



Interview with Group President Alexander Tynkovan



**Alexander  
TYNKOVAN**

President, Chairman  
of the Management Board  
PJSC M.video

**Mr Tynkovan, could you please tell us about the Group's primary performance results in 2018?**

For us, this past year was marked by the merger of PJSC M.Video and LLC Eldorado, which once again demonstrated the quality of our business model and leadership in the industry. After just a few months, the M.Video–Eldorado Group team managed to create an effectively managed business that quickly showed strong operating and financial performance and strengthened its position in Russia's highly competitive market.

Based on our 2018 results, the Group's sales increased by 17.7% to RUB 421.4 billion, exceeding the market as a whole, which grew by 16.6%. At the same time, in a very active fourth quarter, both M.Video and Eldorado showed growth rates that were significantly higher than the market average, increasing sales by 20.2% and 23.2%, respectively. It is important that the strong performance of both networks was ensured primarily as a result of the precise positioning of the M.Video and Eldorado brands, the expansion of the customer base, the positive impact of the relaunch of Eldorado's business model, and the development of the product range and services. Speaking to this, in particular, are the unprecedentedly high like-for-like (LFL) sales of both brands' stores, including Eldorado's record growth in LFL sales of 20.7% in the fourth quarter.

**What was the strategic value of the Eldorado acquisition for M.Video?**

In recent years, we felt that, as the undisputed market leader, the M.Video brand was somewhat limited in its potential to grow in the lower price segments. It was very difficult to be a premium market player and a mass market player at the same time without creating a risk for our brand. The acquisition of Eldorado completely closed this niche for us. The combination of two leading and recognisable brands gives us an opportunity to work with all customer segments in Russia and to enjoy complete geographical coverage, including in both major metropolitan areas and the small cities in regions where the Group did not have a presence before the acquisition of Eldorado.

Moreover, the combination of two large, highly complementary companies creates significant synergies and economies of scale. By combining the back-office functionality of M.Video and Eldorado, we were able to obtain additional synergies in 2018 in the amount of RUB 6 billion at the EBITDA level, i.e., 50% more than what we expected at the deal's planning stage. As a result, the Group's EBITDA margin increased to 6%, which is one of the best results globally in the home appliances and electronics market.



**Given that the Group now relies on two brands, what is the key focus of its development?**

Today, as the technological revolution advances, we aim to be one of the retail leaders of the future, where digital technologies and information play a key role. Whereas we were once a large offline retailer developing a website as an additional sales channel, M.Video-Eldorado is now quickly turning into an online company that manages Russia's largest network of traditional stores that are fully integrated with online platforms. At the end of last year, our online sales grew by 31.0% to RUB 77.3 billion, even though online business growth temporarily slowed down in annual terms as part of the transition to the omni-channel model and optimisation of the Eldorado product range. In the fourth quarter, however, both M.Video and Eldorado showed a considerable increase in online sales of 26.2% and 22.9%, respectively.

Full digitisation of the business and the creation of a uniform customer experience both in online channels and in traditional stores are key elements of our strategy, which we call the ONE RETAIL concept. This initiative provides for a digital approach at all levels of the business structure, both in the back office and at points where we interact with customers. This transformation will be the main focus of our investments in the coming years.

**What is the Group planning to achieve in terms of financial performance in 2019 and longer-term as part of this strategy?**

In 2019, we will continue strengthening our position in the market in line with our strategy. As part of our three-year strategic plan, we expect that market conditions and our development initiatives will increase revenue to more than RUB 500 billion and will allow us to occupy more than 30% of the market in 2022, while maintaining an EBITDA margin at more than 6%.

**Do you expect Russia's market for home appliances and electronics to continue consolidating? How is the Group planning to increase its market share?**

Consolidation will certainly continue. The Russian market is becoming even more competitive, which means that efficiency, ease of manufacture, ability to change and the introduction of best practices are becoming increasingly important factors. At the same time, there are inefficient players that will gradually exit the game. And as a result, the share of market leaders will grow. We expect real competition to unfold between the top five players, and this will move the entire market forward. At the same time, online platforms, including marketplaces, will play an increasingly important role in the market, and M.Video–Eldorado Group, as one of the largest online retailers in Russia, intends to strengthen its position in this segment.

**What role does sustainable development play in the Group's strategy? What are the key projects you're implementing in this area?**

For many years, we have been developing our strategy around the challenge of building a long-term, sustainable, customer-focused organisation. In recent years, the M.Video–Eldorado Group has become a systemically important player for the Russian market. That is why we always remember our responsibility to the ecosystem in which we work and strive to use our experience and scale for positive changes in the industry and the world, with a focus on our customers, employees and partners. In particular, we are implementing a range of training and incentive programmes for the Group's employees with the aim of creating the most comfortable conditions for our personnel to realise their potential and further improve their skills.

Having an active social position is also an invariable principle of our operations, including as it relates to environmental protection. Historically, we were the first major retailer in the Russian market to stop using plastic bags. We actively support and promote the idea of switching to energy-saving technologies among our employees and customers; we also encourage the return and disposal of hazardous waste. For example, the Group launched a programme to accept old batteries in stores; this will allow us to collect about 100 tonnes of used batteries per year. We are also working on a system for collecting, recording and disposing of old household appliances, which will significantly reduce the volume of waste associated with the use of electronics in Russia.

At the beginning of the year, we elaborated the corporate mission of the new M.Video–Eldorado Group, declaring our key values to be concern for everything we do, responsibility for the future, courage in innovation, openness to change, and teamwork and collaboration. I am confident that these values will provide a solid basis for the Group's sustainable development in the interests of its shareholders, customers, the industry and Russia's entire economy.