



Is Canada Goose Holdings Inc. Poised for Another Surge?

Description

Shares of **Canada Goose Holdings Inc.** ([TSX:GOOS](#))([NYSE:GOOS](#)) declined for two straight sessions Monday and Tuesday after the company announced that it submitted a proposed secondary offering of 12.5 million subordinate voting shares.

This news may have spooked investors considering the fact that companies that seek out a secondary public offering do so to refinance or raise capital. It also provides the opportunity for some of the largest holders to decrease their positions. However, this is not an uncommon practice soon after an IPO.

The Toronto-based clothing manufacturer went public on March 16, 2017 at \$17 and exploded out of the gate. It gained upwards of 25% in its first day of trading on the Toronto and New York stock exchanges. After a quiet April and May, the stock again erupted after a surprise earnings report detailed a smaller-than-expected quarterly loss of 15 cents adjusted per share. This is in contrast to the 19 cents adjusted loss per share expected by analysts. Shares experienced double-digit gains and reached a high of \$32.80 the following week.

The stock price closed at \$27.76 on Tuesday, down 1.66% for the day and over 15% from the stock's high in early June. Does this recent slump offer investors an opportunity to jump in, or is it a sign of possible long-term weakness for the much-hyped winter clothing manufacturer?

The report earlier this month showed that quarterly revenue increased 22% to \$51.1 million and, again, beat analyst expectations by almost \$20 million. Direct-to-consumer sales rose 174% to \$36.5 million. Revenue increased 39% to \$403.8 million. The company plans to add new products to branch out from its winter line, and it has already showed promise in spring seasonal sales.

Canada Goose plans to open two additional retail stores in Chicago and London this year. It is also expanding to seven new European markets. President and CEO Dan Reiss expressed optimism in the company's growth potential in Asia as well. He reflected on the small sample performance in China: "We are just scratching the surface and we are thrilled to see that many of our products sell out quickly."

Strong projections aside, questions remain as the clothing retail industry faces new challenges. Skeptics are quick to point out the volatile nature of the fashion industry and whether or not the Canada Goose brand has the staying power to meet expectations as it expands into European and Asian markets.

The recent announcement of a proposed secondary offering has sparked successive declines in the share price. This offers investors who are optimistic about the company's long-term prospects an opportunity to take a second look. If Canada Goose can fight off headwinds, growth potential and better-than-expected earnings could see it soar again in the near future.

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