

Fnac set to get Darty as Steinhoff drops out of race

French retailer Fnac (FNAC.PA) is set to clinch a takeover of electrical goods chain Darty (DRTY.L) after rival bidder Steinhoff effectively withdrew on Wednesday, missing out on a second European target in just over a month.

Fnac, looking to reduce its reliance on highly-competitive books and CD markets, made a final offer for Darty of 170 pence a share on Monday, valuing it at about 900 million pounds (\$1.3 billion).

South African furniture retailer Steinhoff (SNHG.DE), however, said it would not raise its previous 160 pence a share offer as anything higher would no longer create sufficient value for Steinhoff's shareholders and staff.

Both suitors had made a succession of bids, driving a doubling in Darty's share price since Fnac made its approach public in September. At 1241 GMT, Darty shares were off 0.3 percent at 168.28 pence, while Fnac's were up 0.5 percent.

Both bidders also built up stakes in Darty, with Fnac saying on Tuesday it had direct control of 29.73 percent and support for its bid from shareholders owning another 22.11 percent of the shares – giving it a majority.

Steinhoff, which owns chains such as Conforama in France and Harveys in Britain is pushing to buy more European assets against a backdrop of tough trading conditions in South Africa.

It was also in the race to buy the owner of UK retail chain Argos but withdrew on March 18, giving supermarket Sainsbury's (SBRY.L) a clear run.

"It is not the first time Steinhoff has walked out on a deal. They had the financial muscle but they believed the price was too high," said one retail sector analyst, who declined to be named, adding that the deal now looked expensive for Fnac.

WORKING THE PHONES

Fnac embarked on a share buying spree to get its foothold in Darty, increasing its direct control from 5.59 percent between April 21 and April 26, buying more than 10 percent of the company's shares at 170 pence each.

"They called Darty shareholders non-stop to convince them to tender their shares. It was the work of a titan. The odd thing is that Steinhoff let it happen," said a source close to the matter.

Alexandre Nodale, the CEO of Conforama, the division through which Steinhoff was pursuing Darty, told Reuters: "We did not want to do a deal at any price, beyond 160 pence it would have hurt the group and its shareholders".

Steinhoff, a 21 billion euro company listed in Johannesburg and Frankfurt, now has a 20.4 percent stake in Darty. Asked if Conforama would tender it to Fnac, Nodale said: "We will see."

Darty, whose board has yet to accept Fnac's bid, could not immediately be reached for comment.

London-listed Darty earns 70 percent of its revenue in France but has 400 stores across Europe and annual revenue of 3.5 billion euros. It competes with Media-Saturn, owned by Germany's Metro (MEOG.DE), and Britain's Dixons (DC.L).

Apart from scrutiny by French antitrust authorities, Fnac's takeover of Darty could still face obstacles.

Trade unions at Darty said on April 22 they backed Steinhoff's offer, which they saw as more positive for jobs than Fnac's. Fnac has said it could achieve cost savings of 130 million euros a year from the merger.

Fnac got more firepower during the battle for Darty when Vivendi (VIV.PA), which is led by French billionaire Vincent Bolloré, said it would buy 15 percent of the company, boosting its capital by 159 million euros.

According to two sources close to the deal Fnac has also secured financing for the deal from a pool of banks led by French lenders Credit Agricole, Societe Generale and Natixis.

