

Case Study:

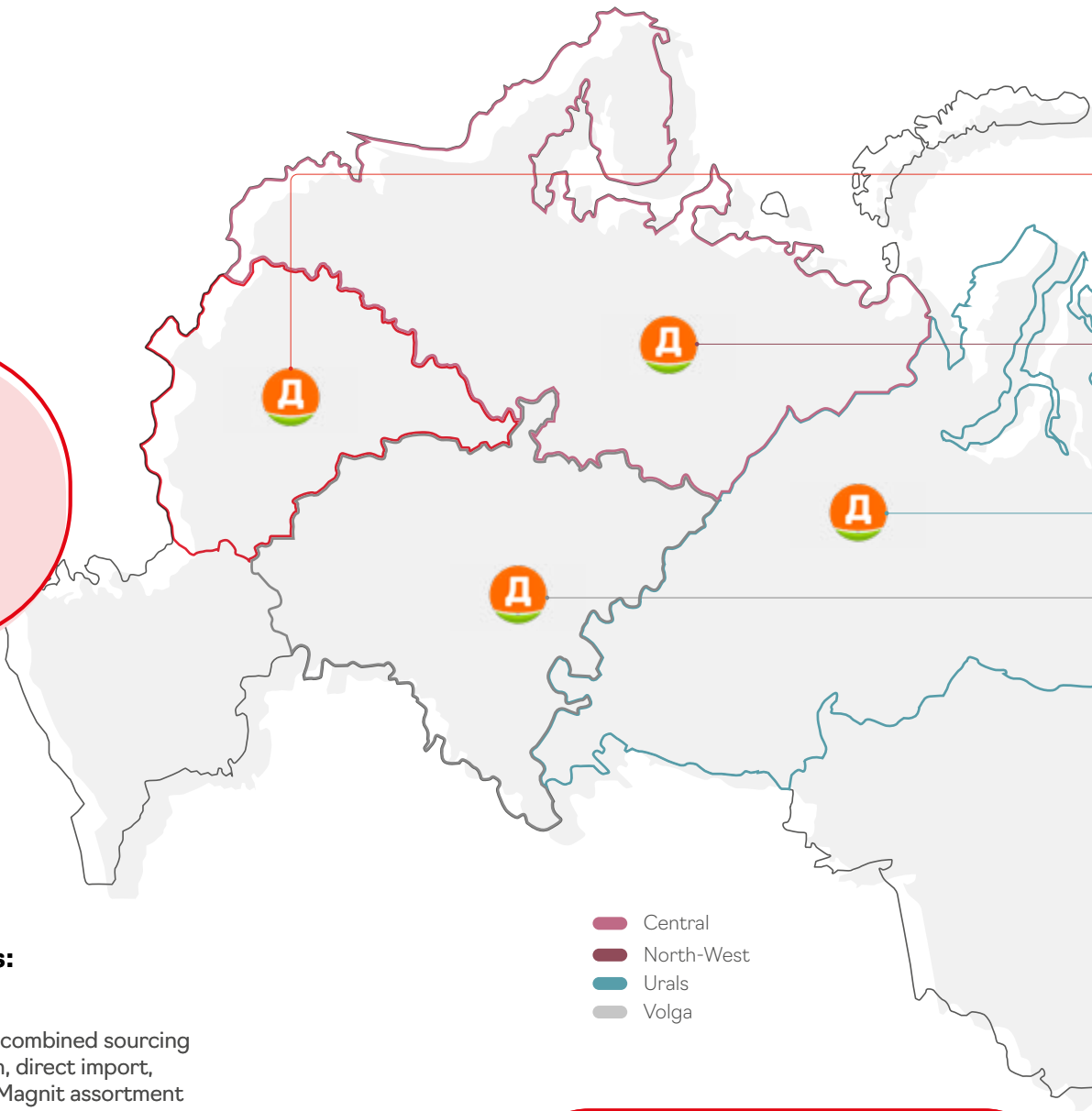
Dixy – Acquisition update

2,477

stores

5 operating DCs

with 150 thous. sq. m total space and a fleet of 708 trucks acquired



As of 31 December 2021

Convenience Stores	Supermarkets& Superstores	Disribution Centers
CENTRAL FEDERAL DISTRICT (ex. Moscow & Moscow region)		
437	-	-
Moscow & Moscow region		
1,315	-	3
NORTHWESTERN FEDERAL DISTRICT (ex. St. Petersburg & Leningrad region)		
144	-	-
St. Petersburg & Leningrad region		
444	-	1
URALS FEDERAL DISTRICT		
71¹	39	1
VOLGA FEDERAL DISTRICT		
1	-	-
Total 2,412	Total 39	Total 5

The acquisition of Dixy, the fifth largest grocery retailer in Russia, was completed on 22 July 2021

- Key highlights:
- Enhanced scale
 - Significantly strengthened market positions in two capitals: Moscow region market share increased by 2.1x and St. Petersburg and Leningrad region market share increased by 1.7x
 - Accelerating e-commerce roll-out in both capitals
 - High-quality locations
 - Well-known brand
 - Strong customer base
 - FY2020 Dixy total revenue of RUB 298.8 bln
 - Dixy to operate as a separate business

Significant synergies:

- Commerce**
 - Procurement thanks to combined sourcing
 - Private label production, direct import, seasonal and exclusive Magnit assortment
 - Aligning pricing strategy
- Operations**
 - New effective solutions for overlapping stores on a case-by-case basis
 - Potential transformation of some regional stores into Magnit convenience, supermarket, drogerie, hard discounter or dark stores
- Cost savings**
 - Aligning business processes and IT
 - Centralising back-office & support functions where relevant
 - Decreasing costs in marketing, utilities and outsourced services
 - Reduction in tariffs for acquiring, cash collection, bank fees, etc.
- Cross-synergies**
 - Technology sharing
 - Customer data analysis via loyalty programmes
 - Re-usage of data centers

>25% EBITDA increase in 2022



★ Key achievements to date

- Smooth integration while maintaining growth and meeting key financial targets (revenue, sales density and EBITDA)
- All FAS requirements met on time in terms of store base optimisation
- 95 Dixy stores in Urals¹ are in the process of transferring to Magnit format
- >150 bps commercial margin uplift driven by joint procurement conditions
- Scale-driven SG&A benefits, including cash collection, banking services and marketing, etc.
- Decreased staff turnover, with TMM² down by 39.3%

Next steps

- Continue roll-out of efficiency projects aimed at synergies extraction and profitability uplift
- Implementation of Magnit's Direct Import and Private Label categories
- Backward upside for Magnit – Dixy's category expertise in Moscow
- Extra synergies via joint marketing efforts
- Rent negotiation campaign for Dixy stores
- Megamart stores in Urals to be transferred to Magnit supermarkets and superstores
- Agile approach towards functional cooperation, organisational structure and SG&A optimisation

¹ 17 DIXY STORES ARE ALREADY TRANSFERRED TO MAGNIT FORMAT
² THREE MONTHS MOVING AVERAGE AS OF DECEMBER 2021 VS JUNE 2021