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RETAIL

Leading shareholder in Saks owner Hudson's Bay Co. ups bid as tussle for control intensifies

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Saks Fifth Avenue New York holiday 2019 light show rendering. Image courtesy of Saks Fifth Avenue

By STAFF REPORTS

Saks Fifth Avenue owner Hudson's Bay Company confirmed it has received an unsolicited offer from one of its largest shareholders to acquire the holding company for $11 (Canadian) a share.

HBC, which also owns Hudson's Bay and Saks Off 5th as well as several real estate joint ventures, issued a terse statement in response to the offer from private equity firm Catalyst Capital Group for shares which it does not own. The Catalyst offer values HBC at around $1.5 billion, or $2 billion in Canadian dollars.

"The special committee of the HBC board of directors will review the offer in consultation with its independent financial and legal advisors to determine the course of action that is in the best interests of HBC and the minority shareholders," the statement said.

"No action is required by HBC shareholders at this time. There can be no assurances that any transaction with Catalyst will occur."

Founded in 1670, Toronto-based Hudson's Bay Company is North America's oldest company.

Baying for blood

Catalyst owns 17.5 percent of HBC. The independently financed, all-cash offer is almost 7 percent higher than the $10.30 (Canadian) per share that HBC chairman Richard Baker and his partners offered to pay for shares it did not own in the company.

Based in Toronto, Catalyst's portfolio of companies includes Advantage Rent A Car, Callidus Capital Corp., Frontera Energy, Gateway Casinos & Entertainment, Natural Markets Food Group, Sonar Entertainment and Therapure Biopharma. Most of these companies have operations in Canada and the United States.

In a statement issued today extending its offer deadline, Catalyst said its independently financed, all-cash offer was better in financial terms and structure than Mr. Baker's insider proposal of a company-sponsored share buyback.

"We have granted the extension requested by the HBC special committee based on indications of positive progress and we look forward to working with them to complete a transaction based on our superior offer in a timely manner," said Gabriel de Alba, managing director and partner of Catalyst, in the statement.

"We, however, will not tolerate any negotiations in bad faith and remain concerned about the board's willingness to have an open process to maximize value for all shareholders," he said.

"Transparency to minority shareholders is critical given the numerous issues related to the Baker Group Agreement. It is also time to remove the limitations imposed on the special committee and create an open and competitive process. As such, we will continue to take appropriate steps to ensure that the special committee pursues opportunities that benefit all shareholders.

"We have received strong support from shareholders and other stakeholders of HBC, including from shareholders that would wish to be a co-sponsor of our offer and participate in supporting the company over the long-term.

"The special committee now needs to act and if the status quo remains, we will vote against the Baker Group Agreement and urge our fellow shareholders to do the same."

CATALYST URGED HBC shareholders to vote against the insider issuer bid using the proxy mailed to them. The HBC shareholders' meeting is scheduled for Dec. 17.

"We thank shareholders for their strong support to date," Catalyst said in a statement. "The rejection of the Insider Issuer Bid is a key step for the maximization of shareholder value.

"Notwithstanding the threats of Mr. Richard Baker and the company regarding declining share prices if we reject their proposal, we can act together to enhance shareholder value."