



**DIXY GROUP  
INVESTOR AND ANALYST  
PRESENTATION 3Q 2017**

**October, 2017.**

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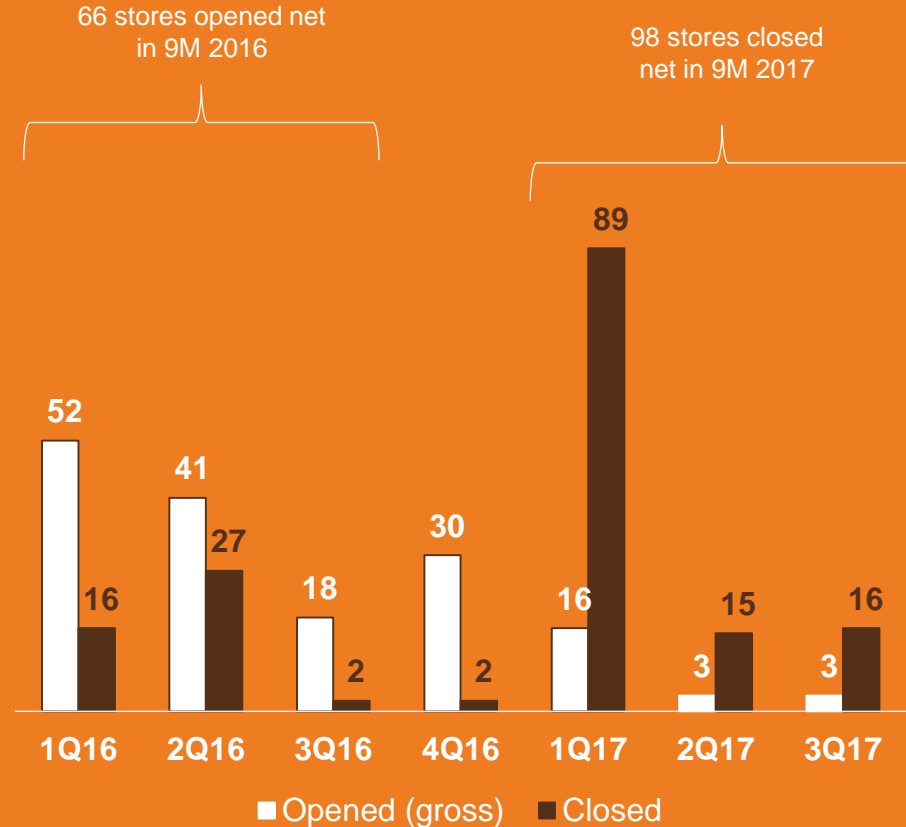
# 3Q 2017 OPERATIONAL HIGHLIGHTS

# EXPANSION

- Total number of stores amounts to 2,704
- Total selling space reaches 930K sq.m, -1.2% yoy
- 3 new stores were opened and 16 stores were closed in 3Q 2017
- Victoria division opened 3 new stores in 3Q 2017, no stores were opened in DIXY and Megamart divisions



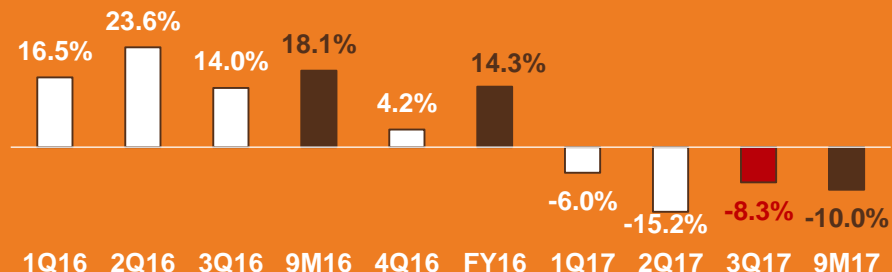
## Store openings / closures



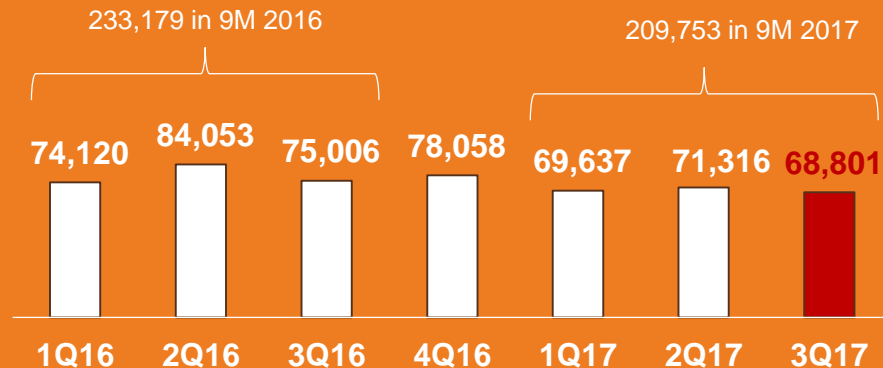
# REVENUE EVOLUTION

- In 3Q 2017, DIXY Group's top line declined by 8% and amounted to 69 bln RUB, due to 9% decrease in the number of tickets and approximately flat ticket
- In 9M 2017, Group's top line declined by 10% to 210 bln RUB

## Total revenue dynamics, %



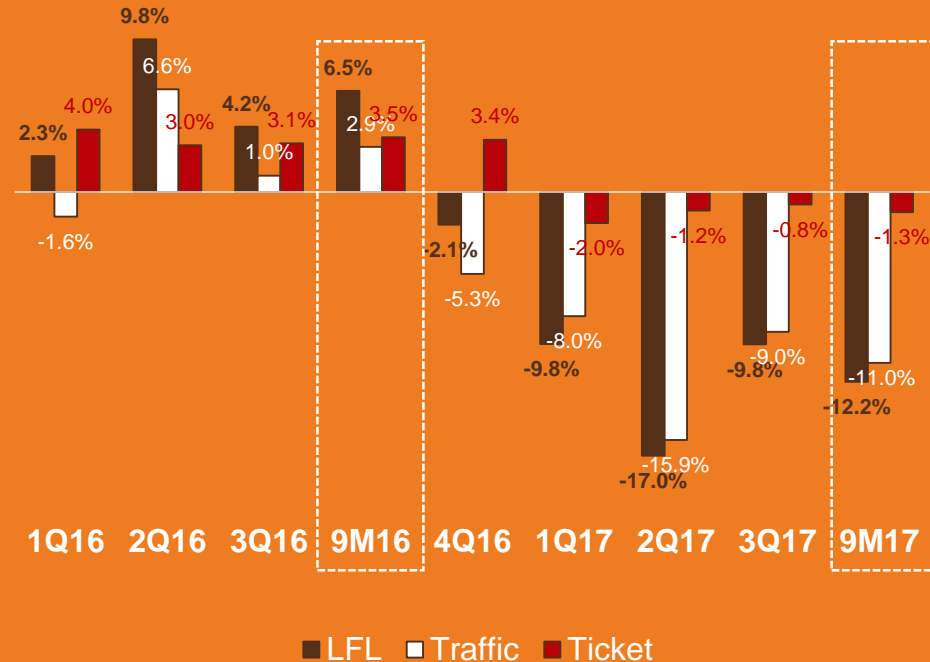
## Total revenue dynamics, mln RUB



# LFL EVOLUTION

- LFL ticket came at -0.8% in 3Q 2017 and -1.3% in 9M 2017
- Traffic decline in 3Q 2017 came at -9.0% vs -15.9% in 2Q 2017
- In 9M 2017, LFL traffic went down by -11.0%
- The number of SKUs per basket performance was improving each quarter

## LFL dynamics





**3Q 2017 FINANCIAL  
HIGHLIGHTS**

## 3Q 2017 FINANCIAL HIGHLIGHTS, YOY

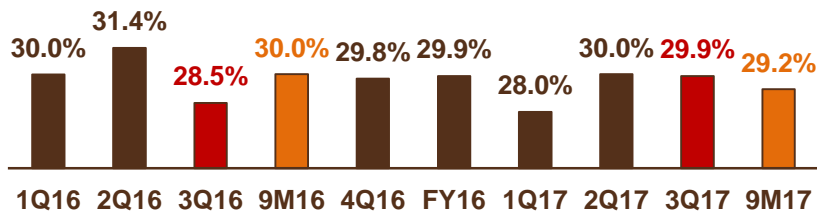
- Revenue decreased by 8.3% and amounted to 69 bln RUB
- Gross margin amounted to 27.3%
- Transportation costs decreased by 47.5% and by 50bp as % of revenue
- SG&A expenses decreased by 13.3% yoy 17.3 bln RUB
- EBITDA grew 3x times to 3.4 bln RUB; EBITDA margin increased by 340bp to 4.9%
- EBITDAR amounted to 8.9 bln RUB; EBITDAR margin improved by 410bp to 12.9%
- Net profit amounted to 469 mln RUB
- Total debt increased by 4% yoy to 33 bln RUB
- Net cash flow from operations amounted to 2 bln RUB
- CAPEX amounted to 683 mln RUB (with VAT)



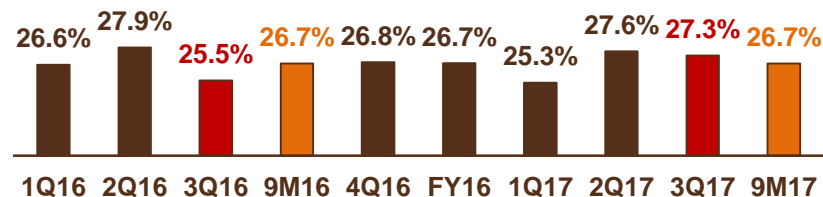


# KEY PROFITABILITY METRICS EVOLUTION

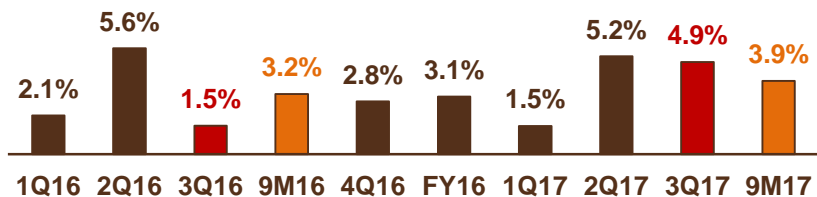
## Commercial margin, %



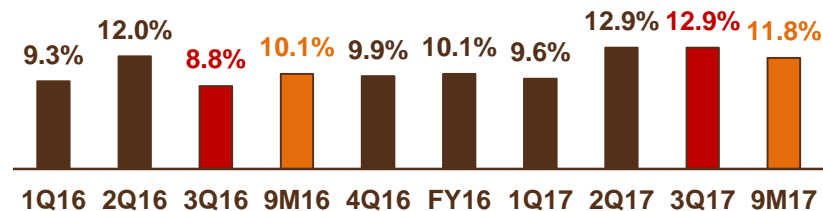
## Gross margin, %



## EBITDA margin, %



## EBITDAR margin, %



# 3Q 2017 PROFITABILITY COMPOSITION

	3Q 2017	3Q 2016	YoY
Commercial margin	29.9%	28.5%	140bp
Shrinkage, as % of revenue	2.5%	2.4%	10bp
Transportation costs, as % of revenue	0.6%	1.1%	(50bp)
Gross margin	27.3%	25.5%	180bp
Staff expenses, as % of revenue	10.3%	11.8%	(150bp)
Other income/expenses, as % of revenue	4.1%	4.9%	(80bp)
EBITDAR margin	12.9%	8.8%	410bp
Operating lease, as % of revenue	8.0%	7.3%	70bp
EBITDA margin	4.9%	1.5%	340bp
D&A, as % of revenue	2.8%	2.7%	10bp
EBIT margin	2.1%	(1.1%)	-
Interest and other expenses, as % of revenue	1.4%	1.3%	10bp
Income tax, as % of revenue		(0.3%)	-
Net margin	0.7%	(2.1%)	-



Source: Company data

# 3Q 2017 DIXY GROUP PROFIT & LOSS ACCOUNT

	in RUB mln			as % of revenue		
	3Q 2017	3Q 2016	YoY (%)	3Q 2017	3Q 2016	YoY (%)
Revenue	68,801	75,006	(8.3%)	100%	100%	-
Commercial margin	20,377	21,199	(3.9%)	29.9%	28.5%	140bp
Shrinkage costs	1,734	1,831	(5.3%)	2.5%	2.4%	10bp
Transportation costs	433	824	(47.5%)	0.6%	1.1%	(50bp)
<b>Gross profit</b>	<b>18,764</b>	<b>19,111</b>	<b>(1.8%)</b>	<b>27.3%</b>	<b>25.5%</b>	<b>180bp</b>
OPEX (ex D&A)	15,397	17,971	(14.3%)	22.4%	24.0%	(160bp)
D&A	1,928	2,001	(3.7%)	2.8%	2.7%	10bp
<b>EBITDA</b>	<b>3,367</b>	<b>1,140</b>	<b>195.4%</b>	<b>4.9%</b>	<b>1.5%</b>	<b>340bp</b>
EBITDAR	8,867	6,610	34.2%	12.9%	8.8%	410bp
Interest expenses (net)	994	992	0.2%	1.4%	1.3%	10bp
<b>Net profit / (loss)</b>	<b>469</b>	<b>(1,590)</b>	<b>na</b>	<b>0.7%</b>	<b>(2.1%)</b>	<b>na</b>



Source: Company data

# 3Q 2017 DIXY GROUP SG&A EVOLUTION

	in RUB mln			as % of revenue		
	3Q 2017	3Q 2016	YoY (%)	3Q 2017	3Q 2016	YoY (%)
<b>SG&amp;A expenses</b>	<b>17,325</b>	<b>19,973</b>	<b>(13.3%)</b>	<b>25.2%</b>	<b>26.6%</b>	<b>(140bp)</b>
Staff expenses	7,053	8,849	(20.3%)	10.3%	11.8%	(150bp)
Operating lease expenses	5,500	5,470	0.6%	8.0%	7.3%	70bp
D&A expenses	1,928	2,001	(3.7%)	2.8%	2.7%	10bp
Utilities, repair and maintenance expenses	1,600	1,722	(7.1%)	2.3%	2.3%	-
Advertising expenses	488	739	(34.1%)	0.7%	1.0%	(30bp)
Other expenses	757	1,191	(36.5%)	1.1%	1.6%	(50bp)

# 3Q 2017 CASH FLOW STATEMENT

	1Q 2016	2Q 2016	3Q 2016	4Q 2016	1Q 2017	2Q 2017	3Q 2017
CF before working capital changes	1,512	5,252	1,068	2,072	872	3,696	3,397
Working capital changes	2,416	(2,319)	2,987	4,460	804	905	(670)
Income tax and interest expenses	(1,398)	(1,273)	(1,494)	(965)	(989)	(920)	(755)
<b>CF from operations</b>	<b>2,530</b>	<b>1,659</b>	<b>2,560</b>	<b>5,567</b>	<b>687</b>	<b>3,681</b>	<b>1,972</b>
CF used in investing activities	(1,357)	(2,078)	(929)	(4,647)	(964)	(632)	(1,398)
CF from / (used in) financing activities	223	(1,084)	(2,726)	1,465	(1,877)	(3,209)	122
Net change in cash and cash equivalents	1,397	(1,503)	(1,095)	2,384	(2,154)	(160)	696
<b>Cash and cash equivalents, eop</b>	<b>4,318</b>	<b>2,815</b>	<b>1,720</b>	<b>4,104</b>	<b>1,950</b>	<b>1,790</b>	<b>2,486</b>



Source: Company data

# 3Q 2017 WORKING CAPITAL

	1Q 2016	2Q 2016	3Q 2016	4Q 2016	1Q 2017	2Q 2017	3Q 2017
Changes in inventories	994	2,582	2,216	(3,135)	5,212	(669)	(573)
Changes in trade and other accounts receivable	1,645	(4,366)	2,376	2,078	2,600	395	68
Changes in trade and other accounts payables	(2,012)	(1,341)	(795)	6,823	(9,115)	1,301	(395)
Other	1,789	806	(810)	(1,306)	2,107	(123)	230
<b>Working capital changes</b>	<b>2,416</b>	<b>(2,319)</b>	<b>2,987</b>	<b>4,460</b>	<b>804</b>	<b>905</b>	<b>(670)</b>

- Inventory increased by RUB 573 mln in 3Q 2017 vs inventory decrease of RUB 2.2 bln in 3Q 2016 due to assortment revision and implementation of new products to assortment in 2017, and also due to base affect as Company did assortment reshuffle in 3Q 2016 reducing the average number of SKUs per store
- Accounts receivable declined by RUB 68 mln in 3Q 2017 in comparison to RUB 2.4 bln decline in 3Q 2016. In 2017, the Company did a great job on reducing trade and other accounts receivable (in 9M 2017 trade and other accounts receivable decreased by RUB 3.1 bln)



# 3Q 2017 CAPEX

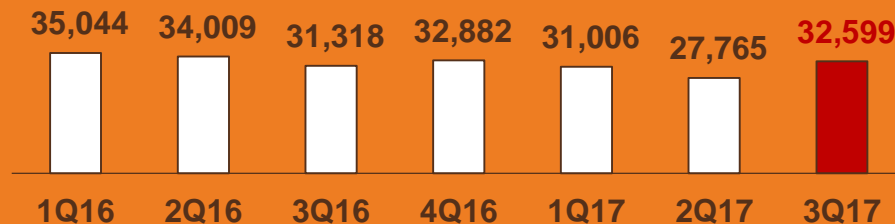
	3Q 2017	3Q 2016	YoY (%)	YoY (RUB mln)
Capital expenditures (with VAT)	683	889	(23.2%)	(206)
Organic growth	69	153	(55.1%)	(84)
Logistics	159	563	(71.7%)	(404)
Reconstruction and maintenance	244	58	320.5%	186
Other	211	114	(85.3%)	97

- In 3Q 2017 capital expenditures decreased by 23.2% year-on-year mainly due to lower organic expansion as the Company opened 3 stores (gross) in 3Q 2017 vs 18 (gross) in 3Q 2016 and lower logistics CAPEX
- CAPEX for logistics consists of regular payment for trucks acquired and DCs' maintenance expenses

# DEBT PORTFOLIO

- Total debt increased by 1.3 bln RUB year to date
- Debt is fully RUB denominated and carries fixed interest rates
- The average weighted interest rate on the Group's debt portfolio amounted to 9.9% in 3Q 2017

## Total financial debt (incl. financial leasing)



	Sept 30, 2016	Dec 31, 2016	Sept 30, 2017
Total debt to EBITDA	2.7x	3.3x	3.2x







**APPENDIX 2: ASSETS AT A  
GLANCE**

# GEOGRAPHY OF PRESENCE

## Kaliningrad

79 Victoria

2 DCs



## Saint Petersburg & Northwestern

584 Dixy

1 DC

## Moscow & Central

1,843 Dixy

51 Victoria

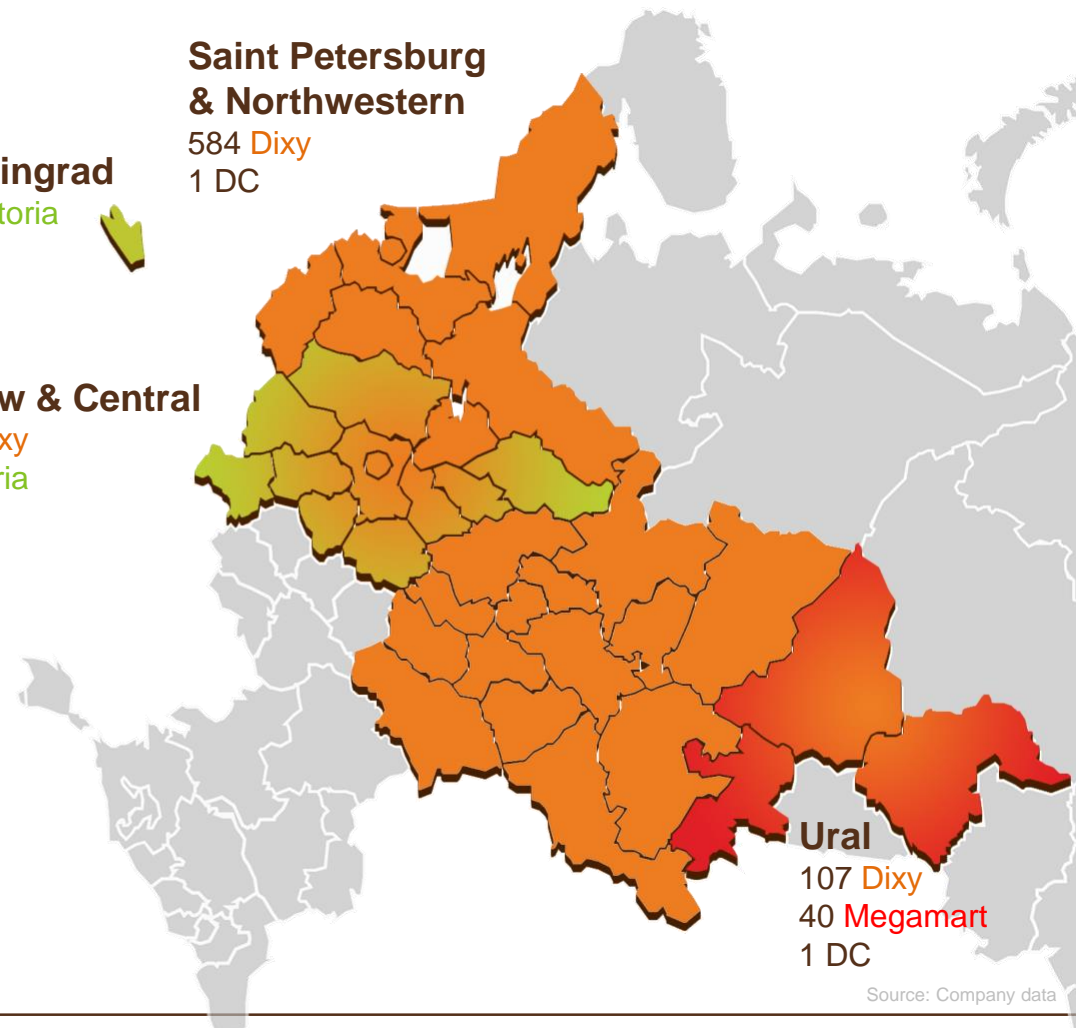
4 DCs

## Ural

107 Dixy

40 Megamart

1 DC



Source: Company data

# DIXY DIVISION HIGHLIGHTS



**2,534  
stores**

**740k m<sup>2</sup>  
selling  
space**



**RUB 332  
average  
ticket**

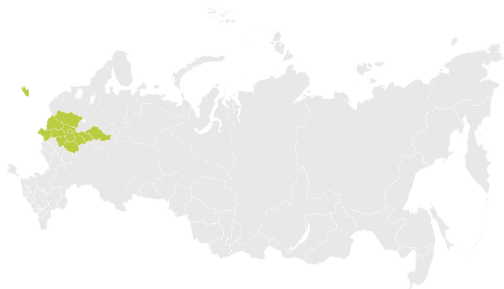
**290 m<sup>2</sup>  
average  
selling  
space**



**80%  
of retail  
revenue**

**90% leased  
selling  
space**

# VICTORIA DIVISION HIGHLIGHTS



**130  
stores**

**112k m<sup>2</sup>  
selling  
space**



**RUB 486  
average  
ticket**

**900 m<sup>2</sup>  
average  
selling  
space**



**13%  
of retail  
revenue**

**61% leased  
selling  
space**

# MEGAMART DIVISION HIGHLIGHTS



40  
stores

$m^2$   
78k  $m^2$   
selling  
space



RUB 613  
average  
ticket

$m^2$   
2,000  $m^2$   
average  
selling  
space



7%  
of retail  
revenue

$m^2$   
28% leased  
selling  
space

# THE KEY PILLARS OF OUR STRATEGY

To develop a consumer centric value proposition...



Stronger  
assortment



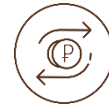
Price  
competitiveness



Shopping  
experience



Proximity



Consumer  
engagement

... with higher efficiency...



Efficiency imperative



Infrastructure

... enabled by a renewed solid organization



Organization



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