Canada Goose (TSX:GOOS) Earnings Bump: Time to Buy?

Description

The supply chain is healthy, says Dani Reiss, CEO of **Canada Goose** (TSX:GOOS)(NYSE:GOOS). It seems the bottleneck worries of the Bank of Canada aren't slowing the sales of the parka maker. Reiss expects no less than an outstanding fiscal 2022, given management's raising of its full-year forecast.

On the TSX, the share price of Canada Goose has risen 27% in seven trading sessions. As of November 12, 2021, the stock trades at $50.60 per share, or a 67.65% year-to-date gain. While the index's gain is now 24.87%, its performance pales compared with the consumer discretionary stock.

Market analysts are bullish following the earnings bump in the most recent quarterly report. Perhaps investors should include Canada Goose in their year-end buy lists. The $5.3 billion retailer is expanding its product lines while sales are accelerating, especially in China.

Exploding demand

Momentum is on the side of Canada Goose, as evidenced by its Q2 fiscal 2022 results (quarter ended September 26, 2021). Total revenue jumped 20% versus Q2 fiscal 2021, but net income dropped 13%. Nevertheless, Reiss said, "Our second-quarter results demonstrate our momentum."

Reiss further added, "Across all channels, we are seeing strong leading indicators of peak season demand. With accelerating direct-to-customer (DTC) trends, growing lifestyle relevance, and unique supply chain flexibility, we believe we have the right foundation in place for an outstanding fiscal 2022."

Among the quarter's highlights was the 85.9% DTC revenue increase in Mainland China. Canada Goose's global e-commerce revenue jumped 33.8%, owing to the growth in all major existing markets. Also, the price increases in some products helped boost gross margins with wholesalers.

Meanwhile, net loss in the first half of fiscal 2022 increased 20% to $47.7 million versus the same period in fiscal 2021. Still, management revised its financial outlook for the year. Instead of $1 billion, the forecast for total revenue is now higher at $1.125 billion.

According to management, the guidance upgrade hinges on certain assumptions. The revenue forecast is achievable if there’s no material change in economic conditions or operation disruptions, including the lingering COVID-19 pandemic. Canada Goose’s DTC revenue must at least be 70% of total revenue, and wholesale revenue growth is at the middle-digit level.

Entry into the footwear game

The leading manufacturer of performance luxury apparel has several early deals for the 2021 Black Friday, including those in **Amazon** and **Wal-Mart**. On the category expansion side, Canada Goose launched its first footwear collection on November 12, 2021. The Journey Boot and Mantra Boot are the latest offerings of the lifestyle brand.

Adam Meek, the general manager of Footwear & Accessories at Canada Goose, said, “We are a lifestyle brand, and footwear is an important part of how we engage with customers.” He disclosed that the growth into footwear has been in the works for years now. The expertise building began in 2018 when Canada Goose acquired Baffin, a performance outdoor and industrial footwear brand.

A new sales growth story

The business of Canada Goose is doing well entering the winter months or the holiday season. Management has a new growth sales story to tell with the launching of the footwear collection. Exciting things are ahead and should be beneficial for the stock.

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