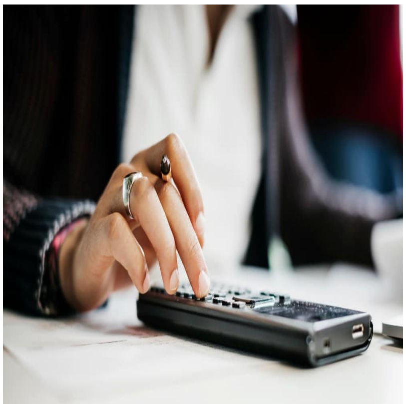

Why Canada Goose (TSX:GOOS) Is Down 6.9% Today

Description

Canada Goose (TSX:GOOS)(NYSE:GOOS) stock nosedived this morning. The stock is down 6.9% at the time of writing, while the rest of the stock market is trending lower, too. The reason for this sudden plunge could be summed up in one word: *Omicron*.

The new variant of the COVID-19 virus has caused a wave of uncertainty to wash over the global stock markets. Tech and growth stocks have been hit particularly badly. However, Canada Goose faces deeper concerns because of its reliance on China. The luxury outerwear brand must derive much of its potential growth from China, where consumers account for one in three dollars spent on global luxury brands.

If the Omicron variant is as concerning and vaccine-resistant, as some expect, China's economy could slow down drastically. The nation is still committed to a zero-COVID policy, which means a new round of lockdown measures could be implemented. If that happens, it could derail Canada Goose's ongoing rebound.

Here's a closer look at whether this is an opportunity to buy the dip or a long-term downtrend.

Fundamentals

Before the new variant emerged, Canada Goose was on a firm recovery path. In the most recent quarter, Canada Goose reported a 20% jump in revenue from last year to $186.6 million, with adjusted earnings per share rising to $0.12 and beating consensus estimates of $0.10 a share.

The stock is already up by more than 60% for the year, having broken out of a tight trading range. The break-out came on the company raising its full-year guidance and affirming global supply chain issues won't affect its operations. The company affirms it has accrued sufficient raw materials to meet the demand for this year and next year.

The impressive results come from the winter clothing maker enjoying strong demand from China. A strong holiday season in Canada also paves the way for the company to cap an impressive year. The company has already hinted it expects full-year sales to range between $1.13 billion and $1.18 billion.

Canada Goose stands out as one of the best players in the apparel business, partly because it has successfully shrugged off the supply chain issues that have affected many of its peers. The made-in-Canada approach continues to shield the company from many crises.

While the company is well positioned for the upcoming holiday shopping season, its growth could fall below expectations if China's economy takes a dip. However, the recent dip may have priced in these concerns.

Valuation

Canada Goose's valuation is now much more reasonable than at the start of the year. The stock trades at a price-to-sales ratio of five. It's also trading at a forward price-to-earnings ratio of 32.6. This means the stock is priced for the worst-case scenario.

If the virus turns out to be less concerning than expected, and China's economic recovery continues, Canada Goose stock could surge much higher. This makes it a low-risk, high-reward opportunity at the moment. Keep an eye on it.

CATEGORY

1. Investing
2. Stocks for Beginners

TICKERS GLOBAL

1. NYSE:GOOS (Canada Goose)
2. TSX:GOOS (Canada Goose)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Smart News
8. Yahoo CA

PP NOTIFY USER

1. kduncombe
2. vraisinghani

Category

1. Investing

2. Stocks for Beginners

Date
2025/07/03
Date Created
2021/12/03
Author
vraisinghani