

Canada Goose Holdings, Inc.



BETTERINVESTING™
The Leader In Investment Education

Presented by
Betsy Wills, Director,
Rocky Mountain Chapter

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What Does GOOS Do?

- Designs, manufactures and distributes premium outerwear and accessories to perform in the rugged demands of the Arctic
- Focused on making best-in-class products by using the highest quality materials and craftsmanship to deliver a product that performs when and where it's needed most
- In fiscal 2018, the main product category across all seasons was jackets
 - Over 100 styles
 - Comprise the majority of sales
- Accessories include hats, gloves & scarves

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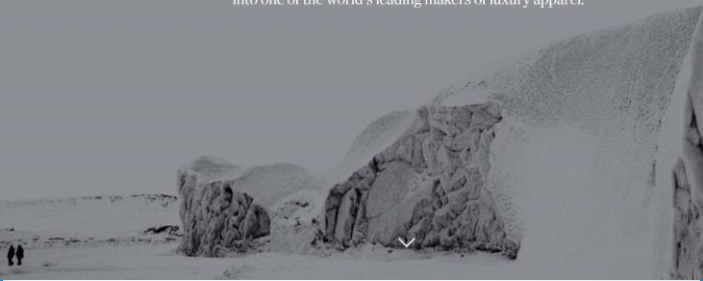
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History of GOOS

Founded in a small warehouse in Toronto almost sixty years ago, Canada Goose has grown into one of the world's leading makers of luxury apparel.



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History of GOOS

1950s

Sam Tick immigrates to Canada bringing a strong entrepreneurial spirit. In 1957, he founds Metro Sportswear Ltd. in Toronto, which specializes in woolen vests, raincoats and snowmobile suits.

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History of GOOS

1970s

David Reiss, Sam Tick's son-in-law, joins the company and launches a new era for Metro Sportswear with the invention of a volume-based down filling machine. David also establishes the label Snow Goose, which later becomes Canada Goose.

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History of GOOS

1980s

Inspired by one of the coldest places on earth, the Expedition Parka is developed to meet the unique needs of scientists at Antarctica's McMurdo Station. It becomes standard issue and gains the nickname "Big Red."

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History of GOOS

2000s

Embracing Arctic adventure, Canada Goose partners with musher Lance Mackey. He wins the Iditarod and the Yukon Quest dog sled races four times each, making monumental world records along the way.

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History of GOOS

2004

Canada Goose, which has long been the (un)official jacket of film crews everywhere it's cold, makes its on-screen debut in two key films: The Day After Tomorrow and National Treasure.

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History of GOOS

2007

With two-thirds of the world's polar bears living in Canada, Canada Goose joins forces with Polar Bears International (PBI) and launches the PBI Collection. Funds from every sale go to PBI to support the conservation of polar bear habitats.

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History of GOOS

2009

Goose Person Ray Zahab enters the Guinness Book of World Records for his un-supported trek to the South Pole. He completes the journey on foot, without the use of skis, in 33 days, 23 hours and 55 minutes – the fastest time ever.

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History of GOOS

2016

Canada Goose opens its first two flagship stores, located in Toronto and New York City. The stores weave together Canada Goose's Arctic heritage with modern innovation and offer customers the widest selection of product, from the broadest range of colours and styles from one-of-a-kind exclusives.

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Down and Fur Transparency Standards

- Down: Suppliers are required to certify that the down comes as a by-product of the poultry industry and has not come from live-plucked or force-fed birds
- Real Wild Fur: All fur sourced must be in accordance with the Agreement of International Humane Trapping Standards in Canada and the Best Managed Practices in the United States
 - GOOS only uses wild fur from North American suppliers and that never use fur from fur farms or endangered species
- Enforced by third-party sample audits of supply chain and trap lines

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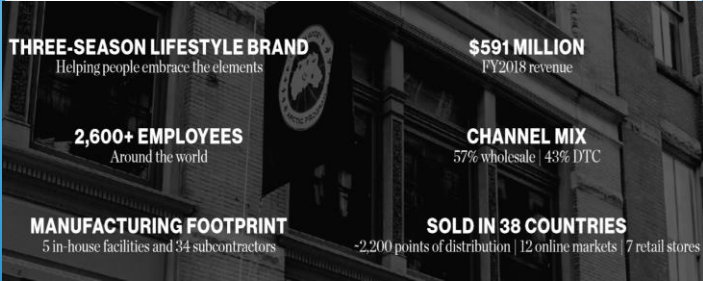
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A/o June 30, 2018



THREE-SEASON LIFESTYLE BRAND
Helping people embrace the elements

\$591 MILLION
FY2018 revenue

2,600+ EMPLOYEES
Around the world


CHANNEL MIX
57% wholesale · 43% DTC

MANUFACTURING FOOTPRINT
5 in-house facilities and 34 subcontractors

SOLD IN 38 COUNTRIES
~2,200 points of distribution | 12 online markets | 7 retail stores

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GOOS Facts

- ▶ Founded in Toronto, Canada in 1957
- ▶ Incorporated in British Columbia in November 2013
- ▶ Bain Capital invested in GOOS in 2013
- ▶ IPO: March 2017 @ C\$17/Subordinate Voting Share
 - NYSE:GOOS; TSX:GOOS.TO
- ▶ Dual-class share structure:
 - Multiple Voting Shares = 10 votes/share
 - Subordinate Voting Shares = 1 vote/share

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GOOS Facts

- ▶ Bain Capital and GOOS President and Chief Executive Officer (including their respective affiliates) together hold approximately 97% of the voting power of GOOS's outstanding voting shares
- ▶ Sector/Industry (M*): Consumer Cyclical – Specialty Retail
- ▶ Foreign Private Issuer
- ▶ Emerging Growth Company
- ▶ Controlled Company

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What is a Foreign Private Issuer?

- ▶ Criteria to be a Foreign Private Issuer:
 - No more than 50% of outstanding voting securities may be held of record by U.S. residents; or
 - If more than 50% of voting securities are held by U.S. residents, and *none* of the following applies:
 - the majority of its executive officers or directors are U.S. citizens or residents;
 - more than 50% of the issuer's assets are located in the U.S.; or
 - the issuer's business is administered principally in the U.S.
- ▶ Determination is made annually, at the end of the company's second fiscal quarter

SEC Reporting by Foreign Private Issuers

- ▶ SEC has adopted special forms for foreign private issuers:
 - Form 20-F = Annual Report (similar to Form 10-K for domestic companies)
 - Form 6-K = Current Report (similar to Form 8-K for domestic companies)
- ▶ Financial Statements: may be presented pursuant to U.S. GAAP, International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), or home country accounting standards with a reconciliation to U.S. GAAP
- ▶ Exempt from SEC's proxy, beneficial ownership reporting and short swing profit trading rules

Emerging Growth Company (JOBS Act)

Emerging Growth Company (Jumpstart Our Business Startups Act) Exemption:

- Auditors not required to attest to internal control over financial reporting
- Shareholder advisory vote on executive compensation not required
- Not required to seek SH approval of golden parachutes
- Reduced executive compensation disclosure in SEC filings
- Can include in an initial public offering registration statement less than five years of selected financial data

Emerging Growth Company (JOBS Act)

GOOS will remain an emerging growth company until the earliest of:

- the last day of its fiscal year during which it has total annual gross revenue of at least US\$1.0 billion;
- the last day of its fiscal year following the fifth anniversary of the completion of its IPO (i.e., in 2022);
- the date on which it has, during the previous three-year period, issued more than US\$1.0 billion in non-convertible debt securities; or
- the date on which it is deemed to be a "large accelerated filer" under the U.S. Securities Exchange Act of 1934 which would occur if the market value of GOOS shares that are held by non-affiliates exceeds US\$700 million as of the last business day of its most recently completed second fiscal quarter


Controlled Company Exemption (NYSE)

GOOS is a “controlled company” because Bain Capital will continue to control a majority of the combined voting power of the outstanding multiple voting shares and subordinate voting shares


Exemptions:

- Majority of Board do not have to be independent directors
- Board nominees do not have to be recommended by independent directors or by nominating committee
- Executive compensation not determined by independent directors or by compensation committee composed of independent directors


Sample Parkas



EXPEDITION PARKA
Relaxed
\$1,095.00



CALLAGHAN PARKA BLACK LABEL
Slim
\$1,295.00

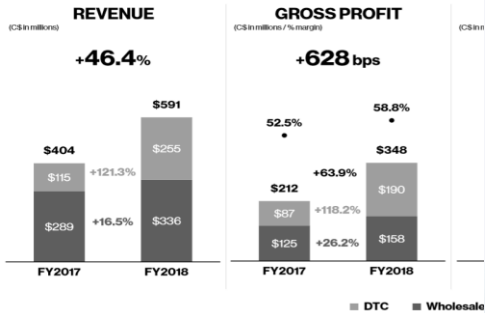


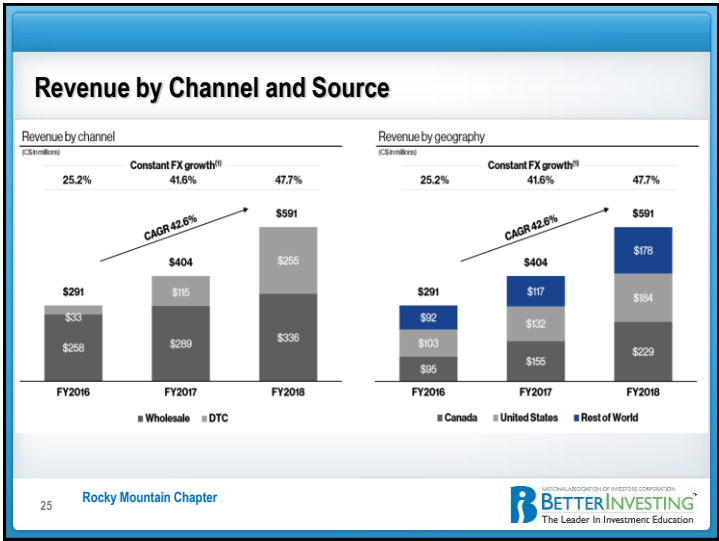
CANADA COAT
Regular
\$1,695.00

Annual and Quarterly Financial Summary
(Source: Morningstar)

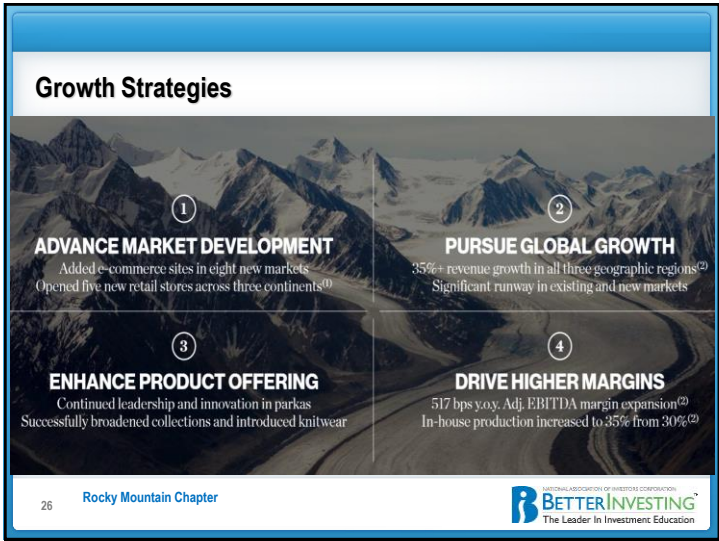
Financials GOOS	More...				
	2018-03	2017-03	Annual 2016-03	Quarterly 2018-09	Quarterly 2017-09
Income Statement					
Revenue	591	404	291	230	172
Operating Income	138	41	41	65	48
Net Income	96	22	26	50	37
Earnings Per Share	0.86	0.21	0.24	0.45	0.33
Diluted Average Shares	112	102	108	112	111

FY2018 and 2017 Revenue and Profit





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Advance Market Development by Enhancing Wholesale Network

1B Enhance Wholesale Network

TIP OF THE SPEAR

for brand awareness and market development

Complementary level of reach and diversity we would never replicate

STRATEGIC FOOTPRINT

with best-in-class luxury and outdoor retailers

Long-term partnerships to deliver the best customer experience and storytelling

CONTINUED GROWTH

in parallel with ongoing DTC rollout

Deeper and broader with existing accounts while selectively adding new doors

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Advance Market Development by Continuing DTC Rollout

1C E-commerce-led DTC Rollout

E-COMMERCE

Broadest assortment of our product offering Available anytime

Canada Aug. 2014	United States Sep. 2015	France Sep. 2016	United Kingdom Sep. 2016
LAUNCHED IN FY2018			
Ireland Jun. 2017	Belgium Jul. 2017	Netherlands Jul. 2017	
Luxembourg Jul. 2017	Sweden Aug. 2017	Germany Sep. 2017	
Austria Sep. 2017		China Jan. 2018	

RETAIL

Gathering place for fans around the world Personalized and immersive experiences

Toronto, Yorkdale Oct. 2016	New York City, SoHo Nov. 2016
OPENED IN FY2018	
Chicago, Magnificent Mile Oct. 2017	London, Regent Street Nov. 2017
Boston, Prudential Center Nov. 2017	Calgary, Chinook Centre Nov. 2017
Tokyo, Sendagaya ⁽¹⁾ Nov. 2017	

\$0 to \$255MM in four years (43.1% of FY2018 sales)

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Growth Strategies – Pursue Global Growth

2 Pursue Global Growth

SUCCESSFUL TRACK RECORD WITH STRONG MOMENTUM

Canada revenue
(Cdn millions)

\$95

\$155

\$229

FY2016

FY2017

FY2018

55.0% CAGR

United States revenue
(Cdn millions)

\$103

\$132

\$184

FY2016

FY2017

FY2018

33.9% CAGR

Rest of World revenue
(Cdn millions)

\$92

\$117

\$178

FY2016

FY2017

FY2018

39.0% CAGR

Continued growth in most developed market with highest brand awareness

Strong DTC performance online and in store, with focus on further channel expansion

Strong performance in Northeast and Midwest across channels, with further penetration upside

Earlier stage opportunities in less developed regions such as the Pacific Northwest

EUROPE

Present in every major Western European market, with e-commerce in 9 countries

Strong traction with lighter weight three-season products

ASIA

Strong performance in Japan and Korea with world-class distributors

Accelerating development in Greater China with regional office and ongoing DTC expansion

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Growth Strategies – Enhance Product Offerings

3 Enhance Product Offering

GIVING PEOPLE NEW WAYS TO EXPERIENCE OUR BRAND

OUTERWEAR

WINTER

Continued innovation and new styles

TEI 5

Extreme
30°C / 86°F & below

TEI 4

Enduring
15°C / 59°F - 25°C / 77°F

TEI 3

Fundamental
10°C / 50°F - 20°C / 68°F

FALL AND SPRING

New styles, uses and climates

TEI 2

Versatile
0°C / 32°F - 15°C / 59°F

TEI 1

Lightweight
5°C / 41°F - 20°C / 68°F

OTHER CATEGORIES

BEYOND OUTERWEAR

Product-led and function-first

ACCESSORIES

KNITWEAR

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Small Talk, Rocky Mountain Chapter, BetterInvesting

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Growth Strategies – Drive Higher Margins

④ Drive Higher Margins

CHANNEL MIX

Continue to expand DTC channel

Greater contribution to operating income vs. wholesale

PRICE OPTIMIZATION

Capture full value of our existing products

Incrementally introduce new styles at higher price points

IN-HOUSE MANUFACTURING

Optimize manufacturing mix and increase efficiency to capture incremental gross margin

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Morningstar – GOOS: Sector: Consumer Cyclical Industry: Apparel Manufacturing

Key Stats GOOS				More...
	Stock	Ind Avg	Relative to Industry	
Price/Earnings TTM	63.2	26.1		
Price/Book	22.5	3.3		
Price/Sales TTM	9.7	1.4		
Rev Growth (3 Yr Avg)	39.4	2.8		
Net Income Growth (3 Yr Avg)	88.1	-27.8		
Operating Margin % TTM	22.5	10.7		
Net Margin % TTM	15.4	5.3		
ROA TTM	17.0	5.5		
ROE TTM	45.1	12.5		
Debt/Equity	0.9	0.7		
			Avg	

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GOOS Competitors

Morningstar:

- Hennes & Mauritz (H&M)
- VF Corp.
- Ralph Lauren Corp. Class A
- Moncler SpA

Online SSG:

- Vince Holding Corp. (VNCE)
- iFabric Corp. (IFA.TO)
- Jerash Holdings (JRSH)

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GOOS Competitors/Peers (BI)

Historical Sales	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	Growth(%)
Canada Goose Holding (GOOS)	---	---	---	---	---	---	218	291	404	591	39.3%
Vince Holding (VNCE)	---	---	587	175	708	288	340	302	268	273	-6.5%
iFabric (CS) (IFA.TO)	---	0	0	0	6	8	13	13	14	19	310.2%
Jerash Holdings (US) (JRSH)	---	---	---	---	---	---	43	53	62	69	17.4%
Peer Group Average	195	218	379	303	452	350	363	318	305	282	3.1%
Industry Average	4,344	4,108	4,574	5,659	6,108	6,800	7,141	7,239	7,236	7,309	7.4%

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SWOT Analysis

Strengths – **Internal** factors that may positively influence company performance

Weaknesses – **Internal** factors that may negatively influence company performance


Opportunities – **External** factors that may positively influence company performance

Threats – **External** factors that may negatively influence company performance



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Strengths

- ▶ Steady growth in sales and profit
- ▶ Strong brand recognition, high level of customer satisfaction
- ▶ Increasing brand awareness in domestic and international markets
- ▶ Natural products instead of synthetic products
 - Fur supply is from native Canadian communities
- ▶ Control over production and down and fur sources
- ▶ Sold in 38 countries

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Weaknesses

- ▶ Business is highly concentrated in a single, discretionary product – premium outerwear
 - Vulnerable to changes in consumer tastes
 - Customers must be willing to pay a premium
- ▶ Limited product availability
 - Inability to fulfill orders during peak times, e.g., Christmas
- ▶ Subordinate Shareholders have limited ability to influence corporate matters due to concentrated voting control in holders of multiple voting shares
- ▶ Bain Capital's interests may not align with those of GOOS or its management

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Weakness in Internal Controls

- ▶ FYE 2017 and 2018 annual audits identified material weaknesses in our internal control over financial reporting.
- ▶ “Material weakness” = a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company’s annual or interim consolidated financial statements will not be prevented or detected on a timely basis

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Weakness in Internal Controls

- ▶ 3 control deficiencies:
 - the occurrence and accuracy of revenue and the existence of the related accounts receivable, and access controls to customer master data;
 - the existence and valuation of inventory, including inventory costing and access controls to inventory master data; and
 - accuracy and completeness of information used in the execution of internal controls primarily related to spreadsheets created from data extracted from GOOS' operating system

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Consequences of Failing to Enhance Control Over Financial Reporting and Remediate Deficiencies

- ▶ May be unable to accurately report financial results
- ▶ Increase operating costs
- ▶ Trigger an “event of default” under the Company’s credit agreement
- ▶ Harm its business:
 - investors’ perception of our business
 - share price
 - ability to finance our operations

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Opportunities

- ▶ New customers from online channel and retail stores (both wholesale and DTC)
- ▶ Global market yet to be penetrated
 - Russia
 - China is a huge potential market – new stores in Beijing and Shanghai
 - But Beijing store opening was delayed until Dec. 29, so missed 2018 holiday season
- ▶ New product lines – spring and fall jackets, raincoats and accessories

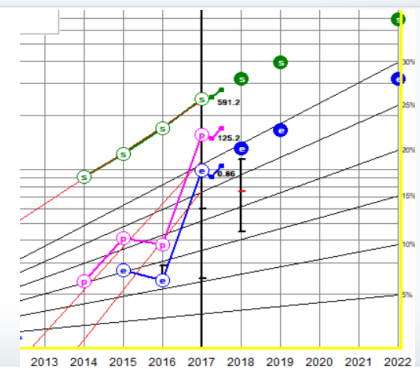
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Threats

- ▶ Increasing competition as business expands into new markets and products
- ▶ As products become more widely available, it could detract from appeal resulting from the scarcity/exclusiveness of brand
- ▶ Slowdown of Chinese market, especially in big-ticket items
- ▶ GOOS relies on a very small number of direct suppliers (many outside of Canada) for its high quality raw materials (cotton, polyester, wool, down and coyote fur) – delays, interruptions or shortages could negatively impact ability to fulfill orders
- ▶ Rising raw materials cost
- ▶ No long term agreements with suppliers (order-by-order basis)
- ▶ Counterfeit products

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SSG: Is GOOS a Quality Company?



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Adding Judgment – Sales (%)

- ▶ 21.0% - Yahoo 2019
- ▶ 28.2% - Zachs 2019
- ▶ 29.0% - Toolkit (5 year)
- ▶ 33.6% - Q217 to Q218
- ▶ 39.3% - 3 Yr Historical

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Adding Judgment – EPS (%)

- ▶ 14.0% - Zacks Industry (3/2020) (Retail – Apparel and Shoes)
- ▶ 28.6% - Yahoo 5-year
- ▶ 31.3% - Nasdaq 5-year
- ▶ 45.5% - Nasdaq 2019
- ▶ 89.3% - 3-year Historical

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Adding Judgment - High P/E (CDN\$)

- ▶ 30.0 - Better Investing High P/E
- ▶ 73.0 - Current P/E
- ▶ 85.1 - Average High P/E
- ▶ 105.0 - 52 week High P/E

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Adding Judgment – Low P/E (CDN\$)

20.0 - Better Investing Low P/E

39.4 - 52 week Low P/E

60.4 - Average Low P/E

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Adding Judgment – Low Price (CDN\$)

\$____ - Forecasted Low Price

\$20.50 - Average Low Price for last 5 years

\$53.15 - 80% of current price

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After this Study, What Are Your Thoughts?

I'm considering adding GOOS to my portfolio

GOOS is too young/speculative

GOOS doesn't fit my portfolio

Will put on my watch list

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Next Small Talk

February 12, 2019

7 PM (MDT)

Register at rmchapter.org

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