

Former HMV-owner Hilco joins race to wrap up Paperchase deal

One of the most prolific investors in the UK high street has joined the race to wrap up a takeover of Paperchase, the stationery retailer.

Sky News has learnt that Hilco Capital, which recently snapped up the modern vintage brand Cath Kidston, is among a small number of parties engaged in talks about a deal with Paperchase's owner.

City sources said on Friday that the discussions involving Hilco were at an early stage and might not lead to a transaction.

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Hilco has at various points owned some of the best-known brands in British retailing, including Habitat and HMV.

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It currently owns Homebase, the DIY chain.

The names of Paperchase's other bidders were unclear.

Paperchase is being auctioned 18 months after it became one of the numerous retail casualties of COVID-19, having undergone a pre-pack administration in January 2021.

Permira Credit, which has controlled the chain since then, appointed advisers to oversee a sale earlier this year following unsolicited enquiries from potential buyers.

Those approaches came after an improvement in its financial and operating performance, aided by the closure of a number of stores as part of last year's insolvency process.

Permira Credit is said to have invested in Paperchase's digital offering as well as new shop openings and executive recruitment since its brush with administration.

PricewaterhouseCoopers, which handled the pre-pack process, is

overseeing the sale process.

The auction comes amid deteriorating consumer confidence in the UK, with retail businesses and their owners facing a tougher environment than 12 months ago.

At the time of its brush with insolvency, Paperchase employed nearly 1300 people, and traded from more than 125 sites across the UK.

Its outlets included concessions at House of Fraser, Selfridges and a number of Next stores.

A person close to the company said in April that its digital sales had grown strongly in the 2019-2021 period, with plans to expand that presence into seven European countries through an Amazon Marketplace offering.

Its current physical retail estate comprises 96 standalone shops and 32 concessions.

Revenue is forecast to double between its 2021 and 2024 financial years, according to the person.

Permira Credit, which is affiliated to Permira, the global private equity firm, had supported Paperchase for several years as a lender, but took a controlling stake last year through a vehicle called Aspen Phoenix NewCo.

It is now seeking a long-term owner with extensive retail industry expertise to facilitate the chain's growth.

Paperchase was one of dozens of prominent retailers which crashed into insolvency during the COVID-19 crisis, with other notable names including Debenhams and the Dorothy Perkins-to-TopShop empire, Arcadia Group.

Hilco and Permira Credit declined to comment on Friday.