

Fantastic opportunity for Nick Scali expansion



By **BRIDGET CARTER**, DATAROOM EDITOR
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Nick Scali Furniture has plans to capitalise on its strong share price trading performance in the later stages of the COVID-19 pandemic, with the group said to be considering an acquisition of Fantastic Furniture.

The Greenlit Brands-owned Fantastic Furniture has plans for a listing, but it is understood the so-called Plan B for the business is a sale to a trade buyer.

Nick Scali has been interested in the Australian-based Greenlit Brands furniture businesses for up to two years since its parent entity, Steinhoff International, came close to collapse amid an accounting scandal.

Steinhoff remains in search of funds and is considered to be a forced seller.

Nick Scali was earlier thought to be interested in the Greenlit brands businesses Freedom Furniture and Plush. However, Fantastic Furniture has been the strongest performer for Greenlit Brands, which posted a loss of \$288.5m for the 12 months to September.

Now it is understood that Nick Scali plans to consider a look at the Fantastic Furniture business, according to well-placed sources.

An acquisition for Nick Scali would offer it exposure not only to the more upmarket furniture market but the more affordable end as well.

Nick Scali's share price has staged a strong rise since the start of the COVID-19 lockdowns in early March, when it was trading at about \$3.

Its shares have more than doubled since then, last trading at about \$6.65 and taking its market value to \$519m.

Last month, Nick Scali told the market sales in the fourth quarter of the 2020 financial year had soared 20.4 per cent on the previous corresponding period and were up 7 per cent for the second half.

The company also signalled that its profit for the six months to June would increase between 15 and 20 per cent from the previous corresponding period.

Fantastic Furniture is expected to have a market value of between \$250m and \$500m should it head to the boards, with investment banks pitching for an initial public offering mandate last week. However, some believe that listing the business in the current market would be difficult, with a retailer unlikely to be well received by fund managers at a time of so much market uncertainty.

Should Nick Scali buy the business, it could move to raise equity for an acquisition.

Two years ago, it was working with Macquarie Capital to assess a potential deal to buy Greenlit Brands's operations. Around that time, managing director Anthony Scali offloaded about 14 per cent of his stake to Nick Scali's long-term furniture manufacturer in

China, Kuka, in what many believe was a move to offer the company more firepower for a transaction.

Mr Scali said around that time that the group was considering further acquisitions to fuel earnings growth, and Greenlit would offer major synergies.

DataRoom flagged plans at the start of the year for a float by Greenlit, subject to trading conditions and performance, with Rothschild and Monash Private Capital as its advisers.

The business is now run by the former boss of The Good Guys, Michael Ford.

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Bridget Carter has worked as a writer and editor for The Australian's DataRoom column since it was launched in 2013, focusing on capital markets, mergers and acquisitions, private equity and investment banking.... [Read more](#)



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