What does the future hold for Studio Retail a year after its very public collapse and rescue by Mike Ashley's Frasers Group?

It's been just over a year since Studio Retail's very public collapse and subsequent rescue by Mike Ashley's Frasers Group.

Because of its size and being a public company, the Lancashire-based online retailer's failure and rise from the ashes was reported on every step of the way.

But 12 months on, what has changed at the business and what might the future hold for the brand which now sits alongside the likes of House of Fraser, Sports Direct and Jack Wills as part of Mike Ashley's retail empire?

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What happened last year?

Things all kicked off when Studio Retail issued a profit warning at the end of January 2022.

The company told investors that its profits were set to be lower than market expectations and that it was to raise its prices.

The warning promoted its share price to plunge by more than 35%.

At the time, Mike Ashley's Frasers Group was its largest shareholder. The tycoon had attempted a takeover of the business in 2019 but saw his 161p-per-share offer rebuffed.

Two weeks later, on February 14, Studio Retail announced it was to call in administrators.

The company said it had requested a short-term loan of £25m from its lending banks to fund surplus stockholding which it “believed was sufficient to enable it to sell through the stock to customers”.

However it had not been able to reach an agreement with them to provide the additional funding it needed.

The collapse into administration, which was officially confirmed on February 24, put 1,400 jobs at risk.

A day later the news broke that Frasers Group had rescued Studio Retail in a £26.8m deal.

The fallout

The next big headline to come out was the news that Studio Retail had owed more than £80m when it collapsed.

BusinessLive reported that Frasers Group had acquired the company for just £1 as well as the release of £53.1m of secured liabilities under its revolving credit facility and ancillary facilities.

Documents filed with Companies House by administrators Teneo also revealed the group owed £50m for a revolving credit facility and £3.1m for other facilities when it entered administration.

It also owed c.£1,100 to employees for holiday pay and pension contributions and a further c.£4.7m to HMRC.

Studio Retail’s office in Clayton-le-Moors, Lancashire (Image: Studio Retail)

What has happened since then?

Last month, BusinessLive reported that Studio Retail’s chief executive had stepped down.

Paul Kendrick had taken on the role permanently in March 2021, having served as CEO designate since July 2022.

He first joined the Accrington-based online retailer in May 2016 as commercial director and deputy managing director and was promoted to MD in April 2017.

Before being recruited, he was marketing and multi-channel director at Bonmarche for ten months, having worked at Manchester-headquartered fashion giant N Brown for more than seven years.

Studio Retail’s finance director David Twigg has since been promoted to managing director.

It was also reported last month that the company is to create 30 jobs in its first major expansion drive since being rescued.

Its Clayton-le-Moors office was also recently bought outright by Frasers Group.

Studio Retail Group’s base in Accrington, pictured before it entered administration
(Image: Accrington Observer)

So what might the future hold?

The full financial state Studio Retail is in following its rescue will not be revealed for a little longer yet.

Accounts for its most recent financial year are not due to be published until April.

However, Frasers Group’s half-year results, which were filed in December 2022, have given some clues.

Frasers Group said: “It is our expectation that SRL’s [Studio Retail Limited] customer base has seen and will continue to see a significant reduction in real earnings as a result of the current cost of living crisis and, whilst the adverse impact payment and arrears performance has been less severe than anticipated to date, it will continue to be felt in the future.

"Judgement has therefore been exercised in applying a post model adjustment of £20m (24 April 2022: £40m) to the output of the impairment model in arriving at the provision.

"This reflects management's best estimate based on the information available to them and has been calculated using broadly the same methodology as that used at 24 April 2022, although the probability weightings applied to the relevant scenarios have been modified to reflect management's latest view of the risks to customer payment and default performance posed by the current macro-economic outlook.

"We note that the unprecedented level of uncertainty around the cost of living and the UK economy as a whole, and the impact this will have on Studio's customer base, will continue to cause challenges in assessing bad debt on a forward-looking basis."

What about Frasers Group?

Since its acquisition of Studio Retail, control of the retail empire has been passed to Mike Ashley's son-in-law, Michael Murray.

It also rescued Manchester-based online retail brand Missguided out of administration and counterpart I Saw It First a few months later.

The group agreed a deal worth almost £50m to buy numerous brands from JD Sports in December 2022.

Most recently it has been upping its stake in Manchester fashion group N Brown, whose brands include Jacamo, Simply Be and JD Williams.

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