How Investors Can Profit From the Demise of Sears Canada

Description

With approval from the court, Sears Canada Inc. has gone into liquidation mode and is clearing the inventory to be able to permanently shut down operations and leave their physical footprint to a worthier competitor. Although investors have lost a substantial amount of capital with this name, the end of the road for one company is, in many cases, excellent news for competitors.

In Canada, the nearest competitor to Sears Canada is **Hudson's Bay Co.** (TSX:HBC). After the closing of Eaton's many years ago and, more recently, Target Canada, Hudson's Bay is essentially the only traditional department store that remains in operation across the country. While consumers' shopping habits have been altered by the internet over time, investors need to remember that with change comes risk and opportunity. The risk, as it has been clearly realized by Sears Canada, is that the weak will not make the cut.

As Hudson's Bay becomes the dominant retailer, shareholders should see many customers, who otherwise would have shopped there, go across the street to Sears as the liquidation sales continue. Although the next quarter or two could be much weaker than otherwise anticipated, investors can finally take a breath, as capitalism has prevailed once again. The biggest competitor is going away.

For investors seeking opportunities away from the obvious, shares of U.S.-based **Bed Bath & Beyond Inc.** (NASDAQ:BBBY) may be another name worth considering. Although Canadian investors will be faced with the foreign currency risk that goes with purchasing a security in U.S. dollars, the additional risk may be worth the reward. At a current price close to $21 per share, the company has recently begun paying a dividend, which is close to a yield of 3% for new investors.

Although sales of this traditional brick-and-mortar retailer have been stagnant in recent years, investors will hopefully appreciate that in addition to offering a number of items for the home, the company has done an excellent job at offering items that make condos and storage much more enjoyable for the average person. With many consumers now living in condos instead of standalone homes, the products available both at the stores and through the online channel are desirable to a substantial number of customers.

As the old saying goes: "…be fearful when others are greedy, and be greedy when others are fearful."

This has never been truer. In the case of retail, Canadian investors have two fantastic names with proven track records in front of them ready for the taking. The only question is, which of these out-of-favour companies will investors opt for?

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