



Who Wins From Target Corporation's Canadian Departure?

Description

We all knew that **Target Corporation** ([NYSE:TGT](#)) was struggling in Canada. But few expected the American giant to [abandon Canada completely](#) so soon after a much-hyped entrance. But that is exactly what the Minneapolis-based retailer did. All in all, the Canadian misadventure cost the company roughly \$7 billion.

Target's departure also creates a massive void in the Canadian retail landscape. More specifically, the company is leaving behind 15 million square feet of retail space and 5 million square feet of office and industrial warehouse space. Landlords will have a lot of difficulty finding tenants for all this vacant property, especially since some of it is in undesirable locations.

So who are the biggest winners from Target's exit? Below we highlight two companies in particular.

1. Hudson's Bay Company

It was through **Hudson's Bay Company** (TSX:HBC) that Target entered Canada in the first place. Back in 2011, the American giant bought most of HBC's Zellers locations for US\$1.8 billion. And these leases were at Zellers' best locations.

So would HBC be tempted to buy some of these leases back? Well, the company has hinted strongly that it will spin off its current real estate assets into a REIT. That would likely raise billions. And current CEO Richard Baker has a history of buying undervalued real estate when no one else wants it.

Even if HBC doesn't buy any of these leases, the company has already benefited immensely from Target's missteps. Remember, Target was supposed to drive shoppers away from more expensive stores like The Bay, but that never materialized. And now that Target is gone for good, The Bay can focus on competing with other looming competitors like **Nordstrom**.

Oddly, HBC's stock did not really react to Target's departure. But it should have. This may be a great opportunity to buy the stock.

2. Canadian Tire

Canadian Tire Corporation Ltd. ([TSX:CTC.A](#)) has faced much adversity over its 90-year history. There have been fights among the founding family, wars with franchisees, and two botched entries in the United States. If that weren't enough, Tire also had to deal with **Wal-Mart's** entry into Canada 20 years ago. Yet when Target entered Canada, *The Globe and Mail* said it could be Tire's "biggest challenge yet."

Today, the story is very different. Target's exit could be one of Tire's biggest opportunities. Like HBC, Tire could move into some of those abandoned locations. The company has a strong balance sheet, and could easily afford to pick up some new leases. Better yet, Tire has other store banners — such as Mark's and Sportchek — that could be more suitable for certain areas (especially those that already have a Canadian Tire store).

Best of all, Target's exit removes once and for all a real cloud of uncertainty from Tire's future. Its outlook is now as bright as ever.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:TGT (Target Corporation)
2. TSX:CTC.A (Canadian Tire Corporation, Limited)

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