British retailer Tesco Plc has invited at least six firms including KKR & Co and Carlyle Group to bid for its South Korean unit Homeplus, valued at about $6 billion, people familiar with the matter told Reuters.

A sale, potentially Asia's biggest private equity deal ever, is seen as Tesco's best bet to cut debt and fund a turnaround plan as it battles to recover from an accounting scandal and reverse market share losses at home to discount chains Aldi and Lidl.

Homeplus is expected to appeal mainly to private equity firms which are likely to look at making money from the retailer's valuable property assets through sale-and-leaseback agreements.

But apart from online sales, the unit's growth opportunities are viewed as limited in a mature and highly competitive market that saw both Carrefour and Wal-Mart withdraw in 2006.

"For any buyer, the challenge is how to turnaround the business. For private equity, it's a property play too and they can strip the real estate attached to the business and make some return," one person familiar with the process said.

London-based CVC Capital Partners, Hong Kong-based Affinity Equity Partners and Asia-focused MBK Partners were also invited to bid, the people said, declining to be identified as the sale process has not been formally made public.

A spokesman for Homeplus said the company does not comment on rumours. KKR, Carlyle, MBK and CVC declined to comment, while Affinity did not respond to a request for comment.

Separately, Hyundai Department Store Co Ltd said on Tuesday it is considering a bid. Hyundai Department Store, which has a market value of some $3 billion, is not part of the Hyundai Group.

A CHALLENGING PURCHASE

Homeplus is Tesco's largest business outside Britain, with annual revenue of 7.05 trillion won ($6.3 billion) in 2014.
It has more than 400 stores, 500 franchise stores and over six million customers a week.

But the business, which relies on hypermarkets for more than 80 percent of its revenues, has booked at least two straight years of declines in same-store sales.

Daishin Securities analyst Cindy Yu notes that South Korea has nearly one hypermarket per 100,000 people, twice the industry ideal of one per 200,000.

Given the deal size, bidders moving to the next round are likely to team up or look to bring in sovereign wealth funds to help finance the acquisition, the people added.

Singapore state investor Temasek Holdings and other investors in private equity funds, such as pension funds, are likely to be approached as the bidding proceeds, said one person.

Temasek declined to comment. It has shown interest in retail assets and last year acquired a 25 percent stake in Hong Kong tycoon Li Ka-shing's A.S. Watson for about $5.7 billion, its biggest single investment.

Tesco and advisor HSBC have asked for indicative bids to be submitted later this month, the people said.

They added that the business had about $750 million in earnings before interest tax, depreciation and amortisation.

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