



TFSA Investors: 1 Retail Stock That Can Gain 20% in 2020

Description

The retail game is not an easy one to play today. The risk is high, and the big offline players have to constantly fight against online stores to retain and grow their customer base. Once in a while, there comes a company with all guns blazing and surprises everyone with its aggression and how quickly it captures market share.

Aritzia ([TSX:ATZ](#)) is one such company. Aritzia designs and sells apparel and accessories for women under the Aritzia banner. The company is an affordable luxury brand and is well entrenched in Canada, where it has almost 70 stores. The company is looking to increase its presence in the United States, where it has 27 stores. Aritzia also operates its e-commerce business through [www.aritzia.com](#).

All nine analysts tracking the stock have a “buy” recommendation with an average price target of \$23.25. The most bullish price target estimate for the stock stands at \$25, which is 22% higher than the current trading price.

Strong financial metrics

Here's why I believe Aritzia's target price is justified. When the company went public in 2016 (the company was founded in 1984), they had set aggressive growth targets. The company wanted to grow revenue between 15% and 17% annually, while EBITDA growth was forecast between 18% and 21%. From \$542 million in revenue in 2016 to \$874.3 million in 2019, the company has hit its revenue target, and the EBITDA is well over 20%. This gives me confidence that Aritzia will continue to grow aggressively this year as well.

For the first six months of the fiscal year 2020, Aritzia reported revenues of \$438 million, up from \$372 million in the same period in 2019. The company has beaten estimates for the last four quarters, and there is no reason why it won't do the same in the upcoming quarters. [Fool contributor Daniel Da Costa](#) gave readers a heads-up in November when he pointed out that the company has never needed to shut any of its boutiques due to underperformance in its 35-year history.

Aritzia is looking at the U.S. to grow, and it is using advanced influencer marketing and VIP programs

designed to accelerate brand awareness in the country. During a conference call with analysts after the results, Aritzia CEO Brian Hill said that social media influencers are going to play an important role in Aritzia's expansion plans in the U.S., particularly as the company pushes hard on e-commerce.

"I think the landscape is changing on a daily basis, about, I think two, three years ago, there wasn't a huge market out there for these paid influencers and now some of them are running really, really great businesses for themselves. I think there is certainly a lot of talk out in the markets as far as some of the businesses and industries, capitalizing on this influencer market," Hill said.

Kendall Jenner, Hailey Bieber, and Sophia Ritchie have all been part of the company's social campaigns. The company is slated to [report its fiscal third-quarter results](#) today, and there is a good chance that the stock will gain momentum if it provides robust guidance.

Aritzia has more than doubled in market value since November 2017. However, it has gained just 17.4% since the company went public. With revenue growth set to accelerate in fiscal 2021, Aritzia seems a good bet, considering its valuation metrics and expanding profit margins.

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Date

2025/08/26

Date Created

2020/01/09

Author

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