Canada Goose (TSX:GOOS) Stock: China Growth Is Back!

Description

Canada Goose (TSX:GOOS)(NYSE:GOOS) stock is back! After falling 50% at the start of the year, shares have more than *doubled* in value.

The biggest reason is China. For years, the market focused on growth in Canada and the U.S. But if you were paying attention, you knew that the future was international.

You should know this

This summer, I took a deep dive into Canada Goose stock. On the surface, North America seemed like the company's piggy bank. Another review of the numbers, however, revealed another truth.

"When Canada Goose went public, sales were dominated by Canada and the United States. Its true growth, however, was abroad," I explained.

At the time, sales in the U.S. and Canada were growing between 20% and 30% per year. That's where everyone focused considering both regions combined for roughly 70% of total sales.

If you were smart, you would have looked at what Canada Goose deems "rest-of-world" sales. Those were growing at more than 60% per year! The biggest opportunity was in China.

"China is the largest luxury market in the world. Its consumer base is perfect for Canada Goose's $1,000 branded jackets," I stressed. "In recent years, management opened several flagship stores in Chinese cities. Sales started to skyrocket. This domestic growth stock was proving its international potential."

China was the future, but COVID-19 put that potential on hold. When the pandemic first began in Wuhan, Canada Goose sales fell off a cliff. The retail industry as a whole went into lockdown. I warned nervous investors to stay calm.

"The opportunity in China isn't going anywhere — it's just been delayed by a year or two," I concluded.

“International sales currently comprise one-third of sales, but over the coming years, they could more than double the size of the company.”

Canada Goose stock is surging

It seems like the COVID-19 delay was shorter than expected. Shares have skyrocketed in recent weeks due to the sudden return of Chinese demand.

“Canada Goose is getting a boost from China, which has been more successful in containing the virus and turned into one of the few bright spots of the world economy,” reports *Bloomberg*. “Direct sales in China, where the company is already adding four new stores this fiscal year, climbed more than 30%.”

This is the big takeaway: China is back. The previous math, that China alone could more than double the size of the company, also still stands. If you’re a long-term investor, you should feel excited.

If you haven’t bought stock, is it too late? Let’s run the numbers.

In years past, Canada Goose stock traded between 100 and 150 times earnings. Post-pandemic, the valuation fell to just 30 times earnings. After the recent surge, the multiple is back up to 60 times earnings. That’s not super compelling, but it’s still a discount to the historical range.

For long-term holders, growth will be sustained for long enough to consider the bigger picture. Canada Goose is valued at just $4.7 billion, yet its total addressable market is at least four times bigger.

The latest surge proved the company has staying power. The numbers suggest that more profits can be had for patient investors.

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