Hudson's Bay Co Is Worth it, Believe it or Not

Description

Hudson's Bay Co (TSX:HBC) stock has been met with some negative sentiment lately due to a couple of mishaps. However, there is more to this company than meets the eye.

It was not the best of years for the Toronto-based retailer as Hudson's Bay fell 27.1% in 2016, including a late-year crash that raised a lot of eyebrows. Perhaps the story that has brought the most amount of unwanted attention to the company regards the department store's release of 146 kilograms of toxic industrial chemicals into the environment.

The move was a violation of the Canadian Environmental Protection Act and it led to a fine of $765,000. The amount released by the company in May 2011 was in excess of the legal limit by 146,000 times. Hudson's Bay failed to contact the government immediately following the leak, thus missing its chance to clean up the mess as early and as effectively as possible. The company claims it responded as well as it could have.

The company also recently unveiled its fiscal third-quarter report on December 6, which revealed financial results that failed to meet expectations. Hudson's Bay revealed that it lost $125 million for the period ended October 29, amounting to 69 cents per share. The company earned a profit of $7 million in the previous year. Sales at stores open for at least 13 months fell 4% after gaining 12.9% a year ago.

However, Hudson's Bay's quarter wasn't all bad as digital sales were on the rise. The company has increased volume output and customer loyalty through a series of tactics that will improve the production of its fulfillment centres. Some of its subsidiaries performed well, including Saks Fifth Avenue, Lord & Taylor, as well as start-up Gilt, which it acquired a year ago.

Overall, e-commerce is becoming a larger part of the company's business, suggesting the future is bright in 2017. One of the moves that will help ensure that this is a true momentum swing rather than a fluke is the ramping up of faster shipping options that will encourage more consumers to become loyal customers.

E-commerce companies seem to be more involved in the logistics business, which Hudson's Bay could be cashing in on in the coming years. The company also announced last month that it is expanding its robotic fulfillment to the U.S. this year. A distribution centre in Toronto will be followed up by one in Pottsville, Pennsylvania, according to Hudson's Bay third-quarter report. These centres use machines to process and package orders 12-15 times faster than manual centres.

Additionally, one of the company's bright spots is its real estate value. Hudson's Bay is worth $36 per share of real estate, which is almost three times larger than today's share price below $14.

Most analysts covering HBC stock rate it a "Buy" or an "Outperform" due to the moves Hudson's Bay has made ahead of the new year. This could be the time for the company to live up to its potential following an underwhelming 2016, and while the next quarter may be lower than expected, expect the following one to show the company's true colours.

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