



## A Fast-Growing Canadian Stock to Buy on the Way up

### Description

**Aritzia** ([TSX:ATZ](#)) is a Canadian clothing retailer that's been [riding high](#) on the back of some stellar earnings lately. With one of the better growth stories in the entire retail space, I think Aritzia rightfully deserves to trade at a premium price tag, especially in today's market environment that seems to reward [growth](#) above all else.

Undoubtedly, Aritzia has come a long way since the depths of last year. The incredible e-commerce platform has continued to flex its muscles, and the company could have ample room to run in the untapped U.S. market, which has shown signs of tremendous promise.

### Aritzia is getting pricey, but is it as pricey as it could be? Probably not

Yes, it's tough to justify paying north of 64 times earnings for a high-fashion clothing stock. But over the years, the company has shown its brand power has extended beyond the confines of Canada. Indeed, Meghan Markle, who's been seen donning various Aritzia articles of clothing in the past, can be thanked for giving Aritzia's brand a nice jolt at the international level.

In terms of brand power, Aritzia may not be at the level of **Canada Goose**, one of the most recognizable Canadian brands, just yet. But in due time, I think that those looking for an ever-strengthening brand have a lot to gain by picking up some Aritzia right here.

### The U.S. market holds tremendous promise

[Warren Buffett](#) followers know the importance of a truly magnificent brand. A strong brand can bolster margins and enhance profitability prospects for many years to come. Undoubtedly, lesser-known but emerging brands hold tremendous promise, but without a careful evaluation of how a brand fares in a new market, one could risk their shirt on a brand that may never pick up meaningful traction outside its home turf.

Think **Roots**, a fellow Canadian clothing retailer which had a tough time with its U.S. expansion in the past. Undoubtedly, success at home doesn't mean success will be guaranteed abroad. While Roots is climbing back, a considerable amount of wealth was wiped out for earlier investors who overestimated the power of the brand under the international spotlight.

Aritzia's U.S. expedition came with a high level of risk. But early signs suggest that expansion south is going well, profoundly well. In recent quarters, Aritzia's U.S. expansion has garnered significant momentum. I think such momentum is just getting started, as we're still in the early innings of a discretionary spending boom.

Just over a week ago, Aritzia clocked in some pretty solid first-quarter fiscal 2022 (Q1/F22) numbers. Growth in the states and e-commerce strength helped propel Aritzia to beat consensus estimates by a penny. As brick-and-mortar retail stores face increasing traffic as a part of Canada's continued reopening, I think Aritzia stock is very likely to continue powering higher into the year end.

## Bottom line

The company is firing on all cylinders, and management is committed to putting its foot on the gas, as the company looks to win big both at home and away. For such explosive growth, you can expect to pay up. Today, shares trade at north of 60 times earnings and four times sales. It's not cheap but also not expensive for a high-quality retailer with a long (and likely clear) growth runway.

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