



Could Prem Watsa Save Toys “R” Us and Bail Out an Entire Industry?

Description

Prem Watsa, the “Warren Buffett of Canada,” recently made an approved [\\$300 million bid](#) for all 82 Canadian Toys “R” Us locations, surpassing a \$215 million bid made before the auction by Isaac Larian, the MGA Entertainment executive behind the recent “Save Toys ‘R’ Us” GoFundMe campaign.

Watsa is a man that knows how to scavenge for opportunities among the wreckage. [Fairfax Financial Holdings Ltd. \(TSX:FFH\)](#) estimates that the underlying real estate assets could be worth up to \$300 million, and if that’s the case, the profitable toy retailer would essentially be thrown in for Watsa and company.

At this point, it looks like Watsa is hungry for more and may be ready to take it a step further by going after U.S.-based Toys “R” Us locations next.

It may not just about the real estate assets though. While rising competition from e-commerce giants may be the culprit that most would blame for the iconic toy retailer’s demise, poor management and an exorbitant debt levels ultimately caused Toys “R” Us to go belly up.

Thus, with a fresh start under new management and a pristine balance sheet, U.S.-based Toys “R” Us locations could actually become great again. And if not, well, there’s always the real estate assets to fall back on, since very few believe that U.S.-based Toys “R” Us stores are worthy of saving at this point in time.

“There are pieces now we can invest in, pods of stores in the U.S., or elsewhere, and utilize the fact that they’ve got all the systems in Canada,” said Paul Rivett, president of Fairfax.

In any case, it appears to be a low-risk/high-reward scenario for Watsa and company. And if further U.S. deals are worked out, many toy firms that have sold off in recent months could be due for a very sharp rebound, since Fairfax has made it clear their intent to “reinvest in the business, and do better from an economic perspective,” potentially pushing for a “change [in] store formats so it’s more inviting for families and kids, and move away from the big box that hasn’t changed over the last 20 years.”

Watsa and company are no strangers to the troubled toy firms. Fairfax played a huge role in the

revitalization of Mega Brands Inc., which was scooped up by **Mattel Inc.** later on. It'll definitely be interesting to see what Watsa's next move will be. I certainly wouldn't be surprised if he made a huge splash south of the border after the Toys "R" Us Canada deal becomes official.

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