New Morrisons owner gives green light to £500m property sell-off

The new owners of Wm Morrison have given the green light to plans to sell a £500m property portfolio months after completing their £7bn takeover of Britain’s fourth-biggest supermarket chain.

Sky News has learnt that the grocer is in the process of appointing advisers to oversee the disposal of a substantial chunk of Morrisons’ manufacturing and distribution facilities across the UK.

City sources said on Monday that the plans had been under discussion for some time, with a formal process expected to begin imminently.

The real estate auction will be among the most significant moves to date sanctioned by Morrisons’ new owners, Clayton Dubilier & Rice (CD&R).

The buyout firm won a hotly contested and drawn-out takeover battle last autumn when it outbid a consortium led by Fortress Investment Group, a US-based rival.

As part of efforts to secure the backing of pension trustees and other stakeholders, CD&R pledged not to undertake substantial sale-and-leasebacks of Morrisons’ store portfolio.

In its formal offer documents relating to the transaction, it said: “Bidco [the company formed by CD&R to implement the deal] recognises that the high proportion of freehold ownership of the Morrisons store estate is a particular strength of the business which has been carefully preserved over many years and will continue to be a cornerstone of Morrisons.

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“Bidco does not intend to engage in any material store sale and leaseback transactions.

“High levels of real estate ownership has been a feature of previous CD&R investments, including MFG where real estate ownership has remained above 90%, since the acquisition by CD&R in 2015.”

The undertakings given by CD&R, which did not incorporate manufacturing or logistics property assets, are binding for 12 months following the completion of the deal.

The period since CD&R agreed to buy Morrisons has been a volatile one, with financing markets having become increasingly twitchy and soaring inflation and supply chain challenges posing headaches to supermarkets attempting to cater to price-conscious shoppers.

On Monday, Morrisons **warned that sales and profits this year could be impacted by inflation and the war in Ukraine**.

“We are taking steps to mitigate the impact of these developments on our EBITDA [earnings before interest, tax, depreciation and amortisation] for the remainder of the year,” it said in a results statement cited by the Reuters news agency.

“Unless these conditions improve, the impact of these developments could have a material adverse effect on our sales and EBITDA for the year.”

CD&R is also contending with an investigation into the impact of its Morrisons takeover on competition into Britain’s fuel retailing market.

The private equity firm also owns Motor Fuel Group (MFG), the largest independent operator of petrol stations in the country.

Last month, the Competition and Markets Authority (CMA) said it had found that the deal “raises competition concerns in relation to the supply of petrol and diesel in 121 local areas across England, Scotland and Wales”.

Sky News revealed earlier this year that CD&R had hired bankers to launch a £5bn auction of MFG.

Coincidentally, Fortress is among the interested parties.

That sale process could kick off as soon as the coming weeks, depending on the state of credit markets, according to insiders.

CD&R declined to comment.