

Review of My Top Stock for December: Canada Goose Holdings Inc.

Description

My [top stock for December](#) was **Canada Goose Holdings Inc.** ([TSX:GOOS](#))([NYSE:GOOS](#)). The stock has climbed 8% since December 1 as of close on December 22. I'd also [focused](#) on Canada Goose as one of the top stocks investors should be targeting heading in to the holiday shopping season.

Canada Goose released its fiscal 2018 second-quarter results on November 9. Revenue jumped 34.7% year over year to \$172.3 million and adjusted EBITDA rose 37.3% to \$46.4 million in the quarter. The company saw solid growth in its wholesale revenue. Its wholesale revenue was \$152.1 million in comparison to \$122.4 million in the prior year. Canada Goose made inroads in manufacturing and sales planning, and pull-forward revenue in the wholesale channel was reported at ~\$18 million.

The most encouraging area of growth was in its e-commerce sales. Canada Goose posted direct-to-consumer revenue of \$20.3 million in comparison to \$5.5 million in the fiscal 2017 second quarter. Direct-to-consumer gross profit climbed to \$14.9 million, representing a gross margin of 73.7% compared to a gross margin of 47.4% in wholesale gross margin.

Black Friday and Cyber Monday sales saw some extremely impressive numbers for e-commerce channels. U.S. Cyber Monday sales were up 17% year over year. It also saw the largest purchases through mobile devices in history.

A greater proportion of holiday shopping for those in the U.S. and Canada is also happening online in 2017. A survey by Deloitte earlier this year revealed that U.S. consumers were planning to spend 51% of their gift budgets online. A poll by Ebates.com found that Canadian shoppers plan to spend approximately 38% of their gift budgets through digital platforms.

Canada Goose has been in a remarkably advantageous position with regards to the growth in e-commerce. While other retailers have suffered to adjust to scaling back a physical presence and expanding online, Canada Goose only possesses a few flagship stores. Company leadership has expressed its intention to eventually have 50% of its sales come from its e-commerce business.

The company still plans to open several new flagship stores across North America as well as in Asia and Europe. However, according to Canada Goose, a jacket sold on its e-commerce platform provides two to four times more operating income than one sold through a wholesaler.

Canada Goose has been one of the most successful IPOs on the TSX. The stock has climbed over 120% from its IPO price of \$17. In a recent interview, CEO Dani Reiss discussed what the future looked like at his company. He said that Canada Goose does not plan to get into footwear as of yet, but that it is exploring a multitude of product categories to expand further. It recently launched a series of heavyweight and mid-weight knitwear.

Leadership is also focused on penetrating European and Asian markets, which could provide explosive growth in the years to come.

Canada Goose is poised to finish 2017 with a triple-digit return after its IPO in March. Increased exposure and a boom in e-commerce this holiday season should bode well for upcoming fiscal 2018 third-quarter results.

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