



PJSC “Magnit” Announces Positive Like-For-Like Sales and Almost 10% Sales Growth in 4Q 2018

Krasnodar, Russia (7 February, 2019): Magnit PJSC (MOEX and LSE: MGNT), one of Russia’s leading retailers announces its unaudited 4Q and FY 2018 results prepared in accordance with IFRS¹.

Revenue increased by 9.7% from 302 billion RUR in 4Q 2017 to 332 billion RUR in 4Q 2018 on the back of significant LFL sales improvement to 0.6% compared to -2.0% in the previous quarter. This was the first quarter in 2 years with positive LFL sales as a result of improved CVP, changes in category management and increased availability on the shelf. LFL sales growth in the key format turned positive to 0.3% as average ticket growth outweighed still negative traffic. This was mainly driven by sound positive assortment mix and inflation. The best performance was demonstrated by “Magnit Cosmetic” stores – LFL sales growth reached 6.5% in 4Q 2018 on the back of 4.9% LFL average ticket growth and 1.5% traffic growth. Magnit supermarkets’ LFL sales growth remained negative although improved from -1.6% in 3Q 2018 to -0.7% in 4Q.

During 2018 Magnit added (net) 2,049 stores (1,302 convenience stores, 731 drogerie stores and 16 supermarkets). The total store base as of December 31, 2018 reached 18,399 stores. Addition of selling space in 2018 was 669 thousand sq. m. compared to 687 thousand sq. m. in 2017. The new CVP for the convenience format has been finalized and new stores will be opened under this new CVP with improved layout. The quality of new store openings has improved which supported sales density growth. We have redesigned 462 stores in 4Q 2018. As a result, we fulfilled the guidance for the year 2018.

EBITDA in 4Q 2018 increased by 4.3% y-o-y on the back of EBITDA margin of 7.0%. EBITDA result was driven by the gross profit dynamics, increase of the lease expense due to the higher share of leased stores. Negative impact was partially offset by the improvement of payroll expenses through productivity increase in stores and energy consumption measures resulting in utilities costs reduction.

Net Income in 4Q 2018 increased by 7.1% from 7.9 billion RUB in 4Q 2017 to 8.4 billion RUB in 4Q 2018. EBITDA margin contraction was almost neutralized due to improvement of interest expenses as a result of improvements of terms in the debt portfolio. Net Income Margin in 4Q 2018 was 2.5%.

 **Olga Naumova, Magnit’s Chief Executive Officer, commented:**

“We are proud to report positive like-for-like sales growth in the 4th quarter for the first time in 2 years. We are delighted that customers have reacted fast to the transformation we started six months ago, helping to grow sales almost 10% in the 4th quarter.

With these positive trends and our completed management team we feel very confident about 2019”.



4Q 2018 Monthly Operating Metrics:

	October	Y-o-Y, %	November	Y-o-Y, %	December	Y-o-Y, %
New Store Openings (NET)	243	n/a	335	n/a	379	n/a
Convenience stores	133	n/a	219	n/a	262	n/a
Supermarkets ²	2	n/a	0	n/a	8	n/a
Drogerie Stores	108	n/a	116	n/a	109	n/a
Number of Stores (EOP)	17,685	n/a	18,020	n/a	18 399	n/a
Convenience stores	12,946	n/a	13,165	n/a	13 427	n/a
Supermarkets	459	n/a	459	n/a	467	n/a
Drogerie Stores	4,280	n/a	4,396	n/a	4,505	n/a
New Selling Space, th. sq. m.	79	n/a	114	n/a	139	n/a
Convenience stores	51	n/a	85	n/a	104	n/a
Supermarkets	2	n/a	0	n/a	9	n/a
Drogerie Stores	26	n/a	29	n/a	26	n/a
Total Selling Space (EOP), th. sq. m.	6,171	9.4%	6,285	10.5%	6,424	11.6%
Convenience stores	4,255	9.2%	4,340	10.7%	4,444	12.3%
Supermarkets	933	2.5%	933	2.1%	942	1.2%
Drogerie Stores	982	17.4%	1,011	18.6%	1,038	19.8%
Number of Customers, million	369	8.8%	355	5.1%	389	3.6%
Convenience stores	312	8.6%	301	4.8%	323	3.5%
Supermarkets	33	4.6%	32	3.9%	36	(2.1)%
Drogerie Stores	24	16.9%	23	11.5%	29	13.9%
Retail Sales³, million RUR	99,823	9.4%	100,828	9.8%	126,206	8.7%
Convenience stores	75,498	9.9%	76,678	10.1%	92,347	10.0%
Supermarkets	16,580	2.7%	16,759	6.0%	22,887	(0.9)%
Drogerie Stores	7,745	20.4%	7,391	16.0%	10,972	21.6%

² Including hypermarkets

³ Excluding wholesale



4Q and 12M 2018 Key Operating Metrics:

	4Q 2018	4Q 2017	Y-o-Y, %	12M 2018	12M 2017	Y-o-Y, %
New Store Openings (NET)	957	653	n/a	2,049	2,291	n/a
Convenience stores	614	382	n/a	1,302	1,604	n/a
Supermarkets	10	19	n/a	16	20	n/a
Drogerie Stores	333	252	n/a	731	667	n/a
Number of Stores (EOP)	18,399	16,350	n/a	18,399	16,350	n/a
Convenience stores	13,427	12,125	n/a	13,427	12,125	n/a
Supermarkets	467	451	n/a	467	451	n/a
Drogerie Stores	4,505	3,774	n/a	4,505	3,774	n/a
New Selling Space, th. sq. m.	332	192	n/a	669	687	n/a
Convenience stores	239	117	n/a	486	506	n/a
Supermarkets	11	28	n/a	11	34	n/a
Drogerie Stores	81	47	n/a	171	147	n/a
Total Selling Space (EOP), th. sq. m.	6,424	5,755	11.6%	6,424	5,755	11.6%
Convenience stores	4,444	3,958	12.3%	4,444	3,958	12.3%
Supermarkets	942	931	1.2%	942	931	1.2%
Drogerie Stores	1,038	866	19.8%	1,038	866	19.8%
Number of Customers, million	1,113	1,052	5.8%	4,370	4,040	8.2%
Convenience stores	935	886	5.6%	3,690	3,404	8.4%
Supermarkets	101	99	1.9%	395	383	3.1%
Drogerie Stores	77	67	14.1%	285	254	12.2%



LFL Results:

4Q 2018 - 4Q 2017⁴

Formats	Average Ticket	Traffic	Sales
Convenience stores	3.9%	(3.5%)	0.3%
Supermarkets	1.1%	(1.8%)	(0.7%)
Drogerie Stores	4.9%	1.5%	6.5%
Total	3.7%	(3.0%)	0.6%

12M 2018 - 12M 2017⁴

Formats	Average Ticket	Traffic	Sales
Convenience stores	0.0%	(2.8%)	(2.8%)
Supermarkets	(2.0%)	(1.3%)	(3.3%)
Drogerie Stores	4.1%	(1.1%)	3.0%
Total	0.1%	(2.6%)	(2.5%)

4Q and 12M 2018 Key Financial Results, million RUR

	4Q 2018	4Q 2017	Growth Rate	12M 2018	12M 2017	Growth Rate
Net sales	331,641	302,329	9.7%	1,237,015	1,143,314	8.2%
Convenience stores	244,523	222,320	10.0%	917,853	846,113	8.5%
Supermarkets	56,226	55,044	2.1%	207,434	206,214	0.6%
Drogerie Stores	26,108	21,830	19.6%	91,563	78,786	16.2%
Wholesale	4,784	3,135	52.6%	20,164	12,201	65.3%
Gross Profit ⁵	78,654	72,853	8.0%	296,457	289,498	2.4%
Gross Margin, %	23.7%	24.1%	n/a	24.0%	25.3%	n/a
EBITDAR	36,141	33,923	6.5%	141,036	136,967	3.0%
EBITDAR Margin, %	10.9%	11.2%	n/a	11.4%	12.0%	n/a
EBITDA ⁶	23,219	22,253	4.3%	89,827	91,644	(2.0%)
Adjusted EBITDA	23,219	22,253	4.3%	91,326	91,644	(0.3%)
EBITDA Margin, %	7.0%	7.4%	n/a	7.3%	8.0%	n/a
Adjusted EBITDA Margin, %	7.0%	7.4%	n/a	7.4%	8.0%	n/a
EBIT	13,810	13,433	2.8%	53,366	57,928	(7.9%)
EBIT Margin, %	4.2%	4.4%	n/a	4.3%	5.1%	n/a
Profit before tax	10,873	10,300	5.6%	43,025	45,424	(5.3%)
Taxes	(2,444)	(2,432)	0.5%	(9,213)	(9,885)	(6.8%)
Net Income	8,429	7,867	7.1%	33,812	35,539	(4.9%)
Net Income Margin, %	2.5%	2.6%	n/a	2.7%	3.1%	n/a

⁴ New LFL calculation base includes stores, which have been opened for 12 months since its first day of sales. Previously LFL calculation base included stores, which have been opened 12 months prior to the last month of the reporting period.

⁵ In the 4th quarter of 2018, the Company revised the composition of expenses for the processing of goods, which are included in the cost of goods sold. The Company applied changes retrospectively and recalculated comparable data for the full year 2017-2018.

⁶ In an effort to conform to industry norms, starting in 2018 Magnit has revised its accounting policy and excluded FX Translation Differences from EBITDA. Previously, Magnit reported EBITDA including FX Translation Differences. For the sake of comparison, Magnit has applied the same accounting change for the previous periods.



Key Financial Position Statements as of 31.12.2018, million RUR

	12M 2018	12M 2017
Non-current assets	383,301	336,786
Inventories	187,828	162,205
Cash and cash equivalents	26,748	18,337
Other current assets	13,470	8,997
Assets	611,347	526,325
Equity	253,652	259,307
Long-term borrowings	93,764	86,338
Other long-term liabilities	28,923	22,622
Trade and other payables	130,624	99,142
Short-term borrowings and short-term portion of long-term borrowings	70,827	40,122
Other short-term liabilities	33,556	18,793
Equity and liabilities	611,347	526,325
Net debt / Adjusted EBITDA	1.5	1.2

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 December 31, 2018, Magnit operated 37 distribution centers and 18,399 stores (13,427 convenience, 467 supermarkets and 4,505 drogerie stores) in 2,976 cities and towns throughout 7 federal regions of the Russian Federation.

In accordance with the unaudited IFRS management accounts for 2018, Magnit had revenues of RUB 1,237 billion and an EBITDA of RUB 90 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.