Canada Goose (TSX:GOOS) Stock is a Top Pick for Your TFSA

Description

Canada Goose (TSX:GOOS)(NYSE:GOOS) could not have picked a worst time to report earnings. On the day the Dow Jones had its worst day of the year, Canada Goose released strong first quarter results.

Before yesterday's bloodshed began mid-morning, Canada Goose's stock was actually up by approximately 5%. Unfortunately, it settled down 6.67% and closed at $53.31 per share. It is the lowest close since early July.

The good news is that investors looking to start a position have been gifted yet another opportunity!

Strong first quarter results

Canada Goose posted an adjusted net loss of $0.21 per share, beating expectations by three cents. It also posted blowout quarterly revenue of $71.1 million easily topping estimates for revenue of approximately $54 million. This represented growth of 59.1% year over year.

Why is the revenue jump important? Last quarter, the company's share price took a big hit when it revised revenue guidance to at least 20%, down from 30-40% growth it had guided to earlier. The key, however, is that the company only revised the wording it used.

Management did not say it would not meet previous guidance, it simply stated 20% was its minimum target. It experienced strong growth in Canada (+40.4%), the U.S. (+15.8%) and internationally (+79.7%). Its Asian segment was yet another bright spot as top line sales almost tripled from $6.6 million to $18.1 million.

As per Dani Reiss, President and CEO: *"from a sales perspective, we grew significantly in all geographies compared to Q1 last year at levels that met or exceeded our expectations relative to the quarterly ebbs and flows of our business in each market."*

Don’t bet against this high flyer

Does this sound like a company that is struggling? After missing on revenue last quarter, sales estimates were put to shame this quarter. Likewise, the company has either met or beat on earnings in every quarter since it went public.

This is a company that has a reliable track record. Its diversification strategy (away from parkas) should also be commended. In the first quarter, non-parka revenue accounted for a third of direct-to-consumer sales. They also doubled year-over-year. Canada Goose is no longer a one-trick pony.

It is also why the company missed on gross margins, as these products are not as profitable as its parkas. However, this is not necessarily a bad thing, and becoming less reliant on selling expensive parkas should be viewed as a strength.

The Canada Goose brand is synonymous with quality and it has leveraged its brand power to a successful international marketing strategy. Through 2020, analysts expect the company to grow annual revenue and earnings by approximately 24% on average.

Following guidance in early May, there were a slew of downward revisions to estimates. The sentiment, however, has begun to change. There is strong demand for the company’s products and analysts have started to revise estimates upwards. Why the change? They are beginning to quickly realize that Canada Goose’s growth story is not yet over. It is only just beginning…

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:GOOS (Canada Goose)
2. TSX:GOOS (Canada Goose)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Investing

Date
2025/09/28
Date Created
2019/08/15
Author
mlitalien