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VTB Mulls Lenta Sale by 2015

By The Moscow Times

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VTB Capital wants to sell its stake in hypermarket chain Lenta by 2015 and would consider a buyer like U.S. mega-retailer Wal-Mart when the time comes, the investment bank's global head of private equity said.

VTB Capital, a unit of Russia's No. 2 lender VTB and U.S. private equity firm TPG raised their combined stake in Lenta in 2011 to end a long-running dispute over control and strategy that had stalled the chain's expansion.

Sources familiar with the deal say the two now own 65 percent of the company against 31 percent before, with more than 50 percent held by TPG.

"It's rare to find an investment opportunity similar to Lenta: To have literally doubled the investment (we have) made in two or three years," VTB's Tim Demchenko said in an interview.

"We won't seriously think about selling our share in Lenta before 2014, planning it by 2015,"

he said, adding that the bank would consider Wal-Mart as a potential buyer.

Wal-Mart was rumored to be looking at Lenta, Karusel — now part of top food retailer X5 — or X5 itself as possible vehicles to enter the Russian market, but appeared to give up its ambitions when it closed its Moscow office in 2010.

The company stoked new speculation last year by hiring Lev Khasis, the former head of X5, as a senior vice president in September 2011.

Demchenko said Lenta would increase the pace of its expansion, with plans for at least 15 new stores a year. The chain currently comprises 47 hypermarkets.

German retailer Metro is selling its Real hypermarkets in Eastern Europe to French rival Auchan in a 1.1 billion euro ($1.4 billion) deal to cut debt and focus on expanding its cash and carry and consumer electronics stores. Metro has long wanted to sell its Real hypermarkets with their low food margins and is under pressure to raise cash after a profit warning in October prompted ratings downgrades by Moody's and Standard & Poor's. Auchan is buying 91 Real hypermarkets in Poland, Russia, Romania and Ukraine. Real has sales of over 2.6 billion euros in those four countries and employs around 20,000 people. Auchan, the world's 12th-largest retailer, has 98 hypermarkets with more than 65,000 employees in those countries.

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