Market Crash Alert: Is It Time to Buy Canada Goose (TSX:GOOS) Stock Right Now?

Description

The COVID-19 pandemic hasn't spared any sector or company as it continues to wreak havoc on the world economy. There are a few stocks that have taken a solid beating in the rout and have gone into oversold territory. There is a lot of talk in the market about buying up cheap dividend stocks so you can ensure some sort of passive income during these times.

However, you have to keep in mind that barring a few blue-chip stocks, most companies will either cut their dividend or halt it altogether. It makes more sense to look at stocks that stand to gain when the virus is contained, making growth stocks an attractive buy right now.

Luxury apparel maker **Canada Goose Holdings** (TSX:GOOS)(NYSE:GOOS) has fallen from over $44 in February to just over $30 today. The stock was already in freefall, declining from over $70 in May 2019 to $44 in nine months.

This brought some sanity to the stock that was trading at a forward price-to-earnings of close to 100 in 2018. Thanks to the fall today, it's trading at a much more acceptable PE of 20.

Canada Goose is well known for its luxury jackets. Apart from North America, the company has a huge market in China, Japan and South Korea (Asia accounted for a fifth of Goose's revenues in the third fiscal of 2020). As COVID-19 hit the world, demand from Asia, especially China and South Korea, ground to a halt.

Clearly, buying a jacket that costs over $1,000 is not anyone's priority during the pandemic. The company has also shut down its North American retail stores and has suspended production for two weeks.

The one silver lining for Canada Goose is that the shutdown and slowdown have come in the middle of March, that is, during the spring when sales traditionally are slow. North America doesn't buy a lot of winter jackets during this time.

Another possible green shoot is the fact that China seems to have got the virus under control and people are getting back to work. South Korea has handled the COVID-19 situation very well, and business could be back to usual trends within this quarter. The company's offline stores in Greater China and Japan are open and functioning.

Canada Goose reported a strong December quarter

The company's third-quarter results for fiscal 2020 were solid. Total revenue increased by 13.2% to $452.1 million, with Asian revenues doubling to $94.7 million from $46.4 million.

Net income was $118 million compared to $103.4 million. The company revised its estimates for fiscal 2020. It now expects lower annual revenue growth between 13.8% to 15% implying revenue in the range of $945 million to $955 million, compared to revenue growth of at least 20% previously.

The shares are trading at $30.9, and analysts have given it a target of over $39 in the next 12 months. Like most businesses, Canada Goose will experience a couple of slow quarters this year, but there's no reason why it should not be able to pick up momentum heading into the upcoming winter.

There's a possibility of a few more dips on the stock as the full impact of the virus comes to the fore, but discerning investors should use the next few months to start accumulating Canada Goose shares.

CATEGORY

1. Coronavirus
2. Investing

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. Coronavirus
2. Investing

Date
2025/08/26
Date Created
2020/04/13
Author

araghunath