

# Edcon secures R2.7bn lifeline for restructuring plan

Edcon's latest recapitalisation deal will see the contribution of new cash commitments and rent reductions totalling approximately R2.7 billion into South Africa's largest clothing retailer.



In a statement released on Friday, the Board of Edcon announced that binding agreements have been concluded amongst Edcon Limited's existing secured lenders, the Public Investment Corporation (the PIC) on behalf of its client the Unemployment Insurance Fund (UIF) and participating landlords. The recapitalisation will result in the removal of all of Edcon's interest-bearing debt and introduces a new group structure and set of shareholders.

The funding from landlords will come in the form of rent reductions. Redefine Properties Ltd. contributed R54.6 million of equity agreed to rental reductions of as much as R13.8 million, the Johannesburg-based real estate firm said in a separate statement.

Edcon CEO Grant Pattison commented: "I am extremely pleased and encouraged by the very broad support received, which has been a show of unity and partnership among our diverse stakeholder group. Edcon's existing lenders; ministries of Economic Development, Labour and Finance; labour unions Sactwu, Cosatu, Saccawu; the PIC and the UIF; as well as participating landlords, have all worked together to ensure a viable future for Edcon."

Pattison said that other strategic initiatives are underway to restore the customer proposition of Edgars, Jet and CNA. "There was encouraging progress over the festive and back-to-school trading periods. We are also advancing our Thank U

credit, insurance and loyalty offerings. Reassuringly, our credit sales growth has exceeded our cash sales growth for the past several months, and the number of active accounts has increased for the first time since 2012," he said.

Once all conditions precedent have been finalised and the transaction is complete, the resulting shareholders of Edcon will mostly include: Edcon's existing lenders; PIC, on behalf of its client the UIF; participating landlords to Edcon; and Edcon employees.



Edcon refreshes homeware offering with new store concept Edgars Home

12 Oct 2018



## Avoiding a job massacre

According to [Business Day](#), Edcon employs approximately 40,000 people, 14,000 of whom are full-time. And according to Sactwu's research, the retailer procures around 45% of its clothing products locally – the most of all the country's major retailers.

“ [#Edcon](#) buys the most locally made clothing products of any of the big clothing retailers: 44% of the clothing it sells is made locally. [#SouthAfrica](#) [#retail](#)

2. Truworths - 40%

3. TFG - 37%

4. Pepkor - 34%

5. Mr Price Group - 33%

6. Woolworths - 23%

[source: Sactwu]— Zeenat Moorad (@ZeenatMoorad) [March 1, 2019](#) ”

The ANC in Western Cape echoes Sactwu's sentiments that the recapitalisation deal had averted a "job massacre" in the clothing industry, secretary Faiez Jacobs in a statement.

A [Bloomberg](#) report adds that the livelihoods of about 30,000 employees were at stake, as well as a supply chain that includes 750 companies and floor space that accounts for one-tenth of the occupancy in South Africa's biggest shopping malls.

[Business Day](#) reveals that Pattinson said now that Edcon had been refinanced, it could focus on its restructuring, which would see it cut its retail space and the number of its stores by about a third over the next two years. The hope was that the space reduction and its move to sell more profitable ranges of clothing would lay the foundation for its turnaround.

Pattinson concluded: "This is a significant step forward towards ensuring the restoration of our balance sheet and putting the company back on the path to success. It will provide management with a sufficient time-frame to implement the store estate restructure and focus on returning the business to profitability. This will be done through placing our customers at the centre of our existence through our Edgars, Jet, CNA and Thank U operating divisions."