



## Buy Canada Goose Holdings Inc. for This Reason Alone

### Description

We're not even halfway through the month of June, and the stock price of **Canada Goose Holdings Inc.** ([TSX:GOOS](#))([NYSE:GOOS](#)) is already up more than 17%.

WOW.

I'd take 17% over the next 24 months, but then, I don't have unrealistic expectations of the markets like most investors do.

Fool.ca contributor Joey Frenette recently [looked](#) at Canada Goose as an investment, and while Frenette likes what he sees from Canada Goose itself, its valuation is just too darn rich to warrant him committing his hard-earned investment dollars.

I'm inclined to agree.

At 7.5 times sales, Canada Goose's valuation is much higher than **Dollarama Inc.** ([TSX:DOL](#)), possibly Canada's best retailer. The discounter's first-quarter results announced June 7 prompted Fool.ca contributor Matt Smith to [suggest](#) it is one of the best Canadian growth stocks to own.

I also agree with Smith's take, which provides a fascinating conundrum. Should investors pass on Canada Goose and buy Dollarama instead? Buy Canada Goose and to heck with the naysayers? Or should they buy both? Long term, any of these choices should have a positive outcome.

Personally, I'd buy both. Here's why.

### Latin America is a key emerging market

I believe Dollarama is going to exercise its option to purchase majority ownership in Dollar City — a discount retailer in Latin America operating stores in Guatemala, El Salvador, and Columbia.

So far, Dollarama generates just 1% of its overall revenue from its relationship with Dollar City, which involves providing its business expertise and buying network to Dollar City. Come 2020, Dollarama will

jump at the chance to be a part of such a huge and growing market.

Back in 2013, Dollarama wasn't nearly as mature here in Canada as it is today. While it's still got plenty of growth domestically, I don't see how it can say no to this opportunity.

## Retail is evolving

You'd have to be living under a rock not to realize that retail is undergoing massive changes. Stores are closing in the U.S. in record numbers, and **Moody's** just brought out a report suggesting as many as 22 large American-based retailers have a high possibility of going bankrupt.

Here in Canada, it's looking like **Sears Canada Inc.** might not last until Christmas, leaving many to question the future of brick-and-mortar retail.

Fair enough.

However, as much as supporters of online stocks such as **Amazon.com, Inc.** point to the shifting retail marketplace, the fact remains that a majority of consumers will still buy most of what they need or want from a physical location.

If that weren't true, why is Amazon opening brick-and-mortar stores?

"90% of retail is still done in physical stores, and that's only changing about 1% a year," Steven Dennis, president and founder of SageBerry Consulting, a retail strategy consulting firm in Dallas and a former retail executive with **Neiman Marcus** and **Sears Holdings**, said in February. "There clearly needs to be fewer physical stores, but five years from now, 85% of sales will still be in stores."

I've seen estimates as high as 35% for online sales, but that still leaves 65% for brick-and-mortar retail.

With all these stores closing, many of them at very high-end malls and shopping strips, Canada Goose is expanding its retail footprint at exactly the right time to pick up the best locations possible for its direct-to-consumer success.

Now, having said that, Canada Goose isn't going to open a massive number of stores — 71% of its revenue is wholesale, and in the past, I've suggested it might drop down to around [50%](#) — but wherever it chooses to go, you know they'll be in great locations.

## Bottom line

The darker retail gets, the more I see Canada Goose being successful. After all, unless everyone decides to go clothing optional, which is pretty tough in Canada, they've got to buy their apparel and outdoor wear somewhere.

The retail industry's current misery is a contrarian reason, in my opinion, to own Canada Goose. Time will tell if I'm right.

## CATEGORY

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