



## Without a Dividend, Aritzia Inc. Will Never Be on My Watchlist

### Description

Looking back at the **Aritzia Inc.** (TSX:ATZ.B) initial public offering (IPO) over a year ago, investors will now have enough data to reflect and make investment decisions based on whether Aritzia's track record makes the case that the company will be a good long-term hold.

Let's take a look at how Aritzia has performed and dig a bit deeper into the company's long-term future in a retail sector that's been hit hard of late.

Fellow Fool analyst Joseph Solitro covered Aritzia's [fiscal Q3 earnings release](#) earlier this month, noting stronger- than-expected performance in adjusted earnings growth, gross profit, and revenue at 11.4%, 11.3% and 9.6%, respectively. These double-digit returns across the board (rounding up revenue) represent growth that may be viewed in a very positive light given the retail "graveyard" many companies now find themselves traversing coupled with the long-term headwinds handed to bricks-and-mortar retailers such as Aritzia from e-commerce giants entering this sector.

Despite excellent quarterly results and what appears to be an improving stock price trajectory, a recent piece by fellow Fool analyst Will Ashworth describes the [same-store sales deceleration](#), which may be cause for concern among long-term growth investors betting on a **Lululemon**-like growth story. I must agree with Will on this one; given the current retail landscape, the fundamentals for Aritzia just don't support its current valuation landscape. Readers should refer to Will's article for some in-depth analysis on this trend.

That said, what I do like about Aritzia is the company's ability to return value on a Return on Asset (ROA) and Return on Equity (ROE) basis. Aritzia's trailing 12-month ROA and ROE came in at 107% and 23.7%, respectively. In general, companies with an ROE above 20% should be considered prime candidates for your portfolio. In the retail sector, an ROE exceeding 20% is quite uncommon; in this regard, Aritzia appears to be doing quite well.

While high ROE and ROA numbers are great, my concern continues to be centred on the current share structure of Aritzia — and the fact that management hasn't put forward any plans to issue a dividend going forward. The IPO itself was a way for insiders to cash out, with the operating business receiving

virtually nothing from the transaction, making this IPO one I suggested investors [avoid altogether](#).

My take on Aritzia has remained bearish, and until the company announces its plans on issuing a dividend, I'm out.

Here are other companies that value investors should consider instead:

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1. Investing

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chrismacdonald

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