Hudson's Bay Co.'s Q4 Results Disappoint Again: Is the Stock Hopeless?

Description

Hudson's Bay Co. (TSX:HBC) released its fourth-quarter earnings on Wednesday, and while the company was finally able to post a profit, it still fell short of meeting analyst's expectations. Adjusted income of $20 million was well short of the $120 million that was being forecast.

What the executives are saying

The company was not happy with the results, with HBC Governor Richard Baker stating in the release, "While we are not pleased with our recent performance, we continue to capitalize on the value of our real estate portfolio and are taking action to improve our operating results."

Investors may recall that last year the company was under pressure to sell some of its real-estate assets, and eventually did sell its Lord & Taylor building. However, it appears there may be more of that to come as the company looks to find more efficiency in light of these results.

The company's new CEO, Helena Foulkes, is optimistic that more improvements can be made to HBC's financials, stating in the release, "It is clear to me that there is significant opportunity to build upon our solid foundation to realize the full potential of our business."

What do the results tell us?

Total sales for the retailer were up 2% for the quarter, but revenues were flat for the full year. The company was able to stay ahead of its expenses, as operating income of $4 million was a big improvement from the $40 million loss recorded a year ago. However, for the full year, the results were not as impressive, as the company's operating loss grew by 76%.

The company got a big boost from its bottom line thanks to U.S. tax reforms, which helped turned an income tax expense into a benefit of $154 million. This enabled earnings the quarter to finish at $84 million, which is well up from the $152 million loss that HBC incurred a year ago. Despite the tax boost, the company's loss for the full fiscal year was still 13% higher than it was last year.

Drop in debt a good sign

The company was able to bring down some of its debt, as its total outstanding loans and borrowings declined by more than 6% from a year ago. However, at 1.27 times its equity, it still presents some risk for investors, although a little less than it had previously.

Is the stock a buy?

HBC's stock has dropped more than 24% in value to start the year, and the stock initially plunged more than 5% when the results were released, hitting a new 52-week low. It is already trading below book value, and while that might make the stock appear to be a good value, there's ample reason for investors to expect that it could decline even further.

Retail stocks have not inspired investors with much confidence lately, and while there are reasons to consider buying HBC, the company still presents a lot of risk. With HBC continually in the red, and this quarter only being able to avoid that fate due to taxes, the company has still been unable to demonstrate that it can turn things around. New leadership could certainly help with that, but the stock will need some big, quick wins in order to prevent the share price from crashing even further.

CATEGORY

1. Investing

PARTNER-FEEDS

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

Category

1. Investing

Date
2025/08/28
Date Created
2018/03/29
Author
djagielski