When Will Canada Goose (TSX:GOOS) Stock Hit $50?

Description

Canada Goose (TSX:GOOS)(NYSE:GOOS) used to be a millionaire-maker stock. It went public in 2017 at $23. Less than two years later, shares quadrupled. Based on company projections, the company was primed to quadruple in size *again*.

Then, everything changed. Since hitting an all-time high of $92 in 2018, GOOS stock has gone on a relentless losing streak. Following the COVID-19 correction, shares now sit at just $30. That's two-thirds lower than previous levels.

The coronavirus pandemic will certainly take a toll on Canada Goose. But as we'll see, shares have *over*-corrected. The current valuation makes no sense, even if you think the global economy will take multiple years to recover.

It doesn't take any crazy math to realize this stock could revisit the $50 mark quickly.

Why this stock will rise

Before we get to why GOOS shares will rise again, let's review why they fell in the first place.

Canada Goose is a venerable brand. It was founded in 1957 by an outdoorsman in Toronto. Since then, the company has become known for its high-quality standards. It outfitted the first Canadian to climb Mount Everest. The international scientists in Antarctica asked the company to design its official gear.

This commitment to quality came at a price — for the customer. The cost of a Canada Goose jacket often exceeds $1,000. But consumers seem willing to pay up. Today, more than 5% of Canadians own one of the company's products.

But the biggest growth market isn't Canada, or even the U.S. This stock rises and falls based on its prospects in the largest luxury market in the world: China.

Canada Goose had only just begun to penetrate this market before the COVID-19 pandemic hit. Analysts thought it could easily double or triple the size of the company. There were additional growth opportunities elsewhere in Asia, plus the European continent.

The pandemic delayed these growth plans severely. Shares used to consistently trade above 100 times earnings. They now trade at just 36 times this year's earnings, and just 21 times next year's earnings.

This is a high-growth stock trading at a value price. Only one question remains: When will the pandemic end?

Bet on Canada Goose stock

Even if it takes a few years to achieve a vaccine for COVID-19, GOOS shares are still a buy.

For starters, Canada Goose is weathering the storm quite well. Last quarter, which fully reflected the downturn, the company posted GAAP EPS of $0.02 crushing estimates by $0.10. Sales came in at $141 million, down just 10% year-over-year, also beating estimates by $10 million.

"Management is controlling the controllables and continues to enhance and prioritize the sanctity of the brand despite the difficult retail environment," commented Susquehanna analyst Sam Poser. "The crisis is accelerating the shift away from wholesale to DTC, which is both revenue and margin accretive and gives GOOS more control over the brand."

This really is a waiting game at this point, and Canada Goose is showing an ability to maintain the ship during the storm. When conditions normalize, it will be back to business as usual, with the fundamentals and valuation improving sharply.

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