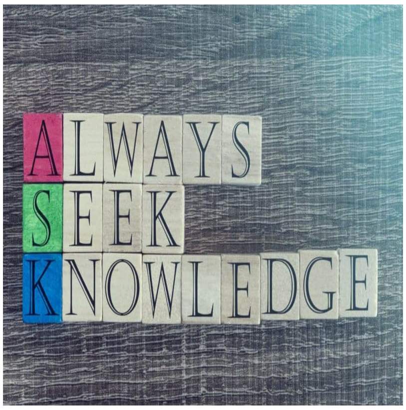

Why Canada Goose (TSX:GOOS) Is Still a Buy

Description

Canada Goose Holdings (TSX:GOOS)(NYSE:GOOS) is having a tumultuous year on the stock market. While the year started well for the firm, its shares plunged by more than 35% in May, and most of this loss happened within a few days. The clothing company's fourth-quarter financial results and guidance did not bode well with investors.

Canada Goose had been defying gravity since its 2017 IPO, but with weaker sales growth and various brewing scandals (such as the outrage over its treatment of animals), it may seem as though the company is not worth investing in at this point. However, I believe Canada Goose is still a strong option to consider.

Recent financial results

Canada Goose is known for its very expensive winter jackets. Indeed, some of the firm's winter clothing items cost small fortunes. Despite these price tags, the company has successfully become very popular. Between 2016 and 2018, Canada Goose's revenues soared by 103%. The company's earnings fared even better, increasing by 237% over this period. No wonder its share price also saw significant increases.

Given this background, it is not surprising that Canada Goose lost part of its appeal in the eyes of investors. The company's guidance of annual revenue growth between 20% and 25% over the next three years was disappointing. After all, such revenue growth pales in comparison with what the firm has been able to accomplish in the past. Further, the company predicting "materially larger losses" due to higher corporate investments did not help.

Canada Goose's long-term plan

Despite these headwinds, I believe the Toronto-based company is still very well positioned. To see why, consider what Daniel Reiss — president and CEO of the company — said after its latest results were announced: "Our business and our people have never been stronger. I believe that we are still scratching the surface of our long-term potential as we continue to define performance luxury globally." Naturally, any decent CEO would try to spin any negative financial results into a positive, but the gist of what Daniel Reiss said seems to be true.

Note that the company has a grand total of 11 retail stores. Though Canada Goose also possesses a relatively strong direct-to-consumer (DTC) e-commerce presence, there is no denying that there is much room for growth in this department. Many international markets are still untouched or virtually untouched for Canada Goose, and there lies its ability to build an even stronger global presence and rack up solid sales and revenues growth in the process. On that subject, Canada Goose launched a DTC operation in Greater China — the world's largest luxury market, according to the company — during the last quarter. Investors can expect the firm to continue expanding worldwide.

The bottom line

The apparel business is often cyclical and vulnerable in times of economic downturns. No doubt Canada Goose will suffer from these headwinds, and the firm's revenues cannot climb at an exponential rate forever. But there are still dozens of unexplored markets which Canada Goose can and will enter, and if it becomes nearly as successful in these markets as it has been in North America, the company isn't done posting market-beating returns.

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