

## Steinhoff-Shoprite deal no easy sell

Minority shareholders in Steinhoff and Shoprite remain unconvinced of the benefits of a proposed merger between the companies. The share prices of both are still trading below the levels at which they were in early December before the deal was flagged.

By [Ann Crotty](#) 1 Feb 2017



Isaacgerg via [Wikimedia](#)

Tuesday's announcement renewing the joint cautionary issued seven weeks ago provides no additional details and suggests that Christo Wiese, the controlling shareholder in both entities, is having difficulty persuading the main minority shareholders of the benefits.

"From the start there have been concerns about the pricing of this transaction but there are a number of ways of dealing with those concerns, such as creating equity instruments that are more palatable to minorities," said analyst Syd Vianello.

It was important that Wiese got the support of the fund managers, he said. If Wiese wanted to keep the fund managers onside he might not want to push the prickly issue of his vote in the transaction. There is growing speculation the JSE could rule that Wiese is not a related party and can therefore vote his shares on both sides of the transaction.

Shareholders may also be waiting for Shoprite's interim results, due out in about two weeks. The trading update released in mid-January pointed to a stronger than expected performance from the group's local and African operations.

Meanwhile, Steinhoff stirred things up for shareholders of US-based mattress maker Tempur Sealy this week when it cancelled Tempur Sealy's contract with Mattress Firm, which was acquired by Steinhoff in 2016 for \$3.8bn.

The Tempur Sealy share price slumped almost 30% on the news that the company had lost its largest and most profitable customer when it refused to accept "significant economic concessions" (price cuts) to the terms of the agreement. It supplies around 40% of Mattress Firm's requirements.

*Source: Business Day*