Hudson’s Bay Co. Sells its Flagship Lord & Taylor Building: Is This a Turning Point?

Description

Hudson’s Bay Co. (TSX:HBC) announced today that it has an agreement in place to sell its flagship Lord & Taylor building in New York to WeWork Property Advisors, a joint venture of Rhone and WeWork. The store will be redesigned and will still take up space in the building, although with a smaller footprint. WeWork will also lease retail space in two of Hudson’s Bay’s stores in Canada as well as one in Frankfurt.

Despite the changes, the company does not expect to see a significant impact on its earnings; the company pointed out that the Lord & Taylor’s store is significantly less productive than its flagship Saks Fifth Avenue location.

Sale will help bring down the company’s debt

The $1.075 billion that Hudson’s Bay will get from this deal will be primarily used to reduce its debt. The company estimates the sale will help improve liquidity by $1.1 billion.

As of Hudson’s Bay’s most recent quarter, the company had $4.3 billion in debt, up from a little less than $4.1 billion a year ago. The current debt levels are 2.3 times the company’s equity and were causing concern for investors.

More transactions could still take place

Hudson’s Bay suggested that we may see more real estate transactions in the future, as the company continues to pursue strategic objectives.

Shareholders were putting pressure on the company to sell assets

Minority shareholder, Land & Buildings Investment Management, has been putting pressure on Hudson’s Bay to sell real estate assets for months, as it believes the company is better suited to be a real estate company rather than a retailer, given the high value of its assets.

The company threatened to have the board of directors removed and after Hudson's Bay's CEO Jerry Storch announced last week that he would be leaving the company the activist investor was trying to coordinate a meeting of shareholders to review their options.

Will this turn the stock around?

Investors responded positively to the announced asset sale with the share price climbing a few percentage points today. The developments may help calm the storm that the company was under from its shareholders, but it's unlikely that one asset sale will make the issue go away.

However, if Hudson's Bay stays committed to leveraging its real estate assets to build a stronger balance sheet, then we might see more of an increase in the share price.

Should you buy the stock today?

Given that the company has decided to take aim at its real estate empire to reduce its debt, it makes the stock more attractive and will put the company at a more manageable risk level with less debt on its books. However, Hudson's Bay has been in the red in each of the past four quarters, and selling assets will not address that issue, so there might still be concerns from investors as to how the company will find a way to turn a profit.

Although it still has a lot of work to do, the company is going in a positive direction, and that should help the value of the share price over the long term. The stock is trading at a little more than book value and could be a great buy today.

CATEGORY

1. Investing

PARTNER-FEEDS

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

Category

1. Investing

Date
2025/08/18
Date Created
2017/10/24
Author
djagielski