2 Retail Stocks With Scary Turnarounds

Description

Retail stocks can be scary investments at times. Many of the traditional retailers in particular are stuck in an endless cycle of transitioning from the brick-and-mortar physical store model of the past to an online-first model that has very different needs.

Here are two retail stocks to consider for your portfolio which have overcome many of the odds.

Hudson's Bay Co

Hudson's Bay Co (TSX:HBC) is not only North America's oldest retailer, but is a bit of a success story. Looking back a few years, HBC was plagued with bloated operations, empty stores, and dying brands. The company itself as a retailer was stuck between the physical big showroom-style stores of decades long past and an online-first model that more and more consumers are demanding.

HBC has since turned things around through a number of truly masterstroke transactions. The company offloaded underperforming locations, killed off the Zellers brand, which was largely linked to many of those underperforming stores, and managed to snatch up Century 21 and Saks OFF 5th brands.

HBC also branched out and acquired Galeria Kauhof last year for a whopping $3.9 billion, giving the company an established base in Europe from which to grow into markets in Germany, the Netherlands, and Belgium.

Coming full circle, HBC acquired Gilt at the turn of the year. Gilt is an online-only retailer that bridges the gap between HBC's need for an online platform, particularly for the Century 21 brand.

Why should you consider HBC? The stock is down nearly 30% over the past 12 months. Investors looking to shore up their portfolio with a great retailer at a significant discount may want to consider HBC. If the discount doesn't convince you, the quarterly dividend with a yield of 1.19% may.

Canadian Tire Corporation Limited

Canadian Tire Corporation Limited (TSX:CTC.A) is another well-established retailer that ran into problems several years ago. Canadian Tire has long been thought of by Canadians as the go-to place for sporting goods equipment and auto supplies, among other things. With a shift in shopping tastes, that image no longer appeals to the types of consumers that Canadian Tire was targeting.

To combat this gap, Canadian Tire invested big in technology. While this is not impressive in and of itself, what is impressive is *how* Canadian Tire is using technology. Canadian Tire has integrated technology into the sales process. Examples of this include treadmills that recommend the perfect running shoe based on how you run, and a driving simulator that lets you try out different types of tires in a variety of weather conditions.

The company recently relaunched its catalogue with a new digital twist that allows users to see additional information relating to products when viewed through a smartphone.

Why invest in Canadian Tire? The company continues to project earnings-per-share growth of up to 10% per year over the next few years, and the company pays a dividend with a 1.75% yield that has steadily grown over the past few years. The company is also continuing to advance the use of technology in stores, becoming an example for other retailers.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:CTC.A (Canadian Tire Corporation, Limited)

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