

# Apollo lines up banks to finance £6bn takeover bid for Boots

Apollo Global Management, the New York-based buyout giant, is lining up banks to fund a £6bn tilt to buy Boots, Britain's biggest high street chemist.

Sky News has learnt that Bank of America, Credit Suisse and Royal Bank of Canada are among those in talks to help finance a takeover bid from Apollo.

Apollo, which declined to comment, has been linked with offers for other major UK retailers during the last year, although reported interest in J Sainsbury and Marks & Spencer has failed to materialise.

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Although Apollo is likely to be able to secure the required financing for a Boots bid, debt markets have become increasingly difficult since Russia's invasion of Ukraine last month.

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A new round of bids for Boots is expected next month, with Apollo and Asda – which is owned by TDR Capital and EG Group – regarded as the only two serious prospective buyers for the business.

Sycamore Partners, which Sky News revealed last week was exploring a takeover of Ted Baker, the fashion chain, is not thought to have committed to making an offer for Boots.

The initial frontrunners to buy the Nottingham-based company, which traces its roots back to 1849, were thought to be a consortium comprising Bain Capital and CVC Capital Partners, the private equity firms.

However, they declined to bid on valuation grounds and are no longer participating in the auction.

Last month, Sky News revealed that bidders for Boots were grappling with options for tackling huge pension liabilities guaranteed by the chain's current owner.

Walgreens Boots Alliance, the chain's current owner, is said to be keen to offload the guarantees as part of a sale.

At approximately £8bn, Boots' pension scheme is one of the largest private retirement funds in the UK.

Although it is well-funded, private equity insiders say that the Boots pension trustees are expected to seek substantial additional funding as part of any leveraged buyout of the business.

Meetings between Boots' management team, led by chief executive Seb James, and bidders were scheduled to take place this week.

Boots trades from more than 2000 stores and employs over 50,000 people, making it one of the UK's biggest private sector employers.

The sale process is being run by Goldman Sachs.

For Stefano Pessina, the WBA chairman, a decision to sell Boots would mark the final chapter of his involvement with one of Britain's best-known companies.

The Italian octogenarian engineered the merger of Boots and Alliance Unichem, a drug wholesaler, in 2006, with the buyout firm KKR acquiring the combined group in an £11bn deal the following year.

In 2012, Walgreens acquired a 45pc stake in Alliance Boots, completing its buyout of the business two years later.

Mr Pessina and his partner, Ornella Barra, the group's chief operating officer for its international businesses, have been mainstays with the company since the original Boots merger.

Like many retailers, Boots has had a turbulent pandemic, announcing 4000 job cuts in 2020 as a consequence of a restructuring of its Nottingham head office and store

management teams.

It has also been embroiled in rows with landlords about delayed rent payments.

Shortly before the pandemic, Boots earmarked about 200 of its UK stores for closure, a reflection of changing shopping habits.

A spokesman for Apollo declined to comment.