Why Canada Goose Holdings Inc (TSX:GOOS) Could Hit $100 Very Soon

Description

Canada Goose Holdings (TSX:GOOS)(NYSE:GOOS) has been picking up steam lately and 2019 could be a big year for the company. With more growth on the way and new stores being added, there are plenty of avenues for Canada Goose to continue to pad its top line.

Last year, investors will recall that Canada Goose reached a high of $95.58, and if not for a scandal that had absolutely nothing to do with the company, it may very well have broken through the $100 mark. Now that the paranoia has subsided, the opportunity is there for the stock to continue its rally and get back to those highs. However, so far in 2019 we've seen a bit of resistance from investors to buy the stock at much more than $70.

Another strong earnings report could be enough to send the stock soaring

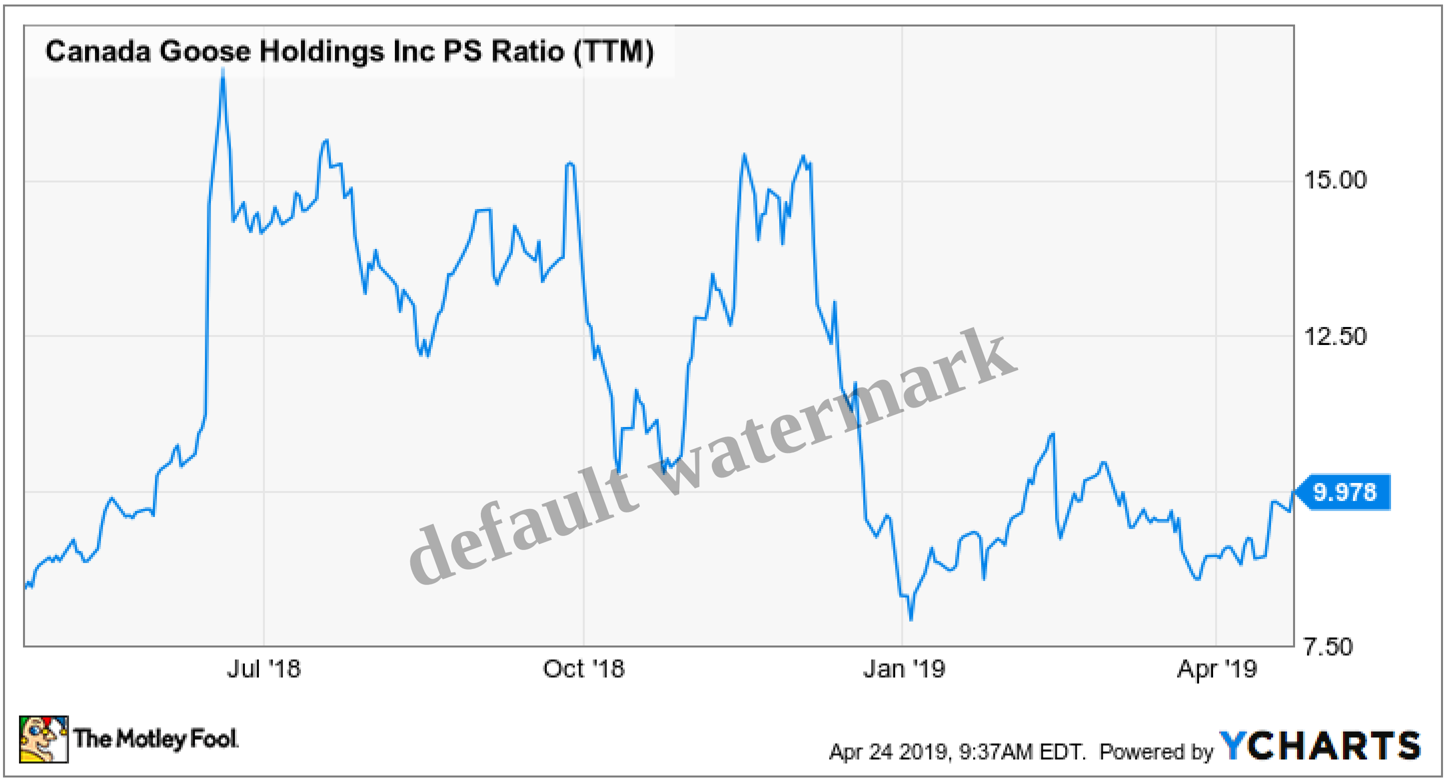
Canada Goose is coming off a solid quarter where its sales were up 50% year over year. However, with too many investors perhaps expecting too much from the stock, it ended up crashing after the release of its results. Just the sheer anticipation of earnings got investors buying up the stock to around $80 per share.

With the company's next earnings release being its year-end, it will be crucial in finishing the fiscal year on a high note. The challenge for Canada Goose, however, is being able to keep up the pace with what was a very strong Q3. Not only were sales up by a lot, but margins were also higher, and that's why I was surprised that the company decided to open more stores given the success of its direct-to-consumer segment.

However, if Canada Goose can pull it off and prove that last quarter wasn't a fluke, that might be enough for the stock to get the hype back and send it on its way to triple digits.

The stock is cheap compared to where it has been trading over the past year

Looking at Canada Goose's price-to-sales ratio history, an easy argument could be made that the stock is actually trading at a bit of a discount relative to where it has been over the past 12 months. Before the drop in the markets late last year, Canada Goose was easily trading at more than 12 times sales, well above where it is today.



That being said, trading at 10 times sales is still a big premium for investors to be paying. If we look at price-to-earnings (P/E), it's the same story, with Canada Goose trading at noticeably lower multiples than it was before.

The big question is whether the stock is really undervalued or whether investors have simply adjusted what they're willing to pay for a growth stock like Canada Goose. Even at a P/E ratio of over 50, investors are still paying a significant premium to own the stock.

Bottom line

Canada Goose has been volatile over the past year, but when investors are excited, the stock has taken off in a hurry. There is clearly an appetite for investors to pay a big premium for the stock, and all they need is a reason. If Canada Goose has a strong quarter, I'd expect the stock to go up right along with the multiples.

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