

Boots bidders seek right prescription for £8bn pension scheme

Bidders for Boots, Britain's biggest high street chemist, are grappling with options for tackling huge pension liabilities guaranteed by the chain's current owner.

Sky News has learnt that private equity firms which tabled indicative offers for Boots this week have been informed that Walgreens Boots Alliance wants to offload the guarantees – which are said by retail executives to be worth billions of pounds – to a new owner.

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.

A deadline for initial offers for Boots expired on Thursday, with at least three bidders understood to have submitted offers.

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These are said to have included the financiers who own Asda, US-based Sycamore Partners and a consortium comprising Bain Capital and CVC Capital Partners.

Sky News revealed earlier this year that Bain and CVC had joined forces to bid for Boots, with the chain thought to be valued by WBA at between £5bn and £6bn.

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CVC's involvement is significant because of the key role played by Dominic Murphy, one of CVC's team of managing partners and an architect of the £11bn takeover of Alliance Boots by KKR – the private equity firm he previously worked for – in 2007.

Mr Murphy, who remains a director of Walgreens Boots Alliance (WBA), Boots' US-listed parent company, is recusing himself

from boardroom discussions about the potential sale of Boots as a result of his interest in the process at CVC.

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.

The chain's heritage dates back to John Boot opening a herbal remedies store in Nottingham in 1849.

It opened its 1000th UK store in 1933.

WBA and a spokesman for the Boots pension trustees declined to comment.