



Does Your Portfolio Need a Luxury Retailer?

Description

Canada Goose Holdings ([TSX:GOOS](#))([NYSE:GOOS](#)), the luxury clothing brand geared to affluent shoppers in cold locales worldwide remains one of the most popular investment options on the market at the moment for [retail-seeking investors](#).

Is the prevailing opinion still that we are in the summer and thankfully no longer requiring a parka during our morning commute, and more important, should investors still flock to this retail investment?

The appeal of Canada Goose

The market always needs a darling, and for much of 2018 and early 2019, Canada Goose was a prime candidate for that designation, and for good reason too. Following a successful IPO, Canada Goose became a household name as the badge-donning parkas became a regular sighting within the downtown cores of prominent cities, as well as on cold-weathered movie-sets across the globe.

Canada Goose's growing sales and subsequent rollout of flagship stores in targeted cities such as New York, Tokyo, and London helped propel the stock to new highs and pushed the company to announce ever more ambitious forecasts for the future.

Luxury goods appeal to a niche of the market, and Canada Goose found that sweet spot where it could feed further growth into local markets worldwide while still meeting (or surpassing) its own forecasts.

The stock saw strong double-digit growth following its IPO, with the stock surging over 85% in 2017, and 50% during 2018. In 2019, Canada Goose was off to an equally impressive start, with gains of near 20% witnessed up until the quarterly announcement last month, which changed everything.

Canada Goose: flying too close to the Sun?

Results from that quarter were less than stellar. More specifically, revenue numbers for the fourth quarter came in weaker than what Canada Goose expected, missing the previous forecast by

\$800,000. While the miss is disappointing, it's the commentary that followed that likely jittered investors, as the company noted that there could be "materially larger losses in the current quarter." Ouch.

As a reminder, this is a niche retailer that sells a product geared to winter weather, and we're currently nearing the mid-way point of June. That's not to say Canada Goose doesn't sell jackets in the summer, but current investors should be aware of any possible seasonal fluctuations. Adding to that risk comes the fact that Canada Goose's growth is largely reliant on international locations, such as China, where uncertainty over a trade war could spill over and hurt sales.

In any event, following the earnings announcement Canada Goose saw its stock tumble, with losses well in the area of 20%, establishing a new 52-week low.

What should investors do?

As a luxury retailer, Canada Goose offers a niche product to a small section of the market, which is reflected in the price of the stock. This is a risk that we are often blinded to, particularly when the company is able to maintain double-digit growth with each passing quarter that continues to shatter expectations.

Despite coming in short in the most recent quarter, there is still [plenty of long-term potential](#) for Canada Goose, provided that investors realize that growth akin to what we saw in the past two years may no longer be the norm. For existing shareholders specifically, there is an opportunity afoot to buy into Canada Goose at levels not seen in a considerable amount of time, lowering your cost per share.

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