Strategy

Our strategic goal is to cement our current leading federal retail positions by growing our market share significantly and profitably.

Our strategic ambition is to become #1 for consumers, employees and investors.

Our strategy at a glance

Our strategy is driven by the desire to create value for our three major stakeholders – our consumers, our employees, and our investors.

Consumers
Growing LFL, best in NPS/CSI[1] and more customer gains than losses

Investors
Creating value for shareholders thanks to attractive returns

Employees
Constant improvement of eNPS[2]/ engagement, employee turnover and staffing level

Magnit recorded significant sales growth in 2021, driven by increased selling space, a trading environment that improved throughout the year, and continued sales uplift from mature stores, resulting in a sales density improvement of 4.7%. It is clear that our initiatives to enhance consumer perception and experience are working, as demonstrated by positive NPS and Consumer Satisfaction Index trends and net consumer gains. Our sustainability strategy is now embedded throughout our organisation as we continue to add more data metrics to monitor our performance and improvements. We have continued to develop internal processes to extract greater efficiency and our investment in people has intensified to ensure we have the right competencies and have an agile and innovative company.

+4.7%
sales density improvement in 2021

These efforts have created significant value for shareholders – Magnit's local share price has increased by 55% from January 2019 to December 2021, and a new approach to investments and redesigns drove impressive returns and uplifts.

[1] Net Promoter Score/ Consumer Satisfaction Index
[2] Employee engagement and satisfaction survey

Our goals are supported by four pillars:

Consumer first

- Consumer-centric decision-making with enhanced loyalty (as the key data source)/ personalisation powered by AI / Big Data
- Enhanced CVP and clustering to better serve consumer needs
- Improved brand positioning (including care, safety, ESG and value for money)
- E2E consumer offering going beyond traditional offline space – digital / ecosystem

Employer of choice

- Flexible and proactive approach to personnel attraction
- Intensified investment in people to ensure best competences and business continuity
- One team approach as the base for effective cross-functional cooperation
- Talent assessments and social lifts
- Agility and innovative thinking

Most efficient and promising ways to market

- Smart expansion in core formats to profitably catch up market share, including M&As
- Actively and structurally consider new sales lines, new niches / markets
- OMNI including online
- Agile sourcing including partnerships with suppliers, crystalised offering in own production / Private Label to enhance offering and secure positioning

Modern and efficient platform

- Defined and straightforward functional strategies
- Smooth and efficient processes
- Flexible organisational structure, clear responsibility split combined with entrepreneurial culture
- Flexible, reliable and scalable cloud-based IT solutions and Data platform
- Product-centric technology organisation

Sustainability

Sustainability is firmly embedded in all areas of our strategy and it is key to the continued growth of the Company. It is an integral part of what we do and acting in the interests of all our stakeholders will produce better returns over the long term for our shareholders.

Our Sustainability Strategy sets out our ambitions and strategic principles and formalises our approach. We are committed to reducing our environmental impact and having a positive impact on the wider society, as well as ensuring our employees are satisfied and upholding the highest standards of corporate governance.

Strategy
(continued)

Strategic priorities

Priorities	Our strategic priorities for 2021	Our strategic guidance for 2025
Enhance CVPs	Keep improving CVP as a key driver for material improvements of sales density and profitability supported by processes and ways of working enhancement	Clear CVP initiatives to enhance consumer perception **and experience big time** Clear potential to **increase sales densities** by way of speeding up value accretive redesigns
Extract efficiency	Continuous focus on extracting efficiency to get higher profitability and cash generation	**Thought-out strategic plan** to capture tremendous business improvement
Smart expansion	Focus on smart expansion implying high profitability targets for new openings	**Accelerate smart organic expansion** (p.a. on gross basis) — ~1,000 convenience stores — 700–800 drogeries — 300–600 discounters — 5–10 supermarkets and superstores
Strengthen our overall positioning	Due to overall market evolution and high consolidation potential we expect more opportunities to become available in the M&A field where we could selectively (based on strategic and value accretive approach) strengthen our overall positioning	Proactive and opportunistic **return-driven consolidation play (M&A)**
Extend consumer offering	Extend consumer offering complementary to our core business (incl. partnerships, E-comm, new geographies and specialised formats in important adjacent consumer missions, etc.) to better satisfy consumer needs	Build a **leading e-commerce platform** capable of handling **5%+ of Magnit turnover** with seamless integration into an omni-channel consumer experience Continue to proactively consider adjacent **value accretive niches** Adherence to **sustaining high return requirements** for new projects

We believe that every strategic move should be supported by strong and robust financials:

- Benefits from lucrative EBITDA margin (IAS 17) steadily improving to **8.0% in 2021–2024 and 8%+ from 2025 despite expanding into e-commerce channel and discounters**
- Improvement of working capital with a focus on stock days optimisation **by 4–7 days, incl.:**
  - 3–5 days in grocery
  - 10–15 days in drogerie
- **Continue following strict return requirements for all projects. CAPEX to remain <4.0% as a % of sales**
- Comfortable leverage of ~1.5x (IAS 17) of Net Debt/EBITDA with a self-imposed ceiling of 2.0x and high potential to fall **to around 1.0x in the next years subject to M&A opportunities**
- **Focus on constant improvement of returns and value accretion for shareholders. Expect double-digit ROIC[1] growth in 2025 vs 2021**
- **Capacity for annual increase of dividend payments** depending on the financial position and subject to Board decision and shareholder approval

[1] ROIC = (EBIT - Income Tax) / (Average Net Debt + Average Equity)

ДИКСИ

Integrating Dixy

Our in-depth examination makes us confident that we can extract significant synergies from the acquisition of Dixy in the medium term, and allows us to maintain our ambitious long-term targets.

While Dixy and Magnit will continue to operate as separate brands, we have established an integration management office (IMO) as well as new joint committees at the senior level for strategy, investment, financial, remuneration and integration. New cross-functional mandates have been identified to align financial terminology and investment methodology as well as key decision-making processes such as investments, authorities and HR. Project management, audit and tracking will also be a joint effort, and we are in the process of combining our communications plans to align our corporate cultures.

Synergies identified :

Commercial
- Combined sourcing/ procurement
- Private label production, direct import and seasonal and exclusive assortment
- Align pricing strategy

Operations
- New effective solutions for overlapping stores on a case-by-case basis
- Potential to transform / redeploy Dixy stores into a Magnit convenience, supermarket, drogerie, hard discounter or dark store

Cost savings
- Align business processes and IT
- Centralise back office and support functions where relevant
- Share and decrease costs in marketing, utilities and outsourced services
- Reduce tariffs for acquiring, cash collection and bank fees

Cross-synergies
- Technology sharing
- Customer data analysis via loyalty programmes
- Re-usage of data centers

See more on how we are integrating Dixy on p. 42.