

MEDIA RELEASE

## **EDCON BUSINESS UPDATE**

26 March 2020: The Edcon Group announced today, following the President's first announcement on Sunday, 15 March, that Edcon's turnover has declined 45% in comparison to the same period last year and will be R400m below forecast for sales and cash for the month of March – when COVID-19 started to profoundly impact the South African economy. The failure to meet the March sales targets, and the expected drop in collections of the debtor's book, will mean that the business only has sufficient liquidity to pay salaries, which it deems a priority during these extremely uncertain times. As a result, Edcon is unable to honour any other accounts payable during this period.

Additionally the Presidential lockdown order means that Edcon is projecting to lose a further R800m in turnover during the 21 days of lockdown, resulting in an additional significant shortage of cash by end of April.

Edcon CEO Grant Pattison commented, "It goes without saying that we find ourselves in uncharted waters and in a time of great uncertainty. The safety and wellbeing of our employees, customers and partner employees is our priority. What we are experiencing at Edcon is an early indicator of the challenge that both government and many other businesses will have to face after the lockdown."

"The transformation journey has been a tough one for Edcon, starting in February 2019 when we recapitalised the business. We believe that we have a sound and robust strategic plan, focused on store rationalization, realignment of our property portfolio, tight cost management and – most importantly – a customer centric approach by focusing on product, instore customer experience, and growing the credit business and customer base," said Pattison.

"The Edcon turnaround strategy has, however, faced strong headwinds in terms of economic and political challenges, constrained consumer spending and competitive markets. In recent months we have had to deal with worsening trading conditions and now the unprecedented challenge that COVID-19 presents to our already constrained cash flow."

In addition, commented Pattison, "March and November are traditionally months of constrained liquidity for Edcon, so the timing of the lockdown could not have been worse, despite anticipating and planning for a tight March month-end well before COVID-19 even featured on the risk horizon.

Edcon management is currently focused on implementing the lockdown. Once this is done, Edcon will focus its attention on building a business plan for when the lockdown ends.

"We will be working closely with Government and other stakeholders to understand what sort of assistance they can provide to us and will confirm with our various stakeholders once decisions have been made," said Pattison.

“We are unable to provide any further information at this stage other than to say that I will continue to keep our stakeholders updated of developments as the situation unfolds. We are not giving up and are committed to coming through these immensely challenging times, and will work closely with the Government and funders to find a way to continue trading after the lockdown has ended. I hope that we will all emerge from this with an opportunity to repair the collective economic damage wrought by COVID-19.”

Ends.

### **About Edcon**

Edcon is one of southern Africa’s largest non-food retailers. We have been in operation for 90 years, and operate our business under four principal divisions throughout southern Africa:

- Edgars is South Africa’s leading fashion retailer offering a wide variety of Fashion, Beauty and Homeware. Showcasing a portfolio of desired and recognisable international and local brands Edgars enables South Africans to express themselves for all occasions
- Jet addresses the lifestyle needs of the value conscious customer in clothing, home and beauty without compromising aspirations.
- Our Thank U division is a newly formed Operating Division focused on enhancing the customer journey through convenient, personalised, access to products and services through both physical and digital channels. It includes credit, insurance, cellular, e-commerce and our loyalty programme, thank U, which is one of the largest rewards programmes in sub-Saharan Africa.

For more information, please visit the Edcon website: [www.edcon.co.za](http://www.edcon.co.za)