



Should You Buy Canada Goose (TSX:GOOS) Stock on the Dip?

Description

Canada Goose Holdings ([TSX:GOOS](#))([NYSE: GOOS](#)) was once one of the best-performing stocks on the market. From \$21 at the beginning of 2017, shares went over \$90 near the end of 2018.

Since November 2018, the shares have lost more than half of their value. Canada Goose's stock is now looking very cheap in terms of its growth potential.

Growth has slowed down but is still high

In 2018, sales increased by 51%, an impressive figure for a luxury retailer with a relatively limited product line. Even more impressive, diluted earnings per share increased from \$0.11 in 2015 to \$0.67 in 2018. In 2019, diluted EPS reached \$0.96 and the company kept beating estimates quarter after quarter, but the stock stagnated.

After years of fast growth, the market has set growth rates too difficult to reach. In 2019, management revised its long-term growth forecast to "above 20%" for sales and to "above 25%" for profit. It's still a high growth rate, but the stock has plunged as expectations were too high.

Canada Goose has created a world-famous brand, which few retailers have managed to accomplish.

Management estimates that more than 5% of all Canadians own one of its jackets, with the vast majority planning to buy another one. This kind of loyalty is hard to get and is very valuable.

Canada Goose is committed to supporting northern communities. The luxury parka retailer has recently launched a tailored clothing collection for Atigi Project designed by 18 Inuit women.

Proceeds from the sales of Atigi Project clothing, which are expected to be twice as large as last year, will be donated to Inuit communities in Canada through ITK, the national organization that represents the Inuit and collaborates with the four regions of Inuit Nunangat.

Canada Goose has built on its national success to grow rapidly over the years. About 35% of the company's sales still come from Canada, and 30% come from the American market.

Only 35% of the company's sales come from the rest of the world. This is what to look for. Although the company still has success in the U.S., international sales will drive growth in the long run, as they increase by more than 50% per year.

In the last quarter, overall sales increased by 27.7%. In the U.S., sales increased by 38.5%. But Asia posted truly impressive numbers, with sales nearly doubling from \$26.6 million to \$48.9 million.

Asian sales still make up for a small fraction of revenue, so it's no wonder few people pay attention to it. Even after doubling in volume, sales from Asia only increased from 11.6% of sales to 16.6%.

With fast international growth, it isn't difficult to agree with the updated management outlook. By 2022, earnings per share are expected to exceed \$2.66.

After a sharp drop in valuation, Canada Goose's stock is now trading at a depressed forward price-to-earnings ratio of 18.9. It's just too cheap for a company with several years of double-digit growth ahead.

The international segment still represents a minority of overall revenue, but over the next few years, it should be a [key driver](#) of the business. Canada Goose's globally recognized brand also gives the company a sustainable competitive advantage. For these reasons, Canada Goose looks like an incredible [buy on the dip](#).

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