

Ellerines rescue process 'better than expected'

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Unlike African Bank's recovery process which missed initial deadlines, the business rescue process at its furniture retailer Ellerines is progressing better than was expected, with a possible payout to creditors in the next two to three months.



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Matuson Associates, the business rescue practitioners handling Ellerines, said on Friday in the third update on the group that cash generation at Ellerines had exceeded expectations. When African Bank was taken into curatorship, Ellerines had debt of R1.3bn.

The amount available for distribution to concurrent creditors at Ellerines had grown from R44.8m to R484m, business rescue practitioner Leslie Matuson said.

This includes net sales proceeds from Dial-a-Bed, which was sold for R150m to Coricraft. Beares was sold for R50m to Lewis Stores.

"We are outperforming the forecast in winding down the South African operation, resulting in a better cash position than was originally anticipated in the plan," he said.

Imara SP Reid analyst Stephen Meintjes said Lewis was already showing the benefits of the Beares transaction, with the

group highlighting revenue growth of 4% for the past nine months in its latest trading update.

"The Beares brand should provide more scope and make better use of distribution centres at Lewis."

Where the market still remained cluttered, less competition was good, Meintjes said.

The net available amount for secured creditors is R244m. After the payment of R160m to secured creditors, the net available cash for distribution before sales proceeds amounts to R84m.

"Once secured creditors have been paid, we intend to distribute a large portion of the cash, prior to the proceeds that would flow from the rest of Africa sale, as an interim dividend to concurrent creditors."

The business rescue practitioners believe there is a reasonable prospect of the company being rescued. Even if it is impossible for it to continue in its current form, it will result in a better return for creditors than its immediate liquidation would.

No divisions other than Dial-aBed and Beares had been sold, Matuson said. Among the initiatives implemented are accelerated store closures, which have resulted in significant cost savings. All contracts that are no longer required for operations have been cancelled.

Offers to staff of voluntary separation packages have been accepted by 4,686 employees, resulting in significant savings.

With the closure of stores and distribution centres largely completed, the focus is now firmly on managing the rest of Africa operations. Ellerines has 10 stores in Namibia, 14 in Botswana, 10 in Lesotho and 5 in Swaziland.

Source: Business Day via I-Net Bridge

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