Carrefour buys 17% stake in Showroomprivé from Steinhoff

By Matthieu Guinebault - 12 January 2018

The online flash sale platform has announced a strategic partnership with Carrefour, which has sealed the deal by buying the 17% stake acquired by Conforama – a subsidiary of the Steinhoff group – last summer. The aim is to establish an omni-channel strategy that incorporates retail, marketing, logistics and data management.

Shares in Carrefour were up 0.3 percent in early session trading on Friday after the announcement, outperforming a flat performance on the broader European retail sector.

"This partnership is a new step in the acceleration of our digital strategy, in an omni-channel approach," stated chief executive of Carrefour Alexandre Bompard in a release, "It also allows Carrefour to enter the online private market and strengthen its offering. I am convinced of the quality of Showroomprivé's management and the strong potential resulting from the operational cooperation between our two groups."

This announcement comes at a time when the Steinhoff group must stave off the doubts of its creditors, having admitted that it was unable to provide an estimate of its accounting irregularities, or even a deadline for the presentation of its 2017 accounts and re-audited 2016 financial statements.

Its stake in Showroomprivé was sold to Carrefour at 13.5 euros per share, for a total of 79 million euros. Carrefour maintains the shareholders' agreement established with Steinhoff: the founders of the platform, David Dayan and Thierry Petit, hold 27.17% of Showroomprivé's capital and 40.42% of voting rights, while Carrefour holds 16.86% of capital and 13.37% of voting rights.

"An additional payment will be made by Carrefour to Conforama should Carrefour launch a takeover bid for Showroomprivé within eighteen months of the completion of the transaction", the release specified, "This additional payment will be equal to the difference between the offer price per share made by Carrefour and the acquisition price (13.5 euros), multiplied by the number of shares sold by Conforama."
Is this the prelude to a majority acquisition of Showroomprivé by Carrefour? The online platform launched its IPO in 2015, and has 28 million shareholders in France and eight other countries, for a net revenue of 540 million euros in 2016 (+22%). This represents an attractively strong online presence for Carrefour, which generated 103.7 billion euros of revenue in 2016 and operates 12,000 stores.

In this light, it is worth bearing in mind that the new transaction occurs in a retail environment which is witnessing growing numbers of traditional brick-and-mortar retailers teaming up with companies operating in e-commerce.

Carrefour CEO Alexandre Bompard, who took over last July as head of the world’s largest retailer after Walmart, will unveil his strategy for the group on Jan 23.

Investors want Bompard to boost the performance of the group’s France-based hypermarkets, a goal that has eluded several predecessors amid competition online and price discounting from rivals such as unlisted Leclerc. They also want him to do more in terms of digital and online businesses.

*With additional reporting from Reuters*

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