

RETAIL

Hudson's Bay Company looks into reorganization

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Exterior of Saks Fifth Avenue, owned by HBC. Image credit: Saks Fifth Avenue

By STAFF REPORTS

Retail group Hudson's Bay Company is reorganizing its business structure, as it sells off a joint venture project and looks into the possibility of going private.

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HBC has agreed to sell its remaining European real estate and divest its related joint venture for \$1.13 billion to focus on growth in North America. In addition, the group has formed a special committee of independent directors to review a proposal for privatization from a shareholder group.

Reorganization

A group of shareholders that make up 57 percent of the outstanding common shares of HBC on an as-converted basis have submitted the proposal for the privatization of the company.

The group, named the Continuing Shareholders, includes individuals and entities related to HBC governor and executive chairman Richard A. Baker, Rhne Capital LLC, WeWork Property Advisors, Hanover Investments and Abrams Capital Management, L.P.

No decision has been made yet, but a committee, which includes David Leith, Stephanie Coyles, Wayne Pommen, Earl Rotman and Matthew Rubel, is looking into it. Blake, Cassels & Graydon LLP and J.P. Morgan Securities will represent the committee as legal counsel and financial advisor, respectively.

The group is also working to divest its German real estate joint venture to its partner Signa for a total consideration of \$1.13 billion.

HBC will use a portion of the proceeds to fortify its balance sheet, fully repaying its outstanding \$329 million term loan.



Saks Fifth Avenue's The Vault jewelry store in Greenwich, CT

"This agreement is an exciting milestone for HBC as it will deliver important financial and strategic benefits," said Helena Foulkes, CEO of HBC, in a statement. "Financially, it provides us with the best opportunity to capitalize on our German real estate and allows us to further strengthen our balance sheet.

"Strategically, we will be able to fully focus our resources on HBC's North American operations, including our best growth opportunities Saks Fifth Avenue and Hudson's Bay," she said. "This transaction is another bold action that unlocks the value of our real estate and demonstrates our resolve to creating a stronger, more capable HBC."

A shareholder of Saks Fifth Avenue parent Hudson's Bay Company publicly called for changes in how the organization uses its building assets in 2017.

Land and Buildings Investment Management, which owns almost 5 percent of HBC's outstanding shares, has pushed for a plan that includes remodeling parts of Saks Fifth Avenue's New York flagship into condominiums and boutique space. The investor met with HBC leadership, but is threatening to call a meeting of shareholders to oust board members ([see story](#)).

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