Retail
ELEVATOR PITCH

Presented by Hedgeye Retail Sector

Canada Goose Holdings, Inc.

Ticker	GOOS		2023A	2024E	2025E	2026E	2027E
Price	$10	Hedgeye EPS	$ 1.05	$ 0.57	$ 0.42	$ 0.45	$ 0.21
Market Cap	1.03 bn	Street EPS		$ 1.29	$ 1.68	$ 1.99	$ 2.00
Enterprise Value	1.58 bn	Variance		-55%	-75%	-77%	-90%
Short Interest	28.6%	P/E		17.5x	23.6x	22.4x	47.9x
Debt/EBITDA	1.6x	Target P/E		10.0x	10.0x	10.0x	10.0x
Sell Side Target	$17	Implied Price		$6	$4	$4	$2
Return to SS Tgt	72%	Price Variance %		-43%	-58%	-55%	-79%

HEDGEYE EDGE | BRAND IS DYING, PAST IT'S PRIME, MGMT UNAWARE

We've said it before and will say it again. This is the worst management team in retail, the brand is well past it's prime, its sitting on more inventory than any retailer or brand out there, and has to try to find a way to clear it without destroying its DTC model or margin integrity - which we think is near impossible. We think that the wholesale model will take a significant hit in CY2H as retailers curtail orders and flat out reject selling non-parka product – which is now up to about 25% of the total. This brand thinks its Moncler, but it's not. Even parkas are at risk given a new wave of competition at meaningfully lower price points. As parkas grow, as the company plans, we think its gross margins will come down. Margins should get more than cut in half from 2023 levels over a TAIL duration. Ultimately, we come up with ~$0.50 in EPS, and headed lower from there.

NEAR-TERM (TREND) | WHOLESALE ACCOUNTS CUTTING ORDERS

We've been saying it, but the company finally addressed it on the call this quarter--wholesale accounts are coming down, "planned streamlining". Wholesale continued to decelerate in the most recent quarter. Wholesalers are cutting order quantities and ties with the company over all, which is not adequately included in estimates. Even with a China recovery, the APAC region is slowing. The growth there is not enough to offset wholesale weakness or the margin hit to the DTC model.

KEY RISKS TO THE CALL | PRODUCT EXTENSIONS ACTUALLY WORK

We don't think a take-out is a meaningful risk here -- not for a brand whose relevance is waning. The company is extending the brand into 'lifestyle' categories like sunglasses, luggage, and fragrances, which we don't think consumers will want at GOOS price points relative to the luxury competitive set. But if the company succeeds there, even if by accident, it could make our EPS overly bearish. Also, outsized SG&A cuts (bearish for the brand) could buoy near term EPS.

COMPANY DESCRIPTION

Canada Goose offers a collection of signature high-end outerwear, through its DTC, wholesale, and retail distribution channels. Though the brand was hot in popular culture in the past, its current offerings resonate little with the consumer at such high price points.

KEY MODELING ASSUMPTIONS

	2023A	2024E	2025E	2026E	2027E
Revenue	$ 1,217	$ 1,283	$ 1,342	$ 1,403	$ 1,463
YY % Change		5.4%	4.6%	4.6%	4.2%
Gross Margin %	67.0%	66.8%	66.0%	65.3%	64.6%
EBIT Margin %	14.4%	9.3%	7.8%	7.4%	6.1%
EBITDA	$ 277	$ 247	$ 258	$ 261	$ 253
Net Debt	$ 133	$ 405	$ 432	$ 411	$ 391
Net Debt/EBITDA	0.5x	1.6x	1.7x	1.6x	1.5x
FCF/Share	$ 0.65	$ (0.51)	$ 0.90	$ 1.03	$ 1.02