TFSA Growth: Let This Goose Lay Golden Eggs in Your TFSA Retirement Fund

Description

It's been a wild ride for **Canada Goose** (TSX:GOOS)(NYSE:GOOS) stock over the last year. The IPO success story took off when it hit the public markets, only to be shot down a year and a half later as U.S.-China trade tensions started to set in while an economic slowdown started working its way into management's guidance.

Add the inverted yield curve and worries of an imminent recession into the equation, and you've got a discretionary stock that's apparently at the end of the road. The business of luxury outerwear is about as cyclical as it gets, and with such extremely cyclical names, you'd better be prepared for massive amounts of volatility in both directions.

As investors continue to worry about that recession, which may not happen anytime soon, high-growth names like Goose have been ditched to the curb in favour of boring value names that'll better hold their own as the economy gradually grinds to a halt.

The Goose fell over 50% from peak to trough, and after a bumpy ride of big ups and downs, shares are now down 37% from all-time highs. While the stock could easily shed another half of its value if a recession becomes a self-fulfilling prophecy, I think a mild recession is already baked into the stock at this juncture, and if the economy roars back on a U.S.-China trade deal, I see Canada Goose correcting abruptly to the upside.

Now, the Goose isn't for the faint of heart, but if you're a growth-savvy investor who's willing to take on a bit of short-term pain, there is an opportunity to score a significant long-term gain with the name.

Here are a few reasons why it makes sense to bet on the Goose today.

First, management is stellar, with family businessman CEO Dani Reiss running the show. The man has proven time and time again that he knows how to drive ROEs through the roof — not just through high margins (that comes with the business of luxury goods), but with minimal expenses on marketing. When you consider international brand awareness has taken off in recent years, it's just remarkable how low the Goose's marketing spend has been relative to its competitors.

Typically, up-and-coming luxury brands need to spend a tonne of cash on marketing initiatives, but Canada Goose has been craft with alternative methods to find a spot with prospective consumers.

Being the unofficial winter coat of Hollywood, with James Bond dawning the Canada Goose parka, certainly helps get the brand noticed at the international stage. The Goose patch has become a status symbol, and since James Bond is a figure that's well known at the international level, the Goose's product placement has turned into a marketing initiative that's essentially given the Goose the best bang for its buck.

Second, growth into China could propel the bottom line for many years, if not decades to come. China's appetite for foreign luxury brands is ridiculously high, and not even a boycott of Canadian goods, I believe, will be enough to halt the Goose's next wave of growth.

At the time of writing, the stock trades at 48.4 times trailing earnings, 7.5 times sales, and 18.9 times book. The price of admission remains high, but when you consider the high double-digit revenue and earnings growth potential there is to be had from Canada Goose's Chinese expedition, the valuation not only makes sense; it makes the Goose look like a bargain.

Third, Canada Goose has perfected the trifecta of growth, as fellow Fool Will Ashworth noted in a prior piece. The company is firing on all cylinders with progress in e-commerce, brick and mortar, and wholesale. Given the company is doing everything right at the company-specific level, it's hard not to want to back up the truck on the luxury parka maker on the dip.

Sure, the outlook cut and recent revenue miss was disappointing, but if you're one that doesn't think we're headed into a recession, Canada Goose is severely undervalued and will be roaring high again. The appetite for discretionary purchases will once again increase, the only question is whether that'll be before or after the next recession.

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Date
2025/08/26
Date Created
2019/09/19
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