Canada Goose (TSX:GOOS) Stock, 1 of Canada's Top IPOs, Is Taking Flight

Description

There have been a number of high-profile initial public offerings (IPOs) in recent years. One of the most successful has been that of **Canada Goose** (TSX:GOOS)(NYSE:GOOS). The premium apparel company IPO'ed in early 2017 and was off to a blistering start.

At its peak achieved this past November, the company posted returns of 300% in just under two years. Unfortunately, the company has since struggled, as macro economic events and reduced expectations have driven its stock price downwards.

In late May, the company fell to a low of $45.30, losing more than 50% of its value from its 52-week high. Of concern, management guided to at least 20% revenue growth in 2019, down from the 40% revenue growth experienced in 2018. Did this justify such a massive drop in share price? Absolutely not — it was a big overreaction. Astute investors recognized this as a buying opportunity, as the company's stock was clearly oversold.

How did that work out? So far, so good. Since reaching its low, the company has been on a steady uptrend. As of writing, it has bounced back and jumped 30% from its 52-week lows.

Now that it has had a healthy bounce back, is the company still a buy?

A top growth stock

One of the big reasons for Canada Goose's sudden post-IPO collapse was due to valuation. The company was priced to perfection, and when it disappointed with 2019 guidance, the stock was punished. This is a natural overreaction to high-flying growth stocks. As soon as growth expectations are not met, the stock gets punished.

At a current price-to-earnings (P/E) of 45.99, the company isn't cheap. Yet, it isn't expensive either. It is trading at a reasonable forward P/E of 28 and has a P/E-to-growth (PEG) ratio of 1.5, which is reasonable for a high-growth stock. This is still a company that is expected to growth earnings by 25% on average over the next five years.

On average, high-growth stocks rise in value at a rate slightly above earnings growth. Since the company is trading near fair value, there is no reason not to expect at minimum 20% share price appreciation on an annual basis. This is nothing to scoff at. This is also in line with analysts' one-year estimates for $69.65 per share.

It is also worth noting that it is likely expected growth rates are on the low end. Since going public, Canada Goose has beat on earnings in every quarter and only missed once on revenue. This happened last quarter, when sales came up 2.1% lower than expected. Definitely not enough to warrant a double-digit price drop.

In just over two years, shareholders are sitting on gains of 155% since its IPO. Although the easy money may be in the past, this is still a company that will double in size in only three years. At today's prices, there is nothing but upside awaiting Canada Goose investors.

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mlitalien