



Why Canada Goose (TSX:GOOS) Stock Fell 37% in May

Description

The markets haven't been kind to stocks that have missed earnings in recent weeks.

Nowhere is that truer than **Canada Goose** ([TSX:GOOS](#))([NYSE:GOOS](#)) who announced lower-than-expected fourth-quarter results May 29 sending its stock down by 26% in a single day of trading.

Overall, the results weren't horrendous, as revenue grew 25% during the quarter to \$156.2 million, which was \$600,000 less than the consensus estimate and three cents higher than the \$0.06 estimate.

What took investors by surprise, however, was the company's reduced growth rate of 20% for fiscal 2020, which is half the rate this of this past year and much less than the 50% growth witnessed in 2018. According to the revised growth rate, Canada Goose will earn approximately \$1 billion in 2020, \$50 million less than analysts' expectations.

With the China-U.S. trade war already creating uncertainty in the eye of investors, the slowing growth has continued to put pressure on GOOS stock in the days preceding its quarterly announcement.

However, while some analysts weren't pleased about the company's earnings miss, RBC Dominion Securities analyst Kate Fitzsimons has increased Canada Goose's earnings projection for 2020 by five cents to \$1.70 and her 2021 estimate by four cents to \$2.12 a share.

The analyst believes that Canada Goose's gross margins are healthy and getting stronger.

In the fourth quarter, they were 62.2%, 340 basis points higher than a year earlier. Canada Goose's brick-and-mortar and online stores delivered top-notch gross margins of 75.3% during the quarter, while wholesale margins increased by a respectable 120 basis points to 48.1%.

With the 37% sell-off in May, Canada Goose is now trading at 21.5 times Fitzsimons' 2021 earnings estimate, well below its historical forward P/E multiple since going public in 2017.

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Date

2025/08/17

Date Created

2019/06/18

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