This High-Growth Stock Is Reporting Earnings This Week: Here’s What to Watch

Description

One of the top stocks the second half of 2019 was a Canadian retail stock that has been expanding its business rapidly, especially in the United States, where the growth opportunities are massive, and the country is almost completely untapped.

This stock has reinvigorated its segment of the market and brought a new strategy to its industry that has allowed it to continue to grow its business, regardless of the shift in consumer trends.

The company’s business has been so strong that it has never had to close any of its stores because of underperformance, and, in fact, when it opens a store, it conservatively estimates to be paid back in less than two years’ time.

The company is none other than the fashion retailer **Aritzia** (TSX:ATZ), which has managed to carve out a nice slice of the market for itself.

The stock has been a great growth stock for investors, especially considering it’s in an industry that is being avoided by most of the market, yet it was still able to increase its share price by roughly 20% in 2019.

Aritzia is reporting earnings this Thursday before the market opens, and although I never want to doubt a stock that’s hot, there are a couple things investors should know ahead of time.

In investing, one of the biggest mistakes investors can make is trying to predict a company’s earnings ahead of time. While I’m not trying to predict their earnings or say anything bad could happen, especially after the impressive performance the company has managed to put up the last few years, there are some important things to remember.

Since the stock has been a hot growth company, and its past earnings have been strong, investors will likely be expecting more of the same, but if earnings don’t come in as strong as expected by the market, there could be big movement in the stock’s share price.

At the moment, Aritzia is priced for perfection, so any blunder in its earnings or some of its business metrics could spark some fear in the market and cause a short-term sell-off of the stock.

Going into the earnings, investors are advised to look past the short-term noise and try to understand how Aritzia's long-term business is growing and maturing, especially if the stock happens to get sold off due to short-term headwinds or some other reason that doesn't affect the company's long-term outlook.

If that were to happen, it could create a major buying opportunity for long-term investors who know that Aritzia's long-term growth strategy has been executed to perfection until now and should continue to help the company to outperform over the long run.

In its last earnings reports the main highlights were same-store sales growth, its plans for the future, and its overall profitability and growth rate.

Once again, these will be the focus going into its fiscal 2020 third-quarter earnings, so investors should watch carefully, as it reports on its sales numbers and announces plans to open new boutiques.

It will also be great to get an update on where the company is in regard to achieving the long-term financial goals it has set for itself. In the last earnings report, the company was on track or ahead of schedule on all of the growth targets, so investors will be looking for progress on those goals.

Although the stock has been one of the most impressive companies on the TSX the last few years, especially considering it's a retail fashion company, it's trading just off its 52-week high.

Since it's priced so favourably, investors should be cautioned that unless it really hits it out of the park on these earnings, there could be a short-term pullback, but not to worry, as this would create a major buying opportunity for long-term investors and give you the chance to gain some exposure at a price offering much better value.

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