



Why it's Time to Let Canada Goose Holdings Inc. Loose!

Description

Canada Goose Holdings Inc. ([TSX:GOOS](#))([NYSE:GOOS](#)) has been a huge winner for investors, more than [doubling](#) since its IPO last year. Management has done an [impeccable job](#) of promoting the brand and leveraging the direct-to-consumer (DTC) sales channel.

Canada Goose isn't just a household name in the Great White North anymore!

In fact, you could go goose spotting in nearly any city during the chilly winter or fall. As the brand continues to improve, margins can only expect to surge, as the products become reachable to international consumers of conspicuous goods.

Canada Goose is a wonderful business, no doubt. But after flying so high, the valuation, at current levels, is questionable at best. You're paying for a quality company that has a means to grow its earnings at an above-average rate over the foreseeable future, but you need to take a step back and consider the value you'll receive for the price you'll end up paying; otherwise, you could still stand to suffer losses.

In spite of all the positive earnings-growth catalysts, the stock trades at over 35 times book and over 10 times sales! That's an expensive stock! With that kind of valuation, you'd expect the company to be in the business of e-commerce or blockchain or whatever's deemed sought after at a certain point in time. Canada Goose is a low-tech earnings-growth king; however, with these absurd multiples, I think it's not unreasonable to take some profits off the table and allocate the proceeds to another quality stock with a more reasonable valuation.

Canada Goose is a great brand, no doubt, but it's important not to get too attached to your shares, especially after a huge run. You could always repurchase shares in the future when they're more attractively valued, after all, so there's really no reason to feel guilty when dumping one of your biggest winners to take a profit.

Although Canada Goose has done a wonderful job of offsetting a portion of the effects of seasonality by introducing a new line of spring wear, I believe now is an opportune time to sell before we enter the seasonally weak summer months. As fashionable as Canada Goose parkas are, you'd be pressed to

see anyone sporting their jacket in the summertime, unless they're desperately trying to shed water weight!

Furthermore, the general public is already overly optimistic with regards to expectations going forward so a quarterly downside surprise could result in a severe correction. If such a correction ends up panning out, only then would I recommend getting back on the goose.

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Date

2025/09/10

Date Created

2018/05/10

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