



Canada Goose Holdings Inc.: An Incredible Growth Stock That Deserves a Gold Medal

Description

Canada Goose Holdings Inc. ([TSX:GOOS](#))([NYSE:GOOS](#)) is one of the few recent Canadian IPOs that has been making so much noise that even our U.S. neighbours have begun to take notice. There's no question that Canada Goose was exactly the kind of red-hot growth IPO that the TSX was in dire need of, but the stock is really expensive right now at 77.65 times trailing earnings. Given Canada Goose's incredible growth prospects, should investors consider warming up their portfolios with the stock? Or would they be better off buying one of Canada Goose's \$1,000 parkas instead?

Canada Goose has come a long way since the early years, when it produced heavy-duty parkas for those operating in Canada's unforgiving winter climate. The parkas were custom-made for Canadian Rangers, police officers, and municipal workers. At this time, the company stayed within its niche for many years, until Dani Reiss took the helm, sparking explosive growth into new markets with a new target consumer in mind.

Reiss kept manufacturing in Canada, despite high labour costs, and after years of other smart moves, brand awareness really started to take off. Sure, Canada Goose jackets are ridiculously warm versus their bulkier counterparts thanks to their down feather fillings, but the main reason the jackets have become so popular is that the logo associated with the brand has become a must-have staple with conspicuous consumers. Dani Reiss really deserves a gold medal, as he's responsible for widening Canada Goose's target audience — from arctic workers and mountain climbers to the general public.

The most remarkable part of Canada Goose's journey has been the fact that brand awareness continues to surge, even though the company has only spent a minuscule amount on marketing campaigns. Everybody knows about Canada Goose these days, and it's not just Canadians. Take a walk outside on a cold day in New York City, and you'll be able to go goose spotting — it'll be impossible to avoid the parkas sporting Canada Goose's iconic arctic program logo.

Instead of blowing its cash on marketing, Canada Goose made a much smarter move. It doubled down on its e-commerce platform, which has allowed the company to become one of the most successful direct-to-consumer firms out there today. The company won't need to rely on third-party firms for sales,

which means Canada Goose will be resilient, regardless of how the war between digital and physical retailers ends up panning out.

In addition, the direct-to-consumer strategy allows Canada Goose to enjoy a margin boost by cutting out the middleman. Add the fact that Canada Goose commands considerably higher margins than that of its peers in the luxury outerwear space, and you have an extremely high-margin business that will line the pockets of its shareholders through the years.

As of the last fiscal year, approximately ~29% of revenues came from the direct-to-consumer channel. Over the next few years, direct-to-consumer sales will likely accelerate, until it eventually becomes Canada Goose's primary sales channel. The potential for margin expansion is huge, and when combined with the company's expansion plans, there's no doubt that the company stands to become an earnings-growth king that can deliver next-level returns.

Bottom line

Shares of Canada Goose are absurdly expensive, but I think it's worth it, since you're paying up for incredible managers who know how to grow at an absurd rate. It's clear that Dani Reiss is a man that knows how to adapt to meet the needs of consumers, and that's why I think Canada Goose is more than just a fashion fad. It's a brand with staying power whose extremely high margins will allow the business to become profoundly profitable.

I'd [get some skin in the game](#) today if you're itching to own shares; however, I'd prefer waiting for a better entry point, which may present itself over the next few months. Right now, [the stock is priced for perfection](#), so investors shouldn't feel rushed. Patience will be rewarded. Wait for this goose to make a landing, then pounce on the opportunity.

Forget about buying a \$1,000 Canada Goose parka; save the cash and buy the stock on its next major dip. You'll thank yourself in a decade from now.

Stay hungry. Stay Foolish.

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Date

2025/08/25

Date Created

2018/02/23

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