

Sedmoi Kontinent Plans \$4Bln Sale

By [The Moscow Times](#)

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Alexander Zanadvorov, the owner of upper tier supermarket chain Sedmoi Kontinent, is preparing to sell the chain's managing company along with the rights to rent 130 of its 160 stores for a 15-year period.

The deal could be worth between \$2.4 billion and \$4.05 billion a record in the retail sector.

X5 Retail Group, which recently conceded pole position on the Russian market to Magnit, will buy the chain, Kommersant reported Monday. The two parties are preparing to formalize the deal, a source said.

Sedmoi Kontinent, which will retain all rights to the chain's trademarks, will be sold for a symbolic sum. All real estate belonging to Sedmoi Kontinent will be spun off into separate companies that will remain in Zanadvorov's hands, and it is here that the money will be made.

The market rate for renting 1 square meter of retail space could be from \$350 to \$600 per year, said Svetlana Yarovaya of Jones Lang LaSalle. Multiplied by the 450 thousand square

meters owned by Sedmoi Continent, this suggests yearly revenues of from \$157 million to \$270 million per year, and between \$2.4 billion and \$4.05 billion over the 15-year period of the agreement.

By value the sale leapfrogs the previous record acquisition in the sector: the purchase of the Kopeyka retail chain by X5 in 2010 for \$1.6 billion.

Sedmoi Kontinent reported revenues of just under 63 billion rubles (\$2 billion) and net profit of more than 3 billion rubles in 2012 under Russian accounting standards.

X5 Retail Group, which operates the trademarks Pyatyorochka, Karusel and Perekryostok, posted revenues of about \$16 billion in that year.

The Sedmoi Kontinent brand name will most likely be dropped by X5, VTB's Ivan Kushch said, as the larger group already has its own multiple brand names, and the integration of a new one will only create difficulties for the company.

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