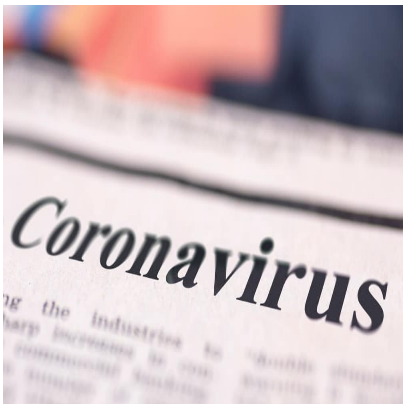

Canada Goose (TSX:GOOS) Stock: How Bad Is the Coronavirus Impact?

Description

The coronavirus pandemic has hit stocks hard. Few industries have experienced more pain than retail. Consumer spending has fallen dramatically, especially for luxury goods. **Canada Goose Holdings Inc** (TSX:GOOS)(NYSE:GOOS) is on the front lines of this impact.

Year to date, GOOS stock is down 40%. But the coronavirus is only the latest challenge for the company. Since their highs in 2018, shares have lost *two-thirds* of their value.

Canada Goose stock was ripe for a correction, especially as shares once traded at 150 times trailing earnings. But at some point, the correction will go too far. Already, GOOS stock looks like the bargain of the decade on several valuation metrics, yet the ultimate impact of the coronavirus remains unclear.

How much will the coronavirus hurt Canada Goose? Are shares a buy today or is it best to wait?

Understand the impact

The coronavirus presents a broad challenge for Canada Goose. But before we cover the headwinds, it's helpful to understand how the company intends to grow to understand connection between the two should be clear.

Canada Goose is a luxury retailer best known for its $1,000 jackets used by professional mountaineers and scientists in Antarctica. The company's products are renowned for their quality and the hefty price tag represents that commitment.

Founded in Toronto, the company still generates one-third of its sales from Canada. Another one-third comes from the U.S., with the remainder a mix of international sources. Last year, Canada and U.S. sales rose by roughly 25%. International sales, meanwhile, skyrocketed by 61%.

The international opportunity is still a minority of revenue, but it represents Canada Goose's biggest growth runway. The company recently opened its first stores in China, the largest luxury market in the world. If its success can be replicated in markets like China, South Korea, and Japan, GOOS stock could triple in value.

The coronavirus has placed a big delay on that international expansion. Consumer spending is significantly lower for luxury goods. Construction on new stores has come to a halt. And retail shopping in general, particularly in physical locations, could take years to return to baseline.

But now trading at 25 times earnings — an 85% discount to its previous valuation — is it time to buy GOOS stock?

Buy Canada Goose stock?

Here's the good news: Canada Goose isn't going away. It has a multi-decade, storied history that's difficult to replicate. Its reputation is seared into the psyches of its customer base.

Before the crash, roughly 90% of its buyers reported that they'll return to the company for their next jacket purchase. That's quite a feat considering the garments can cost $1,000 or more.

The long-term international growth story won't go away either. These markets remain a perfect fit for the company once conditions normalize.

But when exactly will retail sales return to normal? That's the biggest question plaguing the stock. Long-term investors can capitalize.

It's almost a certainty that Canada Goose will survive the pandemic. It's also likely that the days of rapid growth will return, eventually. Will that occur in a few months or a few years? It's difficult to say, but if you're willing to buy and hold this stock for a decade, the wait will likely be worth it.

But if you're not ready to commit, take a look at some other opportunities that the market has presented in recent weeks.

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