



## Hudson's Bay Co HBC Prepares for Another Acquisition

### Description

North America's oldest retailer is about to make another landmark deal as it continues to redefine itself. **Hudson's Bay Co HBC** (TSX:HBC) is preparing to fork over US\$250 million in cash to purchase Gilt Groupe Holdings Inc., an online retailer.

The purchase is another step in the impressive turnaround that Hudson's Bay has been undergoing in recent memory. Looking back, Hudson's Bay was a very different company only a few years ago; the company had dwindling sales, staggering debt, failing brands, and an identity crisis. The retailer was stuck somewhere between being a high-end brick and mortar store and a retailer with a small online presence.

Today, the company has transitioned into a modern retailer that has a significant online sales channel as well as an expanding portfolio of high-end respected brands including Lord & Taylor and SAKS OFF 5th. The acquisition of Gilt is just one more move in the turnaround that investors should be extremely excited about.

### Why Gilt and HBC are a great marriage

Gilt is a membership-based online retailer that provides fire-sale items for considerable discounts. The company currently has nine million members. Even more impressive is that nearly 50% of the sales that come in are generated off the mobile platform.

For Hudson's Bay, which has worked successfully over the past few years on adding an online channel for sales, this is the next step in the retailer's evolution. Gilt's key demographic is millennials, which HBC now has an avenue to market to more effectively, and the platform can now include products from all of Hudson's Bay's brands.

The growth potential of the platform for the SAKS OFF 5th and Lord & Taylor brands that Hudson's Bay owns make this deal lucrative alone, not to mention the potential revenue.

Speaking of that potential revenue, the expectation is that the acquisition will add nearly \$500 million to the consolidated fiscal sales for 2016.

Synergies across both businesses can be leveraged as well. Gilt returns could be handled in Saks stores, and Gilt customers could be shown Saks products. This should lead to increased traffic for both the online and physical retail.

At a more macro level, operational efficiencies in terms of unifying shipping, purchasing, and inventory will lead to cost savings for the company.

Hudson's Bay continues to be one of the most impressive retailers on the market. Reinventing a brand that is over 300 years old is no small feat, and for the company to be embedded in online and mobile sales channels is both impressive and admirable.

Investors wishing to buy in to the success of Hudson's Bay will be glad to hear that company stock can be purchased for \$16.70, and it pays a quarterly dividend of \$0.05.

## CATEGORY

1. Investing

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