Why This Canadian Growth Stock Could Double Next Thursday

Description

There were some major growth stocks in the past on the **TSX** that fell during the market correction. And many that fell without a solid reason. One such stock was **Aritzia** (TSX:ATZ). The retailer saw shares boom thanks to the growth of its business in the United States. The company has kept on growing, and yet Aritzia stock now trades at strong values.

So, let's get into why this growth stock could double by next Thursday.

Earnings due

The reason shares of Aritzia stock could double by July 7 is because the growth stock is set to announce earnings. And analysts had quite a bit to say about it. The retailer had already boosted its annual guidance, sending its shares to record highs back in January. Yet when the market correction hit and interest rates and inflation rose, the company has been on a downward trend ever since.

Shares of Aritzia stock now trade at about $37 as of writing, down 30% year to date. Yet shares popped about 10% in the last week, as the markets have been in recovery, and it announced its earnings — earnings that analysts are confident will remain strong and provide a great opportunity for long-term investors.

What to expect

Aritzia stock has seen major growth in the continued expansion throughout the United States. However, it also saw growth through e-commerce during the pandemic. This hasn't disappeared overnight, and there have been more in-store sales across North America. It now expects to open between eight and 10 stores through fiscal 2023. It currently has 106 stores across North America, with its revenue split almost evenly between Canada and the U.S.

During the last quarter, the company reported a 61% increase in revenue year over year to $444 million. E-commerce brought in 41% of total revenue up 21%, with its retail business up 123% year over year. Adjusted EBITDA increased 88% to $66.3 million, with everything surpassing estimates. Management expects this to continue, targeting net revenue of $375 million for the first quarter, which is less than the last quarter due to inflation and supply-chain challenges.

Consensus estimates peg the company's revenue to reach $376 million, with EBITDA at $63.7 million. While analysts have dropped their price targets, they're still confident at the company's long-term performance. And it still offers significant value at these prices.

Great expectations

Aritzia stock now trades at $37, as mentioned. Yet analysts give it a consensus target price of $67 as of writing! That's even as they drop their estimates for the growth stock. And if the market continues to rebound as it has, investors may be looking for growth. And Aritzia stock will come at the perfect time.

Today, the company trades at 27.02 times earnings and has a debt-to-earnings ratio of 0.95. This puts it in a strong position of trading near fair value but with enough equity to cover its debt. That makes it a strong stock that continues to perform well, despite the ongoing challenges.

That's why Motley Fool investors may want to consider this growth stock. Even if it doesn't double overnight, it could very well do so in the next year or so. Further, you're bound to see some growth once the company reports its earnings, if historical performance gives us any indication.

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