The Deal

Buyout shops take in presentations and eye $600M bids for Bauer maker

Executives from the sporting goods maker are making presentations this week to five buyout shops considering making bids of about $600 million in advance of a late January deadline.

By Ronald Orol | *2016-12-14*

Performance Sports Group Ltd. executives are making presentations this week to at least five private equity firms that are considering making bids of about $600 million for the bankrupt sporting goods company in advance of a late January deadline, according to a person familiar with the situation on Wednesday, Dec. 14.

The final five bidders are Kohlberg Kravis Roberts & Co. LP (KKR), Bain Capital LP, Sycamore Partners LLC, Thomas H. Lee Partners LP and KPS Capital Partners LP, he noted. KPS Capital and Thomas H. Lee Partners are new to the process and have come in as potential bidders as a couple of other potential buyers, Apollo Global Management LLC (APO) and TPG Capital LP, have bowed out in recent weeks. At least seven other firms who had considered making bids, including a Canadian public pension fund with a buyout shop division, have ended their efforts after examining the books, the source noted. In addition, Caisse de dépôt et placement du Québec also may be reviewing the sporting goods company's books and considering making a bid, the person familiar with the situation said.

Performance Sports Group, the maker of the iconic Canadian Bauer hockey equipment brand as well as Easton softball products and Maverik lacrosse equipment, filed for Chapter 11 bankruptcy protection in the

U.S. Bankruptcy Court for the District of Delaware in Wilmington on Oct. 31. BPS US Holdings Inc. is the lead debtor in the proceedings.

PSG, Sycamore and Thomas H. Lee declined to comment. Bain, KKR, KPS and Caisse did not return requests for comment. Performance Sports Group management has scheduled the presentations throughout the week, the source added, noting that all potential bidders have signed nondisclosure agreements and have had access to a data room to consider the company's assets.

The potential bids come after Sagard Capital Partners LP and Fairfax Financial Holdings Ltd. made a joint offer to acquire the company for about $575 million, subject to the auction process and regulatory approval by the Canadian Competition Bureau. Coliseum Capital Management LLC, a 9% shareholder, is participating with the Sagard Capital-Fairfax bid in some capacity, the person familiar with the situation noted.

In addition, most of the remaining potential bidders are talking with activist investor and ex-Performance Sports Group chairman Graeme Roustan as part of an effort to have him become their operating partner if they were to take over the company. Roustan has criticized the manufacturer and supplier of sporting goods in recent months, arguing it made a horrible mistake when it decided last year to start opening its own retail locations--a move that has infuriated some retailers that carry its products. It's possible that Roustan could become PSG's chairman and CEO as part of a partnership deal with one of the private equity firms, he said.

Roustan led a group of investors in 2008 to acquire Bauer from Nike Inc. (NKE) for about $200 million. He subsequently became chairman of the company, a position he held until 2012. The company changed its name to Performance Sports Group in 2014 after it acquired Easton-Bell's baseball and softball division for $330 million.

The private equity review comes after Judge Kevin Carey of the Wilmington court entered an order approving modified bidding procedures for the debtor at a Nov. 30 hearing, making it easier for other bidders to jump into the fray against the Sagard-Fairfax Financial bid.

Based on the revised procedures, competitors have to offer at least $580 million; if an auction were held, overbids would have to increase in increments of at least $1 million instead of the originally proposed $2.5 million. Any initial bid will likely be just over $600 million when considering fees associated with the acquisition and a recently reduced breakup fee of about $17.5 million that would go to Sagard-Fairfax, the person familiar with the situation said.

The court also pushed back the bid deadline to Jan. 25 from Jan. 4, and an auction will now be held on Jan. 30 instead of Jan. 9, if necessary.