



Canada Goose Holdings Inc.: This Growth Story Could Just Be Getting Started

Description

At first glance, shares of **Canada Goose Holdings Inc.** ([TSX:GOOS](#))([NYSE:GOOS](#)) seem incredibly overvalued.

The company earned \$0.33 per share in its last four quarters on revenue of \$395 million. That puts shares at 64 times trailing earnings and 5.9 times sales. In addition, shares trade for more than 35 times book value.

Needless to say, the stock is expensive.

Of course, investors don't care about any of that; Canada Goose is all about potential. The company continues to move into new countries and expand into new segments of the market. Can Canada Goose become a true powerhouse? Or is it destined to be a niche play?

Several analysts have weighed in, and they're in agreement. Canada Goose has a bright future. Here's what they had to say.

Bullish sentiment

Christian Buss of Credit Suisse recently initiated covered on Canada Goose. He was bullish, slapping a \$26 price target on the stock.

He told clients, "Canada Goose has created a unique brand in our coverage universe: a functional brand that appeals to a luxury consumer." In other words, the \$900 winter jackets are well worth their price tag. They'll continue to be snapped up by regular folks who want a high-quality piece of clothing.

Buss gave the stock an outperform rating. He also believes the company will be able to successfully create the brand loyalty needed to expand into other fashion lines. "This should drive high-teens growth into underpenetrated geographies and mitigate the volatility associated with fashion-oriented product," he said.

In addition, Buss is a big fan of Canada Goose's embracing of a digital-first business model; 20% of

jackets are now sold to the consumer from the company directly versus an industry average of 8%.

CIBC analyst Mark Petrie pointed at a different growth avenue. He's excited about the international market.

Canada Goose jackets are everywhere in Canada, but they have yet to really make an appearance outside the country. The brand is beginning to catch on in both the United States and China — two hugely important markets. Europe is also an important long-term growth target.

Petrie believes entry into these other markets will be an important key to Canada Goose's growth potential. The company must also successfully expand its store network and shift to other products. He thinks the company must also increase its brand awareness, especially in the United States.

He's a believer. Petrie has an outperform rating on the stock and a \$27 target price.

Finally, a pair of analysts from **RBC** Capital Markets are also bullish. Brian Tunick and Sabahat Khan wrote, "we see Canada Goose as in the early stages of its growth trajectory, particularly in the fragmented and growing premium outerwear market." In other words, Canada Goose has plenty of growth potential in just the outerwear market. It doesn't even need to move into other products to be successful. Those will just be a bonus.

RBC has a target price of \$25 on the stock.

What could go wrong?

There's one major risk with Canada Goose today. What happens if the company doesn't reach expectations?

Investors willing to pay such a high valuation for a company have high hopes for the future. Canada Goose has delivered; the company has doubled revenues since 2015, and it has just barely scratched the surface.

If the company can't deliver on that great promise, there's little doubt shares will go down. They could even crater. The history books are full of former high-flying growth stories that faltered.

The bottom line

It's easy to agree with the analysts on this one. Canada Goose sure looks to me like it's only at the beginning of a long journey which could easily make investors who get in today rich.

However, a little caution should be warranted. If the company stumbles, shares will likely tumble. Investors should be wary about betting the farm on this sexy growth story.

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