Should You Buy Canada Goose Holdings Inc (TSX:GOOS) Ahead of Earnings?

Description

Canada Goose Holdings (TSX:GOOS)(NYSE:GOOS) is set to release its first-quarter results on Thursday, and with the company coming off a strong quarter that gave the stock a boost, investors may be wondering if it's a good time to buy before the next earnings release.

When the company released its results back in June, the stock was trading around $60 and shot up to over $90 on the strong results, although it has come back down to under $80 since then. Prior to the release, I'd suggested that a cooler winter may have resulted in stronger-than-normal demand for the quarter, which was normally one of the softer ones for the company.

This coming Q1, which ends in June, was even weaker than Q4 last year. Investors should expect that seasonality to continue, as there is not going to be much demand for winter weather during the warmer months of the year. And with demand being strong in Q4, I wouldn't be surprised for demand in Q1 to be lower on the expectation that consumers likely stocked up in anticipation that the winter could be an even longer one.

With that being said, the one thing that Canada Goose has been able to do pretty well since listing on the TSX has been to surprise and produce strong results. As it continues to grow its online sales, it'll be easier for Canada Goose to reach more regions around the world that have cooler weather this time of year.

The upcoming quarter will be a good sign of whether Q4 was an anomaly due to weather, or if we're starting to see more consistency in the company's sales and less seasonality in its results.

Is the price too high to buy?

Canada Goose has done very well, and the main concern I'd have about investing is its price. As well as the stock has done, investors are paying a significant premium to own the stock. At a multiple of around 90 times earnings and more than 30 times book value, it's hard to justify paying such a big premium for a company that sells winter clothing, as these multiples are well above industry averages.

However, if the company can continue to produce strong results, those multiples will come down, but that’s going to take some time.

Is the price worth the potential?

Canada Goose recently announced it would be expanding into China, and with a growing direct-to-consumer market, there’s lot of potential for the company to continue growing its sales around the world. By tapping into the global markets, Canada Goose won’t be restricted to its immediate borders, and that could make the company a successful, global brand.

However, that will take time, and I expect that even if the company performs well in this coming quarter, it won’t likely be a big improvement, just because it is normally a slow period for the company. The price is a bit too high for my liking, and I wouldn’t suggesting buying unless there’s either a significant drop in price or a big jump in profitability.

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