

Canada Goose Holdings Inc. Could Be Acquired

Description

Fool.ca contributors Karen Thomas and Joey Frenette recently faced off over which iconic apparel brand was the better buy — **Canada Goose Holdings Inc.** ([TSX:GOOS](#))([NYSE:GOOS](#)) or **Roots Corp.** ([TSX:ROOT](#)) — the former going with [Roots](#) and the latter with [Canada Goose](#).

That's a tough one.

Canada Goose is generating profits from both its wholesale and direct-to-consumer businesses and looks ready to build a very attractive global retail brand, while Roots appears to have hit its stride at the just the right time, delivering excellent earnings December 5 — its first report as a public a company.

Perhaps you should buy both, but that's a subject for another time.

Coincidental hiring

Today, I want to talk about the November 21st hiring announcement of Rick Wood, the company's new chief commercial officer, who will oversee a significant portion of the company's operations (think COO without the manufacturing responsibilities).

"Rick is an industry veteran and inspirational leader and I am thrilled to welcome him to the Canada Goose team," said Dani Reiss, president & CEO of Canada Goose. "Rick's extensive retail experience, both in Canada and internationally, will be instrumental in guiding our commercial operations to strategically capitalize on the many opportunities we see ahead."

Wood's got more than 20 years of experience working with global consumer apparel brands and will no doubt be instrumental in taking the company from \$400 million annually to more than a billion.

Looking down the list of positions he's held in his career, I see that almost all of his experience is with **VF Corp.** ([NYSE:VFC](#)), the consumer apparel conglomerate based in North Carolina that owns several outdoor apparel brands competing with Canada Goose, including The North Face and Timberland.

Wood's last job at VF was as president of the company's Outdoor and Action Sports division for Europe, the Middle East, and Africa.

Who better to broker a deal between VF CEO Steve Rendle and Canada Goose CEO Dani Reiss?

There are a couple of problems with my theory

While VF believes in growing its business both organically from within and through acquisitions — Timberland was acquired in 2011 for US\$2.3 billion, the most significant deal in the company's 118-year history — this particular marriage, while a good fit, in my opinion, isn't likely to happen for two key reasons.

The first, and likely the bigger of the two sticking points, is that many of Canada Goose's winter jackets use coyote fur — a practice that animal rights activists around the world have loudly condemned.

Despite my admiration of the job Reiss has done growing the brand, I can't in good conscience own its stock; I feel bad enough owning a fur-free Canada Goose jacket.

On November 28, VF did the right thing by joining the International Fur Free Retailer Program that prohibits the use of fur in any of its products.

"With VF leading the charge in innovation and compassion, a fur free future is starting to take shape," stated PJ Smith, senior manager of Fashion Policy for The Humane Society of the United States. "Consumers' attitudes towards animal protection are getting stronger, and companies that create policies that reflect those values are well-positioned for the future."

The argument Canada Goose always trots out when discussing this subject is that it treats the coyote's humanely and with compassion, and that synthetic materials aren't nearly as effective in keeping you warm.

My response: The **Tesla** electric vehicle might not be currently able to go 500 miles on a single charge, but that doesn't mean Elon Musk or some other bright person won't come up with a solution.

Canada Goose should drop the coyote fur and partner with VF before it's too late. Eventually, public pressure will force it to go synthetic.

This leads me to my second stumbling block.

As of July, Dani Reiss holds 31% of Canada Goose's voting shares with Bain Capital owning 64% and a majority.

I doubt Bain would have a problem with a sweet offer from VF, but Reiss probably doesn't want his legacy to be all about making a lot of money and selling out — although he already did that getting into bed with Mitt Romney's old private equity firm, so he'd be tougher to convince.

Other than these two issues, I think two would make a great team.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:GOOS (Canada Goose)
2. TSX:GOOS (Canada Goose)
3. TSX:ROOT (Roots Corporation)

PARTNER-FEEDS

1. Msn
2. Newscred

3. Sharewise
4. Yahoo CA

Category

1. Investing

Date

2025/07/01

Date Created

2017/12/07

Author

washworth

default watermark

default watermark