

Year In Review: Aritzia Inc.

Description

Ten months after my initial [analysis](#) of **Aritzia Inc.** ([TSX:ATZ](#)) following the Canadian fashion company's initial public offering (IPO), I thought I would do a follow-up piece to see how the retailer has fared over its first three quarters as a publicly traded company.

As it turns out, Aritzia has not been an overwhelming success, to put it lightly.

Off to a tough start

The continued decline of the retailer's share price should not be a surprise for investors, given the lack of fundamentals that show positive long-term support for growth over time. The company has officially reported earnings for four quarters now, providing investors with the ability to assess how the retailer has performed year-over-year.

Over the past year, the company has grown earnings by 14.7%, which is actually not bad for a retailer fitting Aritzia's profile. That said, net income only increased by 4.9% year-over-year (I ignore adjusted net income, as I do not agree with the methodology management uses to get to their 29.8% number), meaning margins declined over the most recent period, a key consideration for long-term investors looking for profitable growth over time.

The retailer has been opening new stores, however the company has seemingly been giving up margin to do so. With high levels of competition and reduced long-term consumption numbers from bricks-and-mortar shoppers in the fashion retail industry, I expect Aritzia to continue to under-perform in terms of margin, one of the main reasons why I am restating my initial bearish thesis for long-term investors considering ATZ shares.

Another major issue I continue to have with Aritzia (and a number of other firms with similar share structures) is the fact that the company's management team continues to have little to no skin in the game due to the company's dual-class share structure.

With the vast majority of controlling votes concentrated in the hands of a few investors, the lone shareholder looking to Aritzia's management team for long-term growth will have absolutely no say whatsoever in terms of how the company strategically gets there, and will be forced to take a leap of faith that the current management team will be able to get the job done.

Bottom line

In the retail industry, one which I have argued has perhaps been beaten up too much of late following merger announcements from e-commerce companies such as **Amazon.com, Inc.** ([NASDAQ:AMZN](#)), certain companies will continue to do well and may present value opportunities at current levels. That said, I believe Aritzia is not one of them.

Stay Foolish, my friends.

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