



## Is Aritzia (TSX:ATZ) the Best TSX Stock to Buy in July 2022?

### Description

**Aritzia** ([TSX:ATZ](#)) stock fell by 31.7% in the second quarter to \$34.85 per share, extending its year-to-date losses to more than 33%. Nonetheless, ATZ stock outperformed the broader market in June, as it fell by only 5.6% for the month against the **TSX Composite Index**'s 9% decline. In this article, I'll explain why Aritzia could arguably be the best TSX stock to buy in July 2022. But first, let's take a closer look at what could be driving it lower lately.

### Aritzia stock price movement

If you don't know it already, Aritzia is a Vancouver-based apparel retailer and design house with a market cap of about \$3.9 billion. Before 2022, Aritzia stock consistently delivered solid positive gains each year since 2018. As the COVID-related shutdowns triggered a massive market-wide selloff in the first quarter of 2020, ATZ stock plunged by more than 35% that quarter. However, the company's consistently rising efforts to improve its e-commerce channel sales amid restrictions helped it post far better-than-expected sales, triggering a sharp recovery in Aritzia stock. As a result, it ended the calendar year 2020 with 35.4% gains.

In 2021, Aritzia stock more than doubled, as its sales in the U.S. market posted significant growth amid the company's efforts to internationally expand its business. In 2022, however, investors fear prolonged supply chain disruptions will likely hurt Aritzia's financial growth in the near term, driving its stock lower. Apart from continued supply chain concerns, the recent market selloff could be another reason why ATZ stock has seen nearly 33% value erosion this year.

### Strong financial growth is likely to continue

In its fiscal year 2022 (ended in February), Aritzia's home market accounted for nearly 55% of its total revenue, while the remaining came from the United States. During the fiscal year, its total sales [jumped](#) by 74.3% YoY (year over year) to \$1.5 billion with the help of strong positive financial growth across segments and geographies. As a result, its adjusted earnings for the fiscal year 2022 jumped by 178% to \$1.53 per share.

It's important to note that Aritzia's supply chain teams have managed the ongoing supply chain crisis exceptionally well in recent quarters. These well-coordinated supply chain and inventory management efforts have helped the Canadian apparel firm meet surging demand in the U.S. and Canada. Given this strong track record, I expect Aritzia to continue posting solid sales growth in the coming quarters, despite supply chain challenges.

Rising inflationary pressures could be another key factor to blame for hurting Aritzia investors' sentiments lately. These concerns, however, might not have a major impact on the company's long-term growth prospects.

## Foolish bottom line

Street analysts currently give a \$61.14 per share target price on Aritzia stock, reflecting nearly 75% upside potential from its current market price of \$34.85 per share. Clearly, the broader [market selloff](#) and external macro-level factors have driven its stock down this year. But given its international market expansion efforts and growing profit margins, this short-term dip in ATZ stock could be an opportunity for long-term investors to buy this amazing growth stock at a big bargain.

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