

# Case Study:

## Private Label and Own Production






















Magnit is the only food retailer in Russia with its own food production facilities. Its Private Label range is a key area of differentiation.

The development of Magnit's PL<sup>1</sup> is central to our customer value proposition. Since the start of the COVID-19 pandemic there has been an increase in demand for PL products, partly as consumers have become more price-sensitive.

We have also noticed a shift towards PL among those consumers who previously preferred mainstream and premium products. In addition to providing our customers with excellent value for money, our PL goods also generate higher margins compared to branded products.

PL products are available at a range of prices to suit varying customer needs, split across three core divisions:

Magnit's private label portfolio 2022–2025

	● Good	● Better	● Best
	Price-driven	Value for money	Additional value
	Products at attractive prices, including everyday essentials	The core of our product range providing optimal value for money. The range includes both food and non-food products.  Dairy products, beverages, groceries, delicatessen; fruit, vegetables and mushrooms; household goods	The best from across the world – the flagship in food products  Snacks, nuts, preserves, cheeses, and healthy lifestyle products
Key umbrella brands	<b>МОЯ ЦЕНА</b> My Price	 Magnit family brands	 <b>PREMIERE of TASTE</b>
Category brands		    	
		     	
Format brands		  	
Loyalty campaigns			
Other exclusive brands	Including direct import		

— food  
— non-food

2021 highlights:

 **23.8%**  
growth in revenue of PL sales to **RUB 267.5 bln**

 **16%**  
PL share in total sales

**>4,000 SKUs**  
PL portfolio, including **1,650 food SKUs**

In 2021 we continued to optimise our PL portfolio and product range in response to changing customer demand by enhancing in-house production capabilities and building long-term relationships with our partners and external suppliers.

During the year, Magnit's PL portfolio increased by 750 SKUs, currently we have more than 4,000 PL SKUs in various categories: milk and dairy products, fish gastronomy, processed meat and sausages, fruits and vegetables, cheese, bread, grocery, confectionary, soft and hot drinks, snacks, canned and frozen food, cosmetics and household goods, non-food.

In response to increased demand for fresh products, our Magnit Freshness brand now incorporates over 150 SKUs in the fruit and vegetable category as well as several dairy lines.

In December 2021, we opened a second test studio based on one of our large-format stores in Izhevsk, providing more opportunities to test out our PL products with customers. Magnit's first test studio was opened in 2020 in Krasnodar.

In 2022 we will continue to develop our PL offering by refreshing our brands. We will be investing in and updating the design of our key Magnit brand, as well as a redesign of our Lucky Days confectionary brand. As we continue to broaden our portfolio, next year we also plan to launch new non-food brands: Sportour – goods for sports and outdoor activities, Wellfort – goods for the home, Wowplay – games and toys.

Longer term, we have set out ambitious targets to grow our PL business. In 2025 we aim for PL to account for 25% of our total sales, and our goal is to reach 100% core PL SKUs availability in all Magnit stores.



<sup>1</sup> PL – PRIVATE LABEL

# Case Study: Private Label and Own Production (continued)

## Own production

Our state-of-the-art, in-house production facilities underpin the development of the PL range by allowing us to adapt easily and quickly to evolving consumer tastes. Today, Magnit operates 13 industrial production and four agricultural complexes which produce a vast range of goods including vegetables, spices, cereal and frozen fish.

In 2021, Magnit's facilities produced 362,000 tonnes of produce, a 17% increase year-on-year.

The total area of Magnit-owned greenhouses is 113 hectares and annual production of agricultural products is 90,000 tonnes.

During 2021 concepts for more than five new projects were approved, including two facilities for growing berries and green crops, facilities for oyster mushroom production, coffee production and a ready meal factory. In 2022 construction of Russia's largest berry production facility will begin at the Krasnodar greenhouse complex. It will open in 2023 and be able to produce 1,229 tonnes of strawberries and 95 tonnes of blueberries per year.

## Fast facts

25%

of cucumbers, tomatoes and lettuce sold in Magnit stores are produced in our own greenhouses

85%

of the mushrooms sold in Magnit stores are own production

25%

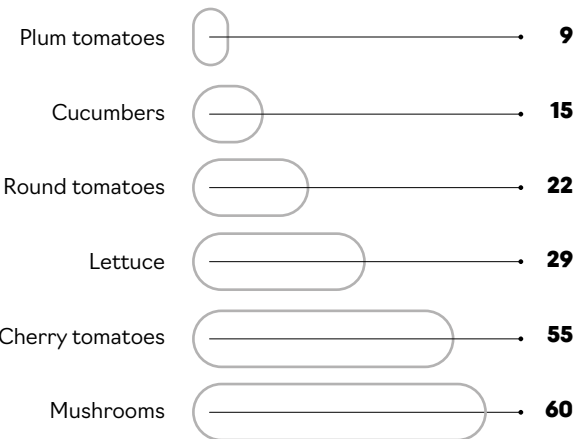
of sales of dried fruits and nuts in Magnit stores are Vostochny Guest PL brand

21%

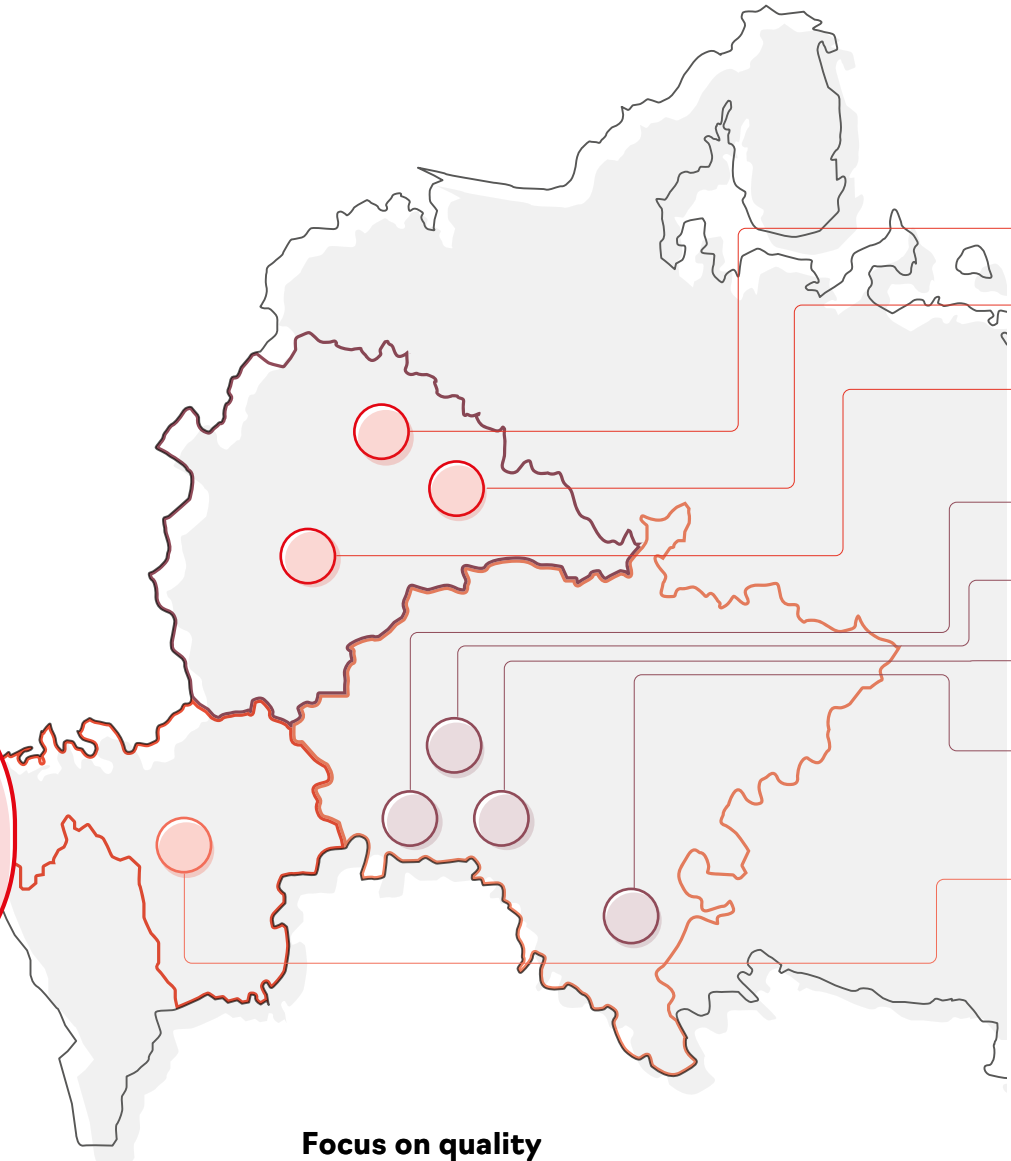
of pasta sales are Gusto Di Roma PL brand



## Share of in-house production across different product types<sup>1</sup>, %



<sup>1</sup> SHARE IN TOTAL SALES IN KG



CENTRAL FEDERAL DISTRICT	
Tver region	— Tver separate division
Moscow region	— Cheese Slicing Facility Dmitrov JSC Tander
Lipetsk region	— Moskva na Donu LLC
VOLGA FEDERAL DISTRICT	
Saratov region	— Saratov separate division
Penza region	— Cheese Slicing Facility Penza JSC Tander
Samara region	— Togliatti separate division
Republic of Bashkortostan	— Ufa separate division
SOUTHERN FEDERAL DISTRICT	
Krasnodar region	
— Kuban Factory of Bakery Products LLC	
— Kuban Confectioner LLC	
— Plastunovskaya separate division	
— Tikhoretsk separate division	
— Novotitarovskaya separate division	
— Cheese Slicing Facility Krasnodar JSC Tander	
— Cheese Slicing Facility Novorossiysk JSC Tander	
— Zelenaya Liniya LLC – Tikhoretsk separate division	
— Zelenaya Liniya LLC – Plastunovskaya separate division	
— Zelenaya Liniya LLC – Mushroom complex	

## Focus on quality

To maintain the high standards of our PL products, we carry out a range of quality assurance tests to ensure quality control throughout the production process, from raw materials to the finished product.

All production facilities are equipped with modern equipment with a high degree of automation. This allows us to ensure the production of quality products with minimum manual labour. All production facilities are constantly monitored online to maintain high quality levels throughout the production process. Our production complies with GOST R ISO 22000-2007 and the international Food Safety System Certification (FSSC) v.5.

In 2021, an innovative pilot scheme for vertical greenhouses was tested, implemented in cooperation with the Israeli company

Vertical Field, a leading agri-tech company which develops urban farms. Magnit's first vertical greenhouse was opened next to the superstore in Krasnodar. Green crops such as lettuce, spinach and basil are successfully grown in the greenhouse – ensuring maximum freshness for customers.

## Sustainability

As part of our commitment to sustainability, at least 50% of the packaging for PL and own production will be recyclable, reusable or compostable by 2025.