

11.09.2009 Dixy Sees 2009 Sales Rising 18% on Russian Openings

AO Dixy Group, Russia's third- largest publicly traded food retailer, expects sales to rise as much as 18 percent this year because of supermarket openings. Revenue will reach as much as 58 billion rubles (\$1.86 billion), Ilya Yakubson, chief executive officer of Moscow- based Dixy, said on a conference call late yesterday. The company plans to open between 65 and 70 outlets this year, and will also close 20 to 25 stores, he added.

Dixy, which runs discount food stores, is expanding as lower wages and rising unemployment prompt a greater proportion of Russians to opt for cheaper products. The retailer started "quite an aggressive price reduction campaign" in July to attract more customers, Yakubson said on the call. "We are seeing that consumers are buying more and more of cheaper products," the CEO said. "This is the main trend from a consumption point of view." Price cuts are likely to reduce profitability this year, Yakubson added. Earnings before interest, taxes, depreciation and amortization as a percentage of sales may be 5 to 5.5 percent for the year, he said, down from 5.8 percent in 2008.

Dixy took "quite a lot of initiatives" to improve the supply management system and in the second half "we'll be able to optimize our stock, inventories even better," the CEO said. A new computer system disrupted logistics last year, leading to lower levels of service and sales growth in the central region, Alexei Krivoshapko, a director at Prosperity Capital, said on May 20 when Dixy released 2008 earnings. "We had a lot of improvements in supply conditions by the end of the second quarter," Yakubson said. "From a logistical point of view, we are ready to have quite a good ride in our sales." Capital expenditure this year will total about 2 billion rubles, according to the CEO.

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