It's Been Almost a Year Since Aritzia Inc.'s IPO: How Is it Doing?

Description

Aritzia Inc. (TSX:ATZ) is an apparel company that focuses on women's fashions and particularly targets ages of 14-30. With over 50 stores, Canada has the bulk of the company's locations. It has 16 stores in the US, including a 13,000-square-foot store located in Manhattan. The company continues to grow as it added seven stores in its last fiscal year and plans to add another six this year (with two already having been opened thus far). Aritzia also has an online e-commerce site that it launched back in 2012.

The retail industry has been unsettling in Canada with big names like **Sears Canada Inc.** facing bankruptcy and **Hudson's Bay Co** continuing to struggle. It wouldn't be a surprise if investors were timid about investing in a retail company given the problems many retailers have had and as online-only retailers like **Amazon.com, Inc.** continue to steal sales and profits from conventional brick-and-mortar stores.

Q1 performance

The company recently released its Q1 earnings, where Aritzia posted a year-over-year revenue growth of over 15% as well as a growth in net income of almost 5%. The company did see a rise in its SG&A expenses of almost 19%, which were, in part, offset by a decrease in finance expenses and an increase in other income. EPS was down slightly from 0.08 last year to 0.07 for this quarter.

Sales to Canadian customers made up about 68% of total sales the past quarter compared with almost 70% a year ago and saw overall sales growth in this segment of 12%. U.S. customers represented the remaining portion and sales increase in this segment was over 21%. Although Aritzia is showing good sales growth in the U.S., it is still largely dependent on the Canadian marketplace.

Stock performance

The company went public in October 2016, and since then the stock has been down over 20% with almost all of that loss coming this calendar year. The current book value of the share is just under $2, meaning the stock is currently trading over seven times its book value and also has a negative EPS for the past 12 months.

However, if the company is able to post another profitable quarter, it will be able to pull itself out of the negative. After the company reported Q1 earnings, it did see an initial spike in price, only to be followed be a subsequent drop in share price. It’s now trading lower than it was before the announcement. The stock recently reached a new 52-week low, trading for as little as $13.64.

Bottom line

Despite the positive results, it certainly looks like the stock has been oversold and may present an opportunity for some appreciation, especially in light of the company’s strong quarter and the continued growth that is planned. But with the retail industry being in turmoil and companies seeing significant issues, it wouldn’t be surprising to see investors being a bit hesitant. But that hesitation could create opportunity for more opportunistic investors.

Aritzia’s stock has seen support of over $15 a share until recently, which suggests to me there is room for the stock to grow in both the short and long term.

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