This Oversold Canadian Growth Stock Could Double by Summer

Description

If you're a contrarian investor like me, it's well worth your time to look at the **TSX Index**'s 52-week low list.

While I don't advocate buying cigar butts just because they've touched down with a 52-week or multi-year low, as many cheap stocks are cheap for very good reasons, sometimes worthy pieces of merchandise have been unfairly thrown in the bargain bin. In these instances, there's substantial value to be had by those investors hungry for a steal of a deal.

Consider **Canada Goose** (TSX:GOOS)(NYSE:GOOS), a severely out-of-favour Canadian stock that stood out in last week's biggest losers.

Shares of Canada Goose pulled back -7.2% last week and are now down -56% from their late-2018 all-time highs. There's oversold, and then there's *ridiculously* oversold. Canada Goose just found itself in the latter category, so if you're hungry for a bargain, it may be time to act *before* the Goose gets its new set of wings.

At this juncture, Canada Goose is feeling a lot of heat from the economic slowdown at home and abroad. The stock is experiencing tremendous negative momentum, and as one of the fastest-falling knives on the **TSX,** contrarians should exercise caution if they're thinking about backing up the truck instead of planning to buy in chunks over the coming months.

If you consider a long-term investment horizon as 10 years and not just 10 months, however, Canada Goose looks like a jaw-dropping bargain at $40 when you consider the magnitude of potential revenue growth.

With family businessman and CEO Dani Reiss at the helm, Canada Goose has an exceptional steward to steer the Goose into untapped markets capable of fuelling high double-digit earnings growth for many years to come. Then there's the power of the brand.

The Canada Goose brand is profoundly powerful and should not be underestimated. It allows the company to command colossal gross margins with minimal requirements for additional spending on marketing initiatives.

The result? An outstanding return on invested capital (33.4% in 2019) and more cash for the Goose to reinvest in its omni-channel trifecta of growth (wholesale, online, and brick-and-mortar).

While the appetite for Canada Goose products is expected to uptrend as it spreads its wings across China, a booming market that craves foreign luxury brands, one must also remember that luxury retailers are subject to amplified moves in both directions depending on the state of the global economy.

Canada Goose is a consumer discretionary stock that's destined to plummet in times of economic hardship. When it's time for consumers to tighten the belt, $1,200 parkas are among the first things to be eliminated from the personal budget, but when the tides turn, remaining shareholders stand to realize sizeable gains as postponed purchases are made when consumer sentiment inevitably recovers.

With the economic slowdown both in Canada and in China, the Goose has unsurprisingly taken a massive hit. A 56% peak-to-trough plunge is excessive, suggesting that a recession has already happened.

It's a violent crash indeed. And although some still see a recession occurring, the majority of the damage has already been done.

When the tides finally turn, Canada Goose will come roaring back and investors could stand to double up.

In the meantime, Canada Goose stock will continue to be ridiculously volatile, but with shares trading at 14 times next year's expected earnings, the wild ride looks to be well worth the price of admission.

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