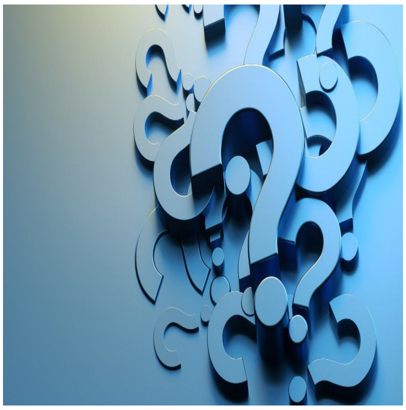

Is Canada Goose Holdings (TSX:GOOS) Stock a Buy Today?

Description

Premium apparel and parka maker **Canada Goose Holdings** (TSX:GOOS)(NYSE:GOOS) was one of the hottest TSX stocks to share the limelight with raging cannabis names in 2018. Shares once traded at $92 each 21 months ago, as the earnings multiple expanded to more than 100 times.

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The market was positive that the stellar revenue, earnings, and cash flow growth rates reported during the company's first year after going public could somehow be maintained. Fast forward to today, and Canada Goose stock has tumbled into value territory.

Although shares have somewhat recovered from their all-time low of $18.28 reached during the COVID-19 market crash of March 2020, new investors can still pick them up at a 67% discount to their peak valuation.

Operations took a heavy pandemic knock

Shares were already on a downward path during 2019, but COVID-19 knocked the firm's operations out in a devastating revenue blow.

Canada Goose reported $26.1 million in quarterly sales, a 63% year-over-year drop in total revenue for the three months to June 28 this year. Actually, if we exclude the $7 million in revenue generated from selling PPE at-cost to help in fighting the coronavirus, sales were down 73% during the quarter. The company had to shut down its stores and manufacturing facilities for several weeks to observe social-distancing measures.

Markets are reopening now, but it's been a slow restart for the premium luxury apparel seller. This is understandable. It takes time for consumers to adjust to a new pandemic lifestyle. Moreover, recessions are usually bad for consumer discretionary businesses, as buyers cut down on non-essentials.

That said, China promises to lead the company's revenue-recovery process, and management has decided to focus efforts on maximizing China sales in the short term by committing to opening four new stores there. China remains an important revenue source and growth driver. Recovery in traffic was slow but remains ahead of other geographic markets.

However, significant uncertainty remains on whether the company will have the usual good festive season of bumper sales this year.

Is Canada Goose Holdings stock a bargain buy today?

We have seen GOOS stock consolidate near the $30 level for several months since April this year. With a trailing P/E near 26, valuation has come down to earth now. Shares compare somewhat reasonably to peer valuations. Perhaps its time for long-term investors to take a closer look at this once-hot TSX growth stock.

For investors taking a long-term view of five or 10 years into the future, Canada Goose stock is a potential steal at today's prices.

Although revenue and operating profits remain under pressure, 21 out of 22 stores had reopened by early August. Investments are being made in e-commerce, and a new footwear product line is in the works.

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Sales will recover to pre-pandemic levels and growth will return to the bottom line and cash flow statement. A $200 million debt raise during the last quarter boosted the company's cash position. Operations can go for longer without the need for a new cash injection.

This could be the best time to take a bite into the premium apparel manufacturer before valuation multiples expand again.

Cyclical stocks are best bought during times of economic strife when the market is fearful of their weak prospects. That time is now. Shares could never be this cheap again.

Notable risks

It may take long before business returns to normal pre-pandemic levels. Most consumers of premium apparel buy expensive stuff for their social status and flamboyant needs. Such needs are tricky to satisfy while observing social-distancing guidelines. The need to show up in an expensive brand-new parka at work or special social events could have declined. Sales may remain lower for longer if the pandemic remains active.

Further, political issues in Hong Kong are bad for international tourism and will continue to cost the company significantly in lost revenue. Record-high unemployment levels globally, weaker consumer confidence, and lower spending aren't great and supportive data points on the consumer discretionary stock during a recession. Such issues may continue to drag GOOS stock down.

Foolish bottom line

We aren't likely to see the old and outrageously bullish P/E multiples on this apparel stock again. But Canada Goose stock could potentially double your money.

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