

# Woolworths asks shareholders for R10bn

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JSE-listed clothing and food retailer Woolworths will raise about R10bn to repay the part of the money it borrowed to pay for its R21.6bn takeover of David Jones, the Australian retail chain.



Woolworths is seeking R10bn from shareholders having used its cash resources to buy David Jones in Australia. Image Wikipedia

The purchase has pushed Woolworths into the top 10 department store operators globally, giving it the scale to compete more effectively.

The company will release the details of its planned R10bn renounceable rights offer on Wednesday (3 September). This will allow it to raise money more cheaply by allowing its existing shareholders either to buy more of its shares or to decline the offer.

The rights offer announcement was made last week, a day after Woolworths released a strong set of results amid far weaker updates from its lower-end competitors, who have been struggling in a tight consumer environment.

Showing its customers are better protected from the weak economic conditions than those of its competitors, Woolworths last week reported a 13% rise in sales to R39.9bn for the year to June. Adjusted headline earnings per share were up 17.1% at 398c.

It paid for David Jones using R10bn of its own cash, R9bn from the equity bridge facility and a R2.7bn facility provided by Australian banks. It is this short-term funding, which is usually more expensive, that it wants to pay off using the money raised from shareholders.

Following the announcement, private money manager Vestact said in a note that Woolworths was "using their good results" to announce the fully underwritten renounceable rights offer. The company's share price would be closely watched by the

market prior to the numbers being released.

"The timing is all rather quick - fast-forward a month and the company will have their money from the shareholders, who will have the shares in their accounts by 1 October," Vestact said.

Source: Business Day via I-Net Bridge

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