

RETAIL

Will Hudson's Bay Co. come to Neiman Marcus' aid?

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Image courtesy of Neiman Marcus

By STAFF REPORTS

Department store chain Neiman Marcus could be in the market for a new owner after financial results continue to underscore the retailer's recent struggles.

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For the second fiscal quarter ended Jan. 28, Neiman Marcus Group reported total revenues of \$1.4 billion, a 6.1 percent decrease from the year-ago period, and comparable revenues also dropped 6.8 percent. Additionally, Neiman Marcus saw a net loss of \$117.1 million compared to net earnings of \$7.9 million for the second quarter of fiscal 2016.

Troubles continue

For the 26-week period ended Jan. 28, Neiman Marcus saw total revenues of \$2.47 billion, a 6.7 percent decrease in total revenues from the year-ago period. The year-ago period saw total revenues of \$2.65 billion.

Neiman Marcus' struggles continue with recorded non-cash impairment charges of \$153.8 million in the second quarter of fiscal year 2017.

As a result of its trying financial times, Neiman Marcus made changes to its corporate structure to enhance its flexibility.

In November 2016, the retailer announced Michael Fung as interim CFO and COO of Neiman Marcus Group. Mr. Fung replaced Donald T. Grimes.

Mr. Fung was most recently the interim CGO and treasurer of 99 Cents Only Stores, and currently serves on its board. His nearly 40-year experience in retail includes 11 years at Wal-Mart Stores where he served as CFO and senior vice president, global procurement and internal audit ([see story](#)).

The group also stated it has designated certain entities in Texas and Virginia as "unrestricted subsidiaries" under its credit facilities. Doing so means that these properties are not subject to the same credit agreement rules as its other entities.



Image courtesy of Neiman Marcus

Neiman Marcus Group is also beginning to "explore and evaluate potential strategic alternatives, which may include the sale of the company of other assets, or other initiatives."

Sources close to the matter have shared that Canada's Hudson's Bay Co., owner of Saks Fifth Avenue, is in exploratory talks with Neiman Marcus Group. According to [Reuters](#), experts suggest that these talks are likely to help the company better manage its debt rather than an acquisition.

Neiman Marcus said in its financial statement that "the company cannot provide assurance that the exploration of strategic alternatives will result in the completion of any transaction or other alternative, or regarding the possible terms or form of any such transaction or alternative."

Neiman Marcus will not comment further on the matter until a specific transaction has been approved by its board of directors.

In January, the retailer withdrew its request to be listed in an initial public offering.

As with much of the retail sector, Neiman Marcus has been faced with ongoing challenges as more and more selling moves online. In addition to changing consumer behavior, Neiman Marcus has struggled with declining revenues.

Neiman Marcus was sold by private equity firms TPG Capital and Warburg Pincus in 2013 to Ares Management and the Canadian Pension Plan Investment Board. Neiman Marcus Group owns Neiman Marcus department stores, New York-based retailer Bergdorf Goodman and off-price seller, Last Call ([see story](#)).

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