

Sports Direct International PLC

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Debenhams rejects £150m lifeline from Mike Ashley's Sports Direct

Debenhams PLC (LON:DEB) has rejected a £150m lifeline from Mike Ashley's Sports Direct International PLC (LON:SPD) that would have significantly reduced the troubled department store chain's massive debt pile.

Sports Direct now has until April 22 to make a firm takeover offer for Debenhams or risk seeing its 29% stake wiped out in a debt refinancing.

The sportswear retailer had offered to underwrite a £150m rights issue as long as Ashley was appointed chief executive of Debenhams.

But on Monday afternoon, Sports Direct said it had received a letter from Debenhams turning down the proposal.

"Sports Direct is disappointed with Debenhams' response," the company said.

"Sports Direct believes that, in the continued absence of any such engagement from the board of Debenhams and Debenhams' lenders, there is a likely significant and negative impact on Debenhams' current shareholders and other stakeholders, including suppliers and employees.

"Sports Direct therefore calls upon the board of Debenhams and its lenders to actively engage in negotiations."

Sports Direct said it would continue to give "active consideration" to a possible 5p per share cash offer for Debenhams. The company had said it was considering such an offer in March but it was contingent on the retailer terminating its plans for a £200m refinancing and installing Ashley as boss.

READ: Sports Direct's Mike Ashley accelerates calls to become Debenhams boss after receiving ultimatum

Debenhams ignored Ashley's request and agreed to a £200m refinancing with lenders in late March, although just over half was available immediately.

The other half would be released depending on whether Sports Direct launched a firm takeover offer or agreed on the provision of at least £200m in new funds via a loan or participation in a rights issue.

If the remaining funds are released, Debenhams will be taken over by lenders, wiping out shareholders including Sports Direct.

Ashley calls for Debenhams executives to take lie detector test

Sports Direct announced its £150m rescue deal on Sunday night. Alongside the proposal, Ashley issued a statement accusing top executives at Debenhams of "a sustained programme of falsehoods and denials".

Ashley also called for the department store chain's shares to be suspended and asked industry regulators to investigate

Price: 227.6p

Market Cap: £1214.01M

1 Year Share Price Graph



Share Information

Code: SPD

Listing: LSE

52 week High Low
427.30p 220.20p

Sector: General Retailers

Website:
www.sports-direct-international.com

Company Synopsis:

Sports Direct is a leading sports retailer, and the owner of a significant number of internationally recognised sports and leisure brands. As at April 2008 the Group operated out of 375 stores in the United Kingdom. The majority of stores trade under the Sports Direct or Sports World fascias, but some stores still trade under the Lillywhites, McGurk, Exsports, Gilesports, Hargreaves and Field & Trek brands.

Author:

Proactive Investors Ltd

+44 (0)207 989 0813

action@proactiveinvestors.com

how the company is being run.

Sports Direct said Ashley and two colleagues attended a meeting with Terry Duddy and David Adams from Debenhams board "where it is considered misrepresentations were made to induce Sports Direct into signing a non-disclosure agreement locking them out of any ability to trade in the bonds or equity of Debenhams for a period of time".

The sportswear retailer said Ashley and his two team members had undertaken lie detector tests to prove their recollections of the meeting were accurate. The results "showed without any doubt" that they were providing an accurate report of the meeting, Sports Direct said.

"Indeed Mike Ashley's score, for example, was so significantly high as to be considered rare in comparison to others," the group said.

Sports Direct called on Duddy and Adams to also take lie detector tests.

Debenhams to maintain a 'dignified silence'

A representative for Debenhams and the board members told the Financial Times they intended to maintain a "dignified silence" in response to the claims.

A source told the newspaper that discussions between Debenhams and Ashley were already fraught because of a "yawning trust gap" between the two parties.

The person said Debenhams board was worried Ashley would back out of the £150m lifeline if he gained full control of the company.

Ashley faces tough decision, says analyst

Ahead of the rejection from Debenhams, AJ Bell investment director Russ Mould said: "Mike Ashley could face a tricky decision very soon if the Debenhams board continue to ignore his rescue bid."

He added: "It looks like Ashley faces the unpleasant choice of backing down on demands such as being made chief executive of the group and ousting the current board or letting the lenders take charge and being wiped out entirely."

"Ashley's no-nonsense approach to business has likely been a significant factor in the creation of his retail empire. But Debenhams might have been a case where a more softly-softly approach would have yielded greater success."

In afternoon trading, shares in Debenhams fell 7.8% to 1.88p.

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Contact us +44 (0)207 989 0813 action@proactiveinvestors.com

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