



It Was a Busy December for Hudson's Bay

Description

By Cameron Conway

While many companies tend to stay quiet at this time of year, **Hudson's Bay Company** (TSX:HBC) has had a lot of activity over the last 6 weeks.

Third Quarter Results

Back on December 11, 2013 HBC released its Q3 results (ending Nov 2, 2013). While they may have fallen short of some analyst projections, it was still a profitable quarter.

Consolidated sales rose in the quarter by 5.8% compared to Q3 2012. HBC saw a 6.4% growth in same store sales while Lord & Taylor same store sales grew by 1.6% (US\$). This resulted in EBITDA of \$64.3 million, up by \$16.4 million in over last year's Q3. "Normalized" earnings were \$0.07 per share, which was a nice bump up from \$0.00 per share last year, but the company still lost \$124.2 million on an absolute basis.

Year-to-date the company has booked sales of \$2,815 million – an increase of \$125.3 million from last year. HBC attributes this increase to strong performance from their apparel, shoes, handbags and accessories departments. In other words, everything on the main floor of most Hudson's Bay stores. Still though, the Bay is not profitable, with a YTD loss that stands at \$287.2 million.

Despite this loss, HBC still paid out a quarterly dividend of \$0.05 per common share on December 13, 2013.

On-line surge

One bright spot for HBC has to be the payoff of their recent investments in their e-commerce division. Growth has been impressive as demonstrated by the following figures:

Q1/13 sales were \$31.1 million, an increase of 32.8% compared to Q1/12.

Q2/13 sales were \$37.3 million, an increase of 56.1% compared to Q2/12.

Q3/13 sales were \$48.9 million, an increase of 58.3% compared to Q3/12.

Total YTD sales were \$117.3 million, an increase of 50.0% compared to last year's reading.

As further evidence of the success the Bay is having with its online push, a recent Google [case study](#) from August 2013 indicated that for every \$1 HBC spends on online search ads, the company generates a return of \$14.40 in instore sales. And remarkably, that number increases to \$40 in the women's apparel department.

Saks 5th Avenue purchase

In November, HBC announced its acquisition of Saks for US\$16.00 per share or US\$2.9 billion. This increases HBC's retail presence to 320 stores, including 179 full-line specialty department stores, 72 outlet stores and 69 home stores in prime locations throughout the U.S. and Canada, along with three e-commerce sites.

Unlike Zellers, Saks is more in line with the retail culture of HBC. Translation – higher end goods people who shopped at Zellers couldn't afford (myself included). This is a market HBC is familiar with and can ideally maximize their position in the US.

2014????

While 2013 losses continue to climb, there are glimmers of hope for North America's oldest company. The Saks deal adds a new dimension and a growing e-commerce division will help to fight off both current competitors, and new arrivals in 2014.

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