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INDEPENDENT NEWS FROM RUSSIA

Retailer X5 Accelerates Revenue Growth Amid Russia's Food Import Ban

By The Moscow Times

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Russia's X5 Retail Group raised its revenue forecast to 17-19 percent this year.

Russian supermarket operator X5 Retail Group raised its revenue forecast to 17-19 percent this year after posting a 49 percent increase in third-quarter net profit as it weathered a food import ban by sticking with low prices.

Russia's second biggest food retailer had forecasted a 10-12 percent rise. It also increased its EBITDA margin forecast to 7.2-7.5 percent from 6.8-7.2 percent and cut capital spending to 34 billion rubles ($797 million) from 40 billion rubles.

X5 said its guidance revision was driven by the good performance of its low-cost Pyaterochka stores, where customers have flocked as the Russian economy weakens under the weight of Western sanctions over the Ukraine crisis.

The increase in forecasts and cut in capital expenditure comes as X5 posted a 49 percent rise in third quarter net profit, cementing a trend set by low-cost rival Magnit, Russia's biggest food retailer, which posted forecast-beating profits last week.

X5 added that its net retail sales in the first three months and nine months of the year increased by 23.1 percent and 17.8 percent respectively, year-on-year, "due to an increase in the number of customers and average ticket."

O'Key, Russia's fifth largest food retailer, said Tuesday shopping patterns changed in the third quarter with consumers buying less per visit and shopping increasingly at small stores at the expense of big box outlets.

Food in Russia is becoming more expensive for the country's 140 million people with inflation rising after Moscow imposed a ban on many food imports from Western countries in retaliation to EU and U.S. sanctions.

The Russian ruble is also sliding, hitting all-time lows in almost every trading session.

The Economic Development Ministry has said that inflation may exceed 8 percent this year after Central Bank was earlier expecting it at around 6 percent.