

NRDC Equity snaps up Hudson's Bay Co

By Leah Schnurr

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TORONTO (Reuters) - Hudson's Bay Co, the Canadian retailer whose name is synonymous with the country's frontier past, was bought on Wednesday by the U.S.-based private equity fund that owns the Lord & Taylor department store chain, one of the oldest names in American retailing.

NRDC Equity Partners did not place a value on the deal, but said it would invest \$500 million in new equity into the combined company, which also owns specialty U.S. retailer Fortunoff and Creative Design Studios.

Founded in 1670, Hudson's Bay Co is deeply entrenched in Canadian history, and is North America's oldest continuously operating company. Its banners include The Bay, Zellers and Home Outfitters, and it has more than 580 stores nationwide.

With Wednesday's deal, the combined companies will make up more than \$8 billion in retail sales and employ 75,000 employees, NRDC said in a release.

Richard Baker, NRDC's current chief executive, who will serve as the head of the new holding company called Hudson's Bay Trading Co, said in an interview that the deal will allow for a huge potential in synergies between the companies.

Lord & Taylor could launch 10 to 15 stores in Canada in an effort to bridge the gap between The Bay and the more high-end Holt Renfrew. The stores would be in prime locations, either through existing HBC properties, or within flagship Bay stores.

Lord & Taylor, founded in 1826, is an icon of New York's Fifth Avenue. The department store chain now has 47 locations in the U.S. Northeast.

Baker said the company could take "oversized" Bay locations, such as its 900,000-square-foot store in downtown Toronto, and better utilize the space by putting in a Lord & Taylor or Fortunoff as well.

"Part of the problem The Bay has is they have too many way oversized stores in great markets, and we have the answer, we're going to solve the problem," he said.

Baker added he is not planning on closing any Bay locations or converting them.

Zellers, the mass merchandise division of HBC which carries the slogan "Every Day Low Prices," will see a greater focus on branded apparel, as well as a future rollout of new 125,000-square-foot prototype stores.

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The acquisition comes at a time when retailers, like most other companies, are coping with the impact of soaring fuel prices, as well as concerns over whether those high prices will dampen consumer spending.

"It's very interesting because we believe the Canadian market is much stronger than what's going on in the U.S.," Baker said.

He added that a slowdown could be a good thing for Zellers, pointing to discounters in the United States that have done better in the face of a slowdown.

Hudson's Bay Co, in its original form, was founded by fur traders and owned a vast tract of northern Canada around Hudson Bay where it operated a far-flung chain of trading posts.

The HBC franchise was sold to U.S. investor Jerry Zucker for C\$1 billion (\$1 billion) about two years ago. When Zucker died earlier this year, his wife took control of the business.

NRDC has been a minority owner with a 20 percent stake in HBC in partnership with the Zucker family, and Baker has been a member of the board since 2006.

The Zucker family's company, InterTech Group, said in a release late on Wednesday it was pleased with the transaction and had received "an excellent return on our investment."

Hudson's Bay is a high profile sponsor of the 2010 Winter Olympics in Vancouver. Games organizers said they had no concerns about the sale, adding that store executives they have talked to are excited about the ownership deal.

"If they're excited, then we're happy," said an official of the Vancouver Organizing Committee.