

# Financial review

## FY 2022 key financial highlights

- ▶ Total revenue in FY 2022 increased by 26.7% YoY to RUB 2,352.0 bln.
- ▶ Net retail sales rose by 27.2% YoY and stood at RUB 2,299.7 bln.
- ▶ Gross profit was up by 23.2% YoY to RUB 535.5 bln. Gross margin totalled 22.8% as a result of increased promotional intensity and higher shrinkage, partially offset by a favourable format mix.
- ▶ EBITDA was RUB 160.5 bln, with its margin down by 35 bps YoY to 6.8% on the back of changes in gross margin and other income and expense offset by strict cost control measures.
- ▶ Net income declined by 34.1% YoY to RUB 34.1 bln. Net income margin came in at 1.4% vs 2.8% in the previous year.
- ▶ As at 31 December 2022, net debt stood at RUB 552.2 bln (IFRS 16). The Net Debt to EBITDA ratio was 2.1x.

### 26.7%

increase in total revenue

### 6.8%

EBITDA margin

### RUB 180.0 bln

net cash flow from operating activities (IAS 17)

## FY 2022 key financial results

RUB mln	IAS 17			IFRS 16		
	2022	2021	Change	2022	2021	Change
Total Revenue	2,351,996	1,856,079	26.7%	2,351,996	1,856,079	26.7%
Retail	2,299,712	1,807,752	27.2%	2,299,712	1,807,752	27.2%
Wholesale	52,284	48,327	8.2%	52,284	48,327	8.2%
Gross Profit	535,488	434,773	23.2%	537,003	434,799	23.5%
Gross Margin, %	22.8	23.4	-66 bps	22.8	23.4	-59 bps
SG&A, % of Sales	-21.0	-20.4	-61 bps	-19.7	-19.0	-74 bps
Other Income and Expense, % of Sales	1.0	1.3	-27 bps	1.1	1.4	-36 bps
EBITDA pre-LTI <sup>1</sup>	161,409	134,069	20.4%	258,254	215,151	20.0%
EBITDA Margin pre-LTI, %	6.9	7.2	-36 bps	11.0	11.6	-61 bps
EBITDA	160,509	133,158	20.5%	257,354	214,239	20.1%
EBITDA Margin, %	6.8	7.2	-35 bps	10.9	11.5	-60 bps
EBIT	64,776	79,759	-18.8%	98,017	108,912	-10.0%
EBIT Margin, %	2.8	4.3	-154 bps	4.2	5.9	-170 bps
Net Finance Costs	-13,947	-12,966	7.6%	-54,819	-46,578	17.7%
FX Gain/Loss	-267	302	-188.4%	-333	281	-218.7%
Profit before Tax	50,561	67,096	-24.6%	42,865	62,615	-31.5%
Taxes	-16,475	-15,390	7.1%	-14,932	-14,497	3.0%
Net Income	34,086	51,706	-34.1%	27,933	48,118	-42.0%
Net Income Margin, %	1.4	2.8	-134 bps	1.2	2.6	-140 bps

Note: minor variations in calculation of totals, subtotals, and/or percentage change are due to rounding of decimals.

## Implications of IFRS 16

**IFRS 16 balances the presentation of leased assets with owned assets. With this, rent expenses are replaced with depreciation and interest payments. The lease capitalised is reduced on straight line basis but interest is charged on outstanding lease liabilities, thus interest is higher in the earlier years and decreases over time. As a result, the impact on net income is highly dependent on average lease maturity – the higher the maturity, the lower the interest charges.**

# Financial review (continued)

Total revenue in FY 2022 increased by 26.7%. This growth was underpinned by net retail sales growth of 27.2% and wholesale revenue growth of 8.2%. Wholesale operations accounted for 2.2% of total sales.

Gross profit in FY 2022 increased by 23.2% YoY and stood at RUB 535.5 bln. Gross margin

was down by 66 bps YoY to 22.8% as a result of increased promotional intensity and higher shrinkage, partially offset by a favourable product mix. The latter positively impacted gross margin, with the share of wholesale operations decreasing to 2.2% from 2.6% a year ago. Promotional intensity was higher YoY driven by the 2H dynamics.

Shrinkage as a proportion of sales expanded by 16 bps YoY mainly on the back of consolidation of the DIXY business with higher shrinkage, as well as higher losses of fruit and vegetables resulting from their higher share in sales and an increased transport leg.

## Selling, General and Administrative Expenses (SG&A)

RUB mln			IAS 17		IFRS 16	
	2022	2021	Change	2022	2021	Change
<b>Staff costs</b>	<b>199,620</b>	<b>163,135</b>	<b>22.4%</b>	<b>199,620</b>	<b>163,135</b>	<b>22.4%</b>
as a % of sales	8.5	8.8	-30 bps	8.5	8.8	-30 bps
<b>Rent</b>	<b>99,209</b>	<b>80,838</b>	<b>22.7%</b>	<b>5,468</b>	<b>2,739</b>	<b>99.7%</b>
as a % of sales	4.2	4.4	-14 bps	0.2	0.1	8 bps
<b>Depreciation, amortisation &amp; impairment</b>	<b>95,732</b>	<b>53,399</b>	<b>79.3%</b>	<b>159,337</b>	<b>105,327</b>	<b>51.3%</b>
as a % of sales	4.1	2.9	119 bps	6.8	5.7	110 bps
<b>Utilities &amp; communication services</b>	<b>42,174</b>	<b>33,998</b>	<b>24.0%</b>	<b>42,174</b>	<b>33,998</b>	<b>24.0%</b>
as a % of sales	1.8	1.8	-4 bps	1.8	1.8	-4 bps
<b>Advertising</b>	<b>11,819</b>	<b>11,475</b>	<b>3.0%</b>	<b>11,819</b>	<b>11,475</b>	<b>3.0%</b>
as a % of sales	0.5	0.6	-12 bps	0.5	0.6	-12 bps
<b>Other expenses</b>	<b>16,143</b>	<b>10,815</b>	<b>49.3%</b>	<b>16,143</b>	<b>10,778</b>	<b>49.8%</b>
as a % of sales	0.7	0.6	10 bps	0.7	0.6	11 bps
<b>Bank services</b>	<b>12,126</b>	<b>9,022</b>	<b>34.4%</b>	<b>12,126</b>	<b>9,022</b>	<b>34.4%</b>
as a % of sales	0.5	0.5	3 bps	0.5	0.5	3 bps
<b>Repair &amp; maintenance</b>	<b>9,603</b>	<b>8,202</b>	<b>17.1%</b>	<b>9,549</b>	<b>8,179</b>	<b>16.8%</b>
as a % of sales	0.4	0.4	-3 bps	0.4	0.4	-3 bps
<b>Taxes, other than income tax</b>	<b>3,167</b>	<b>2,944</b>	<b>7.6%</b>	<b>3,167</b>	<b>2,944</b>	<b>7.6%</b>
as a % of sales	0.1	0.2	-2 bps	0.1	0.2	-2 bps
<b>Materials</b>	<b>4,739</b>	<b>4,884</b>	<b>-3.0%</b>	<b>4,739</b>	<b>4,884</b>	<b>-3.0%</b>
as a % of sales	0.2	0.3	-6 bps	0.2	0.3	-6 bps
<b>Total SG&amp;A</b>	<b>494,332</b>	<b>378,713</b>	<b>30.5%</b>	<b>464,142</b>	<b>352,481</b>	<b>31.7%</b>
as a % of sales	21.0	20.4	61 bps	19.7	19.0	74 bps

Note: minor variations in calculation of totals, subtotals, and/or percentage change are due to rounding of decimals.

SG&A costs increased by 61 bps YoY to 21.0% as a percentage of sales.

Staff costs as a percentage of sales went down by 30 bps YoY to 8.5% as a result of a higher productivity of in-store personnel and further automation of business processes.

Rental costs as a percentage of sales declined by 14 bps YoY to 4.2% driven by higher sales density, improved lease terms with landlords and the closure of inefficient stores. This was achieved despite the share of leased selling space growing to 81.8% at the end of 2022 vs 80.2% a year ago.

Advertising expenses dropped by 12 bps YoY to 0.5% as a percentage of sales on the back of more efficient marketing activities.

Other costs increased by 10 bps YoY to 0.7% as a percentage of sales amid increased online order picking and delivery expenses.

Utilities, repair and maintenance, materials, bank and tax expenses remained broadly flat as a percentage of sales YoY.

Other income and expense, including sublease income, went down by 27 bps YoY to 1.0% as a percentage of sales, reflecting a reduction in the share of income from sales of recyclable waste materials and provisions for the write-off of intangible assets linked to software not in use.

As a result, EBITDA stood at RUB 160.5 bln, with its margin down by 35 bps to 6.8% on the back of changes in gross margin and other income and expenses offset by strict cost control measures. LTI expenses in the reporting period totalled 0.04% of sales – as a result, EBITDA margin pre-LTI was 6.9%.

Depreciation as a percentage of sales went up by 119 bps YoY to 4.1% due to provisioning in Q4 2022 for impairment of a number of assets that are expected to deliver a potential reduction in cash flows.

As a result, operating profit in 2022 stood at RUB 64.8 bln with 2.8% EBIT margin.

Net finance costs in 2022 increased by 7.6% and totalled RUB 13.9 bln. Higher interest expenses driven by an increase in the Company's debt and total borrowings were partially offset by income from bank deposits.

The average cost of debt grew by 176 bps YoY to 8.2%, reflecting borrowings received at a higher rate compared to the previous year, which is due to an increase in market rates. 90% of the Company's debt profile is represented by long-term borrowings and bonds with an average maturity of 18 months.

In 2022, the Company reported an FX loss of RUB 0.3 bln related to direct import operations.

Income tax in 2022 was RUB 16.5 bln.



## RUB 160.5 bln

EBITDA

As a result, net income in 2022 declined by 34.1% YoY to RUB 34.1 bln. Net income margin was down by 134 bps YoY to 1.4%.

# Financial review (continued)

## Balance Sheet and Cash Flows

### Financial Position Highlights (IFRS 16), RUB mln

	31 December 2022	31 December 2021
Inventories	219,436	224,873
Trade and other receivables	20,197	11,727
Trade and other payables	273,972	241,135

Inventories were down RUB 5.4 bln (-2.4%) YoY compared with 31 December 2021 and stood at RUB 219.4 bln on the back of total sales growth of 26.7%. This was driven by a number of ongoing projects, including the reduction of slow-moving items, assortment harmonisation and IT solutions, which are aimed at better on-shelf availability and promotion forecasting. Inventory turnover<sup>1</sup> dropped by 10.6 days YoY.

Trade and other payables grew by RUB 32.8 bln compared with 31 December 2021 and stood at RUB 274.0 bln, driven by higher sales and a number of other positive effects. Accounts receivable increased by RUB 8.5 bln vs 31 December 2021 and stood at RUB 20.2 bln due to higher sales and improved commercial terms with suppliers.

As a result, working capital as at 31 December 2022 was negative, with the cash release of RUB 42.1 bln. Negative working capital was achieved for both the standalone Magnit and DIXY businesses.

## Debt Composition and Leverage

### Debt Composition and Leverage (IFRS 16)

	31 December 2022	30 June 2022 <sup>2</sup>	31 December 2021
Net Debt, RUB bln	552.2	628.4	653.3
Net Debt / EBITDA	2.1x	2.5x	3.0x

Under IFRS 16, net debt was down by 15.5% YoY to RUB 552.2 bln as at 31 December 2022.

The Company's debt is fully RUB-denominated, matching its revenue structure. The Net Debt to EBITDA ratio was 2.1x as at 31 December 2022 vs 3.0x as at 31 December 2021.

## Cash Flow Statement for 2022

### Cash Flow Statement for 2022, RUB mln

	IAS 17			IFRS 16		
	2022	2021	Change, %	2022	2021	Change, %
Operating cash flows before working capital changes	171,483	136,458	25.7	268,479	215,378	24.7
Changes in working capital	42,121	18,282	130.4	42,482	18,480	129.9
Net interest expense and income tax paid	-33,609	-30,776	9.2	-74,481	-64,388	15.7
Net cash from operating activities	179,995	123,965	45.2	236,481	169,470	39.5
Net cash used in investing activities	-54,746	-127,903	-57.2	-52,451	-126,689	-58.6
Net cash from financing activities	117,129	32,638	258.9	58,348	-14,082	-514.4
FX differences impact on cash and cash equivalents	-865	0	N/a	-865	0	N/a
Net increase in cash and cash equivalents	241,514	28,699	741.5	241,514	28,699	741.5

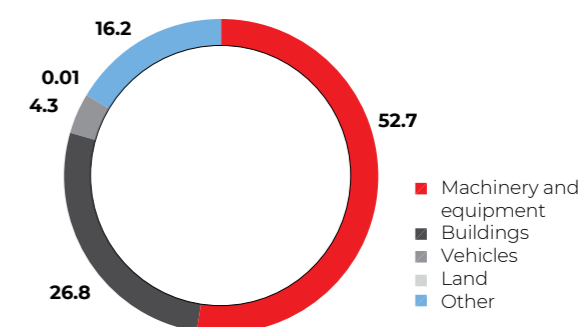
The Company's cash flows from operating activities before changes in working capital in 2022 equalled RUB 171.5 bln, which was RUB 35.0 bln or 25.7% higher YoY. The change in working capital continued to improve and stood at RUB 42.1 bln in 2022 compared to RUB 18.3 bln in 2021.

Net interest expense and income tax paid in 2022 increased by RUB 2.8 bln or 9.2% to RUB 33.6 bln. Net interest expenses were up by 14.1% YoY to RUB 14.3 bln in 2022 due to increased debt and a rise in total borrowings compared to the previous year. Income tax paid for 2022 rose by 5.8% to RUB 19.3 bln.

Net cash flow from operating activities in 2022 increased by 45.2% to RUB 180.0 bln as a result of higher EBITDA and a positive movement of working capital.

Net cash used in investing activities predominantly composed of capital expenditures was down by 57.2% to RUB 54.7 bln in 2022. Capital expenditure for the full year of 2022 stood at RUB 48.8 bln compared with RUB 66.9 bln in 2021. The reduction was driven by the slower pace of store opening and redesign programmes as well as other development projects.

### Capital expenditure split, %



<sup>1</sup> Inventory turnover in days = ((inventories as at 31 December 2021 + inventories as at 31 December 2022) / 2 / cost of sales for 12M 2022) x 365.

<sup>2</sup> Calculation included deposits recognised as financial assets. Money in these deposits is highly liquid and can be withdrawn at any point in time with no loss in value (no withdrawal penalty).