Growth Investors: The Best Retail Stock to Buy Today

Description

The retail industry doesn't seem like it should be at the top of investors' lists, especially as we enter the peak of the economic cycle.

High debt loads and reduced consumer spending all pose major risks to any retail stock, leaving the sector highly vulnerable.

In addition, the move to more e-commerce in retail by consumers and retailers is another issue companies have to deal with, if they want to survive the changing landscape.

Nonetheless, it's still important to have some exposure to the industry, even if you are underweight.

One stock that has continuously found ways to improve its position and grow its business is **Aritzia** (TSX:ATZ).

Aritzia reported its second-quarter fiscal 2020 earnings this week, and, as usual, the results were very strong.

Comparable sales growth was up more than 8%, and it was the 20th consecutive quarter of growth. This is incredible and highlights the impressive ability of Aritzia to continue to drive new customers and more sales each quarter.

The success is down to a number of things but mainly due to Aritzia's superior merchandising and vertical integration, which brings the company new products and styles each season.

Its marketing through relevant celebrities and social media influencers has also been successful and is surely one of the main reasons for the continued growth.

Its new boutiques it opened have also done a nice job and, together with the comparable sales from its existing stores, have helped the company to achieve an increase in revenue of 17.4% from the second quarter a year ago.

Margins remained relatively the same; however, profitability increased, with adjusted earnings before interest, taxes, depreciation, and amortization growing more than 10% in the quarter to more than $36 million.

The company managed to translate this growth to the bottom line, where it grew its net earnings a whopping 18.6% from the same quarter last year to just under $18 million.

In its outlook, Aritzia stated its expectation to grow its comparable sales in the low to mid-single digits next quarter, after an incredible third quarter last year.

The five new boutiques in the U.S. look to be promising additions to the company's portfolio, especially since they are being placed in key locations, such as Manhattan and the Mall of America in Minnesota.

It warned that its selling, general, and administrative expenses may outpace revenue growth for the rest of the year. However, it's for good reason, as the company is making additional strategic investments in technology and infrastructure.

The investments are expected to improve its e-commerce platform by giving the company better selling tools and data analytics. It also expects its capital expenditures for the year will come in between $45 and $50 million.

All in all, the future looks bright for Aritzia. Its new product launch coupled with its history of driving sales and growth look very promising going forward. Add to that its growing e-commerce business and its successful marketing campaigns, and Aritzia looks unstoppable.

Its growth the last few years has been one of the best in the retail space, and it doesn't look like it's slowing down, as it continues to add customers.

Growth investors or investors that are underweight in retail should strongly consider adding Aritzia, as its potential is through the roof and it's relatively cheap, especially for a stock that's growing so fast.

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Date
2025/08/24
Date Created
2019/10/17
Author
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