

Shoprite and Steinhoff still in talks

Sandile Mchunu

RETAIL giants Shoprite Holdings and Steinhoff International yesterday reassured investors that talks on the potential merger that would create the biggest retail giant in Africa were still on the table.

The update is the second since December, when the two companies said the merger talks were continuing, which would see Shoprite and Steinhoff combining their African operations.

Shoprite is expected to take over Steinhoff Africa operations in a new entity that will be called Retail Africa and issue new ordinary shares to Steinhoff, one of the world's biggest furniture retailers, for a significant stake in Shoprite.

The entity is expected to be

the continent's largest retailer with an annual turnover of R200 billion, employing 186 000 people. The companies said the merger had the blessing of their largest shareholder, the Public Investment Corporation, and Titan Premier Investments Proprietary, which is controlled by billionaire Christo Wiese's family trust.

If successful, the deal will see Shoprite acquiring Steinhoff's clothing chains, including Pep, Ackermans, Shoe City and Tekkie Town, in exchange for shares. Shoprite will also buy the furniture and appliance retailers that Steinhoff owns via JD Group.

Samantha Pauwels, a portfolio manager at Cannon Asset Managers, said additional information would determine the extent to which the pending

deal would benefit the companies. Pauwels said cautionary announcements had become a norm for companies to inform shareholders.

The fact is both Shoprite and Steinhoff are already efficiently run businesses.

"We don't think there is anything cynical with regard to releasing a secondary cautionary. It has in fact become a regular trend by the listed companies to ensure the market knows that talks are still under way," she said.

Damon Buss, an equity ana-

lyst at Electus Fund Managers, also said listed companies update shareholders on a regular basis on expected deals.

Buss said it was standard for companies to re-issue a cautionary just to let the market know how negotiations were ongoing.

But in December, Buss said the merger was not good for either of the two businesses. "We (Electus) think there are minimal synergies that could be extracted by combining a food retailer and a furniture/clothing retailer, given the disparity of products and supply chains. The fact is both Shoprite and Steinhoff are already efficiently run businesses. Hence combining the businesses is unlikely to create an entity that is greater than the sum of its parts," he said.