Offering Hits Penney's Shares

By VICKI M. YOUNG

SHARES OF J.C. Penney Co. Inc. hit a new 13-year low on Friday as investors digested its secondary stock offering of up to 96.6 million shares and wondered about its turnaround strategy.

The stock closed at $9.05 Friday, falling 13.2 percent, although the shares fell further in early after-market trading to $8.97. Shares of Penney's had fallen even lower to $8.85 in intraday trading.

Friday's sell off was the reflection in part of the unhappiness of some investors over a 30 percent dilution rate as a result of the secondary offering. The company priced the shares Friday at $9.65 each. The offering is expected to close on Tuesday. The offer is for 84 million shares, with its sole underwriter Goldman Sachs having an option to pick up another 12.6 million shares. Rumblings surrounded Penney's last week that it was seeking to raise around $1 billion in cash to shore up its balance sheet. At $9.65 a share, the offering would raise up to $932 million if all the shares are taken up.

There was also some backlash Friday against Penney's chief executive officer Myron "Mike" Ullman 3rd, who was said to have told a small group of investors at a meeting Wednesday that the company wouldn't need to raise additional capital until the end of the year.

A Penney's spokeswoman reportedly denied that Ullman ever said that at the meeting.

In the case at Penney's, what might have also garnered the ire of investors was a filing with the Securities and Exchange Commission on Thursday by the company's general counsel and secretary, Jan Dhillon.

In the filing, which updated the company's business in a preliminary prospectus supplement connected with the secondary offering, the company said it is "pleased with its progress thus far in the company's turnaround efforts and the traction its initiatives are starting to achieve. Moreover, the company said it is starting to see greater predictability in its performance across many areas. The company continues to be encouraged by improvements in purchase conversion both in store and on jcp.com, primarily due to being back in stock in key items and sizes the customer expects to find at J.C. Penney. Overall sales on jcp.com continue to trend double digits ahead of last year. The company still anticipates it will experience positive comparable store sales trends coming out of the third quarter and throughout the fourth quarter of 2013."

13.2%

DROP IN J.C. PENNEY STOCK PRICE ON FRIDAY.

The company's business update also said: "Given the company's current cash position, along with the undrawn portion of its credit facility, and not taking into account the net proceeds of this offering, the company currently expects to end the year with approximately $1.3 billion in overall liquidity."

Penney's said in August when it posted second-quarter earnings that it expected to end the year with $1.5 billion in overall liquidity.

Given the $1.3 billion projection stated in the regulatory filing by Dhillon, that raised the possibility that Penney's cash-burn rate might be higher than expected.

Paul Lejuez, senior analyst at Wells Fargo, on Friday lowered his stock valuation to $4 to $5 a share, the second time he lowered the valuation in as many days. He lowered the share-price target to $6 to $7 from $10 to $11 on Thursday, before the announcement of the secondary public offering.

Lejuez also emphasized: "Our bearish call was never about bankruptcy."

The analyst said that with the additional capital raised from the offering, "we believe the company would be able to fund its working capital and capital expenditures through 2014. While some may view this as a 'lifeline,' we never viewed bankruptcy as the primary concern for the stock (and still don't). We assume liquidity would be there in one form or another when they need it."

Lipman's Agency Files Chapter 7

NEW YORK — David Lipman's advertising agency, Lipman, has filed a voluntary Chapter 7 petition in Manhattan bankruptcy court.

The petition, under Lipman Operating LLC, was filed Tuesday, and involved four related entities. Those entities include parent company Revolate Holdings Inc. and the three Lipman Archetypes Holding divisions.

A Chapter 7 filing under federal bankruptcy code provides for the liquidation of the company that has filed. The proceeds of the sale of a debtor's nonexempt property is distributed to satisfy claims of creditors. In the Lipman filing, the debtor has indicated that following the sale of nonexempt property and the payment of administrative expenses, there will be nothing left to pay unsecured creditors. Unsecured creditors are those who extend credit based on a promise to pay.

Lipman, the chief creative officer of his firm, said, "I'm in mourning right now. I fought for four months to try to get these bills paid. It consumed every minute of my days and nights, to try to make this happen, and in the end it didn't happen. All that mattered to me during these last four months was to make sure people got paid. My heart goes out for all the people who got hurt, to my employees, my clients and my investors.

"This business has been in my family for three decades. I have to live with this. It's now about picking up the pieces and trying to help those that got hurt along the way," he added.

Revolate's chairman, Gregory Rayburn, the turnaround expert who was brought in midsummer to restructure operations, could not be reached for comment.

The creative agency Lipman shuttered its doors two weeks ago.

The creditor matrix in the bankruptcy court filing includes brands (Seven For All Mankind, Christian Dior Couture, Fendi Adele S.R.L., HMX LLC, Stuart Weitzman); talent and service agencies (Billy Farrell Agency, Entourage Model and Talent Agency, Ford Models Inc., Milk Studios LLC) and media firms (Brides and Brides.com, Elle.com, Hearst Communications Inc., Wall Street Journal). It also included Lipman, Rayburn and Andrew Spellman, chief executive officer of Revolate. — V.M.Y.

Harvey Nichols Eyeing Cartwright

By JULIA NEEL

LONDON — Could ex-Burberry chief financial officer Stacey Cartwright be in line to succeed Joseph Wan as chief executive officer of Harvey Nichols?

Industry sources here said Cartwright, who left Burberry in July, is the front-runner for the Harvey Nicks role, and that a new ceo for the department store will be named in the coming weeks.

Cartwright is well known in the industry for her charm, smarts, and experience building a brand on an international scale. During a Burberry conference call in April, she said that she planned to take some time off, and was looking to move on to "a consumer-facing chief executive role in 2014. But I'm in no rush to commit, and it will be at the end of the year at the earliest."

Wan denied that an appointment had been made.

He took over as the store's ceo in 1992, shortly after it was acquired by the Hong Kong-based Dickson Concepts. He helmed the store throughout its Nineties heyday, and helped to take it public on the London Stock Exchange in 1996. It was subsequently delisted in 2003, and is wholly owned by Dickson Concepts.

Wan oversaw the brand's expansion into catering, namely the launch of its fifth-floor food hall and restaurant and the Oxo Tower restaurant, bar and brasserie on London's South Bank. He also directed the retailer's expansion into more U.K. cities, Saudi Arabia, Hong Kong, Ireland, Indonesia and Turkey.

— WITH CONTRIBUTIONS FROM SAMANTHA CONTI

THE BRIEFING BOX

IN TODAY'S WWD

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PHOTO BY KUBA DABROWSKI

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