Buy Canada Goose Holdings Inc (TSX:GOOS) to Bump Your Portfolio

Description

A few years ago, you may have walked down the street and seen someone wearing a winter coat with a red, white, and blue circular logo and not known what the logo stood for. However, if you see the same coat and logo today, it's unmistakably **Canada Goose** (TSX:GOOS)(NYSE:GOOS). The company has grown into one of the world's leading producers of luxury apparel, selling a wide range of sportswear, including jackets, parkas, and other apparel.

Canada Goose products have become very popular—so popular that the company has been able to convince consumers to spend upwards of $1,000 on a winter coat, which is by no means an easy feat.

One reason people buy Canada Goose products is that they are very high quality. Another reason people want them is that they are trendy with the rich and famous.

High-flying performance

The company's sales have been surging higher over the last three years. Revenue increased to $591 million in fiscal 2018 from $290.8 million in fiscal 2016 for a compound annual growth rate of 42.6%. Now that's impressive growth! This is especially true when you are dealing with numbers in the hundreds of millions.

Moreover, in the most recent quarter, its fiscal third quarter of 2019, the rapid growth trend continued. Revenue increased by 50.2% to $399.3 million and adjusted EPS grew by 65.5% to $0.96 per share. To add icing on the cake, management raised its estimates for fiscal 2019. It's always comforting to see a company publicly raise its guidance, because it only does so if it is really confident about it.

Significant growth potential

Canada Goose is well positioned for future growth. Although the oft-repeated phrase, “Past performance is no guarantee of future results” has credence, in the case of Canada Goose, there is good reason to believe the company will continue to provide impressive results.

In my opinion, the most important factor driving growth in the next year and beyond is its international expansion plans. For the year ended March 31, 2018, Canadian sales accounted for 39% of total sales, while U.S. sales accounted for about 31% of sales, and the rest of the world was 30%.

This translates into huge growth potential because Canada is a significantly smaller market than the U.S. (considering only the U.S. markets with cold weather) and the rest of the world. The company’s recent expansion into Greater China, the world’s largest luxury market, is an important achievement supporting international growth.

Follow the smart money

Canada Goose is currently controlled by Bain Capital, one of the world’s leading investment firms with over US$105 billion in assets under management. In December 2013, Bain Capital bought a 70% equity stake in Canada Goose.

As of March 31, 2018, Bain Capital controlled 64% of the voting power of the company. The company has significant experience in managing companies in general and specifically ones that are in a rapid growth phase. If you decide to buy Canada Goose stock, you will be in good company.

Attractive entry point

The company’s stock price has recently dipped to around $62 from a 52-week high of around $95, approximately a 35% drop. Perhaps the stock price got ahead of itself. Still, this price drop occurred while the company’s growth prospects have remained promising. I believe the price decline has created a buying opportunity.

Long–term hold to mitigate price swings along the way

Any time you are holding a stock for the long term, you can expect bumps in the road. Economic downturns, changes in trade agreement, and stock market volatility are just some of the things that can negatively affect a company’s stock price. This is true even when the company is performing well.

Still, history has shown that over the long term, a company’s performance will reign supreme and its stock price will catch up with the company’s results. So, even if you are concerned about the world economy slowing, Canada Goose’s long-term performance will likely make an investment in its stock a rewarding choice.

Competition at lower price points a key risk

As I said before, the company sells winter coats for over $1,000. Simply stated, in order to sustain current growth levels, the company must continue to convince customers that they are getting value for their money compared with lower-priced offerings from other companies.

The bottom line

To sum it all up, now is a good time for investors to get in on the Canada Goose growth story as part of its long-term investment portfolio. The company has the potential to continue to rapidly grow over the next several years and provide investors with significant returns on their investment.

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