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## MONEY & INVESTING

### HEARD ON THE STREET

# Saks Could Drop Until Someone Shops

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Investors often are confronted with an angel on one shoulder and a devil on the other. With **Saks**, temptation is proving hard to resist.



Shares of the luxury retailer leapt 20% Tuesday after a British tabloid reported a "rumour" that a private-equity consortium was preparing a takeover bid. The response was unusual, given the publication didn't even claim to have sources with actual knowledge of a deal. But the big share-price move was likely more than just a quirk of a sleepy summertime market. Saks shares are being pulled hard in two directions, with the shaky economy weighing on sales but a possible takeover of the trophy brand looming.

That may mean rough times ahead for bulls and bears alike. Possibly increasing the chance of another surge, nearly 30% of tradeable shares have been sold short. If shares become more difficult to borrow, short sellers risk being squeezed in a frenzy to close positions.

Outwardly, Saks looks much more expensive than the likes of **Macy's** or **J.C. Penney**. Its enterprise value is \$1.6 billion, 8.6 times this year's consensus earnings before interest, taxes, depreciation and amortization. Macy's and Penney are 5.1 and four times respectively. But factoring in the flagship store on Manhattan's Fifth Avenue, Saks is cheaper than it appears. **The building could fetch potentially \$800 million, says Faith Hope Consolo of Prudential Douglas Elliman.** Others in Chicago and California also might get high prices. So it would be no surprise if private-equity investors are sniffing around. Not only could valuable properties be sold and leased back, but poorly performing stores could be eliminated outright. J.P. Morgan's Charles Grom says the company could close 10 more of its roughly 50 Saks Fifth Avenue stores over the next few years.



Adding to the potential drama, Carlos Slim and Tod's SpA investor Diego Della Valle both own large stakes in Saks. They could prove devils or angels themselves. Either could make a bid, or sell to facilitate a deal. Alternatively, if one were to start selling down his stake in the market, it would be a signal for the shares to return to earth.