



Canada Goose Holdings Inc.: Can This Goose Fly Higher?

Description

Canada Goose Holdings Inc. ([TSX:GOOS](#))([NYSE:GOOS](#)) is an interesting growth story that may be appealing to IPO investors looking to throw the dice.

Many analysts have released bullish sentiments on the parka maker over the last few weeks with price targets as high as \$27, which represents a 14.4% upside from current levels. Should you buy the stock because analysts are bullish? Or should you wait on the sidelines until the stock pulls back to more reasonable levels?

The stock of Canada Goose is not cheap, and there's no margin of safety involved with buying it right now. Sure, analysts are bullish, and there are many growth prospects that could send the stock flying, but is a luxury parka maker really worth a 70.5 price-to-earnings multiple?

While the brand may be popular in Canada, Mark Petrie, an analyst at **Canadian Imperial Bank of Commerce**, stated that Canada Goose "is experiencing soaring demand across the rest of the world."

Mr. Petrie believes that Canada Goose has many years of growth ahead of it as the company grows its store network, improves its e-commerce platform, and expands its brand across the globe.

Canada Goose definitely has the potential to be the dominant force in the luxury parka space, but the management team needs to invest in bringing more awareness to its brand if the company is going to have success in selling its products around the world. Only 16% of American consumers are aware of the Canada Goose brand compared to 66% of Canadians who are familiar with the brand.

Given that the American economy is likely to strengthen under the Trump administration, I think there's a huge opportunity to increase sales if Canada Goose can increase brand awareness south of the border. Consumer spending is likely to go up, and more people will be willing to fork over \$900 for a winter parka.

Although I'm not a fan of the conspicuous goods business, I think Canada Goose is in the very early stages of what could be an incredible growth story.

Canada Goose has been growing at a compound annual growth rate of 38.3% over the last three years, and there are many reasons to believe this amount of growth will continue over the next few years. The brand is strong, and I believe it will become more of a household name in foreign markets over the next decade.

Like the jackets that Canada Goose sells, the stock also has an expensive price tag. If the markets crash, Canada Goose would get hit incredibly hard since it's in an extremely cyclical industry. How many people will be buying \$900 parkas in the event of a recession?

Although the growth prospects are promising, I'd probably sit on the sidelines because the stock is too expensive, and there's going to be a lot of volatility in the coming months.

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