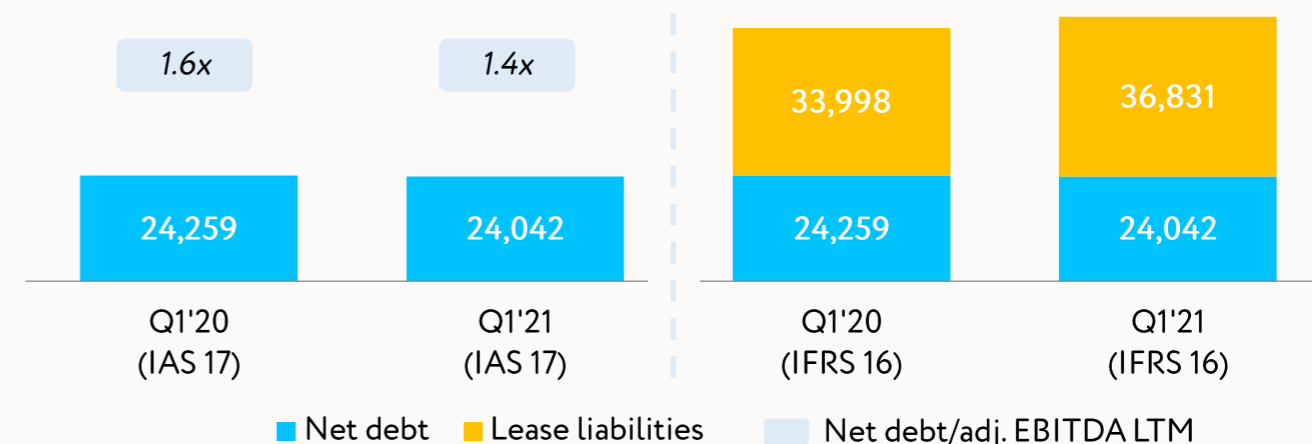
## Debt maturities as of 31 March 2021

(RUB m)



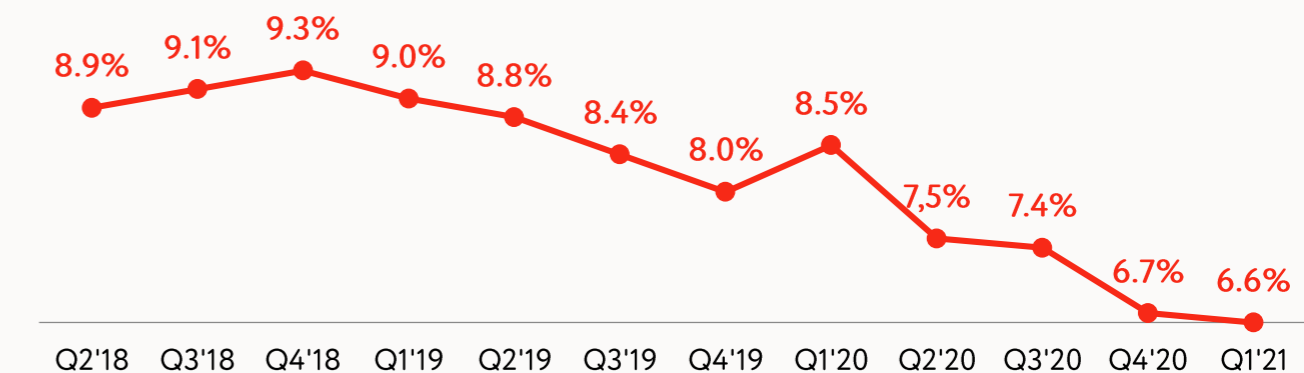
## Leverage

Q1'21 total debt – RUB 25.1 bn



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

(%)



(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.  
Source: Company data

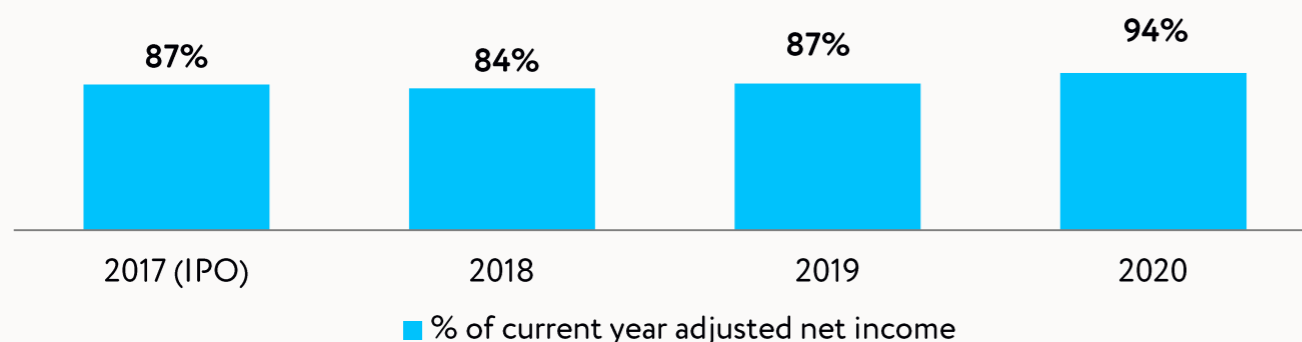
# Sustainably high returns to shareholders

## 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)
- In 2020, Detsky Mir paid out final dividends of RUB 4.1 bn for Q4 2019, as well as interim dividends of RUB 3.7 bn for 9m 2020
- FX losses of RUB 2.1 bn affected adjusted net profit in FY'20 (69% non-cash)
- Executive Board will recommend to pay out the full net profit for Q4'20 as a final dividend of RUB 4.5 bn (+10.8% YoY) in 2021

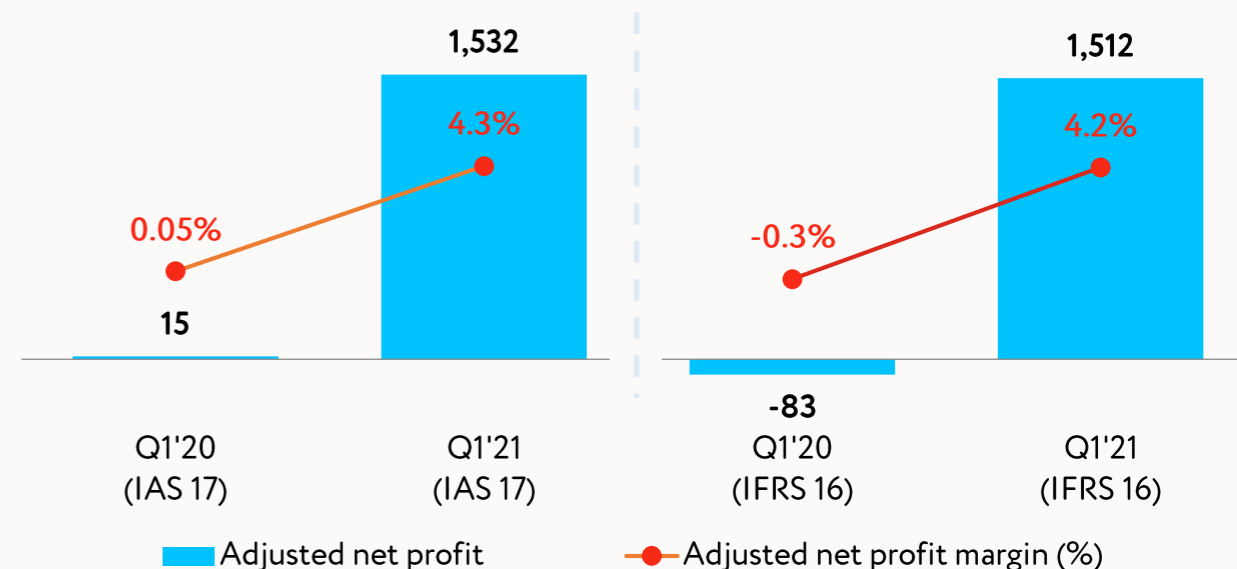
## Dividends as % of adjusted net income

(IAS 17)



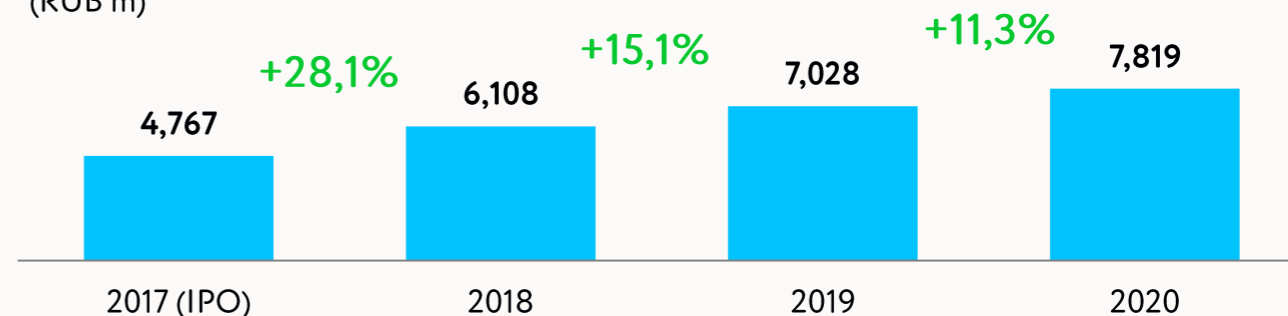
## Adjusted net income<sup>(1)</sup>

(RUB m)



## History of declared dividends

(RUB m)



(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  
Source: Company data







# Short and mid-term guidance reiterated

	FY2020	Guidance
New store openings	<ul style="list-style-type: none"> <li>Detsky Mir: 71</li> <li>Detmir PUP: 12</li> <li>Zoozavr: 10</li> </ul>	<ul style="list-style-type: none"> <li>Detsky Mir: 70 in 2021; 230 in medium-term</li> <li>Detmir PUP: 100 in 2021; 800 in medium-term</li> <li>Zoozavr: 70 in 2021; 500 in medium-term</li> </ul>
Revenue	<ul style="list-style-type: none"> <li>3.9% total LFL growth (RUS &amp; KZ)</li> <li>11.0% total revenue growth</li> <li>Share of online sales at 25%</li> </ul>	<ul style="list-style-type: none"> <li>New strategic initiatives (Zoozavr, Detmir PUP, Marketplace) allow the Company to double total GMV in medium-term</li> <li>Online sales share increased to 45% in medium-term</li> </ul>
Adjusted EBITDA margin	<ul style="list-style-type: none"> <li>11.9% under IAS17</li> <li>18.0% under IFRS16</li> <li>30.8% gross margin</li> <li>Rent &amp; utility expenses of 7.5% and personnel expenses of 7.4% of sales</li> </ul>	<ul style="list-style-type: none"> <li>10% area under IAS17</li> <li>Double-digit under IFRS16</li> <li>Continued gross margin investment in traffic</li> <li>Grow share of higher-margin PL sales to ~60%</li> <li>Reduced personnel &amp; rental expense margins thanks to efficiency</li> </ul>
Leverage	<ul style="list-style-type: none"> <li>1.1x leverage</li> </ul>	<ul style="list-style-type: none"> <li>Disciplined financial policy with target leverage below 2.0x despite accelerated investment in logistics and IT</li> </ul>
Dividends	<ul style="list-style-type: none"> <li>94% of IFRS net income</li> <li>100% of RAS net income</li> </ul>	<ul style="list-style-type: none"> <li>Payout ratio of at least 50% of IFRS net income (IAS17)</li> <li>Management recommendation - 100% of RAS net income</li> </ul>



# 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 <sup>st</sup> child	–	RUB 483k
 2 <sup>nd</sup> child	RUB 467k	RUB 156k
 3 <sup>rd</sup> child	–	RUB 639k
 1 <sup>st</sup> child	c. 540k children	
 2 <sup>nd</sup> child	c.560k children	
 3 <sup>rd</sup> child	c.230k children	
Total program	c. RUB 260bn	C.RUB 450bn
Cumulative incremental funds available	+RUB 190bn	

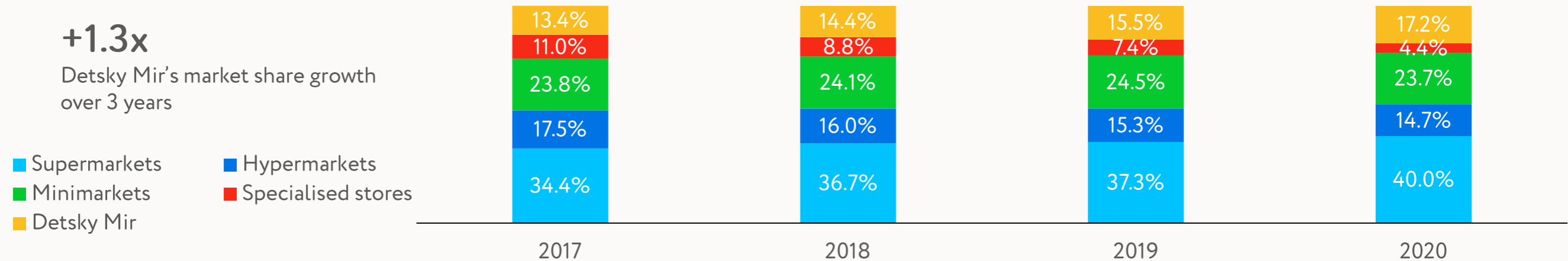
- New measures announced in the President's address to the nation on 15 January 2020
  - Approved by the State Duma and the Federation Council on 20 February 2020 and 26 February 2020, respectively
- Strictly defined use of proceeds, overwhelmingly linked to purchases of housing and compensation of mortgage 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

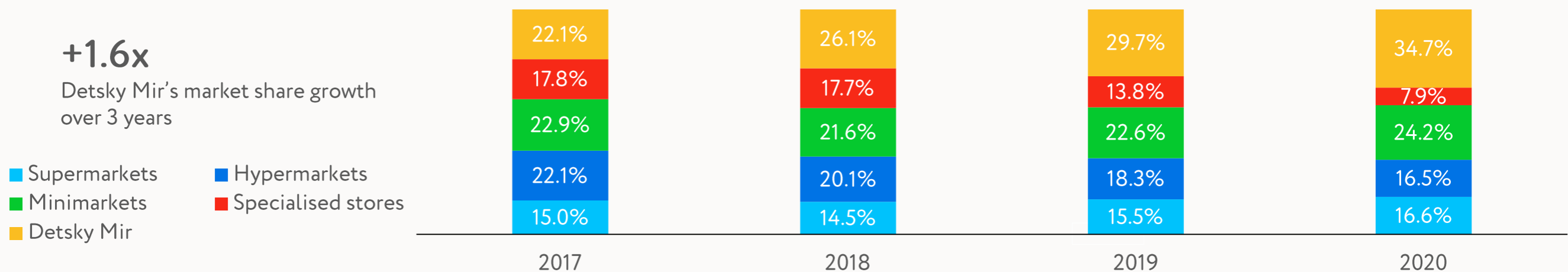
- One-off payments related to COVID-19
  - RUB 15thd per child in Q2 2020 for children <3 years old
  - RUB 10thd per child for children 3-16 years old in June
  - RUB 10thd per child for children <16 years old in July
  - RUB 5thd per child for children <8 years old in December
- Ongoing support for 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



## Diapers sales by channel in Russia



# Top management compensation structure overview

## Annual compensation structure

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

## Last LTI programme

### At IPO

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

### After IPO

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

## New equity-based compensation programme

### The new 3-year LTIP

- Approved by the Board of Directors in October 2019
- Covers the 3-year period from the end date of the previous program (Feb 8, 2020) to February 7, 2023
- Senior management team in continuing employment by the Company and in program membership as of April 30, 2024 will be eligible for the Company's share grants and cash payments from a bonus fund valued at up to 4.6% of the increase in the Company's stock market value (incl. dividend payments) over the period. The new LTIP includes more than 40 key employees of the Company

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

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

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

# Consolidated statement of profit or loss highlights

Russian Ruble (RUB), million	IAS 17		Change YoY	IFRS 16	
	Q1 2020	Q1 2021		Q1 2020	Q1 2021
<b>Revenue</b>	<b>31,020</b>	<b>35,672</b>	<b>+15.0%</b>	<b>31,020</b>	<b>35,672</b>
<b>Gross profit</b>	<b>9,085</b>	<b>10,550</b>	<b>+16.1%</b>	<b>9,085</b>	<b>10,550</b>
<i>% of revenue</i>	<i>29.3%</i>	<i>29.6%</i>	<i>+0.3 p.p.</i>	<i>29.3%</i>	<i>29.6%</i>
<b>Selling general and administrative expenses<sup>(1)</sup></b>	<b>(6,826)</b>	<b>(7,479)</b>	<b>+9.6%</b>	<b>(4,386)</b>	<b>(4,928)</b>
<i>% of revenue</i>	<i>(22.0%)</i>	<i>(21.0%)</i>	<i>(1.0 p.p.)</i>	<i>(14.1%)</i>	<i>(13.8%)</i>
<b>Other operating expenses</b>	<b>1</b>	<b>31</b>	<b>-</b>	<b>1</b>	<b>41</b>
<b>EBITDA</b>	<b>1,922</b>	<b>2,830</b>	<b>+47.2%</b>	<b>4,362</b>	<b>5,391</b>
<i>% of revenue</i>	<i>6.2%</i>	<i>7.9%</i>	<i>+1.7 p.p.</i>	<i>14.1%</i>	<i>15.1%</i>
<b>Adjusted EBITDA<sup>(2)</sup></b>	<b>2,260</b>	<b>3,103</b>	<b>+37.3%</b>	<b>4,700</b>	<b>5,664</b>
<i>% of revenue</i>	<i>7.3%</i>	<i>8.7%</i>	<i>+1.4 p.p.</i>	<i>15.2%</i>	<i>15.9%</i>
<b>Profit/(loss) for the period</b>	<b>(255)</b>	<b>1,313</b>	<b>-</b>	<b>(353)</b>	<b>1,294</b>
<i>% of revenue</i>	<i>(0.8%)</i>	<i>3.7%</i>	<i>+4.5 p.p.</i>	<i>(1.1%)</i>	<i>3.6%</i>
<b>Adjusted profit/(loss) for the period<sup>(3)</sup></b>	<b>15</b>	<b>1,532</b>	<b>-</b>	<b>(83)</b>	<b>1,512</b>
<i>% of revenue</i>	<i>0.05%</i>	<i>4.3%</i>	<i>+4.2 p.p.</i>	<i>(0.3%)</i>	<i>4.2%</i>

Note: The Company has applied IFRS 16 "Leases" for its unaudited financial results beginning on January 1, 2018. However, this table provides a comparison of key financial indicators on an IAS 17 basis, as in management's opinion, this approach allows the Company to more accurately assess the trends and dynamics of its business growth. This table also provides our financial results on an IFRS 16 basis.

(1) Selling, general and administrative expenses is calculated as selling, general and administrative expenses adjusted for depreciation and amortization expenses, additional share-based compensation expense and cash bonuses under the LTI program.

(2) Adjusted 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.

(3) Adjusted net profit is calculated as profit for the period adjusted for the share-based compensation expense and cash bonuses under the LTI program.

Source: Company data

# Consolidated statement of financial position

Russian Ruble (RUB), million	IAS 17		IFRS 16	
	Q1 2020	Q1 2021	Q1 2020	Q1 2021
<b>ASSETS</b>				
Non-current assets	13,199	13,157	45,651	47,498
Property, plant and equipment	9,472	9,654	9,472	9,654
Intangible assets	1,346	1,442	1,346	1,442
Right-of-use assets	2,134	1,836	32,113	33,760
Other non-current assets	247	225	2,720	2,642
Current assets	52,879	49,160	52,512	48,802
Inventories	38,121	42,827	38,121	42,827
Trade receivables	1,719	3,091	1,719	3,091
Cash and cash equivalents	10,836	1,014	10,836	1,014
Other current assets	2,203	2,228	1,836	1,870
<b>TOTAL ASSETS</b>	<b>66,078</b>	<b>62,317</b>	<b>98,163</b>	<b>96,300</b>
<b>EQUITY AND LIABILITIES</b>				
Liabilities	66,449	60,896	100,300	97,597
Long-term loans and borrowings	14,700	19,310	14,700	19,310
Lease liabilities (non-current)	-	-	26,853	28,579
Other non-current liabilities	100	90	100	90
Short-term loans and borrowings	20,395	5,746	20,395	5,746
Lease liabilities (current)	-	-	7,144	8,252
Trade payables	25,925	29,204	25,925	29,204
Other current liabilities	5,329	6,546	5,183	6,416
<b>Total equity/ (equity deficit)</b>	<b>(371)</b>	<b>1,421</b>	<b>(2,137)</b>	<b>(1,297)</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>66,078</b>	<b>62,317</b>	<b>98,163</b>	<b>96,300</b>

Source: Company data

# Consolidated statement of cash flow

Russian Ruble (RUB), million	IAS 17		IFRS 16	
	Q1 2020	Q1 2021	Q1 2020	Q1 2021
<b>OPERATING ACTIVITIES:</b>				
Profit/(loss) for the period	(255)	1,313	(353)	1,294
Non-cash adjustments	2,436	2,158	4,972	4,727
Changes in working capital	(7,680)	(7,366)	(7,616)	(7,280)
Interest paid	(187)	(123)	(829)	(654)
Interest received	8	2	8	2
Income tax paid	(702)	(928)	(702)	(928)
<b>Net cash used in operating activities</b>	<b>(6,380)</b>	<b>(4,944)</b>	<b>(4,520)</b>	<b>(2,839)</b>
<b>INVESTING ACTIVITIES:</b>				
Payments for property, plant and equipment	(294)	(871)	(294)	(871)
Payments for intangible assets	(44)	(79)	(44)	(79)
Proceeds from sale of property, plant and equipment	12	5	12	5
<b>Net cash used in investing activities</b>	<b>(326)</b>	<b>(945)</b>	<b>(326)</b>	<b>(945)</b>
<b>FINANCING ACTIVITIES:</b>				
Purchase of treasury shares	(90)	-	(90)	-
Repayment of loans and borrowings	(16,386)	(14,407)	(16,386)	(14,407)
Lease payments	-	-	(1,860)	(2,105)
Proceeds from loans and borrowings	32,230	19,680	32,230	19,680
<b>Net cash generated by financing activities</b>	<b>15,754</b>	<b>5,273</b>	<b>13,894</b>	<b>3,168</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>9,048</b>	<b>(616)</b>	<b>9,048</b>	<b>(616)</b>
<b>Cash and cash equivalents, beginning of the period</b>	<b>1,769</b>	<b>1,826</b>	<b>1,769</b>	<b>1,826</b>
Effect of changes in foreign exchange rates on cash and cash equivalents	19	(196)	19	(196)
<b>Cash and cash equivalents, end of the period</b>	<b>10,836</b>	<b>1,014</b>	<b>10,836</b>	<b>1,014</b>

# Contact information

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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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