Will Canada Goose (TSX:GOOS) Fly Back to a High in 2019?

Description

What a disappointing year it's been for **Canada Goose** (TSX:GOOS)(NYSE:GOOS), which clocked in a quarter that sent shares plunging over 30%. Not only do Goose investors need to worry about the situation brewing in China, a major source of forward-looking long-term growth for the company, but the demand for its luxury outerwear appears to be sinking a lot lower in these periods of seasonal weakness.

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The stock flopped 37% in May, clobbering investors who adopted a contrarian mindset as shares gradually lost their momentum over the past year. While a 30% post-earnings drop may suggest that the last quarter (Q4 fiscal 2019) was abysmal, the numbers themselves weren't actually as disgusting as you'd think. The Goose clocked in revenues that barely missed the mark by 2% ($156.2 million versus expectations for $159 million).

Fellow Fool contributor Will Ashworth certainly didn't think the results were as bad as advertised by Mr. Market: "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."

The real fly in the ointment was management's lacklustre guidance, which shocked and horrified all those growth investors who thought that the Goose would be unstoppable. The Goose reduced its fiscal 2020 growth guidance by 20% — not a small downgrade by any means, but given the fickle nature of fashion retail and the associated uncertainties on the horizon, I do believe that CEO Dani Reiss and company is erring on the side of caution by conservatively lowering the bar so it can better the chances of pole-vaulting over it down the road.

Might as well rip the band-aid off all at once, right?

Simply put, the original bar was far too high given the slowing global economy and the risks associated with the U.S.-China spat that Canada found itself in the middle of thanks to the widely publicized arrest of Huawei's CFO Meng Wanzhou in Vancouver.

It also didn't help that around a year earlier, the firm clocked in a blowout quarter despite coming out of a period of seasonal weakness. If a quarter can cause a big double-digit surge on a beat, then you'd better watch out for a similar magnitude of moves to the downside in the event of an inevitable miss.

My takeaway?

The Goose is still a wonderful growth stock that's in the early innings of its growth story. It's just been hit with the perfect storm of medium-term headwinds. Now that the purge of weak-handed investors is all but done, I'd encourage Foolish investors to back up the truck today at under $50. Shares look absurdly undervalued, and should a peaceful resolution to the trade war happen within the next year; I sense a massive rally in Goose shares.

I'd say it's a realistic double if the cards are dealt in the Goose's favour over the coming months. Will the Goose fly back to a high in 2019? It can. Will it? Nobody knows, but I'm liking the risk-reward trade-off very much at this juncture.

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