How Canada Goose Holdings Inc (TSX:GOOS) Stock Can Double in Price

Description

Canada Goose Holdings (TSX:GOOS)(NYSE:GOOS) is in a bit of a rut. Over the past six months, shares have fallen by nearly one-third. Still, since its IPO in 2017, the stock has more than tripled.

Why the dip? On occasion, nearly every high-growth stock experiences volatility as the market reassesses its sky-high valuation.

Now trading at 47 times trailing earnings, Canada Goose is still aggressively priced. If you understand the fundamentals, however, you should know there's a clear path to 100% upside.

While the market decides what to do with Canada Goose stock, here's why you should consider scooping up shares at a discount.

Canada Goose is building a machine

It's difficult to build extreme brand loyalty, but it's one of the most valuable things a company can do.

Take **Apple**, for example. According to **Morgan Stanley**, the company has a 90% brand-retention rate. Every time the company releases a new iPhone, nearly all of its customers pony up. Sure, it still needs to create great products, but repeat purchase behaviour is what's allowed it to become one of the largest companies in human history.

Canada Goose is playing on a much smaller stage, but it's already demonstrating many of the characteristics that made Apple what it is today.

According to management, 84% of Canada Goose customers say they will buy another piece of Canada Goose gear for their next premium outerwear purchase. That means for every new customer, the company can expect a lifetime of purchases that total well into the thousands of dollars.

Canada Goose already has industry-leading margins. Adding in an impressive lifetime value of each customer only magnifies their profitability.

As I wrote in March, “Branding can be tricky, but Canada Goose has stuck the landing.”

Buy and never look back

Operating in luxury goods can be extremely volatile, especially when your biggest growth opportunity is China. For example, shares dropped 20% in a single day after the arrest of Huawei Technologies CFO caused diplomatic tensions between Canada and China.

Volatility will be the norm, but I doubt long-term investors will care.

Today, 52 out of every thousand people in Canada own Canada Goose apparel. If other countries in Asia and North America attain this level of penetration, the company’s sales would grow by more than 1,000%.

While that’s unlikely to happen anytime soon, Canada Goose is well on its way.

This year the company should earn around $1.30 per share. Analysts expect the company to grow earnings by 28% annually over the next five years. If that happens, EPS could hit $4.50.

At the current valuation, the stock could surpass $200 per share. Even if the valuation were cut in half, shares would have 80% upside.

The latest dip has provided a reasonable buying opportunity. Any further pressure would make shares a steal.

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