



This Stock Is the Shopify (TSX:SHOP) of Fashion

Description

Shopify stock has emerged as one of the biggest success stories in the technology sector since its 2015 IPO. Shares have soared 85.5% in 2019 so far and have [built more momentum](#) after its first-quarter earnings release.

As exciting as Shopify has been, today I want to focus on a top growth stock in the fashion industry. **Canada Goose** ([TSX:GOOS](#))([NYSE:GOOS](#)) is a Toronto-based company that has seen its winter clothing brand explode in popularity over the past decade. Shares of Canada Goose have climbed 15.4% in 2019 as of close on May 9. The stock is up 43% over the prior year.

Canada Goose is expected to release its fourth-quarter and full-year results for fiscal 2019 in early June. In the third quarter, Canada Goose benefited, as usual, from impressive holiday season numbers. Revenue rose 50.2% year over year to \$399.3 million. Direct-to-consumer (DTC) revenue climbed to \$235.5 million compared to \$131.7 million in Q3 fiscal 2018. The greater proportion of DTC revenue drove gross profit to \$257.3 million with a gross margin of 64.4%.

The company saw its stock run into trouble in December 2018 after Canada's arrest of Huawei executive Meng Wanzhou. China publicly criticized the move, and there were threats of boycott from the Chinese media. There was concern that this could jeopardize Canada Goose's push into the Chinese market. Unallocated corporate expenses rose to \$61.3 million in Q3 fiscal 2019 in part due to the company's ramp up of Greater China operations.

So far, these fears have been unfounded. The opening of Canada Goose's Beijing store in late December was met with long lines. Canada Goose hopes to draw upon growth in China going forward. The early boycotts had little impact, but a continued deterioration in Canada-China relations could complicate its strategy.

For the full fiscal year, Canada Goose forecasted revenue growth in the mid to high 30s on a percentage basis. The company projects adjusted EBITDA expansion of at least 150 basis points and annual growth in adjusted net income per share in the mid to high 40s on a percentage basis. Canada's economy shrank in February, and retail sales at clothing stores suffered a 2.9% drop in

activity. Fortunately, Canada Goose has its strong e-commerce platform to fall back on.

Canada Goose looks poised to finish off a successful fiscal 2019 as we await its June report. It has expanded its offerings and recently released a premium spring selection. This is seen as key to branching out its appeal beyond winter clothing going forward.

In March, I'd discussed whether Canada Goose had a shot at [reaching the \\$100](#) mark in 2019. The share price has been mostly flat over the past two months. Canada Goose stock had an RSI of 48 as of close on May 9, which puts it in neutral territory.

The growth trajectory at Canada Goose is worth getting excited about. This is a robust and global brand that has pursued an ideal strategy in the current retail environment. Canada Goose is a growth stock to count on as we look ahead to the next decade.

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