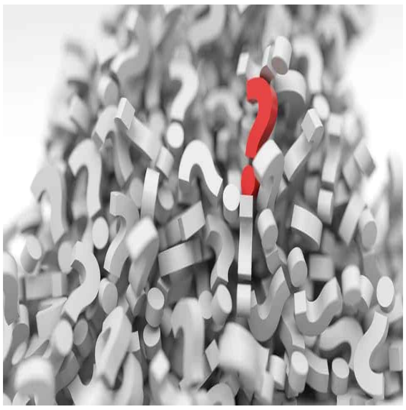

# Is it Time to Warm Up Your Portfolio With Canada Goose Holdings Inc.?

## Description

**Canada Goose Holdings Inc.** (TSX:GOOS)(NYSE:GOOS) is arguably one of the best retailers on the market today. In a time when retailers are scrambling to adapt to the shift towards e-commerce, Canada Goose has been flying above and beyond many of its peers, clocking in sales growth of ~35% in its latest earnings report. Although the stock has surged ~42% over the last three months, I still think the stock has plenty of room to run over the long term, as management continues to unlock the power behind its brand.



**The importance of exclusive brands in the retail business**

In many previous pieces, I've noted that strong exclusive brands separate the thriving retailers from the ones that were most at risk of losing market share from digital disruptors.

Warren Buffett once said, "Only when the tide goes out do you discover who's been swimming naked."

In the case of the retail industry, the tide has been out for quite some time now, and many retailers got exposed, but the ones with exclusive brands were the ones fully clothed and will continue to thrive whether or not the tide goes up again.

Canada Goose is a strong brand that has thrived in the niche market of luxury outerwear. The best part is, the company still has ample room to run when it comes to brand awareness. Although the brand is already strong with many Hollywood celebrities donning the jackets, it's still not yet a household name in various foreign markets.

As more consumers become aware of the brand, not only will more folks will be willing to fork out hundreds (or thousands) of dollars for outerwear, but Canada Goose will be able to reach the most conspicuous of consumers that are willing to purchase some of Canada Goose's priciest merchandise ($1,700 parkas), driving margins even higher than they are now.

Gross margins have been steadily moving up, a trend that I believe will continue in the years ahead, as management continues to unlock the power behind its brand, which will fuel top- and bottom-line beats for many quarters to come.

**So, is the stock a buy today?**

Like the merchandise that Canada Goose sells, the stock is ridiculously expensive at 112.88 times trailing earnings. That's much too high a price to pay for a retailer, isn't it?

When you look at Canada Goose as just another retailer, the valuation seems absurd; however, when you look at the company's ambitious growth profile, and management's relentless focus on promoting brand awareness, I think Canada Goose's premium multiple, like the parkas it sells, could be worth it depending on the individual.

If you're a growth investor with a high risk tolerance and a long-term investment horizon, then Canada Goose could be for you. The stock is riding a tonne of momentum, and it very well could continue into 2018, but it's worth remembering that the business is susceptible to the effects of seasonality. Once summer hits, another pullback could be in store, like the one witnessed last summer.

Although management isn't interested in selling summer items, like swimwear, the company is slated to offer merchandise for the fall and spring seasons, which should dampen the seasonal effects.

If you're itching to own shares today, it may make sense to buy a small chunk now to warm up your portfolio, but just make sure you've got cash on the sidelines should shares take another dip.

Stay hungry. Stay Foolish.



**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**
2025/08/26
**Date Created**

2017/12/18
**Author**
joefrenette