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BUSINESS

Synovus Financial in Talks to Buy Cabela's Financial Arm

Synovus would resell credit-card unit to Capital One, which had agreed to buy Cabela's bank unit but struggled to win approval

Cabela's is in talks to sell its finance arm to Synovus Financial. *PHOTO: WILLIAM THOMAS CAIN/GETTY IMAGES*

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A small Georgia bank has emerged as the potential savior of Bass Pro Shops's $4.5 billion takeover of outdoor-goods retailer Cabela's Inc., CAB +1.02% ▲ according to people familiar with the matter.

The deal, struck in October, had two parts: Bass Pro agreed to buy the retail business of Cabela's, while Capital One Financial Corp. COF 0.12% ▲ agreed to acquire its banking operation, which issues store-branded credit cards.

But the deal ran into trouble after Capital One, one of the country's largest credit-card companies, said it wouldn't be able to get timely regulatory approval, amid regulatory action into its anti-money-laundering controls.

Cabela's is now in talks to sell that business to Synovus Financial

Corp. SNV 1.19% ▲ , a Georgia-based bank with about $30 billion in assets and 250 branches across the south, the people said.

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Under the plan being discussed, Synovus would resell the credit-card portfolio to Capital One and keep the roughly $1 billion in deposits held by the Cabela's bank, the people said. That could avoid an in-depth regulatory review for Capital One and allow the deal to be completed faster, they said.

Closely held Bass Pro would still buy the retail business, which generated $3.6 billion in revenue last year selling everything from crossbows to boats. It has financial backing from Goldman Sachs Group Inc. and others.

The talks, which have been fitful, remain ongoing and may not be finalized, the people said.

Investors have been bearish on the odds of the deal being completed, mainly because of the Capital One snag. Cabela's shares, which traded as high as $63 in the wake of the announcement of the takeover, had slumped to the mid-$40s, well below the $65.50-a-share deal price. After The Wall Street Journal reported on the new possible structure, Cabela's stock surged 12.5% to $52.04 just before the market closed Wednesday.

Like many retailers, Cabela's offers branded credit cards to customers to help them finance purchases. But instead of using a white-label provider like Synchrony Financial , Cabela's issues those cards through its own bank subsidiary.

The World's Foremost Bank—a play on the Cabela's slogan "the world's foremost outfitter"—has $5.7 billion in assets, most of that in credit-card receivables. It funds the card business by issuing certificates of deposit, with $1.2 billion outstanding as of Dec. 31.

The Cabela's bank is the 13th-largest issuer of Visa and Mastercard credit cards based on outstanding balances, according to the Nilson Report, a trade publication. The business generated $543 million in revenue for Cabela's last year.

Any takeover of the bank can only be done by a regulated bank, which is why Bass Pro needs a partner.

Capital One since 2015 has been under a consent order with the Office of the Comptroller of the Currency over deficiencies in its anti-money-laundering program, and Chief Executive Richard Fairbank said in January that he didn't expect to receive regulatory approval for the Cabela's purchase before Oct. 3, the date when parties to the merger could opt to kill the deal.

Then, in February, Capital One disclosed that it was under investigation by the New York District Attorney's Office, the Justice Department and the Treasury Department's Financial Crimes Enforcement Network for similar issues. The company has said it is cooperating with agencies in the investigation.

Synovus struggled during the financial crisis and was among the last significant banks to repay bailout funds received from the Troubled Asset Relief Program. Since then, the lender has improved profits and pared back risky assets. The bank, which has long operated under a variety of local names like "CB&T Bank of Middle Georgia" recently announced a plan to rebrand its local divisions under the parent company name.

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