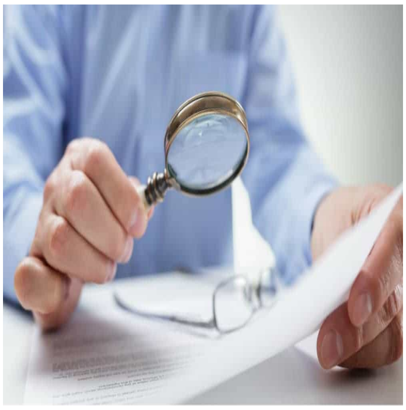

Why I'm Watching This Top Canadian Growth Stock Today

Description

There's a lot going on in the stock market and economy these days, making it difficult to keep up with all the developments. In addition to volatility to start the year and an expectation of higher interest rates in 2022, just this morning, the numbers out of the U.S. show inflation jumped to 7% in December, its highest level since 1982. But despite all these events, one top Canadian growth stock is catching my eye this week.

If I had told you five years ago, or even at the start of the pandemic, that one of the top Canadian growth stocks would be a retail consumer discretionary company, you probably wouldn't have believed me.

After all, retail companies have been struggling for years, and with the boom in e-commerce lately, brick-and-mortar stores have faced even more significant headwinds.

However, one stock that's continuously defied odds and posted a total return of more than 175% over the last five years (a compounded annual growth rate of 22.66%) is **Aritzia** (TSX:ATZ).

Aritzia is a vertically integrated women's fashion retailer that has posted an incredible performance over the last few years. The company primarily sells apparel that is more expensive and higher quality than its fast-fashion competitors. However, it's still far more affordable than true luxury brands.

But how has Aritzia performed so well, and how has it managed to grow exceptionally well through the pandemic?

Why is Aritzia one of the top Canadian growth stocks to buy today?

Because of Aritzia’s incredible vertically integrated business model coupled with its impressive marketing and merchandising, it’s proven to be one of the top growth stocks not just in retail but of all Canadian stocks today.

For years, it was growing rapidly across Canada, increasing its boutique count and growing its brand’s popularity. These boutiques have been huge moneymakers for Aritzia, with many becoming cash flow positive in just a year or two after opening.

However, despite the success of these boutiques, the company’s strategy has always been to promote e-commerce and have boutiques double as a physical marketing location. So, the fact that the boutiques are such cash cows is just a bonus. And the fact that Aritzia did roughly half of its sales from its e-commerce website in fiscal 2021 shows what incredible operations it has.

Plus, going forward, the top Canadian growth stock still has tonnes of growth potential. Aritzia is a Canadian company that first expanded mostly across Canada. So, today, it still has potential to expand across the United States, a far bigger market. Currently, the U.S. makes up just a third of Aritzia’s sales. However, analysts expect that to grow to more than 50% by 2023.

Why I have my eye on Aritzia today

After the market closes this afternoon, Aritzia will report its earnings for the period ended November 30 — a historically strong quarter leading into the holidays.

So, naturally, investors will be waiting to see how the top Canadian growth stock performed and what the company’s outlook is going forward.

In just the past five-and-a-half years, including through the pandemic, Aritzia has managed to double its sales. In addition, though, it’s also managed to double its gross profit and go from losing money to a net profit margin after tax over the last 12 months of more than 9%.

Heading into today’s earnings report, analysts are expecting revenue of $368 million and earnings per share to come in at $0.40. If Aritzia can achieve that, it would be growth of 32.5% year over year and 39.4% year over year, respectively.

So, if you’re looking to add a top Canadian growth stock to your portfolio, I’d recommend considering Aritzia as a long-term investment and watching its earnings report later today.

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