Risk and Reward: These 2 Stocks Can Triple

Description

During economic difficulty, consumer spending retracts to necessities. I surely wouldn't be buying a motorcycle or a new coat at this time. But this creates an opportunity to buy low and sell high. I have analyzed two companies I believe are strong and will rebound as soon as the crisis is over. I will point out that these two picks are for investors who have a high tolerance for risk. The two companies are **Bombardier Recreational Products** (TSX:DOO)(NASDAQ:DOOO) and **Canada Goose** (TSX:GOOS)(NYSE:GOOS).

The sky is falling, but for how long?

Canada Goose has been struggling over the past few quarters due to growth prospects falling short of expectations. The main growth prospect Canada Goose was looking to explore was China. As you can imagine, Canada arresting Huawei's CFO and daughter of the CEO has not been received well. Canada Goose has been on the receiving end of boycotts, and this affects sales. I don't think adding COVID-19 to the mix really helped the situation either. As the virus began in Wuhan, China, Canada Goose stores closed immediately, and discretionary spending ceased worldwide. It is no wonder why the stock price dropped 50% from the beginning of the COVID-19 crisis.

It's important to keep perspective

Yes, I know Canada Goose's sales will be strongly impacted until the virus is gone and may take a few quarters to get back to achieving the same revenue growth, but let us not forget what they were achieving financially before the virus. The company has increase revenue and earnings per share drastically year over year. Revenue increased from $404 million in 2017 to $831 million in 2019, representing a 100% increase over two years. Canada Goose has also approximately tripled its earnings per share from $0.43 per share in 2017 to $1.36 per share in 2019.

People like to have fun

BRP was a spinoff in 2003 when Bombardier sold the division to a group of investors. Typically spinoffs are done to allow the main company to shed assets that are not performing as well as others. That is not the case with this company. Since 2015, the company has increased revenues at an average of 10% per year. What is most impressive has been BRP's ability to increase earnings per share from $0.59 per share in 2015 to $2.28 per share in 2019, representing an increase of over three times.

There is a saying among investors: "Past results aren't indicative of future performance." I believe in this circumstance, they can be. The underlying business model has not changed. Management has not abandoned ship and continues to grow the company at an impressive rate. There has been some insider selling approximately nine months previously when the price was in the $60-per-share range, but since the share price drop, no selling has occurred. I would interpret the share price in the past reached an overvalued level but currently could be considered undervalued.

Foolish takeaway

I will repeat that these two investments are risky, as they heavily rely on global economic stability. BRP has sold off approximately 70%, and Canada Goose has dropped approximately 50%. If BRP and Canada Goose's share price returns to its former glory, you might end up with a pleasant surprise in your trading account when the economic turmoil resolves itself. Consider buying today!

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