



## Will Canada Goose Holdings Inc. Be a Long-Term Winner?

### Description

**Canada Goose Holdings Inc.** ([TSX:GOOS](#))([NYSE:GOOS](#)) is an interesting IPO that's been steadily heading lower after its initial surge. The company operates in the niche space of luxury winter clothing, which is quite cyclical and susceptible to the effects of seasonality.

The company has ambitious growth goals. Dani Reiss, the CEO of Canada Goose, believes the stock is worth the premium valuation since the company has been growing at a compound annual growth rate (CAGR) of 38.3% over the last three years.

The company is definitely not cheap, but if it can continue growing at this rate, the stock will soar, and early shareholders will be rewarded.

Mr. Reiss is extremely optimistic, but is it realistic that the company will be able to outperform going forward?

We could be in store for warmer winters over the long term because of the effects of global warming, and this will hurt sales. Sure, global warming is a long process, but it's something to think about before you buy shares with the intention of holding them forever.

I'm not a huge fan of the conspicuous goods business. Sure, the company may be selling its \$900 parkas like hot cakes now, but if there's an economic downturn, the company will get hit hard because luxury winter coats will be the last thing on people's minds.

The stock could take a considerable amount of time to recover from a market crash as well, so I'd recommend caution if you're thinking about investing in an extremely cyclical stock such as Canada Goose for the long run.

Luxury winter clothing is a niche industry and you could make huge profits, but just make sure you eventually take profits off the table. In the event of a recession, you could lose your shirt and not get it back for a very long time.

Canada Goose is a great brand that will continue to strengthen over the next few years. I suspect that

a large amount of cash flow will go back into initiatives to further strengthen the brand, because branding is incredibly important in the luxury retail space.

Canada Goose's brand can be considered a small moat, but I would be cautious because there's a chance that this moat could be eroded by competition if the management team at Canada Goose can't stay on top of things.

The company has received backlash from PETA over the use of real coyote fur in its products. Many PETA members were protesting outside the New York Stock Exchange during Canada Goose's IPO.

PETA revealed it bought shares of Canada Goose with the hopes that it could, as a shareholder, convince the management team to stop using the fur of real animals. I don't think PETA is too big a risk for the company, as most morally conscious people are already avoiding the stock.

Canada Goose is firing on all cylinders, and there's a ton of growth potential to be had, but there are also risks associated with an investment.

If you're a believer in Mr. Reiss, and you think the brand will be around for many decades, then it might be a good time to pick up shares. Volatility will be ahead, so make sure you don't make this stock a core holding.

Personally, I'm staying on the sidelines because the risks are too great for me, and there are too many unknowns right now.

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