Canada Goose (TSX:GOOS) Stock Dropped 15% Last Week – Is It Time to Buy?

Description

Last week was somewhat of a perfect storm for Canada Goose (TSX: GOOS)(NYSE:GOOS). On the day it announced earnings, U.S. retail sales for December shocked with a significant miss.

U.S. retail sales dropped 1.7% in December. In comparison, estimates were for 0.2% growth. With the government shutdown south of the border, the reliability of the information has been questioned.

Why?

Earnings reports from some of the industry's largest players paint a very different picture. Canada Goose's stock was actually up pre-market until the news hit.

The end result was weakness across the sector. After it announced earnings, Goose tumbled almost 15% to close out the week. In my opinion, the drop was not based on Goose's financial performance. As such, I believe it was unjustified.

Strong third-quarter results

Canada Goose posted very strong quarterly results. In fact it crushed estimates. Earnings of $0.96 per share beat by 60% and revenue topped estimates by almost 50%! It marked the sixth straight quarter that the company topped analysts' expectations.

Usually, if a company beats and the share price drops, it has to do with poor guidance; this was not the case for Canada Goose. In fact, the company has been performing so well, it increased full-year 2019 guidance.

The company now expects to achieve mid-to-high 30s revenue growth, up from at least 30%. Likewise, it expects to achieve mid-to-high 40s earnings growth, up from at lest 40%. There really wasn't anything not to like about its financial performance or outlook.

Canada-China relations

One of the macro factors that has been weighing on the stock is the sour Canada-China relations. China is a key growth market for the company and there are concerns that it will have an adverse effect on the company's growth strategy.

So far, the company has seen little impact. On singles day, one of the biggest retail sales days in China, Canada Goose was a top 10 selling brand. Considering the company had no promotion and was only on the Team O platform for only a month, it was a big success.

Its physical stores in Beijing and Hong Kong are seeing long line-ups, and demand for its product appears very strong. To date, there appears to have been no adverse impact to Chinese demand for its product.

Foolish takeaway

Canada Goose is the fastest-growing company in the industry. The company has shown impressive execution, and analysts continuously underestimate it. Despite an improving outlook and better-than-expected earnings, Canada Goose's stock is trading well below its 52-week high of $95.33. Analysts have a one-year price target of $88 per share. This implies 32.87% upside from today's price. Goose is doing nothing but execute, and its current price dip will be temporary.

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