



Should You Buy Hudson's Bay (TSX:HBC) After a 45% Share Jump?

Description

There were a lot of promises made back in 2018 when new CEO Helena Foulkes came onto the scene. A restructuring was just the beginning of the shake that was to happen with **Hudson's Bay** (TSX:HBC).

While Hudson's Bay tried moving to lower-cost items — only to move back again — the big driver of change came down to real estate. It was sell, sell, sell for Hudson's Bay, getting rid of its Gilt flash-sale site, 50% of its European business, and selling off Lord & Taylor stores one by one.

Most recently, the company also announced it would be shutting down its Home Outfitters stores and closing about 20 Saks Off 5th off-price stores. While there remain a few Lord & Taylor stores left, Hudson's Bay is now seeking to find a partner or to sell it completely.

Things have looked pretty bleak.

What happened?

Privatization — that's what happened. Chairman Richard Baker announced on Monday that Hudson's Bay would be going private between himself and a few other major shareholders. Granted, there was also the news that Hudson's Bay would be selling the remaining 49.9% stake of its real estate in Germany to its European partner SIGNA, but even for US\$1.5 billion, that's not exactly news that would spur such an increase.

And it was a huge increase in share price. The company gained 43% after the news and has remained steady at a \$9.25 share price as of writing.

That makes the offer Richard Baker put forward a good one for Hudson's Bay, even now. Baker offered to buy Hudson's Bay for \$9.45 per share, believing that a private market setting will better address Hudson Bay's situation in a "rapidly evolving retail environment."

While it's not set in stone, Hudson's Bay has said it wouldn't entertain a [third-party acquisition](#) and is

reviewing the bid from Baker and the other shareholders who, in total, have a 57% stake in the company.

What's next?

CEO Foulkes has said that now, the company would be able to better focus on strengthening its balance sheet, and on its North American operations. These operations, namely Saks and Hudson's Bay, offer the best chance at growth.

Success is now dependent on how much cash and liquidity can come from the European deal, as the shareholders don't wish to take a different path than the one Hudson's Bay is already on. That means Helena Foulkes's "everything is on the table" approach could continue over the next while.

This means the continuation of Lord & Taylor closures, overhauling Hudson's Bay stores, and investing in its remaining Saks stores. If the company didn't go private, analysts believe shares could hit rock bottom as these drastic moves are made.

Should you buy?

Given that the share price is so close to what Baker and the others are willing to pay for it, and considering how it hasn't really wavered since the news, I think it might be best to continue to steer clear of Hudson's Bay. Over the next year, shares should increase to around \$10 or even \$12 per share, but further shakeups before a decision on the bid is made could send shares down yet again.

So, if you'd bought Hudson's Bay [43% or more ago](#), good on you! But as of now, there is still too much happening for a stock with such an uncertain future.

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