Neiman Marcus Emerges From Bankruptcy to Continue Digital Transformation

Luxury retailer Neiman Marcus emerged from Chapter 11 bankruptcy protection today after completing its restructuring process, the company announced.

The Dallas-based department store chain, which is also the parent of Bergdorf Goodman, eliminated more than $4 billion in debt and the $200 million in annual interest expense tied to that debt, the announcement said.

“While the unprecedented business disruption caused by Covid-19 has presented many challenges, it has also given us the opportunity to reimagine our platform and improve our business. We emerge from Chapter 11 as a stronger, more innovative retailer, brand partner, and employer,” said Geoffroy van Raemdonck, Neiman Marcus’ CEO, in a statement.

The retailer’s new owners include bond firm Pacific Investment Management Company (PIMCO) and hedge funds Davidson Kempner Capital Management and Sixth Street, which van Raemdonck said understand the value of the brands and the opportunity for growth.

“They are also strongly committed to supporting our company on sustainability issues—where we intend to be a leader within the industry,” he added.

The owners are providing $750 million in exit financing that replaces the debtor-in-possession (DIP) loan and provides additional cash for the business. In addition, Neiman Marcus secured a $125 million FILO (first in, last out) loan led by Pathlight Capital, which also refinances debt and provides

liquidity. A $900 billion asset-based loan is being provided by a Bank of America-led consortium of commercial banks.

The restructuring of the business allows Neiman Marcus to complete the digital transformation it began prior to both the pandemic and the bankruptcy filing. Among its major initiatives are its fall digital campaign, coined “Neiman’s State of Mind,” which is being unveiled in chapters and focuses on life during lockdown. It replaces—at least for the time being—the retailer’s print catalog The Book.

Neiman Marcus has also earmarked some six locations under its banner for closure as well as 17 Last Call off-price stores. As of Sept. 8, the company operated 43 Neiman Marcus locations (which includes some of the stores it is in the process of closing), two Bergdorf Goodman locations in New York and five Last Call stores.

The department store chain began the restructuring process when it filed for bankruptcy on May 7 after striking a deal with its largest creditors.

Prior to the pandemic, it was pegged as having a high probability of default, in part due to the $4.3 billion in debt it accumulated as the result of a leveraged buyout by private equity firm Ares Management and Canada Pension Plan Investment Board.

While the company said it was making progress toward a turnaround, the losses suffered due to state-ordered store closures as the result of Covid-19 essentially pushed the company into bankruptcy.

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