BIZCOMMUNITY

Stuttafords submits to business rescue

By Zeenat Moorad

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Department chain Stuttafords has voluntarily submitted itself for business rescue proceedings, it emerged at the weekend. The embattled company has eight department stores and 15 monobrand stores across SA.

Is the department store dying? Shoppers at a Stuttafords store in Johannesburg on Sunday.

Picture: Russel Roberts

It employs 950 people.

The business rescue plan will be presented in February 2017, following the all-important festive trading season, CEO Robert Amoils said on Saturday.

Once the grand dame of SA department stores, the 158year-old chain has reduced its reliance on high-margin house brands, repositioning instead as a purveyor of global brands, a strategy that has mostly failed as South African shoppers increasingly trade down and shift towards lower-priced products amid SA's economic malaise.

Price points at Stuttafords, which carries labels like Gap, Ted Baker and Tommy Hilfiger, have been escalating as a result of import duties and the devaluation of the rand. This has put off well-heeled consumers, who travel and shop abroad and are au fait with brand positioning.

The retail environment has been tough in SA, with the country's largest clothing company, Edcon, on the brink of business rescue earlier in 2016. Its creditors agreed to swap R20bn of debt they were owed into equity in order to continue trading.

Exactly a year ago, Platinum Group, the owner of homegrown brands like Aca Joe, Hilton Weiner and Jenni Button, was placed into business rescue and later liquidated following a slew of legal battles with property groups including Liberty and Hyprop.

"Should a business rescue plan not be adopted, the worstcase scenario is liquidation," Amoils said.

John Evans from RS Advisors and Neil Miller from Mazars have been appointed as joint business rescue practitioners.

The business rescue proceedings are also believed to have been galvanised by shareholder dissension between Stuttafords's main owners, the Ellerine family, and the Vestacor consortium, which includes the Rubenstein family and a number of smaller shareholders.

Tensions are said to have been mounting since an abortive listing attempt three years ago, when the group was not producing enough profit after interest and tax to finance a desperately needed revamp.

Amoils said that management was desirous of taking a "far greater" shareholding in the business. "Management can [then] control the business rather than be beholden to either of the shareholders. Ultimately, it's a perception of risk," he said. "Both families, who are very well established and wealthy, have put a lot of money into Stuttafords over the past 10 years. A view has been taken that a retailer in this particular [economic] market in SA doesn't necessarily justify further investment.

"Their view is that they would rather be in liquid assets, preferably listed shares," Amoils said. He declined to say which of the two main shareholders held this perspective.

However, a portfolio manager, who could not be named in line with company policy, said: "I think management is living in a dreamland, the landlords don't like this story. This is not a saleable business, they have run out of money and it has zero brand equity. After Christmas, when they've discounted the hell out of all the brands to get rid of the stuff, these stores will close. The Ellerines and the Rubensteins have fallen out - it is no secret. The Ellerines refuse to put more money into this thing. Hyprop wants to boot Stuttafords out of its Canal Walk shopping centre and put H&M in that space."

Canal Walk is owned by Hyprop Investments (80%) and Ellerine Bros (20%).

Absa Investments analyst Chris Gilmour said that Stuttafords had limped along for many years.

"For years I've walked passed Stuttafords stores and they always appear to be empty - never pumping - like the operation is a front for something else. It's been a strange, rather cagey operation for many years. There may be instances where business rescue has worked - I don't know of any though," he said.

Source: Business Day