
How Fast Will Canada Goose (TSX:GOOS) Stock Double in Price?

## Description

**Canada Goose** (TSX:GOOS)(NYSE:GOOS) stock used to double in price every few months. When shares debuted in early 2017, they were priced at $23. By the end of 2018, they surpassed $90.



Back then, the company was hitting on all cylinders. Sales and profits were growing at more than 30% per year. International growth opportunities were expected to *triple* the size of the business.

As with many growth stocks, expectations quickly outpaced reality. The valuation multiple skyrocketed to 150 times earnings. All of the growth potential was fully priced in, which means that even the smallest misstep would send the stock lower.

No company is perfect. When Canada Goose stumbled in early 2019, posting lower-than-expected quarterly results, shares fell to just $45. That's a 50% decline in 12 months.

Then COVID-19 hit. Retail sales around the world plummeted. Due to forced shutdowns and social distancing measures, the retail industry still hasn't recovered. Canada Goose stock now trades at just $30 at writing.

But not all hope is lost. Last quarter, the company *crushed* analyst expectations. Now priced at just 30 times earnings, even the smallest surprise could send shares soaring.

The numbers suggest that this stock could easily double in price. How quickly could that happen?

## Returning to normal

There's no doubt that Canada Goose's long-term future hinges on the world returning to normal. Without consumer confidence — and more important — consumer spending — the company won't be able to sell its $1,000 coats.

When we do return to normal, it's fairly easy to estimate how much this stock should be worth.

Before the pandemic, shares typically traded at 50 times trailing earnings. That's a fair price for a business that anticipated long-term profits growing by 25% every year.

In 2019, EPS stood at $1.43. At 50 times earnings, shares would be worth around $70. That's more than *double* today's price.

Keep in mind that this isn't factoring in any additional growth. It's simply a return to normal. Analysts still think that Canada Goose will post 14.1% annual EPS growth over the next five years. That should lead to even more upside for patient investors.

Now, the only question left is: *When* will things return to normal?

## Buy Canada Goose stock?

While estimates vary, most economic forecasts believe the world will achieve baseline gross domestic product within three years. Let's assume it takes that entire time frame for retailers to reestablish their former EPS levels. That means in 2023, GOOS stock will reach $1.43 in EPS again.

If you're willing to be patient, this means  there is 130% in potential upside over the next three years. That's a compound annual growth rate of 32%!



All Canada Goose needs to do is survive until then. Survival is no guarantee for any retail company today, but the latest quarterly results provide room for confidence.

Last quarter, Canada Goose posted a surprise *profit*. Analysts were expecting a multi-million dollar loss. Keep in mind that this profit was generated during the worst months of the pandemic. While trowth will remain tepid, we can say with clarity that the company will have no issue remaining solvent through 2023.

If you're patient, this is a fantastic stock to own.

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rvanzo