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# **EDCON LIMITED**

## **FIRST MEETING OF CREDITORS**

**18 MAY 2020**

# AGENDA

1. WELCOME
2. BUSINESS RESCUE PROCESS
3. BACKGROUND
4. OPINION OF THE BUSINESS RESCUE PRACTITIONERS
5. PROOF OF CLAIMS
6. COMMITTEES
7. CONCLUSION

1. /

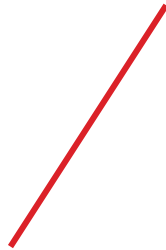
**Welcome**

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# FIRST MEETING OF CREDITORS

- The main objectives of today's meeting are as follows:
  - The Business Rescue Practitioners (“BRPs”) need to inform creditors as to whether or not the BRPs believe there is a reasonable prospect of rescuing Edcon Limited (in business rescue) (“Edcon” or “Company”);
  - The receipt of proof of claims by creditors; and
  - The determination of whether or not a committee of creditors should be appointed.

2.



**Business Rescue Process**

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# THE BUSINESS RESCUE PROCESS

- Business Rescue involves proceedings to facilitate the rehabilitation of a company that is financially distressed by providing for:
  - A temporary supervision of the company, and of the management of its affairs, business and property;
  - A temporary moratorium on the rights of claimants against the company or in respect of property in its possession; and

# PRIMARY OBJECTIVE OF BUSINESS RESCUE

- The development and implementation, if approved, of a Business Rescue Plan to rescue the company by either:
  - A. Restructuring its affairs, business, property, debt and other liabilities and equity in a manner that maximizes the likelihood of the company continuing in existence on a solvent basis; OR
  - B. A process that results in a better return for the company's creditors or shareholders than would result from the immediate liquidation of the company.

# BUSINESS RESCUE TIMELINE

Event	Date
Board resolution to commence Business Rescue Proceedings	28 April 2020
Commencement of Business Rescue Proceedings	29 April 2020
Appointment of BRPs	4 May 2020
Notice published to all affected persons	11 May 2020
Notice of first meeting of creditors and employees	14 May 2020
First meeting of creditors and employees	18 May 2020
Publication of the business rescue plan	8 June 2020
The meeting to consider and vote on the business rescue plan	15 June 2020



# BUSINESS RESCUE WATERFALL

1. Costs of business rescue (including BRPs' remuneration and expenses)
2. Pre-Commencement secured creditors, in respect of such encumbered asset.
3. Employees for their employment during business rescue (Post-commencement finance employees).
4. Secured post-commencement finance creditors.
5. Unsecured post-commencement finance creditors.
6. Remuneration, reimbursement or expenses relating to employment prior to business rescue.
7. Pre-commencement concurrent creditors and unsecured claims.

3.



## Background

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# REASONS FOR FINANCIAL DISTRESS

- The reasons for distress are detailed in the sworn statement delivered with the notice to commence Business Rescue Proceedings.
- This is available at [www.matusonassociates.co.za/edcon](http://www.matusonassociates.co.za/edcon)

4. /

**Opinion of the Business Rescue Practitioners**

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# OPINION OF THE BUSINESS RESCUE PRACTITIONERS

- It is the view of the BRPs that, notwithstanding inevitable risks and challenges, there is a reasonable prospect of rescuing the Company, based on the following:
  - The Company has valuable brands and market position that can possibly be preserved through business rescue.
  - The retail footprint is well established with significant interest being expressed by various parties to acquire or take over various parts of the business.
  - Ongoing support from all stakeholders, including employees, trade unions and trade suppliers.
  - No worsening of the Covid-19 level classification and restricted ability to trade.
  - No material deterioration in trading conditions.
- We believe that the business rescue process will achieve a better outcome for all stakeholders than a liquidation.

# TERMINATION OF BUSINESS RESCUE PROCEEDINGS

- The business rescue plan proposed is rejected and proceedings are not extended.
- The court orders the conversion of the business rescue proceedings into liquidation proceedings.
- The BRPs conclude that the Company is no longer in financial distress and file a notice of termination of the business rescue proceedings.
- The BRPs file a notice of substantial implementation of the approved business rescue plan.
- In terms of the Companies Act, 71 of 2008 (“Companies Act”), should the BRPs at any time conclude that there is no longer a reasonable prospect of rescuing the Company, the BRPs must advise affected persons and apply to court for an order discontinuing the proceedings and placing the Company into liquidation.

5.



**Proof of Claims**

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# PROOF OF CLAIMS

- Outstanding amounts for services rendered and goods delivered prior to 29 April 2020, being the date of commencement of business rescue, are subject to the moratorium.
- A claim form will need to be submitted for such amounts - these claims will be reconciled to the Company's records and any discrepancies investigated.
- The claim form is available at the following link: [www.matusonassociates.co.za/edcon](http://www.matusonassociates.co.za/edcon)
- A manual claim form is available for those creditors who experience difficulties submitting their claim form online.
  - Manual claims can be submitted to the BRPs at [creditors@edconbr.co.za](mailto:creditors@edconbr.co.za)
- The payment of these amounts will be dealt with in terms of the business rescue plan.



6.



**Committees**

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# CREDITORS' COMMITTEE

- A committee, appointed in terms of s147 of the Companies Act, may:
  - Consult with the BRPs about any matter relating to the business rescue proceedings;
  - Receive and consider reports relating to the business rescue proceedings; and
  - Acts independently of the BRPs to ensure fair and unbiased representation of creditors' interests.
- It is the view of the BRPs that the input of a pro-active creditors' committee will add significantly to the process and will be helpful in achieving the goals set out in the business rescue plan.
- The BRPs suggest an independent, third-party to act as an independent chairperson to Edcon's creditors committee.
- Nominations for the creditors' committee can be directed to [creditorscommittee@edconbr.co.za](mailto:creditorscommittee@edconbr.co.za)

# OTHER COMMITTEES

- In addition to the creditors' committee, the BRPs recommend that the following additional committees be formed to further assist in achieving the goals set out in the business rescue plan:
  1. Employees' Committee
  2. Landlords' Committee (nominations can be directed to [landlords@edconbr.co.za](mailto:landlords@edconbr.co.za))
  3. Lenders' Committee
- Committees will be advised of meetings and minutes of these meetings will be provided.

7. /

**Conclusion**

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# CONCLUSION

- The BRPs will communicate timeously with all stakeholders, in writing, as required by the Companies Act.
- Further information relevant to the business rescue proceedings of Edcon can be found on [www.matusonassociates.co.za/edcon](http://www.matusonassociates.co.za/edcon), including this presentation.
- If you have any queries relating to any operational issues, including ongoing trading and payment please continue to engage through the normal channels at Edcon. For any queries specifically related to business rescue, please do not hesitate to contact us at [creditors@edconbr.co.za](mailto:creditors@edconbr.co.za)