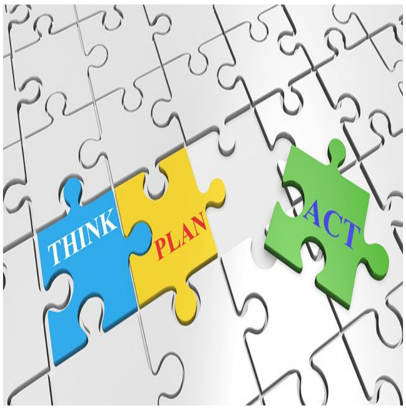

Should You Stay Away From Hudson’s Bay Co. and Canadian National Railway After a CEO Reshuffle?

Description

A company in transition has the potential to scare away investors due to uncertainty, but it can also provide opportunity for savvy investors. Take the case of **BlackBerry Ltd.**, a company that has seen its stock soar since the hiring of turnaround specialist John Chen as its CEO. BlackBerry has successfully transitioned into the software and services industry and is one of the few Canadian companies with a footprint in the rapidly expanding autonomous vehicle industry.

Today, we are going to look at two companies that have recently seen CEOs depart amid internal turmoil. The stocks have suffered in the aftermath of both departures. Should you add either one to your portfolio?

Hudson’s Bay Co. (TSX:HBC)

Hudson’s Bay is a Brampton-based retail company. Shares of Hudson’s Bay have plunged 16.4% in 2018 as of close on March 6. The stock is down 20% year over year. The company entered a period of uncertainty in 2017 when an activist investor began to push leadership to begin monetizing its real estate holdings. Successive earnings have proven disappointing for its retail business — it posted a $243 million third-quarter loss in December 2017.

CEO Jerry Storch announced his departure in late October. Storch was a veteran in the retail business who had been skeptical about reducing the company’s brick-and-mortar footprint, as it could become a “slippery slope.” Hudson’s Bay followed up his resignation with the announcement that it would sell its flagship Lord & Taylor building in Manhattan for $1 billion.

In early February, Hudson’s Bay announced that Helena Foulkes, formerly of **CVS Health Corp.**, would become CEO on February 19. Governor and executive chairman Richard Baker said the company was drawn to Foulkes because of her reputation as a transformational leader. In February, Hudson’s Bay also rejected a multi-billion offer for its Kaufhof unit, the largest retail chain in Germany.

Canadian National Railway (TSX:CNR)(NYSE:CNI)

CNR is a Montreal-based transportation company. Shares of CNR are down 8.1% in 2018 thus far and 1.1% year over year. On March 5, the company announced that CEO Luc Jobin would step down, as CNR struggled to keep up with higher demand of late. Leadership has said that the company is looking for a replacement that will “energize” the company.

In its 2017 fourth-quarter and full-year results, CNR saw net income rise 51% for the full year to $5.48 billion. Revenues rose 8% to $13.04 billion, and its free cash flow increased to $2.77 billion compared to $2.52 billion in 2016. The company raised its cash dividend by 10% to $0.46 per share, representing a 1.9% dividend yield.

Former CEO Luc Jobin blamed “challenging operating conditions” and “harsh early winter across the network” for impacting the company’s performance in 2017. Early Canadian dollar weakness in 2018 could also boost CNR if the trend persists.

Should you stay away from both stocks?

A lower Canadian dollar could provide early momentum for CNR. The stock also offers a solid dividend for investors seeking income. Hudson’s Bay, however, is facing an increasingly difficult retail environment, and slower retail sales to finish 2017 does not bode well.

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