

TELEGRAPH - 27/4/19

Debenhams to slash store numbers in survival fight

Department chain claims it still has 'bright future', but Sports Direct tycoon Ashley could derail its plan

By Ashley Armstrong

DEBENHAMS yesterday unveiled plans to shut 22 shops next year as speculation grew that Sports Direct's Mike Ashley was waiting in the wings to swoop on the struggling department store's prime sites.

The retailer said that around 1,200 jobs will be affected when stores shut after peak-trading at Christmas. Debenhams is also demanding that on the stores earmarked for closure rent bills are slashed in half and it is also asking landlords for reductions between 25pc and 50pc on a further 61 shops. Only 39 of Debenhams' 166 UK stores are not affected by its restructuring plan.

The 22 stores slated for closure in 2020 are: Altrincham, Ashford, Birmingham Fort, Canterbury, Chatham, Eastbourne, Folkestone, Great Yarmouth, Guildford, Kirkcaldy, Orpington, Slough, Southport, Southsea, Staines, Stockton, Walton, Warrington, Welwyn Garden City, Wimbledon, Witney, Wolverhampton.

The Wolverhampton store only opened in October 2017 as part of its "Debenhams Redesigned" strategy to offer more shop services.

The company voluntary arrangement (CVA) is being pushed ahead by Debenhams' new owners, led by hedge funds Silver Point Capital and GoldenTree, which seized control of the retailer earlier this month in a pre-pack administration that wiped out all shareholders, including Mr Ashley.

Terry Duddy, Debenhams' executive chairman, insisted the company had a "bright future" but had to restructure its store portfolio and balance sheet, neither of which were appropriate for the current retail environment. "Our

priority is to save as many stores and as many jobs as we can, while making the business fit for the future," he said.

Jim Tucker of KPMG said that if 75pc of creditors approved the CVA, it would "allow the business the flexibility to implement its turnaround strategy with a store estate that reflects the current UK retail environment".

It is making a £25m fund available for creditors as part of its efforts to win backing for the restructuring.

Insolvency sources said that Sports Direct could derail the CVA process by approaching Debenhams' landlords and offering a higher amount in order to gain control of desired stores. In this way Mr Ashley would successfully be able to cherry pick the stores that he wanted, paving the way to a combination with House of Fraser which he bought last year out of administration.

The *Daily Telegraph* understands that Sports Direct had been invited to make a bid for the business two weeks ago by the hedge funds and asked to sign a non-disclosure agreement that forbade Ashley from talking to Debenhams' landlords.

Mr Ashley refused to sign the NDA and has instead written to the Financial Conduct Authority claiming that the restrictions meant that Debenhams' advisers were not running a "genuine marketing or sales process". Mr Ashley has repeated his call for regulators to investigate and halt the administration.

Sources said that Mr Ashley's refusal to sign the NDA made it more likely that he was interested in buying some of the stores out of administration. One source said "There's still some more action to play out." Sports Direct declined to comment.

Debenhams also issued a trading update revealing that its UK store sales fell 7.4pc over the six months to March 3, while like-for-like sales, which include online transactions, fell by 5.4pc.

Separately, Cotswold Outdoor also launched a CVA yesterday, advised by Grant Thornton, to cut its rent bill.

New owners to force out chief of Debenhams

Lenders call time on former Amazon executive Bucher

Sam Chambers

The new owners of Debenhams are preparing to force out its chief executive after taking control through a pre-pack administration, believing he is the wrong person to lead a turnaround of the stricken department store chain.

Lenders to Debenhams are poised to push out Sergio Bucher, who joined from Amazon in 2016. They are putting together a new leadership team after the group's collapse, which wiped out shareholders, including Mike Ashley's Sports Direct, which owned a 29.7% stake.

The new owners, including the hedge fund Silver Point and Barclays, are understood to be in talks with Terry Duddy, Debenhams' chairman, in the hope he will agree to take on an executive role, although nothing has yet been agreed.

Duddy has been interim chairman since Ashley orchestrated a coup that booted former chairman Sir Ian Cheshire and Bucher off the board in January.

Before running Amazon's European fashion business, Bucher had stints at the

brands Puma and Nike, as well as a period with Zara owner Inditex. Announcing Bucher's appointment in 2016, Cheshire said he was confident he had secured the "best possible" candidate to capitalise on Debenhams' potential to become a "leading international multichannel retailer with a bright future".

However, Bucher's first chief executive posting proved much more challenging than he envisaged. In his first year, sour-



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cing costs jumped when the pound plummeted after the Brexit vote.

Under Bucher's "Debenhams Redesign" strategy, the company planned to introduce gin bars and "hair labs", but financial constraints meant only two of its 166 shops were ever revamped.

Bucher's authority was dented when Ashley removed him from the board, though he stayed on as chief executive. Sources say that Bucher, 55, was not opposed to leaving the business.

Debenhams is drafting in Stefaan Vansteenkiste, a managing director at the advisory firm Alvarez & Marsal, to be its chief restructuring officer. One of his first acts will be to launch a long-rumoured company voluntary arrangement (CVA) to shut shops and cut the rents that have been a key factor in Debenhams' demise. If approved by landlords, the CVA could lead to as many as 50 of the chain's shops closing, costing thousands of jobs.

There is still the prospect that Ashley, who is threatening to sue the company's current and former directors, could disrupt that process. Sports Direct has sent a series of letters to Cheshire demanding to know why he sanctioned dividend payments until October and questioning the company's accounting practices.

A letter this month accused Cheshire of having presided over "the complete annihilation of Debenhams' shareholder value" and failing to act "until it was far too late". A source close to Cheshire, who chairs Barclays' ringfenced bank, said Sports Direct was running a campaign of personal intimidation.

Cheshire is said to have considered an earlier dividend cut, but the board was advised against it because it would "ask more questions than it answered".

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