



This Iconic Canadian Company Just Declared Bankruptcy: Will These 3 Be Next?

Description

It's officially over for **Reitmans Canada** (TSX:RET.A), at least in its current form. Amid the economic fallout from COVID-19 the iconic brand has entered bankruptcy protection.

Reitmans isn't just a staple in your local mall. The Montreal-based fashion retailer has been operating for nearly a century under various banners including Addition Elle, RW & Co, and Thyme Maternity. It has nearly 600 stores remaining after years of shutting down underperforming locations with some 6,800 people at risk of losing their jobs.

The company intends to keep operating and emerge from bankruptcy as a leaner organization with higher focus on its e-commerce store. Remember, the majority of Reitmans locations are closed because of COVID-19 bans on retail sales.

The company has [struggled for years now](#), as customers migrated to other chains and various websites. Today's economic shock just accelerated the bankruptcy process, but it was a long time coming.

This isn't the only iconic Canadian company that could be forced to declare bankruptcy. These three might be close behind.

Bombardier

It's no secret **Bombardier** ([TSX:BBD.B](#)) has a crummy balance sheet. Analysts have been warning investors about this for years now.

Bombardier has been taking steps to improve its finances, embarking on an ambitious plan to sell off various non-core assets. These asset sales, along with various credit lines, will ensure the company has more than US\$3 billion in liquidity once the transactions close. That's solid, but it's offset by more than US\$9 billion in debt.

The company always seems to post disappointing operating results, too. The transportation division

was plagued by poor results in 2019, which led analysts to cut their long-term outlook. And the transportation division is widely regarded as the best part of the company.

With shares trading under \$0.50 each on the Toronto Stock Exchange, it's obvious Bombardier is in major trouble.

Baytex Energy

Baytex Energy ([TSX:BTE](#))(NYSE:BTE) was once one of the kings of the Canadian energy sector. Its shares traded for nearly \$60 each back in 2011 and its market cap peaked at more than \$8 billion.

These days, Baytex is worth a mere \$221 million.

A few things have conspired to bring Baytex down. The company chose to invest in new production rather than paying down its inflated debt. Low energy prices haven't helped either. Particularly weak heavy oil prices have impacted the company's northern Alberta operations as well.

The good news is Baytex doesn't have any major debt maturities due for a few years after recently refinancing some of its debt. It also has a hedging program in place. Will these positive features be enough for the company to avoid bankruptcy? With a share price of under \$0.40, it's obvious investors aren't particularly optimistic.

Hexo

Marijuana hasn't been a great place to be over the last year or so, as the sector has swung from extreme optimism to a more realistic outlook. As a result, stocks like **Hexo** ([TSX:HEXO](#))(NYSE:HEXO) are down some 90%.

Hexo isn't just dealing with a weak industry. The company told investors back in March it may have problems paying its bills, issuing a dreaded going concern disclosure. It took a big impairment charge back in March, which is just the latest in a [string of bad news](#) that included facility closures, revenue charges, and massive layoffs. The company also changed auditors, which most investors view as a bad sign.

Although the company has had success raising cash since warning investors about its future, this is still the kind of company that most investors should avoid. Bankruptcy looks to be pretty likely. With shares comfortably below \$1 each, it looks like the market agrees with that assessment.

The bottom line

The answer is simple. If you own Bombardier, Baytex, or Hexo shares today, it's time to get out. These three companies look likely to join Reitmans and file for bankruptcy protection.

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