MEDIA RELEASE

PIC supports Edcon Business Rescue process

23 June 2020

PRETORIA – The Public Investment Corporation (PIC) supports the proposed Edcon business rescue plan (BRP). The proposed plan seeks to support job and creditor sustainability and a higher recovery dividend for the Unemployment Insurance Fund (UIF), compared to a liquidation process.

The PIC, on behalf of the UIF invested R1.2 billion in Edcon, which entitled it to ordinary shares in the company, a subscription in an indirectly secured guaranteed convertible instrument and a subscription in an indirectly secured guaranteed instrument, which entitles it to payment upon an occurrence of an acceleration event. The BRP process represents an occurrence of an acceleration event.

The investment in Edcon was made in line with UIF’s High Social Impact Portfolio (HSIP) mandate, which allows PIC to invest in projects that aim to preserve and create jobs. Although it is probable that jobs will be lost, support of the Business Rescue Plan aims to minimise job losses, maintain footprint of Edcon’s retail entities to ensure support for landlords and continue to sustain components of the value chain consisting Edcon trading partners. PIC is therefore in favour of the plan versus a liquidation process which would have a higher impact on job losses.

The PIC is aware of court challenges to the BRP and hopes for a lasting solution, that is beneficial to all the stakeholders and ensures that as many jobs as possible are preserved. By 31 March 2020, Edcon employed more than 24,400 people. The majority of these jobs (80% or more than 19 400) are permanent, with 58% (more than 16 400) being employees aged 35 years and under.

The Business rescue plan was approved and adopted with more than 75% of the vote on the 22 June 2020. The PIC has appointed an external legal counsel to advise on the extent of its rights and to vote on its behalf during the Business Rescue Process.

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