Equity Research

WELLS FARGO

Initiation of Coverage — December 12, 2025

Retailing, Specialty Softlines, and E-commerce

Aritzia, Inc.

Best in Class Growth... With a Multiple to Match: Initiating ATZ Equal Weight, PT $110

Our Call

We initiate ATZ at EW with a $110 PT. While ATZ carries a best in class growth profile (with NT upside momentum), we'd wait for a better entry point as shares could potentially struggle, wrestling a "peak" fundamentals + valuation setup into 2026.

The Good: A Top Multi-Year Growth Story in Retail. We view ATZ as one of the best multi-year growth-story softline players in our universe, gaining share in the US as boutiques and enhanced marketing benefit brand awareness - with ATZ currently run-rating +15-20% comps and +25-30% revs. Despite tariffs, mgmt remains confident their industry-leading EBITDA margins can continue to expand toward the high-teens over the next few years (from 16% today) due to scale and mix (both geo and channel).

The Good Continued. Expanding on above, we see ATZ's brand heat benefiting as they **1)** open >10 stores a year in the US through FY27 - growing count to 180-200 (from just ~135 today) and **2)** expanding 3-5 stores a year as larger locations continue to show high ROI - propelling ATZ to drive +DD comp and footage growth through FY28. Lastly, we also expect margins to continue to expand (though expansion plans will take a "breather" over the NTM due to tariffs/de minimus pressure).

The Bad: Nearing Peak Cycle (Fundamentals). While we're bullish on ATZ's NT momentum, we also recognize that what is good can quickly turn south in our space (competition, trend misses, macro), and with very difficult comps looming it makes sense the biz would begin to moderate to normalized levels. Notably, last time this happened was just 2 years ago, and ATZ had trouble acclimating to a slower comp environment (comps/margins missed). Net/net, we see a negative rate of change story into FY27.

The Bad: Nearing Peak Cycle (Valuation). Given rate of change concerns mentioned above, we know valuation can be much more a driver of downside to the stock than fundamentals. While we don't see the business "falling apart" anytime soon, when we look at the valuation range and growth story history, we see that ATZ has significantly more downside potential on the current multiple (34x EPS) than upside. With this in mind, **we set our PT at CA $110 on ~32x FY27 EPS and initiate ATZ at Equal Weight.**

What is ATZ? Aritzia is a Canadian-based apparel retailer with stores in CA/US and a large eComm platform (ships to 180+ countries), which focuses on offering high quality women's apparel at an attainable price point and has taken share to now be the 8th largest US womenswear retailer. One of their advantages is that the brand portfolio is exclusively sold through ATZ (no wholesale agreements), giving them better control over product and pricing - contributing to their industry leading margins.

Equal Weight
Price Target: C$110.00

Ticker	ATZ-CA
Upside/(Downside) to Target	**(4.6)%**
Price (12/11/2025)	**C$115.28**
52 Week Range	C$36.51 - 115.89
Market Cap (MM)	C$13,730
Enterprise Value (MM)	C$14,082
Average Daily Value (MM)	C$56
Dividend Yield	0.0%

C$ (Feb) EPS	Q1	Q2	Q3	Q4	FY
2026E	0.42 A	0.59 A	0.86 E	0.81 E	2.68 E
2027E	0.59 E	0.59 E	1.05 E	1.09 E	3.42 E

Source: Company Data, Wells Fargo Securities estimates, and Factset. NA = Not Available, NC = No Change, NE = No Estimate

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Wells Fargo Express Takeaways

Aritzia, Inc. (ATZ-CA) | Rating: Equal Weight | Price Target: C$110.00
Analyst: Ike Boruchow

Financials

FY (Feb) C$ ESTIMATES	2025A	2026E	2027E
EPS			
Q1	0.22 A	0.42 A	0.59 E
Q2	0.21 A	0.59 A	0.59 E
Q3	0.71 A	0.86 E	1.05 E
Q4	0.83 A	0.81 E	1.09 E
AN	1.98 A	2.68 E	3.42 E
Rev. (MM)	2.74B A	3.37B E	3.88B E
EBIT (MM)	343.2 A	500.6 E	602.2 E
EBITDA (MM)	406.3 A	-	-
FCF (MM)	201.3 A	390.4 E	586.1 E

WELLS FARGO vs. CONSENSUS			
Consensus Estimate	1.98 A	-	-
Difference from Consensus		(0.1)%	(2.3)%

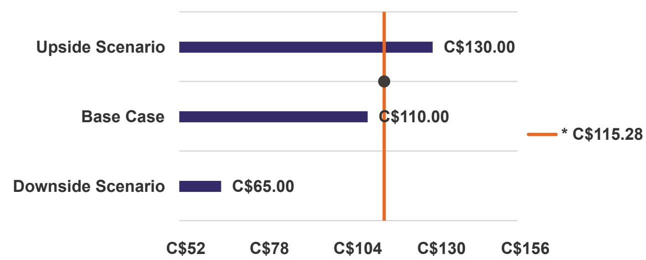
VALUATION			
P/E	58.3x	43.1x	33.7x
EV/Revenue	5.1x	4.2x	3.6x
EV/EBIT	41.0x	28.1x	23.4x
EV/EBITDA	34.7x		
EV/FCF	70.0x	36.1x	24.0x
FCF Yield	1.5%	2.8%	4.3%

Source: Company Data, Wells Fargo Securities estimates, and Factset.
NA = Not Available, NE = No Estimate

Investment Thesis

With a history of outperformance, as ATZ trades near multiple highs off continuing to expand and take share, we believe shares are appropriately valued near current levels and see contraction risk off a slowing growth cycle - earning our Equal Weight rating.

Risk vs. Reward – Upside/Downside Price Target Scenarios



**As of 12/11/25*
Source: Wells Fargo Securities, LLC estimates and Factset.

Base Case | C$110.00

Our $110 PT is based on ~32x our FY27E EPS estimate — a multiple which is in line with historical footage/comp growth stories in the space.
Our balanced view stems from where ATZ is in their growth cycle (soon to lap tough compares = negative rate of change). We see potential risk to multiples should top-line trajectory begin to normalize faster than Bulls expect.

Upside Scenario | C$130.00

Our $130 Bull Case reflects a 35x P/E on ~ $3.75 FY27 EPS (*above our forecasts*).

Factors that would contribute to the bull case scenario include:

1) Comp trends sustain +DD despite tougher compares

2) GM continue to expand despite tariff pressure

3) Door growth and boutique remodels continue to drive 10% footage growth

Downside Scenario | C$65.00

Our $65 Bear Case reflects a 20x P/E on ~ $3.25 FY27 EPS (*below our forecasts*).

Factors that would contribute to the bear case scenario include:

1) Comps trends flatten out as ATZ laps robust results

2) GM expansion flips to compression due to tariffs + normalization on markdowns

3) Expenses deleverage on weaker comp growth

Upcoming Catalysts

- 3Q26 earnings in January.
- Comp and footage continue to grow DD and ATZ continues to see marketshare gains in the US
- GMs continue to expand despite tariff and de minimis pressure off improved IMUs, while SG&A continues to leverage as ATZ drives DC and other cost efficiencies

Company Description

Aritzia, Inc. is a North American apparel retailer based in BC, Canada that operates 130+ stores in the US and Canada with an eCommerce platform shipping to 180+ countries, offering high quality women's apparel at an attainable price point under its owned 10+ brand portfolio that is exclusively sold through ATZ.

Key Points on the Story Today

ATZ has been one of the most exciting growth stories in retail over past 12 months - with the stock up ~200% off its lows this year (vs. SPX up ~35%) and currently carrying one of the highest multiples in retail (trading 34-35x P/E) as the company has put up industry-leading comp growth with margins to match - becoming one of the most compelling growth stories in retail with investors that are willing to pay up for the strong visibility that ATZ has been offering.

We see 5 Key Points investors need to focus on (with more detail in the body of this note)

1) ATZ has become a standout footage grower in softlines retail. ATZ has accelerated square footage growth over the last 3 years - averaging +10-15% growth and accelerating to +25% YTD (almost completely driven by the expansion of their US portfolio). The rapid growth is a combination of both door count increases and existing footage growth from boutique expansions - with management highlighting the outperformance of expanded larger-format boutiques.

2) Industry-leading comps. Comp trends began to accelerate in 1H25 (12 months ago). Comps were running +LSD-MSD, which then materially inflected to +26% last holiday. Comps have remained in the +20% range since then and guidance for 3Q calls for +MT. Momentum appears to be sustaining, as ATZ continues to win within their mid-to-higher income consumer segment, gaining market share in the space off the success of new styles and footage expansion (driving brand heat).

3) Margin flow through remains robust, leading to massive margin expansion. ATZ's EBIT margin expansion has averaged ~500bps over the last 4 quarters - driven by favorable geo/channel mix, IMU improvements, lower markdowns, and store occupancy cost leverage. All in, this had been putting them well on track to hit their FY27 target of 19% EBITDA margin laid out in their latest Analyst Day in 2022.

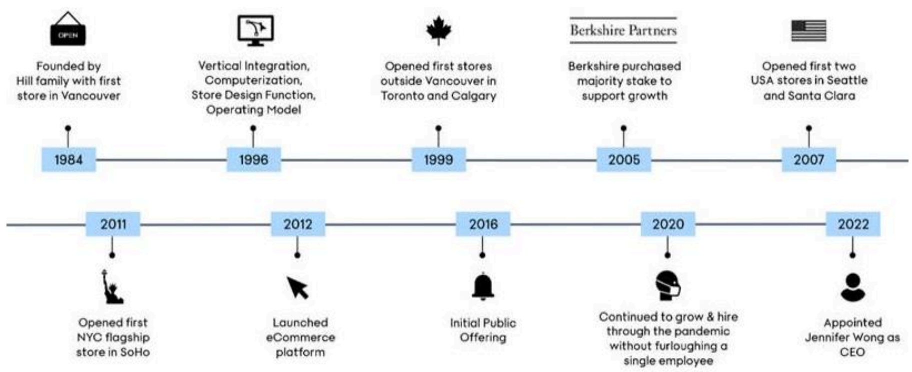
4) ... However margins and bottom-line growth have hit a slight speed bump. As of 2Q, we began to see headwinds to the bottom-line due to tariff implementation - which have been particularly notable for ATZ because of their sourcing exposure in China, but almost as importantly, their use of the de minimis exemption. We now believe tariff and de minimis changes will lead to 400bps of margin pressure over next 3–4 quarters – driving GM expansion to be flatter go-forward (from +300-400bps), though core GM's still remain healthy. Additionally, with these headwinds during ATZ's last conference call management acknowledged they would not be hitting their 19% EBITDA target by FY27, and now expect to be in the high-teens range.

5) Starting in 4Q26, ATZ will begin to lap difficult compares. While this point is seemingly obvious to investors and the company has been planning for a slowdown, we have to acknowledge 2 key things here: **1)** The likely moderation of comp growth could create headwinds to ATZ's currently lofty multiple - as history has showed us multiple examples of this across retail (*see section "Valuation Expectations" further down this report for more detail*). **2)** Just a few years ago, ATZ began to decelerate following a period of significant momentum, and when they started to lap that had some issues leading to a missed top-line plan with incremental margin pressure - driving significant multiple compression.

Aritzia's History

We initiate coverage on Aritzia (ATZ), a North American apparel retailer founded by Brian Hill in 1984. With their first store located in Vancouver, ATZ focused on offering high quality women's apparel at an attainable price point – which he viewed to be an under-penetrated market after working alongside family in the retail environment growing up.

Exhibit 1 - Timeline of Aritzia's Developments



Source: Company reports

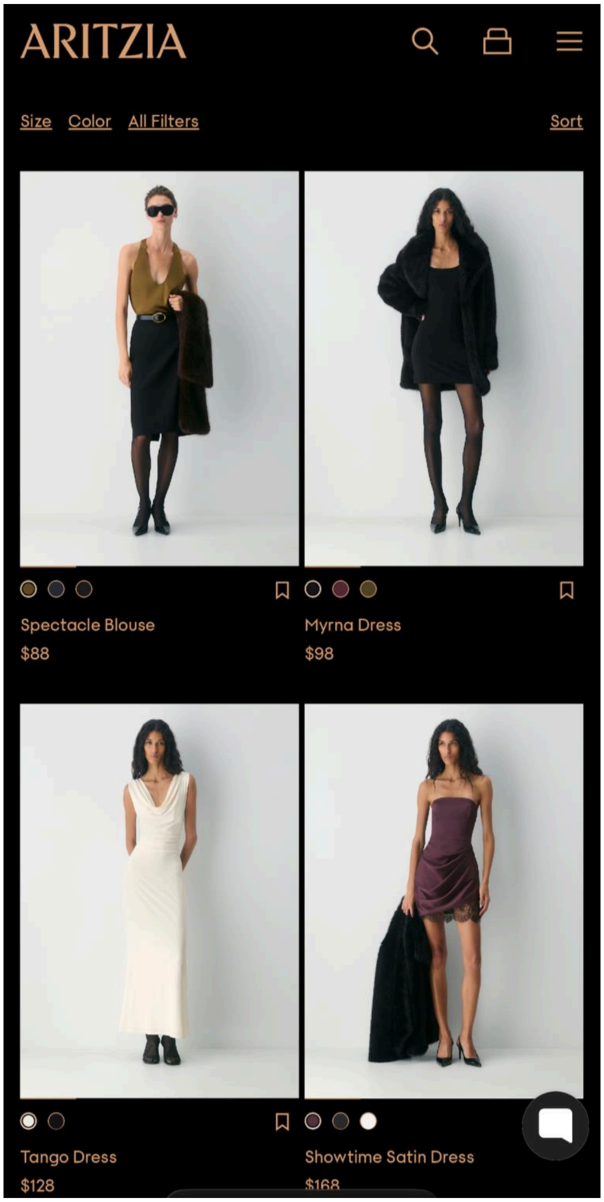
ATZ has a broad customer base of women aged 15-40, targeting young adults with a mid-to-high-income, and has 13 in-house exclusive brands which make up 96% of revenue – all catering to consumers looking for "everyday luxury". The brands provide a wide range of high quality products, from Babaton's business-casual ware, to Sunday Best's trendy casual clothing (targeting a younger customer) and TNA which sells athletic clothing and winter attire.

Exhibit 2 - ATZ's Brands

Source: Company reports

One of ATZ's largest advantages is that their well-regarded brand portfolio is **exclusively sold through ATZ** - no wholesale agreements to other distributors, giving them better control over product and pricing (which typically ranges from \$40 to \$120+ for tops, \$70 to \$150+ for pants, and \$80 to \$180+ for dresses).

Table 1 - Aritzia Sells Elevated Staple Pieces at "Everyday Luxury" Price Points

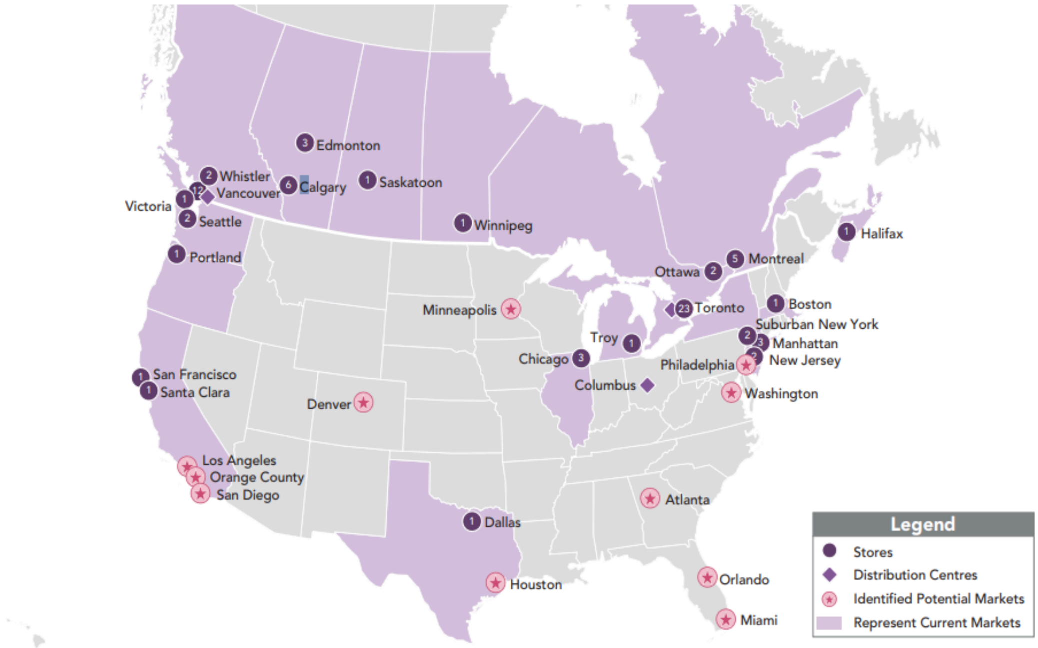


Source: Aritzia.com

Early Days Leading up to ATZ's IPO

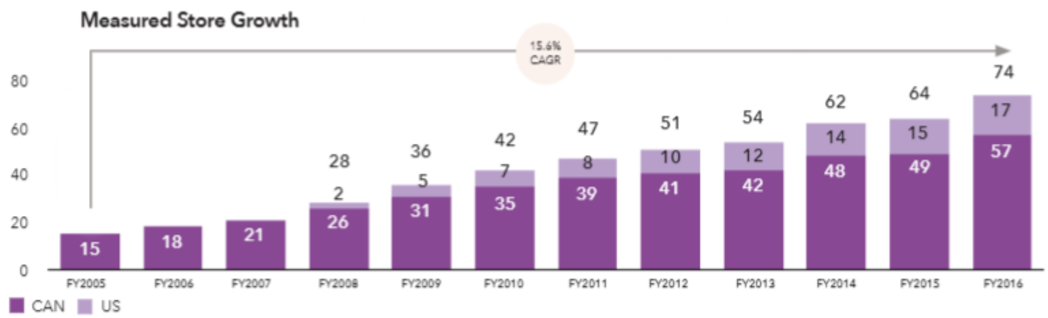
Following the success of their initial boutiques, ATZ continued to expand in Canada for the following 20 years, and by 2005 ATZ had opened 15 boutiques in the region. Additionally, in 2005 Berkshire Partners PE purchased a majority stake in the company - sharing a vision of expanding the retailer throughout North America. Following Berkshire's investment, ATZ's store network expansion accelerated - and they opened their first store in the US in 2007, reaching 74 stores by the time of they IPO'd in 2016. At the time, all stores were leased under operating leases that typically extended to 10 years with renewal, and new stores averaged ~6K square feet.

Exhibit 3 - ATZ Boutiques at IPO



Source: Company reports

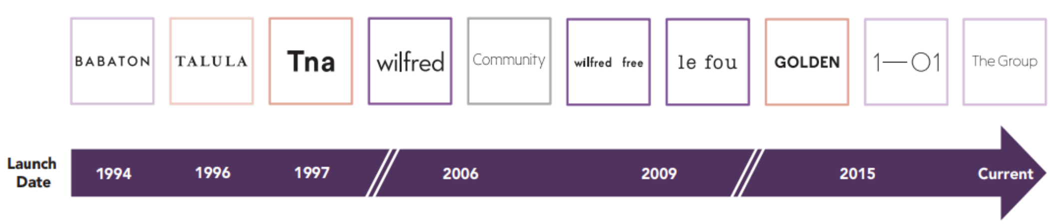
Exhibit 4 - Aritzia Store Count Pre-IPO



Source: Company reports

As ATZ expanded pre-IPO, they also continued to launch more in-house brands, building from their classic foundational wardrobe and tailored work-appropriate Babaton brand to more casual brands like Wilfred free. Additionally, in FY13, ATZ launched their eComm business which grew to be 12% of revenue by their IPO (or $65M CAD), with management at the time of the IPO calling for a target 25% mix by FY21.

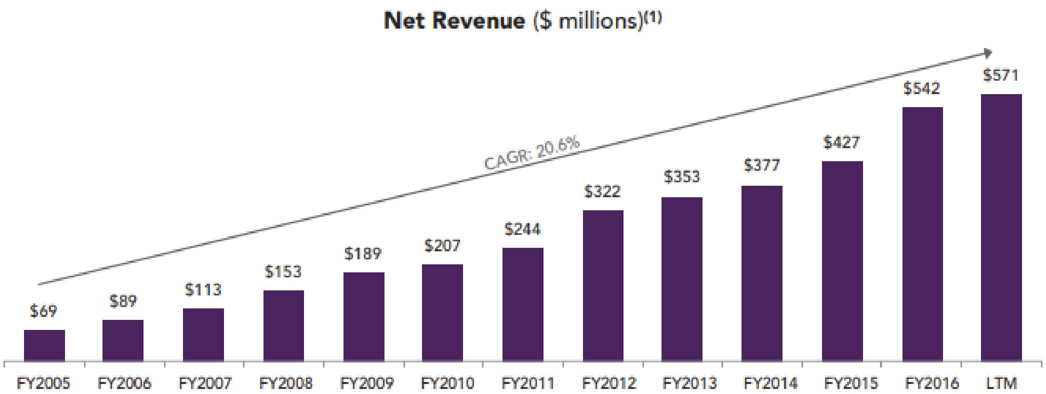
Exhibit 5 - ATZ Brand Launches Pre-IPO



Source: Company reports

As their real estate and brand portfolio expanded, ATZ put up highly compelling growth for over a decade - growing revenue at a > +20% CAGR between 2005 and their 2016 IPO - reaching $542M CAD in revenue in FY16 (with ~25% of revenue from the US). Additionally, in the years leading up to their IPO, while ATZ continued to rapidly grow revenue they also improved their profitability, leveraging SG&A by +400bps from FY14 (CY13) to FY16 (CY15).

Exhibit 6 - ATZ Maintained an Impressive CAGR Heading into Their IPO

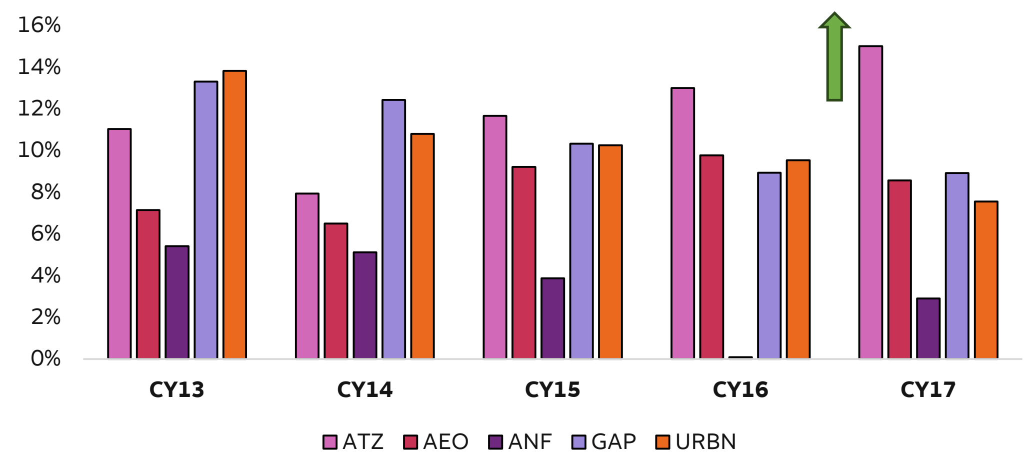


Source: Company reports

(1) $ CAD

Lastly for their historical context, in the period leading up to and immediately following their IPO, ATZ continued to see margins expand driven by expense leverage - hitting 15.0% in FY16, well above specialty peers such as AEO, GAP and URBN (whose margins had all been in the MSD-HSD range).

Exhibit 7 - ATZ's EBIT Margins Continued to Expand Around Their IPO, Soaring Above Competitors



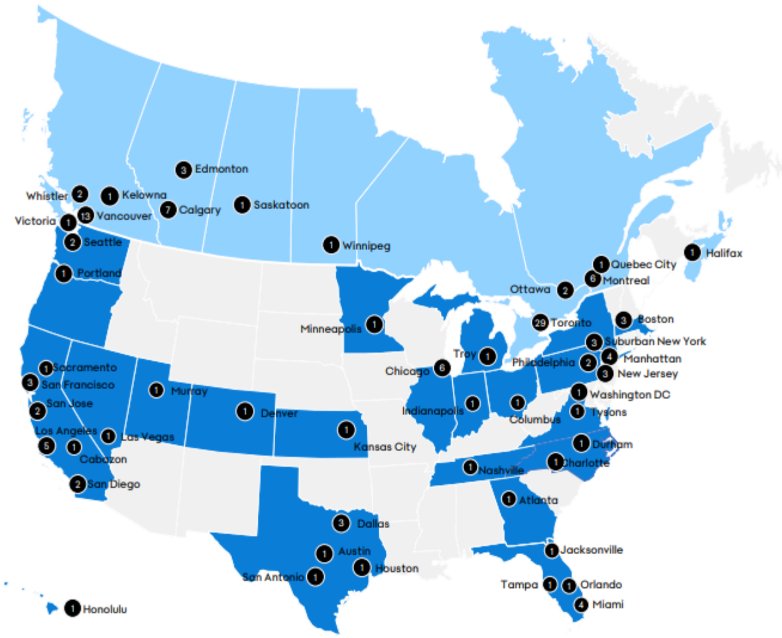
Source: Company reports, Wells Fargo Securities, LLC

Aritzia Today

Store Expansion and Awareness Gains Fueling Revenue Growth

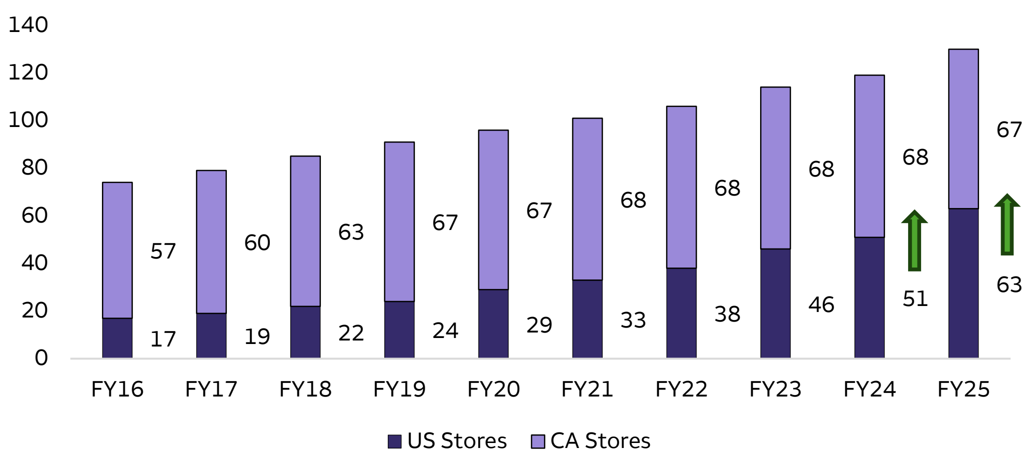
Taking a closer look at the business today, ATZ has focused on sustainable expansion within the US to drive top-line growth, and as of their latest 2Q26 reporting ATZ has 134 stores (68 in Canada and 66 in the US) and ships to over 180 countries - with eComm now ~35% of revenue. Additionally, during their latest earnings, ATZ reiterated their 2022 Analyst Day target of opening a minimum of 10 boutiques in the US annually through FY27 - growing total store count to 180-200 (an increase from their prior US target of 150), fueling additional revenue growth not only from footage but in the increase in brand awareness that follows a boutique opening in a new city.

Exhibit 8 - Aritzia's Store Base as of 2Q26



Source: Company reports

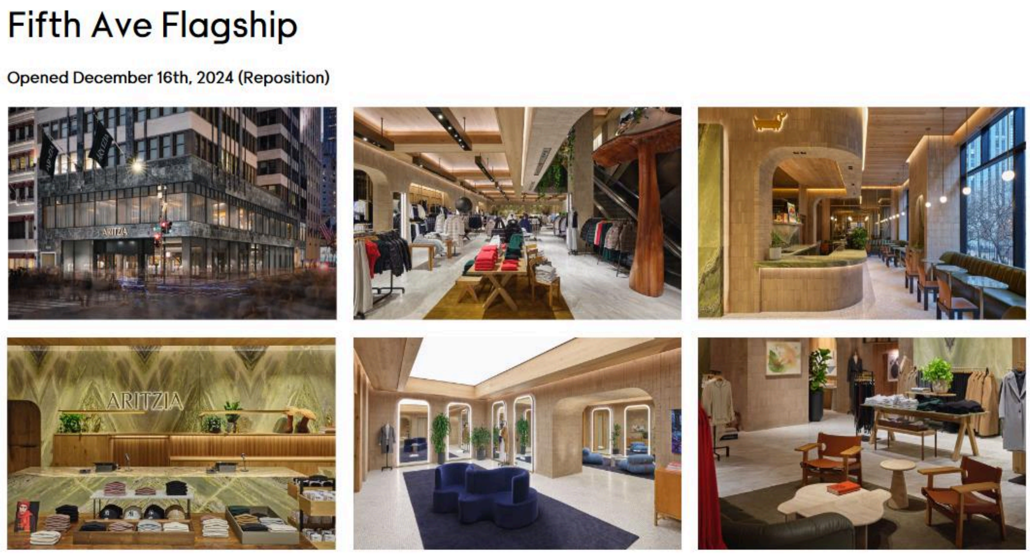
Exhibit 9 - ATZ Store Count Continues to Expand, Driven by US



Source: Company reports, Wells Fargo Securities, LLC

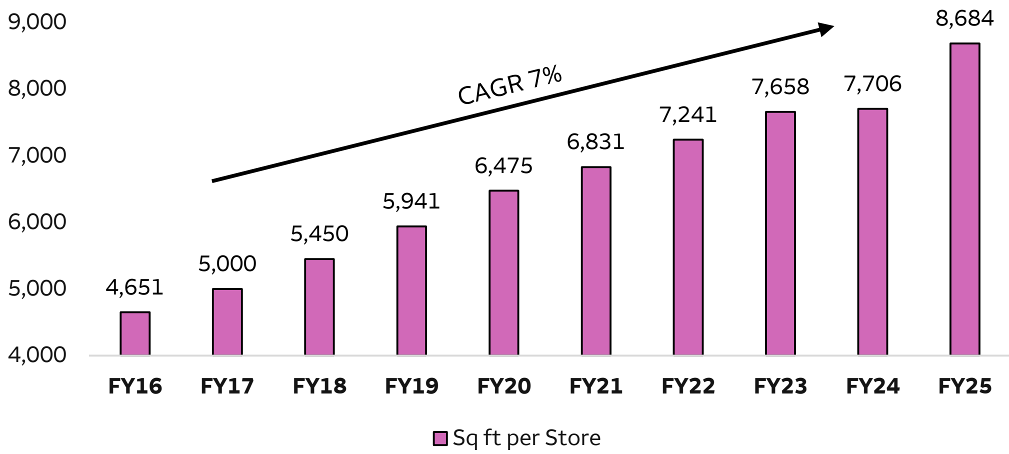
The rapid expansion of their US store base follows management commentary on the outperformance of new stores in the region, given strength in new larger-format stores in larger urban cities and an ongoing expansion of store average square footage including the repositioning of flagship stores into larger locations - with ATZ previously noting in their latest Analyst Day that they would expand 3-5 existing boutiques annually as larger boutiques ranging from 6-12K square feet were showing exponential success. Given these strategic efforts, ATZ has seen average square footage expand at a CAGR of 5-10% since their IPO.

Exhibit 10 - ATZ Repositioning Stores into Larger Locations



Source: Company reports

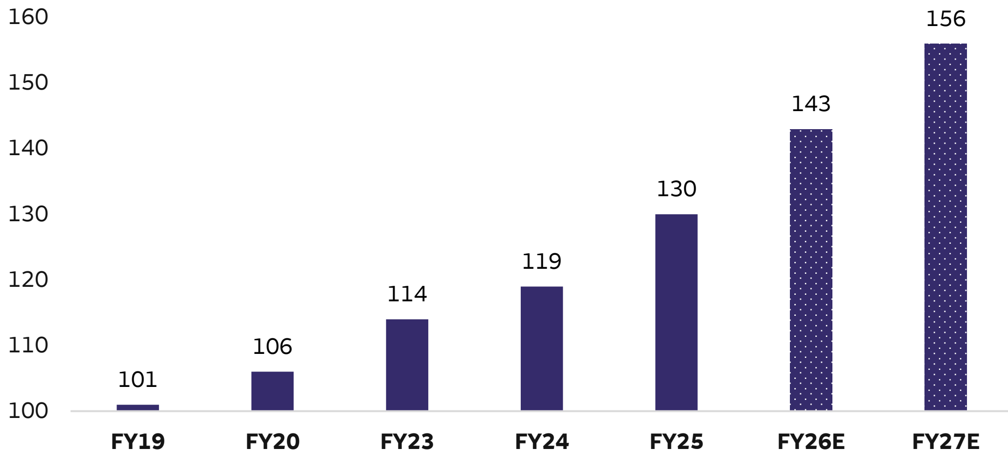
Exhibit 11 - ATZ is Relocating to and Opening Larger Stores



Source: Company reports, Wells Fargo Securities, LLC

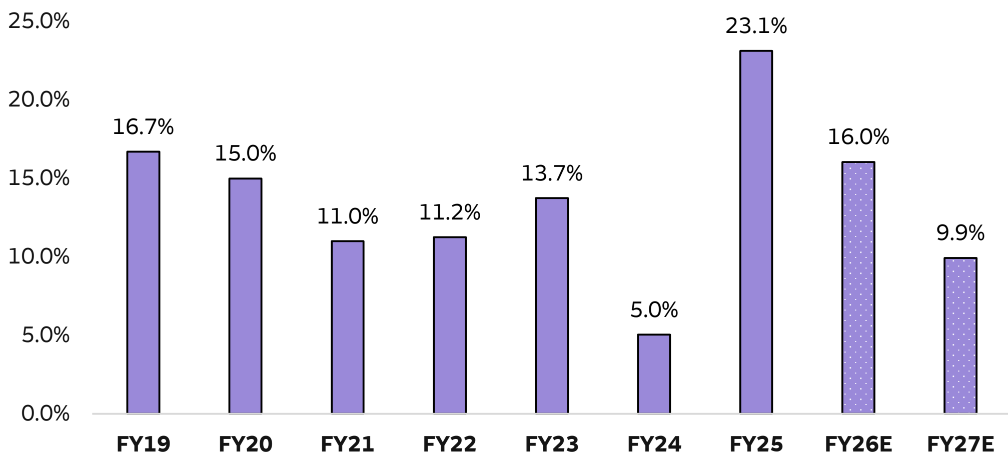
As we look ahead, we estimate ATZ will continue to expand into the US retail space (with more minimal openings in Canada) towards their 180-200 boutique target, with +HSD-DD footage growth for the foreseeable future given ongoing expansions and repositionings of existing stores.

Exhibit 12 - ATZ Store Count Estimates



Source: Company reports, Wells Fargo Securities, LLC Estimates

Exhibit 13 - ATZ Square Footage Growth



Source: Company reports, Wells Fargo Securities, LLC Estimates

In addition to boutique openings/expansions, ATZ digital and marketing strategy has also driven significant awareness gains for the brand. More recently, management has begun enhancing their influencer strategy, VIP program, and digital marketing strategy - evident in the acceleration of their brand heat trends - shown below.

We track Instagram and TikTok mentions on a monthly and quarterly basis and have seen that over the past 12 months, ATZ mention growth trends have accelerated, with the brand most recently growing combined mentions +30% in 3Q25 - a significantly better rate than peers. ATZ's brand heat appears to be industry leading at the moment, which gives credibility to their sustained growth aspirations into 2026.

Exhibit 14 - Combined TikTok and Instagram Post Volume Growth %

	3Q24	Oct-24	Nov-24	Dec-24	4Q24	Jan-25	Feb-25	Mar-25	1Q25	Apr-25	May-25	Jun-25	2Q25	Jul-25	Aug-25	Sep-25	3Q25
Aritzia	**14%**	-3%	4%	28%	**9%**	17%	37%	34%	**29%**	30%	26%	25%	**27%**	26%	48%	26%	**33%**
Abercrombie & Fitch	**24%**	29%	-10%	-10%	**3%**	-15%	2%	7%	**-2%**	5%	8%	1%	**4%**	13%	14%	-5%	**7%**
Anthropologie	**49%**	30%	40%	35%	**35%**	31%	50%	59%	**47%**	33%	40%	28%	**34%**	24%	13%	9%	**15%**
Free People	**122%**	91%	46%	29%	**54%**	1%	-23%	-22%	**-15%**	-33%	-37%	-36%	**-35%**	-40%	-38%	-46%	**-41%**
Ralph Lauren	**34%**	12%	-10%	-8%	**-2%**	0%	-1%	7%	**2%**	4%	-7%	-5%	**-3%**	-1%	-11%	-12%	**-8%**
Zara	**-14%**	-22%	-32%	-28%	**-27%**	-17%	-14%	-9%	**-13%**	-10%	-14%	-13%	**-12%**	-9%	2%	-16%	**-8%**

Source: Social Standards, Wells Fargo Securities, LLC

Brand Heat = Top-Line Momentum

Now that we have reviewed some of the core drivers of revenue growth (store expansion, brand awareness/heat), we dig in deeper on the other drivers of recent top-line growth. Revenue growth has been industry leading in 2025, and as such ATZ's LT growth plan laid out during their latest Analyst Day in 2022 is very much on track - targeting $3.5B to $3.8B CAD of revenue by FY27 (an impressive +15-17% top-line CAGR).

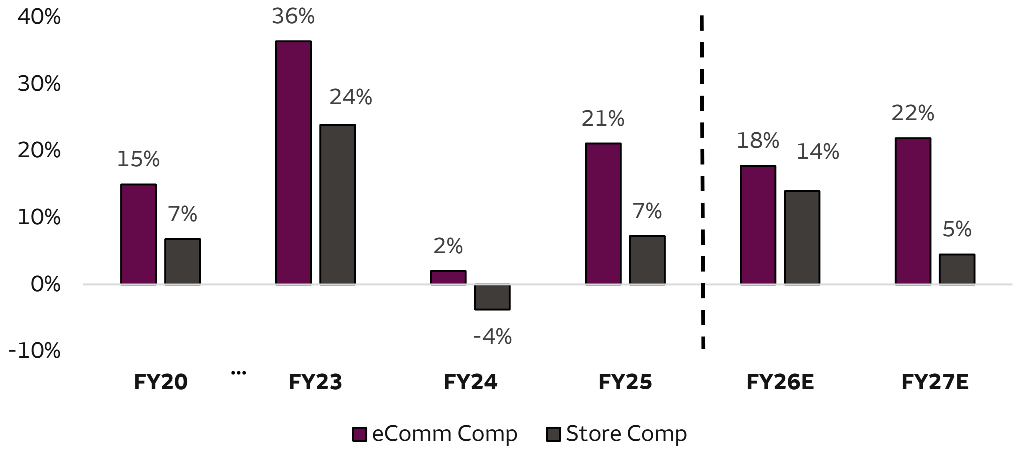
Looking back, at the time of the 2022 presentation, revenue-related call-outs included **1)** client acquisition has now surpassed boutiques as main marketing vehicle - with total clients doubling over the last 2 years (and US clients tripling), **2)** ATZ has doubled style count in the last five years as they have grown the product catalog, including the launch extended sizing initiatives and **3)** ATZ sees the expansion into the international market as a key driver go-fwd, and management has begun to ramp capabilities to expand the brand more aggressively on the digital side.

Exhibit 15 - ATZ's Long-Term Growth Plan

Source: Company presentation

Digging into more recent retail and eCommerce trends, as ATZ has expanded their store count and average square footage, comps have grown at least +MSD annually (except for FY24) - with consistent double-digit growth from eComm, as ATZ has **1)** enhanced the digital experience with fit analytics and site optimization (including the enhancement of their international sites and personalization); **2)** integrated omni-channel capabilities with buy online, ship from store and BOPIS; and **3)** enhanced customer engagement with improved concierge services.

Exhibit 16 - ATZ eComm and Store Comp Trends

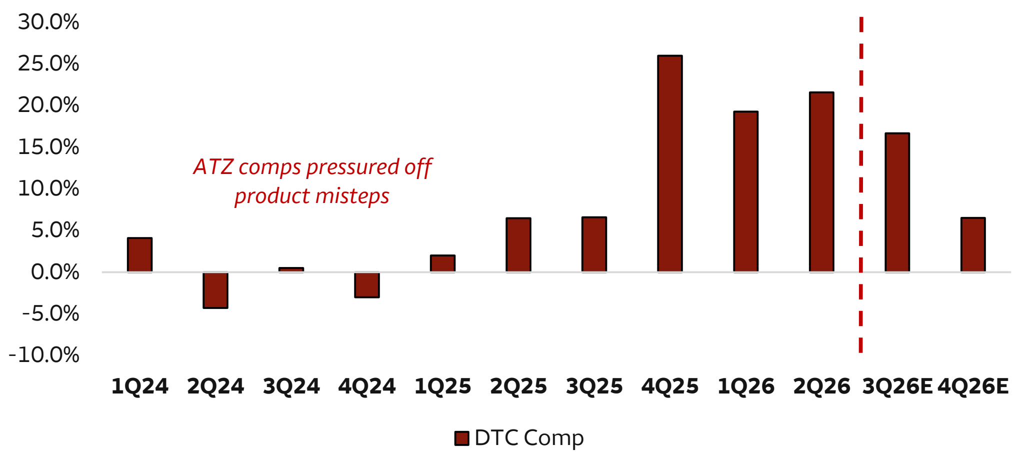


Source: Company reports, Wells Fargo Securities, LLC estimates

That said, as seen in the exhibit below, in FY24 ATZ saw its first year of comp declines (ex-COVID) at -1%, as they lapped a record comp year (+28% comp growth in FY23) and faced a mixed consumer environment combined with reduced levels of new styles - as the supply chain was constrained and management prioritized meeting the demand of existing styles.

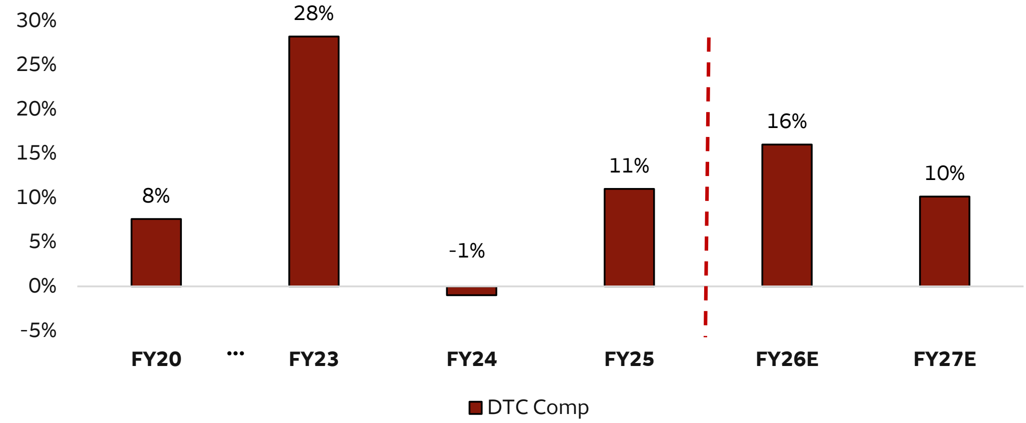
Following the start of underperformance, however, management quickly pivoted to refocusing on delivering newness to maintain freshness in their assortment over time - which their target customer demanded - and comp trends then rebounded to +DD in FY25 and have beat Street expectations for 5 consecutive quarters since, as the aforementioned initiatives have driven growth and consumers continue to respond well to newness - whose levels have now stabilized.

Exhibit 17 - ATZ Quarterly Comp



Source: Company reports, Wells Fargo Securities, LLC estimates

Exhibit 18 - ATZ Historical Comp

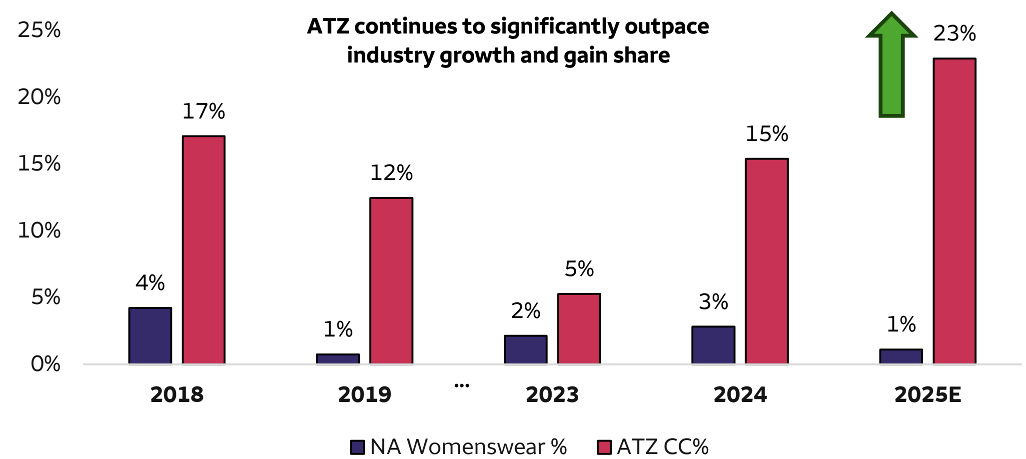


Source: Company reports, Wells Fargo Securities, LLC estimates

Looking forward, we forecast comp trends will remain robust in 2H with some tapering in 4Q (+6.5%) as we lap more difficult compares, and see a +10% comp in FY27 as ATZ continues to benefit from **1)** increases in brand awareness through store openings and enhanced marketing, **2)** successful product launches and **3)** continued resiliency from middle-to-upper income consumers in the US - which we expect will not only drive volume, but pricing power as well.

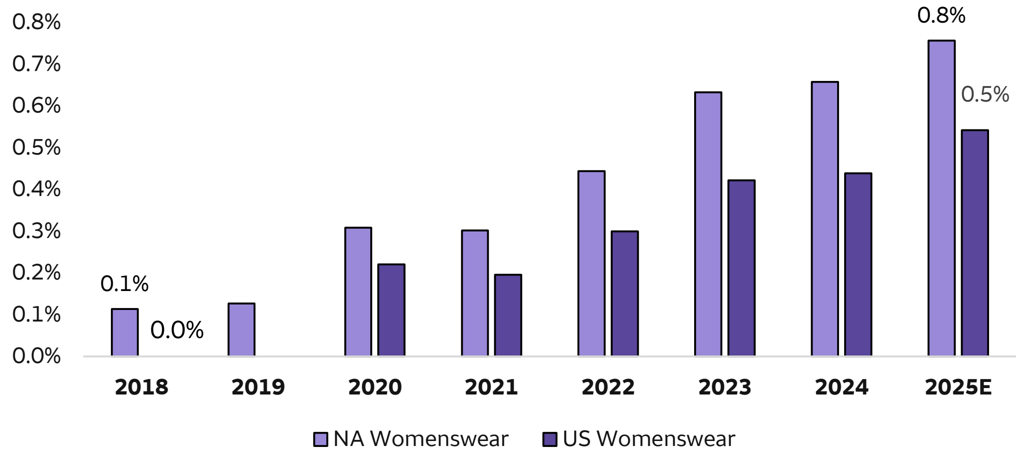
To wrap up our top-line trends analysis, we highlight that with ATZ continuing to successfully expand both US store count and e-Commerce capabilities, they have been slowly but consistently gaining market share within the NA women's apparel industry - far outpacing the industries recent +LSD growth rate with CC revenues +DD excluding CY23/FY24 as consumer demand for a more premium "everyday luxury" product remains robust post-COVID.

Exhibit 19 - North American Women's Apparel Industry vs. ATZ Constant Currency Growth



Source: Company reports, Euromonitor, Wells Fargo Securities, LLC estimates

Exhibit 20 - ATZ Women's Apparel Industry Share



Source: Euromonitor, Wells Fargo Securities, LLC estimates

Lastly, looking at US trends more carefully, we highlight that ATZ is expected to continue to gain US women's wear share (as seen in the exhibit below), slowly working up the ranks to be the 8th largest women's wear brand in the US and meeting close competitor ANF.

Exhibit 21 - ATZ US Womenswear Share vs. Competitors

US Womenswear Share	2017	2018	2019	2020	2021	2022	2023	2024	2025E
lululemon	1.0%	1.1%	1.4%	1.7%	1.8%	2.3%	2.5%	2.5%	2.4%
Zara	0.7%	0.8%	0.7%	0.6%	0.8%	0.9%	1.0%	1.0%	1.0%
American Eagle Outfitters	1.0%	1.0%	1.0%	0.9%	1.0%	0.9%	0.9%	0.9%	0.8%
H&M	1.0%	0.9%	1.0%	0.8%	0.9%	0.9%	0.9%	0.9%	0.8%
Gap	1.1%	1.1%	1.0%	0.9%	0.8%	0.8%	0.8%	0.8%	0.8%
Ralph Lauren	0.8%	0.7%	0.7%	0.6%	0.6%	0.6%	0.6%	0.5%	0.6%
Abercrombie & Fitch	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.5%	0.6%	0.5%
Aritzia	**0.0%**	**0.0%**	**0.0%**	**0.2%**	**0.2%**	**0.3%**	**0.4%**	**0.4%**	**0.5%**
Banana Republic	0.8%	0.8%	0.9%	0.6%	0.6%	0.6%	0.6%	0.6%	0.5%
J Crew	0.7%	0.6%	0.6%	0.5%	0.5%	0.5%	0.4%	0.5%	0.5%

Source: Euromonitor, Wells Fargo Securities, LLC

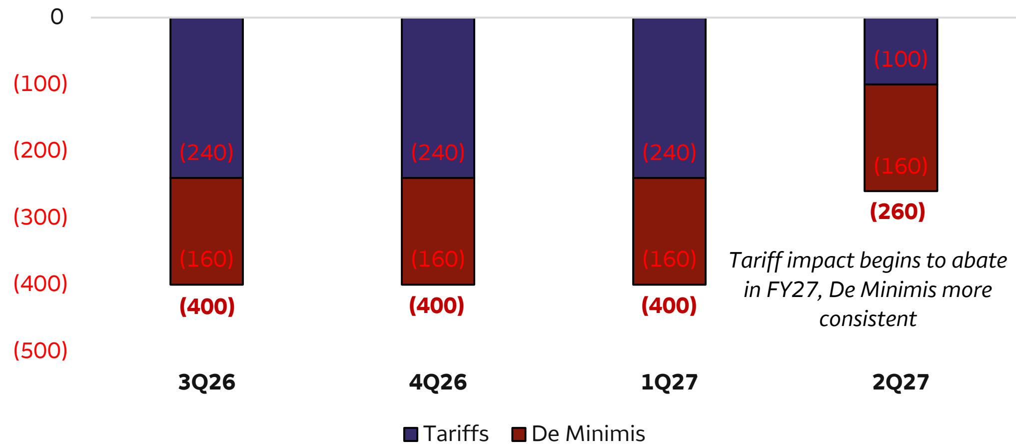
Thoughts on Gross Margin Trends and Tariffs

As ATZ has expanded within Canada and the US, the company has made supply chain and other efficiency improvements which have benefited their margin profile. During their most recent Analyst Day in 2022, management highlighted several key margin drivers, including **1)** Geo mix shifts: profitability margins in the United States are higher than Canada, **2)** Channel mix shifts: profitability margins in eComm are higher than retail, and **3)** ATZ has focused on a multi-year IMU improvement initiative with cost efficiencies and selective price actions.

From 2022 to today, as US revenue mix has grown to ~55% and eComm mix has stabilized around ~35% - which have both contributed to ATZ's recent margin expansion (with GM hitting 43% in FY25, near the post-pandemic peaks). Additionally, ATZ benefits from their in-house products and brands, and in their latest FY25 earnings call management highlighted IMU improvements, lower markdowns, lower warehousing costs, and tailwinds from store occupancy costs.

Looking forward at GMs with material tariff pressure now setting in, we balance the impact of tariffs and the end of the de minimus exemption with the higher cost of ATZ's elevated products and where IMU can go from here. Digging into recent regulatory changes deeper - ATZ was impacted by the closure of de minimis exemptions as they had previously utilized them to ship smaller packages from Canada into the US at a reduced tariff - though management has taken steps to mitigate the impact of de minimis changes by shifting their supply chain towards the US with the relocation of all US order fulfillment to their distribution center in Ohio, which was recently expanded to operate at 3x its prior capacity, allowing ATZ to handle US order volumes for the next two years.

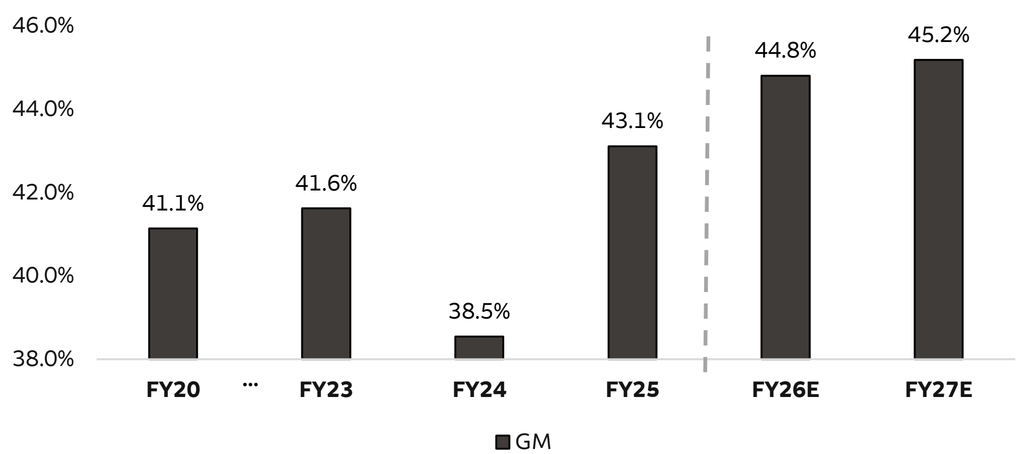
Exhibit 22 - ATZ Tariff and De Minimis Estimated Quarterly Impact



Source: Wells Fargo Securities, LLC estimates

Additionally on tariffs, management previously commented (in their initial FY26 guide during the 4Q25 call) that approximately 50% of the impact would be mitigated by accelerated margin improvement, with the other 50% offset by cost reductions and the acceleration of diversification out of China - and at the time management had already mentioned going from 25% to 20% sourced from China. Moving to today, with tariff rates now higher vs. May, the expected impact has been revised up by management (to 400bps in 3Q26, estimate similar in 4Q26), while in the most recent 2Q call ATZ highlighted that they expect China sourcing to come down materially to just ~LSD or lower for Spring 2026.

Exhibit 23 - ATZ Gross Margin Trends



Source: Company reports, Wells Fargo Securities, LLC estimates

Putting it all together, we expect a combined 225bps of tariff and de minimis impact this year - with management previously calling out that 2H26 will see the full impact of tariffs - as we estimate no incremental impact in 2H27. While ATZ is set to see tariff headwinds for the next several quarters, their absolute margins should remain in decent shape compared to peers - with 2H GMs planned flat. Despite the impact of tariffs, we still estimate that FY26 GM will expand 170bps to 44.8% (implying core GM expansion of ~395bps), and estimate FY27 will expand another 40bps (core +180bps) as ATZ successfully offsets a significant portion of headwinds and continues to drive margin through **1)** IMU improvements, **2)** store occupancy leverage, **3)** lower warehousing costs, and **4)** improved markdowns.

Exhibit 24 - Tariff and De Minimis Impact vs. Core GM

	Tariff and De Minimis Impact	Core GM bps	Total GM bps
3Q26	(400)	440	**40**
4Q26	(400)	430	**30**
1Q27	(400)	430	**30**
2Q27	(260)	300	**40**
FY26	(225)	395	**170**
FY27	(140)	180	**40**

Source: Wells Fargo Securities, LLC estimates

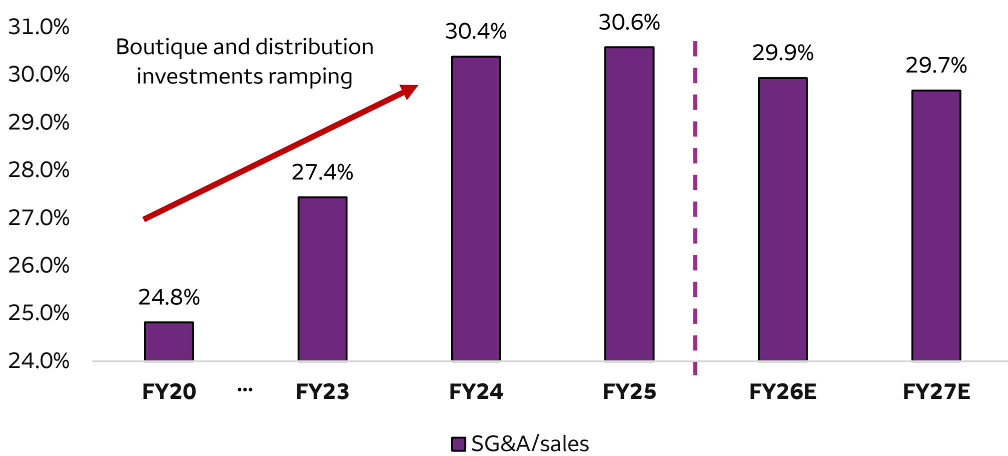
SG&A Trends

While GMs have significantly expanded since their IPO, ATZ's SG&A has deleveraged ~400bps as they have expanded store count, distribution and marketing (to a smaller extent) to reinvest back into the business while taking OMs up. Notably, FY24 saw a large jump in deleverage (300bps) as ATZ **1)** invested to support ecomm growth including digital performance marketing with tech upgrades, **2)** invested in omni-channel capabilities including rolling out BOPIS and buy online ship-from-store, and **3)** expanded the distribution networking including the ramp up of their new Ontario distribution center.

Following the significant investment in FY24 (which was compounded by a revenue slowdown off of product mis-execution), FY25 should see only a modest deleverage of ~20bps as ATZ ramped their smart spending initiative and leveraged fixed costs - some of which was offset by continued investments in digital marketing.

That said, we view ATZ's continued investments in the business as prudent and accretive to revenue - as boutique, distribution, and marketing expansion have clearly driven ATZ's market share gains as reviewed above - and management has highlighted they continue to look for opportunities to drive efficiencies and savings, contributing to our estimates of modest SG&A leverage in FY26/27 (on top of fixed cost leverage).

Exhibit 25 - ATZ SG&A Rate



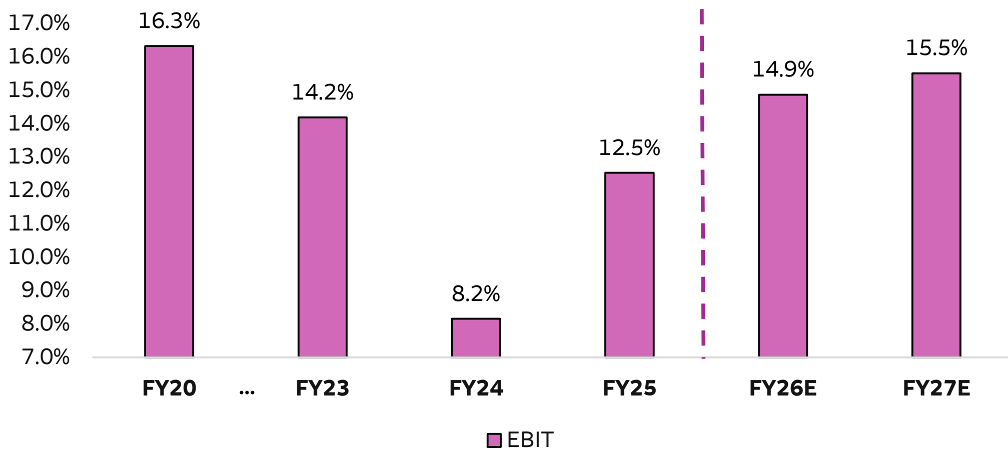
Source: Company reports, Wells Fargo Securities, LLC estimates

Margins vs. Competitors

Putting GM and SG&A trends together, as ATZ rapidly expanded their GM profile, their EBIT margin has climbed meaningfully from FY16 to FY22 - peaking at 17.5% (well above other industry peers). Following their FY22 high however, margins quickly compressed and hit an 8% trough in FY24 as product assortment missteps led to sales underperformance and an uptick in promotions - while ATZ continued to invest in their tech and distribution capabilities.

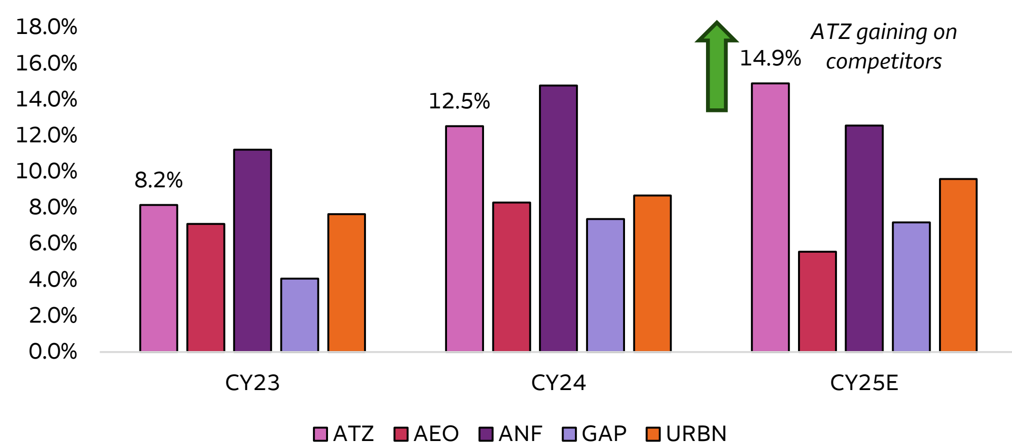
However, in their most recent fiscal year, ATZ margins largely rebounded back to 12.5% as investments to support top-line growth have leveled off while GM rebounded following FY24's elevated promotional levels. Looking to FY26 (CY25), we estimate GM will leverage 170bps and SG&A will leverage 65bps, yielding EBIT margin expansion of 235bps to 14.9% - placing them solidly above their top competitors and back towards the higher-end of their historical performance.

Exhibit 26 - ATZ EBIT Margins



Source: Company reports, Wells Fargo Securities, LLC estimates

Exhibit 27 - Peerset EBIT Margin %



Source: Company reports, FactSet, Wells Fargo Securities, LLC estimates

ANF and AEO CY25E is Street estimate from FactSet

Reviewing Long-Term Target Progress

Now that we have recapped ATZ's current and expected future financial metrics, we now also review their progress against their latest long-term targets. In October 2022, ATZ hosted their latest Analyst Day and laid out their LT targets for FY27 which included:

1. Reach $3.5-$3.8B in Revenue (CAGR of +15-17% from FY22)
2. Grow adjusted EBITDA margin to ~19%
3. Grow cash balance to $1B+

Supporting these main financial targets, management further called out the following operational and supportive financial targets:

1. Open 8-10 new US boutiques annually, including opening in 18 new US markets
2. Grow total boutique count to ~150 (increasing total square footage by up to +60%, including expanding 3-5 existing boutiques annually
3. Grow eComm to $1.5-1.7B or 45% of revenue
4. $500M cumulative net capital expenditures from FY24 to FY27

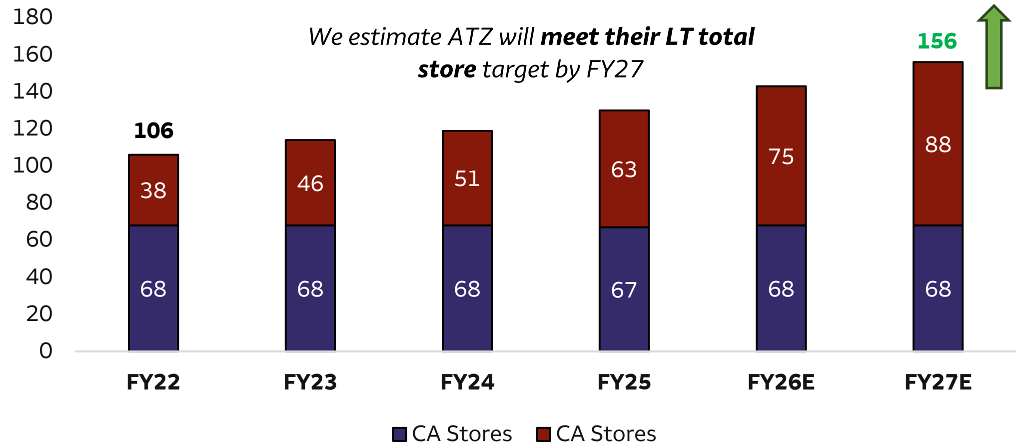
Exhibit 28 - ATZ's Long-Term Growth Plan

Source: Company presentation

Now that we are approaching FY27, we look at how ATZ has progressed against their LT targets and where we estimate they will be at the end of their planned time frame. Notably, there have been some changes to their plan which we will review below, however overall we believe ATZ will hit most of their key long-term targets.

1) ATZ is progressing towards meeting their FY27 target of >150 stores, and we estimate that ending FY27 there will be 156 stores, with 50-60% located in the US - just slightly lower than the 60% mix management had originally expected.

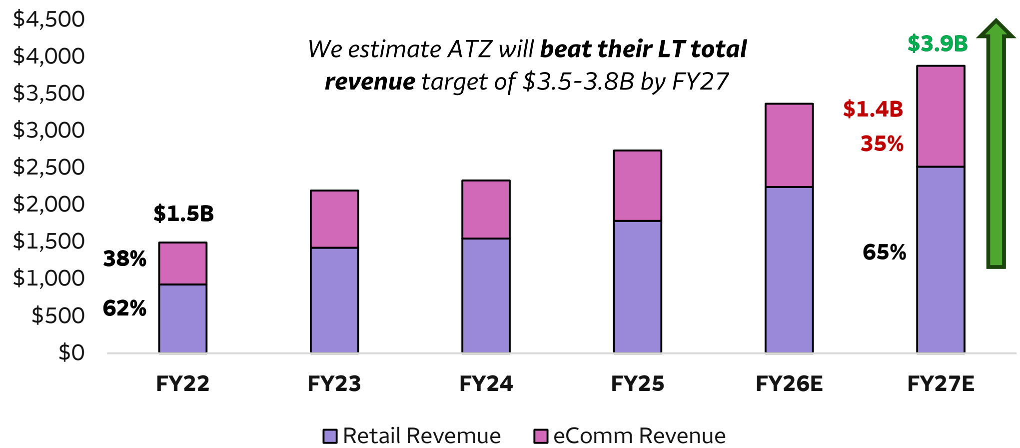
Exhibit 29 - ATZ Store Count Progress vs. Long Term Targets



Source: Company reports, Wells Fargo Securities, LLC estimates

2) We expect ATZ to beat their FY27 target of $3.5-3.8B in revenue - driven by upside to DTC comp growth. At the same time, due to the outperformance of US retail stores, ATZ walked back their target of 45% eComm mix, and we expect FY27 eComm revenue to be slightly under their original target of $1.5-1.7B.

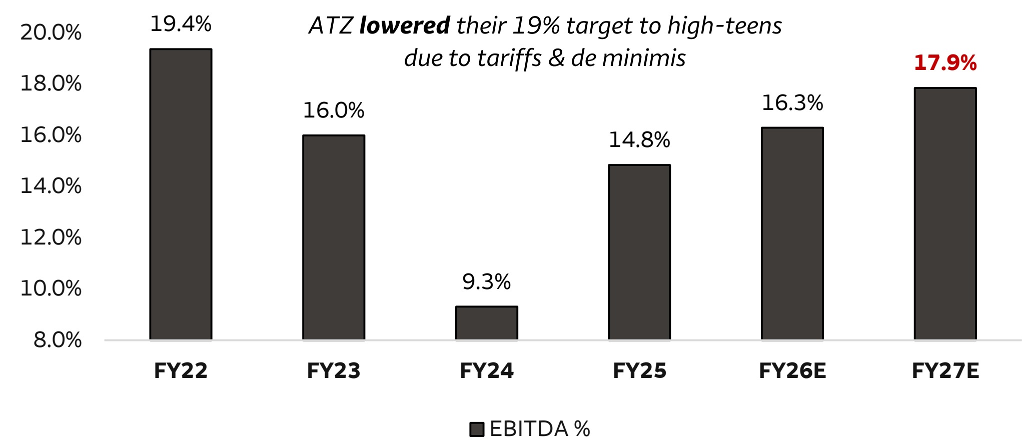
Exhibit 30 - ATZ Revenue Progress vs. Long Term Targets



Source: Company reports, Wells Fargo Securities, LLC estimates

3) We expect ATZ will come in slightly below their margin goals (*management hinted to this last quarter*) at 17.9%. Not surprisingly, ATZ's original EBITDA margin target of 19% was walked back to high-teens in their latest earnings call due to additional pressure from U.S. reciprocal tariffs and the elimination of the de minimis exemption. That said, we expect tariffs and de minimis to contribute a combined ~175bps of GM pressure in FY27, which implies that core margins should exceed ATZ's original analyst day target.

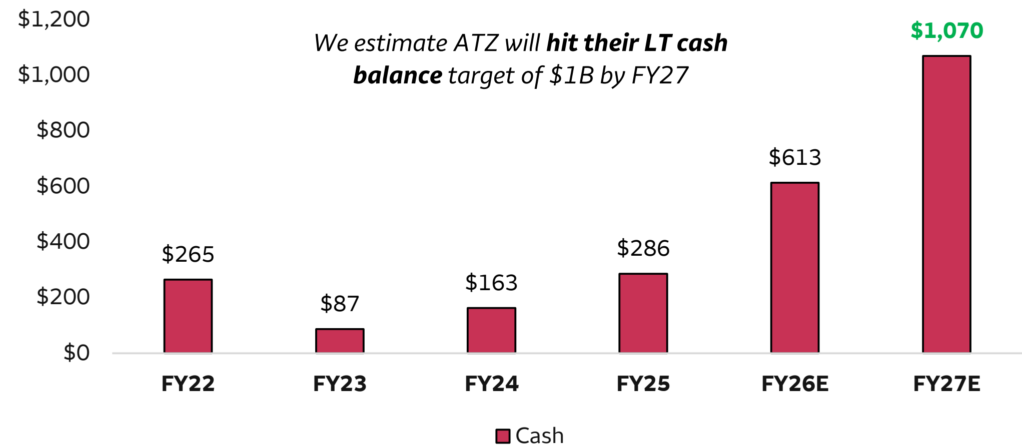
Exhibit 31 - ATZ EBITDA Margin Progress vs. Long Term Targets



Source: Company reports, Wells Fargo Securities, LLC estimates

4) Lastly, we expect ATZ to hit their cash balance target of $1B by FY27 as both revenue and margin trends remain robust. This also includes cumulative (from FY24-27) capital expenditure of $750M, in line with ATZ's recently raised target (raised from $500M to $750M in May) as the business continues to invest in boutique expansion, their eComm platform, and distribution center expansion.

Exhibit 32 - ATZ Cash Balance Progress vs. Long Term Targets



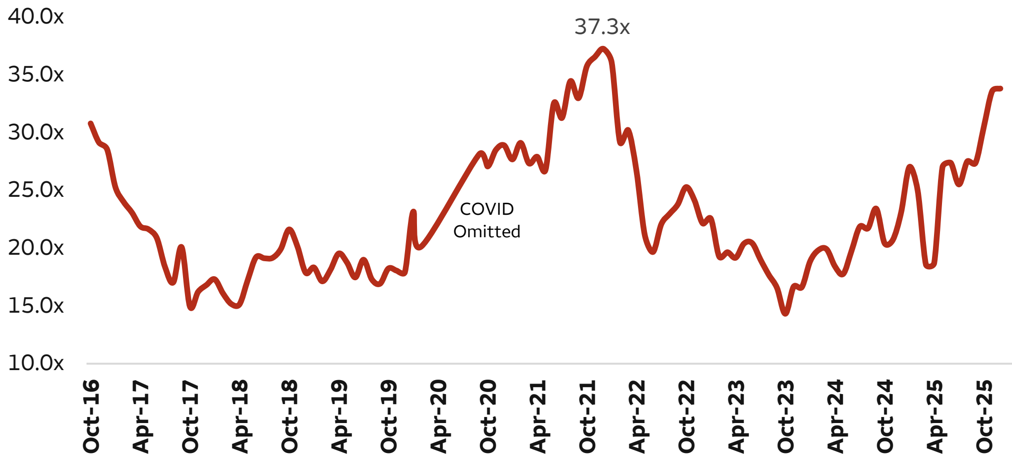
Source: Company reports, Wells Fargo Securities, LLC estimates

Valuation Expectations

Now that we have reviewed our expectations going into the out year, we begin to put together our thoughts on where ATZ should be trading 12 months from now.

We first start with reviewing ATZ's historical valuation trends vs. where they are trading today. Most recently in the past month, ATZ has traded at up to ~35x P/E (or at new 3-year highs). The rise in valuation follows a year of consistent outperformance as ATZ has recovered from missteps in FY24 - which drove valuation to contract from the 30's to the mid-teens.

Exhibit 33 - ATZ Historical P/E Valuation



Source: FactSet, Wells Fargo Securities, LLC

Digging further, **we went back 25–30 years within our retail universe and looked for periods where companies grew at outsized rates** (revenue growth > +10-15% with positive comps) and looked at P/E multiples during both the *acceleration* and *deceleration* periods of their growth. We found a total of 15 companies that fit our growth parameters and organized their periods of outsized growth with corresponding valuation rates by 4 groupings of time periods from 1996 to today, seen in the exhibit below.

Given ATZ's multiple expansion off of its recent accelerated growth this FY and the contraction we have historically seen in the sector when said growth slows, **we analyzed these names within our retail universe to determine what the downside risk could be if ATZ's growth significantly decelerated** by comparing the front end valuations of their expansion period (the period of top-line growth acceleration) vs. the back end (the period of top-line deceleration). For both the front and back end, in our exhibit below we present the minimum, maximum and median P/Es during each name's respective period.

As seen below, when aggregating all the growth periods, we see that retail names averaged a 28x max multiple during the front end of the expansion period and then on average **contracted 12 turns** to a 16x max multiple during their deceleration period.

Exhibit 34 - Historical Valuation Peaks and Troughs During Growth Cycles

Time Period	Company	Quarters of Outsized Revenue Growth	Avg Revenue Growth Rate	Min P/E	Max P/E	Median P/E	Front End			Back End		
							Min P/E	Max P/E	Median P/E	Min P/E	Max P/E	Median P/E
1996 to 2000	**GAP**	11	32%	15x	39x	27x	24x	**29x**	27x	15x	**20x**	18x
	ANF	6	32%	12x	19x	16x	17x	**18x**	17x	12x	**14x**	13x
	Aeropostale	9	34%	13x	20x	18x	18x	**20x**	19x	13x	**15x**	14x
	AEO	14	22%	12x	19x	15x	17x	**19x**	18x	12x	**15x**	14x
	Ann Taylor	6	20%	12x	18x	16x	15x	**17x**	16x	12x	**15x**	14x
	Chicos	23	40%	17x	33x	23x	20x	**22x**	21x	17x	**18x**	18x
2000 to 2009	**LULU**	7	67%	13x	55x	27x	55x	**55x**	55x	13x	**19x**	16x
	TPR	26	28%	14x	32x	25x	27x	**32x**	28x	14x	**16x**	14x
	ULTA	4	21%	13x	42x	18x	25x	**42x**	33x	13x	**16x**	14x
	URBN	6	21%	14x	25x	19x	24x	**25x**	24x	14x	**15x**	15x
		12	38%	18x	32x	29x	30x	**32x**	30x	18x	**19x**	18x
		6	26%	12x	27x	24x	26x	**27x**	26x	12x	**15x**	14x
	ANF	6	21%	12x	22x	19x	21x	**22x**	22x	12x	**16x**	14x
	Aeropostale	10	18%	8x	15x	12x	14x	**15x**	15x	9x	**10x**	10x
	BOOT	6	32%	11x	30x	26x	28x	**30x**	29x	11x	**14x**	12x
		7	14%	14x	22x	19x	20x	**22x**	21x	14x	**18x**	16x
	Chicos	14	15%	11x	39x	17x	29x	**39x**	34x	15x	**16x**	15x
2009 to 2019	**CPRI**	14	53%	11x	46x	25x	40x	**46x**	41x	11x	**14x**	13x
	CRI	6	23%	14x	22x	19x	21x	**22x**	21x	14x	**16x**	15x
	LULU	17	41%	21x	46x	32x	38x	**46x**	43x	21x	**24x**	22x
		7	15%	23x	31x	25x	25x	**30x**	27x	23x	**23x**	23x
	TPR	9	16%	14x	19x	16x	17x	**19x**	18x	14x	**16x**	14x
	ULTA	37	21%	20x	37x	30x	31x	**35x**	32x	22x	**22x**	22x
		10	27%	15x	31x	21x	27x	**31x**	29x	15x	**17x**	16x
	ANF	6	19%	12x	17x	15x	16x	**16x**	16x	12x	**13x**	13x
	AS	6	20%	23x	41x	36x	N/A	**N/A**	N/A	N/A	**N/A**	N/A
2022 to 2025	**ATZ**	7	48%	16x	35x	22x	34x	**35x**	35x	16x	**19x**	17x
	BOOT	7	51%	10x	27x	23x	27x	**27x**	27x	10x	**13x**	12x
	LULU	9	24%	19x	37x	29x	36x	**37x**	37x	19x	**20x**	19x
Current Run	**ATZ**	5	**25%**	21x	**34x**	22x	N/A	**N/A**	N/A	N/A	**N/A**	N/A
Median			**24%**	14x	**31x**	22x	25x	**28x**	27x	14x	**16x**	14x

Source: Company reports, FactSet, Wells Fargo Securities, LLC

When we turn to see how this compares to ATZ's current cycle, we see that in their last growth cycle from 2021 to 2023 (excluding significantly COVID-impacted quarters), they reached a 35x P/E peak during their front end expansion period, and then saw a 16 turn contraction to 19x during their deceleration period.

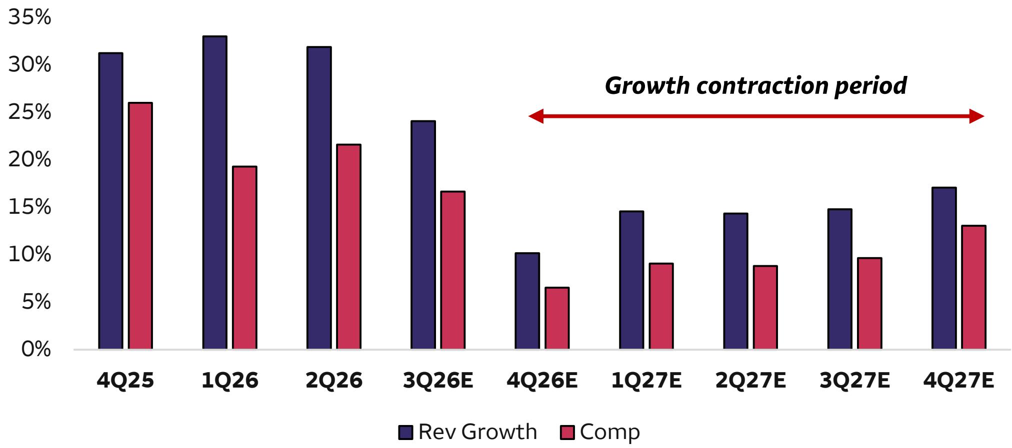
Exhibit 35 - ATZ Valuation Peaks and Troughs During Growth Cycles

Time Period	Company	Quarters of Outsized Revenue Growth	Avg Revenue Growth Rate	Min P/E	Max P/E	Avg P/E	Front End			Back End		
							Min P/E	Max P/E	Avg P/E	Min P/E	Max P/E	Avg P/E
2021 to 2023	**ATZ**	7	48%	16x	35x	22x	34x	**35x**	35x	16x	**19x**	17x
Current Run	**ATZ**	5	25%	21x	**34x**	22x	?	**?**	?	?	**?**	?

Source: Company reports, FactSet, Wells Fargo Securities, LLC

Given the sizable contraction risk as we begin to lap this recent period of outsized growth with uncertainty around **1)** consumer spending in an uncertain macro landscape, **2)** the always-present risk of product misexecution and a lack of trend alignment driving market share degradation, and **3)** the risk of tariff-driven price increases leading to a larger-than-expected impact to demand - our comp and revenue growth expectations begin to noticeably taper in 4Q26 through FY27.

Exhibit 36 - ATZ Comp and Revenue Growth Forecast



Source: Company reports, Wells Fargo Securities, LLC estimates

As we expect growth trends to decelerate, we also expect this could mean multiples could have peaked or are near the peak for this growth cycle and there is a possibility they will contract over the next 12 months. **Given this risk, we balance our expectations by basing our $110 CA price target on ~32x FY27 EPS of $3.42**, which is slightly below the Street at $3.50 off of lower margin expectations as we see **1)** moderate promo risk off an uncertain consumer demand environment, and **2)** moderate risk of higher-than-expected investment and expense needs as ATZ continues to build their distribution network and expand their online platforms.

Exhibit 37 - ATZ Price Target Build Out

	FY26E	FY27E	FY27E (Street)
Total Revenue	$3,366	$3,881	3810
Gross Margin	*44.8%*	*45.2%*	*45.3%*
SG&A Rate	*29.9%*	*29.7%*	*29.3%*
EPS	**$2.68**	**$3.42**	**$3.50**
Forecasted P/E		**~30x**	
Price Target		**$110.00**	

Source: FactSet, Wells Fargo Securities, LLC estimates

With a $110 price target, we assign an Equal Weight rating to ATZ as we weight their current 3-year high valuation against upcoming difficult compares (starting in 4Q) and an uncertain tariff and consumer environment. Additionally, when we consider the historical multiple contraction we have seen in the space when a high growth name decelerates, **we set our Bear Case at 20x a reduced FY27 EPS of $3.25, or $65**. On the other hand, if ATZ is able to comp the comp and continues to see robust growth with strong margin gains, **we see a Bull Case of $130, or 35x FY27 EPS of $3.75**.

Financials

Exhibit 38 - ATZ Income Statement

($ CAD millions except per share amounts, FYE February)

	FY25	1Q26	2Q26	3Q26E	4Q26E	FY26E	1Q27E	1Q27E	3Q27E	4Q27E	FY27E	FY28E
Total revenue	2738.1	663.3	812.1	904.2	986.1	3365.7	759.9	759.9	1038.1	1154.5	3881.2	4434.5
COGS	1557.5	350.5	456.4	486.4	564.1	1857.5	399.0	399.0	554.3	655.8	2127.3	2416.8
Gross profit	1180.6	312.8	355.6	417.7	422.1	1508.2	361.0	361.0	483.7	498.8	1753.9	2017.7
SG&A	837.5	222.5	250.2	266.7	268.2	1007.7	250.8	250.8	304.2	311.7	1151.8	1317.0
Stock-based compensation expense	48.4	10.2	14.2	12.0	19.0	55.3	12.0	12.0	14.0	21.0	63.0	69.3
Operating Income	**$343.2**	**$90.3**	**$105.4**	**$151.0**	**$153.8**	**$500.6**	**$110.2**	**$110.2**	**$179.6**	**$187.0**	**$602.2**	**$700.6**
Adjusted EBITDA	*406.3*	*95.3*	*122.7*	*165.6*	*164.8*	*548.4*	*129.6*	*129.6*	*200.6*	*215.4*	*692.9*	*837.1*
Interest expense	48.8	13.0	13.7	14.1	11.7	52.4	14.0	14.0	15.0	12.5	56.3	60.3
Other expense (income)	-44.5	8.3	-13.1	0.0	0.0	-4.7	0.0	0.0	0.0	0.0	0.0	0.0
Pre-tax income	317.2	69.3	94.0	136.6	131.3	431.3	96.2	96.2	164.6	174.5	545.9	640.3
Taxes	86.7	19.9	24.2	34.2	35.5	113.7	26.5	26.5	41.1	47.1	143.5	168.3
Net income	230.5	49.3	69.8	102.5	95.9	317.5	69.8	69.8	123.4	127.4	402.5	472.0
EPS	**$1.98**	**$0.42**	**$0.59**	**$0.86**	**$0.81**	**$2.68**	**$0.59**	**$0.59**	**$1.05**	**$1.09**	**$3.42**	**$4.05**
Diluted shares outstanding	116.5	118.2	119.1	118.8	118.5	118.7	118.2	118.2	117.6	117.3	117.8	116.5
Margin Analysis												
Gross margin	43.1%	47.2%	43.8%	46.2%	42.8%	44.8%	47.5%	47.5%	46.6%	43.2%	45.2%	45.5%
y/y change bps	*457*	*313*	*360*	*44*	*34*	*169*	*34*	*371*	*40*	*40*	*38*	*31*
SG&A/sales	30.6%	33.5%	30.8%	29.5%	27.2%	29.9%	33.0%	33.0%	29.3%	27.0%	29.7%	29.7%
y/y change bps	*20*	*(181)*	*(159)*	*(9)*	*(28)*	*(65)*	*(54)*	*219*	*(20)*	*(20)*	*(26)*	*2*
D&A as % of sales	6.8%	7.3%	6.5%	5.8%	5.5%	6.2%	7.2%	7.2%	5.7%	5.2%	6.0%	5.9%
y/y change bps	*(39)*	*(178)*	*(104)*	*(61)*	*12*	*(63)*	*(11)*	*73*	*(15)*	*(22)*	*(15)*	*(17)*
Operating margin	12.5%	13.9%	17.1%	11.1%	0.0%	14.9%	0.0%	0.0%	0.0%	0.0%	11.5%	12.3%
y/y change bps	*438*	*325*	*(432)*	*(369)*	*0*	*234*	*(1391)*	*(1712)*	*(1111)*	*0*	*(336)*	*79*
Adj EBITDA margin *('22 AD FY27 Target 19%)*	**14.8%**	**14.4%**	**15.1%**	**18.3%**	**16.7%**	**16.3%**	**17.1%**	**17.1%**	**19.3%**	**18.7%**	**17.9%**	**18.9%**
y/y change bps	*553*	*357*	*615*	*(41)*	*(126)*	*145*	*268*	*194*	*102*	*195*	*156*	*103*
Pre-Tax Income	11.6%	10.4%	11.6%	15.1%	13.3%	12.8%	12.7%	12.7%	15.9%	15.1%	14.1%	14.4%
Tax Rate	27.3%	28.8%	25.7%	25.0%	27.0%	26.4%	27.5%	27.5%	25.0%	27.0%	26.3%	26.3%
Net Income	8.4%	7.4%	8.6%	11.3%	9.7%	9.4%	9.2%	9.2%	11.9%	11.0%	10.4%	10.6%
Growth												
Implied Store Comp	7%	15%	20%	17%	4%	14%	3%	3%	5%	8%	5%	6%
DTC Comps	**11%**	**19%**	**22%**	**17%**	**7%**	**16%**	**9%**	**9%**	**10%**	**13%**	**10%**	**10%**
Total sales	17%	33%	32%	24%	10%	23%	15%	15%	15%	17%	15%	14%
FX impact	1%	2%	0%	0%	-3%	0%	-1%	-1%	1%	1%	0%	0%
Gross profit y/y	31%	42%	44%	25%	11%	28%	15%	15%	16%	18%	16%	15%
SG&A y/y	18%	26%	25%	24%	9%	20%	13%	13%	14%	16%	14%	14%
D&A y/y	11%	7%	14%	12%	13%	11%	13%	13%	12%	12%	12%	11%
Operating Income y/y	80%	109%	120%	28%	15%	46%	22%	22%	19%	22%	20%	16%
Adj. EBITDA y/y	87%	77%	122%	21%	2%	35%	36%	36%	21%	31%	26%	21%
Pre-tax income y/y	118%	106%	172%	19%	-2%	36%	39%	39%	20%	33%	27%	17%
Net Income y/y	**118%**	**97%**	**185%**	**23%**	**-2%**	**38%**	**41%**	**41%**	**20%**	**33%**	**27%**	**17%**
EPS ('22 AD FY27 Target Outpace Rev Growth)	**114%**	**92%**	**177%**	**21%**	**-2%**	**35%**	**41%**	**41%**	**22%**	**34%**	**28%**	**19%**

Source: Company Reports, Wells Fargo Securities, LLC estimates

Investment Thesis, Valuation and Risks

Aritzia, Inc. (ATZ-CA)

Investment Thesis
With a history of outperformance, as ATZ trades near multiple highs off continuing to expand and take share, we believe shares are appropriately valued near current levels and see contraction risk off a slowing growth cycle - earning our Equal Weight rating.

Target Price Valuation for ATZ-CA: C$110.00
Our $110 PT is based on ~32x our FY27E EPS estimate — a multiple which is in line with historical footage/comp growth stories in the space.
Our balanced view stems from where ATZ is in their growth cycle (soon to lap tough compares = negative rate of change). We see potential risk to multiples should top-line trajectory begin to normalize faster than Bulls expect.

Risks to Our Price Target and Rating for ATZ-CA
Downside risks to our price target are if revenue growth decelerates beyond expectations, or if macro factors exist (such as supply chain congestion) to disrupt operations or if the customer reins in their apparel spend. Upside risks include if revenue growth and margin expansion materially exceed expectations.

Companies Mentioned in Report

Company Name	Ticker	Last Price (12/11/25)	Rating
Aritzia, Inc.	ATZ-CA	C$115.28	Equal Weight

Source: Wells Fargo Securities LLC Estimates, FactSet

Required Disclosures

I, Ike Boruchow, certify that:
1) All views expressed in this research report accurately reflect my personal views about any and all of the subject securities or issuers discussed; and

2) No part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed by me in this research report.

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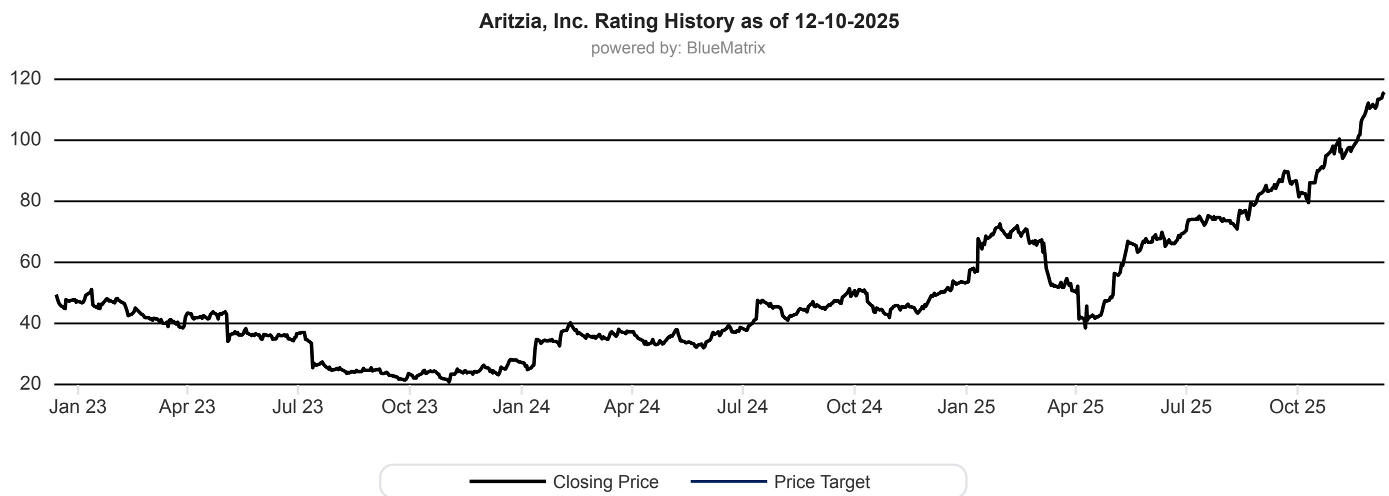
Additional Information Available Upon Request



Initiation (I); Drop Coverage (D); Overweight (BUY); Equal Weight (HOLD); Underweight (SELL); Suspended (SR); Not Rated (NR); No Estimate (NE)

Wells Fargo Securities, LLC, or its affiliates intends to seek or expects to receive compensation for investment banking services in the next three months from an affiliate of Aritzia, Inc..

STOCK RATING

OW=Overweight: Total return on stock expected to be 10%+ over the next 12 months. (BUY)

EW=Equal Weight: Total return on stock expected to be -10% to +10% over the next 12 months. (HOLD)

UW=Underweight: Total return on stock expected to lag the Overweight- and Equal Weight-rated stocks within the analyst's coverage universe over the next 12 months. (SELL)

NR=Not Rated: The rating and price target has been removed due to lack of fundamental basis to support the recommendation or due to legal, regulatory or company policy considerations.

FINRA regulation requires member firms to assign ratings to one of three rating categories: Buy, Hold and Sell. In accordance with FINRA regulation and solely to satisfy those disclosure requirements in the ratings distribution table and ratings history chart contained in these Required Disclosures, our rating of Overweight corresponds to a Buy rating; Equal Weight corresponds to a Hold rating; and Underweight corresponds to a Sell rating.

As of December 11, 2025
52.2% of companies covered by Wells Fargo Securities, LLC Equity Research are rated Overweight. (BUY)
40.5% of companies covered by Wells Fargo Securities, LLC Equity Research are rated Equal Weight. (HOLD)
7.2% of companies covered by Wells Fargo Securities, LLC Equity Research are rated Underweight. (SELL)
Wells Fargo Securities, LLC has provided investment banking services for 43.6% of its Equity Research Overweight-rated companies. (BUY)
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Wells Fargo Securities, LLC has provided investment banking services for 30.6% of its Equity Research Underweight-rated companies. (SELL)

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