



Is Aritzia Inc. Stock a Buy After its Q4 Earnings?

Description

Aritzia Inc. ([TSX:ATZ](#)) posted its 2018 fourth-quarter results last Thursday, which topped estimates and were much better than its 2017 fourth-quarter results. Results for the full year 2018 were also quite good and showed a strong improvement compared to 2017.

Strong growth in sales and profit

Revenue rose 12% from a year ago to \$219.8 million in the fourth quarter, thereby beating analysts' expectations of \$219 million. For the year 2018, revenue increased by 11.4% to \$743.3 million. The opening of new stores and the expansion or relocation of existing stores drove revenue growth.

Comparable sales, a closely watched gauge of sales in stores opened for at least 12 months, rose 6% in the fourth quarter as compared to a year earlier, boosted by the company's online sales. This quarter marks the 14 consecutive quarter of positive comparable sales growth. Comparable sales growth was 6.6% for the year.

Aritzia's net income rose to \$15.9 million in the fourth quarter, up 38% from a year ago. Adjusted earnings increased by 23% to \$22.5 million, or \$0.19 per diluted share, beating expectations by \$0.01. Net income increased to \$57.1 million in fiscal 2018, compared to a net loss of \$56.1 million in fiscal 2017. Adjusted earnings increased by 17.5% to \$75.9 million, or \$0.65 per diluted share.

Aritzia's revenue is expected to grow by 15% in fiscal 2019 and its earnings, by 20.3%. Those numbers are impressive considering that the [retail sector](#) as a whole is having a hard time adapting to changing consumers' preferences and increasing online competition.

Store openings and e-commerce are driving growth

Aritzia, which was founded in 1984 in Vancouver, is expanding fast and now counts more than 80 stores in North America.

The women's fashion brand plans to double its revenue by 2021 by opening stores and increasing online sales. What makes Aritzia stand out from other retailers is the unique shopping experience it

offers to its customers; each of its stores is custom designed. E-commerce business is also a key driver of Aritzia's growth, as an increasing number of consumers are shopping online.

Aritzia conceives and develops its own exclusive brands. The fashion retailer is known for its chic and high-quality independent labels like Wilfred and Babaton. In addition to offering quality clothing to its customers, Aritzia also provides a digital fashion magazine. Thus, the fashion brand is very well positioned to compete in a changing retail landscape.

Is Aritzia stock a buy?

In my view, Aritzia is one of the best stocks to buy in the retail sector. Its revenue and profits are growing fast, and they're expected to continue to grow quickly amid future store openings and the development of e-commerce. Thus, Aritzia is able to stay ahead of the competition by adapting to consumers' needs and preferences.

Further, Aritzia is trading at a P/E ratio of 28.1, making it [cheaper](#) than the industry, which has a P/E ratio of 51.6 on average. So, I think it's time to buy some shares before the market recognizes the potential of this growing fashion brand. Aritzia shares are down 32% since its IPO in October 2016, but are up nearly 2% year-to-date.

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sbchateauneuf

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