My Favourite Growth Stock for 2020

Description

As the name suggests, growth stocks can add explosive growth to your portfolio. When conditions align, they can double in as little as 12 months. In 2020, I believe there's one Canadian icon prepared to rise nearly 100% in value.

Amazingly, more than 5% of all Canadians already own one of this company's products. That's impressive considering its average price point is nearly $1,000. It frequently tops lists of Canada's most admired companies.

In 2020, management is focused on replicating this success abroad. If successful, 100% upside would only be the beginning of a truly major run.

Know your market

There are few companies that can match the domestic brand loyalty and recognition of **Canada Goose Holdings Inc** (TSX:GOOS)(NYSE:GOOS). This dominance didn't happen overnight, however.

The company was founded in 1957 and originally focused on expedition-grade gear, capable of being deployed in the harshest environments in the world, including Antarctica.

After proving its ability to create the highest quality jackets in the world, the company turned to the everyday consumer. This pivot is what made Canada Goose the company Canadians know and love today. Now, management wants to replicate this success abroad.

Rinse and repeat

The biggest luxury market in the world is China, yet Canada Goose is only getting started in the country. Late last year, it opened its first store to raucous fanfare.

According to the *South China Morning Post*, "Chinese customers flocked to Canada Goose's first

China flagship store opening," in December, forming "long queues form on freezing-cold opening day."

International sales are already growing at more than 50% per year, but currently constitute a minority of the sales mix. If the company can continue to repeat its success in other major luxury markets such as the U.S., South Korea, Japan, and China, the company would more than triple in size.

This is your chance

Since its IPO in 2017, the company has been growing sales and earnings by more than 30% per year. In 2019, however, management revised its long-term guidance lower, noting that growth will likely be between 20% and 30% per year moving forward. That's still a market-beating rate, but lower than expectations, causing the stock to drop by more than one-third.

Today, the stock is priced at less than 30 times forward earnings. Over the next five years, management and analysts believe EPS will grow at a rate of nearly 30%.

If true, EPS could hit $4.70 in 2024. At a discounted 25 times earnings valuation, the stock would be priced at $117 apiece, representing a 134% upside.

Don't expect that upside to be evenly distributed, however. The most important thing for the company to do in 2020 is to reassure investors that it can still execute on its global expansion ambitions.

If it can do that, the majority of the upside potential should be realized in 2020. The stock may not return 100% next year, but it could come close.

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Date
2025/08/25
Date Created
2019/11/29

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