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Bed Bath & Beyond Stock Falls 21%, Complicating Further Fundraising

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Bed Bath & Beyond narrowly avoided bankruptcy after striking a deal with investor Hudson Bay Capital Management.

Photo: Johnny Milano/Bloomberg News

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Bed Bath & Beyond Inc.'s shares fell 21% Monday after the retailer disclosed substantial dilution from a [recent equity deal](#), potentially preventing it from raising more money from a crucial investor, hedge fund Hudson Bay Capital Management LP.

The home-goods retailer's stock closed at 81 cents Monday, after it said Friday that the number of its common shares had nearly tripled to at least 335 million as of March 15 from 117 million as of late January.

The number of shares outstanding ballooned because investors including Hudson Bay have been converting their preferred shares into new common shares in recent weeks as the result of the complex equity deal the company struck last month.

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Those investors put in an initial \$225 million and agreed to fund an additional \$800 million over 10 months provided that certain conditions are met, including Bed Bath & Beyond maintaining a certain volume-weighted-average price threshold for its stock.

The company raised an additional \$135 million through the deal as

of March 7, bringing the total amount raised to at least \$360 million.

Last week, [Bed Bath & Beyond reached an amendment with Hudson](#) to temporarily lower the stock-price threshold to \$1 until April 3, from an original threshold of at least \$1.25. The company said that the amendment would “facilitate further funding of up to \$100 million in April 2023.”

However, with the stock dropping to less than \$1 on Monday, Bed Bath & Beyond could potentially violate the price threshold. If that happens, Hudson Bay and other investors won’t have to exercise warrants to purchase more preferred shares, hedge-fund analysts said.

The retailer narrowly avoided bankruptcy after striking the deal with Hudson Bay, and has been using the proceeds from the transaction to buy inventory.

Bed Bath & Beyond and Hudson Bay didn’t respond to requests for comment.

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