



Why Aritzia Stock Is up 18.3%

Description

What happened?

Aritzia ([TSX:ATZ](#)) is up this morning after it released better-than-expected earnings yesterday evening.

The stock has already outperformed the overall market the past year. It's up over 108%, while the **S&P/TSX Index** is up only 19.3% over the same period. The impressive performance stems from the company reinventing itself in light of changing consumer behaviour amid the pandemic.

Yesterday's earnings report further cements this fact. Here's what investors need to know.

So what?

The clothing store has rebranded itself with an increased focus in e-commerce that continues to supplement operations on the 104 boutiques spread across Canada and the United States. Since 2016, the company's e-commerce revenue has grown at a CAGR of 36%.

While online sales accounted for 23% of the total revenue in 2020 — an 88% year-over-year increase in 2021 affirmed the robust underlying growth. In addition, online retail accounted for 50% of the company's total revenue.

Last quarter, total sales surged 74.9% year over year to \$350.1 million, as comparable-store sales increased 60%. Adjusted net income came in at \$0.39 per diluted share compared to \$0.01 per diluted share delivered the same quarter last year.

Yesterday's results were even better. Top-line growth was 20%. EBITDA expanded to \$109 million — that's more than a third higher than consensus forecasts of \$80 million. Net profit has more than doubled from the same quarter last year!

The company has since raised its financial outlook and now expects full-year revenue to range between \$1.425 billion and \$1.45 billion. That's the second time it has raised expectations this year! If it meets these new targets, total year-over-year growth could be between 65% and 70%.

The company also reiterated its share-buyback program. In the coming months, management is expected to buy back up to 3.7 million shares or 5% of total outstanding shares. That's a vote of confidence in the company's future.

Now what?

Management's decision to move away from physical stores and optimize online offerings is already bearing fruits. A greater share of the company's revenue coming from online sales continues to strengthen the overall margins. Another reason the company is expanding so quickly is its success in the United States. Sales in the region doubled this quarter and have been strong throughout the year.

As it stands, Artzia is firing on all cylinders going by the robust growth in online sales. While the stock has powered to all-time highs, the stock is still arguably cheap. It trades at a price-to-earnings ratio of 54. Adjusted for the 65-70% revenue forecast management has just announced, the stock's PEG ratio could be far below one.

In short, Aritzia is an ideal bet for investors seeking robust growth at a reasonable price in 2022. Keep an eye on it.

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