

Pizza Hut salvages restaurants' future with pre-pack sale

The future of Pizza Hut's restaurants in Britain has been salvaged after the business was sold out of insolvency proceedings to the brand's main partner in Denmark and Sweden.

Sky News can reveal that Heart With Smart (HWS), Pizza Hut's dine-in franchise partner in the UK, was sold on Thursday to an entity controlled by investment firm Directional Capital.

The pre-pack administration – which was [reported by Sky News on Monday](#) – ends a two-month process to identify new investors for the business, which had been left scrambling to secure funding in the wake of Rachel Reeves's October budget.

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Sources said that only one Pizza Hut restaurant would close as part of the deal.

More than 3,000 jobs have been preserved as a result of the transaction with Directional Capital-owned vehicle DC London Pie, they added.

“Over the past six years, we have made great progress in building our business and strengthening our operations to become one of the UK's leading hospitality franchise operators, all whilst navigating a challenging economic backdrop,” Jens Hofma, HWS's chief executive, said in response to an enquiry from Sky News on Thursday.

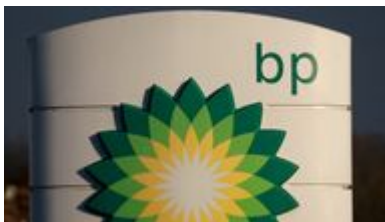
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"With the acquisition by Directional Capital announced today, the future of the business has been secured with a strong platform in place."

Dwayne Boothe, an executive at Directional Capital, said: "This transaction marks an important milestone for Directional Capital as we continue to build the Directional Pizza platform into a premier food & beverage operator throughout the UK and

Europe.

“Directional Pizza continues to invest in improving food and beverage across its growing 240 plus locations in Europe and the UK.”

The extent of a rescue deal for Pizza Hut’s UK restaurants had been cast into doubt by the government’s decision to impose steep increases on employers’ national insurance contributions (NICs) from April.

These are expected to add approximately £4m to HWS’s annual cost base – equivalent to more than half of last year’s earnings before interest, tax, depreciation and amortisation.

Until the pre-pack deal, HWS was owned by a combination of Pricoa, a lender, and the company’s management, led by Mr Hofma.

They led a management buyout reportedly worth £100m in 2018, with the business having previously owned by Rutland Partners, a private equity firm.

HWS licenses the Pizza Hut name from Yum! Brands, the American food giant which also owns KFC.

Interpath Advisory has been overseeing the sale and insolvency process.

Even before the Budget, restaurant operators were feeling significant pressure, with TGI Fridays collapsing into administration before being sold to a consortium of Breal Capital and Calveton.

Sky News also revealed during the autumn that Pizza Express had hired investment bankers to advise on a debt refinancing.

HWS operates all of Pizza Hut’s dine-in restaurants in Britain, but has no involvement with its large number of delivery outlets, which are run by individual franchisees.

Directional Capital, however, is understood to own two of Pizza Hut's UK delivery franchisees.

Accounts filed at Companies House for HWS4 for the period from December 5, 2022 to December 3, 2023 show that it completed a restructuring of its debt under which its lenders agreed to suspend repayments of some of its borrowings until November next year.

The terms of the same facilities were also extended to September 2027, while it also signed a new ten-year Pizza Hut franchise agreement with Yum Brands which expires in 2032.

"Whilst market conditions have improved noticeably since 2022, consumers remain challenged by higher-than-average levels of inflation, high mortgage costs and slow growth in the economy," the accounts said.

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It added: "The costs of business remain challenging."

Pizza Hut opened its first UK restaurant in the early 1970s and expanded rapidly over the following 15 years.

In 2020, the company announced that it was closing dozens of restaurants, with the loss of hundreds of jobs, through a company voluntary arrangement (CVA).

At that time, it operated more than 240 sites across the UK.