



## Should You Sell Canada Goose Holdings Inc (TSX:GOOS) Amid Geopolitical Issues?

### Description

Back in December, we saw **Canada Goose Holdings** ([TSX:GOOS](#))([NYSE:GOOS](#)) stock [crash](#) on news that Huawei's CFO Meng Wanzhou was arrested in Vancouver. Although completely unrelated to Canada Goose, there was a move to boycott Canada Goose products if only because they are Canadian. It didn't make sense why Canada Goose would be punished for something it had nothing to do with, but unfortunately, concerns of a boycott led to the stock dropping to below \$60 a share.

However, later that month, Canada Goose showed pictures of its [new store](#) opening in China, which saw long lineups and no evidence that a boycott was in effect. That, along with the Wanzhou issue being out of the news, allowed the stock to recover. In the past month, Canada Goose's stock has climbed 15% as it closed above \$65 yesterday.

But things could be headed south again as Wanzhou is back in the spotlight now that the U.S. has formally charged her and is moving ahead with extradition proceedings. The danger for Canada Goose is that as this issue progresses, tensions between China and Canada could worsen. And if the stock struggled as a result of the arrest, who knows that impact could be if Wanzhou is ultimately extradited back to the U.S., as we could see even more of a fallout from this.

### Growth in China could be a big question mark

China is one of the areas that Canada Goose was looking to expand into ahead of the Winter Olympics, which will be hosted there in 2022. These diplomatic concerns, however, put all of that under a lot of uncertainty. Whether it's a boycott or any type of impediment to Canada Goose's potential growth in that market, that could have serious long-term impacts on the share price. If investors perceive a risk and a possibility that the company won't be able to do as well as it had hoped, we'll definitely see a correction in the share price.

Canada Goose's stock is already a bit expensive, trading at over 70 times earnings and 25 times book value. For those kinds of multiples to remain intact, the company would have to be firing on all

cylinders, and unfortunately, that's not going to be the case if these political issues continue to create uncertainty for the brand.

## Bottom line

We don't know what's going to happen with the Wanzhou case and how Canada Goose's prospects for growth in China will be impacted. However, given the pride China has in Huawei's success over the years and how strongly it has been urging Canada not to comply with the U.S.'s extradition request, it's hard to believe that nothing more will come of this.

As well as Canada Goose has performed since listing on the TSX, this poses a very big risk for investors today, and I would stay away from the stock, at least until we see how this issue plays out and what consequences come from it. Canada Goose has earnings coming up in February, and it'll be interesting to see what (if any) impact there has been on the company's sales as a result of this.

### CATEGORY

1. Investing

### POST TAG

1. Editor's Choice

### TICKERS GLOBAL

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

### PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

### Category

1. Investing

### Tags

1. Editor's Choice

### Date

2025/08/25

### Date Created

2019/01/31

### Author

djagielski

default watermark