3 Reasons You Might Want to Consider Buying Hudson's Bay Co.

Description

Hudson's Bay Co. (TSX:HBC) is not a popular investment choice these days, as the stock has plummeted 42% in the past 12 months. Retail has not been a friendly place for Canadian businesses, and images of Sears Canada's liquidation sales are constant reminders of that.

However, it is not all doom and gloom for the stock, as the company is not in imminent danger. There are actually three good reasons you should consider purchasing the stock for the short term.

Sales have been increasing

In its most recent fiscal year, Hudson's Bay posted over $14 billion in sales, nearly triple revenues of $5 billion reported just four years ago. In its most recent quarter, the company posted $3.2 billion in sales, which were down just 3% from the prior year.

However, Hudson's Bay continues to struggle to post profits as it continues to be in cost-cutting mode with 2,000 layoffs announced earlier this year for North America. That should be able to help improve the bottom line, but whether or not it will be enough remains to be seen. In its latest quarter, the company was able to achieve a reduction in its expenses by a little more than 1.5% from a year ago.

The company is creating more of a web presence to allow shoppers to buy online, so it can better compete with online retailers. If this strategy works, the company should be able to continue to grow its sales even further. One thing we have seen through the sales of **Canada Goose Holdings Inc.** is that people are still willing to pay premium dollars for premium products.

The stock may have found some support

In the past three months, Hudson's Bay's stock has been flat after an initial dip when it released its Q1 earnings. Outside that brief drop in price, the stock has been able to stay above $10 for the past 12 months and currently finds itself right around that mark. If the trend continues and the support is real, then we can expect the stock to move up from the $10 level and be able to produce some returns for investors.

However, don’t expect wonders as the company’s share price has struggled to go much higher than $12 this calendar year. If the stock can find those levels again, then buying in at this price point could yield you close to a 20% return.

The share price is trading below book value

Currently, the book value of the company’s stock is about $12.45 per share, and at a $10 price point, the shares would be trading at about 80% of that. That doesn’t mean the stock will come back up to that level, but it suggests the investment would be at a decent discount.

Bottom line

Hudson’s Bay is a risky stock given where the retail industry is these days, but there are plenty of good reasons to consider buying it. This is not a long-term investment from the looks of it, but buying in at around the $10 mark could yield you a decent return if the support level stays intact.

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djagielski