A Ridiculously Cheap Growth Stock to Buy in January With Your $6,000 TFSA Contribution

Description

Canada Goose Holdings (TSX:GOOS)(NYSE:GOOS) stock has been a major dud this year with shares now down 44% from all-time highs thanks in part to a slowing global economy and narrowing demand for the firm's luxury parkas. As you'd imagine, the appetite for $1,100 parkas would be low if consumer sentiment is anything short of sanguine.

There's no question that the recent decline was drastic, and although headwinds may imply the Goose is at the end of the road, I'd say that's the furthest thing from the truth.

Goose down, but not out!

Canada Goose was a high-flyer earlier in the year and the stock's valuation overextended to the upper end, serving to exacerbate the Goose's fall from glory when things went south.

Despite the big negative moves, investors need to realize that the company is still in the very early innings of its growth story and is thus a compelling contrarian bet for those with a long-term investment horizon.

As you may be aware, highly cyclical discretionary businesses tend to have big booms and big busts. Canada Goose isn't immune to such effects despite being a wonderful business that can do no wrong at the company-specific level.

The company still has the brilliant management team led by Dani Reiss and a wealth of growth opportunity in the Chinese market, which is experiencing a rapidly growing middle class, thereby fuelling the demand for upscale foreign brands like Canada Goose.

Moreover, the Goose still impresses on all three of its sales channels: wholesale, e-commerce, and brick-and-mortar, the last of which could drive a new wave of growth once consumer confidence improves in conjunction with the state of the global economy.

How low is too low?

Canada Goose was killing it when its stock was trading near all-time highs, and it's still killing it today when you consider management is still capable of exceeding 20% in annual sales growth over the next three years despite the U.S.-China trade war-induced slowdown in China.

More recently, *The New York Post* reported that Canada Goose slapped discounts averaging 13% on its products for the holiday season.

Although the data presented to support the story has been proven false by Canada Goose, the stock still sold off, as analysts on the Street, including John Morris of DA Davidson, noted that such discounts "undercut" the Goose's brand equity.

The questionable "discount" reported was treated as a significant negative, as investors appear to be looking for reasons to throw in the towel on Canada Goose solely because of its negative momentum.

Investors ought to jump in with a contrarian position here because I see the Goose as a name that's overextended to the downside on news that I believe to be very short term in nature.

At the time of writing, Canada Goose trades at 40 times trailing earnings and just over 6.2 times sales, a low price to pay given the double-digit growth numbers that can be sustained over the next five years and beyond.

The Goose still appears to be a growth story for the ages — and Canadians would be wise to buy on the dip after the recent barrage of negativity.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:GOOS (Canada Goose)
2. TSX:GOOS (Canada Goose)

PARTNER-FEEDS

1. Business Insider
2. Msn
3. Newscred
4. Sharewise
5. Yahoo CA

Category

1. Investing

Date
2025/09/04
Date Created
2019/12/18
Author
joefrenette