



Buy or Sell: Canada Goose Holdings (TSX:GOOS)

Description

Canada Goose Holdings ([TSX:GOOS](#))([NYSE:GOOS](#)) is the name behind the iconic (and very expensive) line of winter clothing that an increasing number of consumers are wearing on a daily basis. The brand has seen an [incredible rise in popularity](#) over the past two years, and that's not just because of the harsh winter weather we've experienced; Canada Goose has arguably ascended into the realm of luxury brands.

Whether that exclusivity translates into a viable investment option remains to be seen. Let's take a moment to answer that question.

Are strong results indicative of future potential?

Just to be clear, this is still very much the honeymoon period for Canada Goose. This month marks the second anniversary since its IPO, and to-date Canada Goose has seen an impressive gain of nearly 200% in that time period. Much of that growth can be traced back to a series of well-executed storefront openings in trendy winter-weather locations around the world such as London, New York, Tokyo, and Beijing.

Turning to results, Canada Goose has seen impressive gains on multiple fronts over the past year. In the most recent quarter, Canada Goose reported revenues of \$399.3 million, thereby representing a strong 50.2% gain over the same period last year.

Net income in the quarter saw an equally impressive gain of 66.1% to \$0.93 per dilutes share, while adjusted EBITDA for the quarter came in at \$151.1 million, representing a 59.6% gain over the same period last year.

While those are very impressive gains, there are some concerns that I keep turning back to.

First, this is a *luxury* product, which limits the audience that Canada Goose's products can appeal to. Not everyone is willing to pay \$1,000 or more for a winter parka, or even \$200 for a winter toque, and even fewer people will shell out that money when there is growing uncertainty in the economy.

Second, this is a *seasonal* luxury product. While Canada Goose does offer a spring line of light, wind and rain jackets, make no mistake that this is predominately a winter-weather company, and barring establishing presence in cold, trendy cities southern hemisphere to offset the summer period, the current level of growth post-honeymoon is unattainable. To put it another way, the most recent quarterly result reflects the peak of Canada Goose's annual selling cycle.

Finally, everyone knows this is a seasonal luxury product, including other investors. While Canada Goose may have retreated a bit from its 52-week high, the stock remains on the expensive side, with the current P/E coming in at 53.69.

Value-minded investors may be better served through a comparable investment on the market that not only caters to a larger market, but is also priced nearly half of what Canada Goose trades at, and even offers a quarterly dividend.

What should you do?

There's no denying the fact that Canada Goose has been an intriguing investment over the course of the past two years, but the level of growth is unlikely to continue indefinitely, particularly as consumer debt is at an all-time high and there are increasing signs of a market slowdown.

Investors who are looking for long-term growth may want to consider a small position in the company as long as they have some tolerance for risk and can appreciate that the current double-digit growth of the company is unlikely to persist for the next two years.

As an alternative, investors looking for long-term growth in a more defensive setting that can also [provide a compelling dividend](#) may want to consider any number of other options.

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