Lululemon Stock or Aritzia Stock: Which Retailer Is a Better Buy?

Description

Lululemon Athletica (NASDAQ:LULU) and **Aritzia** (TSX:ATZ) continue to post astounding sales, despite the slump that many retailers experienced during the pandemic. But in the beginning of 2022, both experienced a slump in share price. That slump has Motley Fool investors questioning which, if either, is still a good buy.

So let's take a solid look at Lululemon stock and Aritzia stock and see which retailer is set to soar, and which might slump.

Lululemon stock

Lululemon reported its full-year earnings recently for 2021, resulting in a rebound from the slump the company experienced in the beginning of 2022. The athletic-wear retailer reported net revenue up 42% year over year to US$6.3 billion. However, it was the direct-to-consumer net revenue that analysts found interesting.

This included e-commerce revenue, and that number was up a mere 22% year over year. Meanwhile, in-store revenue rose 70%. This signalled perhaps the return to in-store shopping, but it's unclear about the future of the company's e-commerce growth.

Regardless, Lululemon was able to post gross profit up 46% year over year, with US$1.3 billion in cash on hand. Furthermore, Lululemon believes its first quarter for 2022 will be strong, and 2022 could be the year it hits US$8 billion in revenue.

But there was one thing that Motley Fool investors were missing, and that was reports on the company's Mirror acquisition. The acquisition should have made the company considerable revenue, as it tried to take on the at-home-workout trend. It seems this purchase is definitely not a significant driver of growth. For now, at least.

Aritzia stock

Aritzia stock has earnings coming up in the beginning of May. During its latest earnings report, shares soared after announcing net revenue up 63% year over year, adjusted EBITDA doubling to $109.3 million, and net income up 113% to $65 million.

Aritzia has been on a tear during the last year, with its e-commerce revenue thriving. However, despite being in the U.S. for several years, suddenly there was a mad dash towards the company's product in the United States. This allowed the company to find a whole new revenue stream that doesn't seem to be slowing down.

Now of course, this latest report doesn't include the return to in-store shopping. This could be huge for Aritzia, as the company hasn't been able to report holiday revenue quite yet. With restrictions eased it's likely that the company was able to see a huge increase in in-store presence, all while continuing to see its e-commerce arm thrive.

Shares jumped during the last earnings report, but the share price has slumped back by 25% as of writing. So this could be a good time to get in on the stock before the earnings announcement.

Bottom line

Lululemon stock is still a strong purchase for those seeking long-term growth. Pandemic restrictions continue to be eased across the world, and that could be beneficial for the company. The question will remain whether e-commerce growth comes with it as well.

Meanwhile, Aritzia stock poses more of an opportunity. Shares are down 25%, and with the potential for good news during its May earnings report, that could see another huge share jump. The company will report full-year earnings that are bound to be excellent for Motley Fool investors.

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