

M.Video-Eldorado Group announces operating results for 1Q 2020 and full transformation into online business

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28 April 2020, Moscow, Russia. PJSC M.Video (M.Video-Eldorado Group, the Company, or the Group; MOEX: MVID), Russia's largest consumer electronics retailer by revenue and part of SAFMAR Group owned by Mikhail Gutseriev, releases its combined unaudited net sales and like-for-like sales results for the first quarter ended 31 March 2020 and publishes its business overview and key events in Q1 2020 and after the reporting date.

1Q 2020 highlights

- The Group's net sales rose by 19.8% year-on-year to RUB 121.5 billion (incl. VAT).
- Total online sales (TOS)[\[1\]](#) grew by 80% year-on-year to RUB 56.7 billion (incl. VAT), accounting for 46.7% of total sales.
- Like-for-like (LFL) sales added 13.5% vs 1Q 2019 and 15.1% vs 1Q 2018.
- The total store count was 1,038 as at 31 March 2020, up 83 stores vs 1Q 2019 and flat year-to-date.

Key factors behind 1Q 2020 results

- Sales of laptops, peripherals and other mobile devices increased steeply in March as Russians were getting ready to work and study from home.
- Sales of home appliances and consumer electronics were boosted as Russians started satisfying their deferred demand for major purchases amid FX fluctuations.
- The Group outperformed the market in smartphone sales on the back of expanded product range and inventory, regular promos and efficient retail operations, along with Russian consumers' continued appetite for new flagship models from leading manufacturers.

Key events in 1Q 2020

- The Group embarked on the first commercial implementation of SAP Yard Logistics as a warehouse management solution in Russia.
- M.Video-Eldorado Group, X5 Retail Group, Beeline and Hoff created Retail Innovation Tech Alliance (RITA) which will be looking for new technology solutions both in Russia and on major global start-up platforms.
- In February, the Company's Board of Directors appointed Dagmara

Ivanova as Managing Director of M.Video.

- PJSC M.Video and LLC MVM, the Group's operating company, were included in the list of Russia's systemically important companies.

M.Video-Eldorado Group's President Alexander Tynkovan said:

"Our strong performance in Q1 2020 and FY 2019 provides a good foundation for us to weather turbulence which started unfolding in the economy in late March. The current situation was also conducive to the Group's full transformation into an online business. The initial plan would take three years to implement our ONE RETAIL model, the pandemic prompted us to mobilize our resources and do the same within three weeks against a backdrop of strict financial austerity and cost optimization.

In ONE RETAIL the process of selection and purchase is done entirely in a mobile device – both on the part of a customer and a retailer. The unified online platform allows authorizing clients, personalizing our offers in any customer touchpoint and processing all transactions online – website, store, mobile app. For example, already now you can pay for your purchase safely and contact-free in your own mobile device, without accessing the checkout area. Some 90% of our sales are now online.

The efforts and resources we have invested in building our ONE RETAIL concept pay off as we are now able to quickly adapt to the current environment and changing consumer behaviours. In April, we launched a number of projects which allow for contact-free and safe delivery of vital consumer appliances and electronics to people sheltering in place, with services ranging from taxi delivery to video consultations. That said, retail stores remain integral to our online sales, offering a unique advantage as a platform for online sales, courier delivery, stock distribution and a showroom for technologies and new products. Their role is undergoing transition, but their importance for ONE RETAIL ecosystem remains unchanged.

Despite the coronavirus-driven restrictions, we managed to achieve top performance in compliance with all sanitary requirements, reshaping our stores and sales and logistics processes in a matter of days. We employ around 30,000 people; their safety and health, further employment and professional development remain our top priority.

It only goes to show that several years ago we chose the right strategy to tap into the telecom segment. In 1Q 2020, this segment grew by 15% year-on-year in money terms. Our sales of smartphones were growing twice as fast as the market. With the lockdown in place, smartphones and notebooks have turned into basic necessities and many of our outlets now operate as mobile phone

shops offering a full range of mobile devices and operator services”.

Business overview and key events after the reporting date

Protection of people, stores operation

- Safety of employees and customers remains of utmost priority. The Group relentlessly abides by all the sanitary and anti-epidemic protocols (regular body temperature check-up, hygienic hand antiseptics, use of sanitizers, regular sanitation at all locations, use of floor markings at stores).
- The Group uses its best efforts to keep people employed and well-off. We fixed a stable monthly income for those employees who continue working at our stores, which does not depend on sales results. All other employees have an opportunity to be transferred to other functions. As part of social support to our staff, we enhanced life and health insurance programmes, introduced additional financial aid in case of coronavirus infection and provided for free access to 24/7 remote medical assistance and psychological counselling.
- As of 27 April, some 97% of the Group’s stores remain open in compliance with all sanitary requirements and operate as usual or as pick-up points, mobile phone shops or dark stores.

Online and Customer service

- The Group has already launched or is implementing a number of projects focused on developing online sales, increased efficiency, speed and safety of 'last mile' solutions, as well as exclusion of social contacts: 1) partnership with X5 Retail Group for M.Video and Eldorado online orders to be picked up at Pyaterochka stores; 2) M.Video store to be opened on Ozon marketplace; 3) delivery to a parking lot near the store for those buyers who want to stay in their cars; 4) express delivery using taxi providers (Gett, Yandex.Taxi), DPD, Russian Post; 5) video consultations to assist customers when choosing electronics and 24/7 dedicated support via WhatsApp; 6) call centre efficiency improvement in view of much higher traffic.
- Since the beginning of April, our home delivery sales have quadrupled year-on-year, while the store traffic dropped by 75% year-on-year as a result of stay-at-home orders.
- In April, daily home deliveries by M.Video and Eldorado doubled year-on-year rising to 7,000, a 30% increase as compared to the New Year’s Eve with its seasonally peaking demand for electronics.
- In April, online traffic of M.Video and Eldorado nearly doubled, while M.Video mobile app installs rose by seven times. Our mobile app joined

top 10 most popular retail apps.

- Despite high rouble volatility, the Group identified 10 key product categories to which no mark-ups or price changes will apply.

Financial discipline and sustainability

- The Group has implemented austerity measures and heightened payment discipline by optimising all costs while remaining focused on its social obligations to the Company's employees and maintaining costs at the lowest possible level to keep the retail chain going during the lockdown. Capital expenditure was optimised and priority was given to projects related to the online business as well as to improving customer experience.
- The Company is negotiating with all groups of partners to optimize payments and terms of cooperation in light of the new circumstances.

1Q 2020 M.Video-Eldorado Operations Summary

Net Sales, mln RUB (with VAT)

	1 2020	1Q 2019	Chg., %
M.Video	82,044	68,131	+20.4%
(incl. m_mobile)			
Eldorado	39,422	33,289	+18.4%
Group	121,467	101,421	+19.8%
Total			

Total Online Sales - TOS (delivery + pickup + RTD), RUB mln (incl. VAT)¹

	1Q 2020	1Q 2019	Chg., %
M.Video	47,843	25,344	+88,8%
(incl. m_mobile)			
Eldorado	8,888	6,179	+43,8%
Group	56,731	31,524	+80,0%
Total			

Like-for-like Sales (LFL)[\[2\]](#), %

	1Q'20/1Q'19	1Q'20/1Q'18
M.Video	+14.1%	+14.9%
(incl. m_mobile)		
Eldorado	+12.3%	+15.7%
Group	+13.5%	+15.1%
Total		

Retail network

	31.03.2020	31.12.2019	Chg. in 1Q 2020	
Stores				
M.Video	534	532	+2	
(incl. m_mobile)				
Eldorado	504	506	-2	
Group	1,038	1,038	0	
Total				
Selling Space, '000 sqm				
M.Video	795	794	+1	+0.1%
(incl. m_mobile)				
Eldorado	656	661	-5,6	-0.9%
Group	1,451	1,456	-5	-0.3%
Total				
Total Space, '000 sqm				
M.Video	1,116	1,115	+1	+0.1%
(incl. m_mobile)				
Eldorado	871	882	-11	-1.2%
Group	1,987	1,997	-10	-0.5%
Total				

About M.Video-Eldorado Group

About M.Video-Eldorado Group (PJSC M.video) is Russia's largest consumer electronic retailer uniting the M.Video and Eldorado brands in the market for home appliances and electronics. The companies' total annual turnover exceeds RUB 430 billion, including VAT. The M.Video-Eldorado Group is the only Russian company in the electronics retail sector whose shares are publicly traded. The company's shares are currently traded on Russia's largest exchange platform – Moscow Exchange (ticker: MVID).

As of March 31, 2020, the Group unites 514 stores under the M.Video brand, 504 stores under the Eldorado brand and 20 m_mobile stores in more than 250 cities across Russia. The sales area of the Group's stores measure's 1,455 thousand square metres with a total area of RUB 1,997 thousand square meters as of 31 December 2019.

Investor Relations:

Maxim Novikov, IR Director,

Media Contacts:

Valeriya Andreeva, Head of PR

Maxim.Noviikov@mvideo.ru

valeriya.andreeva@mvideo.ru

Tel: +7 (495) 644 28 48, ext. 1425

Tel: +7 (495) 644 28 48, ext. 738

[1] Total Online Sales (TOS) of M.Video-Eldorado Group, in-line with the ONE RETAIL strategy, include all sales to authorized clients through various channels: home delivery, in-store pick-up, and sales to clients checked-in through shop assistants' mobile devices connected to Real-Time Dealing platform (RTD). RTD is currently available in M.Video stores only.

[2] 2020/2019 LFL data is based on a comparison of 461 M.Video and 421 Eldorado stores operating as of January 1, 2019 and not closed for more than two weeks, and/or not expanded or downsized by >20% of their total space. LFL sales include sales via RTD and pick-up.

2020/2018 LFL data is based on a comparison of 404 M.Video and 380 Eldorado stores operating as of January 1, 2018 and not closed for more than two weeks, and/or not expanded or downsized by >20% of their total space. LFL sales include sales via RTD and pick-up.