



Why Helly Hansen Is No Threat to Canada Goose Holdings Inc.

Description

There has been an interesting debate among Fool authors Joey Frenette and Will Ashworth. [Joey believes](#) that **Canadian Tire Corporation Limited's** ([TSX:CTC.A](#)) recent Helly Hansen acquisition has the potential to disrupt **Canada Goose Holdings Inc.** ([TSX:GOOS](#))([NYSE:GOOS](#)). He even goes so far as to suggest investors sell Canada Goose in favour of Canadian Tire. [Will disagrees](#) with this thesis, and so do I.

First, let me be clear.

I am not discounting the benefits of the Helly Hansen acquisition. Despite the high price tag, it was a smart acquisition for the company. However, the notion that investors should sell Canada Goose to buy Canadian Tire is flawed. Here's why.

Down-based winter wear

Here is one of the arguments put forward by Joey: "Any competitor may use down as an insulator for their jackets. Over the next few years, I believe more outerwear firms will go after Canada Goose's market share in the niche market of luxury outerwear based on down fillers."

This is partly true. There is already a plethora of companies that are competing in this space. ArcTeryx, Columbia, Marmott, Mountain Equipment Co-op, Mountain Hardware, North Face, Pantagonia, Rab and REI to name a few. There are dozens more. The down-based market is incredibly competitive, and most of the aforementioned were in the space before Canada Goose's arrival.

As a newcomer to the space, its all of the above (including Helly Hansen) that should worry about Canada Goose's market penetration — not the other way around.

Brand and target markets

Joey also put forward his belief that “the main reason for the recent hype is because of down-based jackets themselves and not the shoulder crest of the company’s iconic ‘arctic program’ logo.” I disagree. Canada Goose has become a premium status symbol with a significant moat.

When it comes to outdoor apparel and equipment, the products tend to have long lives, and customers are very loyal. In fact, in a 2016 survey, 84% of customers indicated that they would purchase another Canada Goose jacket.

I’ve touched on it before, but customers have dozens of options when it comes to down-filled weather wear. Canada Goose’s brand and high-quality product is what sets it apart. To dismiss this is foolish (no pun intended).

Speaking of which, Canada Goose does not compete with Helly Hansen customers. Canada Goose is a top-of-class provider of luxury outerwear. It targets affluent customers with a taste for higher-priced items and broad appeal. Those looking at an alternative to Canada Goose’s luxury jackets are far more likely to turn to Patagonia, ArcTeryx, or Mountain Hardware.

Helly Hansen is middle-of-pack at best.

Different reasons for ownership

Canadian Tire and Canada Goose belong in your portfolio, but for different reasons. Canadian Tire is a mature company, with a growing dividend that should be attractive for income investors. It’s also a value play given the company’s recent correction.

Canada Goose is a growth company that is rapidly expanding. The only reason you would sell Canada Goose to buy Canadian Tire is if your investment philosophy has changed.

Canadian Tire’s Helly Hansen acquisition is no threat to Canada Goose.

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Date

2025/09/10

Date Created

2018/05/28

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