



Aritzia: Meme Stock or Just a Great Company?

Description

As the economic reopening picks up steam, retailers are coming into focus in a big way for investors. Retail and institutional investors alike are seeing a tonne of possibility with such options. In the retail investing space, companies like **Aritzia** ([TSX:ATZ](#)) are increasingly being targeted as potential [meme stocks](#).

Now, as a smaller Canadian retailer, Aritzia hasn't been targeted as a true meme stock play like many of its peers. However, there's reason to believe this stock is one that could really take off. Let's dive into what's been going on with Aritzia stock of late.

Aritzia diversifying its business operations

One interesting idea that's finally starting to be floated out there is that Aritzia is just simply a great business. Indeed, the company's retail model is the envy of the sector. The company's e-commerce program has produced incredible results. These results have been spurred by Aritzia's world-class IT, distribution system, and logistics.

However, Aritzia just announced an acquisition that provides increased diversification. For investors in any sector, this is a good thing. However, with apparel retailers, this move has the potential to provide more impressive upside, if the company can execute this deal well.

Aritzia recently announced the company is purchasing a majority stake in Reigning Champ. This is an athletic-wear designer and manufacturer, focused on men's clothing. As Aritzia is primarily a female clothing retailer, this move is an interesting one to say the least. And it appears the company has caught the market off guard with this deal.

Aritzia has agreed to purchase a controlling 75% stake in Reigning Champ for \$63 million in cash. The remaining 25% held by Reigning management will be converted to ATZ shares between 2024 and 2026.

Indeed, this deal provides interesting avenues to wholesale operations Aritzia isn't big into currently.

The company will increase its brand portfolio and business relationships simultaneously. These moves have the potential to widen the company's already decent margins further.

Bottom line

There are many reasons why retail investors are choosing retailers like Aritzia as pandemic reopening plays. Indeed, Aritzia remains one of the best brands in Canada. And the company's expansion in a big way into U.S. retail (physical and e-commerce) provides impressive growth potential.

For long-term investors seeking a company with some nice near-term upside, Aritzia appears to be a great pick. Indeed, the recent acquisition Aritzia has orchestrated could turn out to be a good fit. Again, it all depends on execution. However, given the quality of Aritzia's management team, it appears the company is set up for success. Investors can't ask for more.

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