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INDEPENDENT NEWS FROM RUSSIA

New Stores Raise Magnit 2011 Revenue to $10.6Bln

By The Moscow Times

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Magnit, the country's largest food retailer, reported a sharp jump in 2011 sales as it opened more than 1,000 stores across the country, taking advantage of a lack of modern shops.

Sales rose 42 percent to 335.6 billion rubles ($10.63 billion), the company said on Wednesday, as it increased selling space by almost two-fifths.

Magnit opened 1,254 shops, mostly small neighborhood stores, including 286 in December alone when it increased annual sales by 34 percent in ruble terms.

Russian retailers are boasting higher growth rates than Western peers due to rising disposable incomes and because a relatively low penetration of modern shops enables them to build new stores. Approximately two-thirds of Magnit's 5,309 stores are located in small cities with a population of less than 500,000.

But on a same-store basis the contrast in growth rates has been less pronounced, due to a sharp slowdown in Russian food price inflation.

Magnit's same-store sales in the fourth quarter rose 3.1 percent, down from a 7.6 percent increase in the third quarter.

"This is the continued effect of a slowdown in food price inflation, which was bigger than in the previous quarter," said Ulyana Lenvalskaya, an analyst at Renaissance Capital.

Earlier on Wednesday, British grocer J Sainsbury posted sales growth of 2.1 percent in the 14 weeks to Jan. 7 for stores that have been open at least a year.

Russian food price inflation dropped sharply to 3.9 percent in 2011 from 12.9 percent the previous year, Magnit said.

Overall consumer price inflation hit a new post-Soviet low of 6.1 percent last year, helped by a good harvest after the previous year's drought.

Same-store sales at Magnit rose 11.1 percent in 2011, up from a 9.2 percent increase in 2010.

Magnit raised $475 million through a new share offering last year to help finance its 2012 investment program and plans to spend up to $1.4 billion on further expansion.

For the full-year 2011 Magnit had forecast 43 percent to 48 percent sales growth. It gave no forecast for this year.

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