



Why Canada Goose Holdings Inc. Is Soaring Over 10%

Description

Canada Goose Holdings Inc. ([TSX:GOOS](#))([NYSE:GOOS](#)), one of the world's leading makers of performance luxury apparel, released its fiscal 2018 second-quarter earnings results this morning, and its stock has responded by soaring over 10% in early trading. Let's break down the quarterly results to determine if the stock could continue higher from here and if we should be long-term buyers today.

The results that ignited the rally

Here's a quick breakdown of 12 of the most notable financial statistics from Canada Goose's three-month period ended September 30, 2017, compared with the same period in 2016:

Metric	Q2 2018	Q2 2017	Change
Wholesale revenue	\$152.07 million	\$122.44 million	24.2%
Direct-to-Consumer (DTC) revenue	\$20.26 million	\$5.50 million	268.4%
Total revenue	\$172.33 million	\$127.94 million	34.7%
Gross profit	\$87.09 million	\$59.33 million	46.8%
Gross margin	50.5%	46.4%	410 basis points
Operating income	\$48.23 million	\$27.67 million	74.3%
Operating margin	28.0%	21.6%	640 basis points
Adjusted EBITDA	\$46.40 million	\$33.79 million	37.3%
Adjusted EBITDA margin	26.9%	26.4%	50 basis points
Income before income taxes	\$44.64 million	\$25.23 million	76.9%
Adjusted net income	\$32.88 million	\$23.74 million	38.5%
Adjusted net income per diluted share (EPS)	\$0.29	\$0.23	26.1%

Updated outlook on 2018

As a result of the company's "stronger than expected" growth, it raised its full-year outlook on fiscal 2018. Here's a breakdown of its new outlook compared with its previous one:

Metric	New Outlook	Previous Outlook
Annual revenue growth	At least 25%	Mid to high teens
Adjusted EBITDA margin expansion	At least 50 basis points	Flat to modestly expanding
Annual growth in adjusted EPS	At least 35%	Approximately 20%

What should you do with Canada Goose now?

It was a phenomenal quarter overall for Canada Goose, and it posted very strong results for the first half of the fiscal year, with its revenue up 39.6% to \$200.54 million, its gross profit up 56.8% to \$100.34 million, and its adjusted EPS up 28.6% to \$0.18 compared with the first half of fiscal 2017. The company's second-quarter adjusted EPS also crushed the consensus estimate of analysts, which called for \$0.21, so I think the market has responded correctly by sending its stock soaring. Furthermore, I think the stock could continue higher from here, because I think investors will continue to pile in to gain exposure to one of North America's fastest-growing brands.

Canada Goose's stock has rallied more than 30% since I [first recommended it](#) in August following its first-quarter earnings release and more than 16% [since October 4](#), and I think it still represents a great long-term investment opportunity, so take a closer look and consider beginning to scale in to a position today.

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Date

2025/07/29

Date Created

2017/11/09

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