

M.Video, Eldorado Mull Electronics Mega-Merger

By [The Moscow Times](#)

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Regulators might not allow one company to have 45 percent market share. **Sergei Nikolayev**

Czech-held PPF group, owner of electronics retailer Eldorado, wants to sell the chain to competitor M.Video and get a controlling stake in the combined company.

PPF owners Peter Kellner and Jiri Smejck are in talks with M.Video principal owner and president Alexander Tynkovan, an acquaintance of the Czechs told Vedomosti. An M.Video source confirmed the negotiations.

M.Video can hold a secondary share issue and use the proceeds to pay the full or partial amount for PPF's Eldorado.

Tynkovan did not deny the possibility of merging with Eldorado.

"We see the possibility of merging our company with Eldorado as one option for market development," he said. The deal could be closed in the next one to three years.

There were 330 Eldorado stores in June 2011. Igor Yakovlev founded the company in 1994. In September 2008, he sold a controlling stake to PPF because of financial problems. Last week, the Czechs announced that their share had increased to 100 percent. According to PPF, Eldorado's 2010 turnover rose 15 percent to 80 billion rubles (\$2.75 billion). The company is profitable, with a 6.1 percent EBITDA margin.

M.Video has 232 hypermarkets, of which 24 are owned directly, as of June. The company was founded in 1993 by father and son Anatoly and Alexander Tynkovan. In October 2007, M.Video held an initial public offering, floating about 30 percent of its shares. The remainder belongs to the Tynkovans and company chief executive Pavel Breyev. Its turnover was 86 billion rubles in 2010.

"Consolidation of Eldorado, which has an 18 to 19 percent market share, and M.Video, which has 23 to 24 percent, will create a very large electronic retailer with a share of about 45 percent. Their closest competitor, MediaMarkt, controls about 7 percent," a source in a large manufacturer of household appliances said.

A source at the Federal Anti-Monopoly Service said no petition for the purchase of Eldorado or M.Video had been received, but "the service will operate within the law, which sets the threshold of dominance at 35 percent."

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