



Will Canada Goose (TSX:GOOS) Stock Gain 30% in 2020?

Description

Shares of luxury retail brand **Canada Goose** ([TSX:GOOS](#))([NYSE:GOOS](#)) have grossly underperformed broader markets in the last year. In the last 12 months, Canada Goose stock has slumped 29%, while the **S&P 500 Index** has gained an impressive 25.5%.

Canada Goose is one of the fastest-growing companies in the country. Though its sales growth is decelerating, the company has managed to beat analyst earnings estimates in each of the last four quarters.

Canada Goose stock went public in March 2017. The stock gained over 300% between its IPO and November 2018. This indicates company shares have fallen by a massive 51% from record highs.

Despite its stellar quarterly performance, Canada Goose shares have fallen after each of its last four earnings. These pullbacks mean that shares are trading at an attractive valuation. Canada Goose is valued at \$4.9 billion in terms of market cap, or 4.7 times forward sales.

The stock is trading at a forward price-to-earnings multiple of 21, while the estimated five-year PEG ratio is 1.05. Comparatively, the company is expected to grow sales by 23.9% to \$1.03 billion in fiscal 2020 (year ending in March) and by 22.2% to \$1.26 billion in 2021.

Analysts expect company earnings to grow by 25% in 2020, 24.1% in 2021, and at an annual rate of 24% in the next five years. These metrics indicate that Canada Goose stock might well be trading at a cheap valuation and is poised to rise higher, especially if the company reports solid December quarter results.

International sales are a key driver

The holiday quarter remains critical for Canada Goose. Analysts expect the company to post revenue of \$449.35 million and earnings of \$1.07 in the December quarter. Canada Goose has managed to grow sales in Asia at a rapid pace. In the fiscal second quarter of 2020, sales from this region rose by a healthy 84% to \$48.9 million compared to overall revenue growth of 27.7%. The United States region

experienced sales growth of 38.5% in the September quarter.

These two geographies will be key drivers of sales for Canada Goose in the upcoming quarters and beyond. DTC (direct to consumer) sales rose close to 50% in Q2 due to incremental revenue from new retail stores. Comparatively, wholesale revenue was up 22% at \$219.8 million due to higher-order values from existing customers.

The DTC channel is a high-margin one, and Canada Goose is banking on retail expansion to drive long-term growth. There [are some concerns](#) in case the company scales up too quickly, which might hinder profitability. The threat of a global recession looms large, which will mean a drastic fall in sales of luxury products, including those of Canada Goose. There is also the instability factor to consider in China, which is Canada Goose's key growth market.

Despite decelerating top-line growth and a sluggish macro-environment, Canada Goose is set to experience double-digit sales growth in the next two years. Its attractive valuation makes it a solid bet for value investors.

Analysts tracking Canada Goose have a 12-month price target of \$55.46, which is 24.4% above its current trading price.

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Author

araghunath

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