Has ATZ Stock Bottomed Out?

Description

Shares of **Aritzia** (TSX:ATZ) have started 2023 on a mixed note after plunging by 9.6% last year. Notably, ATZ stock currently trades with 0.8% year-to-date gains at $47.72 per share, underperforming the broader market. By comparison, the **TSX Composite** benchmark has risen 7% this year so far.

If you don't know it already, Aritzia is a Vancouver-headquartered integrated design house that primarily focuses on designing and retailing everyday luxury clothing in Canada and the United States. It currently has a market cap of $5.5 billion and is a part of the TSX Composite Index.

Before discussing whether ATZ stock has bottomed out, let's take a closer look at some key factors that took its share prices downward in 2022.

Why Aritzia stock plunged nearly 10% in 2022

In its fiscal year 2022 (ended in February 2022), Aritzia posted strong financial growth, as its total revenue jumped by 124% YoY (year over year) to $1.5 billion. More importantly, the company registered an outstanding 178.2% YoY jump in its adjusted earnings during the fiscal year to $1.53 per share. Despite the global pandemic-driven supply chain disruptions, Aritzia's strong sales in the U.S. and Canada were the key reasons behind this strong growth.

However, its financial growth trend has shown signs of slowing down in the last couple of quarters due mainly to inflationary pressures, higher warehousing costs, and foreign exchange headwinds. Besides the broader market selloff, investors' fears that these macroeconomic environment-driven factors may continue to affect its business could be the primary reason why ATZ stock slipped by about 10% last year.

Has ATZ stock finally bottomed out?

It's important to note that despite facing several challenges, Aritzia managed to report strong double-digit sales growth in the first three quarters of its fiscal year 2023. During these three quarters combined, its sales jumped by 48.3% YoY to $1.6 billion, while its adjusted earnings grew positively by 22.7% to $1.46 per share.

Not only that, the company has consistently been exceeding Street analysts' revenue estimates for the last 11 consecutive quarters, even as it faced several economic and pandemic-driven challenges.

Moreover, the demand for its products is rapidly rising in both its key markets and all channels. For example, its revenue from the U.S. market jumped by 57.8% YoY in the November 2022 quarter. While its retail revenue rose 38.6% from a year ago for the quarter, its e-commerce sales growth rate wasn't far behind, as it increased by 36.1%. Despite these positive factors, ATZ stock didn't see much appreciation in 2022, as it ended the year in red territory, making it look undervalued to buy for the long term.

Bottom line

That said, we shouldn't forget that the macroeconomic uncertainties aren't over yet, as high inflation, supply chain crisis, and labour shortages are likely to continue hurting corporate profits in the near term. Given these economic uncertainties, I can't deny the possibility that ATZ stock may remain volatile and unpredictable in the short term. But that doesn't make this fundamentally strong Canadian growth stock any less attractive to buy for the long term at current levels.

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