



Better January Buy: Aritzia Inc. or Hudson's Bay Co.?

Description

An annual survey released in late December by **FedEx Corporation** revealed that 52% of Canadians would give gift cards over the holiday season. The 18-34 demographic is more likely to shop after the holidays, with 59% reporting interest in extending trips into early January. One-third of those surveyed planned to use the gift cards within a month of receiving them, and more than half wanted to redeem gift cards online.

This is all good news for Canadian retailers, especially if holiday trends reflect performances south of the border. Retailers will still be facing a number of challenges in 2018. Let's look at two retailers today that have experienced a healthy uptick over this period.

Aritzia Inc. ([TSX:ATZ](#))

Aritzia stock has climbed 5.9% month over month as of close on January 19 and 7.7% in 2018. The Vancouver-based women's fashion brand has seen its stock fall 21.9% since its initial public offering in October 2016. However, successive quarters and a boost to its e-commerce business have given [reason for optimism](#) going forward.

Aritzia released its third-quarter results on January 10. Net revenue rose 9.6% to \$186.5 million with a weak U.S. dollar dragging revenue down by \$3 million in the quarter. It posted comparable sales growth of 6.3%, the 13th consecutive quarter of positive sales growth. Net income jumped to \$28.1 million in comparison to an \$8.1 million loss in Q3 fiscal 2017.

The company has plans to open two new stores in the fourth quarter in addition to repositioning its San Francisco flagship and expanding its Edmonton location. Aritzia leadership expects to meet or exceed its performance targets for 2021 moving forward.

Hudson's Bay Co. (TSX:HBC)

HBC stock has increased 2.6% in 2018. Shares have risen 9.8% month over month. The company has recovered since releasing its third-quarter 2017 results on December 6. In the third quarter, HBC reported a \$243 million loss. Retail sales were down 4% to \$3.16 billion compared to \$3.3 billion in the

prior year.

HBC had a tumultuous 2017 that included successive earnings misses and an internal battle with an activist shareholder. Management has been pressured by the Land & Buildings shareholder to make a [shift to real estate](#) and monetize its valuable holdings. In October 2017, HBC sold its 5th Avenue store for over \$1 billion.

In early January, HBC has started to take steps to redevelop its flagship Vancouver store in preparation for the possible sale of the downtown property in the near future. HBC has also said that any significant redevelopment will see the continued operations of its retail segment in the building. The Vancouver site is a heritage building, so there is no possibility of it being demolished moving forward.

Which is the better buy right now?

Aritzia has shown impressive year-over-year growth, even with downward pressure from a weak U.S. dollar. Its balanced approach to e-commerce and store expansion appears to be paying off. HBC will likely be subject to volatility as it presses forward with its reorientation.

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