

M.Video-Eldorado's EBITDA in 2023 expanded by 49% to RUB 21.5 billion

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PJSC M.Video (M.Video-Eldorado Group, the Company, or the Group; MOEX: MVID), Russia's leading e-commerce and consumer electronics retailer, releases its operational results and audited consolidated financial statements prepared in accordance with International Financial Reporting Standards (IFRS) for the year ended December 31, 2023.

2023 M.VIDEO-ELDORADO GROUP FINANCIAL HIGHLIGHTS¹

- **The Group's gross merchandise value (GMV²)** in 2023 rose by 11% year-on-year to RUB 540 billion (incl. VAT). Total online sales increased by 18% to RUB 386 billion (incl. VAT), accounting for 71% of GMV.
- **The Group's revenue** rose by 7.9% year-on-year to RUB 434.4 billion.
- **Gross profit** was up 10% year-on-year to RUB 91.4 billion (similar results under IFRS 16). **Gross margin** increased by 0.4 p.p. to 21.0% driven by product mix expansion and business model stabilization.
- **Selling, general and administrative expenses (SG&A) excluding depreciation and amortization**, declined by 0.9 p.p. to account for 16.1% of revenue – an all-time low in the history of M.Video-Eldorado. In absolute terms, the indicator amounted to RUB 70.0 billion (RUB 49.8 billion under IFRS 16).
- **The Group's EBITDA** rose by 49% to RUB 21.5 billion. **EBITDA margin** increased by 1.4 p.p. to 4.95%, returning to the target range thanks to operational efficiency improvements. In 4Q 2023 EBITDA rose by 91%, and EBITDA margin - by 1.8 p.p. year-on-year to 6.7%.
- **The Group's net loss** in 2023 declined by 31% to RUB 5.2 billion (RUB 6.6 billion. under IFRS 16). **In 4Q 2023 net profit amounted to RUB 1.6 billion**, which is 2.5 billion more than in 4Q 2022.
- **The Group's net debt** as at December 31, 2023 was RUB 67.8 billion, with **net debt / EBITDA** going down to 3.2x (vs. 4.5x as at December 31, 2022).

Sergey Li, CEO of M.Video-Eldorado Group:

"Over the past two years, our company has successfully transformed its business model, delivering robust growth across key business indicators last year. In 2023, the number of household appliance and consumer electronics SKUs available in our stores and online channels exceeded 190,000 (up 22% from 2022), hitting a new all-time high. In Q4 2023, we also delivered the highest quarterly GMV in the Group's history, with GMV growing by 43% year-on-year to RUB 181.1 billion. Last year, we opened 62 new compact format stores and entered 15 new cities. In 2024, we plan to continue our expansion and open at least 100 more stores of this format. The reporting year's highlights included rebranding and the launch of a new co-branded store format based in the facilities of the Eldorado chain and reinforced by the M.Video brand. The pilot project showed positive sales and traffic performance. We can see that loyal M.Video customers are using these locations for purchases with growing frequency. Hence, in 2024, we plan to continue increasing the number of such co-branded stores. Another important project in 2024 will be the expansion of M.Master areas, unified customer service centers for managing and repairing consumer electronics and household appliances of various brands from any stores. By the middle of the year, we plan to open M.Master branded areas in several Russian cities. We see this comprehensive service offering as a significant competitive edge, as it enables us to act as the key technology expert for our customers."

Anna Garmanova, CFO of M.Video-Eldorado Group:

“In 2023, the Company achieved all the financial goals set for the year. Those included ensuring growth of business, increasing its profitability, and improving expenditure and investment efficiency. Our success is confirmed by the record-high inventory turnover demonstrated by the end of the year, the lowest ever operating expenses, and the return of EBITDA margin to the target range. In 4Q 2023 the Company received RUB 1.6 billion of net income compared to RUB 0.9 billion of net loss in 4Q 2022. The strong financial results comparable to the pre-pandemic period enabled us to reduce leverage below the level registered over the past two years and bring our Net debt / EBITDA ratio to 3.2x. We see the stability of our new business model and expect further improvements in performance, including lower leverage by the end of 2024.”

M.VIDEO-ELDORADO GROUP'S KEY CONSOLIDATED FINANCIAL HIGHLIGHTS FOR FY 2023

RUB bn (excl. VAT)	IFRS 17		Change y-o-y	IFRS 16		Change y-o-y
	2023	2022		2023	2022	
Revenue	434.4	402.5	7.9%	434.4	402.5	7.9%
Gross profit	91.4	83.0	10.0%	91.4	83.1	10.0%
<i>Gross margin, %</i>	<i>21.0%</i>	<i>20.6%</i>	<i>+0.4 p.p.</i>	<i>21.0%</i>	<i>20.6%</i>	<i>+0.4 p.p.</i>
EBITDA	21.5	14.4	48.8%	41.8	33.8	23.5%
<i>EBITDA margin, %</i>	<i>4.95%</i>	<i>3.6%</i>	<i>+1.4 p.p.</i>	<i>9.6%</i>	<i>8.4%</i>	<i>+1.2 p.p.</i>
Net loss	-5.2	-7.6	-30.7%	-6.6	-10.3	-35.8%

REVENUE

The Group's revenue in 2023 rose by 7.9% year-on-year to RUB 434.4 billion on the back of expanded product range, a wider selection of sales tools and channels, as well as new openings, while the demand for household appliances and electronics continued to recover. Key growth drivers include:

- robust growth of total online sales³ (up 18% year-on-year), accounting for 71% of GMV;
- expansion of the product range available in stores and online channels by 22% year-on-year to over 191,000 SKUs;
- expansion of the exclusive offering, with its share reaching 18% of sales in Q4 2023 and 15% for FY 2023;
- acquisition of new customers (up 14% year-on-year) and active engagement with the existing customer base – in 2023, the Company reactivated 15% more inactive customers (those who had not made purchases in the previous 12 months) than in 2022;
- growth in the share of credit sales (characterized among other things by a higher average ticket) to 15.7% of total turnover (up 5.3 p.p. year-on-year);
- expansion of the chain through the opening of 62 stores in a new efficient compact format, including in 15 new cities where the Group had not operated previously.

GROSS PROFIT

In 2023, gross margin increased by 0.4 p.p. to 21.0% on the back of growth in the share of high-margin services in total sales and development of partnerships with suppliers. Additional gross margin support came from the loyalty program changes introduced in Q4 2023, which enabled the Company to increase the LFL average ticket by more than 25%, while maintaining the loyalty program penetration at over 90%.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (SG&A)

In 2023, the operational efficiency and cost control program helped the Group to reduce the SG&A to revenue ratio to its all-time low of 16.1% (-0.9 p.p. year-on-year or RUB 70.0 billion). Key drivers behind the decrease in OPEX:

- decline in advertising and marketing expenses as a percentage of revenue by 0.2 p.p. as a result of prioritizing the more effective channels of promotion, combining advertising campaigns of two brands, and increased communications using the Group's own mobile platform;
- 0.3 p.p. reduction in lease expenses as a result of revenue growth outpacing indexation, reaching agreements with lessors, and optimized costs of new store leases;
- 0.2 p.p. reduction in the share of warehouse logistics costs as a result of optimization and automation of processing and storage procedures;
- 0.3 p.p. reduction in bank charges as a result of lower acquiring and collection costs on the back of the introduction of new payment methods, including FPS.

Depreciation and amortization expenses in the reporting period, despite more than 60 new openings, remained almost unchanged from the previous year, totaling RUB 11.8 billion compared to RUB 11.7 billion a year earlier amid the continuing effect of accelerated depreciation of heavy IT investments in 2020–2021.

EBITDA

The Group's EBITDA amounted to RUB 21.5 billion in 2023 vs. RUB 14.4 billion in 2022. EBITDA margin increased by 1.4 p.p. year-on-year to 4.95% in 2023 due to a simultaneous increase in gross margin and a decrease in the operating expenses to revenue ratio. In 4Q 2023 EBITDA rose by 91%, and EBITDA margin - by 1.8 p.p. year-on-year to 6.7%.

NET PROFIT/LOSS

The Group's net loss for 2023 decreased by 31% to RUB 5.2 billion compared to a loss of RUB 7.6 billion for 2022. The reduction in the loss was due to improved key financial performance metrics partially offset by higher finance expenses and high depreciation and amortization charges on prior period capital expenditures. The high depreciation and amortization expenses resulted from heavy investments in infrastructure and IT in 2020–2021. In 2022–2023, the amount of investments was normalized, which will ensure lower depreciation and amortization charges in the medium term.

In 4Q 2023 the Company received RUB 1.6 billion of net income compared to RUB 0.9 billion of net loss in 4Q 2022.

LEVERAGE

As at December 31, 2023, the Group's total debt decreased by RUB 9.2 billion year-on-year to RUB 86.4 billion, while cash and cash equivalents as at the end of the reporting period totaled RUB 18.7 billion.

At the end of the reporting period, the Group's net debt remained at a level comparable to that of the previous year and amounted to RUB 67.8 billion (up RUB 2.3 billion year-on-year). All of the Group's debt is denominated in rubles.

As a result, net debt / EBITDA as at December 31, 2023 stood at 3.2x, down from 4.5x as at December 31, 2022.

BUSINESS OVERVIEW AND KEY EVENTS AFTER THE REPORTING DATE

- The Analytical Credit Rating Agency (ACRA) has reaffirmed M.Video's credit rating of A(RU) assigned a year earlier, raising the outlook from stable to positive. The positive outlook of ACRA implies the possibility of rating upgrade in 12–18 months. ACRA noted that the change in the Group's outlook to "positive" is due to the Agency's expectation of further growth of sales and business profitability in 2024–2026, which will improve, among other things, the leverage and coverage estimates.
- As part of its service business development, the Group opened pilot M.Master branded areas to provide a full range of repair and maintenance services in stores. By the middle of the year, the Group plans to open M.Master branded areas in several Russian cities. The new spaces offer a wide range of services, as well as repair of appliances purchased in any Russian store both in its service centers and with on-site technician visits.
- In 2024, the Group plans to increase the pace of its regional expansion – it expects to open over 100 new M.Video stores, most of which will represent the Company's compact format proved to be efficient and involving a significantly lower volume of investments in openings with a higher turnover per square meter compared to standard retail outlets. The compact store concept makes the Company more flexible in expanding its physical presence and entering new communities, and opens up additional opportunities and locations for selecting selling spaces on the commercial real estate market.

EFFECT OF IFRS 16 ON M.VIDEO-ELDORADO GROUP'S FINANCIAL STATEMENTS

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

Effect on gross profit

The difference in the Group's gross profit under IFRS 16 is insignificant and attributable to variations in accounting treatment of leased vehicles. The Group's gross profit under IFRS 16 reached RUB 91.4 billion. The gross margin under both standards totaled 21% in 2023.

Effect on EBITDA

The Group's EBITDA was significantly higher under IFRS 16, as the bulk of lease expenses previously recognized in selling, general and administrative expenses are now recognized, under IFRS 16, as the Company's balance sheet debt as well as financial expenses in the income statement.

In 2023, lease and utility expenses under IFRS 16 decreased by RUB 17.8 billion. The Group's EBITDA under IFRS 16 increased to RUB 41.8 billion in 2023 compared to RUB 21.5 billion under IAS 17 over the same period. In 2023, EBITDA margin under IFRS 16 was 9.6%, which is 4.7 p.p. higher than EBITDA margin of 4.95% under IAS 17.

Effect on net profit

The Group's net profit in 2023 was affected by RUB 13.6 billion of additional expenses arising from depreciation of leased assets under IFRS 16. The effect of these additional depreciation expenses was fully offset by the deduction of long-term lease expenses from operating expenses as mentioned above.

At the same time, financial costs under IFRS 16 increased by RUB 8.3 billion due to additional interest expenses on lease liabilities in 2023. The implementation of IFRS 16 also changed income tax expenses due to a change in profit before tax.

As a result, the Group's net loss under IFRS 16 amounted to RUB 6.6 billion compared to the net loss of RUB 5.2 billion under IAS 17 over the same period.

Effect on cash flow statement

The implementation of IFRS 16 does not affect the net cash change in the statement of cash flows. However, IFRS 16 impacts the presentation of the statement of cash flows in a way that it classifies principal lease

payments as financing activities, prepayments as investing activities, and interest payments as interest paid in operating activities.

The unaudited consolidated financial reporting under International Financial Reporting Standards (IFRS) for the 12 months ended December 31, 2023 are posted on the Group's corporate website at

<https://www.mvideoeldorado.ru/en/shareholders-and-investors/results-and-reports/results-center>

About the Group

M.Video-Eldorado Group (PJSC M.video) is a leading Russian e-commerce and consumer electronics retailer that unites the M.Video and Eldorado brands. The Group includes the IT company "M.Tech", focused on the development of retail and e-commerce solutions, and the largest fintech platform in Russia in terms of loans issued "Direct Credit".

M.Video-Eldorado Group operates a network of more than 1,200 stores in Russian cities from the Kaliningrad Region to Kamchatka and develops its own marketplace of consumer electronics, which provides a wide assortment and quick availability of goods throughout the country. M.Video-Eldorado develops both an online platform and a network of stores under both brands, the total traffic of the company is about 1.2 billion visits per year.

M.Video-Eldorado Group is the only Russian company in the retail electronics with shares traded on the stock market. Currently, the Company's shares are traded on the largest Russian stock exchange – the Moscow Stock Exchange (ticker: MVID).

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¹ Unless otherwise specified, all financial results of M.Video-Eldorado Group are provided in line with IAS 17.

² GMV (gross merchandise value) includes in-store purchases (including those from pickup points), paid and delivered online orders, and paid orders shipped from warehouses to corporate customers. Offline and online purchases can be made by both individuals and legal entities. GMV includes the Company's own and agency sales of goods and services. GMV includes VAT and is net of discounts granted to customers and returns made during the reporting period. GMV does not constitute the Company's revenue.

³ Total online sales of M.Video-Eldorado Group include sales made on the web-platform (on the web-site and contact center) and on the mobile platform (via Customer app and Consultant app).