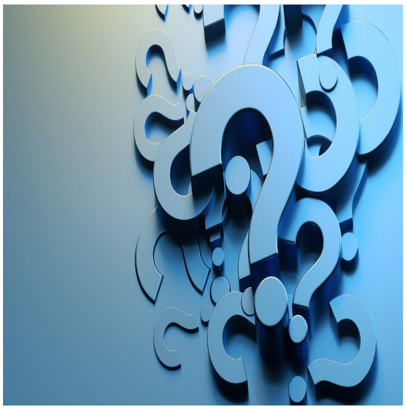

Is Canada Goose (TSX:GOOS) Stock a Buy After Earnings?

Description

After plunging by 27% year-to-date, **Canada Goose Holdings** (TSX:GOOS)(NYSE:GOOS) stock has soared by 27% over the past week. The luxury parka maker stock is coming back into favour with investors.

The worst is probably over

Canada Goose posted sales above analysts' expectations for the fourth quarter of fiscal 2020, which helped to boost the share price.

Fourth-quarter revenues totalled $140.9 million, down from 156.2 million in the same quarter last year.

Analysts had expected revenue of $128.08 million.

The company posted earnings of $2.5 million, or $0.02 per share, for its fourth quarter ended March 29. By comparison, it made a profit of $9 million, or $0.08 a share, for the same period last year.

On an adjusted basis, Canada Goose reported losing $0.12 per share for the most recent quarter, compared to an adjusted profit of $0.09 per share a year earlier.

The worst might be over for the company and the stock as Canada Goose noted that the biggest impacts of the COVID-19 crisis appeared to be behind the company.

Canada Goose had to close most of its stores and those of its wholesale partners at the end of March due to the pandemic. In North America and Europe, they have started to reopen, while the recovery also continues in Asia.

The parka manufacturer has few stores (20) and already makes 30% of its sales online. It's an advantage as compared to other retailers who have to deal with the closure of their stores or reduced traffic.

As Canada Goose moves toward reopening stores as far as regulations allow, it will focus more on its direct-to-consumer sales activities rather than wholesaling.

According to financial director Jonathan Sinclair, it allows Canada Goose to control the customer experience, as well as double the revenue and triple the profit for each item.

Canada Goose is a cheap growth stock

Canada Goose's first quarter will probably be the hardest hit, but it's the retailer's smallest quarter, thereby reducing the impact and leaves the company with a good period before it reaches its peak winter sales season.

Canada Goose is in good shape for the recovery. Indeed, it generates the majority of its sales and profits during the last two quarters of the year at a time when the effect of the pandemic is expected to diminish.

The timeless design of Canada Goose coats also preserves the value of stocks, while waiting for the possible resumption of demand from the part of large retailers.

The quality of the luxury brand also makes it a popular purchase for customers looking for sustainable products.

Despite these advantages, the company cut spending by $90 million and has increased bank financing to weather the crisis. Liquidity of $119.7 million and access to credit of $239.4 million should be enough to go through the recession.

Canada Goose CEO Dani Reiss gave up all of his salary, while the management team agreed to a voluntary 20% cut.

For fiscal 2021, analysts forecast on average EPS of $1.14 and revenue of $936 million.

For 2022, estimates are for a 20% growth in sales to $1.1 billion and a 40% increase in earnings to $1.59 per share.

Canada Goose P/E is only 25, while it was about 40 a year ago. A P/E of 25 is quite low for a growth stock like Canada Goose. The drop in share price is a great opportunity to buy this quality retailer stock for very cheap.

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