TFSA Investors: A Great Stock to Buy With Double-Digit Growth

Description

Canadian investors can now tuck away up to $6,000 a year in their Tax-Free Savings Account (TFSA). The TFSA remains one of the most powerful tools available to investors. You can grow your investments tax-free and can withdraw at any time without penalty.

What should you do with your $6,000 limit in 2019? Consider adding **Aritzia** (TSX:ATZ) to your portfolio.

A top growth stock

Aritzia is a new player to Canada's retail sector. The company began trading on the TSX in October of 2016 and got off to a rough start. After coming up short in 2017, its stock dropped almost 45% a year after its IPO. This past year, however, was a different story.
The company came roaring back and was one of the best-performing stocks in 2018. Its stock rose almost 30% on the back of earnings outperformance. It topped analysts' expectations in each of the first two quarters of fiscal 2019.

Through 2021, analysts are expecting the company to grow revenue by 15% annually, and earnings are expected to jump by an average of 20%. This is in line with the company's own internal guidance of mid-teen growth through 2021. In the retail space, this type of growth is tough to come by.

Aritzia's 2019 third-quarter earnings

Yesterday, the company posted fiscal third-quarter 2019 results that once again topped expectations . Earnings per share jumped 16% year over year, and revenue climbed by 18.8% over the third quarter of fiscal 2018.

More impressively, same-store sales grew by 12.9%. This is a very important metric for the retail sector. It also marked the 17th consecutive quarter of same-store growth. It opened two boutiques in the quarter and each new store in 2019 is performing at or above expectations.

Approximately 40% of the company's growth came from south of the boarder, a key growth market. In

2020, the company expects to open a record number of boutiques (six) in the United States.
The only cause for concern was a 170-basis-point drop in gross margins. This was due in large part to a stronger U.S. dollar and higher raw material costs. Overall, it was another strong quarter for the company, and its outlook looks bright.

A value stock

Despite double-digit growth, Aritzia's stock price is still trading approximately 12% below its IPO price . Trading at only 17 times earnings, the company provides decent value. It also has a P/E to growth ratio of 1.16, which is low for a stock that is growing at a 20% rate.

Analysts are bullish on the stock. All nine covering the stock rate it a "buy," and they have a one-year average price target of $21.50. This implies 30% upside from today's price. The lowest price target is $20, which is still 21% above where it currently trades.

Foolish Takeaway

Aritzia's status as a growth stock makes it a perfect addition to an investor's TFSA. It has worked through its post-IPO woes and has outperformed expectations. With a minimum 20% upside from today's price, Aritzia provides excellent value.

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