



Is it Too Late to Fly High With Canada Goose (TSX:GOOS) Stock?

Description

Canada Goose ([TSX:GOOS](#))([NYSE:GOOS](#)) is up over 166% for the year. With a P/E ratio of 99.3%, is it too late to get in on this high-flying stock?

While there has been a lot of news about the astronomic rise of Canada Goose in the past year, few reports focus on two of the most exciting aspects of the company's potential to go higher: the recently announced acquisition of Baffin Inc and the prospective growth of Canada Goose in China.

Canada Goose tiptoes into footwear

In the brand's first step into footwear, Canada Goose announced plans to acquire Canadian outdoor footwear maker Baffin. While the acquisition is not expected to have a material impact on fiscal 2019, the purchase could affect the results going forward. The \$32.5 million purchase of Baffin was announced on November 1.

Baffin is well known in Canada for its high-quality, technically advanced footwear. The company's president and founder Paul Hubner famously tested Baffin boots by wearing (-100c) insulated winter boots to both the North and South Poles in 2006. Despite the deadly temperatures and extreme conditions, the boots withstood the elements. Baffin was one of the first companies to recognize that winter footwear should be stylish and comfortable as well as durable.

The acquisition of Baffin by Canada Goose is a natural fit. Dani Reiss, CEO of Canada Goose, says "Baffin is the gold standard when it comes to cold-weather footwear. I have seen many apparel companies try and get into footwear and fail, and we wanted to find, for us, the best formula for winning." Baffin will continue to operate as a standalone brand after the acquisition.

Canada Goose plans to build on Baffin's established reputation, existing technology, and intellectual property. As Reiss continued, "For decades, our products have lived side-by-side in the coldest places on Earth. The Arctic heritage and best-in-class functionality of Baffin boots are synonymous with what Canada Goose stands for."

Canada Goose spreads its wings in China

Ever since Canada Goose apparel made its onscreen debut in 2004 in the films, *The Day After Tomorrow* and *National Treasure*, celebrities can't get enough of the brand. This has become especially evident in China, where the brand is sported by national celebrities and prominent business executives.

In the latest quarterly report, Reiss focused on the growth opportunities in China, specifically the plans for build-out of their Greater China business and the commercial launch of the direct-to-consumer channel in China. A country office in Shanghai has been established. And the company just opened a flagship store in Beijing.

One of the obstacles facing Canada Goose in China is the proliferation of counterfeit goods. According to Reiss, Canada Goose has been combatting counterfeits for over two decades. He proposes the best offence is to educate consumers, so they won't be fooled by the fake goods. Brand protection is key to Canada Goose's success in China.

Another obstacle facing Canada Goose in China is the strong footholds already established by rival brands, such as Italian luxury coat maker Moncler. Moncler has 47 boutiques in China alone. Sales in China account for 40% of Moncler's business.

The tailwinds for Canada Goose to profit in China include the population's growing desire for high-end luxury apparel and the country's growing interest in winter sports and activities. The 2022 Winter Olympics will be held in Beijing.

Canada Goose expects annual revenue growth of at least 30% for fiscal 2019. Propelled by strong sales in China, these results seem achievable.

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