

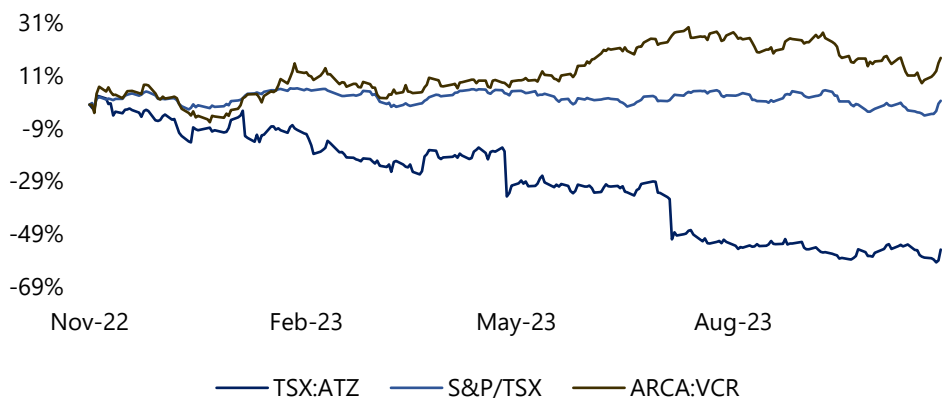
Aritzia (TSX: ATZ)

25 November 2023

Calvin Diallo | Isabelle Menard | Owen Schmidt | Rushika Bucktowonsing | Joshua Brule

ARITZIA

52 Week Performance



Elevate Your Portfolio with the Luxe Appeal of Aritzia

Positioned as a forward-thinking fashion house and merchant, Aritzia serves a diverse clientele across its over 100 brick-and-mortar locations in Canada and the U.S., as well as through a robust online presence. As a vertically integrated entity, Aritzia has command over its product creation and distribution channels. Housing a variety of exclusive in-house brands, Aritzia caters to a broad audience that spans from the youth to adults in their middle years. Aritzia sets itself apart by delivering products that seamlessly blend luxurious quality with everyday functionality, ensuring both superior design and enduring materials for a classic wardrobe.

STOCK RATING	BUY	MARKET CAP	\$2.72B
PRICE TARGET	\$37.43	P/E	15.44
CURRENT PRICE	\$24.05	3Y REVENUE CAGR	36.82%
IMPLIED UPSIDE	55.63%	3Y AVERAGE ROIC	12.20%

We believe that Aritzia is currently undervalued by the market, and therefore we recommend a BUY. Our Analysis is backed by the following theses:

1. Accelerated Growth and Enhanced Brand Recognition

- Growth opportunities in the US and E-commerce
- Growing brand awareness

2. Cost Advantages

- Efficient processes induced from a vertically integrated model
- The Omni Project

Aritzia's revised strategy has quickly drawn a bold reaction from the market. However, the core potential for sustained organic growth remains unparalleled, underscored by the strengthening of its brand's footprint and the strategic expansion of its retail operations within the U.S. market.

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A multi-brand fashion retailer powerhouse

Business Overview

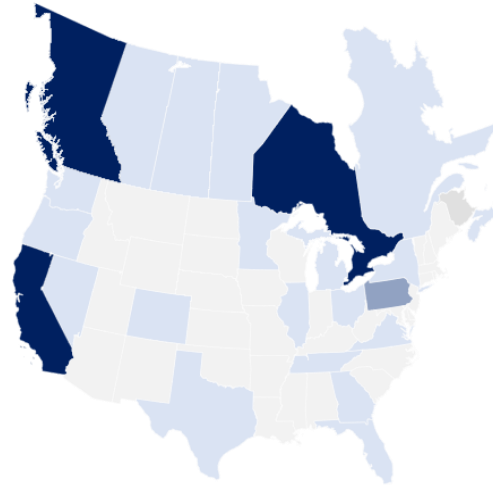
- Founded by the Hill family in 1984, Aritzia is a vertically integrated design house with an innovative global platform – offering an expansive range of “Everyday Luxury” items.
- As of FY 2023, the company owns and operates 116 brick-and-mortar boutiques in North America – 68 in Canada and 48 in the USA.
- While its target demographic remains teens to middle-aged women, it has been accentuating its presence on the male clothing market through the release of the Mr. Super Puff in 2019, and later with the acquisition of Reigning Champ in 2021.
- Aritzia’s business model operates on a multi-brand strategy, with its 11 in-house brands offering a curated selection of clothing – categorized between affordable luxury and fast fashion.
- The company categorizes geographic expansion, eCommerce growth and increased brand awareness as its key strategic growth drivers.

Multi-brand Expansion Strategy

By citing design and quality of fabrics of its 11 in-house brands as its key differentiators, Aritzia has strategically positioned itself in the global fashion landscape:



Geographic Segments FY 2023



Country	No. of stores
Canada	68
USA	48
Total	116

Aritzia operates under 10 boutiques

Aritzia operates 10+ boutiques

Business Model



Management Overview

Experienced management team with decades of experience and capable of managing Aritzia's expansion plans

Top Executives



Brian Hill, Founder and Executive Chair

- Hill has led Aritzia's rapid growth into Canada and the United States and was a key figure in the development of Aritzia's e-commerce platform.
- As a third-generation retailer Hill has decades of experience in the retail industry and his vision and expertise has helped contribute to Aritzia's success.
- Total Compensation: \$5.01 Million
- Tenure: 39 years



Jennifer Wong, MBA, CEO and Director

- Prior to becoming CEO, Wong served as President and Chief Operating Officer for seven years and has been at the company for 35 years.
- She served executive sponsor on several successful strategic initiatives such as : relocation of distribution centers (2018), launch of e-commerce business (2012), creation of ERP system (2008) and US expansion (2007)
- Total Compensation: \$4.46 Million
- Tenure: 36 years



Todd Ingledew, MBA, CFO

- Prior to becoming Aritzia's CFO, he was the president of Steve Nash Fitness World & Sports Club having previously served as its CFO.
- Ingledew transformed Steve Nash Fitness World & Sports Club back office to a scalable platform in order to support rapid growth. Additionally, Todd has refinanced the company's debt twice and was key in the sell off of the firm's private equity firm.
- Total Compensation: \$1.06 Million
- Tenure: 7 years



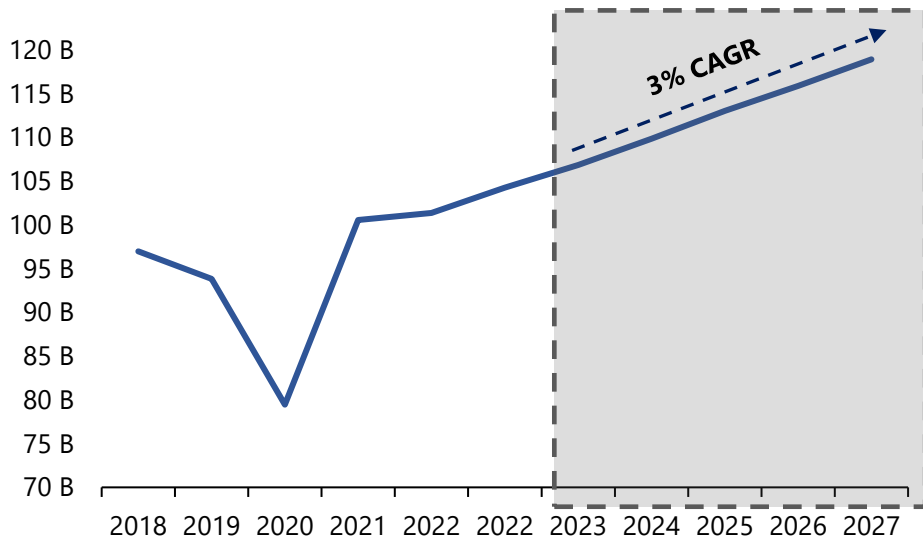
Dave MacIver, CIO

- Prior to becoming CIO, MacIver spent a decade developing a telemetry and GPS system for thousands of vehicles as well as implementing various ERP and dispatch systems for numerous North American companies.
- MacIver joined in 2005, overseeing the tech and project management office; his most notable contributions include supporting the data centre build, launching Aritzia's e-commerce platform, and implementing various management and ERP systems.
- Total Compensation: \$1.56 Million
- Tenure: 18 years

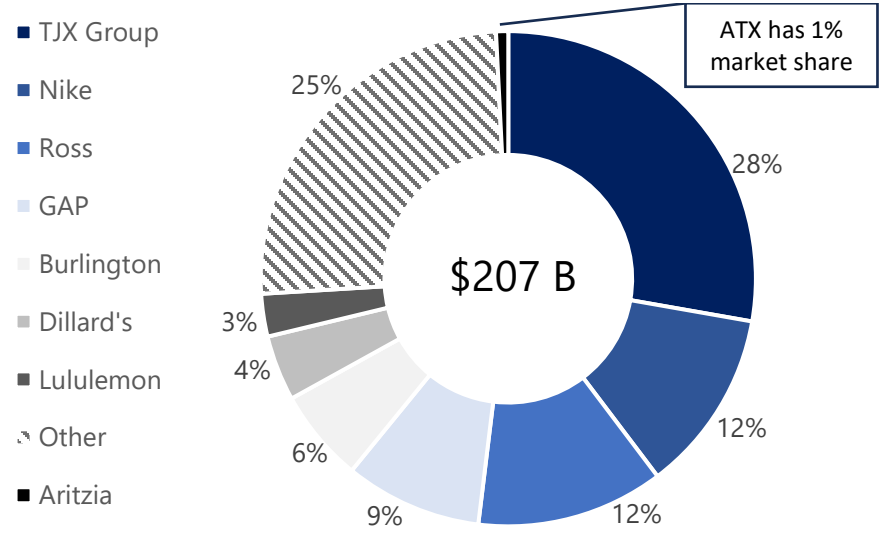
North American Apparel Industry

Aritzia is well-positioned to gain market share

Women's Apparel Revenue Projections



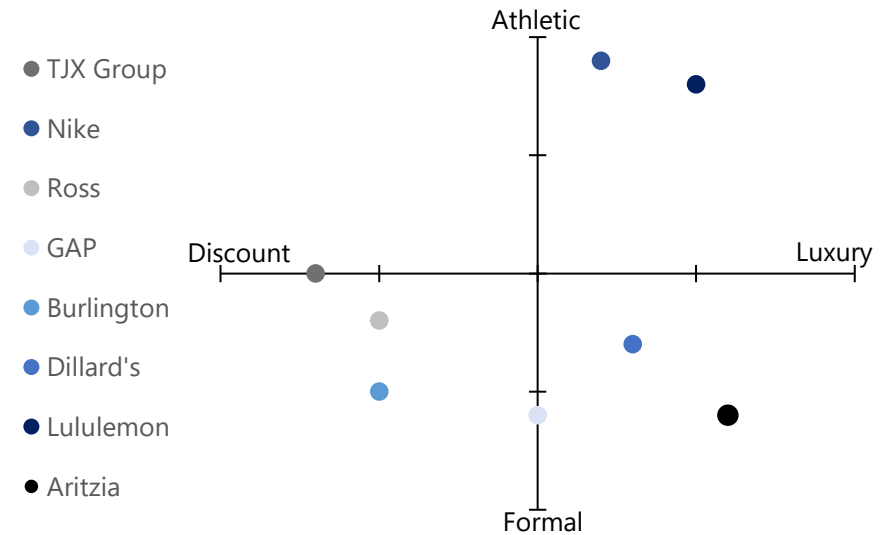
Market Share



Industry Trends & Drivers

- E-commerce**
 Online sales have been the primary growth engine for the industry.
- Luxury**
 High disposable incomes allow consumers to buy prestigious brands.
- Direct to Consumer**
 Brands have been integrating manufacturing and retail to lower costs.
- Athleisure**
 Shoppers are buying athletics clothes for everyday use.

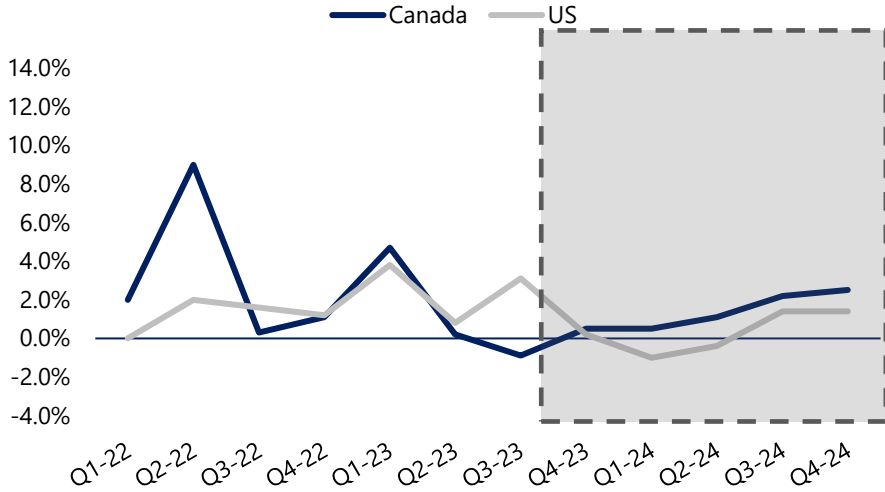
Positioning



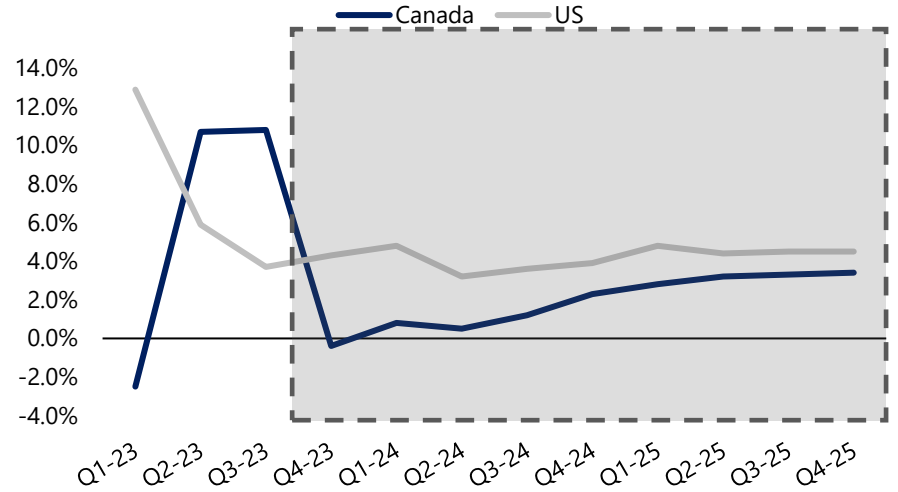
Macroenvironmental Analysis

Fading economic stressors will help drive Aritzia's bottom line

Consumer Spending (Period/Period Annualized % Change)



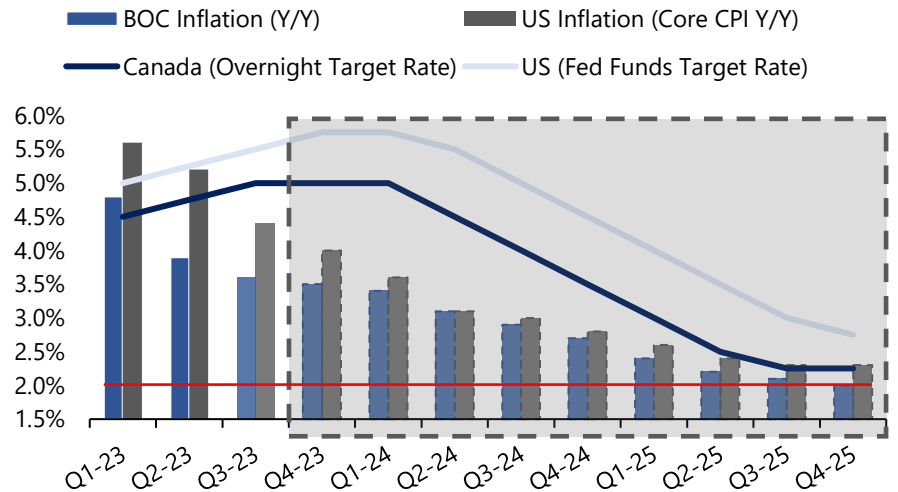
Personal Disp. Income (Period/Period Annualized % Change)



What does this mean for Aritzia?

- Economic stressors had huge impacts on Aritzia's bottom line. Variable consumer spending and high inflation meant fewer people were spending money on luxury goods.
- Aritzia has been growing its stores count, and so as these economic factors begin to return to normal levels, this means Aritzia's will be well placed to capture consumer demand.
- The stabilizing consumer spending will help management improve estimates and visibility of cash flows since sales will not vary by a large amount year over year.
- Inflation heading to the 2% target and the subsequent drop in interest rates will improve pricing compared to companies with better economies of scale. Lower rates also help the company if it needs to take on debt to continue expanding.
- The stabilizing growth in personal disposable income will help Aritzia and as disposable income increases, Aritzia being a Luxury brand will benefit.

Inflation heading down to 2% target leading to falling rates



Financial Analysis I

Aritzia has experienced tremendous growth over the past years

Trends in financial statements

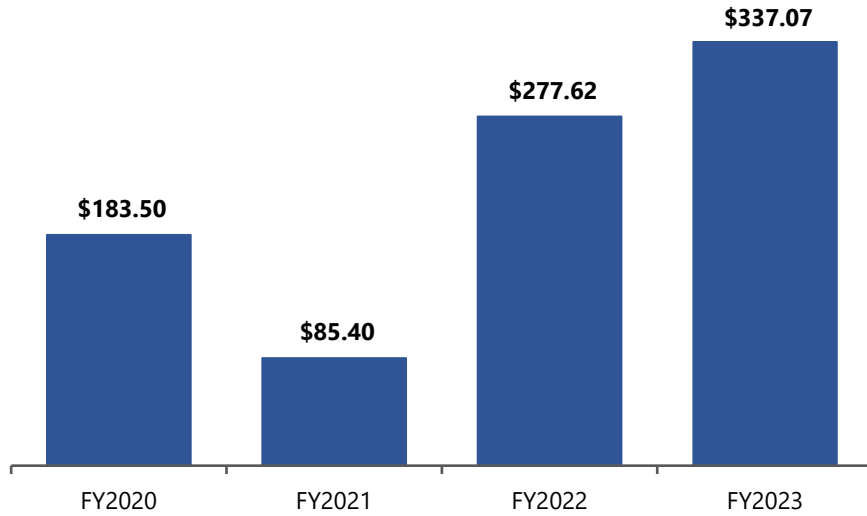
	FY 2020	FY 2021	FY 2022	FY 2023	LTM
Summary Information (\$MM CAD)					
Total Revenues	980.6	857.3	1,494.6	2,159.6	2,259.1
Apparel	980.6	857.3	1,494.6	2,159.6	2,259.1
Net earnings	90.6	19.2	156.9	187.6	119.5
EBITDA	183.5	85.4	277.6	337.1	252.9
EBIT	152.3	50.0	236.0	287.2	198.3
Equity	332.1	360.3	530.8	685.8	726.2
Long-term Debt	74.7	74.9	--	--	--
Cash	117.8	149.1	265.2	86.5	76.5
Earnings Per Share	0.81	0.17	1.36	1.63	1.03
Total Shares Outstanding	109.7	110.3	110.5	110.7	110.8
Profitability					
Gross Profit	403.4	311.4	655.0	914.0	879.6
Net Income	90.6	19.2	156.9	187.6	119.5
Return on Assets %	11.4%	2.9%	11.5%	11.0%	7.2%
Return on Capital %	13.9%	3.4%	15.0%	14.4%	9.2%
Return on Equity %	25.7%	5.6%	35.2%	30.8%	18.6%
Gross Margin %	41.1%	36.3%	43.8%	41.6%	38.9%
EBITDA Margin %	18.7%	10.0%	18.6%	15.4%	11.2%
EBIT Margin %	15.5%	5.8%	15.8%	13.1%	8.8%
Growth Metrics (Over Prior Year)					
Total Revenue	12.2%	(12.6%)	74.3%	46.9%	23.4%
Gross Profit	17.6%	(22.8%)	110.3%	39.6%	11.2%
EBITDA	30.5%	(53.5%)	225.1%	21.4%	(19.4%)
EBIT	31.2%	(67.2%)	372.2%	21.7%	(26.2%)
Earnings Per Share	20.9%	(79.01%)	700.00%	19.85%	36.81%
Liquidity					
Current Ratio	1.5x	1.4x	1.3x	1.5x	1.2x
Quick Ratio	0.8x	0.7x	0.7x	0.3x	0.2x

As can be from the above ratios, revenue increased significantly from \$1,494.6 MM in FY 2022 to \$2,159.6 MM in FY 2023 – implying more than a 44% increase. This is mainly due to the company's consistent efforts towards growing its e-commerce platform and USA boutique locations, respectively. In a similar scope, we notice an increase in Aritzia's net earnings owing to its expense management strategies and profitability enhancement strategies.

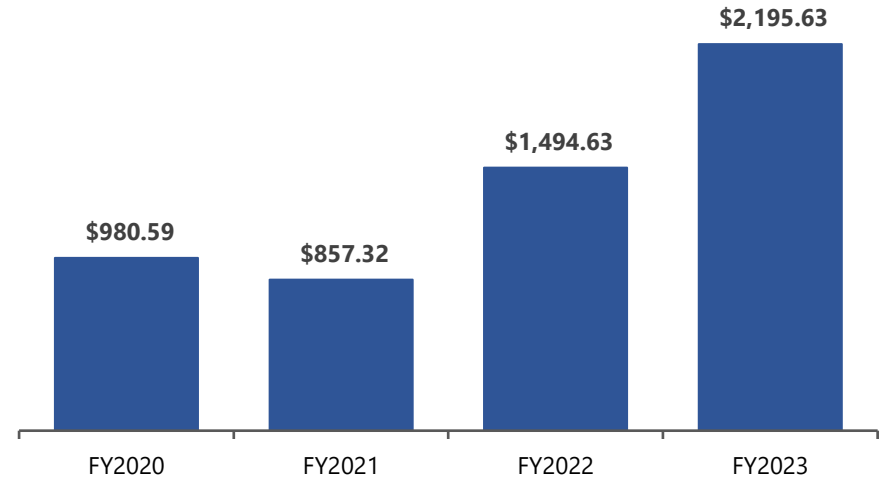
Financial Analysis II

With headwinds behind, Aritzia's poised for smooth sailing ahead

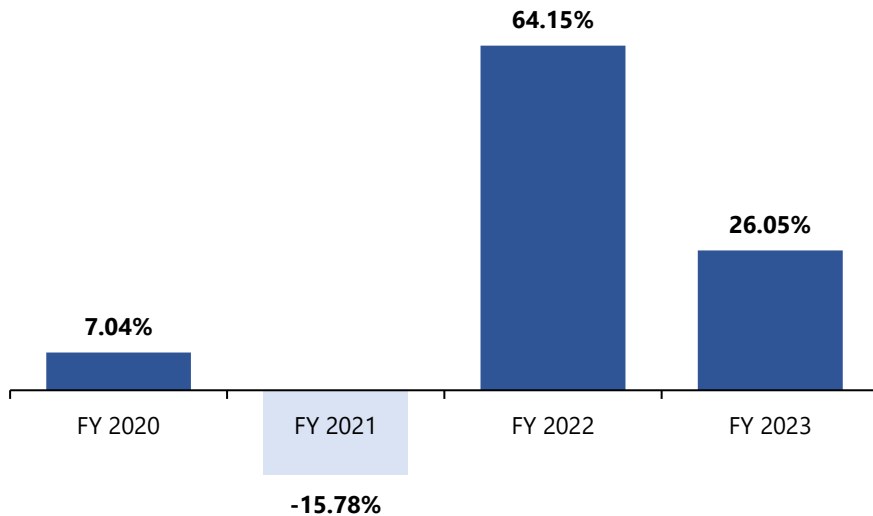
EBITDA Growth



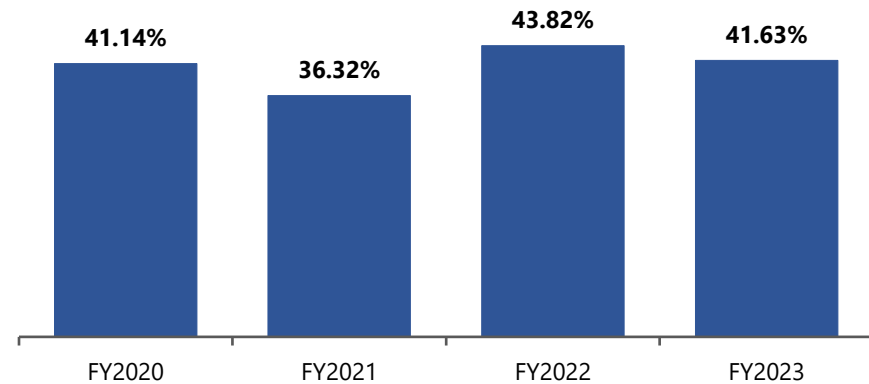
Revenue Growth



Same Store Sales Growth









Gross Margin



Financial Analysis III

Aritzia's key financial metrics fall in line with comparable peers

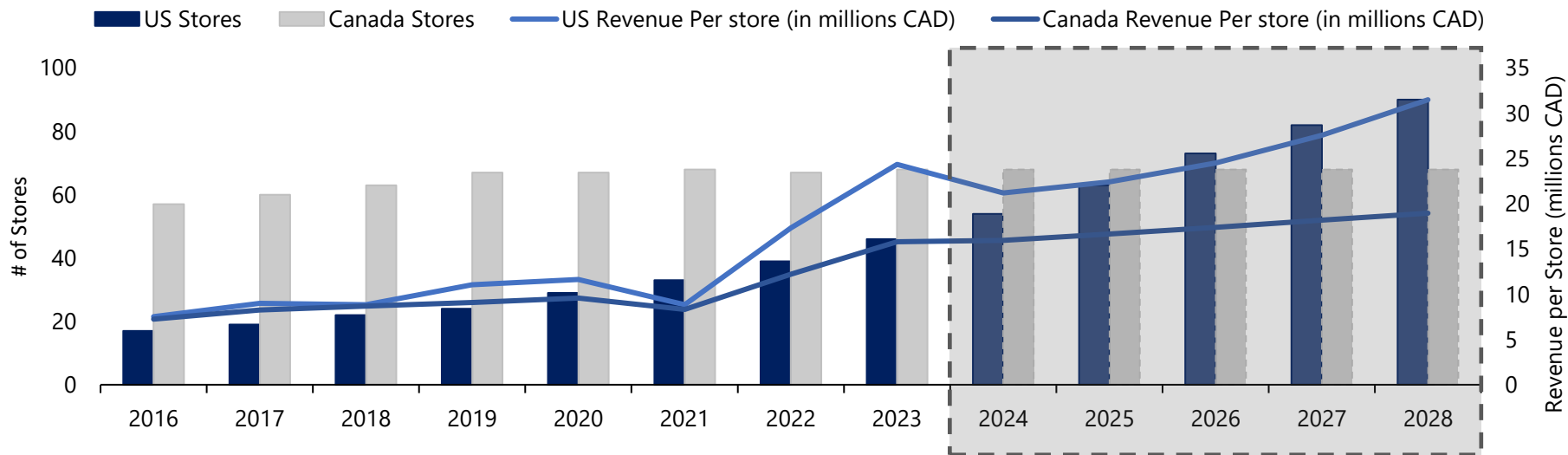
Key Statistics Comparisons							
Comparable Peer	 CAPRI HOLDINGS LIMITED	 tapestry	 GAP	 lululemon	 RALPH LAUREN	 VF CORPORATION	ARITZIA
Ticker	NYSE:CPRI	NYSE:TPR	NYSE:GPS	Nasdaq:LULU	NYSE:RL	NYSE:VFC	TSX:ATZ
Market Capitalization	5,928.9	6,409.1	5,193.1	51,620.0	7,517.1	6,027.7	1,907.4
Total Revenue (LTM)	5,488.0	6,660.9	15,106.0	8,838.7	6,449.5	11,309.9	1,652.4
EBITDA (LTM)	854.0	1,354.6	851.0	2,292.9	979.8	1,214.3	185.0
EBIT (LTM)	675.0	1,172.4	306.0	1,955.4	755.8	947.9	145.1
Gross Margin (LTM)	66.1%	70.8%	44.7%	56.7%	65.1%	52.2%	38.9%
Net Income Margin (LTM)	8.44%	14.05%	0.71%	11.4%	8.24%	(1.89%)	5.29%
Return on Equity (LTM)	22.1%	41.0%	4.7%	31.5%	22.1%	(8.1%)	18.6%
EBITDA Margin (LTM)	15.6%	20.3%	5.6%	25.9%	15.2%	11.3%	11.2%
5-Yr Revenue CAGR	3.6%	8.3%	(0.3%)	25.1%	0.8%	0.2%	24.2%
Inventory Turnover	1.53x	2.03x	3.12x	2.45x	1.90x	2.08x	2.9x
Current Ratio	1.3x	1.8x	1.4x	2.4x	2.2x	1.5x	1.2x
Quick Ratio	0.4x	0.9x	0.4x	0.9x	1.3x	0.7x	0.2x

Generally, Aritzia's key financial metrics fall in line with comparable peers. Notably, its LTM total revenue is lower than its peers owing to uncertainty that prevailed in the market, causing the company to overstock on existing products, rather than keep their focus on product development. As much as this might have cost Aritzia its otherwise historically consistent margins, a more representative measure would be the 5-Yr Revenue CAGR – for which Aritzia performs considerably better than its peers, excluding Luluemon. This suggests that overall, the company is on a growth curve, despite the volatility of the market and inventory surplus that negatively impacted its financial metrics. Similarly, its gross profit margin is lower owing to its sustainably sourced raw materials used in the construction of the luxury apparel in 16 countries worldwide – especially since transportation costs have increased post-pandemic.

Investment Thesis I

Aritzia's high growth and growing brand awareness means the company is well positioned to gain market share

Growth



Rapid Expansion in the US and E-commerce

- Aritzia has been rapidly expanding into the US over the last few years, with the company aiming to add approximately 8-10 stores per year. The company is seeing strong revenue per store growth in the US. We think this store count growth is possible because of a strong balance sheet and a \$175 million revolving credit facility fully funded from its internally generated cash flow.
- Aritzia has grown its eCommerce business by 150% since fiscal 2020, and the company continues to invest in its eCommerce platform. Aritzia focuses on delivering tailored product discovery, creative innovation and an intuitive experience. The eCommerce 2.0 strategy is a key driver of its growth and makes up a key competitive advantage. Additionally, its omni-channel enhances client's digital experience with tools which allow customers to view boutiques inventory online as well as let them place orders from boutiques online to be picked up in store or shipped.

Growing brand awareness



Aritzia's boutique expansion is the key element of its marketing strategy; as more boutiques are opened, its brand awareness increases.



Aritzia social media to reach its targeted customers and create engagement and has over 2 million followers on Instagram and over 2 billion TikTok impressions.



Due to these social media strategies, ATZ staples such as the Super Puff or Melina pants registered a significant growth in popularity – with over 70 million and 30 million TikTok views, respectively.



The growing brand awareness is also a key element behind ATZ's US growth; in fact, ATZ has made significant efforts towards this goal, and witnessed a 100% and 50% increase in its active client base in FY 2021 and FY 2022 respectively.

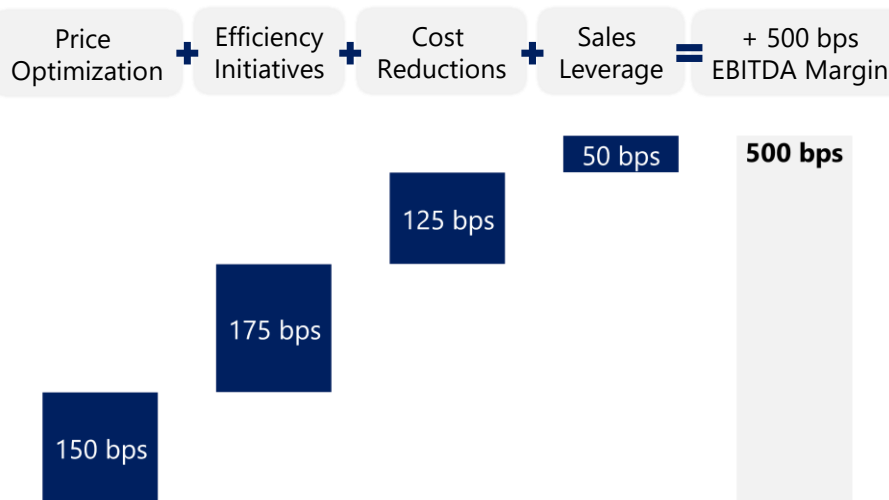
Investment Thesis II

Aritzia's Economic Moat Resulting from its Cost Advantages

Efficient processes induced from a vertically integrated model

- Currently, Aritzia has **3 distribution centres**, two in Canada – in New Westminster, British Columbia and in Mississauga, Ontario respectively – and one in the USA – in Columbus, Ohio.
- In FY 2023, management's executive decision to improve the British Columbia facility was completed, thereby expanding capability and capacity to accommodate the surge of **e-commerce growth** without having to add more space. This represents a breakthrough for Aritzia's **gross margin potential**, for it increases its sales leverage overtime. Overall, with an already low cost of materials fuelled by no mark-up on raw materials coupled with ATZ's effort to decrease its costs of materials further, the company can expect to continue increasing its gross profit margins.
- Citing **expense management** as one of its key focus for long term profitability, Aritzia has made considerable effort in this scope, resulting in lower expedited freight costs and leverage on occupancy and depreciation costs, allowing gross profit to increase by 39.6% in FY 2023.

2024 EBITDA Margin Expansion



The Omni Project

Through the Omni Project – an initiative focusing on increasing capabilities that target store inventory visibility, store order fulfillment solution and enhancing the overall customer experience – Aritzia is well positioned to experience rising brand awareness, which, consequently, increases the brand loyalty of its customers, reinforcing its intangible economic moat.

- A cost-effective inventory management system:** Since FY 2022, the apparel enterprise has been working towards improving the online website by providing an accurate reflection of items' in-store availability, thereby driving cross-channel shopping behavior. By integrating online and brick-and-mortar sales, not only does it incur less operational costs associated to online shopping but, it also allows ATZ to use real-time data and prevent overstocking in the future.
- Targeted Marketing:** Through the gathered data on its customers, the company can send out targeted ads using social media platforms such as TikTok to reach its audience, improving its return on marketing. ATZ reinforces its brand loyalty through customer-friendly practices.

AAA Locations will boost EBITDA \$200 M by 2028

Aritzia's bricks & mortar are located exclusively in triple-A malls and lifestyle centers, averaging around 8,000 square feet and historically generating C\$8 M in their first year.

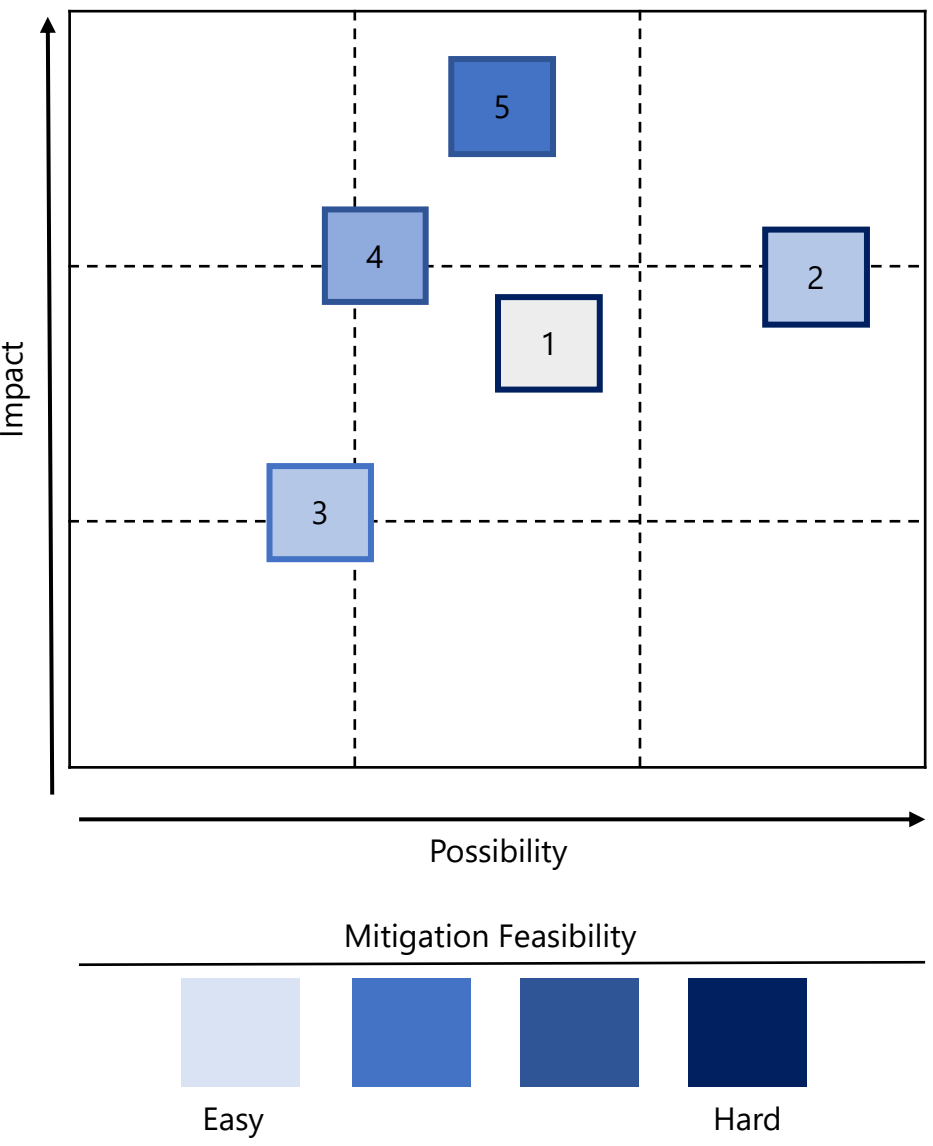
With stores opened over the past year covering their initial investment within 10-12 months compared to its target of 12-18 months, ATZ has experienced better than expected economics.

In addition, ATZ's current strategy is to open 8-10 boutiques yearly in the US and expand 3-5 existing ones, especially with stores that opened in 2022 raising digital sales by 80%.

At this rate, Aritzia is set to add over C\$200M in EBITDA by 2028.

Risk and Potential Mitigation

Risk Matrix

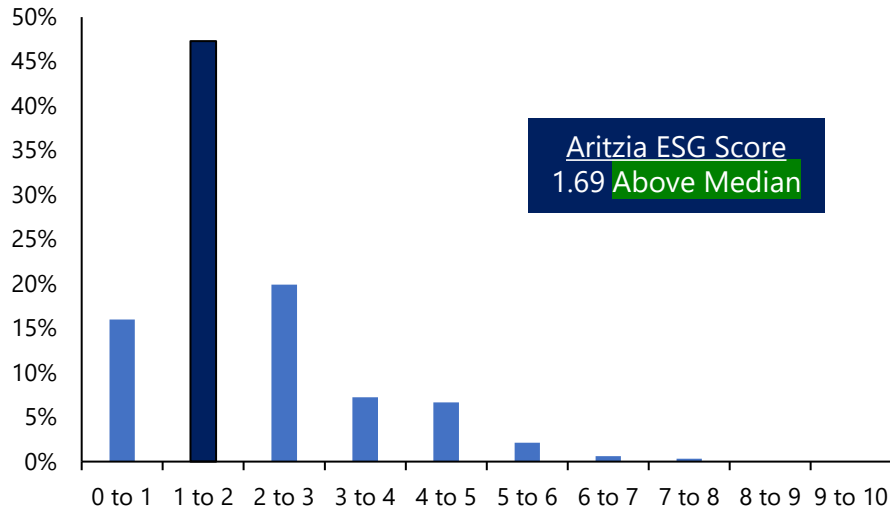


Risk Type	Key Risk	Mitigation
Emerging Risk	1. Supply chain and business distributions due to COVID-19, geo-political events and natural disasters	<ul style="list-style-type: none"> Continue expanding supply chains geographically to reduce the demand on specific regions for products
Strategic Risk	2. Economic conditions in the US and Canada could impact financial performance 3. Risk in not realizing benefits and synergies from the acquisition of CYC Design Corporation	<ul style="list-style-type: none"> Keep up to date on macro conditions and consumer sentiment to make decisions on sales, long term contracts Synergies are highly dependent on if the cost of integrating CYC are less than the cost of management time and diversion of resources
Operating Risk	4. No guarantee Aritzia will be able to grow its eCommerce business as planned	<ul style="list-style-type: none"> Meeting growth and revenue targets while keeping cost under control
Competitive Risk	5. Aritzia faces a significant risk of losing market share due to the industry's competitive nature.	<ul style="list-style-type: none"> Expanding Aritzia's eCommerce 2.0 platform, Omni-Channel, social media engagement, and continue producing quality products

Environment Social and Governance

Increased disclosure will make Aritzia a leader in ESG

Peer Distribution: Apparel Manufacturing and Retailing



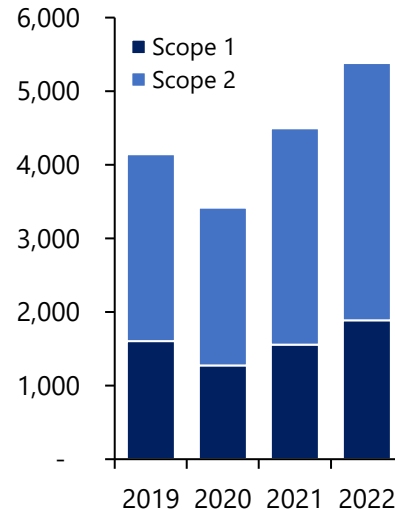
Social (score 0.66)

Aritzia faces challenges in social responsibility domains. A lack of disclosure on key figures gives it a low score.

- The lack of disclosure on supplier audits leads to concerns regarding fair labour practices and ethical sourcing in their supply chain, potentially impacting worker rights.
- Weaknesses in data security and customer privacy practices may jeopardize customer trust, posing risks of data breaches. Management should discuss data security and customer risk.
- Aritzia does not have a list of restricted substances and no commitment to eliminate chemicals of concern. A lack of quality management raises concerns about product standards and customer satisfaction, possibly harming the brand's reputation.
- Addressing these areas is crucial for Aritzia to enhance ethical standards, customer confidence, and overall brand integrity. The first step to increase the social score is to increase disclosure.

Environment (score: 0.33)

- Aritzia has published Scope 1,2,3 carbon emissions. Scope 1,2 emissions have increased slower than revenues. However, scope three emissions have increased from 385,525 tCO₂e in 2021 to 781,421 tCO₂e in 2022. Aritzia purchases reusable energy credits for scope 1,2.
- In terms of materials, in 2022, Aritzia produced 44% of its clothes from synthetic fibres (up from 36% the year prior). They plan to make 25% of their synthetic fibres recycled or bio-degradable by FY27. Additionally, in 2022, 32% from cotton 50% of which was low-impact.



Governance (score: 6.57)

Aritzia has good disclosure on governance metrics.

Aritzia excels in board composition, maintaining a diverse and well-structured board, which is crucial for informed decision-making.

Their commitment to shareholder rights enables their participation in company decisions.

There is room for improvement in executive pay, both ESG-linked and performance-based compensation would help.

Aritzia also maintains a satisfactory level of transparency in its financial reporting and auditing processes, indicating a commitment to accurate disclosure.

Continued efforts to enhance executive compensation strategies and maintain transparency will strengthen their overall corporate governance score, aligning the company's practices with shareholder expectations.

Revenue Assumptions

Discounted Cash Flow Analysis

	Adjustment Factor	FY2024A	FY2025A	FY2026A	FY2027A	FY2028A
<i>Canada Boutique</i>						
Base		3.5%	3.8%	3.7%	3.6%	3.5%
Bull	0.5%	4.0%	4.3%	4.2%	4.1%	4.0%
Bear	-0.5%	3.0%	3.3%	3.2%	3.1%	3.0%
<i>Canada eCommerce</i>						
Base		6.5%	7.0%	6.7%	6.3%	6.0%
Bull	0.5%	7.0%	7.5%	7.2%	6.8%	6.5%
Bear	-0.5%	6.0%	6.5%	6.2%	5.8%	5.5%
<i>USA Boutique</i>						
Base		19.0%	21.0%	21.0%	20.0%	19.0%
Bull	0.5%	19.5%	21.5%	21.5%	20.5%	19.5%
Bear	-0.5%	18.5%	20.5%	20.5%	19.5%	18.5%
<i>USA eCommerce</i>						
Base		28.0%	32.0%	31.5%	30.0%	27.5%
Bull	0.5%	28.5%	32.5%	32.0%	30.5%	28.0%
Bear	-0.5%	27.5%	31.5%	31.0%	29.5%	27.0%

Our assumptions are founded upon our analysis of the firm, its industry, the macroenvironment, historical financial performance, street estimates, and management guidance.

Other Assumptions

Discounted Cash Flow Analysis

	Adjustment Factor	FY2024A	FY2025A	FY2026A	FY2027A	FY2028A
<i>COGS as a % of Revenue</i>			58.0%	56.5%	55.0%	54.0%
Base			58.0%	56.5%	55.0%	54.0%
Bull	-1.0%		57.0%	55.5%	54.0%	53.0%
Bear	1.0%		59.0%	57.5%	56.0%	55.0%
<i>SG&A as a % of Revenue</i>			28.5%	27.8%	26.9%	26.5%
Base			28.5%	27.8%	26.9%	26.5%
Bull	-1.0%		27.5%	26.8%	25.9%	25.5%
Bear	1.0%		29.5%	28.8%	27.9%	27.5%
<i>D&A as a % of Revenue</i>			3.5%	4.4%	4.0%	4.0%
Base			3.5%	4.4%	4.0%	4.0%
Bull	-0.5%		3.0%	3.9%	3.5%	3.5%
Bear	0.5%		4.0%	4.9%	4.5%	4.5%
<i>CapEx as a % of Revenue</i>			4.0%	4.0%	4.0%	4.0%
Base			4.0%	4.0%	4.0%	4.0%
Bull	-0.5%		3.5%	3.5%	3.5%	3.5%
Bear	0.5%		4.5%	4.5%	4.5%	4.5%

Our assumptions are founded upon our analysis of the firm, its industry, the macroenvironment, historical financial performance, street estimates, and management guidance.

WACC Analysis

Discounted Cash Flow Analysis

Selected Betas

	$\beta = 1.1$	$\beta = 1.2$	$\beta = 1.3$
Cost of Equity	Low	Mid	High
Risk Free Rate	3.8%	3.8%	3.8%
Unlevered Beta (β)	1.05	1.15	1.25
Levered Beta (β)	1.294	1.417	1.540
Equity Risk Premium	7.5%	7.5%	7.5%
Size Risk Premium	1.0%	1.0%	1.0%
Company Specific Premium	-	-	-
Cost of Equity	14.56%	15.48%	16.41%

WACC

	Low	Mid	High
Target Debt	24.0%	24.0%	24.0%
Target Equity	76.0%	76.0%	76.0%
Aft. Tax Cost of Debt	3.6%	3.6%	3.6%
Cost of Equity	14.6%	15.5%	16.4%
WACC	11.92%	12.62%	13.33%

Bottom-Up Beta

CIQ IQ COMPANY NAME	CIQ Ticker	Share Price	TEV (\$mm)	Market Cap (\$mm)	Total Debt (\$mm)	Total Equity + Debt (\$mm)	Statutory Tax Rate	Debt / Equity	Debt / Equity + Debt	Levered β R^2 (5 yrs)	Raw (5 yrs)	Unlevered β Raw
Capri Holdings Limited	NYSE: CPRI	\$67.00	\$12689	\$7807	\$5128	\$12,936	21.00%	65.7%	39.6%	0.325	1.901	1.251
Tapestry, Inc.	NYSE: TPR	\$41.63	\$13127	\$9566	\$4393	\$13,959	21.00%	45.9%	31.5%	0.262	1.264	0.928
Canada Goose Holdings Inc.	TSX: GOOS	\$14.67	\$2334	\$1481	\$887	\$2,368	26.50%	59.9%	37.5%	0.238	1.408	0.978
Lululemon Athletica Inc.	NASDAQ: LULU	\$587.17	\$74614	\$74496	\$1579	\$76,075	21.00%	2.1%	2.1%	0.347	1.078	1.061
NIKE, Inc.	NYSE: NKE	\$147.84	\$230237	\$225585	\$16484	\$242,069	21.00%	7.3%	6.8%	0.316	0.830	0.785
Roots Corporation	TSX: ROOT	\$2.58	\$230	\$104	\$132	\$236	26.50%	127.1%	56.0%	0.406	2.180	1.127
V.F. Corporation	NYSE: VFC	\$23	\$18941	\$8909	\$10555	\$19,464	21.00%	118.5%	54.2%	0.478	1.269	0.655
Ralph Lauren Corporation	NYSE: RL	\$168	\$12686	\$10890	\$3754	\$14,643	21.00%	34.5%	25.6%	0.402	1.185	0.931
Median								45.9%	31.5%	0.336	1.267	0.954
Aritzia Inc.	TSX: ATZ	\$24	\$3490	\$2681	\$886	\$3,566	26.50%	33.0%	24.8%	0.268	1.287	1.036

Discounted Cash Flow Analysis

Discounted Cash Flow Analysis

Terminal Value - Perpetual Growth:

Perpetual Growth Rate	2.0%
Base	2.0%
Bull	2.2%
Bear	1.8%

Terminal Value	\$6,036.8
WACC	12.6%
Discount Period	0.586

PV of UFCF	\$1,236.3
PV of TV	\$3,801.6

Implied EV	\$5,037.9
(+) Cash & Cash-Equivalents:	\$58.8
(-) Total Debt & Capital Leases:	(\$628.0)

Implied Equity Value	\$4,468.7
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Diluted Shares Outstanding	112
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Implied Share Price	\$39.8
Current Share Price	\$24.2
Premium / (Discount) to Current	64.6%

Terminal Value - Exit Multiple:

EV / EBITDA Multiple	8.5x
Base	8.5x
Bull	9.0x
Bear	8.0x

Terminal Value	\$5,746.80
WACC	12.6%
Discount Period	0.586

PV of UFCF	\$1,236.3
PV of TV	\$3,365.8

Implied EV	\$4,602.0
(+) Cash & Cash-Equivalents:	\$58.8
(-) Total Debt & Capital Leases:	(\$628.0)

Implied Equity Value	\$4,032.9
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Diluted Shares Outstanding	112
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Implied Share Price	\$36.0
Current Share Price	\$24.2
Premium / (Discount) to Current	48.5%

Sensitivity Analysis

WACC	Terminal Growth Rate			
	Bear	Base	Bull	
		1.80%	2.00%	2.20%
Bear	13.6%	\$ 36.35	\$ 36.93	\$ 34.35
Base	12.6%	\$ 39.16	\$ 39.85	\$ 36.85
Bull	11.6%	\$ 42.54	\$ 43.37	\$ 44.24

WACC	Exit Multiple			
	Bear	Base	Bull	
		8.0x	8.5x	9.0x
Bear	13.6%	\$ 32.79	\$ 34.48	\$ 36.18
Base	12.6%	\$ 34.20	\$ 35.96	\$ 37.73
Bull	11.6%	\$ 35.68	\$ 37.51	\$ 39.35

Comparable Company Analysis I

Comparable Company Analysis

Company Name	Market Data		Financial Performance								Valuation Multiples						Risk Metrics		
	Share Price	Enterprise Value	2024 Revenue Growth	2025 Revenue Growth	2023 EBITDA	2024 EBITDA	2024 EBITDA Margin	2025 EBITDA Margin	2024 Net Income Margin	2025 Net Income Margin	EV / 2023 Revenue	EV / 2024 Revenue	EV / 2024 EBITDA	EV / 2025 EBITDA	P / 2024 Earnings	P / 2025 Earnings	Debt / Total Capital	Debt / Equity	5-YR Unlevered Beta
			Revenue Growth		EBITDA		EBITDA Margin		Net Income Margin		EV / Revenue		EV / EBITDA		Price / Earnings		Capital Structure		Unl. Beta
	Share Price	Enterprise Value	2024E	2025E	2023E	2024E	2024E	2025E	2024E	2025E	2023E	2024E	2024E	2025E	2024E	2025E	Debt / Capital	Debt / Equity	5-Year
<i>Luxury fashion</i>																			
Capri Holdings Limited	\$67.00	\$12,688.60	3%	6%	\$1,126.41	\$1,259.80	17%	19%	11%	12%	1.7x	1.7x	10.1x	8.6x	9.4x	8.0x	40%	66%	2.136
Tapestry, Inc.	\$41.68	\$13,127.32	2%	4%	\$2,025.83	\$1,975.38	21%	22%	14%	15%	1.4x	1.4x	6.6x	6.2x	18.1x	6.4x	31%	46%	1.504
Median			2%	5%	\$1,576.12	\$1,617.59	19%	20%	13%	14%	1.6x	1.5x	8.4x	7.4x	13.8x	7.2x	36%	56%	1.82
Aggregate Median			2%	5%	\$1,576.12	\$1,617.59	19%	20%	13%	14%	1.6x	1.5x	8.4x	7.4x	13.8x	7.2x	36%	56%	1.82
<i>Apparel</i>																			
NIKE, Inc.	\$147.84	\$231,555.31	6%	7%	\$8,971.10	\$11,107.10	15%	16%	11%	12%	3.3x	3.1x	20.8x	17.8x	27.2x	23.5x	7%	7%	1.088
Industria de Diseño Textil, S.A.	\$55.18	\$164,222.45	7%	7%	\$14,528.51	\$15,442.45	27%	27%	15%	15%	3.0x	2.8x	10.6x	10.0x	20.2x	18.8x	4%	5%	1.105
Lululemon Athletica Inc.	\$587.17	\$74,827.11	13%	13%	\$3,475.28	\$3,960.31	27%	27%	16%	16%	5.7x	5.0x	18.9x	16.6x	31.0x	26.9x	2%	2%	1.339
V.F. Corporation	\$22.85	\$18,940.55	1%	6%	\$1,635.23	\$1,830.54	12%	14%	6%	9%	1.2x	1.2x	10.3x	8.3x	9.2x	6.4x	54%	118%	1.516
Under Armour, Inc.	\$10.49	\$5,624.02	2%	6%	\$566.13	\$682.84	8%	9%	4%	5%	0.7x	0.7x	8.2x	7.0x	12.8x	10.6x	31%	44%	1.698
Steven Madden, Ltd.	\$50.90	\$3,726.34	9%	5%	\$334.56	\$371.41	13%	13%	9%	10%	1.4x	1.3x	10.0x	9.1x	14.0x	12.8x	4%	5%	1.108
Canada Goose Holdings Inc.	\$14.67	\$2,333.91	6%	12%	\$275.90	\$281.48	21%	23%	7%	9%	1.8x	1.7x	8.3x	6.6x	16.4x	10.8x	37%	60%	1.675
Median			7%	6%	\$2,555.25	\$2,895.42	14%	15%	10%	11%	1.8x	1.7x	10.3x	9.1x	16.4x	12.8x	7%	7%	1.339
Aggregate Median			7%	6%	\$2,555.25	\$2,895.42	14%	15%	10%	11%	1.6x	1.5x	10.2x	8.8x	16.0x	11.7x	31%	44%	1.34
Aritzia Inc.	\$24.05	\$3,506.48	11%	10%	\$353.07	\$490.20	20%	22%	7%	8%	1.6x	1.4x	7.2x	5.9x	15.8x	11.6x	25%	33%	1.710

Comparable Company Analysis II

Comparable Company Analysis

EV / EBITDA VALUATION

P / E VALUATION

	Low	Mid	High		Low	Mid	High
EV / 2025E EBITDA	7.50x	8.75x	10.00x	P / 2025E Earnings	13.00x	16.50x	20.00x
2025E EBITDA	\$ 596.64	\$ 596.64	\$ 596.64	2025E Earnings	\$ 234.97	\$ 234.97	\$ 234.97
Implied EV	\$ 4,474.78	\$ 5,220.58	\$ 5,966.38	Implied Equity Value	\$ 3,054.66	\$ 3,877.07	\$ 4,699.48
(+) Cash	\$ 76.52	\$ 76.52	\$ 76.52	(+) Cash			
(+) LT Investments	\$ -	\$ -	\$ -	(+) LT Investments			
(-) Debt	-\$ 885.77	-\$ 885.77	-\$ 885.77	(-) Debt			
(-) Preferred Stock	\$ -	\$ -	\$ -	(-) Preferred Stock			
(-) Minority Interest	\$ -	\$ -	\$ -	(-) Minority Interest			
Implied Equity Value	\$ 3,665.53	\$ 4,411.33	\$ 5,157.13	Implied Equity Value	\$ 3,054.66	\$ 3,877.07	\$ 4,699.48
FDSO	112.15	112.15	112.15	FDSO	112.15	112.15	112.15
Implied Share Price	\$ 32.68	\$ 39.33	\$ 45.98	Implied Share Price	\$ 27.24	\$ 34.57	\$ 41.90
Current Share Price	\$ 24.05	\$ 24.05	\$ 24.05	Current Share Price	\$ 24.05	\$ 24.05	\$ 24.05
(Premium) / Discount	36%	64%	91%	(Premium) / Discount	12%	43%	73%

Peer Selection

The selected peer set was screened and divided into two categories, one representing luxury apparel and one solely representing apparel. Within the luxury apparel comps, Capri Holdings Limited and Tapestry Inc. were chosen, and within the apparel comps, Nike, Inditex, Lululemon, V.F. Corp, Under Armour, Steven Madden, and Canada Goose were chosen. A secondary screening was conducted, including 2024 Revenue Growth, 2024 EBITDA Margins, 2024 Net Income Margins and 5-Year Unlevered Beta.

Multiple Selection

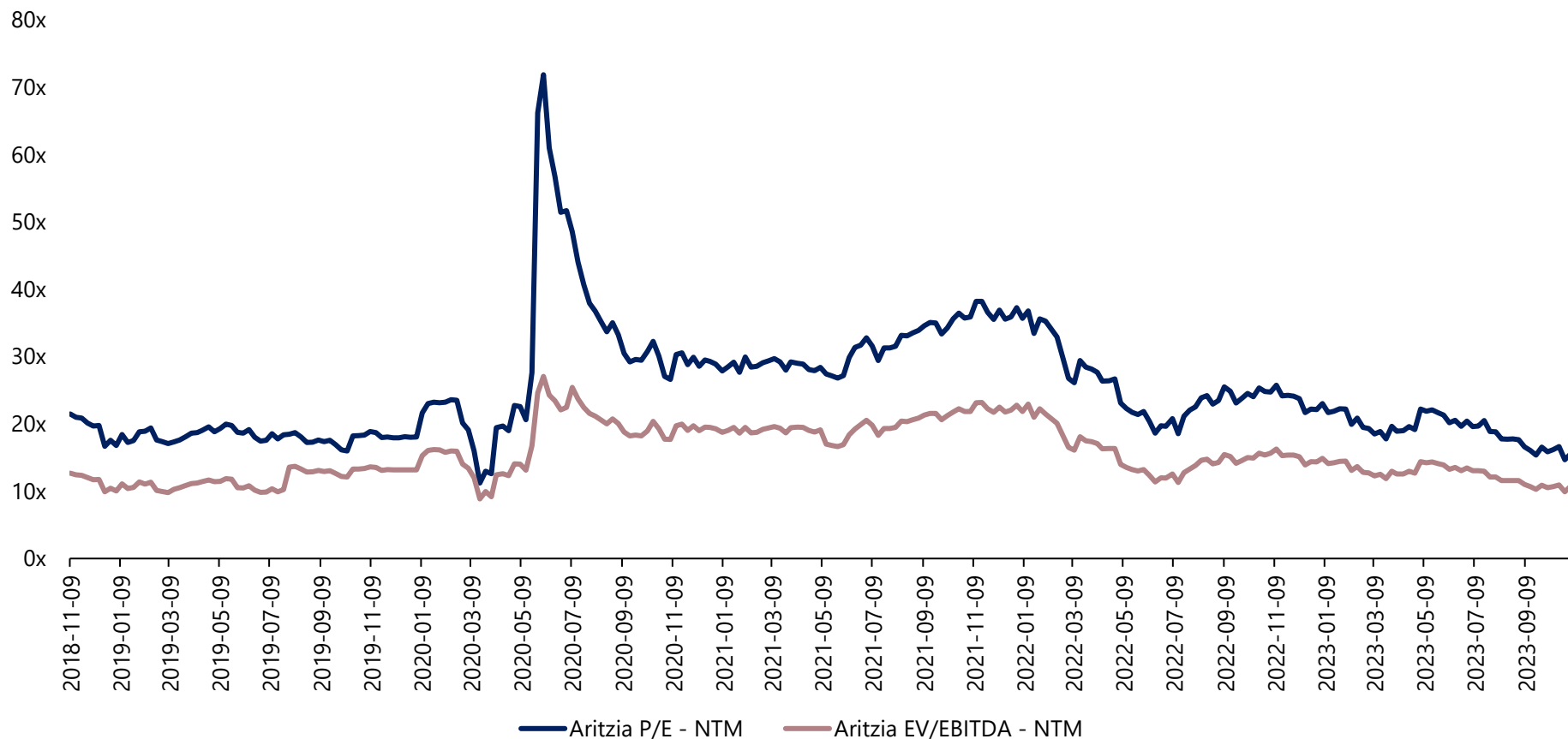
Using the metrics specified during the secondary screening, multiples were chosen based on companies within each peer selection that had the closest 2024 performance estimates to Ariztia; utilizing this approach, Lululemon and Canada Goose exhibited the closest characteristics. It is important to note that due to Ariztia's FY ending in March, two quarters of FY 2024 have been released, therefore we chose 2025 EBITDA and 2025 Earnings.

Premium Analysis

Currently, Ariztia trades at a EV/EBITDA multiple of 7.2x; however, we applied a 25% premium resulting in an EV/EBITDA multiple of 8.75x as Ariztia has historically traded well above 10.0x, only recently declining due to inventory and management headwinds.

Historical Trading Multiples

Comparable Company Analysis



Over the past five years, Aritzia has shown significant variations in trading multiples. These variations are directly related to the company's financial performance and overall market conditions. Fluctuations are a result of changes in the company's financial performance, shifts in consumer demand for apparel products, and the economic environment. As Aritzia adapts to changes in consumer preferences and market dynamics, its valuation multiples change accordingly. Given Aritzia's ability to acquire market share through brand power, cost advantages, and the positive outlook on economic conditions for the upcoming years, we are confident in our selection of a P/E multiple (16.50x) and EV/EBITDA multiple (8.75x), in our relative valuation.

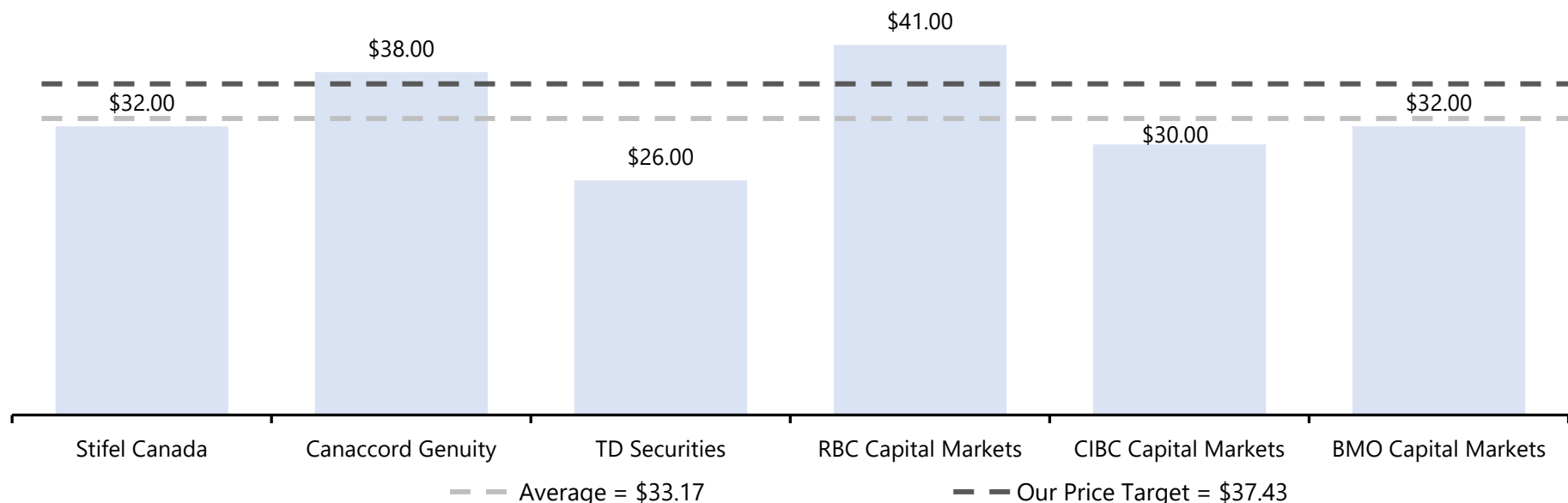
Recommendation: BUY

Our analysis suggests that Aritzia is currently undervalued by the market, which appears to have overreacted to the company's recent challenges. Despite these short-term challenges, we strongly believe in Aritzia's sustained capacity for unmatched organic growth. This conviction is reinforced by the brand's increasing market penetration, its strategic store expansion within the U.S. market, and its competitive cost structure. On these grounds, we issue a 'BUY' recommendation. Our comprehensive quantitative analysis, which equally weighs both a relative valuation model and a discounted cash flows model, reveals a compelling upside potential of 55.63% above the current market price.

Valuation Summary

PRICING MULTIPLES	IMPLIED EQUITY VALUE	IMPLIED SHARE PRICE	IMPLIED UPSIDE	WEIGHTS
EV / EBITDA	\$ 4,411.33	\$ 39.33	63.55%	25.00%
P / E	\$ 3,877.07	\$ 34.57	43.74%	25.00%
DCF - Perpetual Growth	\$ 4,032.85	\$ 35.96	49.53%	25.00%
DCF - Exit Multiple Method	\$ 4,468.71	\$ 39.85	65.69%	25.00%
RECONCILED VALUATION	\$ 4,197.49	\$ 37.43	55.63%	100%

Street Estimates VS Our Price Target



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