

RETAIL

## HBC sells Lord & Taylor to focus on Saks, Hudson's Bay

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*Lord & Taylor is being acquired by Le Tote. Image credit: Lord & Taylor*

By STAFF REPORTS

Amid a growing convergence of subscription and traditional retail, rental company Le Tote is acquiring Lord & Taylor from Hudson's Bay Company.

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With the deal, Le Tote is acquiring all of Lord & Taylor's intellectual property and will assume operation of all of the retailer's 38 stores, digital channels and inventory. HBC says the sale will enable it to better focus on Saks Fifth Avenue and Hudson's Bay.

"We're excited to have reached an agreement with Le Tote that creates a new model for Lord & Taylor, bringing together fashion rental subscriptions with traditional retail," said Helena Foulkes, CEO at HBC, in a statement. "Following an extensive review of strategic alternatives, Le Tote's leadership and innovative approach is the best path forward for Lord & Taylor, its loyal customers and dedicated associates.

"For HBC, this transaction builds upon our previous bold actions, further enabling us to focus on our greatest opportunities, Saks Fifth Avenue and Hudson's Bay," she said.

### Retail meets rental

Founded in 2012, Le Tote enables shoppers to borrow clothing from brands such as Kate Spade, Rebecca Minkoff and Calvin Klein. The rental company's model lets consumers subscribe for a flat monthly fee, through which they can request a set number of items and keep them for as long as they want.

Under Le Tote's ownership, Lord & Taylor will operate under a new model that blends subscription and retail, leveraging the retailer's store footprint and merchandise selection.

Le Tote plans to employ most of Lord & Taylor's associates.

HBC and its real estate joint venture HBS Global Properties will retain ownership of Lord & Taylor's owned properties. HBC has also agreed to pay the rent on Lord & Taylor's leases for at least three years, with the expected yearly cash liability totaling about \$58 million.

Beginning in 2021, Le Tote can reevaluate Lord & Taylor's store network. This process may involve HBC taking back use of the properties to redevelop them, such as opening new mixed-use spaces.

The sale is set to close before the holidays. Le Tote will be giving HBC \$75 million in cash at the time of purchase and a \$25 million promissory note within two years.



*Le Tote is buying Lord & Taylor. Image credit: Lord & Taylor*

HBC will also get an equity stake in Le Tote and two seats on the company's board of directors.

In the 2018 fiscal year, Lord & Taylor represented about \$1 billion of the group's total \$7 billion revenues. During the year, Lord & Taylor's comparable sales were down compared to 2017.

'Since founding Le Tote, it's been our mission to push the boundaries of retail," said Rakesh Tondon, CEO/founder of Le Tote, in a statement. "We've strived to lead the charge in developing innovative, intuitive, value-driven ways for customers to engage and consume.

"We're excited to bring Le Tote together with Lord & Taylor, a storied brand that has stood for quality, style and service for nearly two centuries," he said. "With this acquisition, we continue our journey in creating the future of retail."

This acquisition of the Lord & Taylor brand by Le Tote follows other sales of the retailer's assets.

In February, HBC completed its sale of the iconic Lord & Taylor building in New York to WeWork Property Investors.

After years of deliberation, HBC completed its sale of the Fifth Avenue building to be converted into a community workspace. The total numerical value of the sale was CAD \$1.1 billion, or \$850 million at current exchange ([see story](#)).