

Case studies

Completion of DIXY's integration into the Company's structure

Following the 2021 acquisition of DIXY, the fifth largest grocery retailer in Russia, Magnit considerably strengthened its positions in the Russian food retail sector.

With DIXY's strong presence in Moscow, St Petersburg and the Moscow and Leningrad regions, which altogether in 2022 accounted for 28% of the Russian food retail market, Magnit was able to ramp up its share and solidify its standing in these regions.

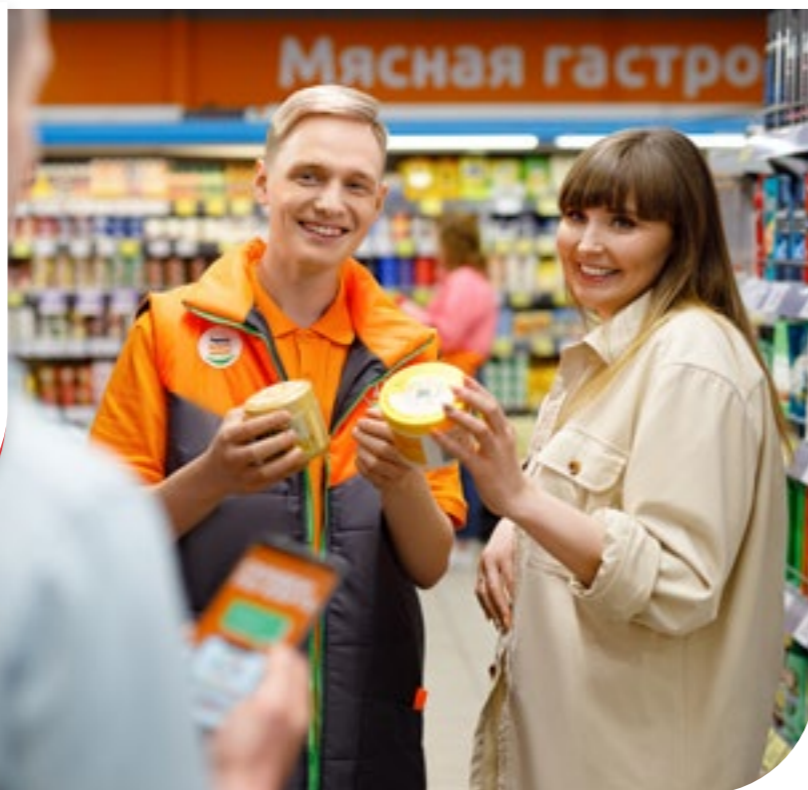
As early as 2021, the integration of DIXY provided Magnit with synergies in procurement, category management and technology along with cost savings achieved through optimisation of business processes. The integration process was successfully completed in 2022.

Key integration initiatives Key results

- | | |
|---|--|
| <ul style="list-style-type: none"> ▶ Unified commercial terms for both retailers as a result of negotiations with suppliers ▶ Improved merchant acquiring conditions for DIXY ▶ Optimised personnel costs at Magnit ▶ Ad savings as a result of reliance on the same service providers for both retailers ▶ Optimised sales of recyclable waste materials ▶ Optimised rent rates for Magnit and DIXY ▶ Harmonisation of IT systems of both retailers | <ul style="list-style-type: none"> ▶ Smooth integration while maintaining growth and meeting DIXY's original key financial targets (revenue, sales density and EBITDA) ▶ Business synergies as a result of joint efforts of the commercial teams of Magnit and DIXY ▶ Introduction of best practices in HR management and operations ▶ DIXY EBITDA catching up with that of Magnit |
|---|--|

-39%
in staff turnover TMMA¹ at DIXY

+70%
DIXY EBITDA growth following integration



Private label and own production

Magnit continues developing its private labels to offer exclusive products with great value for money. With our own production, we are well-positioned to make the business more resilient and fully control all the product manufacturing stages.

+28%
growth in revenue of private label sales to RUB 400 bln

>5 thous.
SKUs in private label portfolio, including 2.2 thous. food SKUs

20%
share of private labels in sales²

The development of various private labels is central to our customer value proposition. Our private label goods offer excellent value for money, have higher margins compared to branded products and are available at a wide range of prices to suit various customer needs. Demand for Magnit's private labels is steadily growing, also among consumers who previously preferred medium and premium segment products. This was partly driven by increased price sensitivity that consumers started demonstrating in response to the COVID-19 pandemic and the financial crisis that followed.



In 2022, as some of the famous brands left the market or faced limitations in their supplies, we decided to expand our private label portfolio and launch a number of new brands.

Magnit's private label portfolio in 2022-2025

		Price segments		
		Good	Better	Best
Key umbrella brands		Моя Цена	MAGNIT Magnit family brands, including the Freshness, Kitchen, Health and Lifestyle brands	PREMIER TASTE
	Food	Tafi	LUCKY DAYS, GUSTO DI ROMA, SOLU NINA, New lemonade brands: Cola, Orange, Lemon, New beer brand, New pizza brand, New petfood brand	NEW INSTANT COFFEE BRAND
Other brands	Non-food	STELLARY, UNO, zol'ber, BOMB, ROYAL KITCHEN, Wellfort, KuMito, Gardenita	New female hygiene brand, New paper products brand, New white cosmetics brand, New baby hygiene brand, New washing powder brand, New decorative cosmetics brand	New haircare brand, New perfumery brand
			New brand - imitation brands	New brand - strong brands
			New brand - exclusive brands	

¹ Three Months Moving Average.

² In value terms.

Case studies (continued)

Private label and own production (continued)

In the reporting year, we added over 700 new private label goods to our product range. The sales of Magnit, our largest brand in terms of sales, reached RUB 114 bln (an increase of 91% vs 2021), with sales of Premiere of Taste, our fastest growing brand, delivering a 2.2x surge.

Winning customer trust and turning their attention to new brands is quite a challenge. We focus a lot on the preparatory stage to make sure we offer customers something that they really need, with top-notch quality. The success of Magnit's private labels is largely driven by a thorough approach to the way they are launched:

- ▶ preliminary analysis of the market and competition;
- ▶ search for market niches that are still available;
- ▶ deep dive into best international practices and the offering of manufacturers, including as part of own production;
- ▶ engagement of cutting-edge in-house R&D labs and test studios to develop products and upgrade their quality.

To improve the quality of our private labels, we collect and analyse customer feedback. At our own test studios in Krasnodar and Izhevsk, customers participate in blind tests of our products and provide advice on how to improve them. With this feedback under our belt, we can considerably improve our sales, sometimes by as much as 70%. In the reporting period, Magnit's test studios held 1,118 tests, including 234 tests of new products.

These efforts have been delivering some excellent results. In 2022, Magnit's private label goods – Casper and NaNi diapers – for the first time ever outperformed an established international brand (Pampers). Based on this, we are revising our vision of our exclusive brands to treat them as full-fledged competitors of renowned brands and to plan their promotion accordingly.

The quality of our private labels is evidenced not only by stronger demand we see for them but by expert opinion as well. Magnit's private labels were recognised as some of the best at the 2022 Private Label Awards. The event was held as part of the SobMaExpo

29% share of Magnit umbrella brand in our private label structure

International Exhibition for Contract Manufacturing and Private Label Market (formerly IPLS). Magnit won in the Best Private Label Department category for its professional efforts in developing and marketing its private labels, promoting them among customers, and securing superior quality. Our Stellar brand was recognised as the best in the cosmetics and perfumery segment. Also, Magnit's private labels won prizes across a range of categories: KuMiHo, a Korean skincare cosmetics brand, became the winner of the Best Non-Food Private Label category; the Magnit family of brands, which includes M Freshness, M Kitchen, M Health and M Lifestyle, was recognised the Best Private Label in the Medium Price Segment category, and the Casper



diaper brand won accolades as the Best Private Label in the Children's Goods Segment.

At the 2022 International Quality Assurance awards, Magnit's and DIXY's private labels won a total of 78 awards: 44 gold and 22 silver medals, as well as twelve diplomas.

We continue to optimise our private label portfolio and product range in response to changing customer demand by enhancing in-house production capabilities and building long-term relationships with our partners and external suppliers. Our private label portfolio expanded by adding over 700 SKUs and today features

more than 5,000 SKUs. These include milk and dairy products, fish gastronomy, processed meat and sausages, fruit and vegetables, cheese, bread, dry food, confectionery, soft and hot drinks, snacks, canned and frozen food, cosmetics, household goods and other non-food items.

By 2025, we aim to increase the share of private labels from 20% to 25% of our total sales and seek to reach 100% core private label SKUs availability in all Magnit stores. While today we have 25 private labels, discontinuation of Russian operations by some of the brands in 2022 opens up opportunities for us to expand the portfolio.

78 awards of the 2022 International Quality Assurance event brought home by private labels of Magnit and DIXY

+700 SKUs in 2022

25 to 50 exclusive SKUs is the targeted increase in our private label portfolio

