



1 Surprising Stock That has Survived the Market Selloff

Description

The stock market has been sliding for much of this year. Since January, the **S&P/TSX Index** is down over 8%. Most tech, consumer, and retail stocks have dropped further, while [energy](#) and commodity stocks have outperformed the market.

However, one surprising stock has been remarkably robust throughout 2022. This trend could continue in the years ahead as the team executes its growth plan. Here's why luxury retailer **Aritzia Inc.** ([TSX:ATZ](#)) has astonishingly outperformed the market and what lays ahead.

Aritzia's outperformance

The Vancouver-based retailer has lost just 2.8% of its value year-to-date. That's significantly better than the TSX Index's 8% plunge over the same period. What's even more impressive is that Aritzia continues to see sales and earnings growth during a tough environment for consumers.

Record inflation and lagging wages have sapped consumer demand this year. Retailers like **Roots** ([TSX:ROOT](#)) have underperformed the market. Luxury retailers such as **Canada Goose** ([TSX:GOOS](#)) have seen deeper plunges. This stock is down 54.5% year-to-date as consumers cut back on luxury coats and outerwear and spend more money on essentials like food and medicines this year.

Meanwhile, rising costs have put pressure on most retailers' profit margins. Lower sales and slimmer margins have created the perfect storm for retail stocks in Canada.

That's why Aritzia's outperformance is surprising. The outperformance is driven by the company's social media strategy and U.S. expansion. "The majority of our stores are in Canada but growth in the coming years will be primarily from the U.S.," CEO Jennifer Wong said during a recent shareholder presentation. In 2023, nearly all the company's new stores will be in the U.S.

Meanwhile, Aritzia has successfully positioned itself as the preferred brand of young celebrities and influencers. Celebrities such as Kendall Jenner, Hailey Bieber, and Meghan Markle have been spotted with Aritzia products, and social media influencers have gifted the brand a cult following.

If these trends persist, the team expects to expand sales to \$3.8 billion by fiscal 2027.

Stock valuation

Aritzia has managed to sustain its market value this year. However, underlying revenue and earnings have expanded over this period. The stock now trades at 33 times trailing twelve-month earnings per share.

The stock also trades at just 1.5 times revenue and 8 times EBITDA (earnings before interest, taxes, depreciation, and amortization) in fiscal 2027. That means it's undervalued if it achieves its long-term growth targets.

The path ahead is far from easy. Aritzia faces the same pressures as other retailers – especially if inflation is persistent and the economy dips into a recession. Meanwhile, its U.S. expansion plan and social media strategy could fail to live up to expectations.

However, it's one of the few luxury retailers to survive the pandemic and ongoing [bear market](#). That makes it an interesting target for investors seeking a durable growth stock. Keep an eye on this opportunity.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:GOOS (Canada Goose)
2. TSX:ATZ (Aritzia Inc.)
3. TSX:GOOS (Canada Goose)
4. TSX:ROOT (Roots Corporation)

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