



Aritzia (TSX:ATZ) Surged 20% Last Week: Should You Buy it Now?

Description

Aritzia ([TSX:ATZ](#)) is a Vancouver-based women's fashion brand that designs and sells apparel and accessories in North America. Shares of this top Canadian clothing stock have climbed 23% week over week as of early morning trading on January 17. Today, I want to discuss what is behind this recent rise. Moreover, we'll determine whether investors should look to snatch up this clothing stock past the midway point in January. Let's jump in.

Why Aritzia stock has been red hot of late

This clothing stock has been on fire this decade. Aritzia has been [scorching](#) since it bottomed out during the March 2020 market pullback. Its business model has been able to shine in an environment that has seen many retailers struggle due to the ongoing supply chain crisis. Aritzia has leveraged its advantages in an uncertain environment to maximize its profits and stand out among Canadian and North American clothing retailers.

All the way back in 2017, I'd [suggested](#) that investors should target Aritzia over less-appealing clothing stocks like **Roots**. Beyond its broader success, Aritzia gained momentum on the back of its recent earnings release. Let's tuck into that to see what the company did right over the past several months.

How did the company fare in its recent quarterly report?

Aritzia released its third-quarter fiscal 2022 earnings on January 12. Net revenue rose 67% year over year to \$453 million. Aritzia achieved this on the back of a very strong response to its Fall and Winter product offerings across all channels. Moreover, it delivered 115% sales growth in the United States. That powered 44% of total revenue growth in the quarter.

The company has thrived due to having one of the better digital shopping offerings among its peers. Indeed, its e-commerce revenue delivered 46% growth from the prior year to \$148 million in the third quarter of fiscal 2022. This came after a 79% jump in e-commerce revenue in the previous year. Meanwhile, retail revenue increased 72% to \$305 million. Comparable sales at its boutiques have

continued to exceed pre-pandemic levels, which is very encouraging going forward.

Fortunately, Artizia reported that it has continued to post strong sales growth, even in the face of the rising Omicron COVID-19 variant. This should help Aritzia weather what is gearing up to be an extremely harsh winter for most retailers.

Gross profit margin rose to 46.4% compared to 45.3% in the third quarter of fiscal 2021. Meanwhile, adjusted EBITDA more than doubled to \$109.3 million compared to \$54.6 million in the prior year. Adjusted net income was reported at \$0.61 — up from \$0.29 per diluted shares in the third quarter of 2021. In the year-to-date period, net revenue jumped 78% to \$1.05 billion. Moreover, it posted adjusted EBITDA of \$223 million in the first nine months of fiscal 2022 — up 436% year over year.

Aritzia: Is it a buy right now?

Last February, I'd [discussed](#) why I was bullish on a clothing stock like **Canada Goose**. Aritzia is another clothing stock I'm looking to snatch up in January 2022. It boasts an immaculate balance sheet, and the company is on track for very strong earnings growth going forward. Investors should look to ride the wave at Aritzia this decade.

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