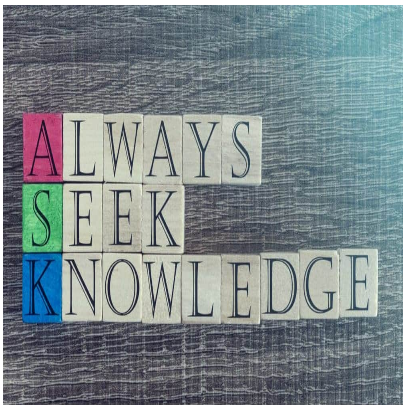

Canada Goose (TSX:GOOS): Should You Buy the Post-Earnings Dip?

Description

Canada Goose (TSX:GOOS)(NYSE:GOOS) stock was up 0.44% at the top of the noon hour on June 3. Shares have plunged 37% over the past month.

Canada Goose released its fourth-quarter and full-year results for fiscal 2019 on May 29. Earnings missed analyst expectations and shares tumbled into June. Shares of Canada Goose have now dropped over 20% in 2019. With the stock trading close to its 52-week low, should investors consider jumping in as we kick off the first full week of June?

In early May, I'd discussed the early success Canada Goose stock had experienced since its initial public offering in March 2017. The stock was hit by turbulence in late 2018, largely due to friction that had been created between Canada and China over the arrest of Huawei executive Meng Wanzhou. Some Chinese media outlets called for a boycott of Canadian products, which stoked anxiety in investors as Canada Goose prepare for its big push into mainland China.

In fiscal 2019, Canada Goose reported that total revenue increased 40.5% year over year to $830.5 million. Adjusted net income per diluted share rose 61.9% to $1.36. However, Canada Goose missed analyst estimates in reporting fourth-quarter revenue of $156.2 million. This was up 25% from the prior year but caused concerns over Canada Goose's growth to resurface. The company forecasts a 20% increase in revenue for fiscal 2020, down from 40% in the previous year.

Canada Goose's expansion into China was one of the few bright spots in its most recent earnings report. The company's entrance into the market was described as "very successful" by CEO Dani Reiss. Canada Goose delayed its Beijing store opening by a few weeks in December 2018, but when doors did open it was met with large lineups. Its brand reputation in China is still undimmed. Canada Goose plans to open three additional locations in China.

The retail sector has suffered huge setbacks over the past decade. This revenue miss has stoked some of those concerns. However, Canada Goose still posted growth of 28% in Canada, 36% in the United States, and 60% in international markets. The company has expanded its offerings in nascent rainwear and knitwear to broaden its appeal beyond winter clothing. It acquired Baffin, a winter hiking boots company, and aims to develop a standalone Canada Goose footwear offering.

The macro picture is concerning for retailers as we approach the second half of 2019. Domestic and global growth has slowed. The trade war between the United States and China threatens to deal more damage to the global economy in the quarters to come. A resolution in the conflict appears remote.

At its current price, Canada Goose still possesses a forward P/E that makes it a pricey pick relative to industry peers. The stock had an RSI of 24 as of early afternoon trading on June 3. This puts Canada Goose in technically oversold territory.

Canada Goose's post-earnings throttling looks overdone, but there is still reason for caution in what is a volatile market as we kick off the month of June.

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aocallaghan