

Matalan bondholders seek talks over budget retailer's future

Lenders to Matalan, one of Britain's biggest budget retailers, are preparing for crunch talks about the chain's future financing against a backdrop of soaring inflation and deepening economic gloom.

Sky News has learnt that Matalan's senior bondholders are lining up Perella Weinberg Partners to advise them on their options with a £350m repayment due to take place early next year.

More junior lenders, meanwhile, who are said to be owed about £80m, are close to appointing Houlihan Lokey to advise them.

City sources said on Friday that talks about a refinancing of Matalan's balance sheet were expected to move forward in the coming weeks.

John Hargreaves, the company's founder, is likely to need to inject tens of millions of pounds of additional funding in order to retain outright control of the company, they added.

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While details have yet to be finalised, the impending appointment of advisers to two sets of lenders underlines the significance of talks that will take place during the summer.

Matalan is one of Britain's largest privately-owned retailers, employing about 10,000 people and operating 230 UK stores as well as more than 50 overseas through franchise agreements.

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The talks involving Mr Hargreaves have been given added impetus by a legal ruling in February that he must pay £135m in taxes relating to his sale of shares in Matalan more than

20 years ago.

They also come as other retailers at the discount end of the market, such as Poundland's parent company, warn that UK consumers are curbing spending on all but essential purchases as the cost-of-living crisis escalates.

Matalan declined to comment, although it said in February: "Following the period of robust Christmas trading, the business retains a strong cash and liquidity position.

"Matalan is continuing to evaluate alternatives and monitor market conditions with respect to a potential refinancing of its outstanding indebtedness."