



Time to Try On TSX Index Standout Stock Aritzia (TSX:ATZ)

Description

Aritzia ([TSX:ATZ](#)) has managed to do something that few retailers can: provide stylish clothing that appeals to teen girls AND their moms. This phenomenon allows Aritzia to stand out against its competitors in the crowded retail space. And the stock has been rewarded. It's up 56.8% for the year, making it one of the shining stars of the TSX.

In its latest quarterly report, Aritzia beat expectations across the board. Net revenue increased by 18.0% to \$205.4 million and gross profit margin increased to 37.4%. Adjusted EBITDA increased by 59.6% to \$33.0 million.

With 90 stores in the US and Canada, as well as eCommerce, Aritzia's trendy styles, high quality of goods, upscale boutiques and high price point for its merchandise target the most affluent shoppers. The retailer boasts 16 exclusive in-house brands, treating each as an independent label with its own unique aesthetic and showcasing each group within a specific area of the store.

An American tale

Comparable store sales increased 11.5%, marking the 16th consecutive quarter of comparable growth. One of the highlights of the quarter was Aritzia's continued successful expansion into the US retail landscape. Sales in the US grew 40% year over year. In the next few years, the company plans to aggressively grow its locations in the US. According to Founder and CEO Brian Hill, "Our brand has a lot of momentum and we are seeing that momentum continue with our sales in the United States, but we have a long way to go. It's a big market there in the United States."

The US sites have been so successful in driving traffic that, according to Hill, landlords are pursuing Aritzia rather than the other way around. The company touts a strong pipeline of potential US locations through 2020.

In August, Aritzia opened a 225,000 square foot distribution center with an upgraded warehouse management system in Vancouver. This facility serves as the flagship distribution center and is a model for all distribution facilities going forward.

Web-based success

Aritzia has also seen stellar performance in its relatively new eCommerce business. The company is on track to meet or exceed its target eCommerce penetration of 25% by fiscal 2021. In the earnings call, Hill outlined five strategies for the eCommerce business. These strategies include improving the digital experience, growing the client program, developing multi-channel fulfillment capabilities, increasing digital marketing and expanding the international online business. With proper execution, Hill believes these strategies can drive brand awareness, increase eCommerce and store traffic and ultimately lead to higher conversion.

The company also plans to broaden its coverage by celebrities and digital influencers. Aritzia was recently selected by **Facebook** as a test brand to drive social commerce. So far, this has resulted in a 200% increase in revenues driven by social media to sales at aritzia.com.

In only two years since its IPO, Aritzia has become a darling of the TSX. And the stock shows no sign of slowing down, with the momentum of its stores in the US and Canada and the continued expansion of its eCommerce business. Now that the holiday season is upon us, Aritzia should be on everyone's wish list.

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