



Russian Retail: Time to Restructure the Industry

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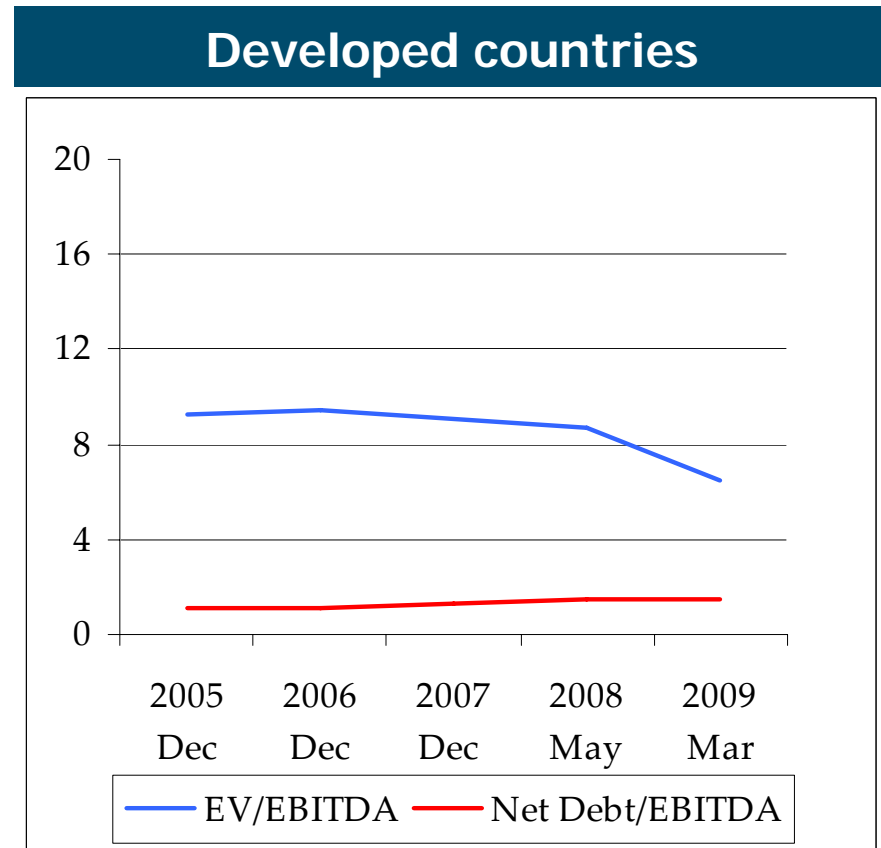
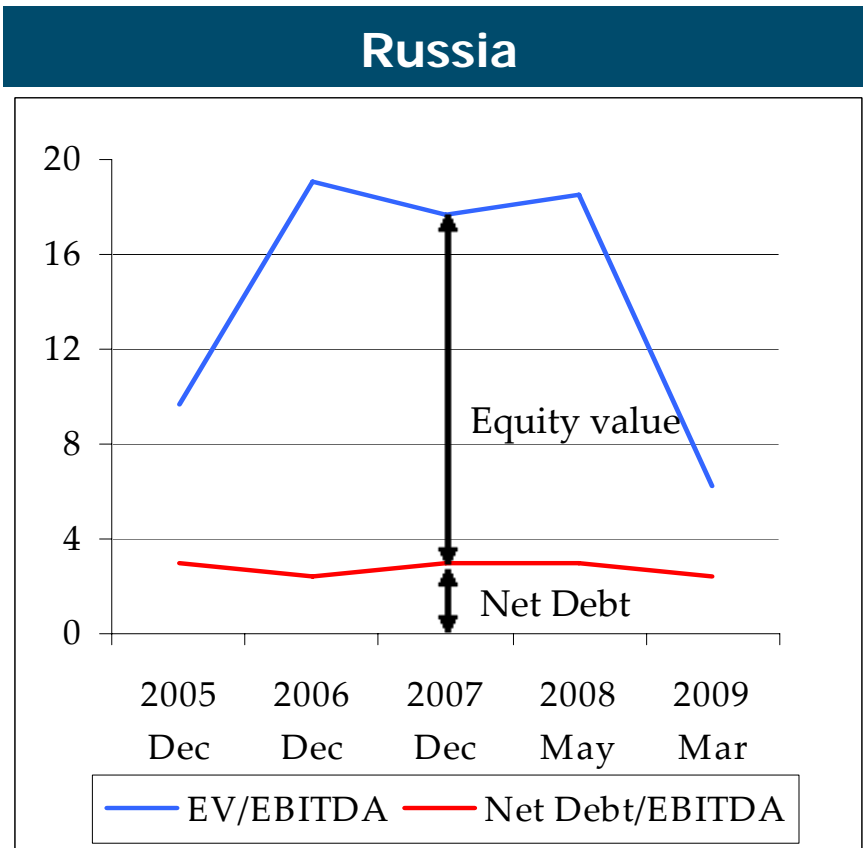
May 2009

Industry	Weighted Average		Median		Foreign Companies			
	Debt/ Revenue	Debt/ EBITDA	Debt/ Revenue	Debt/ EBITDA	EV/ Revenue	EV/ EBITDA	Debt/ Revenue	Debt/ EBITDA
Defense Machinery	0,8	11,9	0,6	6,0	0,6	4,8	0,2	1,9
Agriculture	0,6	4,6	0,6	5,3	0,3	6,6	0,2	2,8
Retail Trade	0,2	3,6	0,2	4,6	0,6	5,9	0,1	1,9
Construction and Real Estate	0,5	3,0	0,3	1,9	0,3	4,8	0,1	2,3
Other Machinery and Equipment	0,6	2,7	0,6	6,1	0,6	4,8	0,2	1,9
Food Processing	0,3	2,1	0,4	4,2	0,8	6,9	0,2	3,0
Consumer goods and Pharmaceuticals	0,4	1,9	0,3	3,3	2,1	7,0	0,4	1,5
Transport Machinery	0,1	1,5	0,2	2,6	0,6	4,8	0,2	1,9
Mining	0,4	1,5	0,4	2,1	1,7	4,4	0,3	1,1

Note: other sectors have lower leverage ratios

Source: Gazprombank's research covering over 500+ Russian companies





- EV/EBITDA multiple exceeded 15x for traded companies after almost a decade of 25%-40% revenue growth per annum (in USD) before the industry slowdown
- Leverage of 4-8x EBITDA was not a problem till summer 2008. After EV/EBITDA multiple dropped down to 6x and growth stalled, that leverage became a problem

Source: Gazprombank's analysis of 5 listed Russian retail companies and a sample of 40 major foreign companies





Company	Specialization	Est. debt before re-structuring, USD mln	Public debt, USD mln	Estimated debt/ Revenue	Estimated debt/ EBITDA	Bankruptcy status
Evroset	Mobile phone retail	800	-	0,2	6	no
Eldorado	Electronics retail	730	-	0,2	3	no
Inkom-Auto	Automobile dealership	530	190	0,5	9	yes
ALPI	Hypermarkets	500	50	1,0	11	no
Marta	Hypermarkets	270	200	0,2	8	yes
Dixis	Mobile phone retail	230	60	0,3	8	no
Matritsa	Supermarkets	130	40	0,5	9	no
Banana-mama	Children goods	125	95	0,4	8	no
Mosmart	Hypermarkets	110	67	0,2	4	no
Samokhval	Supermarkets	90	53	0,2	4	no
Top kniga	Books retail	60	50	0,2	3	no

Note: debt includes only banking and financial creditors

Source: publicly available information; Gazprombank analysis





Resolution of overdue loans

- Government support
- Recapitalization by shareholders, owners guarantees
- Loans with extra collateral
- Transfer (sale) of collateral to bank-creditor
- Debt-to-equity exchange
- Asset sale by the owner to a strategic investor
- Attracting financial investor
- Rescheduling debt payment with longer maturities
- Bankruptcy

Russian practice

Some companies are on "295" government list
Not many shareholders can cover debt.
Personal guarantees improve motivation

A usual condition when loans are refinanced

Becomes a common practice in "high leverage" situations

A variation of the above, less frequent

A couple of cases at early stages of the crisis;
now it is difficult to find buyers

One case at early stages of the crisis

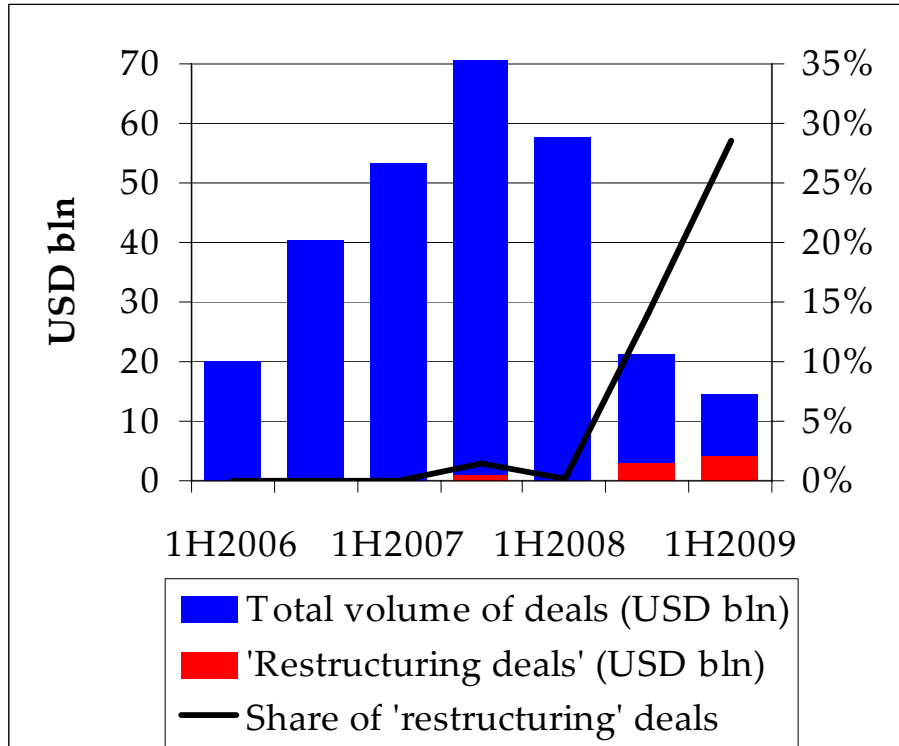
All companies that are in default on bonds
negotiate restructuring

Both debtors and creditors try to avoid it

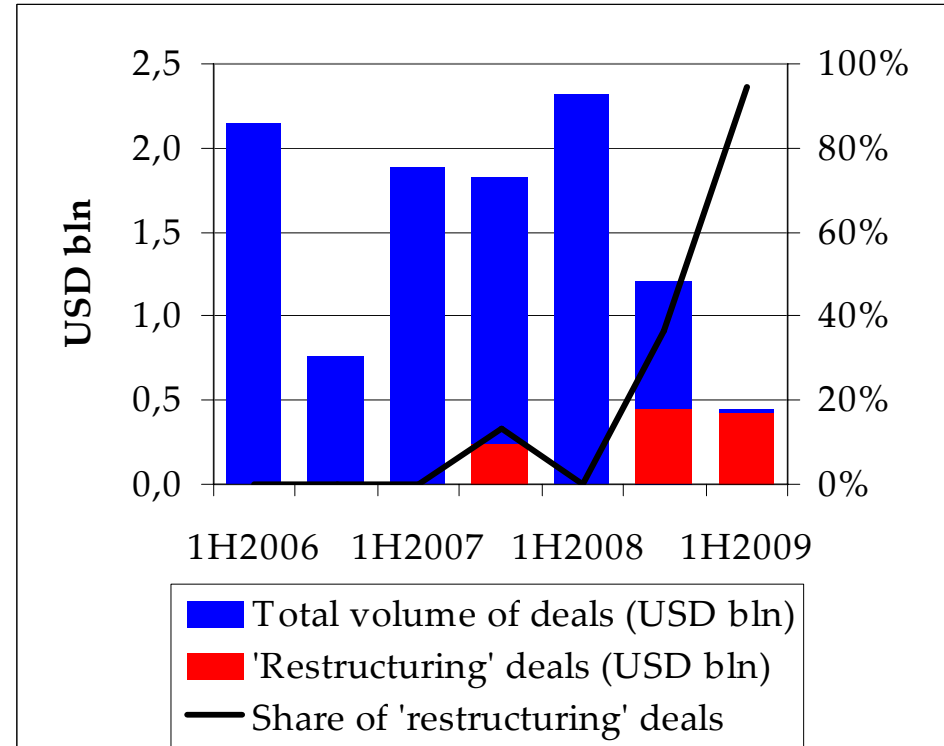




Share of «restructuring» deals in total M&A volume in Russia



Share of «restructuring» deals in total M&A volume in retail sector in Russia



- In 4Q2008 and 1Q2009 virtually all transaction volumes in retail sector are related to debt restructuring
- Banks are actively claiming collateral because of high leverage ratios and generally good liquidity of retail real estate (though not at the moment)

Source: Gazprombank's research





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