After Tanking All Year, Is Canada Goose (TSX:GOOS) Stock Ready for a Comeback?

Description

Canada Goose Holdings Inc (TSX:GOOS)(NYSE:GOOS) used to be one of investors' favourite Canadian stocks. Boasting sky-high revenue growth, an enormously popular product and unbelievable returns on equity, it looked like a classic growth pick.

But this year the stock has been tanking; after U.S.-China tensions weighed on its prospects, management cut its forecast. More recently, the company has returned to scorching on revenue growth (59% year-over-year), although with the corollary that there was a net loss on top of that.

Depending on how management plays things, this stock could be ready for a comeback. First, let's take a look at why Canada Goose began sliding this year.

Why it tanked in the first place

The main culprit for Canada Goose's May 2019 slide is a disappointing Q4 earnings report. In the report, the company's revenue growth decelerated to 25%. 25% is a strong revenue growth rate, but it's nothing compared to what investors had gotten used to, and may have sent them walking out of the room in disgust.

To add insult to injury, management told these investors to expect growth in the 20-25% range going forward–when analysts had been hoping for 40%. It's no surprise that these diminished expectations would cut the goose's flight short.

However, in Q1, management pulled off a hail Mary and posted 59% revenue growth, indicating that maybe this deceleration won't go on forever.

What analysts are expecting for the future

Looking forward, analysts are expecting pretty good things from Canada Goose. The average of analyst estimates is $74, which would give the stock significant upside. As for revenue growth, analysts are expecting that to be in the 30% range–still down from the 40% they wanted before, but better than the 20% management called for in Q4.

An incredible product

One of the biggest things Canada Goose has going for it is its product. Made from high quality materials, each Canada Goose parka comes with a lifetime guarantee, and commands a sky-high price at retail stores.

Customers seem to believe that the price is worth it because of the warmth and durability of the jacket–which has become particularly popular in China.

But Canada Goose isn't content to rest on its laurels. In addition to investing in its core product offering, it's also branching out into non-parka clothing–whose sales nearly doubled in the most recent quarter.

Such results show a company that is highly focused on its ultra-profitable main offering, but quite aware of the importance of branching out.

Foolish takeaway

Canada Goose has long been an extremely successful business, and it remains one to this day. With 59% year-over-year revenue growth and an unbelievable 47% ROE, it's a superstar in terms of both growth and profitability.

Perhaps the company can't keep up its long-term track record forever, but what happened in May of this year isn't the new normal.

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