

## Russian retail market: opportunities for international companies

Oleg Tsarkov  
Managing partner

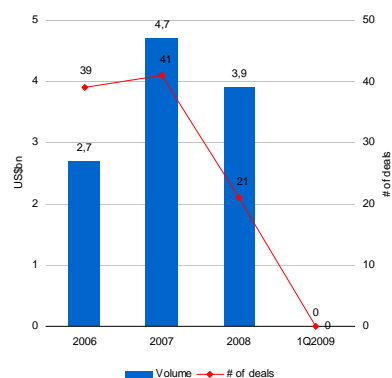
May 2009

## Current M&A trends

### Comments

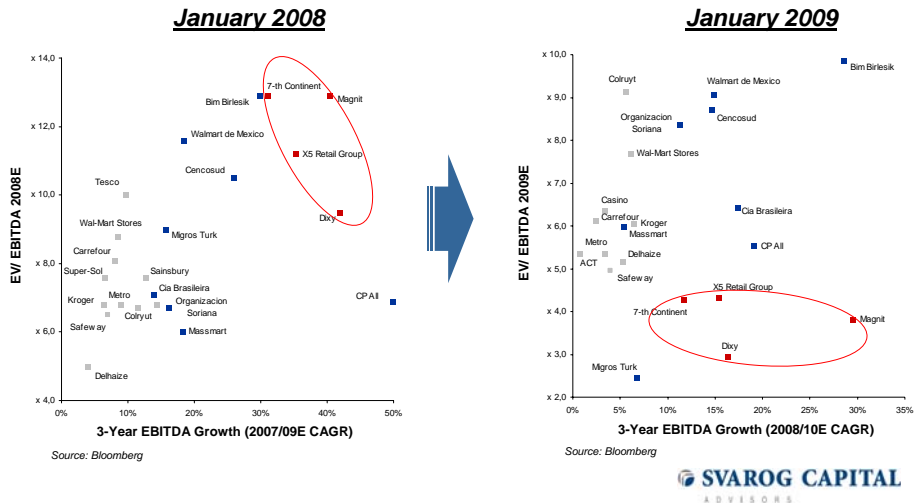
- No major deals since acquisition of Eldorado by PPF Group (September 2008)
- Growing role of financial investors
  - ca. 25% of M&A market in 2008 (based on value)
- Strong interest from international leaders:
  - Carrefour – Seventh Continent
  - Wall-Mart – Lenta
- New valuation benchmarks
- High debt refinancing risks

### Retail M&A market in Russia



Source: MA-journal.com, Svarog Capital

## Retail multiples



## Options for international companies

	Market entry	Market development
<b>Option</b>	<ul style="list-style-type: none"> <li>Acquisition of mid-sized retailer with operations in Moscow and central regions</li> </ul>	<ul style="list-style-type: none"> <li>Organic growth in the developed regions</li> </ul>
<b>Pros</b>	<ul style="list-style-type: none"> <li>Access to attractive region with strong fundamentals</li> <li>Low-cost entry ticket</li> </ul>	<ul style="list-style-type: none"> <li>Low construction costs</li> <li>Decreasing rent charge and payroll expense</li> </ul>
<b>Cons</b>	<ul style="list-style-type: none"> <li>Integration risks</li> <li>Target refinancing risks</li> <li>Fair valuation</li> </ul>	<ul style="list-style-type: none"> <li>Low volume of construction in the next 2 years</li> <li>Slowing consumer demand</li> </ul>