1 Value Stock Down Over 49% to Buy Now

Description

Market selloffs or severe corrections usually attract bargain hunters and value investors like Warren Buffet. Many constituents of the consumer discretionary sector in particular are under pressure from the ever-rising consumer price index (CPI). On a year-to-date basis, the sector is down 14.48%.

The share prices of **Spin Master** (-7.41%), **Restaurant Brands International** (-10.24%), **MTY Food Group** (-15.36%) have plunged but not as significantly as one iconic retailer. If you're looking for a great value stock today, **Canada Goose** (TSX:GOOS)(NYSE:GOOS) is an excellent buying opportunity right now.

At $23.68 per share, the year-to-date loss is 49.49%. However, based on market analysts' price forecasts, Canada Goose is grossly undervalued. Analysts see a return potential between 68% (average) and 196% (high) in 12 months. Their low price target is $22 (-7%).

Successful playbook

Dani Reiss, Canada Goose's CEO, said after fiscal 2022, "We are expanding to new markets with new partnerships and stores complemented by a laser focus on customer experience. At the same time, we are leveraging our successful playbook to continue to expand product categories and year-round product relevance."

In the 12 months ended April 3, 2022, revenue and net income increased 22% and 35%, respectively, versus fiscal 2021. However, the $2.49 billion manufacturer of luxury apparel or premium outerwear incurred a net loss of $9.1 million in Q4 fiscal 2022 compared to the $2.5 million net income in Q4 fiscal 2021.

Reiss added, "We closed fiscal 2022 with record sales for the year and confidence in our ability to accelerate earnings growth in fiscal 2023 and beyond. Our brand momentum, team and track record of execution gives us the ultimate conviction in the road ahead."

Business outlook

For Q1 fiscal 2023, management targets total revenue between $60 million and $65 million. It expects total revenue of $1.3 billion to $1.4 billion for the full-year fiscal 2023. However, the projections are achievable based on certain assumptions. There should be improved traffic and lower levels of operating disruptions, globally, in company and partner retail operated stores.

The market in Mainland China is a major concern. Canada Goose must return to regular trading levels during the coming peak selling season. About 25% of 16 retail stores are currently closed due to COVID-19 restrictions. Q3 fiscal 2023 (50%) should post the highest revenue growth, followed by Q4 (25%), Q2 (20%), and Q1 (5%).

In North America, the return-to-school season should drive sales of retailers, including Canada Goose. After two forgettable years (2020 and 2021) due to the global pandemic, sales could jump exponentially in 2022, as millions of students return to schools.

Brand like no other

Carrie Baker, who assumed the post of president on March 31, 2022, said, “Seeing the company’s growth around the world and expansion into new categories over the last ten years, Canada Goose is truly a brand like no other.”

Given its incredible brand momentum and differentiated business model, the company deserves more attention than big-box retailers. This value stock could prove resilient and deliver far superior returns in 2022, notwithstanding rising inflation.

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2025/07/20
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