# Thinking of Buying Canada Goose (TSX:GOOS) Stock? Here's What You Need to Know

## Description

The euphoria surrounding **Canada Goose's** (TSX:GOOS)(NYSE:GOOS) surprise profit in the fourth quarter of 2017 has subsided. After the company popped almost 50% the day post-earnings, it has been in steady downtrend. As of writing, the company is now only up 10% from its pre-fourth quarter close.



This is not surprising. Although it was a good quarter, I don't think it justified a 50 percent one-day rise. It has been a strange couple of months for growth stocks. Earnings surprises have led to massive swings in share prices, which isn't normal. Investors are getting caught up in all the noise and are investing on sentiment.

Despite its recent downtrend, Canada Goose is up a healthy 67% year to date. It is the best performing mid-cap stock on the TSX Index. Stripping out emotion, is Canada Goose still a good buy?

### Growth rates

Since 2015, the company has grown revenues by a compound annual growth rate (CAGR) of 93.5%. This is impressive growth. It's no wonder the company has returned almost 200% since its initial public offering (IPO). This type of growth is hard to come by.

The company is also becoming more profitable. Earnings per share has been growing at a CAGR of approximately 70% over the past few years. Looking forward, analysts expect the company to post 30% EPS annual growth through 2020. This is one of the highest expected growth rates of TSX-listed companies.

### Valuation

This is where it gets tricky. The company's share price has exploded and it is now trading at 83 times earnings and at 32 times book value. I don't think I need to tell you that these are significantly above the industry averages. That said, Canada Goose is no ordinary retail stock. As such, to compare it against the industry can be misleading.

Looking at expected growth rates, Canada Goose is trading at 60 times forward earnings. This is still pretty high, even for a high growth company such as Canada Goose. Likewise, its PEG ratio is 3.14 which once again signifies that the company is overvalued.

As for analysts, they are much more optimistic. They have an average one-year price target of $83.65, which implies 25% upside as of writing.

**Intangibles**

Goose is a premier luxury retailer with a reputable brand. The company has consistently ranked as one of Canada's Best Brands by *Canadian Business* magazine. Over the past few years, its position as a status symbol has begun to expand beyond the borders of our country.

It has what Warren Buffet would call an economic "moat," otherwise known as a competitive advantage. These intangibles are difficult to value. Although it warrants a premium, is it enough to justify current valuations?

At an expected growth rate of 30%, the company appears fairly valued.



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