



Canada Goose Stock Looks Like a Screaming Buy on This Pullback

Description

Canada Goose Holdings ([TSX:GOOS](#))([NYSE:GOOS](#)) stock was treading water this week following a sub-par quarter with a side of news that investors found difficult to digest. Shares of the Canadian luxury parka maker are now down 16% from their Tuesday high.

The pullback, I believe, is overblown beyond proportion and would encourage investors who've been waiting on the name to consider initiating a position now that there's more fear and doubt in the hearts of investors.

What sent shares of Canada Goose nosediving in a hurry?

The company reported a pretty decent quarterly beat, with a \$0.45 per share loss, which is better than the \$0.54 per share loss that the Street was expecting. Revenue came in at a modest \$56 million, thanks partly to a seasonally weak period (there's not that much demand for outerwear ahead of the summer season) and COVID-19 lockdowns.

There wasn't much to get excited about with the quarter. Gross margins left a lot to be desired, and I expected far more upbeat guidance from management ahead of the great economic reopening.

As it turned out, the guide was pretty muted and below the expectations of many analysts covering the name. Still, I didn't think Canada Goose stock was deserving of a vicious and unforgiving 16% correction in the following two trading sessions!

Could Canada Goose fly over the lowered bar?

Given the company's track record for beating estimates, I think management is pretty smart to be playing it conservatively with its revenue guide.

The COVID-19 pandemic remains as uncertain as ever, after all. And it's tough for any firm to give an accurate guide, given lockdown risks that could happen with all the variants of concern that are still out

there. While consumer optimism is high, things could reverse in a hurry if the imminent Delta-driven fourth wave takes a drastic turn for the worst.

Moreover, the company's shocking decision to gravitate away from third-party resellers is not sitting well with investors. The news could cause shares to sag further over the near term, but there are potential benefits from the move.

Still the ultimate reopening play

On the whole, the quarter was a disappointment, at least through the eyes of investors and analysts. A handful of analysts were quick to downgrade their price targets in response to the mixed bag of a quarter. Personally, I don't think the quarter was a huge game changer. In fact, the now lowered bar and 16% post-quarter discount on shares on revenue makes me tempted to do a bit of [buying](#).

Canada Goose is an omnichannel powerhouse in my books. In due time, the tides will turn in its favour, and the stock could move as quickly to the upside in response to a blowout quarter, as it did to the downside after this week's disappointing quarterly beat.

At the time of writing, the stock trades at just over five times sales and 83 times trailing earnings. Undoubtedly, the trailing 12 months have been plagued with lockdowns and don't tell the full [valuation](#) story, as the road ahead looks far brighter than the path behind the Goose.

Bottom line

If you can handle further volatility, Canada Goose strikes me as a screaming buy on this likely overblown pullback. Those who stay patient with the name could come out on top once the Roaring 2020s really start to kick in, giving lift to the consumer discretionaries like Canada Goose.

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