

# Ozon Shares Jump 40% on U.S. IPO

Firm valued at more than \$7 billion after landmark IPO for Russian business.

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Ozon is backed by conglomerate Sistema and investment fund Baring Vostok **Alexei Zotov** / TASS

Shares in Russian online retail giant Ozon surged by more than 40% in the first minutes of trading after the most eagerly anticipated Russian initial public offering (IPO) in years.

Ozon is the country's second-largest e-commerce player and is placing itself to become [Russia's answer to Amazon](#) with a plan to consolidate and dominate the fast-growing online retail space over the coming years.

The first-day jump gives Ozon a valuation of more than \$7 billion in what analysts saw as a wildly successful launch.

Interest in Ozon's stock market debut has been strong in the weeks leading up to the IPO.

Ozon's American Depositary Receipts (ADRs), a financial instrument representing underlying shares, were sold to investors who had subscribed for the IPO at \$30 each — comfortably above the \$22.50–\$27.50 price range Ozon had anticipated when it outlined its prospectus earlier in the month.

Initial trading was delayed for a few hours on the Nasdaq exchange, meaning Russian investors, where Ozon has a secondary listing, were first to pile in, pushing the ruble share price up by more than a third. It was the first chance Russia's [swelling cohort](#) of retail investors had to snap up the shares, as Russian regulations prohibited non-professionals from taking part in the IPO itself.

When trading got underway in the U.S. later Tuesday evening, Ozon's shares immediately leapt 40% to stand above \$42 a share.

**Related article:** [Ozon Battling It Out for E-Commerce Supremacy in Russia](#)

Ozon raked in more than \$1 billion from the IPO and a simultaneous private share sale to long-time investors Baring Vostok and Sistema. That is more than [double](#) the firm's initial plans when news of the IPO was first announced earlier this year. It is expected to put the funds to use expanding its logistics network.

By 21:40 Moscow-time, shares had slipped back slightly to stand just under \$41 — an increase of 35% on the IPO price.

The listing was only the second U.S. stock market launch for a Russian company since 2014, when Russia's annexation of Crimea, imposition of sanctions and oil price crash put a freeze on big Russian dealmaking. It is also the largest valuation a Russian company has received in any stock market launch — Russian or foreign — since metals and energy giant EN+ was valued at \$8 billion in its [2017 IPO](#) on the London Stock Exchange, according to data from corporate analytics firm Mergermarket.

## **Serious investments**

Ozon was founded 22 years ago, but has struggled to turn a profit. In 2011, investors had to step in with a new round of funding to “save” the business, venture investor Leonid Boguslavsky [told](#) business site The Bell recently.

The company's prospects picked up after that, and revenues have soared since it launched an online marketplace in 2018. Sales volumes have more than doubled over the last 12 months — thanks in part to the coronavirus pandemic — and analysts expect Ozon will continue to expand rapidly and eat up market share in a Russian e-commerce industry which has significantly lagged its international peers in size and maturity.

The market is also highly fragmented. Russia's five largest online retailers and marketplaces account for under a quarter of the total industry. By comparison, Amazon alone controls half of the U.S. e-commerce market, and more than a third in key European countries.

“Ozon's investment activity will continue, as the expansion of the marketplace requires

serious investments in offline logistics infrastructure,” Alfa Bank analyst Anna Kurbatova said in a recent note. She estimated that the Russian e-commerce market will grow at an annual rate of around 33% in the coming years — a rapid expansion, but from a low base.

Chasing a rapid-growth model charted by many tech companies, Ozon has prioritized gaining market share and boosting revenues over profit. The company’s bottom line has improved this year, but it posted almost 13 billion rubles (\$170 million) in losses during the first nine months. The IPO proceeds — more than \$1 billion — will help the retail giant fund what analysts predict will be a rapid expansion.

Despite rival Wildberries being three times Ozon’s size and the first online retailer to rake in 100 billion rubles (\$1.3 billion) in quarterly revenue over Russia’s spring lockdown, Ozon’s backers and analysts see the smaller company as well-placed to make a challenge for the top place.

Leonid Delitsyn, head of IPO analysis at Finam Group has highlighted that Ozon is by far the most recognized brand among all online retailers, with twice the brand recognition of its nearest competitor.

Other leading players in Russia’s online market space include [AliExpress Russia](#) — a Russian version of Chinese e-commerce behemoth Alibaba — as well as Yandex Market, Citilink and electronics retailer MVideo.

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