



EDCON LIMITED

MEETING IN TERMS OF SECTION 151 OF THE COMPANIES ACT

22 JUNE 2020

AGENDA

1. INTRODUCTION
2. BUSINESS RESCUE TIMELINE
3. PROPOSED BUSINESS RESCUE PLAN
4. BUSINESS RESCUE VS. LIQUIDATION
5. OPINION OF BUSINESS RESCUE PRACTITIONERS
6. ADDRESS BY EMPLOYEES' REPRESENTATIVES
7. INVITE DISCUSSION
8. VOTING
9. CONCLUSION

1. /

Introduction

WELCOME

- Welcome
- Questions
 - In light of the regulations and measures implemented by the Government of South Africa pursuant to the global outbreak of COVID-19, this meeting is being held electronically via MS Teams
 - Given the large number of stakeholders, questions can be raised on MS Teams or sent to plan@edconbr.co.za during this meeting.
 - We will attempt to deal with as many questions as possible, however priority will be given to questions pertaining to the consideration of the plan and the adoption thereof.
- Voting
 - By way of proxy in respect of the business rescue plan to creditors@edconbr.co.za;
 - In respect of any motion in terms of section 152 by way of email to creditors@edconbr.co.za
 - Creditors are encouraged to submit their votes in a timely manner in order to limit the time collating and calculating the vote.

MEETING IN TERMS OF S151 OF THE COMPANIES ACT

The objectives of today's meeting are as follows:

1. Introduce the proposed business rescue plan for consideration by the creditors, and if applicable, by the shareholders.
2. Inform the meeting whether the practitioners continue to believe that there is a reasonable prospect of the company being rescued.
3. Provide an opportunity for the employees' representatives to address the meeting.
4. Invite discussion, and entertain and conduct a vote, on any motions in terms of section 152 to:
 - i. Amend the proposed plan, in any manner moved and seconded by holders of creditors' voting interests, and satisfactory to the practitioners; or
 - ii. Direct the practitioners to adjourn the meeting in order to revise the plan for further consideration.
5. Call for a vote for preliminary approval of the proposed plan.

2.



Business Rescue Timeline

BUSINESS RESCUE TIMELINE

Event	Date (2020)
Board resolution to commence Business Rescue Proceedings	28 April
Commencement of Business Rescue Proceedings	29 April
Appointment of Business Rescue Practitioners	4 May
Notice published to all Affected Persons	11 May
Notice of First Meeting of Creditors and Employees	14 May
First meeting of Creditors and Employees	18 May
3 x Employees' Committee Meetings	25 May, 5 June, 17 June
3 x Creditors' Committee Meetings	28 May, 4 June, 15 June
3 x Landlords' Committee Meetings	27 May, 4 June, 12 June
3 x Lenders' Committee Meetings	27 May, 5 June, 17 June
Publication of the Business Rescue Plan	8 June
The meeting to consider and vote on the Business Rescue Plan	22 June

3.



Proposed Business Rescue Plan

BUSINESS RESCUE

Purpose of Business Rescue

- The purpose of the business rescue provisions contained in the Companies act, as set out in section 7(k) of the companies Act, are to provide for the rescue and recovery of financially distressed companies, in a manner that balance the rights and interests of all relevant stakeholders.

Objective of Business Rescue

- The objective of business rescue, as set out in section 128(1)(b)(iii) of the Companies Act is to develop and implement plan that 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 a solvent basis; or
 - If the aforementioned is not possible, results in a better return for the company's creditors or shareholders than would result from the immediate liquidation of the company.

PROPOSED BUSINESS RESCUE PLAN

- The Business Rescue Practitioners (“BRPs”) propose the implementation of the sales process to rescue Edcon Limited (“the Company”).

- The Sales process comprises two parts:

1 Accelerated Sales Process

- First sought to achieve a sale of the entire business as a going concern
- The aforesaid was not possible and the BRP’s are seeking the sale of the divisions as going concerns

2 Implementation of a Wind-Down Process

- The BRPs will seek to realise all remaining assets (including Brands) and/or Divisions which are **not sold** pursuant to the Accelerated Sales Process, by way of a trade out process, private treaty, auction or any other manner which the BRPs, in their sole discretion, deem appropriate given the circumstances prevailing at that time.

INVESTMENT PROCESS

- The BRPs engaged with Management to investigate the likelihood of the Investment Process being successful.
 - **Investment Process** being defined as:
 - a capital investment through the existing shareholders, alternatively, a new investor/s; and
 - if such investment was obtained, a restructure of the Company's current organisational structure to ensure the continued operation of the Company on a solvent basis.
- Due to the challenges experienced in raising funding, it became apparent to the BRPs that a parallel process was required as an alternative proposal to realise value for all stakeholders as envisaged in the Companies Act, being the Accelerated Sales Process.
- Due to timing and the absence of post-commencement funding, the BRPs embarked on the Accelerated Sales Process in parallel with the Investment Process.
- Therefore, it is imperative that an Accelerated Sales Process yields a favourable result prior to the end of June 2020 in order to provide sufficient lead time for supplier negotiations to be finalised and to procure summer stock.

1 ACCELERATED SALES PROCESS

- Initially 19 parties expressed their interest in participating in the Accelerated Sales Process
- 15 interested parties complied with the Phase 1 requirements and were accordingly granted access to the virtual data room
- The BRPs received expressions of interest from various interested parties for all or part of the Divisions
- Interested parties were invited to proceed to the second phase of the Accelerated Sales Process as preferred bidders
- The BRPs will evaluate the Binding offers and thereafter convene meetings with the respective committees to discuss the Binding Offers and the acceptance of one or more of the Binding Offers. The BRPs will, notwithstanding the views of the committees, have the authority to make the final determination of the acceptable Binding Offer/s.

ACCELERATED SALES PROCESS TIMELINE

Event	Date (2020)
Distribution of a process letter	13 May
Compliance with participation requirements	14 May
Access to the virtual data room granted	14 May
Management meetings by arrangement	From 18 May
Indicative Offer submission deadline	29 May
Selection and notification of preferred bidders and the commencement of Phase 2	2 June
Due diligence finalisation and close of virtual data room	30 June
Binding Offer submission deadline	30 June
Consultation with committees to consider the Binding Offers	Early July 2020
Selection of the successful Binding Offer	Early July 2020
Completion of the transaction documents and implementation of same	As soon as practical thereafter

2 WIND-DOWN PROCESS

- The second part of the Sales Process is the implementation of the Wind-Down Process, which will be implemented after 31 August 2020 or such earlier date determined by the BRPs in their sole discretion.
- Realisation of all of the Company's assets (including Brands) and/or Divisions which are not sold pursuant to the Accelerated Sales Process, by way of a trade out process, private treaty, auction or any other manner which the BRPs, in their sole discretion, deem appropriate given the circumstances prevailing at that time, including the trade out of inventory over a period determined by the BRPs in their sole discretion;
- Proposed cancellation of Leases and Contracts which could not be assigned; and
- Proposed retrenchment of all remaining Employees.

4. /

Business Rescue vs. Liquidation

BUSINESS RESCUE VS LIQUIDATION

	Business Rescue	Liquidation
Timing	<ul style="list-style-type: none"> Implemented in a far shorter time frame than liquidations proceedings, between 6-12 months. Dividend distributed as and when available subject to operating cash flow requirements. 	<ul style="list-style-type: none"> The appointment of the joint liquidators will be made within 2 weeks of the first meeting having been held Dividend 18 - 24 months once the L&D account has been finalised.
Retrenchment	<ul style="list-style-type: none"> Full retrenchment payable in terms of Labour Relations Act 66 of 1995 ("LRA") Under Wind-down – employees will be entitled to c. R 597m in retrenchment pay 	<ul style="list-style-type: none"> Preferent portion is limited to R 32 000 per employee and remaining retrenchment amount is treated as concurrent claim. The Deloitte liquidation calculation shows a retrenchment payment of R 217m as a preferent portion with no concurrent portion being paid
Job Preservation	<ul style="list-style-type: none"> Possibility to save maximum jobs through <ul style="list-style-type: none"> Sales Process whereby all or parts of the business will be sold S197 transfer to purchaser of profitable stores 	<ul style="list-style-type: none"> No job preservation, all stores closed and business ceases to exist.
Inventory	<ul style="list-style-type: none"> Ability to trade under Business Rescue thus preserving goodwill Suppliers continue to earn a margin on inventory supplied to the business Suppliers can maintain a customer unlike in a liquidation where all operations will cease 	<ul style="list-style-type: none"> Unlikely that the joint liquidators will continue trading unless they receive a full indemnity from the secured creditors for all losses arising from the trading. Reduced value will be realised for assets on a forced sale basis.

BUSINESS RESCUE VS LIQUIDATION

	Business Rescue	Liquidation
Voting Process	<ul style="list-style-type: none"> Requires approval: <ul style="list-style-type: none"> 75% of creditors (not split by class) 50% of independent creditors 	<ul style="list-style-type: none"> Liquidator discretion to realise in terms of second meeting resolutions.
Landlords	<ul style="list-style-type: none"> Landlords will get paid 6% of turnover (“Turnover Rental”) as rental throughout the BR period with difference between contractual rental and the Turnover Rental will constitute PCF and will carry a statutory preference in the payment waterfall Full utilities are paid throughout the BR process Landlords will continue having a tenant after the Accelerated sales process 	<ul style="list-style-type: none"> Trading will cease and all leases will be terminated Landlords will lose a significant tenant comprising large amounts of space
Fees	<ul style="list-style-type: none"> Practitioner's fee is prescribed per an hourly tariff or as agreed by stakeholders which is significantly lower than that of a liquidator 	<ul style="list-style-type: none"> Liquidator's remuneration is based on a percentage fee based on the gross value of realisations but can be objected to by creditors. The Deloitte liquidation calculation estimates fees between R33m and R74m.
Control Environment	<ul style="list-style-type: none"> Because Company continues to trade, its affairs can be wound down in an orderly fashion. Stricter controls over assets minimises risks of theft, damage and negligence. 	<ul style="list-style-type: none"> Higher risk of theft and damage.

5. /

Opinion of the Business Rescue Practitioners

BRPS OPINION IN TERMS OF THE COMPANIES ACT

- It is the view of the BRPs that, notwithstanding inevitable risks and challenges, that if the Business Rescue proceeds in terms of the proposed plan, same will result in a manner that balances the rights and interests of all relevant stakeholders.

6. /

Address by the Employees Representatives

ADDRESS BY THE EMPLOYEES' REPRESENTATIVES

1. Representative from SACCAWU
2. Representative from the Employees' Committee

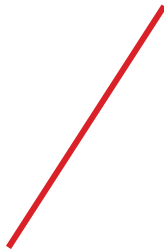
7. /

Invite Discussions

INVITE DISCUSSIONS

- Invite discussion, and entertain and conduct a vote, on any motions in terms of section 152 to:
 - i. Amend the proposed plan, in any manner moved and seconded by holders of creditors' voting interests, and satisfactory to the practitioners; or
 - ii. Direct the practitioners to adjourn the meeting in order to revise the plan for further consideration.

8.



Voting

CONDUCTING A VOTE

Required Voting

- The Plan will be approved on a preliminary basis if:
 - it was supported by the holders of more than 75% of the creditors' voting interests that were voted;
 - and the votes in support of the proposed plan included at least 50% of the independent creditors' voting interests, if any, that were voted.
- The preliminary approval of the Plan will constitute the final adoption of the Plan if it does not alter the rights of the holders of any class of the Company's securities.

Binding of the Plan

- In terms of s152(4) of the Act, a Plan that has been adopted is **binding** on the Company, creditors and shareholders, **irrespective** of whether such person
 - was present at the meeting;
 - voted in favour of the adoption of the Business Rescue Plan; or
 - in the case of creditors, had proven their claims against the Company.

Voting

- By way of a proxy form

VOTING

1. Call for a vote for preliminary approval of the proposed plan

9. ■



Conclusion

CONCLUSION

- Thank you to everyone who submitted their votes in regard to the approval of the proposed business rescue plan.
- The BRPs confirm that:
 - The approval of the business rescue plan was supported by the holders of more than 75% of the creditors' voting interests that were voted, which included at least 50% of the independent creditors' voting interests; and
 - The business rescue plan does not alter the rights of the holders of any class of the Company's securities.
- In the circumstances, the business rescue plan has been approved and has been finally adopted in terms of section 152 of the Companies Act.
- The BRPs will circulate the details relating to the result of the vote by way of a notice published to all affected persons.
- The BRPs will now proceed with implementing the adopted business rescue plan.
- Thank you for your attendance, the meeting is now closed.