Is Canada Goose (TSX:GOOS) Stock on the Verge of a Breakout?

Description

Shares of **Canada Goose** (TSX:GOOS)(NYSE:GOOS) are trading at $57.87 per share. The stock is trading almost 40% below its 52-week high and 37% above its 52-week low. It has gained 16.5% since the start of September 2019 and is poised to climb higher in the coming months.

Canada Goose shares have been recently impacted after it reported fiscal first-quarter of 2020 earnings (ended in June) last month. Though the company easily beat revenue and earnings estimates, it did not raise guidance for the rest of 2020, which did not impress investors.

But it's quite possible that Canada Goose is taking a conservative approach instead and might continue to beat analyst estimates going forward.

Strong revenue growth expected for Canada Goose

While Canada Goose reported sales growth of 59% year over year in the first quarter, analysts estimate sales to grow by an impressive 26.3% in 2020. This indicates sales will decelerate in the next three quarters.

Analysts also estimate sales to rise by 22.3% to $1.28 billion in fiscal 2021 and by 14.6% to $1.47 billion in 2022. The company's revenue growth will also translate to bottom-line increases. Analysts expect GOOS to increase earnings by 27.2% in 2020, 24.3% in 2021, and at an annual rate of 24.3% in the next five years.

Comparatively, the stock is trading at a forward price-to-earnings multiple of 27, which does not seem too high considering its growth rates.

Sales growth experienced across geographies

In the first quarter, Canada Goose experienced robust sales growth across geographies. Revenue rose by 40.4% in Canada, 15.8% in the United States and by a whopping 80% in Europe and other regions.

In Asia, sales almost tripled to $18.1 million and accounted for a quarter of total revenue.

Direct-to-consumer (DTC) sales were up 50%, driven by incremental sales from five new retails stores as well as one e-commerce platform launched in fiscal 2019. Wholesales revenue rose close to 70% as the order value increased from existing channel partners. Higher customer requests from Europe and Asia too drove wholesale sales higher.

A look at the company’s growth strategies

Canada Goose is banking on international growth to drive sales higher. It has successfully launched DTC operations in Greater China, which is the world’s largest luxury market. The company’s global DTC footprint accounted for 50% of sales for the first time in company history.

Canada Goose continues to be a market leader in parkas and lightweight-down jacket segments. Now, it has started to experience solid growth by introducing products in rainwear and wind wear segments.

The company has managed to double revenue between 2017 and 2019. Adjusted EBIT rose from 18.5% to 24.9% in this period. GOOS estimates sales to grow at a compound annual growth rate of 20% between 2020 and 2022. This means sales will reach $1.4 billion in 2022.

Adjusted earnings are also expected to grow by an annual rate of 25% between 2019 and 2022 to reach $2.66 by the end of the forecast period. Its growth metrics remain solid.

Analysts have a 12-month average target price of $68.18 for the stock. This indicates an upside potential of 17.8% for investors. Canada Goose stock will move higher if it continues to beat earnings and revenue estimates in the next two quarters.

The holiday season of 2019 followed by increased product demand during the winter season will be key drivers for GOOS revenue.

CATEGORY

1. Investing

POST TAG

1. Editor's Choice

TICKERS GLOBAL

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

PARTNER-FEEDS

1. Business Insider
2. Msn
3. Newscred
4. Sharewise

5. Yahoo CA

Category

1. Investing

Tags

1. Editor's Choice

Date
2025/08/26
Date Created
2019/09/17
Author
araghunath