



Reviewing My Top Contrarian Picks of 2017

Description

It's been over a year since [my top contrarian picks for 2017](#) were published, so let's have a look back and see how they've fared and whether or not you should buy more, hang in there, do some trimming, or dump your position.

| Company | One-year return (not including dividends) |
|---|--|
| BlackBerry Ltd. (TSX:BB)(NYSE:BB) | 82% |
| Hudson's Bay Co. (TSX:HBC) | -11% |
| Empire Companies Limited (TSX:EMP.A) | 56% |

Two home runs and a strikeout

Being a contrarian last year paid off big time, as two of my three recommendations crushed not just the TSX, but the red-hot S&P 500 for 2017. Keep in mind that I didn't factor dividends into the equation, which wouldn't have really affected Hudson's Bay (~0.5% yield) or BlackBerry (no dividend), but they would have made a slight bump in the total return for Empire, whose dividend yield was ~2.5% at the time I originally recommended the stock.

Starting from the top

BlackBerry, the biggest winner of my contrarian picks, surged higher, as CEO John Chen brought the company back on track as a software producer in two of the hottest markets right now: cybersecurity and self-driving vehicles. Last year was a really bad year for cybersecurity breaches. Going forward, it's likely things will just get worse, as more firms opt to open their wallets to safeguard themselves and their customers.

Infamous short seller Andrew Left noted that the QNX system was a "game changer," which drove investor euphoria to new highs until eventually, **Baidu Inc. (ADR)** partnered up with BlackBerry on its [ambitious Apollo driverless vehicle program](#), sending shares further into the stratosphere.

I think BlackBerry is still a hot stock to own for the long haul, and I'd recommend hanging on to your original position and adding more shares on any meaningful pullbacks. Although you may feel the urge to trim profits, I think the rebound story is just getting started.

The Empire strikes back

Empire was an extremely troubled company when I recommended the stock as a contrarian pick to start the last year. Operations were a mess, and there were many headwinds that made Empire an abysmal stock to own. Empire looked bleak — no question — but I had faith in new CEO Michael Medline and his abilities to turn the ship around before the headwinds would have the chance to mount.

At the time of my original recommendation, the stock was absurdly undervalued, and I thought the sell-off was way overblown. Shares were just trading at a 1.3 price-to-book multiple, despite the company's promising brands Safeway and Sobeys, both of which had the potential to regain the business of its fed-up customers.

In addition, Mr. Medline had a wealth of experience in the Canadian retail scene, but nobody was talking about that. The top story was that he didn't have any experience in the grocery business, but I argued he was the perfect man for the job, even though pundits questioned his background.

After surging ~56% in 2017 (not including the ~2.5% dividend yield you would have collected), I think it's time to dump or at least do some trimming of your Empire position, because industry-wide headwinds are going to mount this year, and I think a huge chunk of the Medline-induced improvements are already baked in to the stock.

The loser of the bunch

Hudson's Bay was a dud, fluctuating between \$10 and \$12 for most of the year. Although the stock is ridiculously cheap and appears to have found a strong level of support at the \$10 levels, I think management has done an abysmal job of turning around its retail business. Sure, an e-commerce platform would provide some relief, but in the end, I don't think management has what it takes to get the retail business back on track, and I believe the underlying real estate assets are the only things on the minds of the investors who remain.

Personally, I'd recommend throwing in the towel on a stock that I believe has no real catalysts. Customer service has been quite sub-par, and the unique brand offerings are nothing for consumers to

be excited about. I certainly wouldn't be surprised if Hudson's Bay ends up as the next Sears Canada in a few years, as gloomy as that may sound.

Stay hungry. Stay Foolish.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:BB (BlackBerry)
2. TSX:BB (BlackBerry)
3. TSX:EMP.A (Empire Company Limited)

PARTNER-FEEDS

1. Msn
2. Newscred
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