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Russian Retailer Dixy Says Bristol Deal May Fall Through

By The Moscow Times

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Dixy is Russia's No. 4 food retailer by sales, operating mostly small neighborhood stores.

Russian food retailer Dixy said Wednesday it may end up scrapping a planned deal to take a controlling stake in tobacco and spirits chain Bristol.

Dixy, which already owns 33 percent of Bristol, said in June it planned to gain control of the 1,400-store Russian chain by buying more shares from a company controlled by its own biggest shareholder.

"The situation has changed a lot, the market has changed a lot and I don't rule out any development with Bristol. The deal may or may not happen," Dixy Chief Executive Ilya Yakubson said in an interview at the Reuters Russia Investment Summit.

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Yakubson said the Dixy shareholders would decide whether to proceed with the deal after

anti-monopoly service FAS announces its position, likely before year-end.

"This deal gives us stronger purchasing power in three categories — alcohol, tobacco, and accompanying goods ... On the negative side — it means defocusing, for example," he said.

Analysts have said the timing of the planned deal was questionable and suggested Dixy should instead invest in its key business including a more aggressive expansion, price investments, and debt reduction.

Dixy cut its 2015 revenue growth forecast in August, admitting it has been slow to react to a drop in consumer purchasing power.

That was caused by a slowdown in the Russian economy tied to the lower price of oil, Russia's main export, Western sanctions and by a sharp fall in the ruble currency, which made it more expensive to buy imported products.

Yakubson confirmed that sales dynamics had improved since August and said he was "quite optimistic" about the rest of 2015. He also confirmed plans to open 500 new stores in 2015.

"We think the worst is behind," Yakubson said.

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