

Debenhams to file for administration

"Light touch" administration sought as 142 stores all closed because of coronavirus



Debenhams on London's Oxford Street. Picture source: CoStar

By Paul Norman
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Debenhams has filed a notice of intention to appoint administrators this morning.

The famous department store chain has appointed FRP Advisory in what it has termed a "light touch" administration that will see the existing management team stay on under the direct control of the administrators.

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The move is a strategic one aimed at avoiding legal action from creditors that could see it liquidated as it struggles in particular with the hit to business caused by the coronavirus

pandemic.

It said it is making preparations to resume trading once government restrictions are lifted.

All 142 Debenhams department stores are closed due to the government's coronavirus lockdown, with the majority of its 22,000 employees being paid under the job retention scheme.

Debenhams added in the announcement that payments to suppliers who continue to provide goods and services during the administration will remain unaffected and be paid to terms.

Stefaan Vansteenkiste, CEO of Debenhams, said: "These are unprecedented circumstances and we have taken this step to protect our business, our employees, and other important stakeholders, so that we are in a position to resume trading from our stores when Government restrictions are lifted.

"We are working with a group of highly supportive owners and lenders and anticipate that additional funding will be made available to bridge us through the current crisis period.

"With their support and working with other key stakeholders, including landlords, pension trustees and business partners, we are striving to protect jobs and reopen as many Debenhams stores for trading as we can, as soon as this is possible."

It will be the second time in a year that Debenhams has filed for administration. It has already closed 22 stores this year and plans to shut 28 more in 2021.

Debenhams entered a first pre-pack administration on 9 April 2019 after rejecting a last minute revised takeover offer from Sports Direct boss Mike Ashley. Administrators immediately sold on the group to a newly incorporated company controlled by its lenders including US hedge funds Silver Point and Golden Tree.

The department store giant's 165 stores at the time were confirmed as continuing to trade. The prepack move wiped out shareholder stakes, including the 30% owned by Sports Direct boss Mike Ashley.

The 240-year-old group had already confirmed the previous October that it was to shut around 50 stores over three to five years and cut around 4,000 jobs.

The group has been considering a number of options as it faces up to the Darwinian changes that have been hitting retailers with large stores portfolios, exacerbated now by the disastrous impact of Covid-19 on the economy.

It placed the context of its enormous annual loss in 2018, which compared to a £59m profit in 2017 and £114.1m in 2016, on lower sales and margins, driven by external pressure to maintain competitive pricing and market position, which led to a decline in store profitability.

The department store said it needed to generate cash, reduce debt and reshape its store portfolio in response to “the structural challenges faced by retailers deriving the majority of sales and cashflow from a traditionally-structured store estate”.

Debenhams has been under the spotlight ever since rival, House of Fraser, pursued a CVA in August of 2018.

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