



Why Aritzia Stock Plunged 13% Last Week

Description

What happened?

The selloff in **Aritzia** ([TSX:ATZ](#)) stock intensified last week, as it fell by 13% to settle at \$39.80 per share — touching its lowest price level in more than six months. While the recent broader market weakness has affected [ATZ's recent stock price movement](#) lately, its last week's massive selloff mainly came after the company released its fourth-quarter results.

So what?

In the fourth quarter of its fiscal year 2022 (ended in February), Aritzia [reported](#) a solid 66.1% YoY (year-over-year) rise in its total revenue to around \$444.3 million. The Canadian retailer cited the ongoing strength in its business across all geographies and all channels as one of the key reasons for its strong financial growth in the last quarter, despite continued supply chain issues.

Its adjusted gross profit in Q4 2022 jumped by 74.4% to \$179.5 million, beating Street's estimate of around \$155 million. Positive factors such as leverage on occupancy costs, lower markdowns, and currency tailwinds helped Aritzia boost its gross profit margin in the last quarter, despite higher supply chain-related costs. As a result, the apparel designer and retailer's adjusted earnings in the last quarter more than doubled to around \$0.34 per share, exceeding expectations of \$0.24 per share.

While its recent financial growth numbers looked impressive, Aritzia stock tanked after its Q4 earnings event as the company warned that the global supply chain disruptions, inflationary pressures, and discontinued COVID relief subsidies could affect its profitability in its fiscal year 2023. Its efforts to expand the business could also increase its costs. These warnings could be one of the reasons why Aritzia stock fell by 13% last week, despite reporting better-than-expected Q4 results.

Now what?

Aritzia has been one of a few Canadian companies that have very effectively avoided the huge

negative impact of the ongoing global supply chain crisis on its business in the last few quarters. While these efforts are clearly increasing its costs, they could keep the ongoing strength in its financial growth trends intact. Overall, Aritzia stock has seen 24% value erosion in 2022 so far, despite its strengthening financials. That's why long-term investors may want to consider the recent drop in ATZ stock an opportunity to buy this amazing growth stock at a bargain.

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