



Insider Buys \$100K of Aritzia Inc. (TSX:ATZ) Stock: Should You?

Description

They say the best indicator that a stock is a buy is when an insider steps up and purchases shares in the company on the open market. It implies confidence in the company's future direction.

On January 14, newly appointed director Marcia Smith purchased 6,000 shares of **Aritzia** ([TSX:ATZ](#)) stock at \$16.84 a share, laying out \$101,040. It's a significant amount whether you're a high-net-worth investor or a small-time dabbler.

Currently trading around Smith's purchase price, investors ought to be wondering if this makes it a buy. I've got one reason why it does and another why it doesn't.

Why it's a buy signal

Before I spill the beans as to why I think this purchase by Smith makes Aritzia's stock a buy, it makes sense to find out a little more about the newly appointed director.

Who is she? What does she bring to the Aritzia board? And, more importantly, why did she want to join this particular board?

Marcia Smith is a senior vice president at **Teck Resources** responsible for sustainability issues and external affairs. She's worked for Teck Resources since 2010 in corporate affairs. She is the immediate past chair of the Business Council of British Columbia, an organization dedicated to making the province's businesses more competitive.

Also, Smith was named one of the "Top 100 Most Powerful Women in Canada" by the *Women's Executive Network* in 2015; in 2016, Business in Vancouver made her a recipient of the magazine's annual Influential Women in Business award.

She brings a boatload of qualifications to the director position. As a retailer focused on women, it's essential that talented people like Smith serve on its board. It's a smart choice, in my opinion.

While I can't speak for why Smith wanted to join this particular board, it's clear that CEO Brian Hill is happy about the appointment.

"We are thrilled to have Marcia on our board of directors," Hill said in early October. "She has an impressive background with 30 years of experience in public affairs ... We look forward to drawing on her broad range of knowledge."

Not only does Smith bring the right stuff to the board, but she also becomes a fifth independent director out of a total of nine. Equally important, she is the third woman on the board, boosting the percentage of women serving on the board to 33%.

The commitment Smith is making both financially and regarding time served is a big one. If you own Aritzia stock or are thinking of buying, this is a big green light.

Why it's not a buy signal

While I once was an Aritzia [detractor](#), I've since changed my tune in a big way, [recommending](#) its stock in mid-December, calling it the "perfect" stocking stuffer. Therefore, I'm probably not the best person to ask this question.

Here's what I can say.

As far as I know, Aritzia doesn't require those serving on the board to own a minimum amount of stock based on a specific multiple of their compensation as a director. However, it is reviewing key aspects of its compensation program for both directors and executives; it is highly likely that a minimum could be introduced at some point in 2019.

Therefore, and this is an assumption on my part, Smith might have bought the stock in anticipation of new rules being implemented in the future. It doesn't negate the fact \$100,000 is a lot of money, but it does suggest you might not want to jump to conclusions about why she acquired the shares.

The bottom line

There's a saying that insiders sell stock for lots of different reasons but buy for just one: a belief the stock price is undervalued and going higher.

In the case of Smith, I'd call it a wash. The purchase, in my opinion, without knowing the director's true intentions, is not a strong buy signal.

However, Q3 2019 same-store sales growth of 12.9%, more than double a year earlier, sure is.

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