

In 1H 2020, M.Video-Eldorado doubles online sales to 56% of total turnover

23 July 2020, Moscow, Russia. PJSC M.Video (M.Video-Eldorado Group, the Company, or the Group; MOEX: MVID), Russia's largest consumer electronics retailer by revenue and part of SAFMAR Group owned by Mikhail Gutseriev, releases its combined unaudited net sales for the second quarter and first half ended 30 June 2020 and publishes its business overview and key events in 2Q 2020 and after the reporting date.

1H 2020 highlights¹

- **The Group's net sales** rose by 7.6% year-on-year to RUB 208.4 billion (incl. VAT).
- **Total online sales (TOS)²** grew by 97.5% year-on-year to RUB 116.8 billion (incl. VAT), accounting for 56.1% of total sales.
- **The average monthly audience** of the Group's websites was up by 43% vs 1H 2019 to reach 75.9 million visitors.
- **The number of the M.Video mobile app downloads** increased by 457% to 3.6 million. The app is rated 4.5 and 4.7 on the App Store and Google Play, respectively.

2Q 2020 highlights

- **The Group's net sales** were down by 5.8% year-on-year to RUB 86.9 billion (incl. VAT).
- In April and May, the Group's net sales decreased by 23.5% and 3.8% year-on-year, respectively, and in June, bounced back to growth, up 7.1% year-on-year.
- **Total online sales (TOS)** grew by 117.5% year-on-year to RUB 60.1 billion (incl. VAT), accounting for 69.1% of total sales.
- In April, May and June, the Group's total online sales added 110.9%, 127.1% and 115.2% year-on-year, respectively.

Key factors behind 2Q 2020 results

- The Group more than doubled its total online sales thanks to accelerated scaling of the online business driven by: 1) a number of projects and partnerships to improve the efficiency, speed and safety of customer service; 2) dark store automation and effective stock management, including redistribution and cross-brand redistribution within cities; 3) promotion of the M.Video mobile app and its enhanced capabilities; and 4) a shift in our marketing and advertising focus towards the online segment to drive more traffic to our websites and the mobile app and boost their conversion.
- With many consumers forced to work and study remotely, Group's sales of mobile devices and home office equipment outperformed the market.
- Significant restrictions imposed across most of Russia to slow the spread of the coronavirus had a negative impact on non-food retail sales, including those associated with in-store pick-up of online purchases and in-store fulfillment of online orders. The lockdown exerted strong pressure on traffic in non-food stores. The Group was able to cope with the negative effects as early as in April, re-launching store operations in line with local restrictions and introducing new contactless delivery options, including delivery to the parking lot and 'walking courier' delivery from the store, while also leveraging partnerships to boost the effectiveness and swiftness of last mile delivery services. The company also improved customer experience, launching contactless payments via app or link, as well contactless product exchange and returns.

2Q 2020 highlights

- The Group launched fast contactless delivery of online orders using Yandex.Taxi, Gett Delivery or services of local partners in all cities across its footprint, delivering more than 10,000 orders by taxi every week.
- M.Video and Eldorado opened virtual stores on the Ozon marketplace, featuring some 80% of both brands' product ranges.
- The Group teamed up with X5 Retail Group to deliver online orders of medium-sized equipment under 15 kg to pick-up points and parcel lockers located in Pyaterochka stores.
- We launched remote video calls for customers visiting our stores for consultations with a shop assistant through our websites, the mobile app or WhatsApp account. Our team handles 5,000 video calls weekly with a conversion rate of 25%.
- The Group now teams up with the Russian Post to expand delivery of online orders to more than 300 additional cities and towns.
- Since June, the Group has re-launched most of its stores across the country, including Moscow, and reformatted retail operations following the lifting of restrictions in a number of regions. All transactions can be made online, with payment through a link, mobile app, QR code on a price tag or other options, with safety protocols in place to protect customers and staff.

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M.Video-Eldorado Group's President Alexander Tynkovan said:

'Though April and May of this year were the most challenging months in more than twenty-five years of our operations, the Group confidently navigated through this time and fast-tracked transfer to ONE RETAIL business model. Notwithstanding the difficulties, we were able to retain our retail staff, which is about 30 thousand people. In April and May, we performed over one million courier service deliveries and implemented dozens of projects – from video calls to taxi delivery – to ensure that Russians have access the appliances and devices they need for work and everyday needs. I would like to thank our entire team, all our employees and partners for their commitment and flexibility in responding to the challenges that we faced.'

The coronavirus outbreak has changed our daily habits, making it clear that many things can be done remotely, while shopping become 'smartphone dependent'. Based on our own and global experience, stores continue to fuel business growth, serving as its foothold and a source of business growth and access points to products – their role even increased. Our online business outperformed the market, almost doubling its sales vs an approximately 60% market growth in online sales of household appliances and electronics in 1H 2020. The ongoing sales growth is also driven by a rapid growth of courier delivery and expansion of in-store online operations, including in-store pick-up and sales to authorised customers checked-in through shop assistants' mobile devices. We plan to further develop the Group's ONE RETAIL model by enhancing our online presence supported by the offline retail network.'

Ekaterina Sokolova, M.Video-Eldorado Group's Chief Financial Officer, said:

'M.Video-Eldorado Group has started its transformation into an online business long before the pandemic, and unlike many large nation-wide retailers, we were well-prepared for this challenge. In 2Q, this helped us to scale up the Group's online business quickly and efficiently, putting us in a position to bring timely, high-quality and safe service to our customers while providing them with everything they needed during the lockdown. We are happy to be a retailer of choice offering products, most of which have become truly essential in today's digital world. In 2Q, product deliveries quadrupled in value terms, pick-up more than doubled, and the traffic of our both websites increased by 60%. Despite such rapid growth, we were able to maintain healthy profit margins, our key priority.'




There is still much work to be done in the online segment. We need to boost logistics efficiency, maintain maximum security and expand online payment options, while also increasing the loyalty of our existing users, attracting new ones, and improving the unit economics of our business as a whole. We are ready to embrace more changes and drop irrelevant metrics, invest in new technologies, expand the boundaries of the new space shared by our customers and partners that we call ONE RETAIL.'

Business overview and key events after the reporting date

- **As of mid-July, about 93% of the total number of the Group's stores have resumed normal operations** in compliance with all sanitary and epidemiological requirements. A number of Russia's regions still keep restrictions in place for non-food retail.
- **The Group complies with sanitary and epidemiological requirements at all its facilities** and takes all necessary steps to protect the well-being and health of employees, which includes regular weekly monitoring of workplace safety and COVID-19 testing for those employees who have come into contact with an infected person.
- **Since early July, the Group has seen a surge in total sales growth**, which is attributable to the continued lifting of restrictions across the country and deferred demand, as well as a drop in domestic and international travel, which enabled consumers to reallocate their budgets in favour of durable goods. In the first three weeks of July, the Group's sales increased by more than 30% year-on-year. The strongest growth was seen in the sales of smartphones, computers, HVAC appliances, refrigerators and other household and personal care products.
- **Since late June 2020, the Group has expanded its Proper Recycling programme** for collecting, transporting and recycling electronic waste to eight regions of Russia that now covers 15 regions in total, and also plans to send its own office equipment for recycling.
- **M.Video-Eldorado continues to advance its key partnerships and projects** launched during the lockdown period and focused on boosting online sales along with the efficiency, swiftness and safety of last mile delivery services. The Company's management plans to conduct financial and strategic review of these initiatives on a regular basis to decide whether they should be cut, maintained or expanded.




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2Q 2020 M.Video-Eldorado operations summary, RUB mln (incl. VAT)




	Apr'20	y-o-y, %	May'20	y-o-y, %	Jun'20	y-o-y, %	2Q'20	y-o-y, %
Net sales, incl.:	14,312	-26.1%	17,348	-8.0%	24,867	+4.3%	56,528	-8.9%
 Total online sales (TOS)	13,155	+81.4%	13,767	+100.8%	16,906	+108.9%	43,828	+97.4%
Share of net sales	91.9%	+54.5 p.p.	79.4%	+43.0 p.p.	68.0%	+34.0 p.p.	77.5%	+41.8 p.p.
Net sales, incl.:	7,792	-18.2%	9,772	4.7%	12,808	13.2%	30,373	+0.7%
 Total online sales (TOS)	5,912	+230.5%	5,624	+234.6%	4,712	+141.7%	16,248	+199.8%
Share of net sales	75.9%	+57.1 p.p.	57.6%	+39.5 p.p.	36.8%	+19.6 p.p.	53.5%	+35.5 p.p.
Net sales, incl.:	22,105	-23.5%	27,121	-3.8%	37,675	+7.1%	86,901	-5.8%
 Total online sales (TOS)	19,067	+110.9%	19,391	+127.1%	21,618	+115.2%	60,076	+117.5%
Share of net sales	86.3%	+55.0 p.p.	71.5%	+41.2 p.p.	57.4%	+28.8 p.p.	69.1%	+39.2 p.p.

1H 2020 M.Video-Eldorado operations summary, RUB mln




Net sales, RUB mln (incl. VAT)

	2Q 2020	2Q 2019	Chg., %	1H 2020	1H 2019	chg., %
	56,528	62,069	-8.9%	138,584	130,206	+6.4%
	30,373	30,165	+0.7%	69,805	63,419	+10.1%
	86,901	92,234	-5.8%	208,389	193,625	+7.6%







Total online sales (TOS), RUB mln (incl. VAT)²

	2Q 2020	2Q 2019	Chg., %	1H 2020	1H 2019	chg., %
	43,828	22,202	+97.4%	91,688	47,544	+92.9%
	16,248	5,419	+199.8%	25,141	11,597	+116.8%
	60,076	27,621	+117.5%	116,829	59,141	+97.5%

Share of online sales in net sales, %

	2Q 2020	2Q 2019	Chg., %	1H 2020	1H 2019	chg., p.p.
	77.5%	35.8%	41.8%	66.2%	36.5%	+29.6%
	53.5%	18.0%	35.5%	36.0%	18.3%	+17.7%
	69.1%	29.9%	39.2%	56.1%	30.5%	+25.5%

Website metrics










	2Q 2020	2Q 2019	Chg., %	1H 2020	1H 2019	chg., %
Traffic, mn visitors						
	144.6	96.3	50.2%	282.6	214.5	31.8%
	83.2	48.7	71.0%	172.6	103.9	66.2%
	228.9	143.0	57.2%	455.3	318.4	43.0%
Number of tickets, mn						
	2.37	1.02	131.2%	4.01	2.30	74.0%
	1.60	0.61	161.3%	2.60	1.19	118.9%
	3.97	1.64	142.4%	6.61	3.49	89.3%

Mobile app metrics³

No of tickets, '000	659.0	26.9	2,349.7%	854.5	46.1	1,754.2%
Downloads, '000 ⁴	-	-	-	3,574	642	456.7%
WAU, '000 ⁵	-	-	-	554	90	515.3%

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Retail network

	30/06/2020	31/12/2019	Chg. in 1H 2020	
Stores				
 532	532	532	0	0%
 505	505	506	-1	-0.2%
 1,037	1,037	1,038	-1	-0.1%
Selling space, '000 sq m				
 793	793	794	-1	-0.2%
 657	657	661	-5	-0.7%
 1,450	1,450	1,456	-6	-0.4%
Total space, '000 sq m				
 1,111	1,111	1,115	-4	-0.4%
 873	873	882	-9	-1.0%
 1,984	1,984	1,997	-13	-0.7%

About M.Video-Eldorado Group

About M.Video-Eldorado Group (PJSC M.video) is Russia's largest consumer electronic retailer uniting the M.Video and Eldorado brands in the market for home appliances and electronics. The companies' total annual turnover exceeds RUB 430 billion, including VAT (FY 2019). The M.Video-Eldorado Group is the only Russian publicly-traded company in the electronics retail sector. The company's shares are traded on Moscow Exchange (ticker: MVID).

The Group operates Russia's largest online platform for consumer electronics and household appliances commanding a market share of over 30%. As of June 30, 2020, the Group also operates 512 stores under the M.Video brand, 505 stores under the Eldorado brand and 20 m_mobile stores in more than 250 cities across Russia with a total selling space of 1,450 thousand square meters. The Group has 100% online coverage in all cities of operation.

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¹ Starting from 2Q 2020, M.Video-Eldorado Group discontinues disclosure of like-for-like (LFL) stores sales. The Group's management believes that these disclosures do not fully represent the Group's performance given a surge in online sales and their share in the Group's net turnover, as well as the management's focus on delivering a seamless shopping experience while retaining offline stores as an essential part of our ONE RETAIL business model.

² Total online sales of M.Video-Eldorado Group in line with its ONE RETAIL strategy include all online sales to authorised customers through various channels: home delivery, in-store pick-up, and sales to clients checked-in through shop assistants' mobile devices connected to Real-Time Dealing platform (RTD). RTD is currently available in M.Video stores only.

³ The M.Video retail network launched a mobile app in 2Q 2019. The launch of the Eldorado mobile app is expected by the end of 2020.

⁴ Total number of app downloads on mobile devices on iOS and Android on a cumulative basis.

⁵ WAU – weekly average users, the average number of regular users of the mobile app per week.