

## **M.Video-Eldorado Group's EBITDA margin reaches 7.3% in 2019. Adjusted net income increases by 45% and reaches to RUB 11.2 billion in 2019**

**24 March 2020, Moscow, Russia. PJSC M.Video (M.Video-Eldorado Group, the Company, or the Group), Russia's largest consumer electronics retailer by revenue (MOEX: MVID), has released its consolidated, audited financial statements prepared in accordance with International Financial Reporting Standards (IFRS) for the twelve months ended 31 December 2019.**

### **M.Video-Eldorado Group's Key Financial Highlights for FY 2019<sup>1,2:</sup>**

- Revenue increased by 3.6% year-on-year in 2019 to reach RUB 365,216 million.
- Gross profit rose by 4.8% year-on-year and amounted to RUB 91,015 million, with gross margin up by 0.3 percentage points to 24.9% in 2019.
- The Group's EBITDA grew by 18.1% year-on-year and amounted to RUB 26,746 million (RUB 46,617 million under IFRS 16), while EBITDA margin increased by 0.9 percentage points year-on-year to 7.3% (12.8% under IFRS 16) in 2019.
- Adjusted net income<sup>3</sup> rose by 44.8% year-on-year to RUB 11,178 million (RUB 9,089 million under IFRS 16) in 2019.

**M.Video-Eldorado Group President Alexander Tynkovan said:** "Like everyone, we are very concerned by the current situation, and our thoughts are with all of the people who have been affected already. It is our responsibility to protect and support our employees and their families, as well as our customers and partners. We remain confident in the strength of our brand and our strategy, and believe that the strong results we were able to achieve in 2019 have laid a solid foundation for what is now clearly going to be a challenging 2020.

"M.Video-Eldorado Group demonstrated sustainable growth across key financial metrics, despite soft market conditions. EBITDA margin reached a record high for the past several years at 7.3%, and adjusted net income was RUB 11,178 million. The Company's strong financial performance in 2019 is the result of the successful integration of two retail chains after the purchase of Eldorado, which was completed with unprecedented speed. In just over a year, the M.Video-Eldorado Group team succeeded in not only moving to a single legal entity and a joint IT system, but was also able to rebuild all key business processes from procurement to customer service, which provided additional synergies. As a result of the 2018-2019 integration and the synergies this achieved, in December 2019 a dividend of RUB 6 billion was paid."

**M.Video-Eldorado Group Chief Executive Officer Enrique Fernandez said:** "The Group's key focus in 2019 was the completion of all integration processes and our creation of an effective business model where each of the two brands and each function has its own role. We have completed the deployment of key projects – the m\_mobile digital retail zones and free-standing digital boutiques, and a mobile app for salespeople (RTD). These projects define the Group's current performance capability and lay the foundation for further business growth. Owing to the digitalisation of all business processes and customer authorisation not only on the website and through the mobile app, but also in stores, the Group is developing as an online business. Our model is evolving from omnichannel to ONE RETAIL, which is based not only on a single price, service and product line approach at all points of contact with customers, but also on data analytics, personalised promos, and in the future – personalised prices, as well as smartphone-based interaction with retailers. In 2020, despite the unclear outlook for the macro situation, our key focus remains unchanged and we will continue doing what we do best: serve our

---

<sup>1</sup> For purposes of comparability, the financial results for the Group include Eldorado's financial results from the beginning of 2018, i.e. for the full year 2018 (pro-forma). The FY 2018 data are based on management accounts and have been prepared in accordance with the International Financial Reporting Standard IAS 17.

<sup>2</sup> Results for 2018 were restated due to the deconsolidation of Marketplace LLC (goods.ru). As a result of amendments in the shareholder agreement relating to Marketplace LLC in 2017, the Group lost control over the marketplace goods.ru, but obtained joint control over the Marketplace LLC. Accordingly, the Group recognised the investment in Marketplace LLC as an investment in a joint venture starting from 31 December 2017 and adjusted the comparative information in the consolidated statement of financial position as at 31 December 2018, as well as the consolidated statement of profit and loss and other comprehensive income for 2018 and consolidated statement of cash flow for 2018.

<sup>3</sup> Net profit adjusted for losses in associated and joint ventures.

# M.VideoEldorado

---

customers in the best way possible, providing essential technology and appliances for communication and connectivity, cooking food, doing household chores or for entertainment”.

The Group's revenue increased by 3.6% year-on-year to RUB 365,216 million in 2019, driven by new stores, as well as growth in traffic and online sales for both brands.

The Company's gross profit grew by 4.8% year-on-year and amounted to RUB 91,015 million, with gross margin increasing by 0.3 percentage points to 24.9% in 2019, as a result of increased efficiency in procurement, promo and assortment management.

EBITDA under IAS 17 grew by 18.1% year-on-year and amounted to RUB 26,746 million, while EBITDA margin increased by 0.9 percentage points year-on-year to 7.3% in 2019. This improvement was led mainly by gross profit and effective management of selling, general and administrative expenses, primarily personnel costs, which amounted to RUB 23,438 million and decreased as a percentage of revenue by 0.57 percentage points to 6.4% in 2019 from 7.0% in 2018. The integration with Eldorado and synergies resulting from optimisation of business processes, inter alia, enabled the group to reduce personnel costs.

In 2019, the Group opened 97 stores, 61 of which were in the second half of the year. As a result of these openings, lease costs under IAS 17 increased to RUB 21,335 million in 2019 from RUB 19,000 million in 2018, and as a percentage of revenue increased by 0.45 percentage points to 5.8%. This increase was partially offset by optimisation of lease rates.

Operating profit under IAS 17 increased by 17.1% year-on-year to RUB 19,699 million in 2019 due to the increase in EBITDA. Depreciation expenses under IAS 17 decreased to RUB 7,047 million in 2019 from RUB 7,862 million in 2018, due to one-off non-cash write-offs of assets and additional depreciation related to the fair price revaluation of acquired Eldorado assets. Excluding these one-off expenses, Depreciation expenses under IAS 17 rose to RUB 7,047 million in 2019 from RUB 5,833 million in 2018; as a percentage of revenue they increased by 0.3 percentage points year-on-year to 1.9% in 2019. The increase in depreciation expenses was mainly the result of active expansion.

The Group's adjusted net income under IAS 17 increased by 44.8% year-on-year to RUB 11,178 million in 2019 compared to RUB 7,718 million in 2018 as a result of the business growth factors cited above.

As of 31 December 2019, the Group's gross debt amounted to RUB 49,410 million; the Company's debt obligations are fully denominated in rubles. In 2019, the Group's gross debt decreased by 17.0%, and the gross debt / EBITDA ratio was 1.8x as of 31 December 2019, compared with 2.6x as of 31 December 2018. The net debt / EBITDA ratio as of 31 December 2019 remained at a comfortable level of 1.7x.

## Key consolidated financial results for the M.Video-Eldorado Group for FY 2019<sup>4</sup>:

Russian Rubles (VAT excl.), mln	2019 "IAS 17" Audited	2018 "IAS 17" Pro-forma	Change YoY	2019 "IFRS 16" Audited
<b>Revenue</b>	<b>365,216</b>	<b>352,483</b>	<b>+3.6%</b>	<b>365,216</b>
<b>Gross profit</b>	<b>91,015</b>	<b>86,839</b>	<b>+4.8%</b>	<b>91,073</b>
<b>Gross margin, %</b>	<b>24.9%</b>	<b>24.6%</b>	<b>+0.3 p.p.</b>	<b>24.9%</b>
Selling, general and administrative expenses	(76,767)	(75,986)	+1.0%	(72,546)
Other operating income, net	5,451	5,965	-8.6%	5,587
<b>Operating profit</b>	<b>19,699</b>	<b>16,819</b>	<b>+17.1%</b>	<b>24,114</b>
Finance income / (cost), net	(5,452)	(3,490)	-56.2%	(12,666)
<b>Profit before income tax</b>	<b>12,294</b>	<b>12,333</b>	<b>-0.3%</b>	<b>9,493</b>
Income tax expense	(3,069)	(3,581)	-14.3%	(2,359)
One-off adjustment <sup>5</sup>	N/A	(2,029)	N/A	N/A
<b>Adjusted net income<sup>6</sup></b>	<b>11,178</b>	<b>7,718</b>	<b>+44.8%</b>	<b>9,089</b>
<b>Adjusted net margin<sup>6</sup>, %</b>	<b>3.1%</b>	<b>2.2%</b>	<b>+0.9 p.p.</b>	<b>2.5%</b>
<b>EBITDA</b>	<b>26,746</b>	<b>22,652</b>	<b>+18.1%</b>	<b>46,617</b>
<b>EBITDA margin, %</b>	<b>7.3%</b>	<b>6.4%</b>	<b>+0.9 p.p.</b>	<b>12.8%</b>

### Impact of IFRS 16 on M.Video-Eldorado Group's Financial Statements

The introduction of IFRS 16, which took effect on 1 January 2019, has affected the Group's EBITDA, operating profit and net income.

#### Impact on EBITDA

The Group's EBITDA is significantly higher in accordance with the new IFRS 16 standard, as the main part of rent & utilities expenses previously recognised as SG&A have been moved to interest expense in the income statement and to liabilities in the balance sheet.

Rent & utilities have decreased under IFRS 16 by RUB 17,190 million, and maintenance and other operating expenses before D&A decreased by RUB 2,681 million in the income statement under IFRS 16 in FY 2019. This resulted in the Group's EBITDA under IFRS 16 increasing substantially to RUB 46,617 million compared to RUB 26,746 million under the IAS 17 standard in FY 2019. The EBITDA margin under IFRS 16 amounted to 12.8%, an increase of 5.5 pp compared to the EBITDA margin of 7.3% under IAS 17 in FY 2019.

<sup>4</sup> For purposes of comparability, the financial results for the Group include Eldorado's financial results from the beginning of 2018, i.e. for the full year 2018 (pro-forma). The FY 2018 data are based on management accounts and have been prepared in accordance with the International Financial Reporting Standard IAS 17.

<sup>5</sup> In 2018 there were one-off non-cash write-offs of assets and additional depreciation related to the fair price revaluation of acquired Eldorado assets

<sup>6</sup> Net profit adjusted for losses in associated and joint ventures.

# M.VideoEldorado

---

## Impact on net income

The Group's net income for FY 2019 was impacted by additional depreciation of RUB 15,456 million related to leased assets that were added to operating expenses below EBITDA. These additional D&A expenses were fully offset by the extraction of long-term lease and maintenance expenses, as discussed above.

The net positive effect of operating expenses on net income under IFRS 16 amounted to RUB 4,414 million in FY 2019.

Finance costs increased by RUB 7,214 million under the IFRS 16 standard due to additional interest expenses on lease liabilities in FY 2019. The new IFRS 16 standard also resulted in lower income tax expenses due to lower profits reported before taxes in FY 2019.

As a result, the Group's adjusted net income was RUB 9,089 million, compared to RUB 11,178 million under IAS 17 in FY 2019. The adjusted net margin was 2.5% under the new standard, versus 3.1% under IAS 17 in FY 2019.

## Impact on cash flow statement

The introduction of IFRS 16 does not affect free cash flow in the cash flow statement. However, the IFRS 16 standard affects the reporting view of the cash flow statement, as the principal lease payments are classified as financial activities, prepayments as investment activity and interest payments as interest paid in operating activity.

## 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 - the Moscow Exchange (ticker: MVID).

As of 31 December 2019, the Group unites 513 stores under the M.Video brand, 506 stores under the Eldorado brand and 19 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.

### **Media Contacts:**

Valeriya Andreeva, Head of PR  
valeriya.andreeva@mvideo.ru  
Tel: +7 (495) 644 28 48, ext. 7386

### **Investor Relations:**

Natalya Belyavskaya, IR Director,  
natalya.belyavskaya@mvideo.ru  
Tel: +7 (495) 644 28 48, ext. 1425

# M.VideoEldorado

## Appendices

### 1. Excerpts from the consolidated profit and loss statement of PJSC M.video <sup>7</sup>

In millions of Russian rubles (VAT excl.)	FY 2019	FY 2018	Change YoY	FY 2019
	"IAS 17" Audited	"IAS 17" Pro-forma		"IFRS 16" Audited
<b>Revenue</b>	<b>365,216</b>	<b>352,483</b>	<b>+3.6%</b>	<b>365,216</b>
<b>Gross profit</b>	<b>91,015</b>	<b>86,839</b>	<b>+4.8%</b>	<b>91,073</b>
<b>Gross margin, %</b>	<b>24.9%</b>	<b>24.6%</b>	<b>+0.3 pp</b>	<b>24.9%</b>
Selling general and administrative expenses (incl. D&A)	76,767	75,986	+1.0%	72,546
Other operating income, net	5,451	5,965	-8.6%	5,587
<b>Operating profit</b>	<b>19,699</b>	<b>16,819</b>	<b>+17.1%</b>	<b>24,114</b>
Finance income / (cost), net	(5,452)	(3,490)	-56.2%	(12,666)
<b>Profit before income tax</b>	<b>12,294</b>	<b>12,333</b>	<b>-0.3%</b>	<b>9,493</b>
Income tax expense	(3,069)	(3,581)	-14.3%	(2,359)
One-off adjustment <sup>8</sup>	N/A	(2,029)	N/A	N/A
<b>Adjusted net income<sup>9</sup></b>	<b>11,178</b>	<b>7,718</b>	<b>+44.8%</b>	<b>9,089</b>
<b>Adjusted net margin, %<sup>9</sup></b>	<b>3.1%</b>	<b>2.2%</b>	<b>+0.9 pp</b>	<b>2.5%</b>
<b>EBITDA</b>	<b>26,746</b>	<b>22,652</b>	<b>+18.1%</b>	<b>46,617</b>
<b>EBITDA margin, %</b>	<b>7.3%</b>	<b>6.4%</b>	<b>+0.9 pp</b>	<b>12.8%</b>
<b>Net income</b>	<b>9,225</b>	<b>6,723</b>	<b>+37.2%</b>	<b>7,134</b>
<b>Net margin, %</b>	<b>2.5%</b>	<b>1.9%</b>	<b>+0.6 pp</b>	<b>2.0%</b>

### 2. Condensed statement of financial position of PJSC M.video (audited)

In millions of Russian rubles	31.12.2019	31.12.2018	31.12.2019
	"IAS 17"	"IAS 17"	"IFRS 16"
<b>Assets</b>			
<b>Non-current Assets</b>	<b>97,457</b>	<b>98,855</b>	<b>158,711</b>
Fixed assets	19,946	20,597	19,777
Intangible assets and goodwill	69,671	68,272	69,038
Right-of-use assets	-	-	62,832
Other non-current	7,840	9,986	7,064
<b>Current Assets</b>	<b>191,909</b>	<b>185,475</b>	<b>190,917</b>
Inventory	129,115	113,145	129,115
Accounts receivable	34,247	30,127	34,136
Cash	4,738	25,487	4,738
Other	23,809	16,716	22,928
<b>TOTAL ASSETS</b>	<b>289,366</b>	<b>284,330</b>	<b>349,628</b>
<b>Liabilities and equity</b>			
<b>Stockholders' equity</b>	<b>34,218</b>	<b>30,934</b>	<b>32,127</b>
Equity attributable to owners of the Company	34,218	30,934	32,127
<b>Liabilities</b>	<b>255,148</b>	<b>253,396</b>	<b>317,501</b>
Accounts payable to suppliers	176,211	155,358	176,065
Lease liabilities (current)	-	-	10,532
Other current liabilities	39,214	49,776	33,582
Lease liabilities (non-current)	-	-	57,927
Other non-current liabilities	39,723	48,262	39,395
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>289,366</b>	<b>284,330</b>	<b>349,628</b>

<sup>7</sup> For purposes of comparability, the financial results for the Group include Eldorado's financial results from the beginning of 2018, i.e. for the full year 2018 (pro-forma). The FY2018 data are based on management accounts and have been prepared in accordance with the International Financial Reporting Standard IAS 17.

<sup>8</sup> In 2018 there were one-off non-cash write-offs of assets and additional depreciation related to the fair price revaluation of acquired Eldorado assets

<sup>9</sup> Net profit adjusted for losses in associated and joint ventures.

### 3. Condensed cash flow statement of PJSC M.video (audited)

In millions of Russian rubles	FY 2019	FY 2018	FY 2019
	"IAS 17"	"IAS 17"	"IFRS 16"
<b>Operating CF</b>			
<b>Operating cash flows before movements in WC</b>	<b>26,857</b>	<b>23,722</b>	<b>46,115</b>
Inventory change	(16,946)	(32,114)	(16,946)
Trade payables	20,707	36,579	20,707
Others	(15,929)	810	(16,151)
Interest paid	(5,167)	(2,820)	(12,325)
Income tax paid	(3,253)	(3,024)	(3,253)
<b>Net CF from operations</b>	<b>6,269</b>	<b>23,153</b>	<b>18,147</b>
<b>Investing CF</b>			
CAPEX - PPE	(4,763)	(4,239)	(4,763)
CAPEX - IA	(4,573)	(3,286)	(4,573)
Net inflow/(outflow) from loans issued	-	1,711	-
Investment in associates	(2,514)	(56,447)	(2,514)
Interest received and other	866	802	866
<b>Net CF from investing activities</b>	<b>(10,984)</b>	<b>(61,459)</b>	<b>(10,984)</b>
<b>Financing CF</b>			
Dividends paid	(5,941)	-	(5,941)
Net inflow/(outflow) from borrowings	(10,050)	47,002	(1,050)
Purchase of treasury shares	-	(697)	-
Repayment of loans and lease obligations	(48)	(191)	(11,926)
<b>Net CF from financing activities</b>	<b>(16,039)</b>	<b>46,114</b>	<b>(27,917)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(20,754)</b>	<b>7,808</b>	<b>(20,754)</b>
<b>Net foreign exchanges difference</b>	<b>5</b>	<b>1</b>	<b>5</b>
<b>CASH AND CASH EQUIVALENTS, bop</b>	<b>25,487</b>	<b>17,678</b>	<b>25,487</b>
<b>CASH AND CASH EQUIVALENTS, eop</b>	<b>4,738</b>	<b>25,487</b>	<b>4,738</b>

\*\*\*

THE INFORMATION CONTAINED HEREIN IS NOT FOR RELEASE, PUBLICATION OR DISTRIBUTION IN WHOLE OR IN PART, DIRECTLY OR INDIRECTLY, IN OR INTO AUSTRALIA, CANADA, JAPAN OR THE UNITED STATES.

The information contained herein does not constitute an offer of, or the solicitation of an offer to buy or subscribe for, securities of Public Joint-Stock Company "M.video" (the "Company" and, the "Securities", as applicable) or rights to subscribe for Securities in the United States or to any person in any other jurisdiction to whom or in which such offer or solicitation is unlawful and, in particular, is not for distribution in Australia, Canada or Japan.

The offer of the Securities has not been and will not be registered under the United States Securities Act of 1933, as amended (the "Securities Act") or under the applicable securities laws of Australia, Canada or Japan and the Securities may not be offered or sold in the United States unless registered under the Securities Act or pursuant to an exemption from, or in a transaction not subject to, such registration requirements. Subject to certain exceptions, the Securities may not be offered or sold in Australia, Canada or Japan or to, or for the account or benefit of, any national, resident or citizen of Australia, Canada or Japan. No public offering or sale of the Securities is being made in the United States. The Securities offered outside the United States are being offered in reliance on Regulation S under the Securities Act.

This communication does not constitute an offer of the Securities to the public in the United Kingdom. No prospectus has been or will be approved in the United Kingdom in respect of the Securities. The information contained herein is directed only at and is for distribution only to persons who (i) are outside the United Kingdom, (ii) are "investment professionals" falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended) (the "Order"), (iii) are persons falling within Article 49(2)(a) to (d) ("high net worth companies, unincorporated associations etc.") of the Order or (iv) are other persons to whom an invitation or inducement to engage in investment activity (within the meaning of the Financial Services and Markets Act 2000) in connection with the issue or sale of any Securities may otherwise lawfully be communicated or caused to be communicated (all such persons in (i), (ii), (iii) and (iv) together being referred to as "Relevant Persons"). The information contained herein is directed only at Relevant Persons and must not be acted on or relied on by persons who are not Relevant Persons. Any investment or investment activity to which the information contained herein relates is available only to Relevant Persons and will be engaged in only with Relevant Persons. In the European Economic Area ("EEA"), the information contained herein is only directed at persons who are "qualified investors" within the meaning of Regulation (EU) 2017/1129 of the European Parliament and of the Council dated 14 June 2017, as amended ("Qualified Investors"). The information contained herein must not be acted upon in any member state of the EEA by persons who are not Qualified Investors. Any investment or investment activity to which the information herein relates is available only to Relevant Persons in the United Kingdom and Qualified Investors in any member state of the European Economic Area other than the United Kingdom, and will only be engaged with such persons.