

Edcon can only pay salaries right now, tearful CEO tells suppliers

In an emotional conference call to suppliers on Thursday, Edcon's CEO Grant Pattison delivered the sobering news that the company is unable to pay its suppliers, many of which are SMMES, as it only has sufficient liquidity to pay salaries at this time. He also said that Edcon, which is one of southern Africa's largest non-food retailers, may not be able to open at the end of South Africa's national lockdown to fight the coronavirus outbreak.



The audio of the conference call was shared on *The Money Show*, hosted by Bruce Whitfield, who also broke down after sharing the audio clip.

Pattison said that following the President's first announcement on 15 March, Edcon's turnover had declined 45% in comparison to the same period last year and will be R400m below forecast for sales and cash for the month of March – when Covid-19 started to profoundly impact the South African economy.

"March and November are traditionally months of constrained liquidity for Edcon, so the timing of the lockdown could not have been worse," he said.

"The failure to meet the March sales targets, and the expected drop in collections of the debtor's book, will mean that the business only has sufficient liquidity to pay salaries, which it deems a priority during these extremely uncertain times. As a result, Edcon is unable to honour any other accounts payable during this period," Pattison explained.



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4 Feb 2020



R800m in turnover to be lost

The presidential lockdown order means that Edcon is projecting to lose a further R800m in turnover during the 21 days of lockdown, resulting in an additional significant shortage of cash by the end of April.

Edcon has most recently been focused on implementing the lockdown, which started at midnight on 26 March. Once this is complete, Pattison said the company will turn its attention to a reopening plan, adding "I'm not sure what this looks like, or even if it's possible."

"We will be heavily dependent on business support packages offered by government, other agencies and funders. We also can't really be sure how long this lockdown will last.

"Management will continue to look at all options and there may be some tough recommendations made to the board after the lockdown period, including having to consider business rescue."

Pattison said that Edcon is unable to make any promises to suppliers other than to keep them updated of developments or plans that the board approves. "For your own planning, it would be pertinent for you to consider that orders already placed with you may be cancelled," he added.

A tearful Pattison ended the call saying, "In the midst of our own stresses and fears we acknowledge the material impact our financial situation has on you and your businesses and the devastating effects our decisions will have on your operations. We can only sympathise with you.

"We hope that we will all emerge from this and get an opportunity to repair the collective economic damage. Management and the board of Edcon wishes you, your employees and families' good health through the upcoming weeks."

Listen to the emotional audio clip below:



A [Fin24 report](#) stated that an anonymous supplier who was on the conference call commented, "I have just been on a conference call with the CEO of Edcon to suppliers. They will honour salaries and nothing else this month. I do not want to kick anyone while they are down, I simply want it to be known that Grant Pattison (CEO), took the call himself, was in tears at not being able to pay suppliers but told us all the truth. His courage and bravery should be recognised when so many other business people are ducking and diving to avoid having difficult conversations."

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