Is It Time to Buy Canada Goose (TSX:GOOS) Stock Now?

Description

Shares of luxury retailer **Canada Goose** (TSX:GOOS)(NYSE:GOOS) are now trading at $27.9, which is 70% below its record high. The coronavirus sell-off has dragged the company shares to record lows. Investors were first concerned over the company's exposure to China. Now that COVID-19 has spread to all major regions of the world, the situation has worsened for Canada Goose investors.

Shutdown in North America

Canada Goose announced the closure of all retail stores in North America between March 17 and March 31. Its products can, however, be bought online from Canadagoose.com. The company has also closed its Canadian in-house production facilities for the two-week period. These shutdowns will be re-evaluated on a regular basis.

In more promising news, the company has announced that it will re-open its stores in the Greater China region. Stores in Tokyo will open on a reduced schedule.

The company also reiterated its outlook for fiscal 2020. The outlook was first issued, along with fiscal third-quarter results, on February 7, 2020. Canada Goose estimates 2020 sales will grow between 13.8% and 15% for the year ending in March.

It forecasts sales of between $945 million and $955 million in 2020. This works out to a fall of about 15% year over year in the March quarter.

Canada Goose does a short-term pivot

Yesterday, Canada Goose announced it will leverage its manufacturing facilities to produce necessary medical gear for health care workers and patients in Canada. The company will reportedly manufacture products that are in short supply during the pandemic, such as scrubs and patient gowns. Countrywide distribution to hospitals will begin in the next week.

The new release states, “To help address the urgent need facing healthcare workers and patients across the country, Canada Goose has committed to producing medical gear at two of its manufacturing facilities, starting in Toronto and Winnipeg, with the opportunity to extend production across additional facilities as needed. With production set to begin early next week, approximately 50 employees per facility will work to manufacture the gear and have an initial goal of producing 10,000 units.”

What next for Canada Goose investors?

While COVID-19 is most likely a near-term headwind for most retail companies, Canada Goose will bounce back once consumer demand returns to normal levels. This premium brand is a top-growth company and has the potential to create significant wealth for investors in the coming decade. Its forward price-to-earnings multiple stands at 21. Considering the company’s estimated earnings growth of over 20% in a normal market environment, I think it is not too expensive.

Canada Goose products are sold in 49 countries. It has a wide network of 12 national e-commerce markets, 11 retail stores, and 2,227 points of wholesale distributions.

China is now the world’s largest luxury retail market and Canada Goose has established a successful presence in the country. It continues to lead innovation in the parkas and related products market.

A market reversal will result in a significant upward spiral for Canada Goose investors. The broader indexes have made a comeback in the last two trading days, gaining over 16%. Comparatively, Canada Goose stock has gained 31% in the last three days. This makes it an exciting pick at almost rock-bottom prices.

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