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# **EDCON LIMITED**

## **FIRST MEETING OF EMPLOYEES**

**18 MAY 2020**

# AGENDA

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

1. /

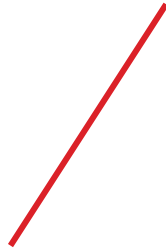
**Welcome**

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# FIRST MEETING OF EMPLOYEES

- The main objectives of today's meeting are as follows:
  - The Business Rescue Practitioners (“BRPs”) need to inform employees and/or their representatives as to whether or not the BRPs believe there is a reasonable prospect of rescuing Edcon Limited (in business rescue) (“Edcon” or “Company”); and
  - The determination of whether or not an employees’ committee 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; and
  - A temporary moratorium on the rights of claimants against the company or in respect of property in its possession.

# PRIMARY OBJECTIVE OF BUSINESS RESCUE

- The development and implementation of a Business Rescue Plan that either:
  - A. Rescues the company by restructuring its affairs, business, property, debt and other liabilities and equity in a manner that maximizes the likelihood of the company continuing its 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

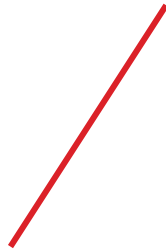
Event	Date
Board resolution to commence business rescue proceedings	28 April 2020
Commencement of business rescue proceedings	29 April 2020
Appointment of business rescue practitioners	4 May 2020
Notice published to all affected persons	11 May 2020
Notice of first meeting of creditors and employees	14 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.
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# 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.



**Committees**

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# EMPLOYEES' COMMITTEE

- A committee, appointed in terms of s148 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 employees' interests.
- It is the view of the BRPs that the input of a pro-active employees' committee will add significantly to the process and will be helpful in achieving the goals set out in the business rescue plan.
- The employees' committee will be represented by bargaining unit employees and representatives who fall outside of the bargaining unit.
- Nominations for non-bargaining unit representatives will commence on 18 May 2020.



6. /

**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.
- Business Rescue related queries can be directed to the BRPs at [employees@edconbr.co.za](mailto:employees@edconbr.co.za)