



## Did This Retailer Witness a Christmas Miracle?

### Description

Stores are lit up for the season, and children are laughing and playing, waiting for ole' St. Nick to appear with presents.

For retailers, this marks the end of a grueling sales cycle that hopefully leaves stores firmly in the black. I say hopefully because over the course of the past year, we've seen several traditional giants of the retail space finally close their doors for good, as the onslaught (and yes, the convenience) of mobile shopping takes its toll on the traditional brick-and-mortar retail model.

One retailer that investors are eyeing very keenly of late is **Hudson's Bay** (TSX:HBC).

### What's going on at HBC?

HBC has been a mix of good and bad over the past few years. A series of masterstroke real estate deals conducted several years ago allowed Canada's oldest retailer to jettison non-performing brands and locations while investing in several new brands both in the U.S. as well as abroad, becoming a high-end retailer. The efforts had some, albeit short-lived, impact on the stock, and HBC was even rumoured at one point to be in talks with U.S. **Macy's** about a possible deal, which, thankfully for HBC, did not come to fruition.

Since then, HBC, under the leadership of new CEO Helena Foulkes, has made progress on turning the company back towards profitability, despite posting a dismal \$124 million net loss in the most recent quarter, which was actually worse than the \$116 million loss sustained in the same quarter last year.

Turning back to that progress we witnessed at HBC, Foulkes made the difficult decision earlier this year to shutter 10 Lord and Taylor stores, as well as four Saks Off Fifth locations. Perhaps most promising was the deal announced earlier this year to create a joint venture with Austrian retailer Signa Retail Holdings to streamline HBC's operations in Europe under a single banner, while simultaneously letting HBC focus on North America. The combination of both brands was completed on November 30 of this year.

The one bright spot from the earnings report remains the Saks Fifth Avenue chain, which witnessed an impressive 7.3% boost to same-store sales in the most recent quarter. That level of growth far surpassed the levels seen across the other brands owned by HBC and were witnessed despite the ongoing major work being done at the flagship Saks Fifth store in New York.

## Should you buy HBC?

Retail stocks are, with few exceptions, incredibly risky investments. The constant changes in the market, along with rapidly changing consumer tastes, continue to put pressure on traditional retailers like HBC to innovate or close their doors. Part of the innovation for HBC could come in the form of the company's sprawling real estate portfolio, measured in the billions. A steady close off of HBC's underperforming stores and selling off or leasing its valuable real estate could provide a viable solution according to some, but whether that would be a long-term solution or a short-term injection remain to be seen.

HBC is definitely a work in progress, and there is progress being shown to investors. Unfortunately, at this juncture, HBC may be too risky of an investment for most. A better option for investors to pursue might be to explore the array of [growth and income-producing investments](#) that exist, even in the [retail sector](#).

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