

Russia's Dixy Cuts Full-Year Sales Growth Outlook

By [The Moscow Times](#)

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Russian food retailer Dixy lowered its 2015 revenue growth forecast on Friday, admitting it has been slow to react to a drop in consumer purchasing power.

Dixy, Russia's fourth-biggest food retailer by sales and which operates mostly small neighborhood stores, has seen revenue growth slow sharply this year and underperformed rivals Lenta, Magnit, and X5.

The company now sees sales rising 16–20 percent compared with its previous forecast for 20–25 percent growth, Chief Executive Officer Ilya Yakubson said. The increase in part reflects company plans to open up to 500 new stores this year.

Yakubson was speaking after Dixy reported a 27 percent fall in its second-quarter net profit due to higher operating and administrative costs, slower sales and price cuts.

"We are not quick enough in changing assortment (product ranges), we are not quick enough

with changing our promos... we are not aggressive enough in terms of price investment so a bit of everything, unfortunately," Yakubson told a conference call.

He added however that the company's sales improved in August and he expected the recent changes to product line-up to start having a positive impact from the end of this month.

Company's operating profit fell 13 percent, year-on-year, in the second quarter and its margin on earnings before interest, taxation, depreciation and amortization slid to 5.9 percent from 7.3 percent a year ago.

The company trades at a 30 percent discount to the Russian retail median based on the price to earnings ratio for 2015, according to VTB Capital's estimates.

VTB confirmed its "Buy" recommendation "on valuation grounds" but said that the softening consumer environment and Dixy's plans to raise stake in Russian spirits and tobacco chain Bristol meant additional headwinds to results.

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