1 TSX Stock That Could Skyrocket When the Economy Re-Opens

Description

Almost every company in Canada has been affected by the coronavirus pandemic. However, the degree of the impacts on businesses has a wide range of differences from one **TSX** stock to another.

Hospitality and transportation stocks have dominated the headlines. Companies such as **Air Canada** continue to garner interest from investors, as these businesses have lost over 90% of revenue.

Another sector that has been largely impacted by the shutdowns is the retail industry.

Retail, however, hasn't been hit as bad as hospitality. This is only because retail companies can still operate online. The industry, though, has still seen a noteworthy decline in business activity.

While the resilient stocks can weather this storm, some smaller or higher-leveraged companies may have a tougher time getting through.

What this has done, though, is brought down the valuation for the whole sector. So, even some of the top retail stocks on the TSX are trading cheaper than they should.

These stocks, especially the best on the market, could see some serious gains when the economy re-opens, and as it seems like that could be sooner rather than later, this may be the perfect time to buy them.

Rapidly growing retail TSX stock

Aritzia (TSX:ATZ) was one of the top growth stocks on the TSX before the coronavirus pandemic hit. While a lot of retail stocks have been struggling in the last few years, Aritzia had no problems growing its business.

For years, retail businesses have struggled with the economics of brick-and-mortar stores, having to compete with e-commerce businesses. However, for Aritzia, management believes that the stores help to drive awareness and therefore act as giant walk-in billboards.

The strong economics of Aritzia's boutiques are clear, considering that, on average, it takes just two years for the company to break even on a new store. Furthermore, in the company's existence, it's never once had to close down a boutique due to underperformance.

One of the best-positioned retail TSX stocks

With the economy shut down right now, there is no doubt that every retail stock is being affected. However, businesses that can weather the financial consequences of the shutdown, and focus on growing the popularity of their online stores, have the potential to grow market share considerably.

For Aritzia, especially if it can execute, it would be a significant long-term advantage. Already the company had been targeting 25% of its total sales to come from e-commerce.

The top TSX stock has adequate financials to last a while in this environment, so there isn't much risk there.

As of the end of its fiscal 202o third quarter, Aritzia had $75 million in debt, which matures in 2022. However, it also had roughly $96 million in cash, giving it a net cash position in addition to an untapped credit line.

This should leave the company in a great position both during the crisis and when we emerge from it. And when the economy does start to re-open, Aritzia can continue on its dominant growth strategy.

The company has traditionally seen strong same-store sales growth. And with the opportunity to rapidly increase the number of stores it has in the U.S, the sky is the limit for Aritzia.

Bottom line

At roughly $16 a share, the stock is still approximately 40% off its highs, presenting a significant opportunity to buy one of the top retail stocks on the TSX at a remarkable discount.

In recent weeks, though, the stock has been on a rally. So, if you wait too long, this attractive discount may disappear altogether.

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1. Coronavirus
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TICKERS GLOBAL

1. TSX:ATZ (Aritzia Inc.)

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