



Meghan Markle Is Giving This Canadian Fashion Stock a Big Boost

Description

When global celebrities wear certain clothing, large swaths of the public nearly always gobble up the remaining supply, no matter how expensive the items are. For shareholders of **Aritzia Inc** ([TSX:ATZ](#)), that's incredible news.

Last year, Aritzia's management noted that sales were on the rise following the public appearance of Meghan Markle (wife of Prince Harry) in the company's clothing. For example, when Markle was photographed in one of its trench coats, the item sold out in less than six hours.

"By all accounts, Meghan remains a huge fan," Aritzia's CEO said on a conference call.

While the company received a boost last year, it's far from a one-off. Since 2008, Aritzia has consistently posted higher revenues every year, resulting in an average growth rate of 17% annually. A decade ago, the company only had 26 stores in Canada and just two in the U.S. This year, the company should top 90 storefronts, with roughly 20% located in the U.S.

Looking ahead, Aritzia is shaping up to be a long-term winner.

Stick with this proven management team

Aritzia has perhaps the best management team in the entire fashion industry. In its entire 34-year history, it's never closed a store, achieving impressive returns on capital for each new opening. That's a feat no other executive team can match.

Over the past 10 years, the company grew its storefront count by an average of 12% per year. With total sales growing by an average of 17% per year, Aritzia has been able to scale its presence while also boosting the sales of its existing stores.

When most management teams talk about long-term projections, it's usually helpful to take their word lightly. Over a period of a few years, anything can happen, even the ousting of the management team making the original claims. Given their multi-decade history of execution, you'd be wise to make an

exception for Aritzia's management team.

The future is getting brighter

In 2016, the company established a list of aggressive goals. By 2021, they wanted to: grow sales by an average of 16% per year; open five or six new stores annually; achieve EBITDA in excess of \$200 million; and hit a net income of around \$125 million.

With respect to every one of these goals, management is either on track or ahead of schedule. Early success is allowing it to plow additional capital into lowering its leverage and repurchasing shares.

As of last quarter, the company had more than \$120 million in cash and less than \$80 million in debt. Over the last 12 months, the company generated more than \$140 million in cash, meaning it could pay down its entire debt load in under seven months.

Aritzia also recently implemented a buyback program, which has since repurchased about 550,000 shares for \$17.07 apiece.

Buy and hold for a decade

While it doesn't often get the attention it deserves, Aritzia is a proven long-term winner. With an experienced management team, ample cash flow, achievable growth targets, and a long-term vision capable of attracting global influencers, expect the company's impressive run to continue.

Trading at a 7% cash flow yield, shares aren't a screaming buy, but if you're in it for the long haul, expect to be rewarded.

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