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X5 Expects to Recover From Q1 Slump

By The Moscow Times

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X5 Retail, Russia's biggest food retailer by sales, posted a sharp slowdown in first-quarter sales growth, blaming underinvestment in advertising, though it kept its revenue and margin targets for the full year.

The company, in which Alfa Group owns a 47.86 percent share, said Wednesday that sales at stores open for at least a year dropped 3.9 percent in January through March, after a 2 percent fall in the previous quarter.

Total sales grew 4.4 percent in ruble terms to 116.9 billion rubles ($3.9 billion).

The pace of growth was down from 16 percent in the fourth quarter of 2011 and 32 percent in the third.

Rival Magnit, in contrast, reported a 4.1 percent rise in first-quarter like-for-like sales Tuesday after 3.1 percent growth in the fourth quarter of 2011.

X5 said it saw an improvement in customer traffic in March, compared with a decline of 4.6 percent for the whole of the quarter, and predicted better quarter-on-quarter results for the rest of 2012.

It confirmed its 2012 outlook for sales growth in a 15 percent to 20 percent range and an EBITDA margin of more than 7 percent.

X5 said the sales rise from its organic expansion was 8.3 percent in the quarter, when it opened 137 stores, bringing its total number of self-operated outlets to 3,139.

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