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RETAIL

HBC special committee outlines risks of Catalyst Capital offer

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Saks' parent company HBC is planning to go private. Image credit: Saks Fifth Avenue

By STAFF REPORTS

A special committee of retail group Hudson's Bay Company's board of directors is responding to an unsolicited share purchase offer from Catalyst Capital.

According to the special committee of shareholders that collectively owns a 57 percent stake in HBC, the parent of Saks Fifth Avenue, Catalyst's offer for 8 percent of HBC's common shares is intended to give the firm the ability to block the retail group's privatization move. The special committee cautioned shareholders about the risks of the offer.

Opposing views

The special committee is working towards a privatization transaction for the company, which it feels would enable HBC to better strategize and work towards addressing market challenges. This would involve the sale of 100 percent of the outstanding shares held by minority shareholders at $9.45 per share.

In contrast, Catalyst's proposal covers 14,836,795 common shares, representing about 8 percent of outstanding common shares, or 15 percent of the outstanding shares that are not owned by continuing shareholders. Catalyst is offering $10.11 per common share.

Catalyst's offer expires on Aug. 16, ahead of the September deadline for the internally led privatization option.

"If successful in its partial bid, Catalyst has stated that it intends to vote its shares (including any that are tendered in its partial bid) against our privatization proposal," Richard A. Baker, governor of HBC, wrote in a letter to the special committee. "This could effectively block a whole company sale transaction that the special committee chooses to make available to all HBC minority shareholders on the basis that it is in their best interests."

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

HBC also cautioned shareholders that Catalyst's offer is not an official takeover bid, and therefore is outside of legal protections for that type of transaction.

In a statement, Catalyst said that the $9.45 share price set by the special committee undervalues the company.

"This request by the controlling shareholders of HBC, in itself, is the height of coercion, particularly since the controlling insiders have made it clear that, from their perspective, HBC's only option is to accept or reject the Baker Group offer and ignore their duty to maximize value for all shareholders," Catalyst says in its statement.

The fund manager offered to meet with HBC's special committee to discuss the offer, as it believes it is well positioned to be a long-term shareholder. Catalyst also argued that HBC needs to consider more options that will maximize return on investment for shareholders.

As it continues to weigh its options, HBC is inviting its shareholders to comment on their views about a possible privatization of the company.

Last week, the group's special committee of the board has issued a letter to shareholders detailing the notion of going private, giving them a chance to share their views (see story).