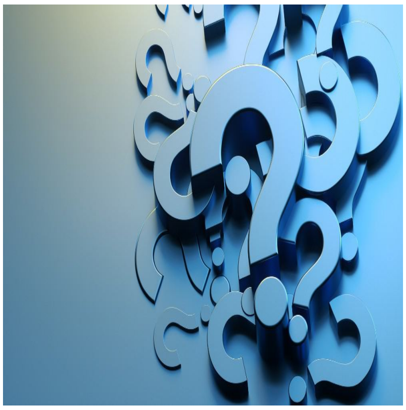

Can Canada Goose (TSX:GOOS) Stock Double Your Money?

Description

Investing in stocks with exposure to retail that are dependent on a strong economy may seem like a crazy idea right now. But in the same vein, there may be no better time to lock in a low price for a stock like **Canada Goose Holdings Inc** (TSX:GOOS)(NYSE:GOOS).

By the end of March, the stock was trading at just $28 per share at writing. A year earlier, investors were willing to pay more than $70 per share to own a piece of the company.

It'll likely be a long road back for Canada Goose to return to that valuation, but it may not be all that unlikely, either.

Company's strong image will help in its recovery

Canada Goose's products aren't cheap, and convincing customers to buy $1,000 parkas is no easy task. But the company's been able to win over customers through its story. It doesn't outsource production and its focus on quality is what separates it from other brands.

The company's also building up even more goodwill during this pandemic, as it announced this month that 900 staff members will be working to make medical gear. Canada Goose will make gowns and scrubs and sell them at cost under a contract with the federal government. It will also donate any profits to help with coronavirus relief efforts.

Many companies around the world are helping any way that they can to fight the pandemic. And Canada Goose's efforts will likely endear the company not just to existing, but also to potential customers as well. And by continuing to operate, the company is demonstrating to investors that it's not in a dire situation.

Once the pandemic is over and customers are in a position to resume their day-to-day lives, a brand like Canada Goose is likely to resonate with buyers once again.

Strong direct-to-consumer segment makes Canada Goose less dependent on retail

In the company's third-quarter results ending December 29, 2019, Canada Goose generated revenue of $452.1 million. Of that total, $301.8 million, or 67%, came from its direct-to-consumer (DTC) segment. A year ago, that segment of its business accounted for 59% of sales.

With a strong DTC business, Canada Goose will likely have a quicker recovery from the pandemic than will traditional retailers. It doesn't have to wait for stores to start re-opening and for social distancing to no longer be a concern; it can ship products straight to its consumers.

The percent of revenue it makes from DTC is likely to rise, and could well be key to the company rebounding from the pandemic.

Why doubling isn't out of the question

In order for shares of Canada Goose stock to double, the stock would need to get to reach the $60 mark again. And it's certainly been much higher than that in the past.

Shares of Canada Goose are currently trading at a modest 20 times their earnings. For a stock that grew at a rate of over 40% in its most recent fiscal year, that's a fairly cheap valuation.

Now, it may take a while for Canada Goose's sales to recover from the pandemic, much less achieve that level of growth again, but it's certainly a possibility.

While it may take a year or two to start seeing some significant progress, for investors who buy shares of Canada Goose today, they could see their investment double.

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