Buy Alert: Canada Goose (TSX:GOOS) Stock Has Gained 150% Since March

Description

The COVID-19 pandemic has severely impacted retail companies such as **Canada Goose** (TSX:GOOS)(NYSE:GOOS) in 2020. Canada Goose stock fell from $50 a share at the start of 2020 to just $18.3 in March. However, it has since made a strong comeback and has gained 150% to currently trade at $46.3 per share.

Canada Goose is an outerwear brand that manufactures high-end cold-weather products. As businesses where shut and retail stores were closed, Canada Goose stock lost significant value in the first quarter of CY 2020. But as pandemic restrictions eased and retailers shifted to an online business model, they managed to recoup some of the losses.

Let's take a look at why the company remains a strong bet for long-term investors despite a volatile year.

Canada Goose stock gained 30% last month

Shares of Canada Goose rose over 30% in September after third-party reports suggested winter wear sales are spiking due to the pandemic. Further, Wall Street analysts also remain bullish on the long-term prospects of this luxury retail brand.

UBS analyst Joe Sole is optimistic about Canada Goose's growth potential and its already massive presence in China. Cowen also upgraded the stock to outperform and called the company's products a valuable outdoor resource amid the pandemic.

The economic recovery in China is another tailwind that will help Canada Goose offset a decline in other markets. In the third quarter of CY 2020, China's gross domestic product rose by almost 5% year over year. Canada Goose's aim to increase the number of retail stores in one of the fastest-growing large economies will hold it in good stead.

What's next for Canada Goose investors?

Even after accounting for its recent bounce, Canada Goose stock is trading 50% below its record highs. This provides an opportunity for investors to buy a fundamentally strong stock at a lower valuation.

Canada Goose generates a significant portion of sales from Asia and Europe, which means it has a diversified revenue base. The company ended the June quarter with $160 million in cash and a debt balance of $594 million, giving it enough liquidity to tide over these uncertain times.

The pandemic will continue to impact GOOS sales in fiscal 2021. Analysts tracking the company, expect a sales decline of 16% in fiscal 2021 while its earnings are expected to fall by 47%. However, in fiscal 2022, Canada Goose is expected to increase sales by 30.4% in fiscal 2022 while earnings growth is forecast at 113%.

The Foolish takeaway

Canada Goose stock is trading at a forward price to sales multiple of 6.3 given its market cap of $5.1 billion, which is quite reasonable for a growth stock with multiple secular tailwinds. The retail giant has managed to report a positive net income even at the peak of the pandemic, which has pleasantly surprised investors.

The sales trends are bound to improve as the pandemic is brought under control. Alternatively, the shift towards online shopping will help drive top-line growth in the upcoming decade.

Canada Goose stock remains a top bet for investors looking to buy undervalued growth stocks right now.

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