



## Canada Goose Holdings Inc. (TSX:GOOS) Is Flying to the Moon! Buy Now or Bail Out?

### Description

What a blowout quarter! **Canada Goose Holdings Inc.** ([TSX:GOOS](#))([NYSE:GOOS](#)) shocked analysts when it clocked in its Q4 fiscal 2018 results on Wednesday, which sent shares skyrocketing 30% in a single trading session.

Canada Goose clocked in total revenues of \$124.8 million, thereby crushing analyst expectations of \$76.7 million. Adjusted EBITDA surged 980 basis points year-over-year to \$21.7 million, surprising everybody, as the consensus expected a loss of \$6.9 million during what was supposed to be a period of immense seasonal weakness.

Analysts were close to correctly forecasting the magnitude of adjusted EPS for the quarter, but the direction was way off! Canada Goose clocked in a \$0.09 gain while the consensus was calling for a \$0.09 loss! Talk about one of the best quarterly surprises in recent memory (not to discredit [Five Below Inc.'s phenomenal quarter](#) recently).

To add even more fuel to the rally, management announced its intentions to open three new brick-and-mortar retail locations in fiscal 2019 in Vancouver, Montreal and Short Hills, all of which are slated to open their doors before the 2018 holiday season rolls around.

There's no question that these retail stores are going to draw massive crowds and potential lineups given Canadians' affinity for innovative new physical locations of late. One can only expect that these retail locations will drive earnings (and the stock) further into the stratosphere over the next few years.

I've [praised Canada Goose CEO Dani Reiss](#) and the company's efficient earnings-growth strategy for quite some time now, but the only thing that stopped me from pounding the table on the stock is the valuation, which after the 30% pop is even more expensive – perhaps even more expensive than the parkas that Canada Goose sells?

It's clear that the Canada Goose brand has gained global traction — so much so that our neighbours south of the border have begun to take notice. As the brand becomes even more powerful at the

international level, it wouldn't be too far-fetched to see Canada Goose offer even higher-priced merchandise than its most expensive parka.

Canada Goose appears to exhibit traits to that of a "Veblen good," a luxury good whose demand increases in conjunction with its price. If that's the case, Reiss and company may be able to grow gross margins even further while the company taps into new markets that'll send the top line flying to unfathomable highs.

### **Bottom line**

Canada Goose is an outstanding growth story led by an intelligent management team, but the valuation remains far too rich for my liking. Prudent investors should pray for a pullback moving forward so they can catch the goose without getting caught offside after the post-earnings run.

Stay hungry. Stay Foolish.

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