



3 Reasons to Buy Hudson's Bay Co

Description

Looking back a few years, **Hudson's Bay Co** (TSX:HBC) was a very different company. The Zellers brand was part of the portfolio, the company was dealing with multiple years of declining revenue and stagnating profits, there was limited international exposure, and the company suffered from an identity crisis; it was stuck somewhere between the department store model of decades past and the online retail model.

Despite these challenges, HBC managed to turn around and become a solid investment option. Here's how HBC managed to turn around and why HBC is now an attractive option.

1. HBC knows the value of real estate

HBC, tasked with a large number of underperforming stores was presented with a golden opportunity when the sale of 189 Zellers leases were sold to Target Canada for \$1.8 billion. This not only lightened the financial burdens of the company, but also set up a series of impressive acquisitions.

The acquisition of Saks Fifth Ave and OFF 5th can be seen as one of the turning points for the company. Saks was purchased two years ago, and the company is now set to open two locations of the brand in Toronto in 2016.

HBC also had the flagship Saks Fifth Ave store in New York appraised at \$3.7 Billion, which exceeds the amount HBC paid for the brand by \$800 million.

2. HBC has learned to reinvent itself

The HBC of the past would have never carved up its flagship store in downtown Toronto and put tenants into it, but that's exactly what it is doing. A 150,000 square foot Saks Fifth Avenue is slated to open in the iconic Queen Street building in 2016.

The recently announced \$3.36 billion acquisition of Kaufhof of Germany isn't the retailer's first foray into cross-border expansion, but it is one of the biggest yet. Many retailers have tried over the years to make the jump to German markets, but few, if any, have been successful. HBC has seen the mistakes

of others and is committed to succeeding.

3. Results that speak for themselves

HBC currently trades over \$26, nearing its 52-week high of \$29.52. Year-to-date, the stock is up over 7%, and over the course of an entire year this improves to an impressive 58%, outperforming the market.

Analysts are well aware of this trend, with price targets rising to \$40. HBC's quarterly dividend of \$0.05 per share gives investors yet another reason to consider including the company in their portfolios.

Given its recent acquisitions, strong management vision, and improving balance sheet, there is still plenty of room for this company to grow. In my opinion, Hudson's Bay Co would make a wise inclusion to any long-term portfolio.

CATEGORY

1. Dividend Stocks
2. Investing

Category

1. Dividend Stocks
2. Investing

Date

2025/08/02

Date Created

2015/07/31

Author

dafxentiou

default watermark

default watermark