Will These 3 Retail Stocks Generate Positive Returns in 2018?

Description

Editor's note: This article has been updated to reflect that Hudson's Bay sold its Lord & Taylor location on 5th Avenue, not a Hudson's Bay branded store.

In October 2017, retail sales in volume terms climbed 1.4% according to Statistics Canada. The previous year saw more changes for the retail environment. It also saw the collapse of Sears Canada Inc. — an event that saw some 12,000 employees lose their jobs. As we enter 2018, traditional retailers will continue to face challenges. Let's look at three retail stocks that will be seeking momentum after a poor 2017.

Hudson's Bay Co. (TSX:HBC)

Hudson's Bay stock jumped 3.9% on January 2 to open trading in 2018. Shares of Hudson's Bay dropped 15% in 2017. The company faced challenges due to successive earnings misses and an activist shareholder that began a strong internal push for leadership to change course.

In the third quarter, Hudson's Bay reported a $243 million loss. Retail sales fell 4% to $3.16 billion from $3.3 billion in Q3 2016. The company also saw the resignation of retail veteran and CEO Jerry Storch in late October.

Hudson's Bay enters 2018 after selling its Lord & Taylor store on 5th Avenue for $1 billion. This should make its activist shareholder from Land and Buildings happy, as a move to real estate was strongly encouraged throughout 2017. The company also received an unsolicited offer of $4.5 billion for its German retail chain, which sent the stock soaring in November. Hudson's Bay will likely need to demonstrate further strength in monetizing its real estate as its retail side continues to sink.

Reitmans Canada Limited (TSX:RET.A)

Reitmans fell 0.94% on January 2. The stock declined 26% in 2017. The company released its 2017 third-quarter results on November 30.

Sales dropped to $242.4 million from $245.6 million in the prior year. Reitmans also reported a net reduction of 42 stores. Same-store sales grew 0.8% with store sales dropping 1.9% and e-commerce sales rising 29.7%. In late October, I'd covered the increase in e-commerce activity in North America.

Reitmans posted a net loss of $16.8 million, or $0.27 per diluted share, compared to net earnings of $7.6 million, or $0.12 per diluted share, in Q3 2016. The company announced a quarterly dividend of $0.05 per share, representing a 4.7% dividend yield. Reitmans will likely continue to experience growing pains, as it transitions from its brick-and-mortar model to a greater focus on e-commerce business.

Aritzia Inc. (TSX:ATZ)

Aritzia stock fell 27% in 2017. However, shares have climbed 2.7% month over month. The company reported its 2017 second-quarter results on October 5. News was good across the board, with revenue rising 10.2%, and Aritizia reported net income of $5 million compared to a net loss of $67.3 million in the prior year.

In the first nine months of 2017, Aritzia reported net revenues of $319 million — a 12.2% jump from the same period in 2016. This was fueled by comparable sales growth of 7.1% with continued strength in its e-commerce business. Aritzia could be an attractive buy-low candidate after a reportedly impressive holiday season for retailers in 2017, with many shoppers continuing the trend of turning to online shopping.

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