

Debt management

Approach and characteristics

The financial policy of PJSC "Magnit" aims to ensure comfortable conditions for the Company in its work on loan agreements with banks.

The main criteria for the financial policy include restrictions on a comfortable margin for financial covenants, net debt/EBITDA, revenue, net assets, requirements for the available limit on loan agreements, and conditions for raising new loans.

Some of the key features of Magnit's loan portfolio and history include

- The Company's impeccable credit history
- Cooperation with major banks
- Low debt load: net debt/EBITDA ratio – 1.5
- No currency risk: 100% of debt is denominated in rubles, which corresponds to the revenue currency
- Minor changes in interest rate risk: interest is mainly paid at fixed interest rates

Key debt portfolio indicators:

Debt, RUB mln	2016	2017	2018
Total debt	127,606	126,460	164,573
Proportion of short-term debt, %	39.3%	31.7%	43.0%
Short-term debt	50,106	40,122	70,837
Long-term debt	77,500	86,338	93,736
Net debt	111,047	108,123	137,826
Credit indicators	2016	2017	2018
EBITDA/Financial expenses	8.1	7.1	9.8
Net debt/LTM EBITDA	1.0	1.2	1.5

Bonds

The Company uses bonded loans as a form of debt financing for its business that is primarily raised by issuing exchange bonds.

In 2018, PJSC "Magnit" had 2 outstanding issues of exchange bonds (BO-001R-02 and BO-001R-03) with a total nominal volume of RUB 20 billion (the volume in circulation at the end of the reporting year was RUB 0 billion).

Parameters of the BO-001R-02 series bonded loan of PJSC "Magnit":

Issue identification number and assignment date	No. 4B02-02-60525-P-001P dated February 24, 2016
Volume of issue	RUB 10,000,000,000
Number of securities	10,000,000
Nominal value of each security	RUB 1,000
Placement price	100% of nominal value
Placement date	February 29, 2016
Placement method	public placement
Maturity date	728 days from the placement date (February 26, 2018)
Number of coupons	4
Trading code	RU000A0JW662
ISIN code	RU000A0JW662
Coupon interest rate at auction	11.20%
Interest rate for coupon 1	11.20%
Interest rate for coupon 2	11.20%
Interest rate for coupon 3	11.20%
Interest rate for coupon 4	11.20%

The fourth coupon yield on the BO-001P-02 series Exchange Bonds was paid on February 26, 2018. Total income paid on the fourth coupon amounted to RUB 558.5 million; income per one bond on the fourth coupon amounted to RUB 55.85.

PJSC "Magnit" fulfilled its obligations to bondholders and redeemed the par value of the BO-001R-02 series bonds on time and in full on February 26, 2018.

Parameters of the BO-001R-03 series bonded loan of PJSC "Magnit":

Issue identification number and assignment date	No. 4B02-03-60525-P-001P dated April 4, 2016
Volume of issue	RUB 10,000,000,000
Number of securities	10,000,000
Nominal value of each security	RUB 1,000
Placement price	100% of nominal value
Placement date	April 12, 2016
Placement method	public placement
Maturity date	728 days from the placement date (April 10, 2018)
Number of coupons	4
Trading code	RU000A0JWCF4
ISIN code	RU000A0JWCF4
Coupon interest rate at auction	10.60%
Interest rate for coupon 1	10.60%
Interest rate for coupon 2	10.60%
Interest rate for coupon 3	10.60%
Interest rate for coupon 4	10.60%

The fourth coupon yield on the BO-001P-03 series Exchange Bonds was paid on April 10, 2018. Total income paid on the fourth coupon amounted to RUB 528.5 million; income per one bond on the fourth coupon amounted to RUB 52.85.

PJSC "Magnit" fulfilled its obligations to bondholders and redeemed the par value of the BO-001R-03 series bonds on time and in full on April 10, 2018.

In order to ensure the ability to raise debt financing by issuing local bonds of PJSC "Magnit," three Exchange Bond Programs are available with an undrawn limit of a combined RUB 110 billion. The bond programs are perpetual, which will enable the Company to promptly organize the issuance(s) of exchange bonds should the need arise to finance its operations.

Credit ratings**S&P**

April 24, 2017 "BB+" with a stable outlook

December 15, 2017 "BB" with a stable outlook

December 20, 2018 "BB" with a stable outlook

RA EX

September 28, 2018 "ruAA-" with a positive outlook