



Will Canada Goose Holdings Inc. (TSX:GOOS) Crack \$100 This Year?

Description

Canada Goose ([TSX:GOOS](#))([NYSE:GOOS](#)) stock has climbed 13.2% in 2019 as of close on March 8. Shares are up 62% year over year.

In late October 2018, I'd suggested that investors buy Canada Goose if they were betting on the ["buy Canada" trade](#) immediately following the United States-Mexico-Canada Agreement (USMCA). Shares of Canada Goose would surge to all-time highs in late November and early December, but disaster soon hit to finish the year.

Canada found itself embroiled in a [geopolitical spat](#) after the arrest of Huawei executive Meng Wanzhou. Chinese state media outlets threatened a boycott of Canada Goose, which was set to open its first brick-and-mortar store in Beijing that very month. This friction combined with a broad stock market sell-off pushed Canada Goose below the \$60 mark.

Fortunately, time has proven many of these fears to be unfounded. Canada Goose had a successful opening in Beijing and experienced promising customer traffic. This boosted the stock until early February, when the company released its fiscal 2019 third-quarter results.

Canada Goose reported a 50.2% year-over-year increase in revenues to \$399.3 million, with direct-to-consumer revenue rising to \$235.3 million. The company posted net income of \$103.4 million, or \$0.93 per diluted share, compared to \$63 million, or \$0.56 per diluted share, in the prior year. These results sparked an upward revision for the fiscal year.

For fiscal 2019, Canada Goose now expects revenue growth in the mid to high 30s on a percentage basis and adjusted EBITDA margin expansion of at least 150 basis points. Canada Goose also forecasts annual growth in adjusted net income per share in the mid to high 40s on a percentage basis. Overall, it was a strong report, but Canada Goose stock suffered from weakness in the days following the announcement.

Investors should be used to Canada Goose stock pricing in strong results. The stock was in technically overbought territory before its fiscal 2019 third-quarter earnings release. Now, as of close on March 8, the stock has an RSI of 42. As far as its P/E is concerned, Canada Goose has soared to greater

heights, even while staying in a very pricey range relative to the industry average.

On the geopolitical front, Canada and China relations appear unlikely to warm in the near term. Meng's extradition hearing is set for May 8 in Vancouver. The result could paint Canada-China relations for years to come. This has not impacted demand for Canada Goose in China so far, but it is a risk that should not be ignored.

Canada Goose has been an explosive growth option since its initial public offering nearly two years ago today, but the stock has experienced more violent price swings in the past year. It is currently trading at the midway point of its 52-week range.

Investors should wait on the sidelines when it comes to Canada Goose stock today. Concerns over global growth and ongoing trade tensions with China will spark more volatility in the spring compared to a rosy second half of winter. Canada Goose stock is simply facing too many headwinds in its bid to crack triple digits this year.

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