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Business

Australia's stores set to be saved

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RETAIL

Thousands of Australian Toys "R" Us workers appear likely to have their jobs saved through a deal to merge the bankrupt retailer's local operations with its Asian business and sell them to a new owner.

The toy giant's 45 local stores and about 2700 employees have been under a cloud for the past month after the chain announced it would wind down its business in the United States.

Toys "R" Us said on March 15 it would close all 735 of its stores in the US, where it is headquartered, after going bankrupt in September and failing to restructure billions of dollars of debt.

It is also shutting its 75 stores in Britain, but working with global restructuring giant Lazard to find new owners for its operations in Australia, Asia and Canada.

Sources close to the process told Fairfax Media there had been at least a dozen preliminary offers received for the 400-store Asian business, most of which also included the Australian operations. Lazard is whittling the offers down to six for the second round of the sale.

The Australian and Asian divisions of Toys "R" Us have been run as separate entities, with the Asian business operating as a joint venture 15 per cent owned by Hong Kong's Fung Group.

Fung Group has considered buying the 85 per cent of Toys "R" Us Asia it does not already own and has also helped solicit bids from Chinese private equity firms, according to Bloomberg News.

A lawyer for Toys "R" Us told a bankruptcy court in the US last week it had received multiple bids of over \$US1 billion (\$1.29 billion) for the Asian business.

The source who spoke to Fairfax Media on the condition of anonymity said it was still possible an offer would be accepted for either the Australian or Asian businesses on their own.

Those running the deal were confident of securing new owners within the next six to seven weeks, the source said.

Toys "R" Us Australian stores have continued to trade through the process. They have been discounting heavily, and last week "permanently" reduced prices on more than 300 products and took 25 per cent off clearance items.

One major Australian supplier said the chain's local management had agreed to settle outstanding accounts with nervous suppliers, who were worried about being left with unpaid invoices in the advent of a collapse, and was now paying for orders upfront.

A possible white knight emerged for Toys "R" Us in the US late last week in the form of MGA Entertainment, which makes the popular Bratz dolls, through a \$US890 million (\$1.1 billion) offer for American and Canadian stores.

A spokesman for Toys "R" Us Australia did not respond to requests for comment.

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