

Bloomberg Intelligence

Aritzia Sales to Build on US Bricks and Mortar



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Aritzia's US Store-Expansion Potential, Sales Lift Loom Large

(Bloomberg Intelligence) -- Aritzia could more than double US sales by 2027 -- boosting them by about C\$1.3 billion, we believe -- as it opens boutiques in new markets and expands existing units. The women's accessible-luxury apparel retailer may add 35 US shops, possibly more, to its 51 and has identified 100 locations. With established peers operating well over 300 stores, growth potential appears substantial. (06/27/24)

1. Adding 33% More Stores by 2025 May Lift US Sales 48%

Aritzia's US sales may rise at a 19% CAGR through 2025, our analysis shows. It's adding 17 stores to the 51 at the end of 2023, with newer and expanded sites outperforming hurdle rates. The company aims to open 8-10 boutiques and expand 3-5 existing ones yearly, doubling the square footage in some cases. Including an anticipated lift in e-commerce sales and, to a lesser extent, from same-store sales, Aritzia can add more than C\$587 million to US revenue over two years.

Stores that open in new markets raise digital revenue by as much as 70%, according to its 4Q earnings call. There's opportunity to increase online sales separate from store growth as Aritzia employs specific e-commerce measures. The digital-sales scenario considers gains from new stores, plus recent performance-based marketing and personalization strategies. (06/27/24)

US Boutique Expansion Scenario Analysis

(CAD millions)	% of Total	2022	2023	2024 CE	2025 CE	2026 CE	2027 CE
Total Revenues (Actual/CE)		\$2,196	\$2,332	\$2,572	\$2,926	\$3,255	\$3,584
Ebitda (Actual/CE)		\$351	\$217	\$356	\$454	\$547	\$614
Ebitda Margin		16%	9%	14%	16%	17%	17%
Bricks & Mortar	66%	\$1,426	\$1,547				
Digital	34%	\$770	\$785				
US Store Platform		46	51	59	68	77	86
Number of New Stores (Avg Sq Ft = 8,000)		7	5	8	9	9	9
Scenario Sales Added (80% of 1st Year)				\$59	\$70	\$72	\$72
Prior Year(s) Maturation Lift**				\$30	\$30	\$40	\$43
Number of Store Expansions				4+	3	3	3
Scenario Sales Added (70% of Store's Prior Sales)				\$46	\$27	\$27	\$27
Sales Contribution From New Store Openings/Expansions				\$135	\$127	\$139	\$142
Cumulative Sales Lift From New Stores (including maturation cycle)				\$135	\$262	\$401	\$544
Scenario US Same Store Sales				3.8%	3.8%	3.8%	3.8%
US Store Sales Est		\$728	\$814	\$979	\$1,143	\$1,325	\$1,517
Scenario US E-Commerce Sales Growth				25.0%	30.0%	25.0%	20.0%
US E-Commerce Sales		\$393	\$413	\$516	\$671	\$839	\$1,007
Total US Sales		\$1,121	\$1,226	\$1,495	\$1,814	\$2,164	\$2,523
Scenario Same Store Sales				1.5%	2.0%	3.0%	2.0%
Sales From Stores in Canada		\$1,075	\$1,106	\$1,122	\$1,146	\$1,179	\$1,203
Total Revenues		\$2,196	\$2,332	\$2,618	\$2,959	\$3,343	\$3,726

Notes: *2024 Store Expansions Consider Repositioning to Larger Flagships at Higher Productivity; 2 in NYC and 1 in Chicago.

**Gradual Incremental Sales Lift; Newer Stores Typically Mature Over Three Years.

Source: Bloomberg Intelligence

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2. Boutiques' Draw Gives Rise to Strong Economics

Aritzia's stores -- located exclusively in triple-A-rated malls, lifestyle centers and streets -- average 8,000 square feet. They generate C\$8 million in sales in their first year, which we believe will reach C\$13 million in three. The boutiques feature an array of high-quality, well-

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