Why Canada Goose Holdings Inc. Is Plunging Over 10%

Description

Canada Goose Holdings Inc. (TSX:GOOS)(NYSE:GOOS), one of the world's leading makers of performance luxury apparel, released its fiscal 2018 third-quarter earnings results this morning, and its stock has responded by plunging over 10% at the open of trading. Let's break down the quarterly results to determine if we should consider using this sell-off as a long-term buying opportunity.

default watermark

A very strong quarter of +25% top- and bottom-line growth

Here's a quick breakdown of 12 of the most notable statistics from Canada Goose's three-month period ended December 31, 2017, compared with the same period in 2016:

Metric	Q3 2018	Q3 2017	Change
Wholesale revenue	$134.22 million	$137.03 million	(2.1%)
Direct-to-Consumer (DTC) revenue	$131.61 million	$72.02 million	82.7%
Total revenue	$265.83 million	$209.05 million	27.2%
Gross profit	$169.02 million	$120.28 million	40.5%
Gross margin	63.9%	57.5%	640 basis points
Operating income	$89.83 million	$56.31 million	59.5%
Operating margin	33.8%	26.9%	690 basis points
Adjusted EBITDA	$94.68 million	$66.13 million	43.2%
Adjusted EBITDA margin	35.6%	31.6%	400 basis points
Adjusted net income	$64.58 million	$44.92 million	43.8%
Adjusted net income per diluted share (EPS)	$0.58	$0.44	31.8%
Net cash from operating activities	$88.23 million	$36.63 million	140.8%

Is now the time to buy?

It was an outstanding quarter overall for Canada Goose, driven by “strong performances” at its existing e-commerce sites and retail stores as well as the addition of e-commerce sites in seven new markets and five new stores across three continents. It has also been on a tear so far in fiscal 2018, with its total revenue up 32.2% to $466.36 million and its adjusted EPS up 31% to $0.76 in the first nine months of the year compared with the same period in fiscal 2017.

With its very strong financial performances in its three- and nine-month periods ended December 31, I do not think the steep sell-off in its stock is warranted, and I would definitely use it as a long-term buying opportunity. To build on this thought, Canada Goose is undoubtedly one of the hottest brands in North America, and its stock is one of the best growth plays the retail industry has seen in a very long time. I think the company’s very high growth rate and its rising level of profitability should send its stock significantly higher in the years ahead.

Canada Goose was the top-performing retail IPO of 2017, and it’s still up more than 72%, since I first recommended it on August 11, 2017. I think it represents the best long-term investment opportunity in the retail industry, so take a closer look and strongly consider using today’s sell-off as a buying opportunity.

default watermark

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:GOOS (Canada Goose)
2. TSX:GOOS (Canada Goose)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Investing

Date
2025/08/24
Date Created
2018/02/08
Author
jsolitro

default watermark