



Is Canada Goose Holdings Inc. (TSX:GOOS) Our Country's Best Apparel Export?

Description

Here's a *Jeopardy* question for you.

This outdoor clothing company is the best-performing TSX consumer cyclical stock year to date.

Who is **Canada Goose Holdings Inc.** ([TSX:GOOS](#))([NYSE:GOOS](#)), Alex?

Correct.

It's been such a breakout year for the iconic Canadian brand, up 94% year to date through July 24, that even *Mad Money's* Jim Cramer is giving props to the stock.

"When you look at the best-performing apparel plays, you see two things," Cramer said on his CNBC show July 17. "There are the companies that have figured out how to compete on the web with a workable omni-channel strategy, as they call it, and, more important, there are the ones with the best understanding of what the consumer wants."

Right there at the top of his list: Canada Goose, whose shares he recommended when it went public a year ago March. Unfortunately, America's greatest stock jockey proceeded to recommend taking profits a few days later — a call he regrets.

He's not the only one

I [covered](#) Canada Goose when it went public, arguing that its 40% first-day gain made it too expensive for my taste, trading at 36 times earnings. However, I hedged my bets, suggesting that if it were to hit \$30, it would do it sooner rather than later.

GOOS hit \$30 less than eight months after its IPO; it's up 167% in the eight months since.

If you'd bought IPO shares and are still holding — congrats. I would hang on to them indefinitely because stories like this don't come around very often.

As I [stated](#) in my most recent article about Canada Goose, momentum stocks like this often tend to run

higher at precisely the point you believe they can move no higher.

With the perfect combination of wholesale, retail, and online revenue — 57% wholesale and 43% direct to consumer (retail and online) and growing — Canada Goose is a trifecta of growth. It's not going to open 3,600 stores, like **Gap Inc.** It's merely opening enough to use as walking billboards for the company's products.

That's why you're only going to see flagships open in places like London and New York and not Kingston and Medicine Hat (no disrespect meant to those wonderful towns).

It's a really smart plan that elevates the brand.

There's another Canadian brand striking the right balance

The other Canadian retail/apparel brand doing well outside its own borders is **Lululemon Athletica Inc.** ([NASDAQ:LULU](#)), a company whose stock is up 56% year to date on strong same-store sales at its brick-and-mortar locations, along with tremendous growth online due to redesigned websites that make it easier for customers to buy.

Lululemon has worked hard to make the online shopping experience less cumbersome. That's translating into higher revenues and profits.

On July 24, Lululemon announced the hiring of Calvin McDonald as its CEO after a five-month search for a leader that could repair its corporate culture while continuing to grow the company.

In April, I'd [suggested](#) that McDonald's background — 17 years at **Loblaw Companies Ltd.**, 27 months as CEO of Sears Canada, and the last five years as CEO of Sephora North America — made him an excellent choice to take Lululemon to the next level.

I think shareholders ought to be happy with the board's decision.

Which is the better buy?

Lululemon has been operating at a high level for some time without a CEO, so I don't think McDonald's newness should play a part in any investment decision between the two.

Rather, I think it comes down to valuation and growth potential.

Lululemon trades at six times sales, while Canada Goose is a lot higher at 15.2 times revenue. On virtually every financial metric, Canada Goose is twice as expensive.

In terms of potential, that's a tricky one.

If Canada Goose can't move beyond its legacy of parkas and outdoor wear, it's never going to match the size of Lululemon. In some respects, these two companies would be ideal stablemates if a brand conglomerate similar to **VF Corp.** were ever under consideration.

Therefore, with Lululemon looking to grow its men's clothing business and capture more of the Asian market, I'm going to say its future potential is equal.

If you can only own one stock, I'd probably lean toward LULU over GOOS. However, if you can swing it, I'd go for both.

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2. NYSE:GOOS (Canada Goose)
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