



## Is an Investment in Aritzia Inc. Good for Your Portfolio?

### Description

Vancouver-based **Aritzia Inc.** ([TSX:ATZ](#)) completed an IPO earlier this month and began trading, to the delight of investors, in one of the most anticipated IPOs in nearly a decade.

The high-end fashion retailer attracted significant interest and sold 25 million subordinate voting shares in the run up to the IPO at a price of \$16 per share. When the company finally went public this week, shares opened at \$18.95, but ultimately finished off the first day of trading at \$17.71—still well over 10% the original IPO price.

### Aritzia's IPO is a sweet deal, but only for some

Despite all of the interest around Aritzia going public, the company itself will not see any of the proceeds from the IPO.

Company founder Brian Hill and Berkshire Partners are set to retain a whopping 97% of the voting power through their multiple-vote shares, which were not included in the IPO. Hill will retain 41% of the voting power with Berkshire taking 55.6%.

Additionally, the underwriters have the option at their disposal to purchase an additional 15%, or 3.75 million shares pegged to the IPO price, for the first 30 days.

Current shareholders, on the other hand, could stand to receive as much as \$380 million once fees of about \$20 million are paid to the underwriters.

### Quarterly reports

Aritzia released the company's first quarterly results since going public this week, revealing revenue growth for the company with second-quarter net revenue up impressively by 30.1% over the same quarter last year, coming in at \$157.9 million.

The gross profit margin was also up, registering 35.9% for the quarter—an improvement over the 34.3% reported in the same quarter last year. Comparable sales growth came in at 16.9% for the quarter, on

top of the 20.8% growth posted in the same quarter last year.

Despite these strong figures, the company posted a net loss of \$67.3 million for the quarter, which can be primarily attributed to stock-based compensation of \$90.9 million related to the IPO event. In the same quarter last year Aritzia posted net income of \$4.7 million.

### **Is Aritzia a good investment option?**

The simple answer, if there is one, is “perhaps, but not right now.” The market fever around the IPO pushed the price up, and while the company’s revenue stream is solid, as we saw in the first quarterly results announcement, the stock price will, as most IPOs do, fall down from the stratosphere.

As I write this, Aritzia is hovering just under \$19 per share.

Another key consideration is whether or not Aritzia can continue to grow as it has in the past. The company proudly proclaimed that it has never closed a store in over 30 years and has plans to open up to 30 new stores within the next five years, 10 of which will open in the next two years. One or both of these may be difficult to complete, particularly now that Aritzia is in the public eye.

In my opinion, investors would be best served waiting on the sidelines, at least for now.

### **CATEGORY**

1. Investing

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1. Editor's Choice

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