Canada Goose Holdings Inc. Is Soaring Above its Retail Competitors

Description

In mid-August, I'd evaluated the success of the initial public offering (IPO) for **Canada Goose Holdings Inc.** (TSX:GOOS)(NYSE:GOOS). I'd discussed the quick rise and sell-off that occurred in June and July. On August 21, Canada Goose stock dipped below the $22 mark. Over a three-month span, shares of Canada Goose have climbed 58.2% as of close on November 23. What has driven Canada Goose to all-time highs in November?

E-commerce growth

Canada Goose released its fiscal 2018 second-quarter results on November 9. Revenue experienced growth of 34.7% to $172.3 million, and adjusted EBITDA jumped 37.3% to $46.4 million. The company posted wholesale revenue of $152.1 million in comparison to $122.4 million in the second quarter of fiscal 2017.

The most impressive performance was the growth in direct-to-consumer revenue, which climbed to $20.3 million compared to $5.5 million in the previous fiscal year. Canada Goose leadership has made a concerted effort to grow its e-commerce platform. CEO Dani Reiss has acknowledged that "the wholesale landscape today is languishing" and has even predicted that the direct-to-consumer category will one day overtake wholesale revenue at Canada Goose.

Reiss is also evidently aware of the decline of traditional brick-and-mortar retail. He has said that Canada Goose has been very deliberate in making decisions regarding real estate. The company will have six flagship stores by the end of this year in Toronto, New York, London, Chicago, Boston, and Calgary. It has set a goal of 15-20 by 2020, which is minuscule when compared to the physical footprint of some of its competitors.

Perhaps the most crucial advantage is the profitability gained from direct-to-consumer sales. A direct-to-consumer Canada Goose jacket sees "two to four times" more operating income than a jacket sold through a wholesaler.

Is there a Canadian clothing retailer stock that comes close?

In a year that has seen the collapse of retailers like Sears Canada Inc. and Toys “R” Us, and others, such as **Hudson’s Bay Co.**, in the midst of an identity crisis, Canada Goose has thrived.

The **Roots Corp.** (TSX:ROOT) initial public offering (IPO) was a big disappointment, plunging 20% on the same day of its debut. Roots is set to release its third-quarter results on December 6, and it will be under immense pressure to show potential after its IPO flop. The company is worth monitoring, but it has a steep hill to climb to improve investor sentiment.

Aritzia Inc. (TSX:ATZ), a Vancouver-based women’s fashion brand, released its fiscal 2018 second-quarter results on October 5. Net revenue increased 10.2% to $174 million, and net income climbed to $5 million compared to a loss of $67.3 million in the previous fiscal year. Aritzia stock has plunged 33.2% in 2017 and 36% year over year.

However, like Canada Goose, the company is making a huge effort to grow its e-commerce platform. After a brutal 2017, Aritzia comes at a bargain and is worth a look heading into 2018.

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Date
2025/08/25
Date Created
2017/11/29
Author
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