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Steinway on the NYSE now?

Owner of Steinway & Sons John Paulson (center) attended the event.

Steinway & Sons made an interesting choice recently to move from a private company to a public company once again with the filing of an IPO (Initial Public Offering) on the New York Stock Exchange (NYSE). What this means is that anyone can buy stock in Steinway & Sons ($STWY) like other public companies such as Tesla ($TSLA) or Amazon ($AMZN). This, however, is not the first time the company has gone public. Steinway Musical Instruments Holdings, Inc. first went public in 1996 trading under the name Ludwig Von Beethoven ($LVB) before returning to a private company in 2013 when it was purchased by John Paulson with Paulson & Co. Inc.

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Based on the current world economy, this seems an especially odd time to make such a dramatic move. An article by Donovan Jones on seekingalpha.com mentions that any major risks of this move being supply chain issues and inflation. We have seen issues in supply chains with large cargo ships waiting out in the ocean for weeks before finally being able to deliver their products. It has not been easy to find everything that used to be so readily available. Supply chain issues are certainly true, but what about US dollar inflation? If we look at the data published by the US Labor Department for 2022 alone: January was 7.5%, February was 7.9%, and March was at 8.5% with April's rates coming out on May 11. Usually inflation is only around 1-2% with the recent highest (not including 2021) being 5.6% in the crash of 2008. I'm not sure why Steinway would make this decision now.

Written By Kestrel Curro BM

CURRO PIANO SERVICE, LLC

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The best explanation I can find is that Steinway is not planning to focus on the piano market in the USA, but the market in China. In 2017, Steinway opened a Steinway Hall in Beijing, China to focus on the growing piano industry there. An article on FBNGlobalNews.com claims some facts about China that happened over the last few years: individuals in China worth $30 million or more has increased by 145%; China is the worlds largest piano market selling 400,000 pianos per year to around 40 million practicing pianists; Chinese concert halls owned by Steinway grew from 11 to 134 since 2012. In addition to those statistics, the entire Essex line of pianos are made by Pearl River in China showing Steinway has a major manufacturing foothold there as well. It would seem that the prospects of this move could be extremely beneficial.

But what has been happening in China recently? A few months ago, Evergrande Group, a giant among Chinese property development companies, defaulted on their massive debt load sending ripples through markets world wide. Within the last month or so, China reimplemented severe COVID-19 lockdowns forcing workers to stay home leaving US and European companies to function with less than half the required personnel. Suffice it to say that those companies are not getting much done at the moment causing significant economic issues to the country. Ports have also been slowed down by these lockdowns and restrictions forcing supply chain issues in China as well. China looked fantastic for the piano industry a few years ago, but maybe not so much lately. Only time will tell.

If you read any of my "tour of piano brands" newsletters from 2021, you will see that a common theme among piano manufacturers is to sell out to China, most being purchased in the 1990s. I do not expect Steinway to behave any differently. Do as you choose, as I am not qualified to give financial advise anyway, but I certainly will not be buying any $STWY.

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