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Russian Founder of Food Retailer Magnit Raises $143 Million in Share Sale

By The Moscow Times

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Russia's top food retailer Magnit attracted strong demand from foreign investors as its founder and CEO sold a 1 percent stake to fund his own projects.

The share sale comes as foreign investors have largely turned sour on Russia because of a standoff over Ukraine and an economic crisis deepened by a slump in oil prices and Western sanctions imposed over the Ukraine crisis.

Magnit said Thursday that Cyprus-based Lavreno Ltd, affiliated with its biggest shareholder and founding chief executive Sergei Galitsky, had raised 9.8 billion rubles ($143 million) by selling down its stake to fund a separate investment.

Funds from Britain bought 53 percent of the shares sold while U.S. investors acquired 26 percent, said book-runner VTB Capital, the investment arm of Russian bank VTB.

"Following an international roadshow last week there was very positive feedback from investors ... The book was filled in very quickly, literally in several hours, and it was oversubscribed at a very comfortable level," said Yelena Khisamova, head of Equity Capital Markets at VTB Capital.

She said Russian funds, including those managing pension contributions, bought 20 percent while a very limited amount was acquired by investors from continental Europe.

Magnit said last week that it planned to open as many stores in 2015 as never before in one year, confident it can win crisis-hit customers without giving up much profitability despite a looming recession.

Galitsky, who directly owns 38.67 percent of Magnit shares, will remain the long-term strategic investor in the company, Magnit said in a statement.

Lavreno had previously held a 3.44 percent stake in Magnit on behalf of Galitsky. It sold 1 million shares, or 1 percent of all Magnit shares, at 9,823 rubles each.

The price represents an about 5 percent discount to the market price of 10,340 rubles ($155) at Wednesday's closing. The shares were down 1.2 percent at 10,215 rubles by 11:35 GMT.

"The proceeds to Lavreno from the placing will be used to fund a separate investment," Magnit said without providing further details.

Galitsky had earlier said he could gradually lower his stake to fund projects such as the construction of a stadium for his soccer club FC Krasnodar.

Morgan Stanley acted as a joint bookrunner for the offer.

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