Luxury Daily®

The News and Intelligence You Need on Luxury

RETAIL

HBC enters agreement to take company private

October 21, 2019

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

By STAFF REPORTS

Saks Fifth Avenue parent Hudson's Bay Company's board of directors has agreed to enter a privatization deal with a group of shareholders who own a 57 percent stake in the group.

The shareholders will purchase all of the common shares in the company that they do not already own at a price of 10.30 Canadian dollars per share, or $7.86 at current exchange. This agreement comes as HBC navigates a challenging retail environment and upcoming operational costs.

Privatization plan

HBC's shareholder group includes its governor/executive chairman Richard Baker and WeWork Property Advisors.

The valuation for the privatization deal marks a 62 percent premium over HBC's closing share price on June 7, the last trading day before the shareholder group first made their offer to take the company private. The original price per share offered by the group on June 10 was 9.45 Canadian dollars, 9 percent lower than the current 10.30 cancellation price.

HBC's special committee has unanimously supported the deal, and the board has approved the offer.

The board notes that the price per share is higher than the trading value expected in the near future. In the next two to three years, HBC is facing costs associated with rent renegotiations and the sale of Lord & Taylor to LeTote, which it believes will prevent it from passing capital on to shareholders.

HBC's privatization move is subject to minority shareholder approval. The company will hold a special shareholder meeting for a vote.

Saks Fifth Avenue's innovative store design. Image credit: Saks

"Over the last four months, with the assistance of our independent financial and legal advisors, we have conducted a thorough evaluation of the shareholder group's proposal and alternatives available to HBC to maximize shareholder value," said David Leith, chair of the special committee, in a statement.

"Following this comprehensive evaluation and extensive negotiations with the shareholder group, and consideration of the applicable risks and the opportunities and alternatives available, we are pleased to have reached an agreement with respect to a transaction that provides immediate and fair value to the minority shareholders," he said. "The special committee is confident that this transaction represents the best path forward for HBC and the minority shareholders."

HBC's board has faced detraction in its plan to go private.

In August, Catalyst Capital made an unsolicited offer for about 11 percent of HBC's common shares in a bid to give the firm the ability to block the retail group's privatization (see story). As of September, Catalyst said it owned almost 16 percent of HBC's shares, according to the Financial Post, giving it a greater share of the minority-owned stock.