

Best Buy Founder wants to take company private

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Best Buy Co Inc founder Richard Schulze on Monday offered to take the struggling electronics retailer private in a deal that values the company at \$8.16 billion to \$8.84 billion.

Schulze, a former Best Buy chairman who owns 20.1 percent of its stock, said he would offer to buy the shares he does not already own for \$24 to \$26 each.

The offer represents a premium of 36 percent to 47 percent over the stock's closing price of \$17.64 on Friday.

Best Buy shares were up 15 percent to \$20.30 in Monday morning trading, well below the offer price, reflecting investor skepticism that the deal would get done.

Best Buy has been closing stores, cutting jobs and trying out a new store format to try to improve its business. Consumers tend to use its stores as "showrooms" where they try out electronic products that they then purchase for less money elsewhere, often from online retailers. The chain has reported declines in same-store sales in seven of the last eight quarters.

"My feeling is that being private would give them more of an opportunity to experiment, try new things outside the glare of quarterly reports," veteran industry analyst Walter Loeb said.

Schulze, who founded the retailer under the name Sound of Music in 1966, said he would finance the deal through a combination of private equity investment, about \$1 billion of his own equity, and debt.

Schulze said he had held talks with top private equity firms about his proposal, but did not name them.

Credit Suisse, Schulze's financial adviser, has said it is highly confident it can arrange the necessary debt financing, Schulze said in a letter to Best Buy Chairman Hatim Tyabji.

Schulze's offer is based on current public information and is subject to due diligence.

He said he had held talks with past Best Buy executives who were interested in rejoining the company, including former CEO Brad Anderson and former Chief Operating Officer Allen Lenzmeier.

Schulze does not plan to take a management role if his offer is accepted, two sources familiar with the matter told Reuters on Monday.

"It looks (like) he has lined up all of his old crew to essentially run this ship," said Brian Sozzi, chief equities analyst with NBG Productions. "I don't know if that's good or bad. I know there's probably a comfort factor in there ... But I want some new guys in there, some new guys that understand what is really going on in retail, not the guys that essentially positioned Best Buy to fail, like they are right now, who in many respects did not anticipate this change."

Sozzi also said Schulze's offer seemed low compared with estimates he had heard of the company fetching \$31 to \$33 a share.

Schulze resigned from Best Buy's board in June and later said he was exploring options for his ownership stake. He lost the chairmanship after a probe by a board committee found he had failed to tell the board about allegations of personal misconduct by then-CEO Brian Dunn.

Schulze said on Monday he was making his offer public after repeated requests to the company for the information he needs to perform due diligence on the proposal.

Best Buy said its board would evaluate Schulze's offer carefully and "pursue the best course for shareholders."