



Buy This Cheap TSX Stock on Dips After Its Q1 Earnings Tomorrow

Description

Aritzia ([TSX:ATZ](#)) — the Vancouver-based design house and fashion retailer — is slated to announce its first quarter of fiscal 2021 results on July 9. In 2018 and 2019, Aritzia's stock yielded 29.2% and 16.2% positive returns, respectively.

However, it capped the first half of 2020 in the negative territory with a marginal 0.2% loss as worries about the [COVID-19 related headwinds](#) are keeping investors on their toes. Its performance was still better than 9.1% losses in the **S&P/TSX Composite Index** during the same period. Let's take a look at analysts' estimates and find out what key factors you should eye tomorrow when the company releases its Q1 results.

Analysts' estimates for Aritzia Q1 earnings

In the fourth quarter ended March 1, 2020, Aritzia's revenue rose by 6.3% year over year (YoY) and 3% sequentially to \$275 million. However, the company missed analysts' sales estimates of \$278 million by narrow margin. It was Aritzia's worst YoY quarterly sales growth in over two years.

Due to the expected negative impact of the pandemic-driven closures, analysts are expecting a massive 45% YoY decline in Aritzia's first-quarter revenue to \$108.5 million.

In the last quarter, the company's adjusted gross profit margin stood at 37.3% as compared to 36.2% a year ago. Analysts expect its gross margin to tank to 10.6% in Q1 of fiscal 2021 from a solid 43.5% in Q1 of fiscal 2020.

Moreover, Aritzia is expected to report a net loss of \$0.25 per share in Q1 — much worse as compared to \$0.17 earnings per share a year ago.

Other key factors to watch

In its fourth-quarter earnings report, Aritzia's management [warned](#) investors of the pandemic-related

headwinds. It expects the COVID-19 outbreak to continue affecting the company's revenue and operations in the near term. While the pandemic forced Aritzia to temporarily close its boutiques across North America, it has also halted its implementation of growth strategies and initiatives.

In mid-March, Aritzia had to close all of its 96 retail boutiques in the US and Canada. The company shifted its focus on improving online sales during this closure period. Also, it decided to increase infrastructure investments in e-commerce and omni-channel projects.

During tomorrow's event, Aritzia's management might update investors about any improvement in the business condition as its stores continue to reopen.

Foolish takeaway

I find Aritzia's business model to be stable and profitable if you are looking to invest for the long term. Despite the recent setbacks to its business due to the pandemic, the company's increased focus on e-commerce infrastructure could help it better prepare for such uncertainties in the future.

Since June 1, Aritzia's stock has twice moved above its long-term resistance level near \$19.50. While the stock might see a downside correction in the coming days, I expect it to yield solid positive returns in the long term.

If I see any dip in Aritzia's stock after its first-quarter event report tomorrow, I would consider that a buying opportunity at a bargain price.

CATEGORY

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