

Steinhoff 'terminates negotiations' with Shoprite over merger

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The share prices of Shoprite and Steinhoff both jumped 7% on Monday morning after they called off their proposal to merge into Retail Africa.



Retail tycoon Christo Wiese, who owns 23% of Steinhoff and 16% of Shoprite via his holding company Titan, was the key proponent of the merger. He appears to have failed to convince minority shareholders of the merits of combining the two.

"Shareholders of the companies are hereby informed that the companies have decided to terminate their negotiations related to the proposed transaction as the PIC (Public Investment Corporation), Titan and Steinhoff could not reach agreement on the exchange ratio that would apply to the share exchange," it was noted in the statement.

In November 2014, when Wiese moved the retail chain he built his initial fortune on – Pep Stores – from his private-equity investment group Brait to Steinhoff, the move was widely seen as a precursor to having Steinhoff acquire Shoprite.

In December, Steinhoff and Shoprite announced talks were under way to create a merged group called Retail Africa. The proposal was for Steinhoff to sell Shoprite the many retail chains it owns in exchange for shares.

Via a string of acquisitions which included the takeover of JSE-listed JD Group – owner of furniture and appliance chains Joshua Doore, Russells, Bradlows, Rochester, Incredible Connection and HiFi Corporation – Steinhoff had also come to own clothing chains ranging from Ackermans, Shoe City, Tekkie Town to Pep Stores.

The merger would have created a R200bn annual sales retail giant employing 186,000 people, December's statement said.

"It is expected that the proposed transaction will further enhance Retail Africa's position as an employer of choice and it is also anticipated that the proposed transaction will not result in any job losses. The combined group's growth plans could lead to future job creation in various countries," it was noted in December's statement.

But on Monday, the parties said: "The proposed transaction was investigated and analysed by the respective management teams of Steinhoff and Shoprite, and although the proposed transaction presents exciting opportunities for the companies and their respective management teams, the fact that the relevant parties could not reach an agreement in respect of the share exchange resulted in the negotiations being terminated."

Source: BDpro

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