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Buy ratings for Canada Goose surge as underwriters begin coverage

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Canada Goose Holdings Inc. received strong praise and a healthy dose of high expectations from the Street on Monday as a bevy of research firms came off restrictions from covering the stock after being involved as underwriters.

Eight equity analysts initiated coverage with a “buy” or equivalent rating. Four gave the Toronto-based retailer a rating of “neutral” or equivalent, according to Bloomberg data.

Two analysts previously covered the stock, which debuted on the TSX on March 16. Evercore ISI analyst Omar Saad handed it a “long” rating on April 4 – the equivalent of a buy rating – while **Veritas Investment Research’s Kathleen Wong** pegged it a “sell” with a Street-low target price of $17.20 on March 27.

The 12-month average price target is now $24.77, Bloomberg data show. The stock closed Monday at $22.43.

The analysts recommending the stock Monday cited their enthusiasm over the company’s lengthy legacy and premium brand in a competitive retail landscape. Their views contrasted sharply with the earlier-issued **Veritas** report, which cited concerns with its high valuation and premium-priced stock relative to peers. “We wonder how successful it will be competing in a crowded global market for winter outerwear,” **Veritas’ Ms. Wong** said.

Here is a sampling of what the Street had to say Monday about the stock:

RBC Dominion Securities’ Brian Tunick (“outperform” rating and $25 target): “Despite its 60-year history, we see Canada Goose as in the early stages of its growth trajectory, particularly in the fragmented and growing premium outerwear market. We see Canada Goose's premium positioning, technical emphasis, strong and authentic heritage, customer loyalty (84 per cent of customers willing to purchase again as per 2016 survey), and seasoned management team as key assets as the brand aims for $1-billion in sales from an estimated $384-million today.”

Credit Suisse’s Christian Buss (“outperform” rating and $26 target): “Canada Goose has been able to combine the strengths of the outdoor industry (long product life cycles, loyal customers) with those of the luxury industry (broad demographic appeal, high price points). This should drive high-teens growth into underpenetrated geographies and mitigate the volatility associated with fashion-oriented product.”

Canaccord Genuity’s Camilo Lyon (“buy” rating and $27 target):“Under leadership from its third-generation CEO, Dani Reiss, GOOS has successfully navigated the evolving retail landscape to create and maintain an appetite for the brand by its consumers that has yet to reach satiation. It is this tight inventory supply discipline that we believe has preserved and will continue to extend the integrity and life cycle of the brand as it evolves from a product company to a lifestyle company. This transition, backed by both elevated sales growth and gross margin expansion, is what we believe will sustain its premium multiple and be the driver of share-price appreciation.”

BMO Nesbitt Burns’ John Morris (“outperform” rating and $28 target): “Canada Goose offers an opportunity for investors to invest in a high-growth retailer at a reasonable price. We estimate the shares should be worth $28 per share looking out a year under our current, and somewhat conservative, assumptions. We believe the company will begin to pull multiple levers to drive results over the next couple years, and this should drive incremental top- and bottom-line growth beyond expectations. Moreover, our future gross margins increases are mostly driven by channel mix shift, which leads to upside from current estimates.”

CIBC World Markets’ Mark Petrie (“outperformer” rating and $27 target): “Though near commonplace on the streets of Canada, the Canada Goose brand is experiencing soaring demand across the rest of the world. We believe the company has several years of material growth ahead of it, supported by: 1) geographic expansion; 2) an increasing shift of sales onto its website and into its own stores; and, 3) the continued broadening of the product assortment.”