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Wesfarmers packs in Bunnings UK foray, as it agrees to sell Homebase brand

MARTIN KOVACS / Friday, May 25, 2018



Wesfarmers is packing in its Bunnings UK foray, today advising that it has agreed to divest the UK-based Homebase business in an agreement that will also see 24 Bunnings pilot stores convert to the Homebase brand upon its completion.

A company associated with private equity outfit Hilco Capital will acquire all Homebase assets for a nominal amount under the agreement, including the Homebase brand, store network, freehold property, property leases and inventory.

Wesfarmers has advised that it expects to record a loss on disposal of £200-230 million (around \$353-406 million) in its 2018 full-year financial results.

Speculation has long been rife over the future of Homebase, which was acquired by Wesfarmers in 2016, with the agreement following a review of the Bunnings United Kingdom and Ireland business.

Wesfarmers managing director Rob Scott described the investment as having “been disappointing” in a statement, with “problems arising from poor execution post-acquisition being compounded by a deterioration in the macro-environment and retail sector in the UK”.

“A divestment under the agreed terms is in the best interests of Wesfarmers’ shareholders and will support the ongoing reset and repositioning of the Homebase business,” Scott said in a statement to the Australian Securities Exchange.



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“While the review confirmed the business is capable of returning to profitability over time, further capital investment is necessary to support the turnaround. The materiality of the opportunity and risks associated with turnaround are not considered to justify the additional capital and management attention required from Bunnings and Wesfarmers.”

Wesfarmers – which will participate in a value share mechanism under which it would be entitled to 20% of any equity distributions from the business, with the obligation not limited by time – has advised that the divestment is expected to be completed by June 30.

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Martin Kovacs is a journalist with experience covering the IT, consumer electronics, retail, finance and energy sectors.

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