1 Top Growth Stock to Target in September

Description

Canada Goose (TSX:GOOS)(NYSE:GOOS) stock has plunged 20% over the last three months as of early afternoon trading on August 21. In early June, I'd discussed how investors should move forward, as the stock had dropped to a 52-week low. Canada Goose was priced below the $50 point, and I'd suggested that this was a great opportunity to stack shares.

That said, investors should not expect to see the kind of growth we were treated to in the first year and a half of trading. Analysts have been more demanding when it comes to Canada Goose's growth trajectory. Its fourth-quarter and full-year results in June were impressive compared to industry peers but still missed expectations.

There are also the tensions that have erupted between Canada and China. The arrest of Huawei executive Meng Wanzhou sparked a sell-off in Canada Goose back in December 2018 that it has still not recovered from. The relationship has deteriorated further since late last year. Canada has recently injected itself into the ongoing Hong Kong anti-extradition bill protests, which has led to a rebuke from Chinese officials.

Canada Goose Q1 earnings

Canada Goose released its fiscal 2020 first-quarter results on August 14. Revenue increased 59.1% year over year to $71.1 million. Canada Goose achieved growth in each of its geographic segments. This is a good sign ahead of the busy fall/winter season. Revenue increased 40.4% year over year in Canada, 15.8% in the United States, and 79.7% in its international segment.

Investors worried about its performance in Asia received some promising news in the quarter. In Asia, Canada Goose revenue surged to $18.1 million compared to $6.6 million in the prior year. Canada Goose had wrestled with its manufacturing capacity early after its public listing, but it has expanded its in-house capacity, which has boosted its ability to respond to strong global demand.

The company reported an adjusted net loss of $22.8 million, or $0.21 per share. Canada Goose was weighed down by an operating loss in large part due to higher corporate SG&A. Still, gross profit rose to $40.9 million, representing a gross margin of 57.5%. Wholesale gross profit posted a gross profit margin of 41%, which reflected a higher proportion of revenue from international distributors.

Should you buy Canada Goose today?

Canada Goose is still trading at the low end of its 52-week range, though it has bounce back from its June lows. Shares were thrust into technically overbought territory in late July but have since cooled off. Canada Goose possesses a price-to-earnings ratio of 43 at the time of this writing and a price-to-book of 17. Its pricey offering has put off value investors since it first gained momentum after its IPO.

The company's international performance is very promising. The Canada Goose brand has staying power, and we are nearing the busiest time of the year as attention turns to its fall and winter catalog. I like Canada Goose at its current price point.

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