



RETAIL, CONSUMER &amp; LEISURE

# KING KOIL

[WWW.KINGKOIL.COM/](http://WWW.KINGKOIL.COM/)

<b>Country</b>	Greater China
<b>Sector</b>	<a href="/sectors/retail-consumer-leisure/">Retail, Consumer &amp; Leisure (/sectors/retail-consumer-leisure/)</a>
<b>Deal type</b>	Buyout
<b>Investment date</b>	October 2016
<b>Status</b>	Unrealized Investment

King Koil (Shanghai) Sleep System is a leading premium mattress maker across China's hotel and retail segments, with a significant share of the world's largest market by volume, and second-largest by value, behind the United States. The Shanghai-headquartered company holds the perpetual license for the King Koil brand in China, and the ultra-premium Aireloom brand, and has an annual manufacturing capacity of 750,000 mattresses in plants in Shanghai and Chengdu. It has a retail network of 413 stores in 186 Chinese cities, and generated revenue of about \$67 million in 2016, when Advent acquired a majority stake from Citic Capital Partners.

Retail network of  
**413** stores in **186**  
Chinese cities



(<https://www.adventinternational.com/wp-content/uploads/2018/07/King-Koil-box-1.jpg>)

## CREATING VALUE, SPURRING FURTHER GROWTH

The \$14 billion Chinese mattress market is expected to grow at 10% per annum, with the premium segment growing at 22% per year. King Koil's established advantages gave Advent a strong position to craft a value creation plan to accelerate growth. Members of the US retail, consumer and leisure practice provided support through its Serta Simmons Bedding deal team, leveraging their extensive experience in the mattress segment.

Strong brand recognition and a 50%+ share of wallet in supplying premium mattresses to luxury Chinese hotels set the stage for growth based on brand equity, an expanded retail footprint, accelerated e-commerce penetration and improved operational efficiency.

The Chinese hotel mattress market, estimated at ~\$700 million annually, is projected to grow at 4% per annum. Mattress replacement rates are expected to grow to cover the rapidly expanded segment of hotels built from 2009 to 2013.

Stephen Wang, CEO and founder of King Koil China, seeks strong company growth driven by higher-end segments. "Replacement rates and our brand recognition can be leveraged to amplify our existing relationships and consolidate our dominant market share," he says. "Advent provided ambitious, achievable targets and supports our sales execution across multiple channels."

Other facets of the omni-channel strategy include increased efforts on Tmall and JD.com, two of China's leading e-commerce platforms. Major Chinese e-commerce players such as Alibaba recognize King Koil's brand recognition among consumers. Advent supports expanding business-to-consumer channels online, its extensive retail franchise network, and broadening King Koil-owned retail operations. Advent is supporting operational expansion, advising on manufacturing plant leases in the Beijing-Tianjin region and also in Guangzhou.

"China is the largest global mattress market, but it remains unpenetrated compared to more developed markets," says Andrew Li, an Advent managing director based in Shanghai. "China's population is more than four times that of the United States, but its mattress market is one-fourth the size and value. The opportunity for King Koil can be realized quickly, particularly in the higher-end segments, through the varied levels of support outlined in our value creation plan."

**6%**  
market share in  
the premium  
mattress market



([https://www.adventinternational.com/wp-content/uploads/2018/10/King-Koil\\_2nd-Image.jpg](https://www.adventinternational.com/wp-content/uploads/2018/10/King-Koil_2nd-Image.jpg))

## NO REST IN A FRAGMENTED MARKET

The high-end Chinese mattress market is projected to grow quickly. Even in a fragmented premium market, where more than 40% is essentially up for grabs, King Koil's brands, Hotel & Home, Life Balance, Aireloom and Brentwood Home already enjoy widespread consumer support.

With a robust outlook for the top end of the market projected through 2020, global collaboration with Advent portfolio company Serta Simmons Bedding is rapidly bolstering King Koil China's results. Joint improvements to supply chains and production, optimized organizational structure and possible further consolidation help set benchmarks for Advent's value creation strategy.

In October 2018, King Koil China partnered with Serta China to create the No. 1 premium mattress platform in China. The transaction was led by Advent's Greater China team with participation from members of our US-based Serta Simmons Bedding deal team. The new platform will establish a strong presence across all distribution channels in China, building on the brands' complementary positions in the B2B and B2C online and offline distribution channels. With a compatible manufacturing footprint in Shanghai, Chengdu and Huizhou, Serta China and King Koil China can take advantage of the marketing, distribution and supply chain synergies between the two companies. Additionally, China's mattress market is expected to grow by 10% over the next few years with the premium segment growing more than 20% due to an expanding middle class and increasing demand for high-quality sleep products. The new partnership combining Serta China and King Koil China is well-positioned to take advantage of this growth.

Advent's experience and expertise in the mattress and bedding segment, coupled with its track record of successful investments in China, means the firm can combine sector and country knowledge and support a value creation plan on a global basis, which is hitting its benchmarks for success. As Advent capitalizes on the many opportunities in the rapidly growing China mattress market, the only ones resting are the hundreds of thousands of people falling asleep on King Koil China and Serta China products.

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