



## 3 Stocks Poised to Benefit as Target Corporation Exits Canada

### Description

**Target Corporation** ([NYSE:TGT](#)) surprised investors with its sudden announcement that it has applied for court approval to liquidate its 133 Canadian stores less than two years after the American retailer opened for business in Canada.

Target's struggles were not a secret; however, many were stunned by the sudden announcement. According to the CEO, part of the reason for the decision was that: "We were unable to find a realistic scenario that would get Target Canada to profitability until at least 2021." In the aftermath, Target stock edged higher, a sign that investors are actually relieved that the giant retailer is cutting its losses and moving on.

### Are American retailers doomed in Canada?

Target is not alone. The track record for American retailers to have a successful expansion into Canada is not good. Other companies including **Sears Holdings Corp.** (NASDAQ:SHLD) and **J.Crew Group Inc.**, have also met challenges achieving success north of the border.

But, what's bad for the American companies is good for our Canadian companies. **Canadian Tire Corporation Limited** ([TSX:CTC.A](#)), **Loblaw Companies Limited** ([TSX:L](#)) and **Metro Inc.** ([TSX:MRU](#)) could see some benefits from Target's exit.

### A brief history of retailers in Canada

Target's experience is another point of evidence supporting the fact that already established Canadian retailers make it challenging for American companies to gain a significant market share.

When Target first announced that it was planning to enter the Canadian market, many Canadian retailer investors were concerned. Surprisingly though, the companies have held up very well with the new competition.

Target's foray into Canada was plagued with errors, which probably played a large role into why Canadian consumers didn't take a shining to the company.

The fact that it is not simple for American companies to come into Canada and take away market share is a positive for the likes of Canadian Tire, because it makes it highly likely that they will attract less competition from American retailers. In the future, following all the stories of the difficulties American retailers face in Canada, American companies are bound to think twice before expanding into Canada.

### **Who stands to benefit?**

Canadian Tire Corp. stock jumped on the news that Target is seeking court approval to begin liquidation. Canadian retail grocer Metro Inc. hit a record high on the news while Loblaw Companies also advanced. The Canadian retail grocery business is highly competitive with our grocers cutting prices so steeply to attract customers that they often hurt their own bottom lines. Target's exit is a positive for these companies, but I don't expect the gains to be too long-lived. Eventually the domestic grocery battle will cap gains, although on the positive side it may make other retailer grocers think twice before expanding into Canada.

### **CATEGORY**

1. Investing

### **TICKERS GLOBAL**

1. NYSE:TGT (Target Corporation)
2. TSX:CTC.A (Canadian Tire Corporation, Limited)
3. TSX:L (Loblaw Companies Limited)
4. TSX:MRU (Metro Inc.)

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### **Date**

2025/08/26

### **Date Created**

2015/01/19

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