

Tesco sells South Korean unit for more than 4bn

LONDON - Troubled British retailer Tesco agreed Monday to sell South Korean unit Homeplus to a consortium led by private equity firm MBK Partners for more than £4.0 billion (5.5 billion euros, \$6 billion)...



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Tesco - which plunged into a record loss in 2014/2015 after an accounting scandal, a fierce supermarket price war and vast property writedowns - said in a statement that proceeds will be used to cut debt and help turn around its ailing UK business.

As a result of the deal, Homeplus will be owned by a South Korean investor -- MBK Partners -- for the first time in 16 years. The consortium also includes Canadian pension funds and Singapore's state investment fund Temasek Holdings.

Under the deal, Tesco will receive £4.004 billion in cash, while the net cash proceeds after taxation and other transaction costs, will stand at £3.351 billion.

"After a highly competitive process, we are announcing today the proposed sale of Homeplus, our business in the Republic of Korea," said Tesco Chief Executive Dave Lewis in a statement that was preceded by weeks of speculation over the move.

"This sale realises material value for shareholders and allows us to make significant progress on our strategic priority of protecting and strengthening our balance sheet."

The deal is expected to complete in the final quarter of this year, subject to regulatory and shareholder approvals.

Homeplus has 140 hypermarkets, 375 smaller supermarkets and 327 convenience stores across South Korea. Tesco, Britain's biggest retailer, is seeking to overhaul its business after reporting the biggest annual loss in its near 100-year history of £5.74 billion for the year to February.

The company is also facing a fraud probe after a huge accounting scandal that saw it overstate profits by £263 million due to errors stretching back to before 2013. Lewis took charge at Tesco following sliding sales under predecessor Philip Clarke.

In February, he announced plans to axe as many as 10,000 jobs under plans to shut 43 stores in a company-wide overhaul. The Tesco boss has also sold off its broadband Internet arm and its TV-streaming service Blinkbox.

Homeplus was established as a joint venture in 1999 with South Korean conglomerate Samsung. Tesco originally held an 81 percent share but bought Samsung's stake in several stages, taking control in 2011.

MBK Partners is the largest private equity firm in South Korea.

Source: AFP

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