Why Hudson’s Bay Co Is a Good Buy Despite a Lacklustre Q2

Description

Hudson’s Bay Co (TSX:HBC) released its quarterly results on Tuesday. The company posted a slight increase in sales of just over 1% thanks to growth in online sales. It posted a net loss of $201 million for the quarter, down from a loss of just $142 million a year ago. In addition, Hudson’s Bay also opened its first store in the Netherlands on Tuesday, and more are still to come.

The company has clearly run into problems with limited sales growth as its operations become saturated, especially with its flagship HBC stores. However, the company’s expansion into Europe might present strong growth opportunities for its brands.

I’ll have a further look into the company’s earnings report to determine if the stock is a good buy today.

European expansion continues

Hudson’s Bay announced that in addition to the Hudson’s Bay’s location opening in Netherlands, it opened five Saks Off 5TH stores in Germany during Q2. In the upcoming weeks, Hudson’s Bay plans to open 10 more of its flagship stores in the Netherlands as well as two additional Saks Off 5TH stores.

It will be interesting to see how well the company is able to grow sales Europe, especially with its flagship brand, which has done well in Canada but not been tested elsewhere. We’ve already seen one big Canadian brand, Tim Hortons, taken outside its traditional borders and succeed, and now **Restaurant Brands International Inc.** is continuing the coffee shop’s global expansion into Spain.

With international expansion comes risk and great deal more costs, and investors should be cognizant of that. Bottom lines might suffer in the short term, but the expansion could lead to long-term success.

Commitment to streamlining operations and online sales

Hudson’s Bay plans to save over $350 million by the end of its 2018 fiscal year as it works on its Transformation Plan which focuses on improving efficiency, leveraging scale, and streamlining its operations.

The company is also pushing digital sales and improving its online presence in the hopes of improving the customer experience on its website. Digital sales were up over 12% this quarter from the previous year.

However, the company is not neglecting its in-store consumers, as it is also looking at different ways to differentiate itself with pop-up shops, offering events and many other ways to draw customers in.

Is the stock a good buy?

The one thing that I really like about the company's recent expansion into the Netherlands is that Hudson's Bay saw a great opportunity to take advantage of available space as a result of the bankruptcy of Dutch brand V&D and recognized a market gap between luxury and discount stores in the country.

Hudson's Bay is taking strategic, opportunistic bets when it sees a good opportunity, and that is good management. Investors shouldn't punish the company for higher costs and lower bottom lines, especially when it is in the midst of a big expansion. On Tuesday, the stock was down almost 7%, and if the share price continues to fall as a result of the earnings, it could be a great opportunity for value and growth investors to buy in at a good price.

CATEGORY

1. Dividend Stocks
2. Investing

POST TAG

1. Editor's Choice

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Dividend Stocks
2. Investing

Tags

1. Editor's Choice

Date
2025/08/27
Date Created
2017/09/06
Author

djagielski