Why Did Canada Goose (TSX:GOOS) Stock Jump 30% Yesterday?

### Description

**Canada Goose** (TSX:GOOS)(NYSE:GOOS) stock jumped as much as 30% yesterday after it released third quarter earnings. The company's top line and bottom line growth surprised investors enough to drastically shift its valuation. In fact, Canada Goose stock has been one of the top performers over the past year.



Here's what's driving this strong rebound and why growth-seeking investors should add GOOS stock to their watch list.

## Luxury demand

Investors faced unprecedented uncertainty in March, 2020. Most were prepared for a prolonged economic depression and collapse in asset prices. However, we now know that the economy and the stock market reacted to the crisis very differently.

Even as millions of jobs were lost and small businesses were shut down, real estate and the stock market continued to surge. Meanwhile, professionals who could work remotely saw a spike in income and a decline in costs. In short, the rich got much richer over the past year.

Now, the richest cohort has more savings and a higher net worth than ever before. That boosts demand for luxury goods such as Canada Goose's premium outerwear. Driving demand further is the fact that Canada Goose entered China just before the crisis. China's economic recovery and reopening has been much stronger than other developed nations.

"We're still very early in our journey in mainland China and we see significant opportunity to continue to grow our network in the region," CEO Dani Reiss told investors and analysts yesterday.

## Strong financials

Over the peak winter season, online sales surged which helped offset the loss in brick-and-mortar retail. In fact, online sales were 39% higher this quarter than the same time last year.

Altogether, the company reported $474 million in sales and adjusted profit of $1.01 per diluted share in this quarter. That's far higher than analysts' estimates of $415.3 million in sales and 86 cents in adjusted profit. Precisely why the stock price is skyrocketing.

## Canada Goose valuation

GOOS stock is now up a whopping 149% since March last year. Despite this surge, it remains fairly valued. The price is still 40% lower than its peak of $92 in 2018. It's also trading at a price-to-sales ratio of 7.4 and a forward price-to-earnings ratio of 38.

For a company growing at 30% to 40%, that's a perfectly fair valuation. In fact, it's one of the few growth stocks that investors seem to have overlooked in this tech-obsessed market environment. Growth-seeking investors should certainly keep an eye on GOOS stock.

## Bottom line



Luxury demand has held up much better than expected during this pandemic. That's boosted Canada Goose's prospects. Now the global economy is reopening. The company's sales in China and online should escalate. GOOS stock is well-positioned for a strong performance in 2021 and beyond.

Despite its 30% jump yesterday and 150% boost over the past year, GOOS stock seems fairly-valued. Keep an eye on it.

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