

Fantastic Furniture eyes renewed tilt at ASX listing

Simon Evans *Senior Reporter*



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Fantastic Furniture's parent company is closely assessing a revival of plans to list the retail business on the ASX and says a decision is likely to be made in the next few weeks on whether to pursue that avenue or embark on a trade sale.

Michael Ford, the chief executive of Greenlit Brands, the Australian division which had been set up to run Fantastic Furniture, the Freedom furniture chain, bedding and mattress business Snooze and the Original Mattress Factory on behalf of ultimate owner Steinhoff International, said the group is closely watching consumer confidence levels.

All four of the businesses had been beneficiaries of the shift to heavy spending on the home and mini-renovations as people stayed home more in the pandemic and were barred from international travel and facing restrictions on domestic travel.

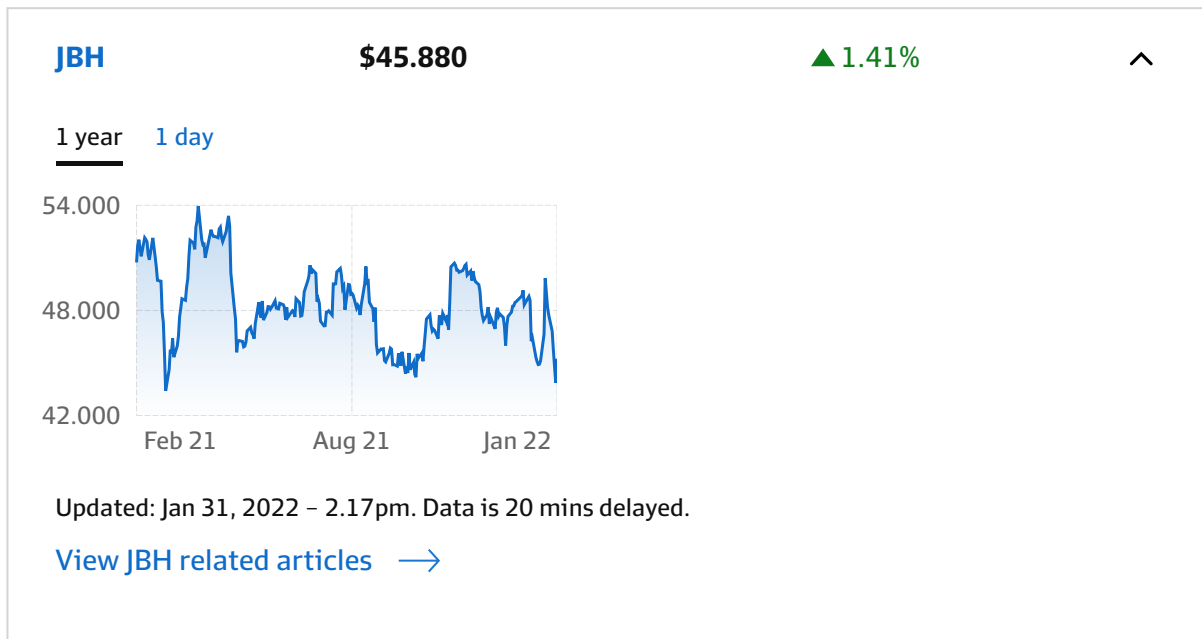
He said Fantastic Furniture had been a strong performer, along with the Snooze business.

Steinhoff and Greenlit Brands restructured internally in February last year, meaning Fantastic Furniture was operating as a separate entity and easily able to convert to a public company if that option was pursued.



Greenlit Brands chief executive Michael Ford

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Mr Ford, who ran The Good Guys consumer electronics and appliances chain for 10 years prior to it being acquired by JB Hi-Fi for \$870 million, said the group is closely monitoring consumer activity levels as the omicron wave of COVID-19 begins to stabilise in the larger states.

It looked closely at an initial public offering of the Fantastic Furniture business in late 2020, but decided against it because of COVID-19 disruptions. Steinhoff International is still battling against heavy debt levels in its global operations.

Should there be signs that consumer confidence is starting to improve after dipping sharply a few weeks ago to 30-year lows, then it would be likely that IPO plans would be stepped up for Fantastic Furniture, which has 82 retail outlets.

“We’ll be considering the destiny of the business, either by IPO or trade sale, in the coming weeks,” Mr Ford said.

Signs of optimism

He said there had been some better signs of optimism in the past week with more people prepared to head back into bricks and mortar stores, although it was hard to predict what would happen with consumer sentiment or the direction of the pandemic. He said a lift in sentiment showed up in on-the-ground activity quite quickly.

“The best source of intel for us is our store managers,” he said.

Fantastic Furniture, pitched at the value end of the market, is generating above 30 per cent of its sales from online channels, and that has been as high as 50 to 60 per cent in the depths of the 2021 COVID-19 lockdowns in Sydney and Melbourne.

“If you are going to be relevant in the next decade, you are going to have to adopt a strategy of digital first,” Mr Ford said.

He said the group’s inventory levels were about “on plan” despite disruptions in supply chains and higher shipping costs which are affecting all players in the industry. Mr Ford said he was frustrated because Fantastic Furniture had “too little” inventory in the home office category, which had been extremely strong.

“It’s a typical retail dilemma,” he said.

The Greenlit Brands stable, which included five months of trading of the Fantastic Furniture before it was restructured into a separate entity, generated total revenues of \$1.3 billion for the 12 months ended October 3, 2021. This was 8.6 per cent higher than a year earlier even though there were extended lockdowns in Sydney and Melbourne, and in New Zealand.

Greenlit Brands produced normalised profit before tax of \$47.4 million for the 12 months ended October 3, up 35 per cent on 2020. For the seven months ended October 3, the FF Holdco entity, which is the Fantastic Furniture business, made

revenues of \$330 million and net profit after tax of \$9.5 million. Analysts suspect Fantastic Furniture would be valued at between \$450 million to \$700 million.

Greenlit Brands in October sold the mid-market sofa chain Plush to Nick Scali Furniture for \$103 million. Plush had 46 stores. It was able to pay \$170 million in dividends to Steinhoff after that sale.

The Greenlit Brands entity was created in 2018 to own the Australian and NZ household retail brands and manufacturing operations of Steinhoff International, after the Steinhoff parent was enveloped in an offshore financial scandal involving accounting irregularities, which wasn't connected to the Australian operations.

Greenlit Brands has already divested Best & Less and Harris Scarfe, which were both bought by Australian buyout firm Allegro Funds.

Greenlit Brands chief operating officer Aaron Canning said the Fantastic Furniture business was in strong shape and had gone very close to being floated onto the ASX in late 2020. "We got five minutes to midnight," he said. Mr Canning joined Greenlit Brands in early 2020, and was a former chief financial officer at vitamins group Blackmores.

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