Canada Goose (TSX:GOOS): Can This Retail Stock Make a Comeback in the 2nd Half of 2020?

Description

Shares of luxury retailer **Canada Goose** (TSX:GOOS)(NYSE:GOOS) are trading at $29.8, which is 53% below its 52-week high and 69% below its record high. The COVID-19 pandemic has decimated companies in the retail sector, and Canada Goose is one such casualty.

As Canada imposed lockdowns, retail stores were shut, and consumer spending for discretionary products plummeted. Though lockdown restrictions are slowly being lifted, people will still be wary of visiting retail outlets and trying out products. Further, Canada Goose is a high-end brand, and the spike in Canada's unemployment rates is likely to impact revenue in the upcoming quarters.

So, does this mean the rebound in Canada Goose stock will take longer than expected?

Canada Goose reported better-than-expected Q4 results

In the fiscal fourth quarter of 2020, Canada Goose reported sales of $140.9 million — a 10% year-over-year decline. Net income fell by a staggering 72% to $2.5 million, or $0.02 per share. However, these numbers were much higher than analyst revenue and net loss estimates of $126.5 million and $0.09, respectively.

Canada Goose managed to cut costs in Q4 via a combination of salary cuts, temporary store closures, and layoffs. Despite its outperformance in Q4, Canada Goose warned that the economic implications related to the dreaded pandemic will be far more pronounced in Q1, which ended on June 28.

The company said, due to macro-economic uncertainty, it is unable to provide any guidance for fiscal 2021. However, investors should note that Canada Goose sales were up 15.5%, while earnings rose 6.5% year over year in fiscal 2020. Net income in the March quarter exhibited the company's resilience and helped it defy analyst expectations.

Canada Goose has a well-diversified revenue mix and generates sales from North America, Europe, and Asia. In fact, the company expects China to be a major market where it has already managed to establish a significant footprint. China is the fastest-growing luxury market in the world; it will be a key driver for the company's top-line growth in the upcoming decade.

Canada Goose has been able to offset a part of its revenue decline via e-commerce sales, a vertical that has gained significant traction amid the pandemic. Canada Goose has experienced strong engagement and higher website traffic resulting in positive transaction trends. The company is optimistic about higher e-commerce sales during the winter and fall seasons.

The Foolish takeaway

Canada Goose sales are forecast to fall by 9.7% in 2021 primarily due to a 66.5% decline in sales in the June quarter. However, sales growth is estimated to recover to 26.8% in 2022. Canada Goose stock is currently trading at a forward price-to-sales multiple of 3.8 and a price-to-earnings multiple of 35.

While the stock might seem overvalued, growth stocks trade at a higher valuation, and the retail heavyweight was trading at 150 times earnings a year prior to the pandemic.

Canada Goose stock remains a top growth company with an enviable brand name and significant growth drivers to be on the radar of long-term investors.

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