

R2bn in lost sales forces Edcon to file for business rescue

The Edcon group announced today that its board has passed a resolution authorising it to file for business rescue in the course of the next few days.



Following the coronavirus outbreak in South Africa, and the President's first announcement on 15 March, Edcon has lost R2bn in sales. The sales miss, and the decline in collections of the debtor's book has meant that the company is unable to pay its suppliers for both the March and April month-ends. Paying April salaries will require assistance from the UIF Covid-19 TERS programme.

Edcon also anticipates that the sales will be depressed for some time during the 'Covid-19 Risk Adjusted Strategy' phase, which may last several months.

"The R2.7bn (circa R230m of which was still due to be received to March 2021) cash provided to Edcon in the last restructuring has been substantially utilised funding the losses for the financial years ending March 2019, and March 2020, as planned. Edcon was on track with its business plan to the end of December 2019," Edcon stated in a media release.

The R2bn of lost sales during the Covid-19 crisis period which included the necessary 'social distancing' measures, lockdown and extended lockdown, has consumed the group's remaining cash.



Edcon can only pay salaries right now, tearful CEO tells suppliers

27 Mar 2020



"The transformation journey has been a tough one for Edcon, starting in April 2018 when we started implementing the "shrink" restructuring which included the return to a customer-centric approach by focusing on product, in-store customer experience, and growing the credit business and customer base," Edcon said.

"Edcon, during the turnaround has been against strong headwinds, including load-shedding and an economic recession in quarter three and quarter four of 2019. Whilst some progress had already been made on the product and in-store experience, the first fully revamped offering would only have been realised in winter 2020," the retailer added.

Edcon will open its doors and trade in line with the Level 4 regulations as indicated by the government's 'risk adjusted strategy'.

Grant Pattison commented, "Edcon's stores will open on the 1st May, but we will have to do so under business rescue. This decision was made in the best interest of our company and all our stakeholders.

"In the short time that has been available to us, we have been unable to raise the funds needed to pay the creditors for the March and April month-ends. In this circumstance, South African law requires that the company either be placed in liquidation or business rescue. To provide us with a longer period to raise the money, the board has taken a decision to file for business rescue."



Edcon sells CNA chain to Astoria Investments

4 Feb 2020



In addition, Pattison stated, "We will be working closely with the appointed business rescue practitioners, shareholders and government to find a way to plug the financial hole. It is my hope that some version of the business will emerge to continue to serve customers."

Pattison ended by saying, "The safety and well-being of our employees, customers and partner employees is our priority as we open up again. I am unable to provide any further information at this stage other than to say that the company will continue to keep you updated on developments as the situation unfolds."

The business rescue proceedings will be guided and supervised by the nominated business rescue practitioners Piers Marsden and Lance Schapiro.

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