

Arcadia Group announces Company Voluntary Arrangement proposals

Proposals to restructure the business to return the Group to a stable financial platform

Arcadia Group (“Arcadia”, the “Group”) has today announced a series of proposals to restructure its business in order to ensure the long-term sustainability of the Group in today’s highly competitive retail environment.

Arcadia has instigated seven Company Voluntary Arrangements (CVAs) in relation to certain Group companies, alongside a comprehensive turnaround plan which it believes will return the business to growth after a sustained period of declining trading performance. Daniel Butters and Ian Wormleighton of Deloitte have been appointed as Nominees to the CVA.

Under the proposals, Arcadia has identified 23 out of its total 566 UK and Irish trading locations for potential closure, while requesting a reduction in rental costs and revised lease terms across 194 locations. The remaining 349 locations will be unaffected by the proposals. These proposals form part of a wider turnaround plan which will drive greater cost efficiencies, enable store investment and further develop the Group’s multi-channel proposition to deliver a better experience for customers. No UK or Irish trading locations will close in the short term, and employees and suppliers will continue to be paid on time and in full.

As part of the Group’s turnaround plan, Arcadia is also restructuring its US operations in line with its strategy to deliver its US retail offer through its wholesale partners and digital platform. As a result, the Group has commenced a process which may result in the closure of all eleven Topshop Topman stores in the US.

Arcadia has engaged extensively with its key stakeholders ahead of launching the CVA proposals in order to balance the needs of the Group and its landlords, pension trustees, suppliers and other creditors.

As part of the CVA proposals, Lady Green, the Group’s shareholder, will invest £50m of equity into the Group, in addition to the £50m of funding which was provided in March, to support the Group’s turnaround plans. The shareholder has also agreed to provide all affected landlords with an entitlement to a pro-rata share of 20% of any equity value in the Group upon a future sale. Landlords will also be able to claim against a £40m compromised creditor fund and will not suffer any compromise of dilapidations on currently occupied stores.

The Group is progressing discussions with the trustees of its two largest pensions schemes, the Pensions Regulator and the Pension Protection Fund (“PPF”). The Company has previously been paying £50m in contributions to the schemes per annum. As part of the restructuring, the new proposals would reduce the contributions from the Company to the schemes from £50m to £25m per year, for three years, with security over certain assets being granted in order to provide support to the schemes. The Group’s shareholder has offered to bridge the shortfall with funding of £25m per year for the next three years, plus an additional £25m contribution, resulting in total payments from Lady Green into the schemes of £100m.

The Group is committed to keeping redundancy levels to a minimum. The locations which have been identified for potential closure employ 520 people. Every effort will be made to redeploy affected colleagues within the business where possible, and any staff unable to be assigned a position elsewhere in the Group will be eligible for applicable redundancy payments.

Arcadia is seeking creditor approval on the proposals at meetings to be scheduled on Wednesday 5 June 2019. All UK and Irish trading locations will remain open and trading as normal during this period, and the Group’s online sales channels will be completely unaffected by the proposed changes.

Ian Grabiner, CEO of Arcadia Group, said:

“Against a backdrop of challenging retail headwinds, changing consumer habits and ever-increasing online competition, we have seriously considered all possible strategic options to return the Group to a stable financial platform.

“Following constructive discussions with all key stakeholders, we believe that a CVA is the best course of action to reduce our fixed cost base and ensure we can continue meeting our commitments to pension trustees, staff, creditors and our extensive supply chain for the long term, while continuing to serve customers through our portfolio of quality fashion brands.

“We have in place a well-developed turnaround plan for the Group, which includes driving cost efficiencies and managing the refreshed retail store estate and investing in the continued development of our multi-channel proposition and logistics. The plan will be executed by the Group’s recently strengthened senior management team, made up of top talent from across the retail industry who are committed to returning the Group to growth.

“This has been a tough but necessary decision for the business. We will ensure all potentially affected colleagues are kept fully informed as we seek approval from our creditors on today’s CVA proposals.”

Daniel Butters, Partner at Deloitte, said:

“Arcadia and its portfolio of iconic fashion brands have faced unprecedented market conditions in recent years, which have significantly impacted the Group’s financial performance. These CVAs will provide a stable platform for Arcadia’s experienced and committed leadership team to implement its turnaround plan and ensure the long-term sustainability of the Group.

“We have fully engaged with all key stakeholders ahead of today’s announcement and believe that these CVA proposals strike a fair balance between the concerns of key stakeholders and the essential requirements to restructure the business.”

Ion Fletcher, Director of Finance & Commercial Policy, British Property Federation (BPF), said:

“These situations are never easy, as property owners need to take into consideration the impact on their investors, including those protecting pensioners’ savings via investment into property, as they vote on the CVA proposal.

“Arcadia and Deloitte engaged with the BPF before launching its CVA proposal. This has provided us an opportunity to improve understanding of property owners’ interests and concerns, but ultimately it will be for individual property owners to decide how they will vote on a CVA.”

¹A list of stores identified for potential closure is included in the ‘Notes to editors’ section below.

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Notes to editors

Arcadia Group trading locations identified for potential closure under the CVA proposals (lead brand in brackets):

Aberdeen (Dorothy Perkins/Burton Menswear); Ashton Under Lyne (Topshop Topman); Bedford (Topshop Topman); Cheshunt (Outfit); Bluewater (Miss Selfridge); Fareham (Topshop Topman); Glasgow – Buchanan Street (Burton Menswear/Topman); Luton (Topshop Topman); Newcastle upon Tyne - Northumberland Street (Outfit); Nuneaton (Topshop Topman); Reading (Dorothy Perkins/Burton Menswear); Salisbury (Topshop Topman); Southend (Miss Selfridge); Stirling (Dorothy Perkins/Burton Menswear); Swindon (Miss Selfridge/Wallis/Evans); Swindon (Dorothy Perkins/Burton Menswear); York (Dorothy Perkins/Burton Menswear); Cork (Dorothy Perkins/Evans); Dublin – St Stephen’s Green (Topshop/Miss Selfridge); Dublin – Jervis (Topshop Topman); Dublin – Henry Street (Evans/Wallis); Dublin – Liffey Valley (Wallis); Galway (Miss Selfridge).

About Company Voluntary Arrangements (CVAs):

Where a company is experiencing difficulties in paying its debts, the directors can propose a Company Voluntary Arrangement (CVA) whereby the company enters into a legally binding agreement with its creditors, such as their suppliers or landlords. A CVA enables a company and its creditors to come to a compromise agreement and avoid an administration or liquidation. A CVA can provide a company with some breathing space to allow it to reorganise or restructure its funding and/or its operations with as little disruption to the day to day trading as possible.

About Arcadia Group:

Arcadia comprises eight, well-established brands including seven UK high street fashion brands – Burton Menswear; Dorothy Perkins, Evans, Miss Selfridge, Topshop, Topman and Wallis, as well as out of town shopping concept, Outfit. In addition to its leased trading locations, the Group generates sales through concessions, franchises and digital platforms. Approximately 18,000 people are employed by the Group.