

# Canada Goose Holdings Inc.

(Ticker: GOOS-T, GOOS-N) C\$36.5

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The financial model of GOOS can be found here:

[HAO-LIN/GOOS FSM and DCF.xlsx at master · linhao142857/HAO-LIN \(github.com\)](#)

## Business Assessment

Canada Goose Holdings Inc. is a Canadian holding company of winter clothing manufacturers. The firm is a vertically integrated global outerwear brand. The company's apparel collections include various styles of parkas, lightweight down jackets, rainwear, wind wear, knitwear, footwear for fall, winter, and spring seasons. It serves customers through Wholesale (retail) partnerships, and Direct to Consumer (DTC) channels. The DTC segment comprises sales through country-specific e-commerce platforms and its company-owned retail stores located in shopping locations. The Wholesale segment comprises sales made to a mix of functional and fashionable retailers, including various department stores, outdoor specialty stores and individual shops. The firm was founded in 1957 and headquartered in Toronto, Ontario.

## Absolute Valuation

**Revenue:** Canada Goose (GOOS) is expected to report Q3/F22 results before the market opens on Feb 10, 2022. I forecast revenue growth of 27.9% y/y. This is mainly due to the expansion of GOOS's DTC business. This reflects a shift to DTC from Wholesale, which is in line with the management's F2022 outlook. Continued strength in eCommerce should complement new store growth. GOOS has also continued to push forward with product innovation, including the launch of its initial footwear offering in Q3/F22.

**Gross margin:** Despite there was a shift in the channel mix to DTC, I lowered financial forecasts modestly to account for reduced in-store traffic due to Omicron-related restrictions. The table illustrates the shift in revenue toward DTC from Wholesale.

**SG&A** is projected as a percentage of revenue, and **D&A** expense grows with PP&E. **Tax rate** was the average of the past 3 years.

Based on my DCF analysis, GOOS is valued at C\$39.31 and C\$27.28 respectively under FCFF and FCFE methods.

### Market Data (C\$)

Current Price	36.5
52-Week Range	26.05-62.57
Market Cap (\$mm)	5623.95
Current Dividend	0.00
Avg Daily Trading Vol (\$mm)	0.2
Fiscal Y-E	March
Source: BBG	

C\$mm, except per share	F2022E	F2023E
Wholesale	346.0	371.0
DTC	803.9	912.4
Other	7.9	10.0
Total Revenue	1155.9	1354.2
EBITDA	303.5	360.7
EPS	1.28	1.58

Source: BBG, Analyst estimates

## Relative Valuation

GOOS is currently trading at 28.6x my F2022E EPS. This compares with the average of its luxury peers of 22.57x. And GOOS's historical average forward P/E since its IPO is 35.4x. The target price of GOOS is C\$40.61. I see limited upside given the near-term headwinds that present risk to the execution of GOOS' shift to capturing local demand.

I assigned equal weights to absolute and relative valuation. This gives the target share price of GOOS is at **C\$36.95**.

Valuations	F2022E
Absolute	
FCFF	39.31
FCFE	27.28
Relative	
P/E	40.61
<b>Target Price</b>	<b>36.95</b>
Source: Analyst estimates	

	EV/EBITDA	P/E
Delta Apparel Inc.	8.18	10.51
Duluth Holdings Inc.	8.18	13.74
HanesBrands Inc.	10.22	72.55
Kontoor Brands Inc.	15.31	16.58
Lakeland Industries Inc.	4.14	9.21
Levi Strauss & Co	13.39	17.35
Under Armour Inc.	37.56	18.02
<b>Peer Average</b>	<b>13.85</b>	<b>22.57</b>
<b>Canada Goose</b>	<b>18.40</b>	<b>28.60</b>
Source: Yahoo Finance, YCharts, Analyst estimates		

In my opinion, the risk/reward profile of GOOS shares has improved since the company reported in early-November 2021. Based on my EPS forecast, GOOS is trading toward the low end of its historical average. Despite near-term headwinds, the balance sheet should enable management to continue to expand the DTC footprint. Upon a return of international tourism/traffic and growth in global luxury, GOOS should be well-positioned to leverage its high-margin, expanded DTC presence. The current valuation and potential growth opportunity support my **HOLD** recommendation.

The key risks to our target price (and to the firm) include the following: a deterioration in the general health; dependence on a limited number of raw-material suppliers; success in expanding the DTC business in new and existing markets; increasing competition in the outdoor luxury category; unseasonable weather; foreign currency; subordinate voting share structure (Bain and CEO Dani Reiss together hold 90% of the votes); and operational disruptions from COVID.

## ESG factors and/or issues

The firm's business generally has a greater environmental impact on carbon emissions, energy use, habitat preservation, reducing waste. Moreover, the sourcing of raw materials, manufacturing, and chemical use also play a role. From an ESG perspective, Canada Goose commits to transitioning 90 percent of its materials to Preferred Fibres and Materials (PFMs) by 2025. The firm also commits to sustainable solutions in 100 percent of its packaging by 2025: Sustainable solutions include recycled content and recyclability in the packaging used across its manufacturing, direct-to-consumer, and marketing operations.

## Appendix

### Financial Statement Modeling

INCOME STATEMENT									
Fiscal year		2019A	2020A	2021A	2022P	2023P	2024P	2025P	2026P
Fiscal year end date		3/31/19	3/31/20	3/28/21	3/31/22	3/31/23	3/31/24	3/31/25	3/31/26
Revenue		830.5	958.1	903.7	1,155.9	1,354.2	1,489.6	1,564.1	1,595.3
Cost of sales (enter as -)		(313.7)	(364.8)	(349.7)	(447.3)	(524.1)	(576.5)	(605.3)	(617.4)
Gross Profit		516.8	593.3	554.0	708.6	830.1	913.1	958.8	977.9
Depreciation and amortization (enter as -)		(18.0)	(50.7)	(69.8)	(66.3)	(72.9)	(79.9)	(87.0)	(94.1)
Selling, general & administrative (enter as -)		(302.1)	(350.5)	(367.3)	(437.7)	(512.8)	(564.1)	(592.3)	(604.2)
Operating profit (EBIT)		196.7	192.1	116.9	204.5	244.4	269.1	279.5	279.7
Interest income		0.5	0.4	0.7	1.3	1.4	1.6	2.0	2.5
Interest expense (enter as -)		(14.1)	(21.0)	(27.2)	(34.6)	(34.9)	(35.1)	(35.2)	(35.3)
Other expense, net (enter as -)		(0.6)	(7.8)	(4.4)	(4.4)	(4.4)	(4.4)	(4.4)	(4.4)
Net interest, finance and other costs		(14)	(28)	(31)	(37.7)	(37.9)	(37.9)	(37.6)	(37.2)
Pretax profit		182.5	163.7	86.0	166.8	206.5	231.3	241.9	242.5
Taxes (enter expense as -)		(38.9)	(12.0)	(15.8)	(26.1)	(32.4)	(36.2)	(37.9)	(38.0)
Net income		143.6	151.7	70.2	140.7	174.2	195.0	204.0	204.5

  

BALANCE SHEET									
Fiscal year		2019A	2020A	2021A	2022P	2023P	2024P	2025P	2026P
Fiscal year end date		3/31/19	3/31/20	3/28/21	3/31/22	3/31/23	3/31/24	3/31/25	3/31/26
Cash & equivalents, ST and LT marketable securities			31.7	477.9	468.8	528.9	651.2	822.4	1,022.6
Accounts receivable (Trade receivables)			32.3	40.9	52.3	61.3	67.4	70.8	72.2
Inventories			412.3	342.3	437.9	513.0	564.3	592.5	604.3
Income taxes receivable			12.0	4.8	6.1	7.2	7.9	8.3	8.5
Other current assets			43.5	31.0	39.7	46.5	51.1	53.7	54.7
Deferred income taxes			40.8	46.9	60.0	70.3	77.3	81.2	82.8
Property, plant & equipment			115.1	116.5	127.5	140.1	153.6	167.3	180.9
Intangible assets			161.7	155.0	198.3	232.3	255.5	268.3	273.6
Right-of-use assets			211.8	233.7	298.9	350.2	385.2	404.5	412.6
Goodwill			53.1	53.1	67.9	79.6	87.5	91.9	93.7
Other non current assets (other long-term assets)			6.0	5.1	6.5	7.6	8.4	8.8	9.0
Total assets			1,120.3	1,507.2	1,763.9	2,036.8	2,309.4	2,569.6	2,815.0
Accounts payable and accrued liabilities			144.4	177.8	227.4	266.5	293.1	307.8	313.9
Provisions			15.6	20.0	25.6	30.0	33.0	34.6	35.3
Income taxes payable			13.0	19.1	24.4	28.6	31.5	33.1	33.7
Short-term borrowings			0.0	0.0	0.0	0.0	0.0	0.0	0.0
Current portion of lease liabilities			35.9	45.2	57.8	67.7	74.5	78.2	79.8
Other current liabilities			208.9	262.1	335.3	392.8	432.0	453.7	462.7
Provisions			21.4	25.6	32.7	38.4	42.2	44.3	45.2
Deferred income taxes			15.1	21.6	27.6	32.4	35.6	37.4	38.1
Revolving facility			0.0	0.0	0.0	0.0	0.0	0.0	0.0
Term loan			158.1	367.8	367.8	367.8	367.8	367.8	367.8
Lease Liabilities			192.0	209.6	209.6	209.6	209.6	209.6	209.6
Long term debt (includes current portion)			350.1	577.4	577.4	577.4	577.4	577.4	577.4
Other non current liabilities			4.6	20.4	26.1	30.6	33.6	35.3	36.0
Total liabilities			600.1	907.1	999.1	1,071.5	1,120.9	1,148.0	1,159.5
Common stock			114.7	120.5	135.0	151.9	170.5	190.1	210.0
Retained earnings			405.1	484.8	635.0	818.7	1,023.2	1,236.7	1,450.7
Other comprehensive income			0.4	(5.2)	(5.2)	(5.2)	(5.2)	(5.2)	(5.2)
Total equity			520.2	600.1	764.8	965.3	1,188.5	1,421.5	1,655.5
Balance check			0.0	0.0	0.0	0.0	0.0	0.0	0.0

CASH FLOW STATEMENT									
Fiscal year					2022P	2023P	2024P	2025P	2026P
Fiscal year end date					3/31/22	3/31/23	3/31/24	3/31/25	3/31/26
Net income					140.7	174.2	195.0	204.0	204.5
Depreciation and amortization					99.0	116.3	128.3	135.1	138.2
Stock based compensation					14.5	16.9	18.6	19.6	19.9
Decreases / (Increases) in working capital assets					(130.1)	(102.2)	(69.8)	(38.4)	(16.1)
Increases / (Decreases) in working capital liabilities					86.3	67.9	46.3	25.5	10.7
Other non current assets					(81.9)	(95.4)	(104.4)	(109.3)	(111.2)
Other non current liabilities					5.7	4.5	3.1	1.7	0.7
<b>Cash from operating activities</b>					<b>134.2</b>	<b>182.1</b>	<b>217.1</b>	<b>238.1</b>	<b>246.8</b>
Capital expenditures					(29.5)	(34.6)	(38.1)	(40.0)	(40.8)
Other assets					(123.3)	(96.9)	(66.2)	(36.4)	(15.3)
<b>Cash from investing activities</b>					<b>(152.9)</b>	<b>(131.5)</b>	<b>(104.3)</b>	<b>(76.4)</b>	<b>(56.1)</b>
Long term debt					0	0	0	0	0
Exercise of stock options					3.7	3.7	3.7	3.7	3.7
New shares issued (repurchase)					5.8	5.8	5.8	5.8	5.8
<b>Cash from financing activities</b>					<b>9.5</b>	<b>9.5</b>	<b>9.5</b>	<b>9.5</b>	<b>9.5</b>
<b>Net change in cash during period</b>					<b>(9)</b>	<b>60</b>	<b>122</b>	<b>171</b>	<b>200</b>

## Sensitivity analysis for the first forecast year net income

	Revenue growth rate					
	\$141	35.0%	30.0%	25.0%	20.0%	15.0%
Gross profit margin	64.0%	181	171	161	152	142
	63.0%	171	161	152	143	133
	62.0%	160	151	142	133	124
	61.0%	150	141	133	124	116
	60.0%	140	131	123	115	107
	59.0%	129	122	114	106	98

	Revenue growth rate					
	\$141	35.0%	30.0%	25.0%	20.0%	15.0%
D&A % of PP&E	56.0%	149	140	131	123	114
	54.0%	151	142	133	125	116
	52.0%	153	144	136	127	118
	50.0%	155	146	138	129	120
	48.0%	157	149	140	131	122
	46.0%	160	151	142	133	125

	Revenue growth rate					
	\$141	35.0%	30.0%	25.0%	20.0%	15.0%
SG&A % of Sales	40.0%	131	123	115	107	100
	39.0%	141	133	125	117	108
	38.0%	152	143	134	126	117
	37.0%	162	153	144	135	126
	36.0%	172	163	153	144	135
	35.0%	183	173	163	153	143