Canada Goose (TSX:GOOS) Stock Is the Only Bargain Growth Stock Left

Description

Canada Goose (TSX:GOOS)(NYSE:GOOS) has had a rough year. The stock is down 10% year to date. However, its growth prospects are as bright as ever. That could make Canada Goose stock one of the few remaining reasonably priced growth opportunities on the stock market.

Here's a closer look at why you should add Canada Goose stock to your watch list for 2020.

DTC wave

Malls and retails stores across the world have been shut for an unbelievably long time. As the pandemic rages on, there's a chance people could move to online shopping permanently. That's not good for retailers with hefty brick-and-mortar footprints.

Unlike its rivals, Canada Goose has focused more on online shopping and less on store fronts. As of last year, the company had only 20 stores across the world. Compare that to the 113 North Face stores in *the United States alone.*

99% of Canada Goose sales are either online, direct to consumer (DTC), or wholesale. That makes it particularly well suited to this lockdown environment. Store rentals won't chew away much of the company's cash flow.

Management incentives

CEO Dani Reiss has a substantial stake in his family-owned business. He's led the firm since 2001 and holds 18% of the company's outstanding shares. His family has managed the brand for over six decades and is closely involved in its branding, recruitment and customer relations.

In other words, Reiss's incentives are closely aligned with shareholders. Also, his track record as CEO is unimpeachable.

Track record

Since the company went public in 2016, sales have compounded at an annual rate of 35%. Meanwhile, earnings per share have compounded at a stunning 52% CAGR over the same period. That track record of sustainable growth speaks for itself.

Canada goose stock valuation

Despite the low exposure to store closures and excellent track record of growth, the stock has been beaten down this year. In fact, Canada Goose stock is worth less than half its value in November 2018. Investors seem to have become pessimistic about the company's outlook.

Canada Goose stock is currently trading for just 24 times forward earnings per share (P/E). It's also trading at just nine times sales. By comparison, **VF Corporation**, which owns the North Face and Vans brands, is trading at a forward P/E ratio of 70.

That creates an opportunity for contrarian investors. Canada Goose stock's high growth potential and low valuation make it an ideal bargain growth stock. Those are rare these days.

Bottom line

Canada Goose seems to have the perfect mix of growth drivers: high margins, a robust brand, and an excellent leadership team. The company's small retail footprint and focus on DTC online shopping has helped it survive the turmoil of the pandemic. With winter on our doorstep, I believe sales of the luxury coats will spike.

Meanwhile, investors have beaten the stock down. It's now trading at a reasonable valuation, which makes it rare in this environment. In short, Canada Goose could be one of the few well-priced growth stocks left on the market. Savvy investors should certainly keep an eye on it.

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