



## Magnit Reports 7.5% LFL Sales Growth and 7.0% EBITDA margin in 4Q 2020

Krasnodar, Russia (4 February, 2021): Magnit PJSC (MOEX and LSE: MGNT; the Company), one of Russia's leading retailers, announces its 4Q and FY 2020 operating and unaudited financial results.

### 4Q 2020 key operating and financial highlights:

- Total revenue increased by 10.6% y-o-y to RUB 407.2 billion;
- Net retail sales reached RUB 395.2 billion representing 10.7% y-o-y growth;
- LFL<sup>1</sup> sales growth stood at 7.5% driven by 16.3% average ticket growth and 7.6% traffic decline;
- The Company opened 445 stores on gross basis (243 convenience stores, two supermarkets and 200 drogeries). As part of the Company's ongoing efficiency improvement campaign, 35 stores were closed resulting in a net store addition of 410 and the total store base as of December 31, 2020 of 21,564;
- Addition of selling space amounted to 126 thousand sq. m. bringing total selling space to 7,497 thousand sq. m. (representing 3.6% y-o-y growth);
- The Company redesigned 55 convenience stores and 17 supermarkets. As at December 31, 2020, 72% of convenience stores, 29% of supermarkets and 56% of drogeries are either new or refurbished;
- Gross profit margin stood at 23.3% - an increase of 168 bps y-o-y on improved commercial terms, lower promo activity in a combination with better promo coverage and higher promo margin, lower shrinkage and supply chain costs partially offset by ongoing cost of the loyalty program;
- EBITDA was RUB 28.6 billion with a 7.0% margin demonstrating the largest y-o-y improvement among all quarters of 2020 by 160 bps driven by strong gross margin dynamics and lower SG&A expenses;
- Net income almost tripled y-o-y and stood at RUB 11.1 billion. Net income margin increased from 1.1% in 4Q 2019 to 2.7% in 4Q 2020.

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<sup>1</sup>LFL calculation base includes stores, which have been operating for 12 months since its first day of sales. LFL sales growth and average ticket growth are calculated based on sales turnover including VAT



## FY 2020 key operating and financial highlights:

- Total revenue increased by 13.5% y-o-y to RUB 1,553.8 billion;
- Net retail sales reached RUB 1,510.1 billion representing 13.3% y-o-y growth;
- LFL sales growth stood at 7.4% driven by 14.1% average ticket growth and 5.9% traffic decline;
- The Company opened 1,292 stores on gross basis (669 convenience stores, four supermarkets and 619 drogeries). As part of the Company's ongoing efficiency improvement campaign, 453 stores were closed resulting in a net store addition of 839 and the total store base as of December 31, 2020 of 21,564;
- Addition of selling space amounted to 258 thousand sq. m. bringing total selling space to 7,497 thousand sq. m. (representing 3.6% y-o-y growth);
- The Company redesigned 280 convenience stores, 25 supermarkets and 80 drogeries. As at December 31, 2020, 72% of convenience stores, 29% of supermarkets and 56% of drogeries are either new or refurbished;
- Gross profit margin stood at 23.5% - an increase of 74 bps y-o-y on improved commercial terms, lower promo activity in a combination with better promo coverage and higher promo margin, lower shrinkage and supply chain costs partially offset by ongoing cost of the loyalty program;
- EBITDA was RUB 109.4 billion with a 7.0% margin – an increase of 97 bps y-o-y driven by strong gross margin dynamics and lower SG&A expenses;
- Net income increased by 120.8% y-o-y and stood at RUB 37.8 billion. Net income margin increased from 1.2% in 2019 to 2.4% in 2020.

## Jan Dunning, President and CEO of Magnit, commented:

*"2020 was an extraordinary year delivering both challenges and opportunities. We continued with our transformation and optimization of the key business processes while facing the pandemic and managed to deliver strong operating and financial results.*

*We set three main priorities and made good progress across all of them. We focused on operating efficiency of the existing store base and delivered solid LFL results and sales density improvements. We achieved strong profitability regain with EBITDA margin up 97 bps y-o-y. We put enormous efforts to improve working capital and got the ball rolling with RUB 30.5 bn cash release. Finally, pandemic challenges made us reconsider our debt burden and reduce our leverage significantly. The fact that we achieved almost twice higher returns on the whole business I consider as a dramatic enhancement.*

*As a result, we are entering 2021 with completely different financial position having leverage of 1.1x, improved working capital cycle and free cash flow position of Rub 85 billion. This provides opportunities for faster return-driven expansion. We will continue with step-by-step improvements across all business areas and deliver further profitability gains aimed at creating additional value to our shareholders".*



### Key events in 4Q 2020 and after the reported period:

- Magnit continued to clusterize its formats based on customer trends of different localities and has opened a metropolitan convenience store and launched a pilot format of Magnit Cosmetic Mini;
- Magnit has signed long-term lease agreements for 77 retail facilities previously occupied by stores operated by TD Intertorg in the North-West region;
- The Company has finalized the planning phase of its SAP-based ERP Transformation Program and started its implementation;
- Magnit fully restored its distribution center in the Voronezh region, which was damaged by fire in late April 2019;
- The Company has launched its own online ordering and delivery service available in the new Magnit Dostavka (Delivery – Ed.) application, and then expanded the pilot by launching the delivery from its hypermarkets and a service for express delivery from Magnit Cosmetic stores in partnership with Delivery Club;
- Magnit has launched goods availability assessment system;
- The Company has launched the VMI (Vendor Managed Inventory) system and tested it in one of its distribution centers. The system will allow Magnit to delegate inventory forecasting and replenishment in DCs to its vendors;
- Magnit has initiated development of its own super app. As the first stage, the Company launched the Magnit Pay payment service;
- Magnit began large-scale supply chain transformation. It has started implementing a unified forecasting and replenishment (F&R) system built upon a cloud-based platform from Relex Solutions;
- Magnit announced dividends for 9M 2020 in the total amount of c. RUB 25 billion or RUB 245.31 per one ordinary share.



## 4Q and FY 2020 Operating Results

	4Q 2020	4Q 2019	Change	Change, %	FY 2020	FY 2019	Change	Change, %
<b>Total Net Retail Sales, million RUB</b>	<b>395,160</b>	<b>356,953</b>	<b>38,208</b>	<b>10.7%</b>	<b>1,510,071</b>	<b>1,332,929</b>	<b>177,142</b>	<b>13.3%</b>
Convenience Stores <sup>2</sup>	301,153	270,384	30,769	11.4%	1,161,295	1,020,400	140,895	13.8%
Supermarkets <sup>3</sup>	53,923	53,834	89	0.2%	203,541	200,096	3,445	1.7%
Drogerie Stores	36,997	31,193	5,804	18.6%	134,272	109,670	24,602	22.4%
Other Formats <sup>4</sup>	3,087	1,541	1,546	100.3%	10,963	2,763	8,200	296.8%
<b>Number of Tickets, mln</b>	<b>1,155</b>	<b>1,218</b>	<b>-63</b>	<b>-5.2%</b>	<b>4,641</b>	<b>4,690</b>	<b>-49</b>	<b>-1.0%</b>
Convenience stores	962	1,022	-60	-5.9%	3,890	3,963	-73	-1.8%
Supermarkets	84	95	-11	-11.6%	338	379	-41	-10.9%
Drogerie Stores	100	95	4	4.6%	380	339	42	12.3%
Other Formats	9	5	4	67.5%	33	10	24	238.9%
<b>Average Ticket<sup>5</sup>, RUB</b>	<b>342</b>	<b>293</b>	<b>49</b>	<b>16.8%</b>	<b>325</b>	<b>284</b>	<b>41</b>	<b>14.5%</b>
Convenience stores	313	264	49	18.4%	299	258	41	15.9%
Supermarkets	643	567	76	13.4%	603	528	75	14.2%
Drogerie Stores	371	327	44	13.4%	353	324	29	9.0%
Other Formats	332	275	57	20.8%	322	271	51	18.8%
<b>Number of Stores (EOP)</b>	<b>21,564</b>	<b>20,725</b>	<b>839</b>	<b>4.0%</b>	<b>21,564</b>	<b>20,725</b>	<b>839</b>	<b>4.0%</b>
Convenience Stores	14,911	14,622	289	2.0%	14,911	14,622	289	2.0%
Supermarkets	470	473	-3	-0.6%	470	473	-3	-0.6%
Drogerie Stores	6,183	5,630	553	9.8%	6,183	5,630	553	9.8%
<b>Store Openings (Gross)</b>	<b>445</b>	<b>321</b>	<b>124</b>	<b>38.6%</b>	<b>1,292</b>	<b>2,841</b>	<b>-1,549</b>	<b>-54.5%</b>
Convenience Stores	243	204	39	19.1%	669	1,630	-961	-59.0%
Supermarkets	2	6	-4	-66.7%	4	9	-5	-55.6%
Drogerie Stores	200	111	89	80.2%	619	1,202	-583	-48.5%
<b>Store Closures</b>	<b>35</b>	<b>93</b>	<b>-58</b>	<b>-62.4%</b>	<b>453</b>	<b>464</b>	<b>-11</b>	<b>-2.4%</b>
Convenience Stores	31	89	-58	-65.2%	380	435	-55	-12.6%
Supermarkets	1	0	1	n/a	7	3	4	133.3%
Drogerie Stores	3	4	-1	-25.0%	66	26	40	153.8%
<b>Store Openings (Net)</b>	<b>410</b>	<b>228</b>	<b>182</b>	<b>79.8%</b>	<b>839</b>	<b>2,377</b>	<b>-1,538</b>	<b>-64.7%</b>
Convenience Stores	212	115	97	84.3%	289	1,195	-906	-75.8%
Supermarkets	1	6	-5	-83.3%	-3	6	-9	-150.0%
Drogerie Stores	197	107	90	84.1%	553	1,176	-623	-53.0%
<b>Total Selling Space (EOP), th. sq.m</b>	<b>7,497</b>	<b>7,238</b>	<b>258</b>	<b>3.6%</b>	<b>7,497</b>	<b>7,238</b>	<b>258</b>	<b>3.6%</b>
Convenience Stores	5,090	4,952	138	2.8%	5,090	4,952	138	2.8%
Supermarkets	941	948	-7	-0.8%	941	948	-7	-0.8%
Drogerie Stores	1,428	1,302	126	9.7%	1,428	1,302	126	9.7%
Other Formats	37	36	2	4.6%	37	36	2	4.6%
<b>Selling Space Addition (Net), th. sq.m</b>	<b>126</b>	<b>96</b>	<b>30</b>	<b>31.6%</b>	<b>258</b>	<b>814</b>	<b>-556</b>	<b>-68.3%</b>
Convenience Stores	85	52	33	63.2%	138	508	-370	-72.9%
Supermarkets	1	8	-7	-90.2%	-7	6	-14	-214.3%
Drogerie Stores	45	23	22	95.1%	126	267	-141	-52.8%

<sup>2</sup> Convenience Stores include convenience stores and small pilots such as Magnit City and My Price

<sup>3</sup> Supermarkets include Magnit Family supermarkets and superstores

<sup>4</sup> Other Formats include pharmacies and stores located at Russian Post offices

<sup>5</sup> Excluding VAT



Other Formats -4 13 -18 -132.4% 2 33 -31 -95.0%

## 4Q and FY 2020 LFL results

### 4Q 2020

LFL composition, %	Average Ticket	Traffic	Sales
<b>Total</b>	<b>16.3%</b>	<b>-7.6%</b>	<b>7.5%</b>
Convenience stores	17.6%	-7.9%	8.3%
Supermarkets	13.4%	-11.6%	0.3%
Drogerie Stores	12.9%	-2.3%	10.3%

### FY 2020<sup>6</sup>

LFL composition, %	Average Ticket	Traffic	Sales
<b>Total</b>	<b>14.1%</b>	<b>-5.9%</b>	<b>7.4%</b>
Convenience stores	15.2%	-6.1%	8.2%
Supermarkets	13.9%	-11.5%	0.8%
Drogerie Stores	8.8%	1.4%	10.3%

## Trading performance

Total sales in 4Q 2020 grew by 10.6% y-o-y to RUB 407.2 billion.

Net retail sales in 4Q 2020 grew by 10.7% y-o-y driven by a combination of 3.6% selling space growth and 7.5% LFL sales growth. For a fourth consecutive quarter, net retail sales growth outpaced selling space growth as strong LFL results have led to a continuous improvement of sales densities since January 2020. Overall sales densities in 4Q 2020 improved by 1.6% q-o-q and 6.5% y-o-y while in the Company's main convenience store format these improved by 8.2% y-o-y.

In 4Q Magnit accelerated its expansion program and opened 410 stores across all formats on net basis – the highest number across all quarters of 2020.

All regions showed solid positive LFL sales growth with the North-West and Moscow outpacing the rest with double-digit LFL sales growth.

LFL sales growth accelerated in 4Q 2020 versus previous quarter and became the second strongest after 1Q 2020. Mature stores continue to be the main driver of the Company's strong LFL performance with the number of stores entering LFL panel in 4Q decreasing further to 235 (incl. 134 convenience, 98 drogeries and 3 supermarkets). Only 5.5% of Magnit's selling space is currently in the ramp-up phase with 94.5% already matured.

<sup>6</sup> Excluding leap year effect, i.e. based on trading results of February 1-28, 2020



As in the previous quarters, average ticket was the main driver of LFL sales growth. This reflects continued trend of lower frequency of visits overcompensated by strong basket growth driven by increased spending per visit.

LFL average ticket growth in 4Q 2020 was 16.3% predominantly due to growing number of articles per basket, continued 'trading up' purchases and on-shelf inflation. 'Trading up' effect was driven by ongoing assortment improvements and inflow of more affluent customers from other chains.

After some normalization of shopping behaviour in 3Q, new restrictions implemented in 4Q resulted in lower traffic and acceleration of average ticket growth vs 3Q levels. In the reported quarter the growth of unique customers to Magnit stores continued with most gains coming from traditional retailers and large formats.

Promo intensity was still lower y-o-y mainly on the back of more normal shopping patterns and different marketing tactics leading to a shift from "bulk" to personalized actions. The level of promo was moderately higher q-o-q due to seasonal factors.

In 4Q sales of non-food categories continued to be strong and accelerated in December on seasonal demand. Fresh fruits and vegetables was the fastest growing category throughout the whole year on continuous improvements of assortment and on-shelf availability.

Magnit's cross-format loyalty program continued to gain popularity among customers during the period. Since the start of the pilot in March 2019 the number of active loyalty card users exceeded 43 million. Company-wide, the share of tickets using the loyalty card was 55% with penetration in sales exceeding 70%. The loyalty program continues to deliver positive cross-format gains with sustainable growth of customers visiting 2+ store formats (44% of Magnit customer base at the end of the reporting period).

### **Store network development and performance by format**

The convenience segment generated 76.2% of total net retail sales in the reported quarter. In 4Q 2020 Magnit accelerated its expansion program and opened (gross) 243 convenience stores – the highest number across all quarters of 2020 and higher y-o-y (204 in 4Q 2019). The Company continued its efficiency campaign and closed 31 convenience stores - less than in any quarter of 2020. In total Magnit closed less convenience stores than originally planned (380 vs 450) as some stores demonstrated significant operational improvements and were excluded from the closure pipeline. As a result, Magnit added 212 stores (net) during 4Q 2020, bringing the total number of convenience stores to 14,911. The selling space growth of convenience stores was 2.8% y-o-y resulting in the total selling space of this format of 5,090 thousand sq. m. as of December 31, 2020. Sales in the convenience format grew by 11.4% driven by LFL sales growth of 8.3% in 4Q 2020. In the reported quarter traffic decelerated to -7.9% on new restrictions and overall pandemic environment. LFL average ticket growth remained strong having accelerated from 13.6% in 3Q 2020 to 17.6% in 4Q 2020 and overcompensating negative LFL traffic growth.



Supermarkets accounted for 13.6% of the Group's net retail sales. During the reported quarter the total number of supermarkets increased to 470 following two store openings and one closure. Selling space across this format decreased by 0.8% y-o-y as 7 supermarkets were closed during last four quarters and stood at 941 thousand sq. m. This resulted in net sales growth of 0.2%. Despite supermarket segment was the most affected segment in the pandemic environment LFL sales growth in supermarkets turned positive and stood at 0.3% withstanding country-wide trend when consumers avoided visiting large stores and shopping malls. LFL traffic growth remained negative and almost in line with the 3Q level of -11.6%. Coupon campaign launched in supermarkets in December 2020 led to acceleration of LFL average ticket growth from 10.6% in 3Q to 13.4% in the reported quarter compensating negative traffic.

The share of drogerie format as a proportion of the total net retail sales reached 9.4% in the reported quarter. During 4Q 2020 Magnit opened (net) 197 cosmetics stores (compared to 145 in 3Q 2020 and 107 in 4Q 2019) and added 45 thousand sq. m. of selling space delivering an 9.7% increase in selling space, the highest across all formats. Driven by this increase in selling space and LFL sales growth of 10.3%, sales grew 18.6% representing again the strongest performance among all Magnit's store formats. LFL traffic growth was negative of -2.3% well compensated by strong 12.9% LFL average ticket growth.

During 4Q 2020 Magnit resumed its renovation program and redesigned 55 convenience stores and 17 supermarkets resulting in the combined share of refurbished and new stores at: 72% for convenience stores, 29% for supermarkets and 56% for the drogerie format. *For information on FY 2021 forecast - see guidance section.*

## E-commerce

Magnit began testing e-commerce services in the second half of 2020, with the most recent pilots launched in early December 2020.

Magnit fulfils around 6,000 orders a day. According to the Company's analysis, most of the orders are placed by customers who didn't shop at its brick-and-mortar stores before.

The run rate for Magnit's online segment stands at RUB 2 billion based on December sales turnover. .

In total, Magnit currently runs six online delivery projects, both independently and in cooperation with partners. The Company started developing its food-tech business together with industry specialists, partnering with Delivery Club in late August 2020, and with Yandex.Eda in late September. Both services provide express delivery within 1 hour. In September, the Company introduced online ordering for its Magnit Pharmacy format; in early November, it launched its own Magnit Delivery app for express deliveries within Moscow; and at the end of the same month, it started a regular delivery service from Magnit Family stores in Krasnodar. In the beginning of December 2020, Magnit and



Delivery Club launched deliveries from Magnit drogerie stores in Ekaterinburg and Krasnodar.

Among all these segments, convenience store-based express delivery has the highest sales and shows the best growth dynamics.

Average ticket for Magnit's own delivery service is c. RUB 1,600 which is approx. 4.5 times higher than in the convenience stores (RUB 359 in 4Q 2020). This is mostly due to a larger number of items per basket.

Magnit's e-commerce services today covers over 1,000 stores in 47 regions and 72 cities, with around 50% of the current revenue from these online projects generated outside Moscow and Saint-Petersburg. During 2021, the Company plans to expand online delivery adding at least 1,500 convenience, drogerie and large-format stores in more than 50 regions across Russia.





## 4Q 2020 Monthly Operating Results

	October	Change	November	Change	December	Change
<b>Total net retail sales, RUB million</b>	<b>123,912</b>	<b>12.8%</b>	<b>120,133</b>	<b>8.4%</b>	<b>151,116</b>	<b>10.9%</b>
Convenience Stores	95,606	13.3%	93,013	9.4%	112,534	11.5%
Supermarkets	15,624	-0.1%	15,541	-4.4%	22,757	3.7%
Drogerie Stores	11,563	23.4%	10,528	15.7%	14,907	17.2%
Other Formats	1,119	181.1%	1,051	114.2%	917	40.7%
<b>Number of tickets, million</b>	<b>392</b>	<b>-2.6%</b>	<b>362</b>	<b>-6.8%</b>	<b>401</b>	<b>-6.2%</b>
Convenience stores	329	-3.3%	303	-7.5%	330	-7.0%
Supermarkets	27	-10.4%	26	-12.7%	31	-11.8%
Drogerie Stores	32	7.5%	30	2.8%	38	3.6%
Other Formats	3.1	114.2%	2.9	66.9%	3.0	37.2%
<b>Average ticket<sup>7</sup>, RUB</b>	<b>316</b>	<b>15.8%</b>	<b>332</b>	<b>16.2%</b>	<b>377</b>	<b>18.3%</b>
Convenience stores	290	17.1%	307	18.2%	341	19.8%
Supermarkets	575	11.4%	598	9.6%	741	17.6%
Drogerie Stores	357	14.8%	354	12.5%	396	13.1%
Other Formats	350	31.2%	355	31.1%	293	2.9%
<b>Number of Stores (EOP)</b>	<b>21,242</b>	<b>n/a</b>	<b>21,370</b>	<b>n/a</b>	<b>21,564</b>	<b>n/a</b>
Convenience stores	14,743	n/a	14,810	n/a	14,911	n/a
Supermarkets	468	n/a	468	n/a	470	n/a
Drogerie Stores	6,031	n/a	6,092	n/a	6,183	n/a
<b>Store Openings (Gross)</b>	<b>100</b>	<b>n/a</b>	<b>140</b>	<b>n/a</b>	<b>205</b>	<b>n/a</b>
Convenience stores	54	n/a	77	n/a	112	n/a
Supermarkets	0	n/a	0	n/a	2	n/a
Drogerie Stores	46	n/a	63	n/a	91	n/a
<b>Store Closures</b>	<b>12</b>	<b>n/a</b>	<b>12</b>	<b>n/a</b>	<b>11</b>	<b>n/a</b>
Convenience stores	10	n/a	10	n/a	11	n/a
Supermarkets	1	n/a	0	n/a	0	n/a
Drogerie Stores	1	n/a	2	n/a	0	n/a
<b>Store Openings (Net)</b>	<b>88</b>	<b>n/a</b>	<b>128</b>	<b>n/a</b>	<b>194</b>	<b>n/a</b>
Convenience stores	44	n/a	67	n/a	101	n/a
Supermarkets	-1	n/a	0	n/a	2	n/a
Drogerie Stores	45	n/a	61	n/a	91	n/a
<b>Total Selling Space (EOP), th. sq. m.</b>	<b>7,398</b>	<b>3.1%</b>	<b>7,430</b>	<b>3.1%</b>	<b>7,497</b>	<b>3.6%</b>
Convenience stores	5,024	2.2%	5,050	2.3%	5,090	2.8%
Supermarkets	939	-0.3%	935	-0.9%	941	-0.8%
Drogerie Stores	1,394	8.0%	1,407	8.4%	1,428	9.7%
Other Formats	41	52.4%	38	27.8%	37	4.6%
<b>Selling Space Added (Net), th. sq. m.</b>	<b>27.0</b>	<b>n/a</b>	<b>32.7</b>	<b>n/a</b>	<b>66.2</b>	<b>n/a</b>
Convenience stores	18.9	n/a	26.3	n/a	39.7	n/a
Supermarkets	-1.3	n/a	-4.5	n/a	6.6	n/a
Drogerie Stores	10.1	n/a	13.5	n/a	21.0	n/a
Other Formats	-0.7	n/a	-2.5	n/a	-1.1	n/a

<sup>7</sup> Excluding VAT



October was the strongest month of the fourth quarter with 12.8% net retail sales growth – above the 4Q average. Strong October results were mainly driven by successful loyalty campaign – ‘Skrepyschi’ that had a positive impact on both LFL traffic and average ticket. In November net retail sales growth decelerated compared to October on the negative impact of the quality of days, lower contribution of new vintages entered LFL panel and softer promo activity. In December net retail sales growth started to pick up supported by acceleration of selling space growth to 3.6% compared to 3.1% in October and November and stronger LFL sales on solid LFL average ticket growth.

Absolute traffic growth (number of tickets) remained negative. In October it was still in line with the previous months on the back of normalizing frequency of visits. In November and December it started to decelerate reflecting consumer patterns.

### Financial results for 4Q and FY 2020 (IAS 17)

million RUB	4Q 2020	4Q 2019	Change	FY 2020	FY 2019	Change
Total revenue	407,227	368,206	10.6%	1,553,777	1,368,705	13.5%
Retail	395,160	356,953	10.7%	1,510,071	1,332,929	13.3%
Wholesale	12,067	11,253	7.2%	43,707	35,777	22.2%
Gross Profit	95,027	79,747	19.2%	365,729	311,999	17.2%
Gross Margin, %	23.3%	21.7%	168 bps	23.5%	22.8%	74 bps
SG&A, % of sales	-20.5%	-20.9%	41 bps	-20.5%	-21.3%	82 bps
EBITDA pre LTI <sup>8</sup>	28,803	20,421	41.0%	110,264	85,111	29.6%
EBITDA Margin pre LTI, %	7.1%	5.5%	153 bps	7.1%	6.2%	88 bps
EBITDA	28,592	19,968	43.2%	109,410	83,112	31.6%
EBITDA Margin, %	7.0%	5.4%	160 bps	7.0%	6.1%	97 bps
EBIT	16,516	7,606	117.1%	63,493	36,324	74.8%
EBIT Margin, %	4.1%	2.1%	199 bps	4.1%	2.7%	143 bps
Net finance costs	-2,856	-3,850	-25.8%	-13,497	-15,095	-10.6%
FX gain / (loss)	419	195	115.3%	-1,310	781	-267.8%
Profit before tax	14,080	3,950	256.4%	48,686	22,010	121.2%
Taxes	-2,962	65	n/a	-10,905	-4,901	122.5%
Net Income	11,117	4,015	176.9%	37,781	17,108	120.8%
Net Income Margin, %	2.7%	1.1%	164 bps	2.4%	1.2%	118 bps

Total revenue in 4Q 2020 increased by 10.6% to RUB 407.2 billion. Net retail sales in 4Q 2020 grew by 10.7% y-o-y to RUB 395.2 billion.

Wholesale revenue in 4Q 2020 increased by 7.2% y-o-y to RUB 12.1 billion with 3.0% proportion of total sales.

Gross Profit in 4Q 2020 increased by 19.2% to RUB 95.0 billion with a margin increase of 168 bps y-o-y to 23.3%. This came as a result of improved commercial terms, lower promo activity in combination with better promo coverage and higher promo margin, lower shrinkage and reduced supply chain costs. This was partially offset by the ongoing investments into Magnit’s loyalty program with higher penetration. Format mix had a

<sup>8</sup> Long-Term Incentive Program



positive impact on gross margin, with the share of high-margin drogerie business growing from 8.7% in 4Q 2019 to 9.4% in 4Q 2020 and the share of lower margin wholesale segment being almost flat y-o-y.

Despite continuous increase of on-shelf availability supply chain costs improved y-o-y due to lower transportation costs and higher utilization.

Alongside with the growing share of fresh products and overall improvement of on-shelf availability shrinkage as a proportion of sales decreased further by 44 bps y-o-y driven by ongoing optimization of supply chain processes, renegotiation of quality standards with suppliers and other initiatives.

SG&A costs demonstrated solid improvement of 41 bps to 20.5% as a percent of sales. This was achieved as a result of lower depreciation, rent, payroll and utilities costs as well as positive operating leverage effect partially offset by higher marketing, packaging and raw materials costs.

Personnel costs as a percent of sales decreased by 13 bps y-o-y driven by operating leverage and productivity increase. Staff turnover continued to improve during the period driven by on-going automation of business processes and improved working conditions in the Company's stores including a selective increase in compensation for frontline employees as well as higher retention rate.

Rental costs as a percent of sales decreased by 31 bps y-o-y driven by higher sales density, improved lease terms with landlords and closing of inefficient stores. This was achieved despite the increased share of leased selling space to 78.0% in 4Q 2020 vs 77.2% a year ago.

Depreciation as a percent of sales reduced by 39 bps y-o-y driven by operating leverage and slower pace of store redesign and lower CAPEX y-o-y. During the reported quarter, Magnit renovated 72 stores in total compared to 237 stores over the corresponding period of last year.

Advertising expenses increased by 53 bps y-o-y on higher marketing activities including 'Skrepyshi' and other loyalty campaigns as well as digital marketing.

Packaging and raw materials expenses increased by 15 bps y-o-y reflecting the ongoing provision of means of sanitary protection to customers and employees during the COVID-19 pandemic.

Other costs including utilities, bank and tax expenses improved on positive operating leverage effect.

Total costs incurred as a result of the Company's response to COVID-19 in 4Q 2020 amounted to approximately RUB 0.5 billion, reaching RUB 2.8 billion for the full year. This included additional payments to frontline personnel (reflected in staff costs) and safety procedures (reflected in other operating expenses).

As a result, EBITDA was RUB 28.6 billion with a 7.0% margin - the largest y-o-y expansion across all quarters of last year (a 160 bps increase) due to strong gross margin



dynamics and lower SG&A expenses. LTI expenses in the reported period stood at 0.05% of sales – as a result EBITDA margin pre-LTI was 7.1%.

Net finance costs in 4Q 2020 decreased by 25.8% y-o-y (or 34 bps) to RUB 2.9 billion due to the lower cost of debt and total amount of borrowings. As a result of continued focus on financial efficiencies, the cost of debt further reduced to 6.1% (102 bps y-o-y or 6 bps q-o-q). This has also led to further improvement of the debt profile with increased share of long-term borrowings to 99% and debt maturity of 22 months.

In 4Q 2020 the Company reported FX gains in the amount of RUB 0.4 billion related to direct import operations.

Income tax in 4Q 2020 was RUB 3.0 billion. Effective tax rate has normalized to 21.0%.

As a result, net income in 4Q 2020 almost tripled y-o-y and stood at RUB 11.1 billion. Net income margin increased to 2.7%.

### Financial results for 4Q and FY 2020 (IFRS 16)

million RUB	4Q 2020	4Q 2019	Change	FY 2020	FY 2019	Change
Total revenue	407,227	368,206	10.6%	1,553,777	1,368,705	13.5%
Retail	395,160	356,953	10.7%	1,510,071	1,332,929	13.3%
Wholesale	12,067	11,253	7.2%	43,707	35,777	22.2%
Gross Profit	95,054	79,747	19.2%	365,756	311,999	17.2%
Gross Margin, %	23.3%	21.7%	168 bps	23.5%	22.8%	74 bps
SG&A, % of sales	-19.2%	-18.8%	-43 bps	-19.1%	-19.8%	70 bps
EBITDA pre LTI <sup>8</sup>	47,122	37,496	25.7%	179,043	149,309	19.9%
EBITDA Margin pre LTI, %	11.6%	10.2%	139 bps	11.5%	10.9%	61 bps
EBITDA	46,911	37,043	26.6%	178,189	147,310	21.0%
EBITDA Margin, %	11.5%	10.1%	146 bps	11.5%	10.8%	71 bps
EBIT	23,541	16,253	44.8%	88,424	59,216	49.3%
EBIT Margin, %	5.8%	4.4%	137 bps	5.7%	4.3%	136 bps
Net finance costs	-10,568	-11,964	-11.7%	-44,268	-47,509	-6.8%
FX gain / (loss)	485	273	77.5%	-1,453	873	-266.5%
Profit before tax	13,458	4,562	195.0%	42,703	12,579	239.5%
Taxes	-2,839	-57	n/a	-9,709	-3,015	222.0%
Net Income	10,619	4,505	135.7%	32,993	9,564	245.0%
Net Income Margin, %	2.6%	1.2%	138 bps	2.1%	0.7%	142 bps



## Balance Sheet and Cash Flows

### Financial Position Highlights as of 31.12.2020 (IAS 17)

Million RUB	31.12.2020	31.12.2019
Inventories	205,949	218,874
Trade and other receivables	8,564	13,993
Cash and cash equivalents	44,700	8,901
Long-term borrowings	147,695	119,632
Trade and other payables	161,117	161,676
Short-term borrowings and short-term portion of long-term borrowings	18,392	64,578

Despite ongoing improvement to on-shelf availability, the increased share of drogerie format by 66 bps as a percent of net retail sales, supplier inflation and total sales growth of 13.5%, inventories decreased by RUB 12.9 billion vs December 31, 2019 and stood at RUB 205.9 billion. This was driven by a number of projects launched in 2020 including a reduction of slow-moving items, assortment harmonization and IT solutions aimed at better on-shelf availability and promo forecasting.

Trade and other payables remained flat y-o-y and stood at RUB 161.1 billion. RUB 4.7 billion increase in trade payables driven by improvement of payment days was offset by RUB 5.2 billion decrease of other payables related to high pace of expansion in 2019. Accounts receivables decreased by RUB 5.4 billion or 38.8% to RUB 8.6 billion as a results of ongoing optimisation initiatives including weekly tracking of overdue debts and clearing activities as well as launch of electronic document flow with suppliers.

Working capital management was one of the key priorities of the Company throughout 2020 with a special focus on the second half of the year. A number of ongoing initiatives, including optimization of receivables, electronic document flow, cross-functional projects aiming at reducing inventories, etc. resulted in RUB 30.5 billion release from working capital.

	31 December 2020	30 June 2020	31 December 2019
Gross Debt, RUB billion	166.1	208.6	184.2
Net Debt, RUB billion	121.4	187.4	175.3
Net Debt/EBITDA	1.1x	2.0x	2.1x

As a results of repayment activities gross Debt decreased by RUB 18.1 billion or 9.8% compared to December 31, 2019 and stood at RUB 166.1 billion as of December 31, 2020 with cash position of RUB 44.7 billion. As a result, Net Debt reduced by RUB 53.9 billion compared to December 31, 2019 and stood at RUB 121.4 billion. The Company's debt is fully RUB denominated matching revenue structure. The Net Debt to EBITDA ratio was 1.1x as at 31 December 2020 vs 2.1x as at 31 December 2019.

Capex in 2020 decreased by 45.2% y-o-y to RUB 32.1 billion following a slowdown of expansion program (1,292 store openings on gross basis in 2020 vs 2,841 in 2019) and decelerated redesign program (385 stores in 2020 vs 2,341 stores in 2019). Capex in 2020



came below the Company's guidance on lower than expected expansion given pandemic restrictions and management's intention to expand selectively following strict return requirements.

## FY 2021 Guidance

Number of store openings (all formats, gross)	~2,000
Number of redesigns (all formats)	~700
CAPEX, RUB billion	60-65

In 2021 Magnit plans to open around 2,000 stores of different format on gross basis as part of its organic expansion. Store opening program of the current year reflects strict return requirement and continued focus on operating efficiency.

Capital expenditures projections for 2021 reflect increase of investments in organic expansion and redesign as well as ongoing spending on efficiency projects focused on business development, such as optimization of supply-chain and IT infrastructure, and others.

Note:

1. This announcement contains inside information disclosed in accordance with the Market Abuse Regulation effective from July 3, 2016.
2. Please note that there may be small variations in calculation of totals, subtotals and/ or percentage change due to rounding of decimals.

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### Note to editors:

Public Joint Stock Company "Magnit" is one of Russia's leading retailers. Founded in 1994, the company is headquartered in the southern Russian city of Krasnodar. As of December 31, 2020, Magnit operated 38 distribution centres and 21,564 stores (14,911 convenience, 470 supermarkets and 6,183 drogerie stores) in 3,752 cities and towns throughout 7 federal regions of the Russian Federation.

In accordance with the unaudited IFRS 16 management accounts results for FY 2020, Magnit had revenues of RUB 1,553.8 billion and an EBITDA of RUB 178.2 billion. Magnit's local shares are traded on the Moscow Exchange (MOEX: MGNT) and its GDRs on the London Stock Exchange (LSE: MGNT) and it has a credit rating from Standard & Poor's of BB.

### Forward-looking statements:

This document contains forward-looking statements that may or may not prove accurate. For example, statements regarding expected sales growth rate and store openings are forward-looking statements. Forward-looking statements involve known and unknown risks, uncertainties and other important factors that could cause actual results to differ materially from what is expressed or implied by the statements. Any forward-looking statement is based on information available to Magnit as of the date of the statement. All written or oral forward-looking statements attributable to Magnit are qualified by this caution. Magnit does not undertake any obligation to update or revise any forward-looking statement to reflect any change in circumstances.