



Money

http://www.usatoday.com/money/industries/retail/2010-12-06-barnes-noble-borders_N.htm

Borders shareholder Ackman bids for Barnes & Noble

By Matt Krantz, USA Today
December 06, 2010



Former President George W. Bush talks with fans while signing copies of his new memoir "Decision Points" at Borders Books in November in Dallas. (GETTY)

In a move that would create an even bigger player at the top of the fast-changing bookseller business, a large shareholder of Borders Group on Monday offered to bankroll a combination of the company with its larger rival, Barnes & Noble.

William Ackman, who owns 37% of Borders through his Pershing Square investment company, said in a filing that he's offering to buy Barnes & Noble for \$16 a share, or \$963 million, in cash. That's more than 20% higher than B&N's close Friday. Shares of B&N jumped \$1.41 Monday to \$14.69. Borders rose 31 cents to \$1.39.

Pershing Square has a reputation for pushing for change at companies. In addition to Borders, Pershing has large stakes in [General Growth Properties](#), [Kraft Foods](#) and [Howard Hughes Corp.](#), says Capital IQ.

Though news of the possible deal sent B&N shares higher Monday, some analysts say the company doesn't have much motivation to accept Ackman's overture. A B&N spokeswoman, via e-mail, declined to comment.

The offer comes amid a tumultuous time for bookselling due to online retailing and the growth of electronic texts downloaded to reading devices. Monday, [Google](#) unveiled a book downloading service that adds to the ways consumers can buy books on the Internet.

B&N did say in August that it's pursuing "strategic alternatives," which might include a sale of the company. Investor [Ronald Burkle](#)'s Yucaipa, which owns 19% of B&N, and founder and CEO Leonard Riggio, who owns 28%, are battling about the direction of the company. B&N is putting much of its future in its Nook digital book-reading device.

Borders, by many regards, is in an even more challenged position than B&N, says Louis Meyer at Oscar Gruss. Revenue in Borders' most recently reported fiscal quarter is down nearly 12% from a year earlier. A combination with B&N would help Borders more than B&N, Meyer says. "I'm not sure Riggio is feeling this generous this holiday season," he says.

Uniting the companies could benefit both by eliminating stores that are near each other, cutting overhead costs, says Van Conway, CEO of management consultant Conway MacKenzie. The combined company could also bargain for better prices on books, allowing them to be more competitive with online retailers.

But B&N could also benefit by ignoring the bid and letting Borders struggle more, says S&P stock analyst Michael Souers. "I don't want to say this is Borders' last gasp," he says. "But it's something of that sort."