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INDEPENDENT NEWS FROM RUSSIA

Russian Fast Food Operator Burger Rus Plans Share Sale

The company runs the Burger King chain in Russia.

By bne IntelliNews

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Fast food was the fastest-growing segment of the Russian catering market in 2018. **Roman Pimenov / Interpress / TASS**

Burger Rus, the Russian operation of the Burger King fast food chain, could hold an initial public offering (IPO) on the Moscow Exchange this year, Reuters reported, citing unnamed banking sources. Reportedly, VTB Capital together with Morgan Stanley and JP Morgan will organize the IPO.

While not a single IPO or secondary public offering (SPO) was seen in 2018, since the start of this year a number of companies have announced deals. They include Polyus Gold, which raised $390 million from a placement, and rail operator RusTransCom, which announced plans for an IPO.

Fast food was the fastest-growing segment of the Russian catering market in 2018, expanding by 13 percent year-on-year to 1.52 trillion rubles ($23.8 billion), and taking almost 50 percent of the market. The fast-food segment is growing fastest in Russia's far-flung regions, due to consumers' lower incomes.

Analysts surveyed by the Vedomosti daily believe that Burger Rus is an attractive asset, but perhaps too small for an IPO, with estimated revenues of little over 50 billion rubles ($784million) in 2019 and a valuation of 34 billion-37 billion rubles. But the catering market is underrepresented on the equity market, which could raise investor interest.

Related article: Russia's Polyus Gold Prepares to Sell 3.5% Stake for $400M

The franchisee of Burger King in Russia is 100 percent owned by Cyprus-based Burger King Russia, controlled by VTB Capital — which acquired 48.8 percent stake in 2012 for $50 million — and Xomeric Holding — which controls 20 percent and is reportedly affiliated with Ukrainian bankers Makar Pasenyuk and Konstantin Stetsenko. The chain operates 550 Burger King restaurants in Russia.

In 2017, DP Eurasia, which operates the Domino's Pizza brand in Turkey, Russia, Azerbaijan and Georgia, IPO'd in London, raising £148 million by placing 74.1 million existing and new ordinary shares with investors for 200 pence per share. DP Eurasia's market capitalisation on admission, based on the placing price, is approximately £291 million.

The fast food business has also caught the eye of Russia-dedicated funds. Leading private equity fund Baring Vostok Capital Partners (BVCP) acquired 37 percent of PJ Western in March 2018, the master franchisee of fastfood chain Papa John's in Russia, the CIS, and Central Europe.

PJ Western operates 146 Papa John's restaurants in Russia, the CIS, and Poland and is one of the largest franchisees of the chain in the world. In 2017 the company made 4.5 billion rubles ($78 million) in revenues and plans to triple the number of restaurants to 450 by 2020, with an investment of $50 million.

Alfa group oligarch Mikhail Fridman bought into Dodo Pizza in 2018, the franchisee of the Sbarro brand in Russia, Kazakhstan and Azerbaijan, raising $7.5 billion in a private offering to investors.

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