

Retail

UK stores group gains fresh Chinese capital

JONATHAN ELEY — LONDON

Nanjing Xinjiekou, owner of House of Fraser, said yesterday it had reached agreement with C.banner to inject £70m of fresh capital into the UK department-store group.

Hong Kong-listed C.banner will acquire a 51 per cent stake in House of Fraser Group, the holding company that owns 89 per cent of the UK chain. It will do so by acquiring existing shares from Nanjing Xinjiekou and subscribing to new House of Fraser Group equity.

The sale of new shares is expected to raise the £70m, though the final amount is subject to negotiation.

House of Fraser has received £25m of support from its major shareholder so far this year, but has £171m of floating-rate notes due for repayment by September 2020.

C.banner is primarily a footwear manufacturer, but is known in the UK as the owner of Hamleys, the toy store, which it bought in 2015. Talks between the two parties were revealed last week. The chairman of Nanjing Xinjiekou's parent Sanpower, Yuan Yafei, is the brother-in-law of C.banner chairman Chen Yixi.

Nanjing Xinjiekou, also known as

Chain reaction Landlords unhappy over restructuring process

Landlords have criticised House of Fraser's handling of the announcement that it plans to restructure its store portfolio.

Nanjing Xinjiekou's agreement with C.banner is conditional on the department store chain completing a CVA, or voluntary arrangement to pay its creditors. But trade body the British Property Federation said landlords were "particularly compromised" by the process.

Ian Fletcher, a BPF director, said although landlords had supported several CVAs where discussions had taken place before the restructuring was announced, House of Fraser had "not followed this best practice".

He added the "understanding landlords have shown a couple of previous CVAs" would "be absent because of the way it has been handled". *Aime Williams*

Nanjing Cenbest, will remain a significant minority shareholder. The transaction is expected to be completed by the end of June and is subject to approval by House of Fraser bondholders and shareholders in both C.banner and Cenbest.

House of Fraser said it was in talks with a group of bondholders over the restructuring.

The investment is conditional on House of Fraser restructuring its store portfolio, which it intends to do via a company voluntary agreement. A formal proposal will be issued at the start of June. Frank Slevin, chairman of House of Fraser, said that "we need to make difficult decisions about our underperforming legacy stores".

Bryan Roberts, at TCC Global, said House of Fraser had been relatively slow and tentative in adapting to the big shift online compared to rival John Lewis. "They are also still quite brand-led, so their own-label offering is not as well known as, say, Debenhams."

Its latest update, covering the six weeks to December 23, showed store revenues falling 2.9 per cent and web sales down 7.5 per cent. Chief executive Alex Williamson has identified £26m of annual cost savings.

