3 Takeaways From Canada Goose Holdings Inc's (TSX:GOOS) Q3 Results

Description

Canada Goose Holdings (TSX:GOOS)(NYSE:GOOS) released its third-quarter results on Thursday and recorded yet another strong showing. Revenues of $399 million came in well above estimates of $359.7 million, while adjusted earnings per share totaled $0.96 and was also significantly higher than projections of just $0.81.

Let's dive into the financials a bit more to see how well the company did and whether the stock is still a good buy today.

Direct-to-consumer segment continues to do well

A big reason why Canada Goose has been able to do so well on its bottom line is thanks to the direct-to-consumer (DTC) segment, which allows it to avoid many of the costs associated with having an intermediary help sell its products. Revenue related to DTC rose from $131.7 million up to $235.3 million this past quarter for a year-over-year increase of just under 80%. The company credits the improvement to opening five new stores as well as another e-commerce site.

Margins have improved

The impact of DTC sales is noticeable in gross margin as well. This past quarter, overall gross margin came in at 64.4%, which was slightly better than that 63.6% that it achieved a year ago. However, even further down the financials, the company's operating margin has also been a lot stronger. At 35%, that's a very high rate, and that too is up from 33.8% that the company netted last year.

Selling, general, and administrative expenses, which are the bulk of the company's operating expenses, were up 45% year over year. Although it's a big increase, it represents a smaller percentage of sales and has not outpaced revenue growth, which is important to show that the company is doing a good job of controlling its costs.

Company isn’t expecting things to slow down anytime soon

In the earnings release, President & CEO Dani Reiss stated, “We have successfully entered new markets, introduced new product, and increased capacity to meet growing demand in both channels. We remain deeply confident in the long runway we have ahead.”

Canada Goose is so confident of its future that it’s gone ahead and upgraded its outlook for fiscal 2019, now expecting annual revenues to rise somewhere in the “mid-to-high 30s,” which is an improvement from simply being at least 30%. Adjusted net income, previously was expected to also be above 40%, is now expected to be in the “mid-to-high 40s” as well.

Although there were concerns about how the company was going to do in China given the calls for a boycott of its product late last year, it doesn’t look as though that’s translated into the financials, as Canada Goose had a phenomenal quarter.

Should you buy Canada Goose?

Canada Goose is definitely an appealing buy. The only thing that keeps me on the fence is the high multiple of earnings that it trades at, which makes it a prime target for a correction. The stock has seen a fair bit of volatility, and that does make it a bit risky. But given how well the company has done at growing its brand across the world, it looks like a great long-term buy. However, I’d suggest waiting out a dip in price before buying in.

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