

X5 Purchases Kopeika For Reported \$1.7Bln

By [The Moscow Times](#)

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X5, the country's biggest food retailer by sales, said it reached an agreement to buy rival Kopeika, with sources close to the deal saying it was worth 51.5 billion rubles (\$1.65 billion).

Lev Khasis, X5's chief executive, would not comment on the size of the deal for Kopeika, which is Russia's sixth-largest retailer by sales.

X5, just under 50 percent-owned by billionaire Mikhail Fridman's Alfa Group, has been in buy-out talks with Kopeika for months, and in July, Russia's anti-monopoly regulator gave it the go-ahead to acquire Kopeika.

During Reuters summit in September, Khasis said the Kopeika purchase would be financed with cash and debt, and involve no equity component.

Nikolai Tsvetkov, also the beneficial owner of UralSib bank, owns Kopeika.

Sources had told Reuters that Kopeika, which has 591 stores including 33 franchises, had valued itself at between \$1.6 billion and \$1.8 billion.

At the end of last month, X5 said it planned an aggressive ramp-up for the rest of this year amid a continued consumer recovery and is preparing to unveil an even more aggressive strategy for next year.

"X5 ... now expects to exceed its store-opening plan with 250 to 300 discounters, 20 supermarkets and 10 hypermarkets, while maintaining capital expenditure below the 18 billion ruble limit for 2010," X5 said in a statement.

The retailer added that it was preparing for a "significant step-up" in plans and was finalizing targets.

Khasis said on a conference call at the time that the outcome of the negotiations with Kopeika would affect its 2011 guidance.

The deal for Kopeika, which was also seen as a potential target for U.S. Wal-Mart, could add upward of 50 billion rubles in annual sales.

"We are well on track to deliver on X5's 2010 sales outlook, with a recovery in consumer spending and 'trading up' trends becoming evident as we head into the end of the year," Khasis said.

The company, which posted a higher-than-expected 9 percent rise in third-quarter net profit, had previously said it would open 200 to 250 Pyatyorochka discounters — its biggest and best-performing format.

Consumer sentiment has been on the rise because of broader economic recovery, despite the latter having been slowed by a record summer heat wave. Official data show that Russian retail sales grew 2.9 percent in October compared with the previous month.

The new guidance from X5, part of Mikhail Fridman's Alfa Group, is in line with analyst expectations. Citigroup had forecast 300 Pyatyorochka openings for full-year 2010 and 400 in 2011.

Khasis told the Reuters Russia Summit in September that he would recommend that the supervisory board approve a major increase in capital spending for 2011 to achieve "a significantly higher rate of organic growth than we currently have."

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