

Brait decides New Look is worth zero

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Brait shares rallied more than 3% at one stage on Wednesday on its decision to value 2015's 780m acquisition of UK fashion retailer New Look at the princely sum of nothing.



Brait CEO John Gnodde | Credit: [Financial Mail](#)

Vele Asset Managers portfolio manager Imraan Jeeva said "most market participants were expecting a write-down" to nothing, "so yesterday's news was not a surprise".

But the decision, while expected, is also an astonishing come-down from the 2016 financial year when New Look had a carrying value of just under R35bn.

Brait's plan is to keep New Look valued at nothing "until such time as its turnaround strategy has taken shape", it said in a trading update on Tuesday.

Lentus Asset Management's Nic Norman-Smith said "the bigger question is whether [New Look's] value is zero or negative. In other words, are Brait going to have to commit more capital to it, or will they write the entire thing off for the long term?"

Jeeva said the main issue for the market was "how ringfenced this New Look disaster will be".

"To sink more to save face may be hugely value destructive to Brait shareholders."

He said it was also not fair to blame the "tough UK retail environment" as peers such as Primark had been growing sales in the UK. "So, New Look has been trading worse than its peers, even before adjusting for interest costs from its high gearing levels," he said.

New Look had debt of about 1.2bn at end-March, but Brait said on Tuesday that the retailer "retains an adequate liquidity position, with 242.5m total cash, liquidity and operating facilities available."

The New Look fiasco is largely responsible for Brait's crashing net asset value - which it expects to be between R65.50 and R67.50 for the period ended-September.

The plunge is reflected in Brait's share price, which has now shed about 71% since peaking at R170 in April 2016.

Source: Business Day

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