The High-Growth Stock Every Portfolio Needs

Description

As 2023 has just begun, now is the time to reassess your long-term portfolio and add high-growth stocks to outperform the broader markets. Investors should focus on the shares of the companies that are profitable and growing rapidly. Against this background, here is a top high-growth Canadian stock every portfolio needs.

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The top stock in the consumer space

Let's zoom in on **Aritzia** (TSX:ATZ), a top company in the consumer discretionary space. The momentum in Aritzia's business has sustained regardless of the weakness in the macro environment. Further, management's solid guidance sets the stage for outperformance in the coming years.

Notably, this fashion house is known to multiply investors' wealth. For instance, Aritzia stock has gained over 300% in five years, reflecting a CAGR (compound annual growth rate) of more than 32%. Its stellar growth handily exceeds the returns of the S&P/TSX Composite Index.

Aritzia's outperformance comes on the back of stellar revenues and profitable growth. Its net revenue grew at a CAGR of 19% between fiscal 2018 and fiscal 2022. Meanwhile, its adjusted net income increased at a CAGR of 24%.

Aritzia recently delivered its record third-quarter results, wherein its net revenue reached $624.6 million (up 37.8% year over year) — its highest quarterly revenue in history. Meanwhile, year to date, Aritzia's top line recorded a growth of 48.3%. Revenues in the U.S. soared 57.8% and now account for about half of the company's revenues. Further, e-commerce sales improved by 36.1%.

Thanks to leverage from higher sales, its adjusted net income per share increased by 9.8% in the third quarter. Furthermore, it recorded a growth of 22.7% year to date.

Thanks to this stellar growth, Aritzia stock has gained about 36% in six months and recovered all of its losses.

Aritzia’s solid guidance to support upside

Even though Aritzia stock has trended higher in the past six months, the company’s solid guidance indicates that its price will sustain the uptrend. The company is poised to deliver robust sales and earnings led by solid demand and full-price selling.

Meanwhile, Aritzia is expanding its boutiques at a decent pace and strengthening its e-commerce platform. These measures are likely to accelerate its growth. Moreover, increased penetration in other verticals augurs well for growth.

It’s worth highlighting that Aritzia currently has 46 boutiques in the United States. Meanwhile, it is witnessing strong growth in that region. This implies that the company has a significant runway for growth in the U.S. that will drive its overall performance. The company has identified 100 locations in the U.S. and plans to consistently increase its boutique count, which bodes well for future growth.

Thanks to the favourable operating environment, Aritzia expects its top line to grow at a CAGR (compound annual growth rate) of 15-17% through 2027. During the same time, its EPS (earnings per share) is forecasted to exceed its revenue-growth rate.

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Bottom line

Aritzia’s ability to drive full-price selling through compelling products, boutique expansion, and focus on brand awareness positions it well to deliver solid financials in the coming years. Its strong growth makes it an attractive investment. Also, Aritzia stock is trading at a price-to-earnings (P/E) ratio of 21.6, which is lower than the pre-pandemic levels, providing a solid entry point.

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