

Magnit Beats Forecast With 35% Quarterly Growth

By [The Moscow Times](#)

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No. 1 food retailer Magnit reported a forecast-beating 35-percent rise in quarterly earnings, showing profitability was unhurt by recent price cuts.

The fast-growing retailer said on Monday net profit rose to \$362 million in the fourth quarter, from \$268 million a year ago. Analysts on average forecast \$319 million.

The result came on the back of a 32-percent increase in earnings before interest, taxes, depreciation and amortization, or EBITDA, to \$624 million, with a record margin of 12.5 percent, Magnit said in a statement.

"We achieved a record EBITDA margin, which enables us to maneuver competitively in the Russian marketplace and gives us the ability to balance profit margins and sales growth," said Sergei Galitsky, Magnit's chief executive officer and biggest shareholder.

Last year, Magnit, which has been rapidly expanding its chain of low-price stores in Russia's regions, overtook struggling X5 as Russia's top grocery chain by revenue.

Using its growing purchasing power to achieve lower prices from suppliers, Magnit has also been steadily increasing margins, while keeping a tight rein on costs.

The record fourth-quarter margin came despite price cuts. In October, Magnit said it had started to reinvest some of the efficiency gains into prices to protect its market share in an increasingly competitive market.

However, its revenues slowed in December as customers chose to buy cheaper products and some analysts questioned the firm's ability to meet its 2014 sales growth guidance of 25 to 27 percent in ruble terms amid signs of a flagging consumer confidence.

The fourth-quarter results brought its full-year net income to \$1.1 billion on revenue of \$18.2 billion and EBITDA of \$2 billion with an 11.2 percent margin.

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