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Svyaznoi Not Afraid of IPO in 2012

By Khristina Narizhnaya

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Its chief competitor's IPO cancellation is not intimidating Svyaznoi out of trying to raise up to $2.6 billion. **Andrei Makhonin**

Undaunted by competitor Yevroset's unsuccessful IPO attempt, Svyaznoi, the country's No. 2 mobile phone retailer, could hold an initial public offering in the spring or fall of next year, company executives said Tuesday.

"How does Svyaznoi feel? Better than ever," said the company's general director, Denis Lyudkovsky. "I'm not scared," he said, referring to the Yevroset IPO failure.

The company will sell no more than 40 percent of its shares and plans to raise $1.8 billion to $2.6 billion.

No. 1 cell phone retailer Yevroset tried to list on the London Stock Exchange in April, but the bid book was only 15 percent filled, Interfax reported.

Yevroset chief executive Alexander Malis said the company would not attempt an IPO for at

least another year.

Earlier this year Yevroset began taking over retail spaces previously occupied by Svyaznoi and promised to bring the number of such new points of sale to 500.

"We are happy to have a competitor who shows us how competition can be," Lyudkovsky said, calling the Yevroset tactic worse than the aggressive "methods of the 1990s."

Svyaznoi's confidence may not be unfounded. In the first quarter of this year revenue grew 26 percent, compared with the same time period last year, to 29.3 billion rubles ($1 billion).

Svyaznoi, which has a quarter of the country's market share for mobile phone sales, added 37 more cities in Russia to its distribution network, bringing the total to 704. The company opened 369 new stores in Russia, while closing 176, bringing the total number to 2,475.

The company also operates 67 stores in Belarus.

Retail turnover grew 89 percent year on year, reaching 110.7 billion rubles. Earnings before interest, taxes, depreciation and amortization more than tripled to 1.3 billion rubles.

The company sold 3.9 million mobile phones, 799,000 3G modems, 12,000 tablet computers, 59,000 netbooks and 4.7 million SIM cards in the first half of this year.

Svyaznoi is now offering services like money transfers at its outlets. Sales of such services increased 278 percent compared with first half of last year.

Its online store had 81 percent more visitors in June 2011 than the same month last year. Internet sales rose 75 percent in the first half of this year, compared with the same time period last year, to 1 billion rubles.

Rostelecom added senior vice president Vaagn Martirosyan to its board of directors and replaced regional vice president Vladimir Akulich with vice president Vladimir Mironov, Interfax reported.

The rest of the board remains as before and includes Rostelecom's vice president and commercial director, Pavel Zaitsev; its senior vice presidents Viktor Iludin and Alexei Nichiporenko; vice president Sergei Lukash; the company's vice president for legal matters and corporate development, Alexander Rogovoi; and its vice president for economics and finances, Anton Khozyainov. Also re-elected were the director of Rostelecom's department for organizational development and personnel management, Galina Rysakova; the director of the company's information technology department, Viktor Strelkov; and its senior accountant, Roman Frolov. Rostelecom president Alexander Provotorov chairs the board. ⊠

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