

Poundstretcher exits CVA after paying off creditors at a rate of 12p in the pound

Management at the Poundstretcher discount chain say they have exited a two year CVA after repaying creditors at a rate of 12p in the pound.

The business brought in the legal arrangement back in July 2020 to find a way of offloading high rent stores.

It means the [Leicestershire headquartered discount chain](#) has paid off around £13 million of what it owed, from a total of around £100 million.

The business said the biggest single creditor was HMRC followed by around 250 of its shop landlords.

Documents filed at Companies House suggest business recovery specialist Interpath Advisory, which helped with the CVA, was paid more than £740,000.

Poundstretcher management said the CVA had enabled them to rebuild the business with new store openings now underway at a rate of around one a week – having dropped from 450 stores a couple of years ago to just over 330 today.

It is also working with retail specialists to work out how to get the best return from its shop and shelving layouts.

Management said the CVA allowed the business to reset its cost base so that it was able to generate profits of £22-28 million in the year to March 2022 on the back of revenues of £326 million. Overall turnover was down from £411 million back in 2020 because there were now fewer stores.

[Chief executive Aziz Tayub](#) told BusinessLive the group exited

the CVA completely on October 28.

He said: "None of our suppliers were compromised – in fact we have so much stock now because of our strong relations with those suppliers.

"The first six months of this year were not easy, but it has picked up in the last six months,

"Our profits might not be as much this year because of higher energy and fuel costs and the high dollar. But all our costs are now locked in and on that basis we are profitable,

"Shoppers are also coming into the discount sector – we are about 8-10 per cent up on footfall, although people are probably spending a little bit less. Overall, like-for-like sales are up 3 per cent.

"It's not an easy time for customers but it's not an easy time for businesses either. There are retailers out there with stock issues, but we have lots of good stock and our prices are good and now we just hope we aren't affected by bad weather in the run up to Christmas."

Poundstretcher property and legal director Gerry Loughran said the original terms of the CVA were determined in the High Court and approved by 95 per cent of creditors, and had helped avoid placing the business in administration.

He said around 100 "category A" landlords were not affected by the CVA, while many of those that were had renegotiated rents.

He said: "Under it there was an agreement with the creditors to pay a dividend of 12p in the pound – which was quite generous for a CVA – and we had paid them all by February. HMRC was included in the list, along with many of the shop landlords.

"Throughout it all Aziz made sure all our suppliers were paid in full.

“The CVA was a chance for the company to reset its liabilities, to grow again and to save 5,000 jobs. It was a chance for the company to prosper rather than throwing it on the scrap heap.

“Some £13 million was put into the creditors’ fund and the original total figure owed was about £100 million. Money written off included rents due on leases.

“We actively engaged with landlords to reach new agreements. Some landlords wanted their stores back, but others are staying on through mutual agreement.

“We are also opening new stores, with six planned in January. Our target is 50 new stores a year including 10 in the next couple of months.”

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