



## Here's Why Aritzia Inc. (TSX:ATZ) Is the Top Clothing Stock This Summer

### Description

**Aritzia Inc.** ([TSX:ATZ](#)) is a Vancouver-based design house and fashion retailer. Its stock has surged 27.6% in 2018 as of close on July 9. In previous articles, [I have been high on Aritzia](#), as it continues to rebound from an unwarranted plunge following its initial public offering back in October 2016. Today I will talk about why Aritzia is my top clothing stock this summer, even over and above [Canadian clothing powerhouses](#) like **Canada Goose Holdings Inc.** and **Roots Corp.**

### Aritzia is in on the e-commerce boom

A report from Statistics Canada revealed that online sales at Canadian retailers grew 13.4% from January to April compared to the prior year – totalling \$5 billion. E-commerce sales have accounted for just under 3% of total retail sales in Canada during the first quarter of 2018. Online shopping has become increasingly popular among Canadians. Last year, North America's Black Friday and Cyber Monday recorded the highest online sales volumes in history.

Aritzia has moved to increase its investment in its e-commerce platform going forward. SG&A expenses rose 2.8% in fiscal 2018 to \$183.9 million. The company has projected that SG&A will continue to grow largely because of its commitment to improving this platform. With online sales posting steady growth across the industry, this is a sound investment.

The growth strategy at Aritzia is reliant on its e-commerce performance. Aritzia's target market of females between the ages of 15-45 are internet-savvy and should provide ample opportunity for the company to strengthen this side of its business.

### Fiscal 2018 was encouraging for Aritzia

Aritzia released its fiscal 2018 fourth-quarter and full-year results on May 10. In the fourth quarter, revenue rose 11.9% year-over-year to \$219.8 million and adjusted EBITDA increased 18% to \$38.1 million. Adjusted net income also climbed 23% to \$22.5 million, or \$0.19 per diluted share. Aritzia was powered by one new store addition in the fourth quarter and aforementioned e-commerce growth. A lower U.S. dollar had a negative impact on revenue growth in Q4.

For the full year, Aritzia reported revenue growth of 11.4% to \$743.3 million with comparable sales growth of 6.6% compared to 14.1% in fiscal 2017. Adjusted EBITDA rose 12.8% to \$132.7 million and adjusted profit climbed 17.5% to \$75.9 million or \$0.65 per diluted share. Aritzia opened six new stores in fiscal 2018.

Aritzia gave a promising outlook for fiscal 2019 in its May report. It projected low to mid-teens in terms of revenue growth. This will be powered by the addition of 5-6 new stores in fiscal 2019, including two large stores in Toronto and Calgary. Aritzia will dedicate over half of its capital expenditures – expected to range between \$55 million to \$60 million – to store expansions.

### **Is Aritzia a buy today?**

Aritzia stock has performed very well in 2018 thus far, but it has yet to reach its IPO price in late 2016. Its promising growth strategy and earnings successes are good reasons to bet on this clothing stock in the latter half of 2018.

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aocallaghan

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