

26 April 2019

Debenhams announces CVA plan to restructure store portfolio

Debenhams Group Holdings Ltd (the “group”) today announces details of two proposed Company Voluntary Arrangements (the “CVA”): one relating to Debenhams Retail Limited, the main trading entity; and one relating to Debenhams Properties Limited. These decisive actions will serve to keep Debenhams on a stable financial footing and ensure the future of the company.

Terry Duddy, Executive Chairman of Debenhams, said:

“The issues facing the UK high street are very well known. Debenhams has a clear strategy and a bright future, but in order for the business to prosper, we need to restructure the group’s store portfolio and its balance sheet, which are not appropriate for today’s much changed 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.”

Debenhams is an attractive and cash generative business with a leading position in cosmetics and skincare, and a top 5 position in fashion. The group has previously outlined its Redesigned strategy which details a smaller UK footprint with better quality stores. Today’s announcement is a key step in delivering that strategy.

The CVA does not seek to compromise claims of any creditors other than certain landlords, local authorities and inter-company liabilities. All trade suppliers and the entitlements of employees will continue to be paid in full during this process.

The group has engaged with its landlords and groups representing the landlords, pension trustees, lenders and other stakeholders, and will seek to engage further as the process progresses.

The CVA is part of the Company’s restructuring and turnaround plan. In conjunction with this, certain of the Group’s financial creditors recently provided £200m of fresh liquidity and have committed to equitise £100m of debt. Value recovery for the shareholders of Debenhams plc is expected to be nil.

The CVA proposals provide a mechanism to restructure the store estate in line with the plan outlined by management in October 2018 to reduce the current 166 UK store portfolio by closing around 50 stores. The first stage of that programme proposes up to 22 store closures in 2020.

Summary:

The key terms of the CVA are all related to the group’s sites and include:

- All Debenhams stores are proposed to remain open during 2019, including through Christmas peak trading;
- Up to 22 stores expected to close in 2020, the list of the affected stores is attached;
- Further store closures to be confirmed in due course, the final number being dependent on future trading performance; discussions with landlords regarding changes in lease terms and rental levels; and with local authorities regarding business rates;
- Debenhams has already confirmed the closure of its Lodge Farm warehouse. Its three continuing warehouse facilities could be consolidated further as a result of this process;
- The 11 stores in the Republic of Ireland are not affected by the CVA proposal;
- c1200 people work in the stores affected and they have been informed of our plans this morning – we will try to redeploy as many as possible;
- Assuming the CVA becomes effective, a fund of a maximum value of £25m will be available for those creditors compromised by the CVA to participate in future growth of the UK business.

To become effective, each CVA Proposal requires 75% or more in value of the creditors voting at the Creditors' Meeting on the resolutions to approve the CVA and for more than 50% of the total value of the unconnected creditors to vote in favour. The meeting will be held on 9 May 2019.

The proposed Nominees of the CVA are Jim Tucker and Ed Boyle from KPMG's Restructuring practice.

-Ends-

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Notes to editors:

A CVA, or company voluntary arrangement, is a legal process that allows a company to reach a compromise or settlement agreement with some or all of its creditors, ie those to whom money is owed. The majority of Retail CVAs are structured to close stores, reduce rents and change lease terms with their landlords.

Administrators were appointed to Debenhams plc (in administration) on 9 April 2019. The underlying group operating companies are unaffected and all businesses are continuing to trade as normal. Debenhams Group Holdings Limited, its subsidiaries and certain dormant companies, which together make up the Debenhams Group, were transferred to the ownership of Celine UK NewCo 1 Ltd. on 9 April 2019.

Debenhams Group Holdings Ltd. owns two companies affected by the CVA proposal: Debenhams Retail Ltd. (67 stores) and Debenhams Properties Ltd. (99 stores).

Stores expected to close in 2020

Altrincham, Ashford, Birmingham Fort, Canterbury, Chatham, Eastbourne, Folkestone, Great Yarmouth, Guildford, Kirkcaldy, Orpington, Slough, Southport, Southsea, Staines, Stockton, Walton, Wandsworth, Welwyn Garden City, Wimbledon, Witney, Wolverhampton.