



Magnit Capital Markets Day

17th February 2022



 **MAGNIT**

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Magnit 2021 Highlights



Top Russian retailer

One of the largest retail chains with multi-format offering



Geographical coverage

Presence in all highly populated Russian regions



Serving consumers

Wide coverage in offline and online



Unique capabilities

Largest private employer in Russia with vertically integrated structure

4

Core offline formats

8,997

Selling space, ths. sq. m¹

26,077

Total number of stores¹

A convenient & affordable store for everyday shopping

18,602²

A full-feature family supermarket for everyday and major shopping

509³

Superstore for all the family with assortment covering all missions

Store for women allowing to keep care about herself, her home and beloved ones so they appreciate it

6,966⁴

E-commerce covering express & stock-up missions

4,500+⁵

3,898

Cities & Towns

7

Federal Regions

	Food stores ¹	Drogerie stores ¹
Central	6,232	1,787
Volga	4,429	1,762
Southern	2,647	1,290
North West	2,481	680
Urals	1,793	775
Siberian	1,034	431
North Caucasus	495	241

5.1 bn

Tickets per year¹

>87%

Households make purchases in Magnit stores⁶

>60 mn

Registered loyalty cardholders¹

>62,000

Avg. number of online orders per day⁷

~357,000

Employees⁸

17

Own production facilities and agricultural complexes

>4,800

Private label SKUs⁹

45

Distribution centers⁸

5,435

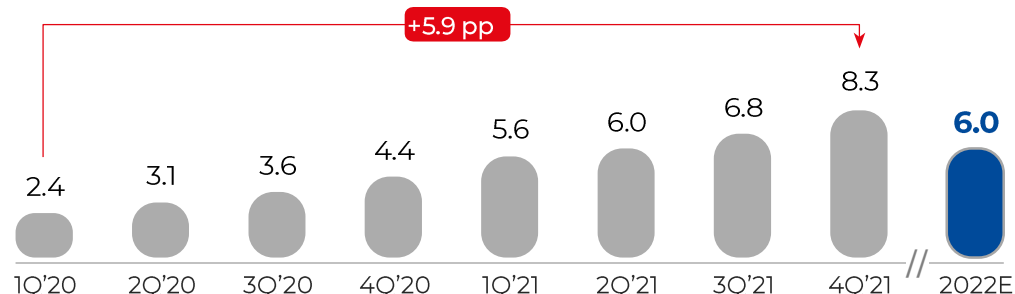
Vehicles

As of December 31, 2021.

1. Including Magnit new ventures, Dixy and Megamart | 2. Including Magnit new ventures and Dixy | 3. Including Megamart | 4. Closest competitors operate >900 and >600 stores based on Magnit team analysis | 5. Number of stores connected to e-commerce | 6. GfK panel data – penetration of convenience stores | 7. Average number for 4Q 2021 | 8. Including Dixy and Megamart | 9. Including Magnit Direct Import and Dixy Private Label

Current market challenges

Inflation growth is accelerating, CPI, y-o-y %



Our response to changing market reality

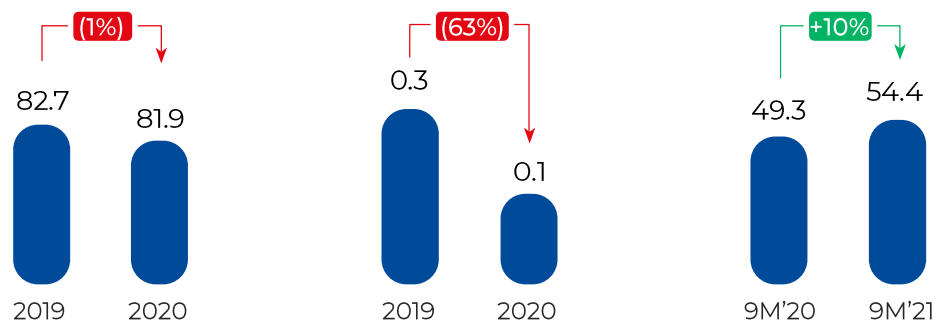


Strong inflation cycle creates pressure on costs and CAPEX:

- Negotiation campaigns with suppliers to hold purchasing prices and sourcing differentiation
- Smart inflation transfer on the shelf maintaining price competitiveness and limitations on socially important goods
- Focus on Private label ensuring value-for-money offering
- Structured approach to redesigns including “light” approach
- E2E NCP¹ optimization

Available workforce decline and nominal salary level increase

Working-age population, mn Net migrations, mn Nominal wage, Rub ths.



E-commerce growth boosted demand for couriers 1.3–3.5 times with additional pressure on wage level



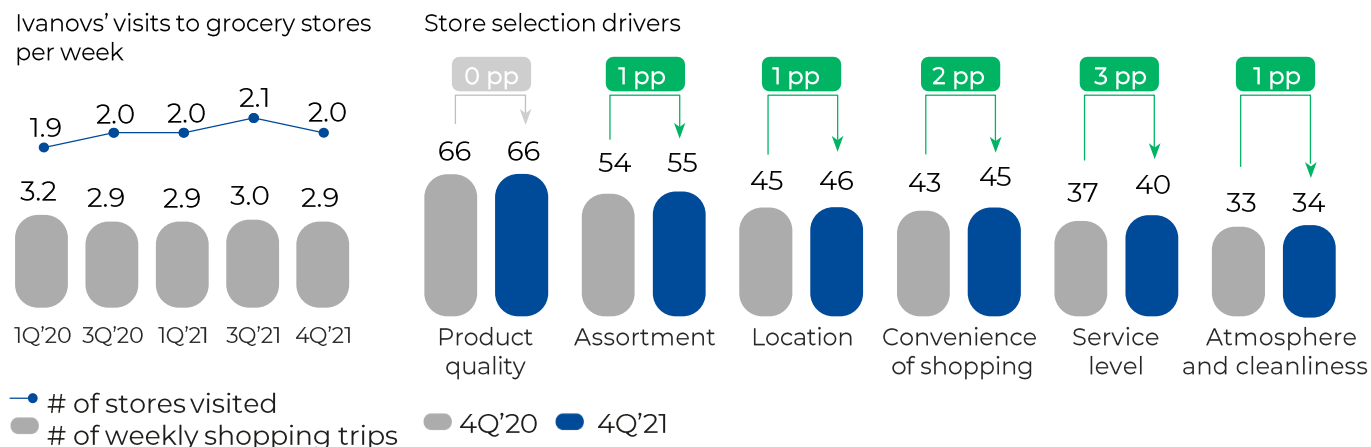
Linear personnel staffing issues coupled with pressure on staff costs forced by pandemic and economy changes:

- Increase recruiting funnel by introducing digital recruiting services and advertisements
- Elaborate models of working with new employee groups – temporary staff such as part-timers and retirees
- Enhance EVP² to drive employee retention by working conditions improvement, HR digitalization and non-material benefits
- Focus on stores, warehouses and transportation productivity increase through processes optimization and automation

Current market challenges

Our response to changing market reality

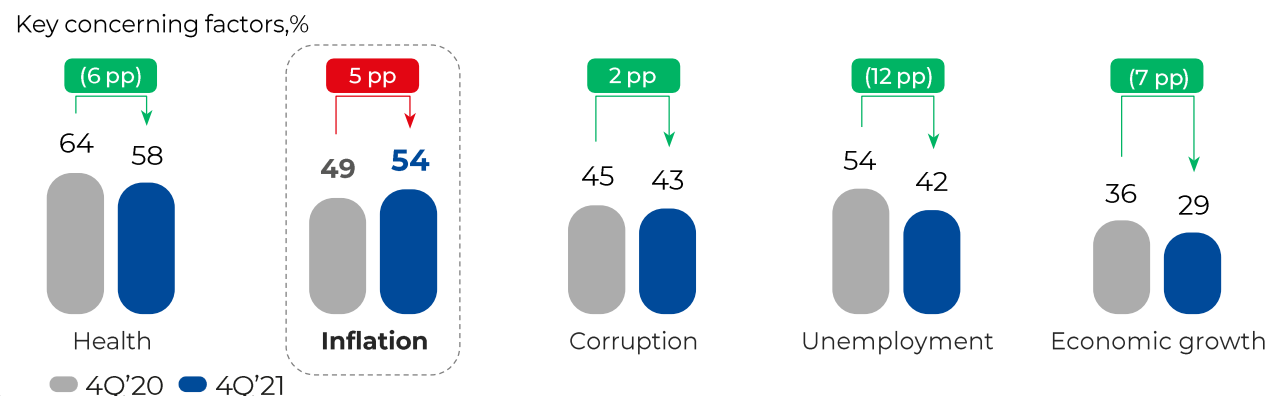
Consumers are accustomed to the COVID-19 and becoming more selective



Increased consumer demands around safety, experience, quality, assortment etc.:

- Continuous improvement of retail experience in the stores to satisfy evolving consumer needs
- Loyalty program evolution as a foundation of Magnit multiformat proposition keeping consumers within family of stores
- Focus on safety in every store e.g. extra cleaning, control of mask usage, etc.

Prices growth became the most growing concern



Accelerating inflation and growing consumer concerns around pricing:

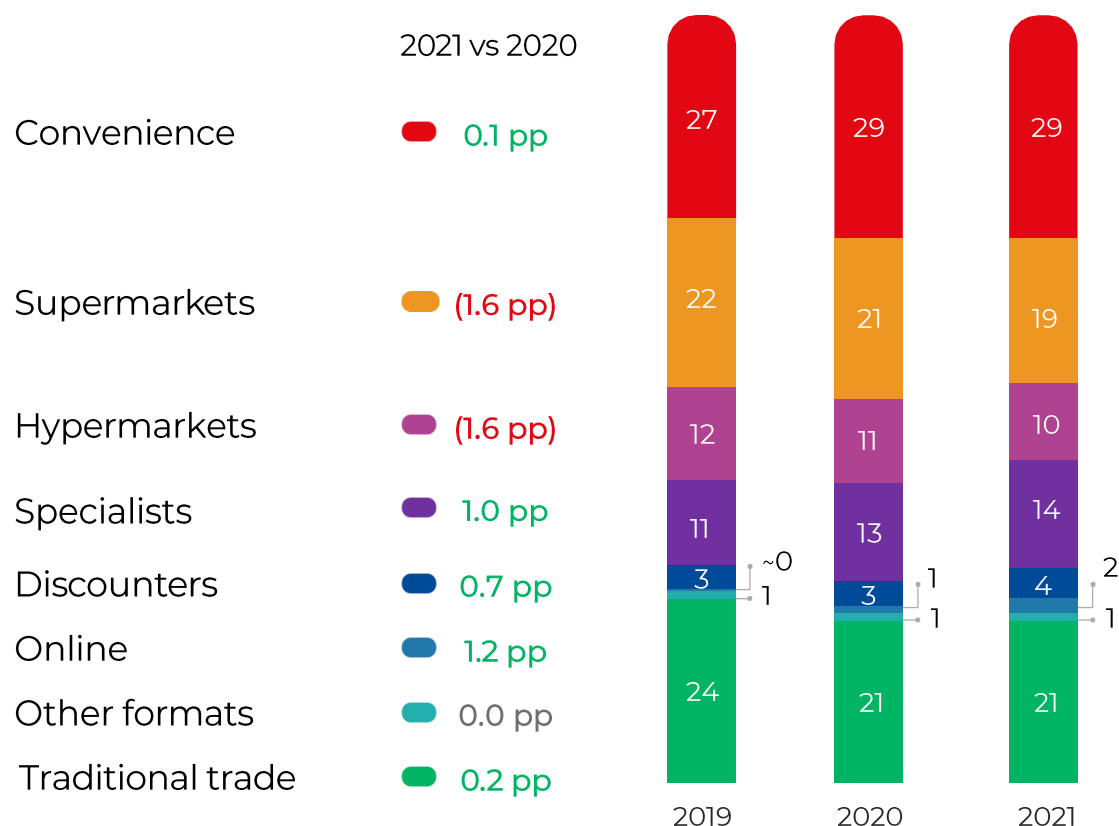
- Extend private label assortment allowing to decrease shelf-prices in certain units-of-need while gaining more margin
- Develop effective promo campaigns supported by suppliers
- Constantly elaborate pricing methodology ensuring best proposition for KVI¹ on local level
- Scaling discounter concept as a separate format

Retail Channel Split Dynamics



Current market challenges

Food retail channel split dynamic, %



Our response to changing market reality



Convenience remains a winning model:

- Continue lucrative organic openings and redesigns
- Transformational M&As of Top players (e.g. Dixy) and regional market leaders (e.g. Radezh and Edelweiss)



Supermarkets and Hypermarkets tend to be declining formats:

- Focus on CVP improvement to capture big potential for efficiencies
- Maintain / redesign current stores and restrain opening pace
- Geo exposure with >60% of stores in cities <300 ths. citizens allows to capture mission not vanishing especially in the regions



Discounters grow leveraging on economical instability:

- My Price pilots showed positive results allowing to consider discounters as a separate format and start scaling from 2022












Triple-digit sales growth in e-grocery with increasing penetration in the regions:

- Recently launched online channel already showing significant progress processing from 7,300 average number of orders per day in January up to 74,500 in December 2021

Future Trends to Address



Expected changes in people behavior leading to changes in consumer portrait

Trend	Past	Future
 Behavior rationalization – price, quality and usability balance	Price	Superior service + best price
 Cross-channel unified experience	Store browsing, limited online	Interaction often starts digitally
 Focusing on individual identity – personalized experience	Traditional mass channels	Expect relevant and entertaining content in digital
 Power of feedback – more ability to influence and being heard	Ability to get compensation or express negative reaction	Ability to influence
 Always online – growing dependency on online content	Influenced by brands / retailers	Decision depends on friends, influencers, brands
 Avoidance of mental effort – minimize effort and thinking	Mass product offering / push	Seeking for personalised content
 Fast consumption and decision making	Used to wait	Access whenever / wherever
 Conscious consumption – product transparency	No view on sustainability	Care where / how produced and utilized
 Healthy living – demand for proper nutrition	No real care about nutrition influencing health	Readiness to pay for healthy products in certain categories

2021 Strategic Priorities – We Deliver What We Promise



Strategic priorities



Improvement of LFL sales growth



Accelerate smart organic expansion



Proactive and opportunistic return driven consolidation play



E-grocery platform development



Margin regain



Improvements in the working capital cycle



High returns leading to strong dividend payment

Achievements 2021 vs 2020



LFL sales growth of 7.0% in 2021 – second consecutive year of market-leading LFL sales growth



2,281 gross new stores of core formats opened¹ in 2021 vs 1,292 in 2020



3 M&As – strategic acquisition of Dixy business and two bolt-on acquisitions of Edelweiss and Radezh



Full year GMV² of Rub 11.2 bn with more than 62,000 orders daily³



EBITDA margin improvement to 7.2% in 2021 from 7.0% in 2020 on the back of gross margin gains and strict cost control



>7 days optimization of WC with Rub 18 bn cash release and **working capital turning negative**



ROIC⁴ growth to 15.7% in 2021 vs 13.8% in 2020 vs 7.9% in 2019 and **20% y-o-y increase in dividend** payment⁵

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KEY 2021 RESULTS

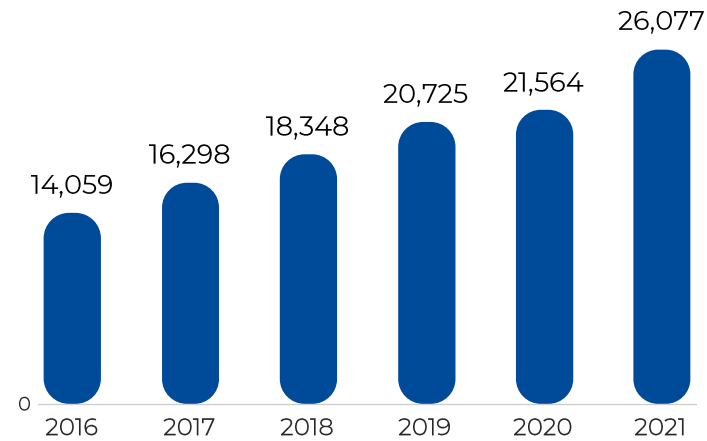
Operating Highlights



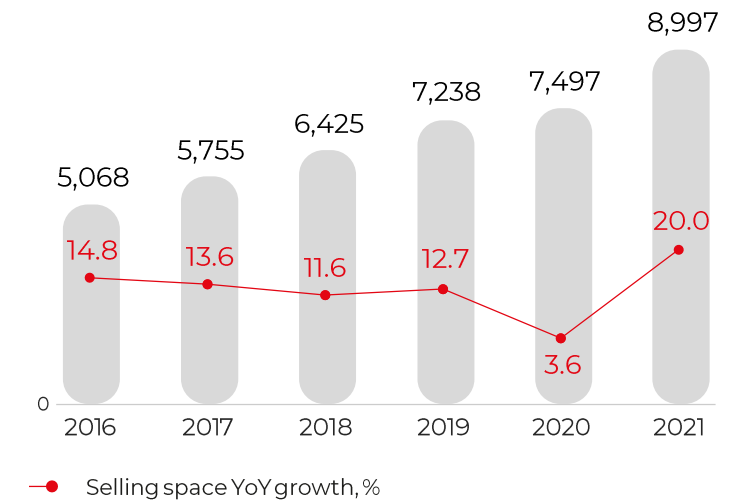
Net retail sales¹, bn Rub



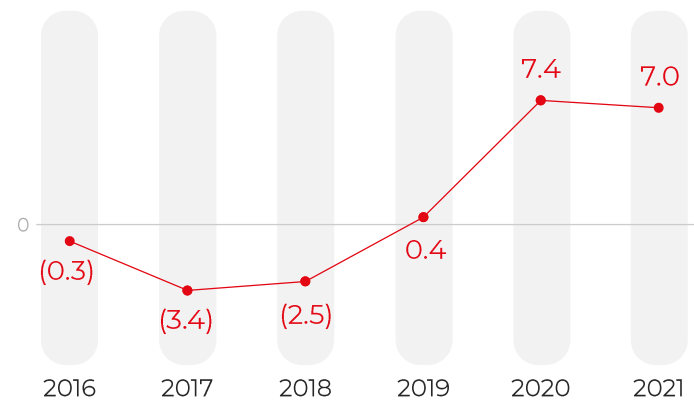
Number of stores¹, EOP



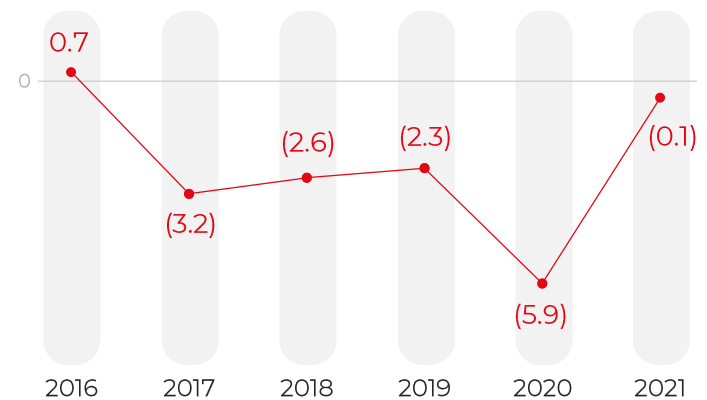
Selling space¹, ths. sq. m



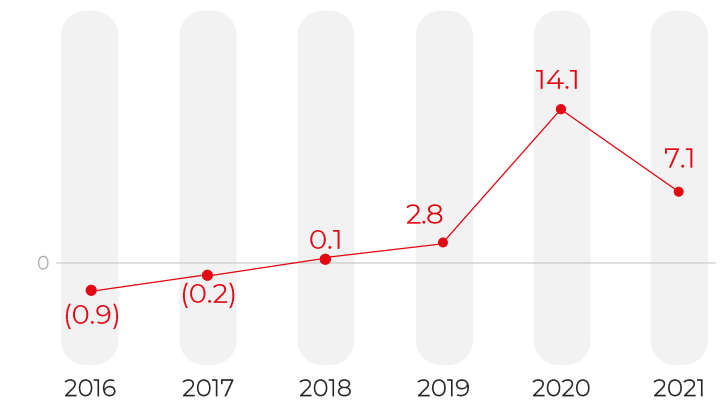
LFL sales, %



LFL traffic, %



LFL ticket, %



1. Including Dixy and Megamart

Financial Performance



Core achievements



Improvement of sales densities across all formats



Sustainable margin and further improvement



Strict cost control



NWC¹ turned to negative driven by significant inventory days improvement



Strong cash generation



Healthy financial position leading to leverage below 1.5x



ROIC³ improvement up to 16%

Concise Profit & Loss

	2019	2020	2021	YoY
Sales , bn Rub	1,368.7	1,553.8	1,856.1	+19.5%
Gross margin , %	22.8	23.5	23.7	+0.1 pp
SG&A , %	21.3	20.5	20.6	0.2 pp
EBITDA , bn Rub	83.1	109.4	133.1	+21.7%
EBITDA margin , %	6.1	7.0	7.2	+0.1 pp
Net income , bn Rub	17.1	37.8	51.7	+36.8%
Net income margin , %	1.2	2.4	2.8	+0.4 pp
Sales Density , ths. Rub / sq. m	193	206	222	+7.9%
Working Capital , bn Rub	58.9	25.8	(11.8)	(145.7%)
Net Debt , bn Rub	175.3	121.4	197.0	+62.3%
Net Debt / EBITDA	2.1x	1.1x	1.5x	+0.4x
CAPEX , bn Rub	58.6	32.1	65.9	+105%
FCF² , bn Rub	(1.3)	84.9	(3.9)	(88.8)
FCF (excl. Dixy) , bn Rub	(1.3)	84.9	64.2	(20.7)
ROIC³ , %	7.9%	13.8%	15.7%	+1.9 pp

Management accounts under IAS 17, including Dixy

1. Net working capital | 2. FCF incl. Dixy purchase | 3. ROIC = NOPLAT / (Avg. Net debt + Avg. Equity)

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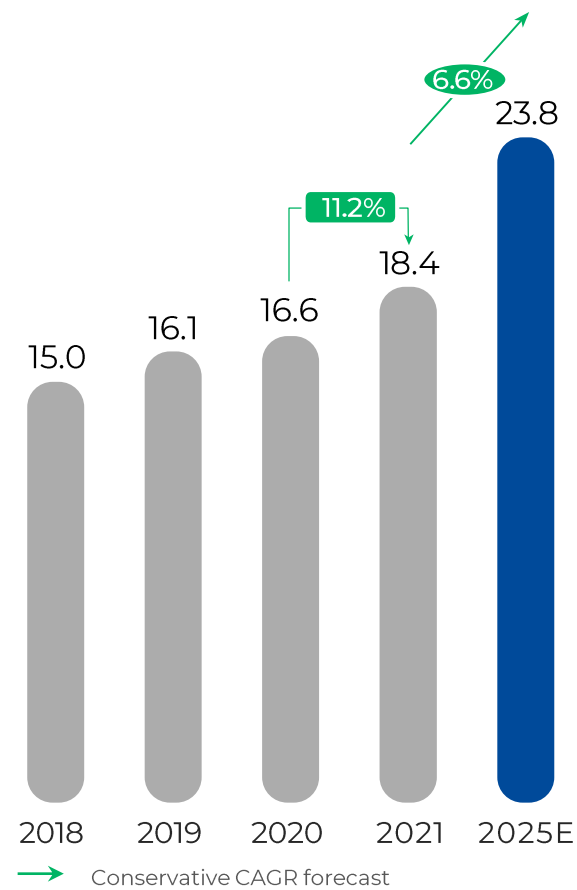
STRATEGY EXECUTION UPDATE

Russian Grocery Retail – Sizeable, Rather Mature, Potential for Further Consolidation



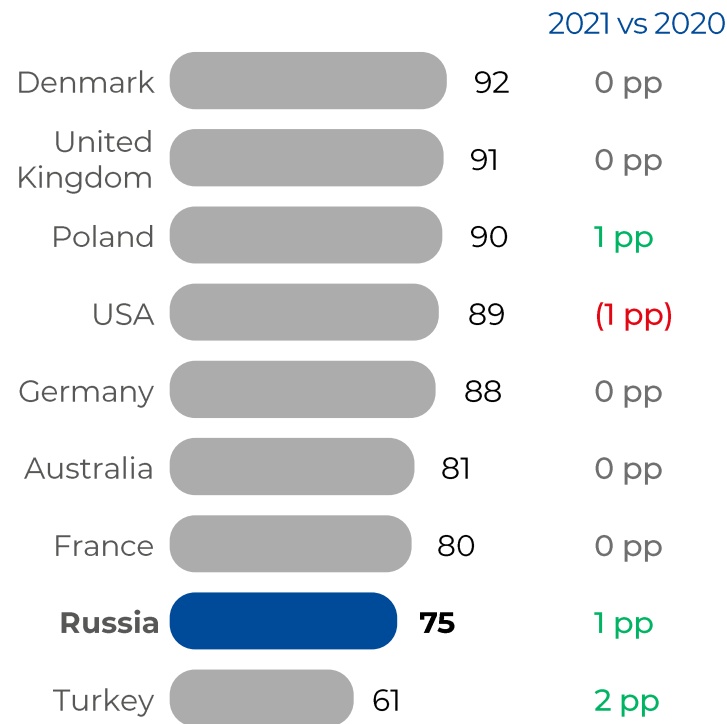
Market growth is slowing with moderate rates expected

Grocery retail, tn Rub



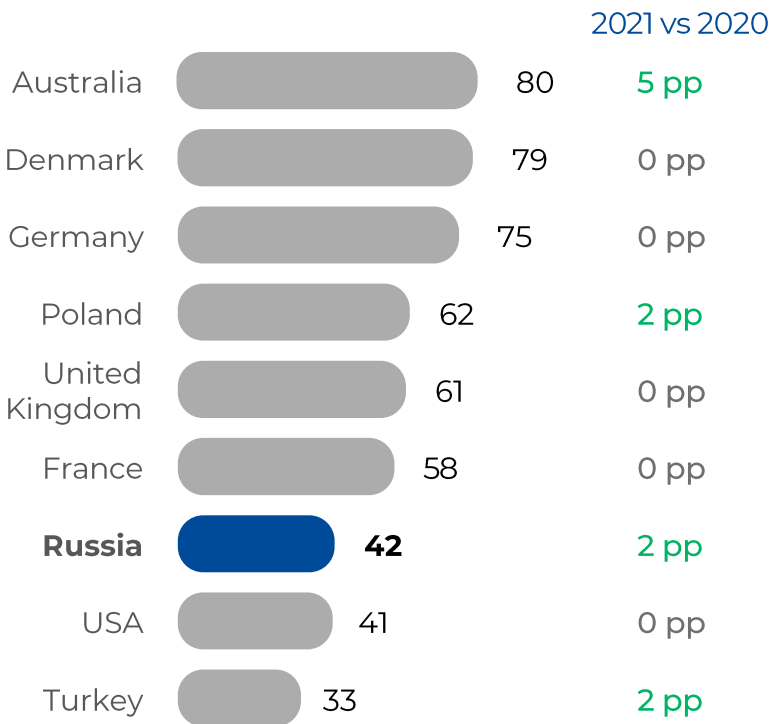
Russian market offers further growth potential

Modern retail share in grocery retail 2021, %



The market has potential for further consolidation

Share of Top-5 players in grocery retail 2021, %



Our Strategic Goal

Cement current leading Federal retail positions growing market share significantly and profitably

How we get there — at a glance



Keep improving CVP as a key driver of density and profitability



Enhancing ways of working to improve profitability and cash generation



Keep focus on smart organic expansion implying high return targets for new openings while piloting new concept & niches



Continue looking for M&A opportunities for active consolidation play with the aim to selectively (based on strategic and value accretive approach) strengthen our overall positioning



Multi-format OMNI proposition via partners and own services



Process automation, building modern cloud based platform and creating product centric technology organization

Consumer first

- Consumer centric decision making with enhanced loyalty (as the key data source) / personalization powered by Artificial Intelligence & Big Data
- Enhanced CVP and clustering to better serve consumer needs
- Improved brand positioning (incl. care, safety, ESG and value for money)
- E2E consumer offering going beyond traditional offline space – digital / ecosystem

Employer of choice

- Flexible and proactive approach to personnel attraction
- Intensified investment in people to ensure best competences and business continuity
- One team approach as the base for effective cross-functional cooperation
- Talent assessments and social lifts
- Agility and innovative thinking



Most efficient & promising ways to market

- Smart expansion in core formats to profitably catch up market share, including M&As
- Actively and structurally consider new sales lines, niches / markets
- OMNI incl. online
- Agile sourcing incl. partnerships with suppliers, crystalized offering in own production / PL³ to enhance offering and secure positioning

Modern and efficient platform

- Defined & straightforward functional strategies
- Smooth and efficient processes
- Flexible org structure, clear responsibility split combined with entrepreneurial culture
- Flexible, reliable and scalable cloud based IT solutions and Data platform
- Product centric technology organization

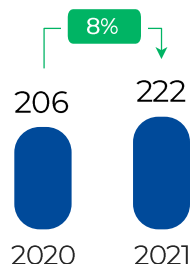
Key Development Results



Consumers first

- **7.0% LFL sales for 2021** – market leader among Russian public food retailers
- **Sales density improvement** – highest growth among Russian public food retailers:

Sales density, ths. Rub per sq. m.



- **Positive NPS dynamics** y-o-y growth (2021 vs 2020)¹

Convenience	Supermarkets & Superstores	Cosmetics
+2.5 pp	+0.7 pp	+0.8 pp

- **30 quality awards** of our unique own production in 2021

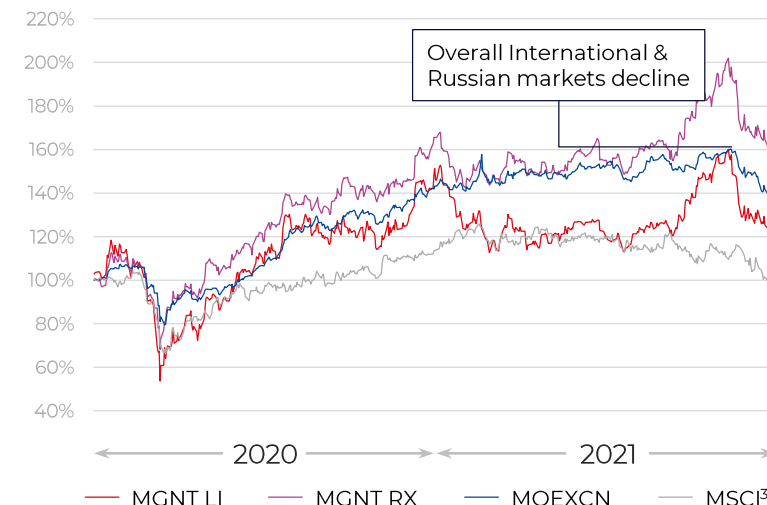
Employer of Choice

- **> 82% Engaged employees²** – above average food retail results
- **> 67% Loyal employees** – above average food retail results
- **>72% Satisfied employees** – above average food retail results
- **+2.6 pp y-o-y growth** of eNPS
- Reinforced HR strategy and proactive initiatives helped to **offset market pressure** on PEX and staffing level

Staffing level – Retail operations



#1 Choice for Investors



- **4.8x EV/EBITDA** multiple for 2022⁴
- **~11% dividend yield** – highest among EEMEA food retailers⁵
- **+20% dividend** growth in 2021 vs 2020⁶
- **19.5% upbeat sales growth** above expectations
- New store openings payback with **ROI c.47%**
- Store redesigns yield lucrative **sales uplift +18%**

Achievements to Date – CVP Evolution



Redesigns

- **611** redesigns of Convenience and **74** of Supermarkets & Superstores
- New Cosmetic redesign concept piloted in 5 stores in Moscow, St. Petersburg and Krasnodar with sales uplift of **>20%**

Category management

- Significant progress with assortment harmonization – matryoshka principal led to matrixes reduction **by 25%+ y-o-y**
- “Best in local” ambition supported via local catman and marketing (e.g. **+27%** local milk products suppliers y-o-y)
- CVP clusters implementation started based on difference in consumer behavior and needs for all key formats

Commercial processes

- Updated category review methodology – analytics, goal setting and schedule led to **+60%** category reviews y-o-y
- Novelties listings sped up by **25%** y-o-y thanks to lean processes of assortment management
- Successful pricing pilots to secure best positioning on KVs and profitability on Back Basket within complex competition

Partnership with suppliers

- Deep cooperation across various functions, e.g. SRM¹ 2.0 development, implants and joint business planning
- Magnit assessment by suppliers showed significant improvement of **c.50% y-o-y²**
- **>870** or **19%** y-o-y new federal and local suppliers products presented on the shelves

Private Label and Sourcing

- **+2pp** PL³ share growth y-o-y driven by portfolio optimization (cross-category brands focus) and launch of **746** new SKUs⁴
- Own production revenue growth by **32% y-o-y** due to demand increase
- **+291** new Direct Import contracts signed incl. suppliers from 10+ new countries

Marketing & Communication

- Execution of new Magnit Cosmetic positioning “To Care Means to Love”
- Launch of three thematic clubs with valuable offers and content in the Magnit App (Zoo, Beauty & healthy club, Mom’s)
- The loyalty program delivered positive cross-format gains with **55%** of consumers visiting 2+ store formats⁵

Achievements to Date – Growth Points and Transformation



Intensive Growth

- Gross organic openings of **1,450** Magnit¹, **825** Cosmetics¹ and **6** Supermarkets meaning **77.6%** growth y-o-y
- Dixy strategic acquisition and successful extraction of synergies planned for the 1st phase
- Successful track record of bolt-on acquisitions
- Successful My Price discounter pilots of **190** stores showing returns of **>50%**² followed by rollout decision
- Concept tailoring of new promising ventures City and GO and launch of updated pilots

OMNI Development

- Multi-format e-commerce rollout (incl. dark stores scaling) leading to **>62,000** average daily orders³ and **Rub 11.2 bn** GMV⁴
- **80%+** y-o-y Super App MAU⁶ growth thanks to significant progress in user experience, features and content management
- Gastronom acquisition to enhance ecosystem and omni CJ⁵ with **18 mn** MAU and **> 600 ths.** unique content articles

Digital Transformation

- New principles of modern cloud based technology platform and product centric technology organization
- Big Data & Machine Learning use cases with 2021 EBITDA influence of **Rub 1.5 bn** and improved decision making
- IT landscape upgrade on track incl. SAP-based ERP integration and Supply Chain related big box solutions (e.g. F&R, TMS)

Organizational Design & HR

- Updated HR strategy uniting all efforts on Corporate culture, Employer brand, Organizational design, Talents and EVP
- **>82%** share of engaged employees and growing eNPS **+2.6pp** y-o-y
- New dedicated functional leaders to strengthen finance, marketing, e-commerce and technology capabilities

ESG & Sustainability

- Enhanced Health & Wellness part of Sustainability Strategy 2025
- Continued development of international partnerships and enhanced dialog with key stakeholders

Clear Strategy Execution Plan (1/2)



Strategic pillar	Short-term 2022-2023	Mid-to-long term 2024-2025
Consumer first	Continuous evolution of CVP incl. new redesign concepts	
	Store clustering	Advanced multi clustering
	Big Data, ML and AI	
	Marketing efforts digitalization – econometrics, loyalty 2.0, SMM, bloggers	
	CVM pilots	Deep personalization
	New brand positioning	Business efforts synchronization around brand values
Most efficient & promising ways to market	Continuous return driven expansion of core formats	
	Discounter scaling and concept tailoring	Discounter as a full featured Magnit format
	Extended pilots of promising new formats	
	Dixy integration finished	Opportunistic M&A deals
	Multi-format online channel development	
	Super App development and transition to the omni-channel consumer journey	
	New Private Label, Direct Import and Own Production strategy execution	Target 25%+ share in sales

Clear Strategy Execution Plan (2/2)



Strategic pillar	Short-term 2022-2023	Mid-to-long term 2024-2025
Modern & efficient platform	Functional strategies synchro	Constant format & functional strategies update
	Continuous E2E processes re-engineering	
	SAP Enterprise Resource Planning (ERP) system integration until 2025	
	Core systems roll-out: TMS, WMS, F&R	Cloud technology platform
	Product approach and agile practices continuous integration to drive business and technology cooperation and reduce TTM ¹	
	Organizational design evolution to reflect focus / additional complexity	
Employer of choice	Maintaining staffing level via advanced recruiting technologies	
	New corporate culture	Further values implementation into day-to-day working routine
	Constant feedback collection to drive changes: HR brand in social networks and employee engagement and satisfaction survey	
	Updated pay policy & benefits	Constant work on EVP enhancement
	Continuous training program improvement & learning process automation	
	Continuous HR processes optimization and digitalization	

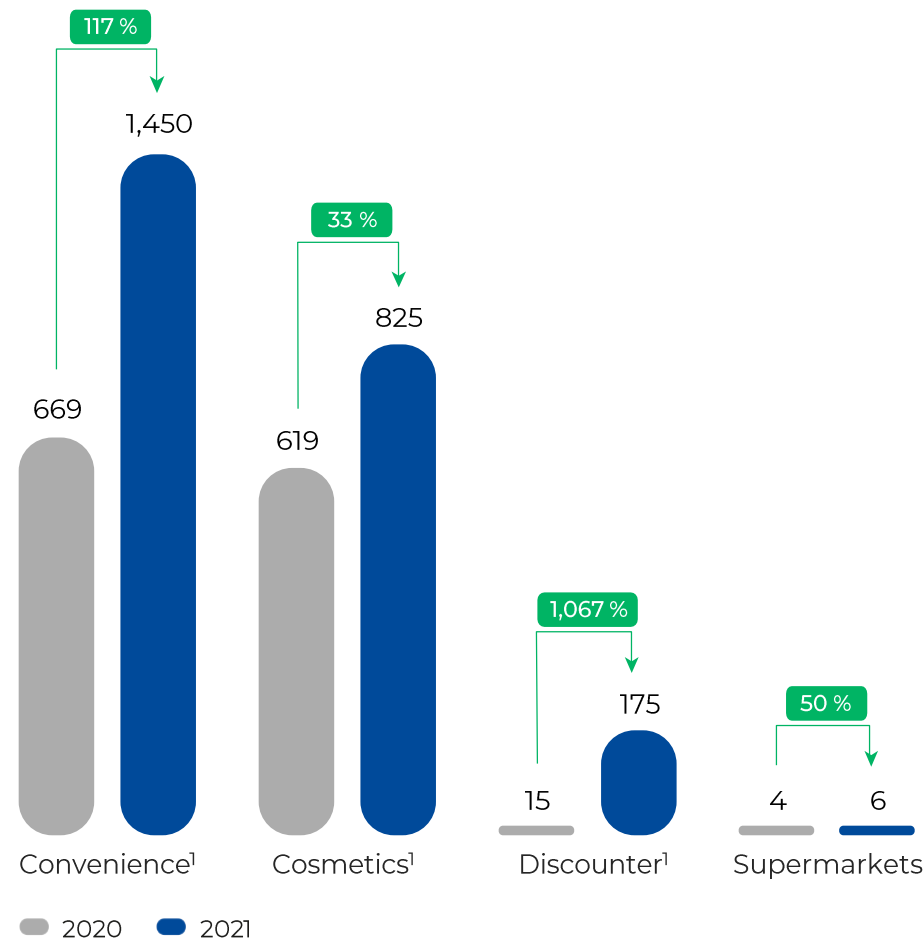
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GROWTH PLAY



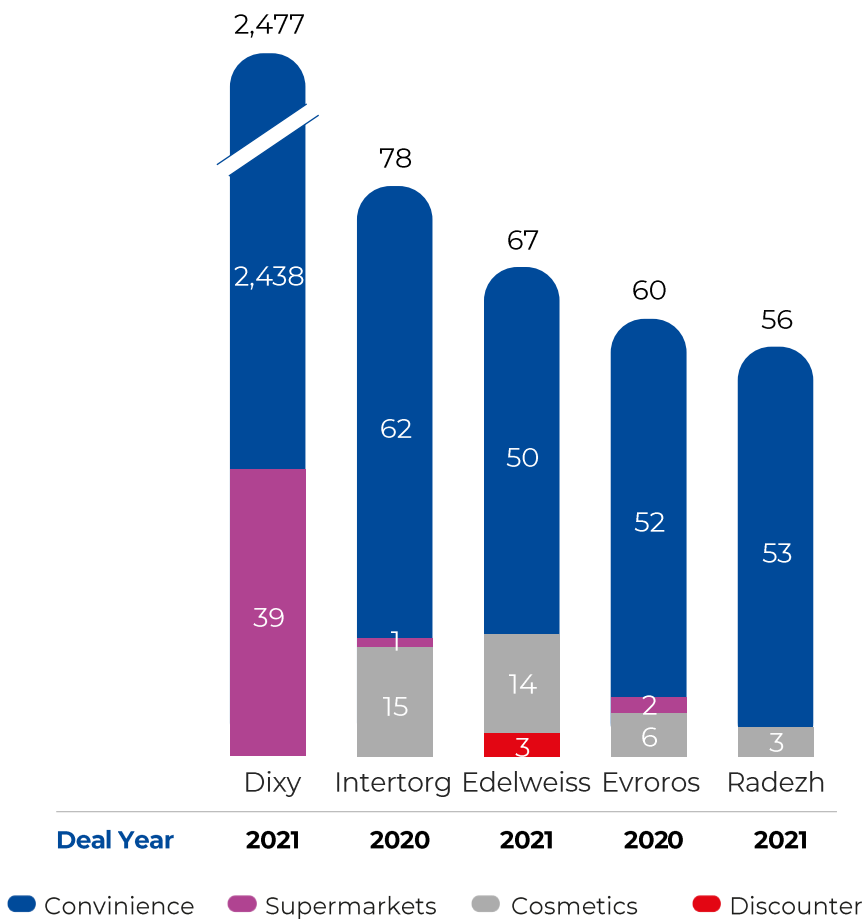
Speeding up organic growth

Gross store openings by formats, 2020–2021



Active consolidation play

Number of stores acquired², 2020–2021



1. Including 2021 M&As stores reformatted to Magnit until 31.12.2021 | 2. Planned number of stores to be opened on the acquired premises

Dixy Acquisition



Strategic rationale:

 **Market share boost** in Moscow and Moscow region by 2.1x and St. Petersburg and Leningrad region by 1.7x

 **Significant synergetic effect**



METAMART



Convenience Stores

Supermarkets & Superstores



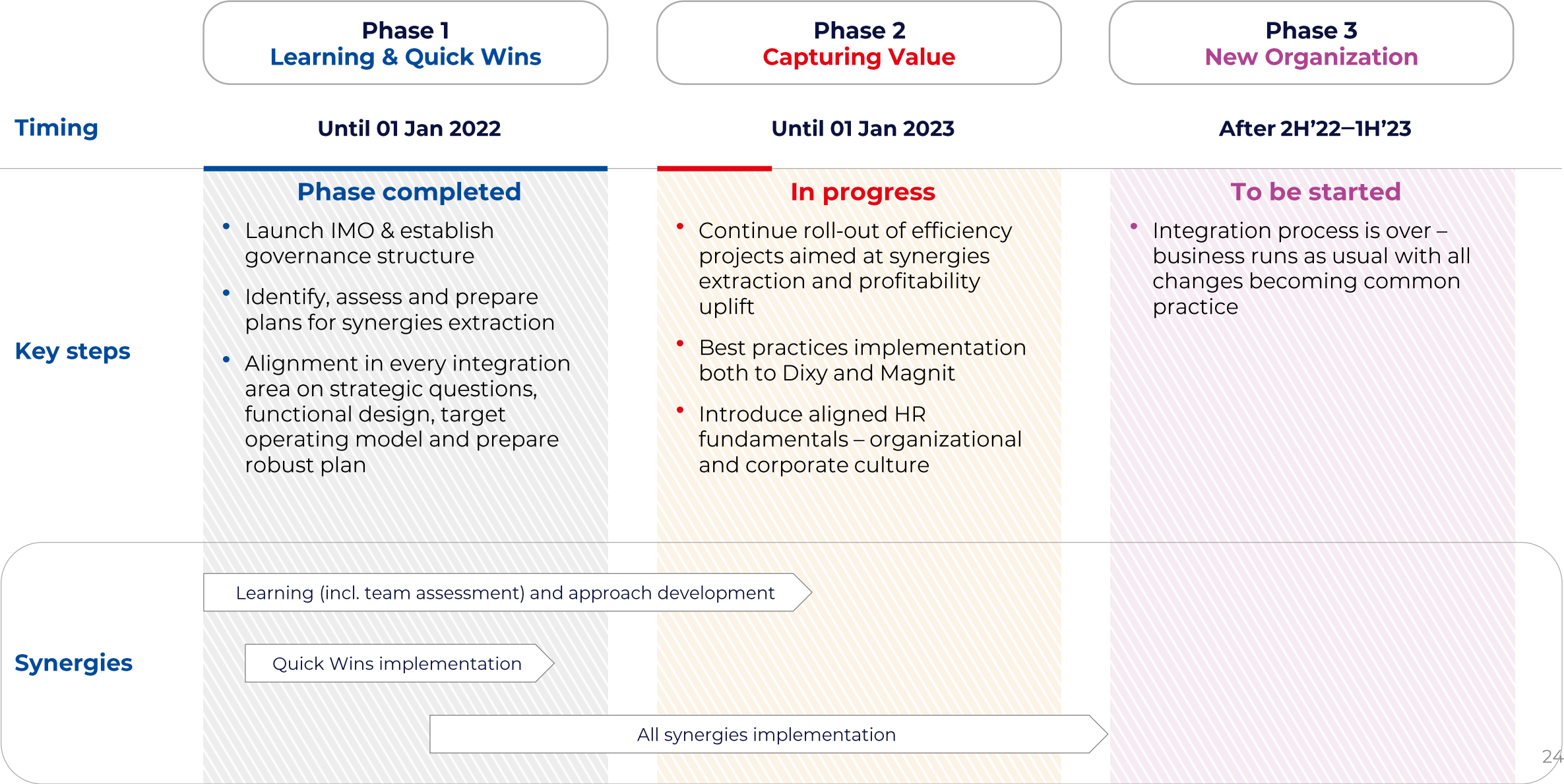
Distribution Centers

Region share in Russian food retail, %

Moscow	Central (ex. Moscow)	St. Petersburg	North West (ex. St. Petersburg)	Urals	Total
406	1,367	332	238	95 ¹	2,438
-	-	-	-	39	39
1	2	1	-	1	5
15%	20%	5%	6%	8%	

1. 95 stores in Urals are in process of transferring to Magnit formats

Dixy: Realized Quick Wins and Continue Roll-out Synergies Extraction



Dixy: Current Achievements and Next Steps



Key achievements to date



Smooth integration

allowing not to lose pace and meet targets:
Revenue, Sales Density and EBITDA



All FAS requirements are timely met

in terms of store base optimization



95 Dixy stores in Urals¹

are in process of transferring to Magnit formats



>1.5 pp commercial margin uplift

driven by joint procurement conditions



Benefits from scale on SG&A side

Magnit's tariffs for bank guaranties, acquiring, cash collection, banking services, non-commercial procurement, marketing etc.



(39.3) % TMMA²

staff turnover decrease

Next steps

- 1 Further profitability uplift for Dixy via synergies execution
- 2 Magnit's Direct Import and Private Label categories implementation started and being executed
- 3 Backward upside for Magnit – Dixy's category expertise in Moscow
- 4 Extra synergies via joint marketing efforts
- 5 Rent negotiation campaign for Dixy stores
- 6 Megamart stores in Urals to be transferred to Magnit supermarkets and superstores
- 7 Agile approach towards functional cooperation, organizational structure and SG&A optimization

>25% EBITDA increase in 2022

Regional Bolt-On M&As



We have successfully expanded our presence in the regions



1. Presence increase is based on number of stores | 2. Part of Magnit cosmetics stores are together with convenience in the same location | 3. 30 stores (24 convenience stores, 3 discounters, 3 drogeries) already operate under Magnit brand and 34 stores will be opened in 2022 and 3 stores in 2023+ | 4. 42 stores (39 convenience stores; 3 drogeries) already operate under Magnit brand and 14 stores will be opened in 2022






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**FOCUS ON
DELIVERING THE
BEST PROPOSITION
TO OUR CONSUMERS**



Magnit Umbrella Brand – Consumer Missions and Formats



<div></div>		Core offline formats incl. pharmacies in grocery and drogerie stores					New promising ventures		
		<div></div>			<div></div>	<div></div>	<div></div>		
		Near home Convenience	Family Supermarket	Extra Superstore	Cosmetic Drogerie	Apteka Pharmacy	My price Discounter	City Food-to-go	GO Kiosk
		+ e-commerce covering all missions with broad assortment offering							
Core missions	On-the-go	<div></div>						<div></div>	<div></div>
	Food for tonight ¹	<div></div>	<div></div>	<div></div>			<div></div>	<div></div>	
	Regular shopping	<div></div>	<div></div>	<div></div>	<div></div>		<div></div>		
	Major stock-up		<div></div>	<div></div>					
	Special need / occasion		<div></div>	<div></div>	<div></div>	<div></div>	<div></div>		
Size, sq.m		348	700-2,350	2,351-5,000	130-350	20-90	150-250	100-160	15-50
Avg. active assortment, SKU		5,076	14,703	22,697	7,403	5,000	2,000	3,200	300

Differentiating pillars

Multi-format model

One Magnit brand

One loyalty program

Emotional touch

Own production facilities

Concise CVP

1 Positioning

Everything you need for better today

Store with all the goods that you need here and now for people who search for shopping experience which fits their daily needs

2 Missions

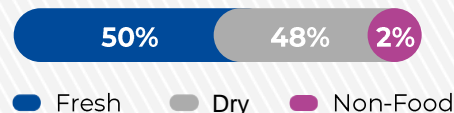
- Food for tonight
- Ready-to-eat
- Regular shopping

3 Locations & Size

Residential and business areas, shopping malls

348
avg. selling space, sq. m

4 Sales mix, %



5,076
avg. # of SKUs

Rub 324
avg. ticket¹

Key 2021 achievements



16,190

store base with +9% growth y-o-y



+12.8%

Net retail sales growth y-o-y



+8.2%

Solid LFL sales growth supported by positive ticket and traffic

Commercial strategy update

+8.3%

Target categories LFL growth

31.5% or +1.5pp y-o-y

Share of novelties in target assortment

Matrixes harmonized

Dry shelf matrixes unification to secure efficiency in the system

Coffee corner

Extended bakery pilot with dedicated leadership

+1.7pp

Private Label share in sales growth y-o-y

Clustering started

>20% of stores in 6 months without additional CAPEX

Assortment rationalization Ready-to-Eat

Smart offering premiumization to address more units-of-need

>30% assortment extension across the geography

Operational excellence



(0.4)pp

Shrinkage decrease y-o-y



+6.5%

Productivity increase y-o-y



Self-service check-out

Pilot launched

Magnit Supermarket and Superstore



Concise CVP

Supermarket

1 Positioning

Food Experience Matters

in a full-feature supermarket with an extended assortment, improved experience and reasonable prices

2 Missions

- Food for tonight
- Ready-to-eat
- Regular shopping
- Minor stock-up

3 Locations & Size

Residential and business areas, shopping malls

1,994
avg. selling space, sq.m

4 Sales mix, %



14,703
avg. # of SKUs

Rub 570
avg. ticket¹

Superstore

1 Positioning

Shopping as valuable in-store experience

for all the family with extended assortment for all consumer missions with particular focus on value for money

2 Missions

- Food for tonight
- Ready-to-eat
- Regular shopping
- Major stock-up
- Seasonal purchases

3 Locations & Size

Residential areas and highways

3,675
avg. selling space, sq.m

4 Sales mix, %



22,697
avg. # of SKUs

Rub 732
avg. ticket¹

Key 2021 achievements



470
store base



+1.9%
LFL sales growth

Marketing strategy update

Specific front signs

Specific dedicated promo activities

Tailored media mix

Focus on OOH² & TV for Magnit Family and OOH², radio and digital drive traffic for seasonal offering in Extra

Commercial strategy update

+2.3pp

Private Label share in sales growth y-o-y

30.5% or +7pp y-o-y

Share of novelties in target assortment

Focus on fresh

Fresh assortment extension including culinary and F&V³

New clusters

Premium stores and stores tailored for village locations

Seasonal offers

Development of new seasonal assortment to drive store visiting

More units-of-need

Wider coverage of consumer demand (e.g. farmer corner, health)

Concise CVP

1 Positioning

To care means to love

Store for women allowing to keep care about herself, her home and beloved ones so they appreciate it

2 Missions

- Regular shopping of personal care and household goods

3 Locations & Size

Residential areas, malls and traffic streets **230** avg. selling space, sq. m

4 Sales mix, %

66%

26%

8%

For Her For Home

For Beloved ones

7,403

avg. # of SKUs

Rub 373

avg. ticket¹

Key 2021 achievements



6,966

store base with +13% growth y-o-y



+13.4%

Net retail sales growth y-o-y



+4.4%

Solid LFL sales growth

Commercial strategy update

+6.9%

Target categories LFL growth

+0.9pp

Private Label share in sales growth y-o-y

31.7% or +9pp y-o-y

Share of novelties in target assortment

Rezoning started

>30% of stores in 12 month enabling new clustering

Trendy offering

Novelties to capture modern trends in target categories

Exclusive brands

Expansion to create emotional connection in 'For Her' and 'For Beloved Ones' worlds

Updated marketing

Brand positioning

New campaign execution – "To Care Means to Love"

Digital & SMM²

+78% audience reach in social media thanks to influencers

Magnit APP Promotion

Launch of 3 clubs with valuable content and exclusive offerings

Operational excellence

+2pp

Mystery shopper assessment growth meeting 95% level

Trainings in Beauty

Dedicated Magnit trainers in beauty category sales for beauty experts

Updated SC³ strategy

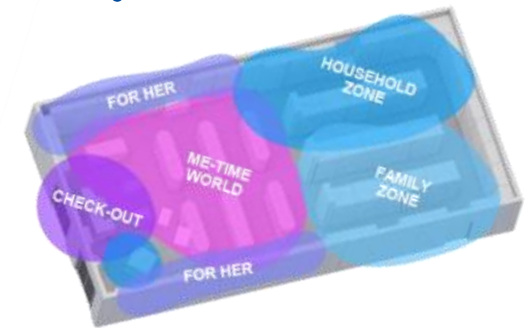
Smart transition to pick-by SKU flow type

Magnit Cosmetic New Look & Feel Concept



#MeTime concept – the foundation of design – creating the atmosphere of a beauty salon

New **“emotional”** and **“rational”** zones, different in terms of decoration, equipment and lighting



Better decoration and equipment:

- Natural / calm colors
- More eco-materials (e.g. plywood)
- Modernized lighting
- New sales equipment

Digital equipment:

- E-Visage smart mirrors
- Interactive displays
- Self-service checkouts
- Price-checkers

>20% sales uplift

based on normalized performance of piloted stores

Concise CVP

1 Positioning

Federal omni-channel pharmacy chain with optimal assortment at affordable prices

2 Missions

- Occasional purchases of medicines and relevant goods
- Joint needs coverage with the base store

3 Locations & Size

Free areas inside all formats of base stores

40+
avg. selling space, sq. m

4 Sales mix, %



■ Medicine ■ Non-medicine¹

~5,000
avg. # of SKUs

Rub 371
avg. ticket²

Commercial strategy update

Margin boost

+7.4pp commercial margin y-o-y improvement

14.3pp

High marginal SKUs share in sales growth y-o-y³

New openings criteria

+Implemented GIS model for new openings

New clustering

5 clusters: City, Village, Lux, Health Facility, Stock pharmacy

5.5pp

Private Label⁴ share in sales growth y-o-y³

Adaptive pricing

More flexible pricing based on clustering and competition

Assortment rationalization

New assortment groups (e.g. products for adults, lux dietary supplements)

+10,000 SKUs

Listed for e-pharma channel with pick-up option

Updated merchandising

Checkout area extension, new trade equipment concept launch

Operational excellence

Updated org. structure



Effective regional org. structure with less layers in operations

Up-sell mechanics



New cashier motivation for high-marginal SKU sales



>50%

Out of Stock level y-o-y reduction

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DISCOUNTER CONCEPT



Magnit My Price Concept



Core CVP elements



Positioning

A low price no frills store
with nice atmosphere offering
limited assortment satisfying
main needs



Target Audience

Rational price-sensitive
consumers, retirees, families
with low income



Locations

Low-budget or low-populated
regions with lower rent profile



Assortment

- Optimized assortment range ~2,000 SKUs covering basic units-of-need
- 20% share of PL assortment with an aim to grow to 50+% in the mid-term



Pricing

- Every Day Low Price (EDLP)
- Regular prices 20% lower vs market level¹ driving traffic



Missions

- Regular shopping
- Minor stock-up



Store size

150-250

avg. selling space, sq. m

Sales mix, %



- Fresh
- Dry
- Non-Food



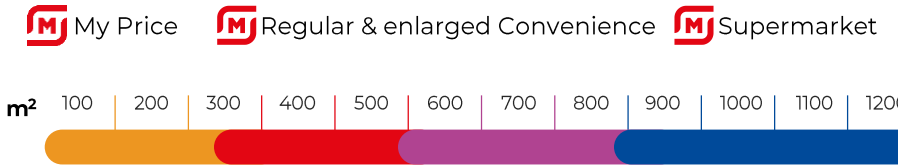
Operations

Light staffing model
with 2-3 employees per shift

Concept rationale

Discounters complement store portfolio

Target selling space creates no competition



Geographical coverage increase

Effective discounter stores opening even in small capturing areas of 2,000+ inhabitants where convenience model does not work out

Flexible approach to convenience stores remodelling

Reformatting of convenience stores not suitable for redesign allows to improve performance

Strong P&L allowing to invest into prices

Core variance to convenience store²:

- 2pp better shrinkage thanks to reduced fresh assortment
- 1.9pp lower PEX due to effective operations
- x2 less Rent per sq. m

Return-driven play

Lower CAPEX and Inventories results in higher ROI vs convenience store² even with lower EBITDA margin profile

Magnit My Price Atmosphere



Sufficient communication materials

– store sign, banner, standard info notices and welcome prints



Unique design concept to drive feeling of nice atmosphere with minimum investment



Shelf layout in show boxes and pallets to minimize operational workload keeping light staffing model

Key Results and Next Steps



Successful results of My Price pilot

190 Stores opened

+30% LFL sales for reformatted stores

>85% Store portfolio operating with positive EBITDA¹

40% Lower CAPEX difference vs same size convenience store

30-40% Higher inventory turnover

>50% Returns thanks to strong consumer demand¹

Format implementation roadmap



Continue gaining critical mass of stores following strict return requirements



Continuous assortment optimization balancing units-of-need coverage



Unique private label share increase up to 50%+ in the mid-term



Deeper cooperation with suppliers (e.g. packaging, investment into shelf prices)



Supply chain tailoring to discounter specifics



Further operations enhancement thanks to technologies



Testing new store size concepts

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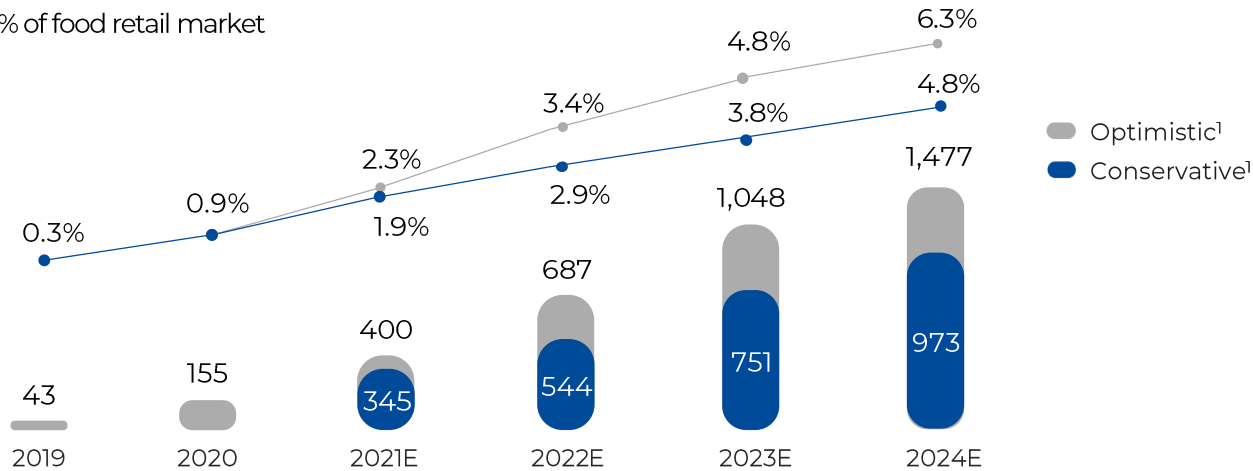
E-COMMERCE DEVELOPMENT



E-Grocery

E-grocery market size in Russia, bn Rub

% of food retail market



Extreme growth

- E-grocery showed triple-digit growth outperforming initial forecasts still having potential to grow x2-3 times
- Express mission to serve as the growth engine



Regions as a next growth driver

- Market is highly exposed to capitals now, while share of regional sales² gradually increases (from 38% in May'21 to 43% in Dec'21)
- <300K inhabitants cities showed the highest rates of e-grocery consumers (+10pp vs +8pp for Russia total in 2H'21)

E-Drogerie

Online is already market reality



Online sales in Beauty & Home categories account for >Rub 120bn with 18%+ share of total market in 2021³



Consumers prefer pick-up delivery and accept service level of several days

E-Pharma

Rapid sales growth and high penetration



E-pharma shows 8% penetration⁴ mainly driven by pick-up orders via aggregators



Permit for delivery of Rx pharmaceuticals to serve as a strong driver for further category growth

Magnit E-commerce Strategy



E-commerce strategy at a Glance



Address request of loyal consumers while attracting new ones



Multi-format proposition – one loyalty program and Omni channel Consumer Journey



One-window access with single marketing and sales funnel



Using synergies with core business in operations, commercial expertise, technologies, consumer base and media coverage



Smart growth – leverage existing store network in the regions with high physical presence and build infrastructure (dark stores) in capitals to expand consumer coverage



Solid self-developed product with convenient UX and reliable IT platform

CAPEX-light model leveraging existing infrastructure and competitive advantages via partnerships



Magnit E-commerce Target CVP



Positioning

- **Best value-for-money proposition** among online players in relevant e-commerce segments



Missions

- All missions covered with main focus on **express in grocery**



Assortment

- **Sufficiently wide assortment** addresses expectations from online channel
- **Unique online assortment** (in e-grocery for Moscow & St. Petersburg and exclusive cosmetics & care in e-drogerie)



UX / CX

- **Comfortable Omni Consumer Journey** through all stages
- **Appealing UI¹ and comfortable UX²** on the standard market level



Delivery / Geo

- **Fast and high-quality delivery** mainly in large cities
- Control of **last mile delivery** in a flexible way (also via selective launches of own couriers)
- **Click & collect** services for Cosmetics



Loyalty program

- **United loyalty program** allowing to collect and spend bonuses in all online and offline formats

Online Channel Already Show Meaningful Results



Fast development via partnerships benefitting from outsourced last mile and shared marketing costs



Express (>30 mins)
Casual small purchase
Regular (2 hours+)
Big ticket purchase



301
cities in 64 regions served



>62,000
avg. # of orders per day¹



>4,500
stores connected



>1,045 ₺
avg. ticket for all services²



20
dark stores in Moscow
launched



>66%
of e-com revenues outside
of Moscow and St. Petersburg



7
partners connected –
#1 Retailer in biggest grocery
delivery partners



>11.2 bn ₺
GMV³ for 2021



Express (~60 mins)
Current needs
Click & Collect
Under development



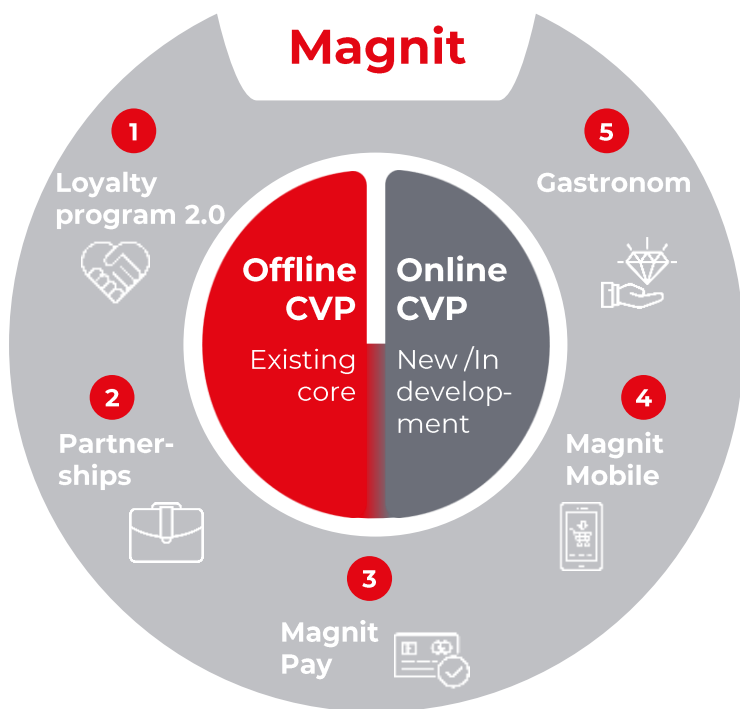
Regular
Under development
Click & Collect
All assortment

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DIGITAL TRANSFORMATION



Ecosystem of Complementary Services and Strong OMNI Channel Core



1 Loyalty program 2.0

Current status

- **59 mn** consumers with the loyalty card
- **67%** share of loyalty in sales among all core formats
- CRM tools for automated campaigns and mass promo support

Short- / Mid-term plans

- Focus on gamification, charity, lottery and content
- Working with suppliers focusing on co-creating value and co-investing into the program
- Personalization and CVM¹ pilots based on managing full consumer life-cycle

2 Partnerships

- **97** loyalty partners network
- **5** co-branded cards with banks

- Enhance partnerships and collaborations to drive ecosystem services while optimizing investments

3 Magnit Pay

- Service rolled-out and integrated with omni consumer journey
- **7.5+ mn** electronic cards issued

- Additional expansion with financial service providers² (e.g. more value from consumers data, micro-financing)
- Magnit Pay CVP enhancement to drive penetration

4 Magnit Mobile

- MVP³ planned for the end of 1Q 2022

- MVNO roll-out⁴ to increase card value and consumer loyalty

5 Gastronom

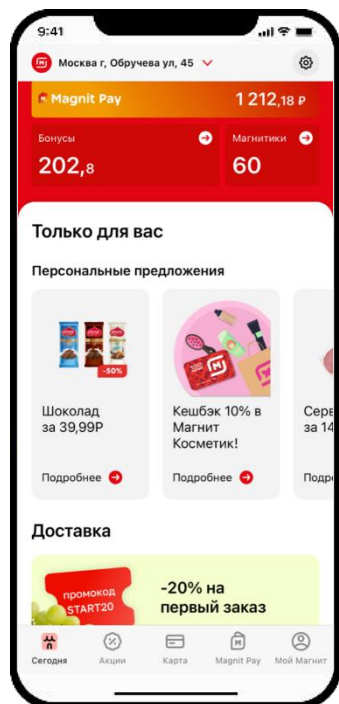
- Food media platform acquisition:
- **18 mn** MAU⁵
- **600 ths.** pcs of content (recipes, master classes, etc.)

- Further platform enhancement through new services, content format, tools and new thematic segments (e.g. physical and mental health, beauty and self-care)

Magnit Super App – Communication and Ecosystem services



Magnit Super App



2021 achievements

1 General

- **7 mn+** MAU (80%+ growth¹)
- **4.6** average App rating²
- **830 mn+** push-messages delivered

2 Marketing & Promo

- **5** Major marketing campaigns in the App
- **3** thematic clubs with content and offers
- New marketing mechanics

3 Ecosystem services

- Magnit Pay as one of the core App elements
- Magnit Mobile pilot launch prepared

4 E-commerce

- Launched in a separate App with cross-linked traffic from Super App



5 Tech & Data

- Modern technology stack and platform
- Modern Product Analytics MVP

Short-term plans

- Stable MAU growth and **4.6+** App rating
- **>1 bn** push-messages delivered
- Industry-best UX/UI
- Continuous feedback loop and personalization

- New loyalty mechanics
- Relevant and rich content with enhanced in-App gamification and social features
- Personal offer communication via the App

- Easier and faster consumer experience

- E-commerce seamlessly integrated into the Magnit Super App

- Single identity and robust cloud platform driving seamless consumer experience across ecosystem
- Advanced Product Analytics Platform

Focus and Fundamentals of Digital Transformation



Composability as a Core Principle

Flexible & modular **Business Architecture** adapting to any changes and consumer requests

Modern **Tools & Technologies** building composable services to provide agility and speed while minimizing costs

Product-oriented **Way of Working** helping to find, test and rollout creative solutions to new challenges

Focus of our Digital Transformation



Speed

- Rapid development, experimentation and implementation



Effectiveness

- Best-in-class effectiveness and performance



Flexibility

- Readiness for change when it is needed



Reliability

- World-class reliability and safety



Relevance

- Full synchronization and partnership with business



Expertise

- Deep technological and digital competencies

Key Fundamentals



Cloud technology

- Scalability on demand allows to always have resources with optimal cost and performance



Microservices / API¹

- Small standardized components allowing flexible configuration and modification of systems



Big Data platform

- Data, analytics and machine learning on a single platform accessible to all business users



Cybersecurity

- Protection from external threats and security of internal processes



Culture of quick development

- Tools, processes and culture of high speed development in product teams

Big data & Artificial Intelligence & Machine Learning



Results 2021

Impact on EBITDA **Rub 1.5 bn**

Plans 2022

Impact on EBITDA **Rub >2.5 bn**



Promo demand forecasting

- New platform with average accuracy of **2.4%** above industry standards

- Further scale out Deep Neural Networks algorithms
- Start integration with Relex and F&R system



Commercial block

- Promo optimization tool for commercial department
- CDT¹ created and implemented into category reviews

- Evolve promo optimization with predictive and optimization components
- Scale up CDT¹ on all categories



On-Shelf Availability

- Scaled up and tested on 9,500 stores

- Roll-out and operationalize tool for all Magnit stores



Consumer analytics

- First version of segmentations implemented into category reviews
- Data Monetization Platform launched

- Customer Value Management as the main focus for 2022
- Implement and roll-out market-leading data-driven platform for E2E decision making



Technology and processes

- Moving to Public Clouds (AWS, Azure) for AI / ML workloads
- Switching to product-centric organizational model
- Hiring and growing the team

- Continue transition to Public Cloud increasing agility and speed while driving down costs
- Scale out product structure and agile ways of working
- Create effective and scalable A / B Test Platform

Data Management



Implementation of the first Public **Cloud data lake** in the Russian retail sector to optimize TCO² while increasing speed and agility



Data governance initiatives allowing every business unit to use self-service tools and cooperate with IT partner co-owning data with the self-established goal to make data available within one day of the request



Simplified access and improved reliability of the systems as data consumption grows and risks become more visible



ERP¹ Transformation Program is aimed at implementation of SAP solutions and a new back-office system to improve the efficiency of main business processes in Magnit (until 2025)



GOODS MOVEMENT
AND LOGISTICS



NEW BACK
OFFICE



FINANCE, NON-COMMERCIAL
PROCUREMENT AND REAL
ESTATE



HUMAN
RESOURCES



INFORMATIONAL
TECHNOLOGIES

Scope

Commercial distribution, including reflection in financial accounting

New system "Fault-tolerant modular store back-office management system" (own development)

Entire financial block, incl. the NCP² and real estate processes

Almost all HR processes

Technology Design, Infrastructure, integration tools and support

2021 key results

Pilot launched in Cosmetic stores with SAP and new back-office

Significant improvement of in-store operational processes and automation levels

The first 3 Business Units migrated to SAP

The first 3 Business Units migrated to SAP HR

SAP implemented in production mode with main operational processes in place

2022 goals

Further rollout for next stores and formats

Continue enhancement with new features for all formats

Roll out to Finance and HR processes across Head Office

Purchase, install and operate at scale target SAP infrastructure for further rollout

Supply Chain Solutions Upgrade



F&R

Forecast & Replenishment

Continue building and rolling out solution to all geographies and categories

Cloud-native data processing layer and SaaS¹ platform with rich out of the box functionality

Most powerful and innovative solution in the market based on advanced in-memory architecture

Current status: 40% of the Krasnodar DC categories already run on a new platform

Continue enhancement and roll out through 2022 (target 30% of categories across all DCs) finishing the rollout in 2023



WMS

Warehouse Management

Based on the learnings from Manhattan pilot adjusting the strategy and designing the solution to combine best out of the box functionality with required flexibility of Magnit

Focus on selection and piloting of the new platform driving componentization and micro-services architecture

Current status: Continue running and extending existing Magnit custom WMS

Pilot the new solution and platform to test approach on a single DC in 2022



TMS

Transportation Management

Covers all sources of transportation and freight calculations

Allows to develop just-in-time delivery scheme





Well integrated with core ERP solution – combining accounting and optimization logic

Current status: Go live on track for 1H'22 with full roll-out planned before the end of 2022





Digital Transformation Benefits



Values for Magnit

-  Consumer-centric value proposition
-  Faster time-to-market
-  Cost savings on redundant highly manual / operational roles
-  Access to valuable consumer data
-  Higher level of employee engagement

KPIs to monitor transformation progress

		KPIs	Strategic Target
 Fast		Average cycle time to deliver change (from funding approval to delivery) Average release frequency for new features Time to data accessibility	>50% increase from 2021 Every fortnight <3 days
 Agile		Number of API's accessible through API GW ¹ Percentage of modern applications in the landscape	200+ >70%
 Efficient		Ratio of costs change / run (as %) Percentage of applications in the cloud Cost for data accessibility	70% change / 30% run >30% >50% reduction vs 2021
 Resilient		Number of Critical or High Incidents Percentage of incidents restored within SLA Data leakage prevention coverage	>50% reduction vs 2021 100% 100%

Combination of Product Delivery Structure and Agile

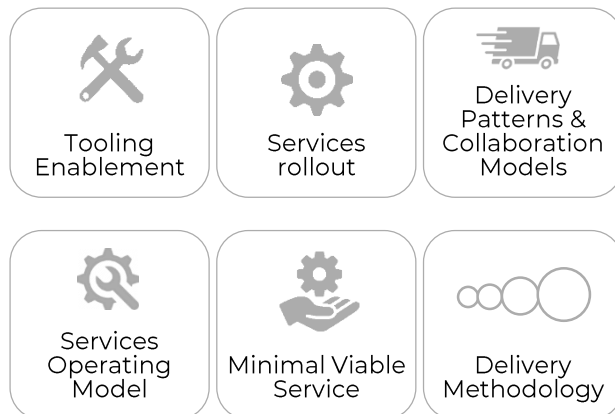


Product Delivery Model

A structure providing end-to-end services and products

- Cross-functional teams with technology, business and functions
- Self-sufficient and autonomous to operate E2E
- Empowered to make decisions fast
- Clear and meaningful KPIs

Key delivery enablers

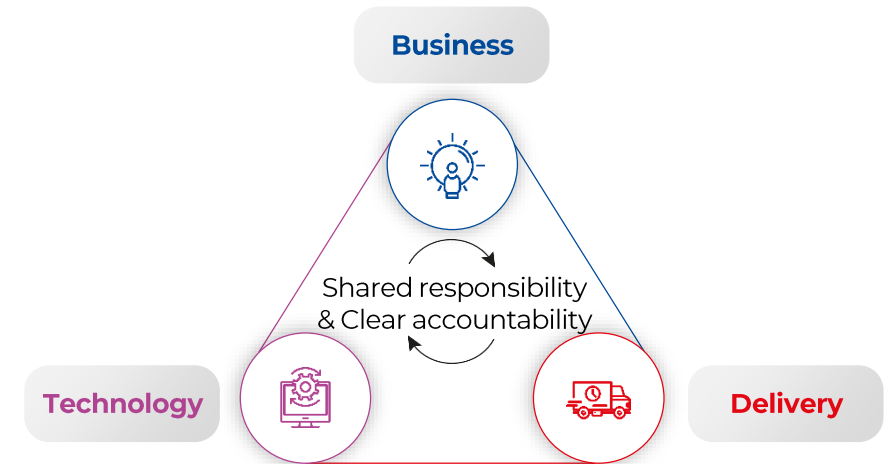


Agile Approach






A methodology of work based on iterative delivery

- Start work without all the answers and evolve
- Deliver in increments, on time, quality & budget
- Adapt to unforeseen changes in business and delivery
- Measure success by facts and numbers

Key delivery enablers



Values for Magnit

-  Small, empowered, co-located and cross-functional teams
-  Lower operating costs
-  Faster TTM with iterative approach to work – fail fast, learn, adapt and improve
-  Multi-disciplinary teams for E2E delivery
-  Shared responsibility and clear accountability

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**EMPLOYER
OF CHOICE**



HR Strategy to Tailor Proposition to Every Employee



Become employer of choice

1 Employee centric culture

- Boost business ownership at all levels via leadership development
- Business development via employee engagement

2 Lead labor market change

- Modern and proactive approaches to attracting personnel
- Flexible organizational structures, work regimes and processes

3 Acknowledge company talents

- Prioritize talent development and career planning
- Advance education via Corporate Academy

4 Smart employer¹

- Reengineer and automate processes
- Data-driven and value-cost decisions

Ambition supported by tailored offering



Dimension / functional area



Employer brand

- Employer brand revision & promotion
- IT recruitment center creation
- New recruitment tools implementation
- Constant improvement of internships
- Onboarding programs automation



Corporate culture

- Constant employee feedback collection
- Internal communication system development (via HR App)
- New hybrid and distant working regimes
- Volunteer corporate community development
- Corporate values promotion



Team & Talent

- Performance management
- Talent management and succession planning programs



Effective org. design

- Flexible organizational design
- Standards of organizational management update
- Authority model and process management



EVP & HR service level

- Remuneration structure
- Benefits and well-being programs
- Personnel costs management
- Professional training programs improvement
- Temporary and outsourcing personnel management



Systems & Data

- SAP HCM
- Electronic HR document flow
- Work Force Management (WFM) tools
- Digital services for employees – HR App
- Digital channels and platforms for training process
- Automation of recruitment process

Management KPIs Fully Aligned With Key Strategic Priorities



Basic principle based on planning cycle



Focus on results:

- Higher share of bonus vs fixed part at higher management level
- Individual KPIs vary from year to year to focus on key areas for improvement
- Bonus paid only for improvement and not for maintaining basic functions

Common goals alignment:

- All top managers have the same corporate KPIs as a part of their motivation
- Cross-functional KPIs shared between managers are used as individual KPIs
- Higher proportion of corporate KPIs vs individual KPIs in line with seniority

Short-term incentive program		Long-term incentive program	
		Share-based part	Option-based part
Period	Annual	2018-2022 ¹	
KPI type	Corporate + Individual	Corporate	
KPIs (corporate) ²	<ul style="list-style-type: none">• LFL sales growth (%)• EBITDA (Rub bn)	-	Share price growth on the option price exercise date
Triggers	<ul style="list-style-type: none">• LFL sales growth (%)• EBITDA (Rub bn)• Working capital (days)	10% EBITDA CAGR vs 2018	Share price of Rub 4,700

1. The first allocation of shares occurred in 2019 according to the results of 2018, the last allocation will occur in 2025 according to the results of 2022. Shares are delivered in three stages within the period of 7 years: 1/3 at the end of the first year + 1/3 the following year + 1/3 in two years | 2. In 2021 KPIs also included OMNI sales

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COMMITMENT TO ESG



ESG is in Everything We Do



1 Environment

30% ▼
greenhouse gas emissions reduction¹

50%
private labels and own production packaging be recyclable, reusable or compostable

50% ▼
food waste reduction¹

25% ▼
reduction of water and energy consumption¹

100%
recyclable plastics in own operations are recovered and recycled



2 Sustainable Sourcing

Responsible sourcing for commercial and non-commercial purchases

100%
responsible sourcing for socially important product categories;

Increase of green packaging

100%
responsible own production and agriculture

Development and partnership programs for local suppliers and farmers



3 Employees

70%
rate of employee satisfaction

50% ▼
lost time incidents rate reduction and zero fatalities

Max 40%
turnover rate



4 Communities

10%
employee volunteers

Community programs for all the regions of the Company's presence.



5 Health & Wellness

Information about healthy lifestyle and nutrition is available to all of consumers

Health related products are available to all of consumers

- Dixy integration into Magnit's sustainability strategy is on the way
- Progress towards commitments 2025 including Dixy cases will be reported in dedicated Sustainability Report 2021

Board of Directors membership structure

Status Independent Non-Executive Director Non-Executive Director CEO											
	Charles Ryan	Naira Adamyan	Tim Demchenko	Jan Dunning	Walter Koch	Alexey Makhnev	Vsevolod Rozanov	James Simmons	Alexander Vinokurov	Pierre-Laurent Wetli	Sergey Zakharov
	Chairman of the Board of Directors	Member of the Board of Directors	Member of the Board of Directors	Chairman of the Management Board, President and CEO	Member of the Board of Directors	Member of the Board of Directors	Member of the Board of Directors	Deputy Chairman of the Board of Directors	Member of the Board of Directors	Member of the Board of Directors	Member of the Board of Directors
Committees Chairman Member											
Audit											
HR and Rem											
Strategy											
Capital Markets											

Corporate governance initiatives and achievements in 2021

- Board External Evaluation by independent consultant
- Environmental and Social Risk Oversight
- Risk Managements Oversight
- Board Competence Matrix as a measure to enhance Board efficiency
- Increased Board members from 9 to 11 to strengthen the Board composition with new competences
- Adoption of the Auditors' Fee Policy to ensure better transparency and thresholds in line with best practices
- Amendments to the Regulations on the Board of Directors to protect shareholder rights

Magnit
Capital Markets
Day

STRATEGIC GUIDANCE



Key Strategic Guidance up to 2025



Thought through strategic plan to execute to capture tremendous business improvement potential



Clear CVP initiatives to enhance consumer perception and experience big time



Clear potential to **increase sales densities** also by the way of **speeding up value accretive redesigns**



Accelerate smart organic expansion (p.a. on gross basis):

- Convenience: ~1,000 stores
- Discounters: ~300-600 stores¹
- Drogerie: 700-800 stores
- Supermarkets & Superstores: 5-10 stores



Proactive and opportunistic **return driven consolidation play** (M&A)



Build a leading **e-commerce platform** capable of handling **5%+ of Magnit turnover** with seamless integration into an omni-channel consumer experience



Continue to proactively consider adjacent **value accretive additional niches**



Adherence to **sustain high return requirements** for new projects

¹. Includes new organic openings and reformatting from Magnit Convenience

Key Financial Guidance up to 2025



One step up

Key drivers of EBITDA margin improvement

Topline

- Sales density increase

Gross Profit

- Improvement of supplier conditions
- Better promo coverage and promo margin
- Growth in private label penetration
- Further reduction of shrinkage
- Supply-chain cost optimization
- Positive effect from the format mix

SG&A

- Automation and robotization of business processes



Benefits from lucrative **EBITDA margin steadily improving to 8.0%** within 2021-2024 and **8%+ from 2025** despite expansion of e-commerce channel and discounters



Improvement of working capital with a focus on stock days optimization by 4-7 days, including:

- 3-5 days in grocery
- 10-15 days in drogerie



Continue following **strict return requirements** for all projects. **CAPEX to remain <4.0% as % of sales**



Comfortable leverage of ~1.5x of Net Debt/EBITDA with a **self-imposed ceiling of 2.0x** and high potential to factually fall to around 1.0x in the next years subject to M&A opportunities



Focus on constant improvement of returns and value accretion for shareholders. **Expect double-digit ROIC¹ growth in 2025 vs 2021**



Capacity for annual increase of dividend payments depending on financial position and subject to Board decision & shareholder approval