

RETAIL

Activist HBC investor pushes for Saks sale

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Exterior of Saks Fifth Avenue. Image credit: Saks Fifth Avenue

By STAFF REPORTS

Saks Fifth Avenue parent company Hudson's Bay Company is facing pressure from its investor Land & Buildings to sell the luxury retailer to boost its share price.

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In a letter signed by Land & Buildings' founder and CIO Jonathan Litt sent to shareholders, the investor argues that HBC's shares are undervalued, calling for measures to create shareholder value. Land & Buildings has previously taken on HBC over its real estate holdings, and it has renewed its push to sell Saks' flagship in New York as part of its latest statement.

Real estate revisited

Last December, Saks owner Hudson's Bay Company reached a deal with Land & Buildings, allowing its planned equity investment from Rhne Capital to go through.

In October, HBC struck a deal with WeWork Property Advisors, a joint venture between WeWork and Rhne Capital, to sell its Lord & Taylor flagship in New York for \$850 million ([see story](#)). Along with the sale, the transaction included a \$500 million investment from Rhne Capital, which Land & Buildings attempted to appeal ([see story](#)).

Land & Buildings, as a long-term significant shareholder of Hudson's Bay, continues to believe that the company's stock is egregiously undervalued," Mr. Litt said in his letter. "In our view, there are numerous pathways that Hudson's Bay should be pursuing to unlock shareholder value.

"Unfortunately, the company has failed to take the decisive actions necessary to achieve this goal," he wrote.



Lord & Taylor's flagship in New York. Image credit: Lord & Taylor

Earlier this year, Hudson's Bay Company looked to raise its profitability by joining forces with German retailer Karstadt.

HBC is partnering with retail real estate firm Signa Retail Holdings, signing a 50-50 joint venture for HBC's German real estate holdings, including Galeria Kaufhof and other banners. HBC's sales were up slightly in the first quarter of the year, but it continues to make strategic moves to boost its financial growth ([see story](#)).

Per Land & Buildings, HBC has not reached the share price expected from its recent moves, including the merger in Europe and the Lord & Taylor WeWork deal.

Among the changes that Land & Buildings is calling for is new board leadership and the sale of real estate and brand assets, including the Saks and Lord & Taylor brands, the Saks flagship on Fifth Avenue and the remaining 50 percent of Galeria Kaufhof's stores.

The investor plans to talk to other shareholders, with the intent to set up a special meeting.

"HBC continues to unlock value from its real estate portfolio with the partial sale of its German real estate assets and the upcoming closing of the sale of the Lord & Taylor Fifth Avenue flagship building," the company said in a statement as it presented its second quarter results in September. "Combined, the close of the partial sale of HBC's German real estate assets and the Lord & Taylor flagship building are expected to generate total proceeds of at least \$1.4 billion over the coming quarters.

"In addition to these recent activities, the company continues to explore strategic partnerships and other alternatives that maximize the value of its North American assets," it said.

Saks is HBC's largest brand, and this past quarter saw a 6.7 percent rise in comparable sales. The retailer joined the HBC portfolio in 2013.