

Matalan founder Hargreaves faces fresh tussle with lenders over chain's future

The founder of Matalan is preparing for a fresh tussle with the retailer's lenders over its ownership ahead of a deadline for refinancing £350m in debt.

Sky News has learnt that John Hargreaves, who reinstated himself as Matalan chairman last month, has in recent days proposed injecting tens of millions of pounds into the business.

Under the plan, Mr Hargreaves and his family would retain outright control of the company he founded in 1985.

City sources said this weekend, however, that some of Matalan's senior creditors were likely to be unconvinced by the proposal and were preparing to push for the fashion and homewares chain to be put up for sale.

The precise sum that Matalan's family shareholders were proposing to inject into the company was unclear, although there were suggestions on Saturday that it could be between £25m and £50m.

One person close to the process said there was no formal discussion about a sale and that lenders had not formally rejected Mr Hargreaves' proposals.

A £350m bond is due to be repaid in January, while a further £130m instrument is scheduled for repayment a year later.

More from Business



Rail strikes: Industrial action continues today – with only 20% of train services expected to run



Cineworld preparing to file for bankruptcy – report



P&O will not face criminal action after firing almost 800 workers, Insolvency Service says

In June, Matalan also secured a £60m revolving credit facility as it sought to strengthen its balance sheet ahead of what threatens to be a prolonged slump in consumer sentiment.

Based in Liverpool, Matalan employs 11,000 people and trades from 230 UK stores.

Advertisement

It also operates an e-commerce platform and has more than 50 overseas franchise stores.

The company claims to have 11 million customers.

It was unclear this weekend what valuation any sale process would achieve against the current economic backdrop, or whether Matalan's bondholders themselves were preparing to take ownership of the business.

A sale process which took place against Mr Hargreaves' wishes would be "certain" to undermine the company's value, according to one retail executive who has worked for Matalan.

Like many of its peers, the chain found its finances severely strained by the pandemic, prompting the Monaco-based Mr Hargreaves to provide substantial financial support.

In recent months, global inflationary pressures have impaired margins, while supply chain challenges have had an impact on stock availability.

Matalan warned earlier in the summer that its "ability to successfully refinance our debts involves geopolitical, economic and market factors outside the direct control of the business".

Its most recent trading update, for the 13 weeks to May 28, revealed a healthy recovery in sales to £286.5m, compared to £221.8m a year earlier.

Upon his return as chairman, Mr Hargreaves, who replaced Steve Johnson, said: "My belief in, passion for, and commitment to our business is stronger than ever and I look forward to maximising our growth potential, along with the senior leadership team, delivering true omnichannel value for our customers."

The Hargreaves family is being advised by Lazard, while Perella Weinberg Partners is advising the first-lien – or senior – lenders.

Matalan declined to comment on Saturday.