Canada Goose (TSX:GOOS): A Top Growth Stock Selling Absurdly Cheap

Description

The journey of high-octane growth stocks has never been in a straight line. These high-flying shares could easily become victims to negative factors, such as an earning miss, bad news on the economy, or too many expectations by investors that take their values to unrealistic levels.

Canada Goose Holdings (TSX:GOOS)(NYSE:GOOS) is a great example of this phenomenon. It was all good until November, when this maker of expensive winter coats got caught in the crossfire between Canada and China.

Diplomatic tensions between Canada and China arose in December due to the arrest of **Huawei Telecom's** chief financial officer in Vancouver, prompting a backlash in China, where some websites called for a boycott of Canadian brands.

Canada Goose has bet big on China and made the second-largest economy in the world a target of its future growth. Investors didn't like this development and sent Goose shares down 42%. Canada Goose is planning to open a regional headquarters in Shanghai in addition to flagship stores in Beijing and Hong Kong. The maker of down jackets and parkas fit for arctic temperatures is highly popular among the Chinese.

In my view, the sharp reaction on part of investors isn't justified for a company that has shown an impressive growth path and is well positioned to continue with that momentum.

Though Canada Goose shares have recovered some ground since their December plunge, I believe they are still trading at a very attractive level and offer a good entry point to contrarian investors. My bullish view on this stock stems from a strong possibility that the U.S. and China will be able to resolve their trade dispute sooner or later, as the stakes are too high for failure, especially for President Trump, who would not like to derail global economic growth.

At a time when Trump is under political attack at home, he won't risk a major U.S. growth slowdown coming from a China trade shock. As a result of this possible outcome, both powers will also settle their dispute with Huawei — a move that will pave the way for Canada to release the company's CFO.

This scenario is what Canada Goose's CEO is signaling in his recent interview with *Bloomberg*. "We leave politics to the politicians," Dani Reiss said early this month. "We're really happy with our Chinese business plan and the way we plan to approach it. It's been executed really well."

Despite these political distractions, Canada Goose is still producing massive growth, as was evident from its latest quarterly report. Sales surged by 50.2% to $399.3 million in the third quarter ended on Dec. 31. And adjusted net income per diluted share increased by 65.5% to $0.96 a share.

"Fiscal 2019 is shaping up to be another year of impressive results," said Reiss in the earnings press release. "We have successfully entered new markets, introduced new product, and increased capacity to meet growing demand in both channels. We remain deeply confident in the long runway we have ahead."

Bottom line

Canada Goose isn't alone in the group of stocks that have made China their next growth destination. U.S. retail and tech giants, including **Apple** and **Starbucks**, are all in the same boat.

Trading at $71.44 at the time of writing, Goose stock is a good buy if you're long-term investor and can tolerate a little bump in the company's impressive growth journey.

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