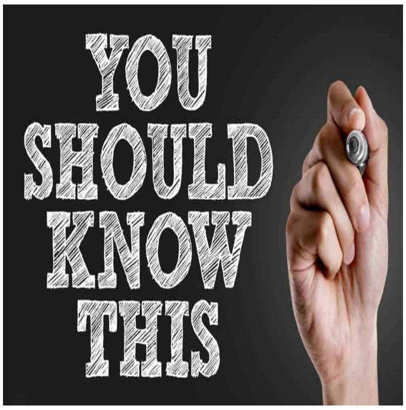

Is Canada Goose's (TSX:GOOS) Stock Dead Money or Is the Goose Ready to Fly?

Description

Until this past week, **Canada Goose** (TSX:GOOS)(NYSE:GOOS) has performed below its historical averages. Since touching a high of $79.00 in mid-February, the stock has been mired in a steady downtrend. Despite being up 18% year to date, the company is still trading 21% below 52-week highs of $89.90 at writing.

The company's stock has been unfairly punished in relation to unfavourable macro events. Specifically, the tension surrounding Canada and China relations. China is a key growth market for the company, and there were fears that the political uncertainty would impact its growth plans.

The good news is that these fears have been largely unfounded. Although the potential still exists should tensions intensify, its plans for expansion into Greater China are still very much intact.

A top-performing stock

Canada Goose is performing just as well as when it was trading at 52-week highs. Since going public, the company has beaten both the top and bottom lines in every quarter; that's eight straight quarters of outperformance.

Analysts appear to chronically underestimate Canada Goose's potential. In its last quarter, the company grew sales by 50% and adjusted earnings before interest, taxes, depreciation and amortization grew by 60% over the third quarter of 2018. It beat quarterly earnings and sales by estimates by 60% and 50%, respectively.

For the full year, the company expects revenue in the mid-to-high thirties and earnings per share to grow in the mid-to-high forties. Canada Goose is the fastest-growing retailers and one of the best growth stocks on the TSX.

Valuation

At first glance, Canada Goose's stock might appear to be expensive. It's trading at 55.46 times earnings, which is well above industry averages. However, the premium is deserved. As mentioned, it has one of the highest growth rates on the TSX. It has a P/E to growth ratio of 1.5, which is right inline with where a growth stock should be.

Make no mistake: this isn't a stock that provides exceptional value. However, there is plenty of upside if the company continues to deliver in the way it has in the past. Given its impeccable record of execution, there is no reason to expect anything different.

Analysts are also bullish. Most experts rate the stock a "buy" and have a one-year average price target of $87.90 per share. This implies 25% upside from today's share price.

Foolish takeaway

Canada Goose is certainly not dead money. In fact, it's one of the best- performing stocks on the TSX. Even in a down year such as in the first few months of 2019, it has still outperformed the TSX Index.

Canada Goose is also bucking the notion that retail is dead. The company has had success in opening high-class flagship stores and just recently announced its plans to open an additional six stores in world-class retail destinations.

Spring is here and it's time to migrate funds toward Canada Goose.

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Date
2025/08/28
Date Created

2019/04/19
Author
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