



2 Reasons Canada Goose Holdings Inc. Will Head North in Winter

Description

Shares of **Canada Goose Holdings Inc** ([TSX:GOOS](#))([NYSE:GOOS](#)) closed at \$25.65 on September 29 — up 1.75%. The stock has increased 19.1% since its initial public offering in March of this year. After an earnings beat in June saw the stock surge to an all-time high of \$32.80, Canada Goose declined in the late summer.

September was a different story, as the stock climbed 13.85% over the course of the month. Let's look at three reasons investors should have confidence that Canada Goose will continue to rise in the fall and winter months.

Canada Goose is ahead of the game in e-commerce expansion

E-commerce involves the buying and selling of goods over an electronic network. The National Retail Federation estimated that in the United States, e-commerce would experience 8-12% growth in 2017.

Canada Goose is a decades-old company, but it has recently come into its own as a household name. The fact that it does not have the brick-and-mortar footprint of other retailers has presented it with an opportunity in this evolving environment. The company wants to maintain its flagship retail stores while focusing on big growth in e-commerce.

Canada Goose still intends to roll out new stores in the U.S. and Europe this year as well as Asia in the future. However, the company will maintain the advantage of vying for growth in a fast-changing retail industry, allowing it to adapt and focus on growth in this crucial sector.

The success in e-commerce was evident in the company's recent fiscal 2018 first-quarter results, released on August 10. Direct-to-consumer revenue increased to \$8.3 million from \$1.3 million in fiscal Q1 2017. In its financial report, Canada Goose pointed out that a direct-to-consumer sold jackets earns two to four times more operating income than one sold through a wholesaler.

Two consecutive earnings beats since its IPO

The first earnings report that Canada Goose released on June 2 saw investor sentiment spike as it

posted a lower-than-expected quarterly loss. After impressive gains and subsequent declines, the company released its second-quarter results in August.

In the second quarter, Canada Goose again posted improvements in operating loss, and the gross margin experienced expansion of 17.2% from the previous fiscal year. Revenue jumped to \$28.2 million from \$12.5 million in fiscal Q1 2017, and gross profit climbed to \$13.2 million from \$4.7 million. The most impressive jump in gross profit was seen in direct-to-consumer sales, up 75.3% to \$6.3 million.

Canada Goose stock was punished after its fiscal 2018 first-quarter earnings beat due to a slump in the broader market. As mentioned, September has been an impressive month for the stock, reflecting the strength in these recent results.

Upon its IPO in March, the much-hyped clothing manufacturer has been the target of skepticism. This is not unfounded in a difficult environment for retail, in particular for a company that sells parkas that sell for over \$1,000. Regardless, I think the Canada Goose brand will prove to be robust, and its e-commerce growth is very promising. I like the stock in the final months of 2017 and beyond.

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