



## Can Canada Goose Holdings Inc. Continue to Fly Higher?

### Description

Over the past five trading days, shares of **Canada Goose Holdings Inc.** ([TSX:GOOS](#))([NYSE:GOOS](#)) have traded more than 27% higher as the company's earnings report significantly topped analyst estimates, and investors are buying into Canada Goose's long-term growth strategy in droves.

As one of the most recent (and hot) Canadian initial public offerings (IPOs) of late, Canada Goose is an interesting brand with a unique high-end niche, making this play, in some ways, safer than other publicly traded general fashion companies, such as **Aritzia Inc.** ([TSX:ATZ](#)).

My outlook for Canada Goose has remained much more bullish than for Aritzia for [some time](#); however, I remain concerned about the company's current valuation, even when considering its above-average growth prospects compared to other high-end fashion retailers. That said, Canada Goose sure is off to a good start, posting very strong numbers out of the gate this past week.

As a growth story, most investors are focused primarily on the top-line numbers; the bottom line is less of a concern given the massive amount of investment needed to finance this company's growth over the near term. Investors were surprised in a good way in the company's recent earnings release, with revenues increasing 22% to \$51.1 million, beating expectations of \$31.1 million by nearly 40%.

Canada Goose is a company with a great brand and great margins to match. The company has successfully grown margins and profitability by focusing on increasing its overall share of direct-to-consumer (DTC) sales as a percentage of total revenue. Canada Goose management noted that the company was able to grow its e-commerce DTC revenue to \$36.5 million this past quarter, nearly tripling that number from a quarter earlier.

What investors want with a name like Canada Goose is a path to long-term growth and sustained profitability. Fashion retail is a very difficult segment to be an outright success, so investors will need to continue to see strong results in the coming quarters to continue to support the elevated valuation granted by bullish investors.

### Bottom line

I like many fundamental characteristics of Canada Goose, and the company's profitable growth path is one that is typically very hard to replicate. At current elevated levels, investors need to be aware that any sort of slowing with respect to the growth trajectory of the company could lead to significant short-term losses, as the multiple premium ascribed to Canada Goose is quite high. For long-term investors who believe that the ability of Canada Goose to grow earnings substantially over the next two to three years more than justifies the current price, it may make sense to add to a position on any weakness over time.

Stay Foolish, my friends.

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1. Investing

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1. NYSE:GOOS (Canada Goose)
2. TSX:ATZ (Aritzia Inc.)

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## Date

2025/08/03

## Date Created

2017/06/08

## Author

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