

# Simmons plans to file for bankruptcy protection

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(AP) -- Simmons Co., the maker of Beautyrest mattresses, said Friday that it plans to file for Chapter 11 bankruptcy protection in a move that will put new owners in charge of the bedding unit and significantly lower the company's debt.

Sales have slumped for mattress makers as consumers pull back on their spending amid the recession, especially limiting their purchases of big ticket items like mattresses.

The plan, which will not affect business operations, is expected to reduce total debt from about \$1 billion to approximately \$450 million.

Privately held Simmons said the restructuring includes the acquisition of Simmons Bedding Co., its subsidiaries and parent company Bedding Holdco Inc. by affiliates of private equity fund Ares Management LLC and Teachers' Private Capital, the private investment branch of the Ontario Teachers' Pension Plan.

The approximately \$760 million deal includes equity from Ares and TPC and some of Simmons' current lenders and debt commitments from certain Simmons' lenders.

A majority of Simmons and Simmons Bedding noteholders, including holders of Simmons 10 percent discount notes and Simmons Bedding \$200 million senior subordinated notes, have decided to support the plan.

Simmons Bedding noteholders will be entitled to a pro rate share of \$190 million in cash, while Simmons noteholders will be entitled to receive a share of \$15 million in cash.

Simmons Bedding vendors, suppliers, workers and senior bank lenders will be paid in full, the company said.

Noteholders and senior bank lenders will be solicited to vote on the restructuring, with the process likely to close within 30 days of the solicitation's launch. Simmons plans to file for Ch. 11 [bankruptcy](#) protection after the solicitation period. The [bankruptcy filing](#) will not include Simmons Bedding subsidiaries in Canada and Puerto Rico, but those units will be included in the acquisition.

Simmons Bedding has also arranged a \$35 million debtor-in-possession revolving credit facility related to the restructuring plan. The plan must receive bankruptcy court approval.

The move gives the company a chance to get out from its debt and restructure to recover from falling sales and shrinking profit. Simmons' sales fell nearly 19 percent in the three-month period ending in June to \$218 million, according to filings with the Securities and Exchange Commission. It posted a net loss of \$5.8 million, compared to profit of \$1.1 million in the same period last year.

For the first half of the year, sales are down 19 percent and Simmons lost nearly \$9 million,

Rival Tempur-Pedic International Inc., said in July its profit dropped 17 percent as sales fell 22 percent in its second quarter.

But as the economy starts to show signs of improvement, mattress sales also appear to be ticking upward. Last week SunTrust Robinson

Humphrey analyst Keith Hughes told clients in a note there were signs of "incremental improvement" in mattress sales over the Labor Day weekend, though they were still below prior-year levels.

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