Why Canada Goose Holdings Ltd. Stock Can't Lose

Description

The market for luxury goods in China is bigger than most may know. For retailer **Canada Goose Holdings Ltd.** (TSX:GOOS)(NYSE:GOOS), looking to lock up the Chinese market has come front and center with a growth plan that includes a target of $1 billion of revenue in the near-term, more than doubling the company's current top-line numbers. Given that China itself represents a luxury market of approximately $1 billion in this space, focusing on large foreign markets for luxury goods is a smart move for the company's management team — a move the company has begun to execute on much more aggressively of late.

This year, Canada Goose expects to open two physical stores in China, alongside an e-commerce website that will be in partnership with China-based **Alibaba** (NYSE:BABA). The company's e-commerce presence is something many analysts and investors are banking on to propel the company into its next growth phase. Currently, Canada Goose parkas are available in 87 countries on the company's online platform. In China, Canada Goose has been experimenting with canadagoose.cn, a site that's still in early development stages, but has shown promise from a demand perspective.

In an effort to meet demand domestically and abroad, Canada Goose has already opened six branded bricks and mortar locations currently, with another approximately 10-15 locations planned to be opened within the next two years. The current sales platform of using large retailers to sell Canada Goose jackets is beginning to lose its appeal for Canada Goose, a company that appears to be taking more of a **Lululemon Athletica Inc.** (NASDAQ:LULU) approach to selling its wares (and take a look at that stock price, ladies and gentlemen).

Bottom line

At over US$1,000 apiece for the company's top-end product (and perhaps higher in countries like China to account for higher distribution costs), Canada Goose's margins are likely to balloon once its bricks and mortar and e-commerce strategy takes hold in emerging markets worldwide. I expect the company's growth strategy to continue to build momentum, with earnings set to follow suit in the coming quarters. My recommendation remains the same as back in February, when I called the company a prudent long-term play due to the scarcity strategy Canada Goose has employed with its production management.

Canada Goose is only now starting to scratch the surface of the total available market for niche winter products. With the opportunity to expand the company's current offering and bring it to new markets, investors considering a high growth Canadian play should keep Canada Goose in mind.

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