

# Steinhoff's bold US bid surprises market

By [Colleen Goko](#)

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Furniture manufacturer and retailer Steinhoff's bold move into the US with a \$2.4bn bid for Mattress Firm Holdings announced on Monday took analysts by surprise, because of the sheer size of the transaction and the fact that very little had been said in the lead-up to the announcement.

The deal will create the world's largest multibrand mattress retail distribution network. It is the biggest acquisition by a firm from SA of an American company.

The great strength of it was that it would provide an opportunity for the company to diversify its currency exposure, given its European focus, said analysts.

There was some doubt, however, as South African companies had not had a good track record in the US.

Steinhoff said it would buy Mattress Firm for \$64 per share in cash.



CEO Markus Jooste.

Picture: [Sunday Times](#)

The offer represents a total equity value of \$2.4bn and an enterprise value for Mattress Firm of about \$3.8bn net debt. The acquisition price is a premium of 115% to Mattress Firm's closing price of \$29.74 per share at the close of trading on August 5.

Steinhoff CEO Markus Jooste said the transaction would allow the furniture retailer to not only enter the US market, but it would also expand Steinhoff's global market reach in the mattress category.

"The Mattress Firm brand and speciality retail concept are a strong complement to the Steinhoff group's retail brand portfolio in the many geographies where the group operates," said Jooste.

The company already owns European home furnishings retailers Bensons for Beds and Conforama.

Steinhoff has previously concentrated its expansion efforts in Europe following its listing in Frankfurt. In July, the retailer sealed a deal with UK discounter Poundland Group agreeing to a £597m cash offer.

Home Retail Group rejected Steinhoff's bid in March and chose to go with an offer from Sainsbury's. Its attempt to buy French retailer Darty also came to naught after the Darty board recommended shareholders accept an offer from Fnac.

A Johannesburg analyst, who asked not to be named in line with company policy, said the move into the US was unexpected. "They have been busy with an awful lot of acquisitions in the UK. You would have thought that would have kept them busy, but here is another big one."

The analyst said there were a few causes for concern. "South African companies have a dismal track record in the US. Even outstanding companies like Discovery have failed. They are also paying a very high price for this acquisition. They must see a lot of potential and value."

But London-based Bloomberg Intelligence senior retail analyst Charles Allen said international retailers often looked at the

US as an attractive market.

"It diversifies the number of currencies which they (Steinhoff) will be trading. Given that in some of their businesses, especially in their general merchandise business, they are probably purchasing in dollars, it creates something of a natural hedge."

*With Palesa Tshandu and Bloomberg*

**Source:** Business Day

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