

## MAGNIT PJSC (MGNT)

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## PJSC "Magnit" Announces Unaudited 2Q 2018 Results

Krasnodar, Russia (26 July, 2018): Magnit PJSC (MOEX and LSE: MGNT), one of Russia's leading retailers announces its unaudited 2Q 2018 results prepared in accordance with IFRS<sup>1</sup>.

During 2Q 2018 Magnit added (net) 335 stores. The total store base as of June 30, 2018 reached 16,960 stores (12,503 convenience stores, 244 hypermarkets, 213 "Magnit Family" stores and 4,000 drogerie stores). Addition of selling space in 1H 2018 was 190 thousand sq. m. compared to 252 thousand sq. m. in 1H 2017.

Revenue increased by 7.2% from 555 billion RUR in 1H 2017 to 595 billion RUR in 1H 2018 on the back of 11.7% selling space growth and negative LFL sales dynamics (-4.5% in 1H 2018).

LFL performance in 1H 2018 was influenced by low food inflation and Easter calendarisation (prior to the salary payment), lower number of stores opened after redesign (414 vs. 830 respectively), as well as intensifying competition and cannibalisation.

Gross Profit decreased y-o-y and stood at 147 billion RUR in 1H 2018. Gross Margin in 1H 2018 was 24.7%. The decrease was due to (1) price investments; (2) extensive promo held in May and June and (3) shrinkage growth caused by incorrect promo volume projections. As part of the Company's strategic plan, management is taking steps to address the promo issue.

EBITDA in 1H 2018 was 44 billion RUR. EBITDA margin in 1H 2018 was 7.4%. EBITDA result was driven by the gross profit dynamics, increase of the lease expense due to the higher share of leased stores as well as one-off write-offs of inventory and accrued provisions in the amount of 1.5 billion RUR. Negative impact was partially offset by the improvement of payroll and other operating expenses. EBITDA adjusted for one-off effects would be 7.7% in 1H 2018 and 8.2% in 2Q 2018.

Net Income in 1H 2018 was 18 billion RUR down from 21 billion RUR in 1H 2017 on the back of lower EBITDA partially offset by the improvement of interest and tax expense. Net Income Margin in 1H 2018 was 3.0%.

**Olga Naumova, Magnit's Chief Executive Officer, said:**

"We have ambitious goals and those will not be achieved overnight. The management team is currently working hard to deliver a comprehensive plan for transformation of the business. Magnit has important fundamental advantages that serve as a solid base for improvement including strong brand recognition, well-established market presence and scale, as well as a sophisticated logistics system. In the new Board and my colleagues in management, we have a world-class leadership team and I am confident that together we will deliver growth and regain leadership."

**Elena Milinova, Chief Financial Officer, added:**

"We see immediate opportunities to improve efficiency by introducing changes to category management, promo planning, quality of ordering projections and customer engagement. Additionally, we are expecting positive effects from further optimisation of payroll, overhead and banking costs. We expect to see the first benefits resulting from these measures as soon as in the 4Q 2018"

### 2Q 2018 Monthly Operating Metrics:

	April	Y-o-Y, %	May	Y-o-Y, %	June	Y-o-Y, %
<b>New Store Openings (NET)</b>	<b>107</b>	<b>n/a</b>	<b>75</b>	<b>n/a</b>	<b>153</b>	<b>n/a</b>
Convenience stores	65	n/a	55	n/a	100	n/a
Hypermarkets	1	n/a	0	n/a	1	n/a
Supermarkets	1	n/a	1	n/a	1	n/a
Drogerie Stores	40	n/a	19	n/a	51	n/a
<b>Number of Stores (EOP)</b>	<b>16,732</b>	<b>n/a</b>	<b>16,807</b>	<b>n/a</b>	<b>16,960</b>	<b>n/a</b>
Convenience stores	12,348	n/a	12,403	n/a	12,503	n/a
Hypermarkets	243	n/a	243	n/a	244	n/a
Supermarkets	211	n/a	212	n/a	213	n/a
Drogerie Stores	3,930	n/a	3,949	n/a	4,000	n/a
<b>New Selling Space, th. sq. m.</b>	<b>35</b>	<b>n/a</b>	<b>28</b>	<b>n/a</b>	<b>52</b>	<b>n/a</b>
Convenience stores	23	n/a	21	n/a	37	n/a
Hypermarkets	2	n/a	0	n/a	2	n/a
Supermarkets	1	n/a	3	n/a	1	n/a
Drogerie Stores	9	n/a	4	n/a	12	n/a
<b>Total Selling Space (EOP), th. sq. m.</b>	<b>5,865</b>	<b>13.0%</b>	<b>5,893</b>	<b>12.4%</b>	<b>5,945</b>	<b>11.7%</b>
Convenience stores	4,034	13.6%	4,056	12.9%	4,092	12.1%
Hypermarkets	696	1.6%	696	1.1%	698	1.0%
Supermarkets	232	10.5%	234	10.9%	235	12.6%
Drogerie Stores	903	21.7%	907	20.7%	919	19.7%

<b>Number of Customers, million</b>	<b>355</b>	<b>8.3%</b>	<b>383</b>	<b>9.9%</b>	<b>378</b>	<b>10.5%</b>
Convenience stores	301	8.9%	326	10.6%	320	10.9%
Hypermarkets	21	(0.1%)	21	0.2%	22	3.1%
Supermarkets	12	6.7%	12	5.7%	12	8.4%
Drogerie Stores	22	9.9%	23	12.3%	23	13.3%

<b>Retail Sales<sup>2</sup>, million RUR</b>	<b>96,110</b>	<b>4.4%</b>	<b>100,929</b>	<b>3.9%</b>	<b>102,779</b>	<b>7.6%</b>
Convenience stores	73,122	5.8%	77,214	5.0%	78,011	8.5%
Hypermarkets	11,385	(6.3%)	11,522	(7.5%)	12,118	(1.7%)
Supermarkets	5,059	4.2%	5,120	1.5%	5,312	6.8%
Drogerie Stores	6,545	10.2%	7,073	15.9%	7,338	16.8%

## 2Q and 1H 2018 Key Operating Metrics:

	2Q 2018	2Q 2017	Y-o-Y, %	1H 2018	1H 2017	Y-o-Y, %
<b>New Store Openings (NET)</b>	<b>335</b>	<b>535</b>	<b>n/a</b>	<b>610</b>	<b>785</b>	<b>n/a</b>
Convenience stores	220	405	n/a	378	593	n/a
Hypermarkets	2	3	n/a	1	3	n/a
Supermarkets	3	1	n/a	5	(4)	n/a
Drogerie Stores	110	126	n/a	226	193	n/a

<b>Number of Stores (EOP)</b>	<b>16,960</b>	<b>14,844</b>	<b>n/a</b>	<b>16,960</b>	<b>14,844</b>	<b>n/a</b>
Convenience stores	12,503	11,114	n/a	12,503	11,114	n/a
Hypermarkets	244	240	n/a	244	240	n/a
Supermarkets	213	190	n/a	213	190	n/a
Drogerie Stores	4,000	3,300	n/a	4,000	3,300	n/a

<b>New Selling Space, th. sq. m.</b>	<b>115</b>	<b>172</b>	<b>n/a</b>	<b>190</b>	<b>252</b>	<b>n/a</b>
Convenience stores	81	133	n/a	134	199	n/a
Hypermarkets	4	7	n/a	(4)	7	n/a
Supermarkets	5	0	n/a	6	(4)	n/a
Drogerie Stores	25	32	n/a	53	49	n/a

<b>Total Selling Space (EOP), th. sq. m.</b>	<b>5,945</b>	<b>5,320</b>	<b>11.7%</b>	<b>5,945</b>	<b>5,320</b>	<b>11.7%</b>
Convenience stores	4,092	3,652	12.1%	4,092	3,652	12.1%
Hypermarkets	698	691	1.0%	698	691	1.0%
Supermarkets	235	209	12.6%	235	209	12.6%
Drogerie Stores	919	768	19.7%	919	768	19.7%

<b>Number of Customers, million</b>	<b>1,116</b>	<b>1,018</b>	<b>9.6%</b>	<b>2,121</b>	<b>1,944</b>	<b>9.1%</b>
Convenience stores	947	860	10.2%	1,795	1,636	9.7%
Hypermarkets	64	63	1.1%	123	123	0.6%
Supermarkets	36	34	6.9%	69	65	6.1%
Drogerie Stores	68	61	11.9%	134	121	10.7%

## LFL Results:

2Q 2018 - 2Q 2017<sup>3</sup>

Formats	# of Stores	Average Ticket	Traffic	Sales
Convenience stores	9,515	(3.3%)	(2.2%)	(5.4%)
Hypermarkets	227	(6.3%)	(0.4%)	(6.7%)
Supermarkets	171	(3.0%)	(2.8%)	(5.7%)
Drogerie Stores	3,093	2.9%	(2.2%)	0.7%
<b>Total</b>	<b>13,006</b>	<b>(3.1%)</b>	<b>(2.1%)</b>	<b>(5.2%)</b>

1H 2018 - 1H 2017<sup>3</sup>

Formats	# of Stores	Average Ticket	Traffic	Sales
Convenience stores	9,049	(1.8%)	(3.0%)	(4.7%)
Hypermarkets	227	(4.7%)	(1.2%)	(5.8%)
Supermarkets	171	(1.8%)	(2.8%)	(4.5%)
Drogerie Stores	3,026	3.7%	(3.1%)	0.4%
<b>Total</b>	<b>12,473</b>	<b>(1.7%)</b>	<b>(2.9%)</b>	<b>(4.5%)</b>

## 2Q and 1H 2018 Key Financial Results, million RUR

2Q 2018    2Q 2017    Growth Rate    1H 2018    1H 2017    Growth Rate

<b>Net sales</b>	<b>306,701</b>	<b>288,042</b>	<b>6.5%</b>	<b>595,263</b>	<b>555,025</b>	<b>7.2%</b>
Convenience stores	<b>228,348</b>	<b>214,535</b>	<b>6.4%</b>	<b>443,648</b>	<b>411,817</b>	<b>7.7%</b>
Hypermarkets	<b>35,025</b>	<b>36,940</b>	<b>(5.2%)</b>	<b>68,882</b>	<b>71,737</b>	<b>(4.0%)</b>
Supermarkets	<b>15,490</b>	<b>14,870</b>	<b>4.2%</b>	<b>30,184</b>	<b>28,727</b>	<b>5.1%</b>
Drogerie Stores	<b>20,956</b>	<b>18,326</b>	<b>14.4%</b>	<b>42,031</b>	<b>36,960</b>	<b>13.7%</b>
Wholesale	<b>6,883</b>	<b>3,372</b>	<b>104.1%</b>	<b>10,517</b>	<b>5,784</b>	<b>81.8%</b>
Gross Profit	<b>75,206</b>	<b>78,476</b>	<b>(4.2%)</b>	<b>147,108</b>	<b>148,298</b>	<b>(0.8%)</b>
<b>Gross Margin, %</b>	<b>24.5%</b>	<b>27.2%</b>	<b>n/a</b>	<b>24.7%</b>	<b>26.7%</b>	<b>n/a</b>
EBITDAR	<b>36,257</b>	<b>38,896</b>	<b>(6.8%)</b>	<b>69,347</b>	<b>70,517</b>	<b>(1.7%)</b>
EBITDAR Margin, %	<b>11.8%</b>	<b>13.5%</b>	<b>n/a</b>	<b>11.6%</b>	<b>12.7%</b>	<b>n/a</b>
EBITDA	<b>23,600</b>	<b>27,795</b>	<b>(15.1%)</b>	<b>44,100</b>	<b>48,790</b>	<b>(9.6%)</b>
Adjusted EBITDA	<b>25,100</b>	<b>27,795</b>	<b>(9.7%)</b>	<b>45,600</b>	<b>48,790</b>	<b>(6.5%)</b>
EBITDA Margin, %	<b>7.7%</b>	<b>9.6%</b>	<b>n/a</b>	<b>7.4%</b>	<b>8.8%</b>	<b>n/a</b>
Adjusted EBITDA Margin, %	<b>8.2%</b>	<b>9.6%</b>	<b>n/a</b>	<b>7.7%</b>	<b>8.8%</b>	<b>n/a</b>
EBIT	<b>14,986</b>	<b>19,432</b>	<b>(22.9%)</b>	<b>26,713</b>	<b>32,342</b>	<b>(17.4%)</b>
EBIT Margin, %	<b>4.9%</b>	<b>6.7%</b>	<b>n/a</b>	<b>4.5%</b>	<b>5.8%</b>	<b>n/a</b>
Net Income	<b>10,362</b>	<b>13,205</b>	<b>(21.5%)</b>	<b>17,767</b>	<b>20,748</b>	<b>(14.4%)</b>
Net Income Margin, %	<b>3.4%</b>	<b>4.6%</b>	<b>n/a</b>	<b>3.0%</b>	<b>3.7%</b>	<b>n/a</b>

1. Based on management accounts.
2. Excluding wholesale.
3. LFL calculation base includes stores (all formats), which have been opened 12 months prior to the last month of the reporting period. i.e. by June 1, 2017.

Notes:

1. This announcement contains inside information which is disclosed in accordance with the Market Abuse Regulation which came into effect on 3 July 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 June 30, 2018, Magnit operated 37 distribution centers and 16,960 stores (12,503 convenience, 244 hypermarkets, 213 supermarkets and 4,000 drogerie stores) in 2,808 cities and towns throughout 7 federal regions of the Russian Federation.

In accordance with the unaudited IFRS management accounts for 1H 2018, Magnit had revenues of RUB 595 billion and an EBITDA of RUB 44 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.

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