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Skadden, CC, Freshfields light up Megapolis $1.5bn dual stake sale

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Skadden Arps Slate Meagher & Flom, Clifford Chance (CC) and Freshfields Bruckhaus Deringer have taken roles on the sale of two separate $750m (£460m) stakes in Russian tobacco distributor Megapolis.

The deal, which is expected to close by 31 December, sees Philip Morris and Japan Tobacco take separate 20 per cent equity interests in Megapolis, which accounts for 70% of Russia's cigarette distribution market.

Skadden advised long-standing client Megapolis, with Moscow office co-head Dmitri Kovalenko leading a team alongside London corporate finance partner Pranav Trivedi, counsel Nik Colbridge and European counsel Robin Marchant.

The team worked alongside Russian co-counsel Jus Aureum, which fielded a team headed by partners Alexander Kobzev and Alexey Andronov.

Philip Morris and Japan Tobacco are Megapolis' two largest customers, and control a large portion of cigarette sales in the Russian market, worth around $20bn a year.

The deal struck between the parties also includes a provision for an additional payment of up to $100m (£61m) from each investor, depending on Megapolis' performance over the next four years.

"This Megapolis deal is one of our most significant transactions in Russia this year," commented Kovalenko, who said Skadden had seen an increased interest in high value Russian assets. "It is highly unusual, if not unique, to have two competitors buying into a sole distributor in Russia."

Meanwhile, CC took the main role for Philip Morris, with New York-based English-qualified M&A partner Sarah Jones leading the team.

Freshfields acted for Japan Tobacco, with London partner Martin Nelson-Jones and Moscow partner Neil Radford leading a team that included Brussels and Amsterdam competition partner Onno Brouwer.

A Freshfields team headed by Nelson-Jones previously advised Japan Tobacco on its high-profile £7bn acquisition of UK-based tobacco company Gallaher in 2007.