



Warning: Don't Miss Out on This Retail Stock Growing Revenue in the Double Digits

Description

Throughout the last decade, the retail sector has been going through a major secular shift. However, as the majority of the industry lags, not all companies are underperforming. Certain companies and brands that offer differentiation and customer loyalty and provide unique experiences have continued to perform well as other retail stocks fight for survival.

The companies that have done the best job at attracting customers and building brand loyalty tend to be destination visits rather than impulse visits walking through the mall. Furthermore, flagship stores with key real estate destinations help to attract shoppers, and the unique shopping experience gets them coming back.

One stock that has really built its brand well and is showing no sign of slowing down its growth is **Aritzia** ([TSX:ATZ](#)).

[Aritzia](#) is a vertically integrated Canadian fashion company, operating boutiques across Canada and the United States. It offers lines of fashion that are multigenerational and has been successful in creating its own segment of the market, placing itself between affordable luxury and fast fashion.

Past performance

Aritzia is a very well-run business. In the history of the company, it has never had to close a store. To date, it has 91 boutiques — 67 in Canada and 24 in the U.S. The plan is to open seven new stores in 2019 and to add another five new boutiques each year till 2021.

One of the main reasons it has never had to close a store is due to the high return on invested capital each boutique returns. The vertical integration means that most sales come from Aritzia's own brands, which has helped to improve margins and profitability.

Impressive numbers

One statistic that jumps off the page is its sales per square foot. Recently, sales per square foot had grown to over \$1,400 per square foot. Same-store sales growth has also been impressive for fiscal 2019; it came in at 9.8%.

New boutiques opening each year coupled with a solid same-store sales growth has helped Aritzia to achieve a 17% compounded annual growth rate (CAGR) in net revenue growth since 2008.

As the company grows its scale and opens more stores, it's becoming more profitable. The improvement in earnings before interest, taxes, depreciation, and amortization (EBITDA) margin is a sign that the company's operations are becoming more efficient. Since 2015, EBITDA has a CAGR of 27%, while the EBITDA margin increased 270 basis points over that same period to 17.9%.

Strong financials

The company is very well financed and sits with a strong balance sheet. At the end of fiscal 2019, Aritzia had cash and equivalents of \$123 million while only having \$75 million of long-term debt. Additionally, management has also been buying back shares. The company operations are extremely efficient, evidenced by the last two-year return on equity being above 23%.

Opportunities for growth

In terms of future growth, Aritzia has been expanding in the U.S., and so far it has done an impressive job succeeding down there. In the past, it has been somewhat difficult for some Canadian companies to expand to the states and have operational success; However, Aritzia hasn't had these problems. Going forward, it sees lots of opportunities to grow in the states, as less than a third of its stores are currently located in the U.S.

Aritzia has done a fantastic job of transitioning to try and drive online traffic and give its customers numerous channels to buy its products. Aritzia wants to grow not just its sales in store but also its online sales.

Aritzia is targeting 25% of net revenue to come from e-commerce by the end of 2021. The main ways it plans to do this is through better enhancements of its website and better search engine optimization.

The bottom line

Although the retail sector has had a tough time in the last few years, Aritzia is less likely to be threatened by the **Amazon** effect. Additionally, as we come to the end of an economic cycle, consumer discretionary and retail may have some slight headwinds as consumers reduce their spending.

The company is valued quite high; however, it has consistently been growing its earnings. If investors can wait for a pullback, Aritzia will be a fantastic growth stock for the future.

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