

Russian Grocer O'key Plans IPO in London This Year

By [The Moscow Times](#)

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A shopper leaving a supermarket operated by St. Petersburg-based O'key, the country's third-largest food retailer.

Retailer O'key plans to raise up to \$500 million in a London share offer to fund expansion, sources said Tuesday, making it the latest Russian firm to revive initial public offering plans after a barren summer.

O'key, which operates a 52-store chain and is Russia's No. 3 food retailer by sales, will launch a global offering of Global Depositary Receipts, with each GDR representing one share, by year-end, it said Tuesday.

It did not say how much it wanted to raise from the deal — which will comprise both primary and secondary offers of shares. Two sources familiar with the deal said the company aimed for \$450 million to \$500 million in proceeds.

"There continues to be substantial underpenetration of modern retail throughout Russia, and we believe we have the right business model and customer value proposition to capitalize on the growth opportunity," chief executive Patrick Longuet said.

Russia's IPO market is showing signs of life after shutting down amid uncertain summer markets. Electronics materials producer Monocrystal said Monday that it would raise up to \$284 million in an IPO, while freight group Transcontainer is aiming for more than \$400 million.

St. Petersburg-based O'key, which focuses on the hypermarket format, will start meeting investors as early as Oct. 18, and pricing could take place on Nov. 1, a financial market source said.

O'key, which declined to comment on the timing, is the third-largest Russian retailer by revenue after X5 and Magnit, with 2009 sales of 67.9 billion rubles (\$2.2 billion).

As the Russian retail industry has seen signs of recovering demand, key players unveiled investment plans aimed to help them increase market share on the highly fragmented market. X5 chief executive Lev Khasis said last month that the company wanted to hike investment in new store openings next year.

And Magnit plans to increase spending to \$1.3 billion in 2011 from \$1.1 billion in 2010.

"[O'key] intends to use net proceeds from the offering to finance the further expansion of its hypermarket and supermarket footprint in Russia over the next several years and for general corporate purposes," the company said.

A portion of the proceeds could also be used to reduce short-term debt the company may draw to fund expansion.

O'key appointed Goldman Sachs and VTB Capital as joint global coordinators and bookrunners for the offering.

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