Macintosh Retail Group NV (MRG)- Bankruptcy

Macintosh
Retail Group

Introduction

This factsheet describes the warning signs that ultimately led to the Macintosh Retail Group NV (hereafter: MRG) bankruptcy. The downfall was due to the difficult and changing retail climate in the Netherlands, less consumer spending caused by the economic recession, online competition, disappointing divestment gains, insufficient income for debt repayment and insufficient headroom for the necessary investments.

History goes back to 1932

MRG was a very well known retailer in the Netherlands, Belgium and UK with different brands/formats. The history of MRG goes back to 1932. It started originally as a clothing retailer. During the seventies MRG transformed to a classic (shoe) retailer and during its last days specialized to Shoe & Living. At year-end 2015, MRG had 550 stores: 413 shops throughout the Netherlands and 137 in Belgium and an overarching internet formula "Intreza". MRG had about 5,200 employees.

Main reasons for the bankruptcy

The economic recession caused an oversupply in the retail market, which resulted into price pressure, decrease in sales and margin. In addition the consumer confidence and spending deteriorated in the Netherlands, which ultimately had a negative impact on the retail market.

MRG was struggling with their strategy for a long time and multiple (strategic) rightsizing plans were drawn up trying to realize a turnaround.

The combination of the shift towards online shopping and the long-term rental contracts of their shops frustrated the rightsizing plans of MRG. Also the fact that MRG missed the start of the e-commerce era (their webshop was launched late 2011 / beginning 2012), resulted in years of lagging behind the facts.

The ongoing negative financial performance of MRG and disappointing gains of the divestment of their formulas resulted in not being compliant with the debt repayment plan. As a result the investment program to realize a profitable and sustainable future had to be put on hold to "save" money.

Ultimately stakeholders lost confidence in the business case and MRG filed for it's own bankruptcy in December 2015.

Macintosh Retail Group NV (MRG)- Bankruptcy

Macintosh
Retail Group

Atradius' risk management actions

Early 2014 the risk assessment of the group was transferred from Mainstream Underwriting to our Special Risk Management (SRM) department, due to the second consecutive year of losses. At that time we insured above EUR 45 million of credit limits. Since SRM involvement we had multiple meetings with top management of MRG to determine our cover policy for our insured. After the refinancing of MRG in July 2014 we demanded additional details/information about the new financing agreement.

As MRG didn't provide the needed information we weren't able to assess the (increased) credit risk anymore and we were left with no other choice then to decrease the facilitated credit limits.

As the outcome of the measures of the restructuring plan (the selling prices of multiple formulas) were disappointing, the operational performance was still facing challenges, we demanded additional securities to continue our facilitated credit limits.

At first, MRG didn't meet our demands and we had to make a full exit of our facilitated credit limits in May 2015. A month later we came to an agreement with the new CFO of MRG and we could facilitate credit limits up to a certain level going forward.

We kept monitoring the developments of the group on a monthly basis going forward, but unfortunately the operation didn't improve and MRG was declared bankrupt on 30th of December 2015.

Recoveries

We started to investigate the usage of the facilitated credit limits including possible contracted orders of our insured.

Soon after insolvency, we contacted the receivers and had multiple meetings to minimize the losses for our insured. Amongst others we claimed the obtained securities, the Retention of Title and rights on proceeds of sales of the goods of our insured during bankruptcy.

Due to the strict risk assessment of our SRM department, we could facilitate credit limits for our insured at the moment of bankruptcy. In the end our insured received full payment of their outstanding unpaid debts, including the percentage of their own risk, potential reselling losses and overarching legal costs.