# Why Is Canada Goose (TSX:GOOS) Stock Down 12% in October?

## Description

Once a high-flying growth company, **Canada Goose Holdings** (TSX:GOOS)(NYSE:GOOS) had its wings clipped in 2019. For the first time since it went public, Canada's winter luxury brand is looking at a negative yearly return.



After fighting its way back to even on the year as of end of September, October has spooked investors once again. Thus far, the stock is down 12.45% through the first few weeks of the month. With no earnings and no company news to speak of, why has Canada Goose crashed? One word: China.

It has been at the heart of the company's struggles for the most part of the year. Asia is a big untapped market for the company, and it opened its first flagship store in Hong Kong last October. Unfortunately, the timing of its Asian expansion could not have come at a worse time.

It comes smack in the middle of Trump's trade war amid violent protests in Hong Kong — protests which mainland China strongly opposes. As such, there are concerns over weakness in Hong Kong that could damper the company's growth prospects.

Is there reason for concern? While it's certainly not ideal, there's no reason to be overly pessimistic. Notably, the company has but one store in Hong Kong. If sales come in lower than expected, it shouldn't prevent the company from achieving guidance of 20% revenue growth.

Analysts agree. In recent months, Canada Goose has received two upgrades thanks to depressed valuations. Analysts have a one-year average price target of $77.26 per share at writing. This implies almost 50% upside from today's price of $52.20 per share. Even the lowest price on the street ($54.00) is above today's price.

Strong brands continue to defy the notion that retail is dead. A good example of this is **Aritzia** (TSX:ATZ), which recently posted quarterly results that crushed expectations. Similar to Goose, it was trading at depressed valuations. As a result, it jumped by double digits on the day of earnings.

Aritzia has been successful thanks in large part to its status as a must-own brand. The same can be said of Canada Goose. It is the premier name in luxury winter wear. From Daniel Craig to Ryan

Reynolds, Canada Goose also has its share of loyal celebrity followings. It is also among the most reputable brands in the country.

Over the next five years, earnings are expected to grow by an average of 25% annually. There aren't many retail or clothing companies that are expected to grow at such a pace. Furthermore, it is likely that the company will exceed these estimates.

Why?

Since it went public in 2017, the company has beat on earnings every quarter which equates to 10 straight quarters of outperformance.

Thanks to its most recent downtrend, investors now have a chance to pick up the company on the cheap. Trading at 25 times forward earnings, Canada Goose's stock has only been this attractive once before (earlier this year).

If you missed out on the last dip, consider yourselves lucky, as once again, investors are presented with an investment opportunity that can deliver significant alpha.

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