

ACQUISITION OF DIXY

JULY 2021



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One of the Largest M&A Deals in the Russian Food Retail

Deal Structure and Strategic Rationale



Deal Parameters

Transaction Timeline

- 18th May: Magnit announced an agreement to acquire 100% shares of DIXY Holding Limited (Dixy)
- 15th July – FAS approval was obtained
- 22nd July – the transaction was closed

Purchase price: RUB 87.6bn¹

Transaction Perimeter²

- 2020 revenue – RUB 274bn



2,438 **26** **13** **5**
Dixy Megamart Minimart Operating
DCs³

2,477 stores and 5 DCs
 in **3** Federal Districts



Strategic Fit

Market share growth⁴

- By 1.9% in Russia (from 10.9% for Magnit in 2020)
- By 2.1x in the strategic Moscow & Moscow region markets
- By 1.7x in the strategic St. Petersburg & Leningrad region markets

Accelerating Magnit's e-commerce roll-out in the capitals

Significant synergetic effect

- Procurement terms
- Combined sourcing
- Private labels & direct import
- Cost savings
- Back-office functionality where relevant
- Funding efficiency and other financial synergies



Market Share Boost in Moscow & St. Petersburg

The largest retail markets in Russia

Moscow & Moscow region	St. Petersburg & Leningrad region
3.8% > 8.2%	9.9% > 17.2%

Other regions in the transaction perimeter

Central region (ex. Moscow & Mos. reg.)	North-Western region (ex. St. Petersburg & Len. reg.)	Ural region
13.7% > 15.7%	17.7% > 19.9%	10.3% > 12.7%



Corporate & FAS Approvals Received

- Board of Directors approved the Transaction on 18th May
- FAS approval received on 15th July
- FAS approval granted under the following conditions:
 - Magnit will need to comply with the 25% market share limit in the specific number of municipalities – 142 Dixy convenience stores in 53 municipalities and 6 stores in the municipalities with combined share of top retailers above 50% will be excluded from the deal perimeter
 - Magnit will have to reduce one-time its market share limit to 35% in 22 municipalities till 1st July 2022

Source: Magnit data

¹ Deal price is subject to completion accounts adjustments; ² Adjusted to the total number of already closed stores and stores to be excluded as per prescription of FAS; ³ Distribution centers; ⁴ Based on 2020 sales of acquired stores as % of total food retail sales in Russia



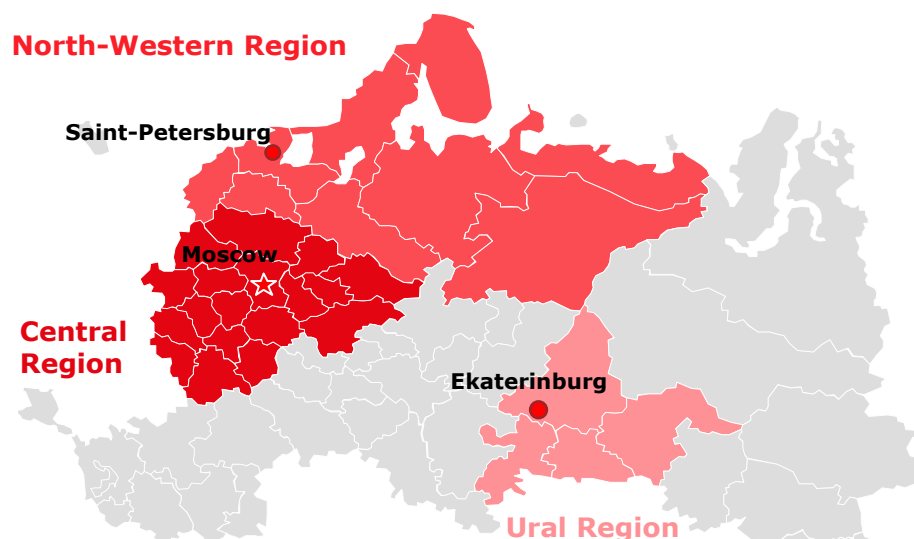
Strong Presence in Strategic Moscow & St. Petersburg Markets

Acquired Assets Overview



	# of stores	Market share	Distribution centers	Market Parameters ¹			
				% in Russian food retail ²	% in Russian E-grocery	Population ² (million people)	Average salary ² (RUB ths. / vs Russian average)
Moscow & Moscow region	1,319	4.4%	3	24.5%	61%	20.4	84 / +65%
St. Petersburg & Leningrad region	438	7.3%	1	4.8%	16%	7.3	62 / +22%

North-Western Region



	Total # of stores	Central region	North-Western region	Ural region	Selling space (ths. sqm)	Sales density ³ (RUB ths.)	Av. ticket (RUB)
Convenience Stores	2,438	1,773	570	95	725	30	355 ⁵
МЕГАМАРТ Hypermarkets	26	-	-	26	66	17	770 ⁶
МИНИМАРТ Supermarkets	13	-	-	13	13	24	668 ⁶
Distribution Centers	5	3	1	1	151 ⁴	n/a	n/a

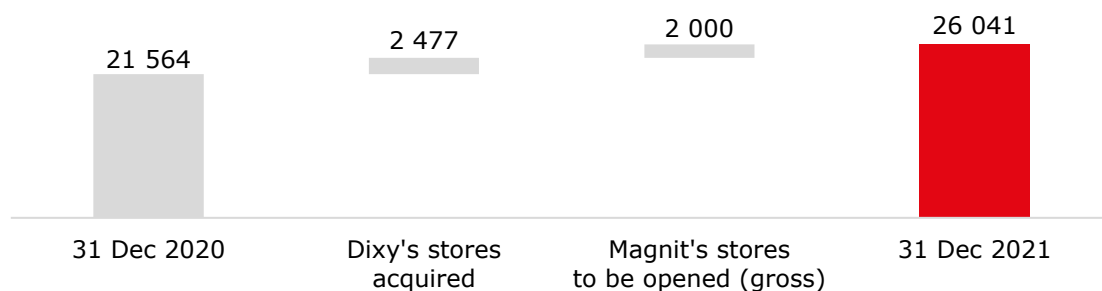
Source: Magnit data, Rosstat

¹ Data combined for Moscow & Moscow region / St. Petersburg & Leningrad region for 2020; ² Magnit data for 2020; ³ Monthly revenue per sqm as of 2020; ⁴ Total area; ⁵ Average ticket in 2020; ⁶ Average ticket in May 2021 adjusted by VAT of 14.9%



Implications for 2021 and Long-term Guidance

2021 Store Opening Guidance



Long-term Guidance 2021-2025 (Reiterated)

Organic expansion	Convenience	1,000-1,500
	Drogerie	750-1,000
	Supermarkets & Superstores	5-15
E-grocery platform capacity	5%+ of Magnit turnover	
EBITDA margin	Steadily moving to the direction of 8% within 2021-2025	
Leverage	Comfortable leverage of ~1.5x of Net Debt/EBITDA with a self-imposed ceiling of 2.0x	
Working capital	Stock days optimization: 3-5 days in grocery, 10-15 days in drogerie	
Dividends	Focus on high returns and value accretion for shareholders leading to continuous strong dividend payment	

Source: Magnit data

Potential 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
- Centralizing back-office & support functions where relevant
- Decreasing costs in marketing, utilities and outsourced services
- Reduction in tariffs for acquiring, cash collection, bank fees, etc.



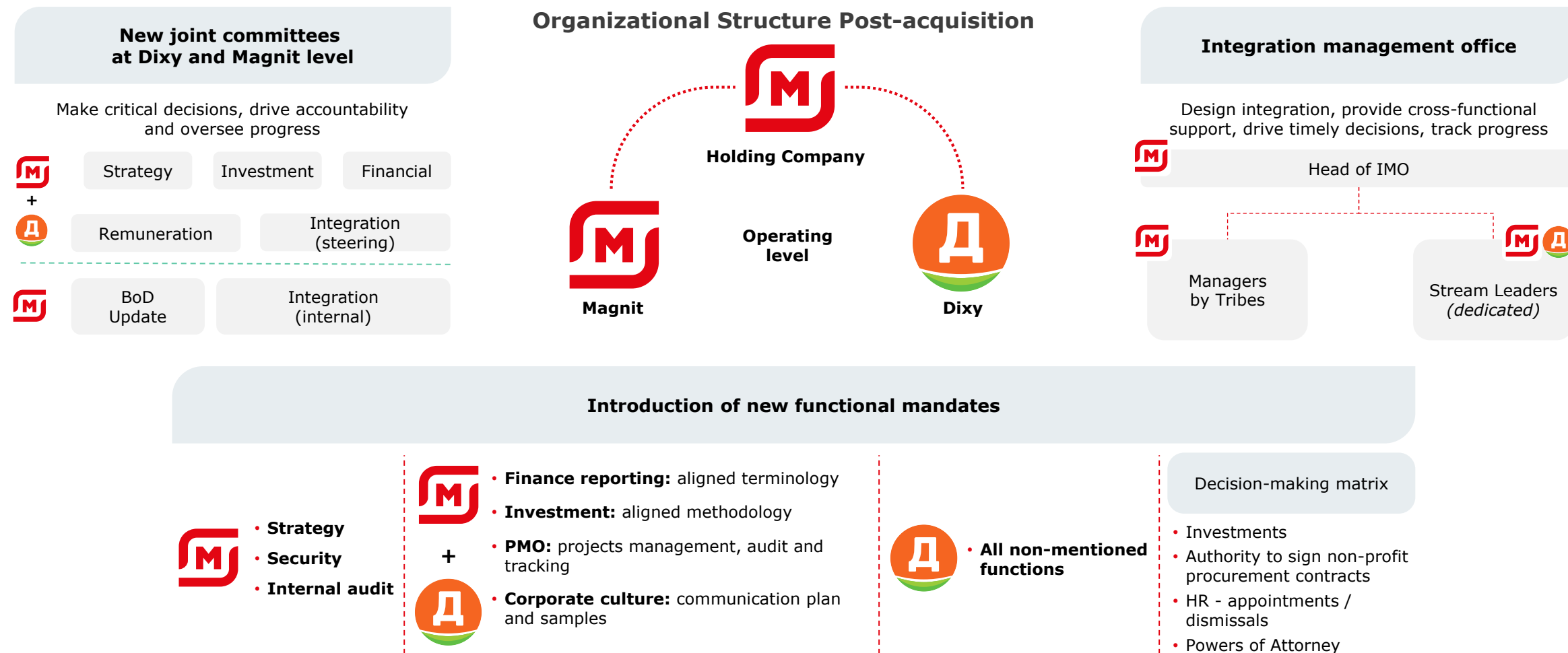
Cross-synergies

- Technology sharing
- Customer data analysis via loyalty programs
- Re-usage of data centers



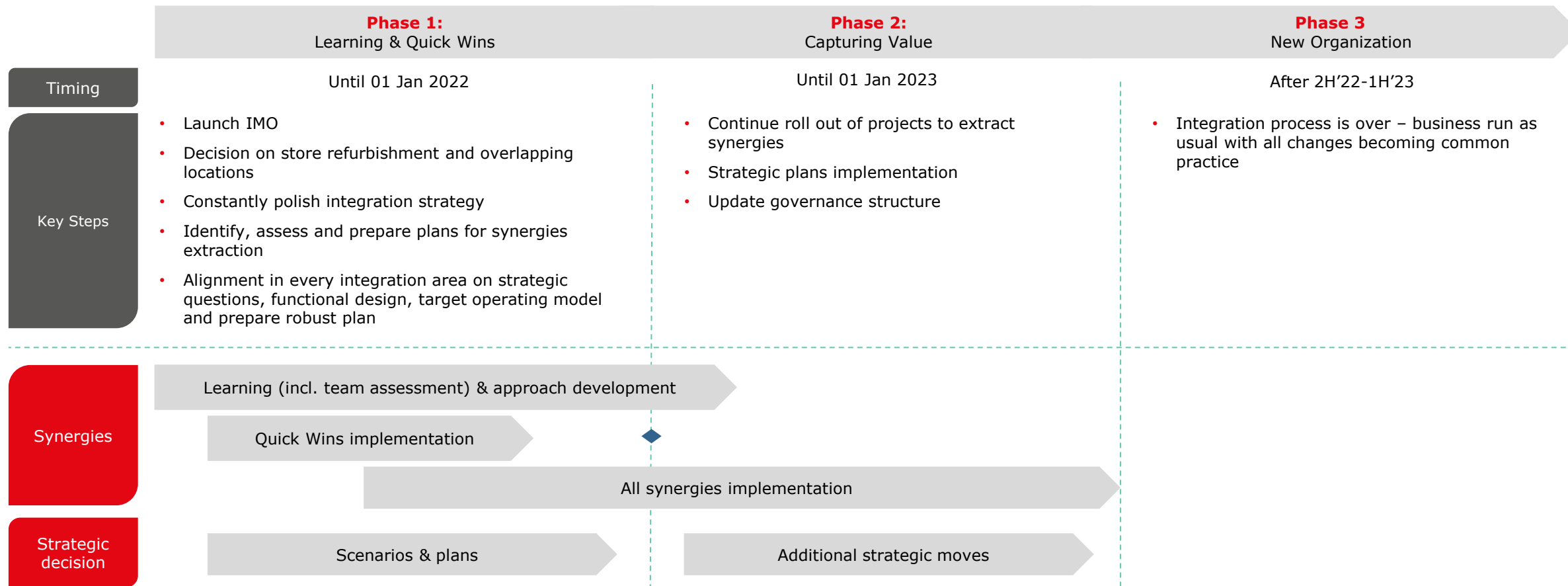
Integration Management Focused on Synergies

Dixy to Operate as a Separate Business





Integration Plan & Timeline



◆ - Consolidation of Dixy financial accounts