

Stuttafords shutting up shop

Stuttafords has finally closed shop, after a last-ditch effort to rescue the stores in Eastgate and Sandton failed this week.



Image credit: Freddy Mavunda via *Business Day*

Interestingly, it was property company Liberty Two Degrees that scuppered an offer from a prospective buyer. The 159-year-old grande dame of SA department stores was subjected to a second bidding process, which kicked off three weeks ago and was concluded last week. By Monday morning it was clear it had failed.

One bidder, whose identity has not been disclosed, put forward an offer subject to a condition that Liberty Two Degrees, as the shopping centre owner, landlord and asset manager of the two stores, would support the leases, which would allow it to continue trading in those centres.

"Unfortunately Liberty rejected the offer and the two stores were closed on Monday morning," says Stuttafords CEO Robert Amoils. "It was a sad outcome as I'd hoped the selected bidder would be able to salvage continuity for those two locations and its staff," he says.

Liberty Two Degrees CEO Amelia Beattie says her company received the bid for Stuttafords last Thursday and discussed it at its board meeting on Friday. However, Beattie says the bid "did not meet our business requirements".

"It didn't contain all the information we needed . in terms of the normal processes of concluding a lease," she says, adding

that the company didn't receive the information it required to enable it to support the leases or enter into new ones.

What Liberty wanted, apparently, was a detailed business case that would have supported the bidder's tenancy. "We wanted to do what's best for our environments and we believe we have acted in the best interests of our shareholders," Beattie says.

But now that Stuttafords has closed, the 950 people (in SA, Namibia and Botswana) who were employed before the business rescue process began, are out of work.

Stock levels are either minuscule or nonexistent, as the company has been heavily discounting stock by up to 75%. Business rescue practitioners will now tally up the claims.

It has emerged, however, that there were three bids for the flagship stores. These were independently adjudicated and managed by KPMG. One of them emerged as the preferred bidder.

The second bidder will now acquire Stuttafords' intellectual capital and intangible assets such as customer lists, IT platforms and historical trade data - essentially anything the company built up over its long history. That bidder doesn't want to keep trading, but wants the name of the business, as well as the hardware, software and office furniture.

Business rescue practitioner John Evans says he has been frustrated by the process. "I was always of the view that this was rescuable and should have been rescued. We had a credible rescue plan originally," he says.

Previously, says Evans, shareholder the Rubenstein family, management and the original bidders were willing to step back when the Ellerine brothers (the biggest shareholder) expressed interest in putting in a bid. "We were quite taken aback that Ellerine Bros reneged on its obligations and withdrew," he says.

Evans says he has no idea what the Ellerines wanted to achieve "or what their agenda was".

"I did at least have some faint hope that we'd manage to save something this time," he says in reference to the Sandton and Eastgate stores.

Liberty argues that Stuttafords' demise is an opportunity to provide a different "customer experience" in Sandton City (store size: 7,800m) and Eastgate (8,400m). "We are in the process of finalising a number of deals to move into those spaces," says Beattie.

Moneyweb has reported that Dis-Chem, Zara Home, Turkish fashion brand LC Waikiki, McLaren and Ferrari fashion brands are among those going after the Sandton space.

This week Stuttafords sent out a "notice to affected persons", including its creditors, disclosing that three bids had been received and only two were capable of implementation. But, it said, "a pivotal suspensive condition relating to the sale of the business being the consent of the landlord of the Sandton and Eastgate stores" had doomed the bid.

Source: Financial Mail