

NEWS

COULD BAUER BANKRUPTCY LEAD TO HIGHER EQUIPMENT PRICES?



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The former chairman of Bauer has reportedly filed a complaint with the Competition Bureau over attempts to buy the bankrupt company that owns the equipment giant.

Could a bid to buy the world's largest hockey equipment manufacturer ultimately result in even higher prices for hockey equipment? Apparently, former Bauer chairman Graeme Rouston thinks that could be the case.

According to a source, Roustan has filed a complaint with the Competition Bureau in Canada over a bid to buy the bankrupt Performance Sports Group (PSG), the company that owns Bauer. The complaint reportedly claims that the company behind the bid would have a major stake in both Bauer and CCM, which represents roughly 90 percent of the worldwide market for hockey equipment. And without much competition, there would be little motivation for either company to keep prices competitive for the consumer.



A quick perusal of prices from a major Canadian retailer indicates that it would cost \$306.35 (including taxes, in Canadian funds) to outfit a beginning hockey player from head-to-toe with the least expensive equipment. But as the equipment gets more advanced and the players get bigger, prices can run into the thousands of dollars. For example, the top-of-the-line Bauer stick, the Bauer Supreme 1S and Bauer Nexus, retail for about \$362 and the best Bauer skate, the Vapor 1X, sells for about \$1,017.

Roustan would neither confirm nor deny whether he has filed a complaint, but his opposition to PSG and its business practices have been well documented. PSG filed for bankruptcy protection from its creditors on Monday after claiming debts between \$500 million and \$ 1 billion. In the space of less than a year, PSG's stock went from \$21.25 to \$1.85. (All figures are in U.S. funds.)

After PSG filed for bankruptcy, a bid was made by Sagard Capital Partners for \$575 million to purchase the assets and debt of the company. And here's where things get rather murky. Try to follow us here as we untangle this.

According to a presentation Roustan made on his website (www.roustan.com) in August, the Quebec-based Power Corporation owns 100 percent of Sagard, the company bidding for PSG. It also owns 65.6 percent of Power Financial (ownership of the of the remaining 34.4 percent has never been made public). Power Financial owns 27.8 percent of Pargesa Holdings, which owns 50 percent of Group Bruxelles Lambert (GBL), which has a 7.2 percent investment in Adidas. GBL is the largest shareholder in Adidas and its investment is worth about \$2.6 billion. Adidas, in turn, owns 100 percent of CCM.

Bauer has about 55 percent of the world hockey equipment market and CCM has about 35 percent, which would, in effect, mean Power Corporation would have its tentacles in the companies that have 90 percent of the worldwide hockey equipment market. Roustan also pointed out in his presentation that from March through June of 2016, Power Corporation had a seat on the PSG board of directors after purchasing 17 percent of the company. That creates the following scenario, according to Roustan's presentation:

"Each day, Paul Desmarais III (vice-president of Power Corporation) would put on the hat of a Director of both GBL and PSG. The conflict of interest may arise when he evaluates whose success is more important to Power's bottom line, GBL's (\$2.6 billion) investment in Adidas (CCM) or its approximate \$15 million in Performance Sports Group (Bauer). Power...would have all of the non-public and secret business strategies and research and development materials covering 90 percent of the global hockey equipment in their hands under the one Power organization. When they meet with or communicate with their respective CEO's of PSG and Adidas, what, if anything would they inadvertently share with them about their competitors' businesses?"

Roustan's presentation goes on to say: "A conflict of interest could have a negative effect on competition. Combined, Bauer and CCM control about 90 percent of the global hockey equipment market. There are about 2,000 dealers/retail accounts, including Canadian Tire Corporation (CTC), that are customers of both Bauer and CCM in Canada and the U.S. Someone may file a complaint."