



## First a Goose; Now a Beaver. Can a Moose Be Far Behind?

### Description

Outerwear sensation **Canada Goose Holdings Inc.** ([TSX:GOOS](#))([NYSE:GOOS](#)) went public at \$17 in March to great fanfare. Since then, its stock has had a bit of a rocky road, hitting \$32 in early June before crashing back to earth. It now trades in the low \$20s, virtually the same price after its first day of trading.

Will the real Canada Goose please stand up?

Now, news that Roots Canada Ltd., the most iconic of Canadian brands, whose logo is a beaver, plans to take itself public in the near future has the IPO drums in Canada beating loudly once more.

It seems to me that it can only be a matter of time before a Moose enters the fray. I'm speaking, of course, about Montreal-based Moose Knuckles, a cheeky competitor to Canada Goose that sells its winter jackets in more than 30 countries and generates more than 60% of its business outside North America — ready to crash this IPO party that's beginning to look a lot like the animal kingdom.

### Should investors be excited?

Searchlight Capital, Roots's private-equity majority owners, who acquired control of the 47-year-old retail business in October 2015 from founders Michael Budman and Don Green, are pushing this to market barely two years after taking the reins to capitalize on a suddenly robust IPO market.

Who is Searchlight Capital?

Well, as I said, it's a private equity firm with offices in New York, London, and Toronto. The other Canadian company it owns is M&M Food Market, which it acquired in July 2014.

One of its founding partners, Erol Uzumeri, grew up in Toronto, attended the University of Toronto, and, for seven years, was the head of private equity for the Ontario Teachers Pension Plan before leaving to start Searchlight.

If anyone understands the hold Roots has on the Canadian psyche, it would be a Canadian living in

Toronto where Budman and Green started the business back in 1973.

I'm not sure Roots has the same buzz that Canada Goose does, but it certainly has as much street cred with the millennials as **Freshii Inc.** does, and its shares have failed miserably since going public in January.

So, it's hard to know exactly how Roots will be perceived by investors when and if it ultimately goes public.

### **Roots's finances a mystery**

For 47 years, Roots has been privately owned, leaving investors with little to do but speculate about what the retailer's financials might actually look like.

In a recent article in the *Financial Post*, Roots CEO Jim Gabel said that it is "comfortably" outpacing the overall growth of the Canadian apparel market.

The Centre for the Study of Commercial Activity at Ryerson University reported on 2013 sales per square foot for retailers in Canada and has Roots at \$576. Assume 5% growth for each of the last three years, and we're up to \$667.

The company's store in Yorkdale Mall in Toronto, Canada's most successful mall in terms of sales, is 5,000 square feet. It probably does far more than \$667 per square foot. If the average store is 4,000 square feet (I'm strictly guessing) and it has 119 stores in Canada, that's \$304 million in Canada alone without factoring in its 138 stores in Asia, which are thought to be very successful although much smaller in size.

However, we'll have to wait for the preliminary prospectus to get the actual numbers.

### **Bottom line**

Roots is said to be looking for up to \$200 million in an IPO. If it sells 20% of the company to investors, that's a \$1 billion valuation. Canada Goose had approximately \$470 million in revenue when it went public at a valuation of \$1.8 billion, or 3.8 times sales.

Roots could be valued at \$1 billion, \$1.5 billion, or as low as \$500 million. It really depends on the company's level of sales and profitability.

As someone who abhors the Canadian market for its lack of diversity, another IPO from a consumer-oriented brand is encouraging. I just wish it was Budman and Green leading Roots onto the public markets and not another private equity firm solely intent on maximizing shareholder returns.

### **CATEGORY**

1. Investing

### **TICKERS GLOBAL**

1. NYSE:GOOS (Canada Goose)
2. TSX:GOOS (Canada Goose)

## **PARTNER-FEEDS**

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

### **Category**

1. Investing

### **Date**

2025/07/30

### **Date Created**

2017/08/31

### **Author**

washworth

default watermark

default watermark