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Germany's Metro in Talks to Float Russian Unit

By The Moscow Times

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Europe's fourth biggest retailer Metro is talking to banks about an initial public offering of its Russian unit, sources said Tuesday, as it restructures its portfolio to cut its 6.3 billion euros ($8.5 billion) in net debt.

Market and banking sources said a stock offering for the Russian unit, which runs 70 big-box Cash & Carry outlets, could be worth more than $1 billion. Sources familiar with the matter said Metro would seek to keep a small stake in the business.

Sberbank and Goldman Sachs are likely to be working with Metro on the IPO, the sources said. A deal is not likely to happen this year, one said.

The company declined to comment. "We do not comment on market rumors," said a spokesman for Metro, which is based in Duesseldorf, Germany.

Metro's shares jumped 3 percent on the news.

Metro, which runs cash and carries, supermarkets, department stores and Europe's biggest consumer electronics chain, is rationalizing its portfolio after a surprise dividend cut and profit warning.

Chief executive Olaf Koch has reported progress in turning round a group hit hard by a downturn among independent retail and hospitality industries, with the cash and carry business reporting like-for-like sales growth in Europe.

Group sales grew 1.8 percent in the third quarter after stripping out the impact of currency effects from Russia, Turkey, India and Japan, as well as divestments like the sale of Real in eastern Europe, accelerating from a rise of just 0.1 percent in the first half.

A year ago, Metro sold its Real hypermarkets in eastern Europe to France's Auchan in a 1.1 billion euro deal to cut debt. A deal, if completed, would come as Russia's $2 trillion economy struggles with weakening growth.

The Russian government has slashed its long-term forecast for annual growth to 2.5 percent from 4 percent, as weak investment, a shrinking workforce and aging Soviet-era capital stock all act as a drag.

Metro competes in Russia with French hypermarket chain Auchan and local rivals include Lenta, which is controlled by state bank VTB and private equity fund TPG, and is also planning to float on the stock market.

The banks for the Lenta float, expected early next year, are JP Morgan Chase & Co, Credit Suisse, UBS , Deutsche Bank and VTB, sources have said.

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