RESEARCH REPORT

February 3, 2020

Stock Rating	BUY
Price Target	CAD $66.56
Current Price	CAD $39.64

Bear Case	Price Target	Bull Case
$53.75	$66.56	$72.96

Ticker	GOOS
Market Cap (MM)	$4,755
P/E LTM	34.8x
EV/EBITDA LTM	24.7x

52 Week Performance

Canada Goose Holdings Inc.

A Story of Migration

Canada Goose parkas have been well loved by those in the cold for over six decades. The company was founded in 1957 under the name Metro Sportswear, originally serving as a small-scale supplier to the most demanding winter customers such as the Canadian Rangers and RCMP. Since then, the brand has grown to global prominence, going public in 2017 while committing to keep design and manufacturing in Canada.

GOOS generated a C$144M in profit on C$830M in revenue in 2019 while commanding gross margins of 62%. However, shares have fallen over 50% since the high in November 2018, creating an intriguing opportunity to look at an emerging Canadian icon with a promising future.

Investment Theses

(1) Authentic identity brand with a storied past is underpinned by technical product excellence, creating a formidable barrier to entry. Canada Goose parkas are becoming a worldwide status symbol among luxury consumers.

(2) The company maintains a seemingly long runway, drawing on a channel shift, geographic shift, and category shift to drive margin expansion and top-line growth over the next decade.

The Consumers team believes Canada Goose is one of only a few names in our Canadian universe with a credible upside and defensive moat. The current selloff, driven largely by short-term fears, has created an attractive opportunity to add another holding to our Canadian portfolio. We value GOOS at $66.56, a 68% premium to the current price.

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Table of Contents

Company Overview

Canada Goose Holdings Inc. (TSX: GOOS) is a luxury outwear and apparel manufacturer, with a retail footprint in 12 countries across the globe. The firm designs, manufactures, and sells premium winter coats, going public in 2017 after a period of ownership under Bain Capital.

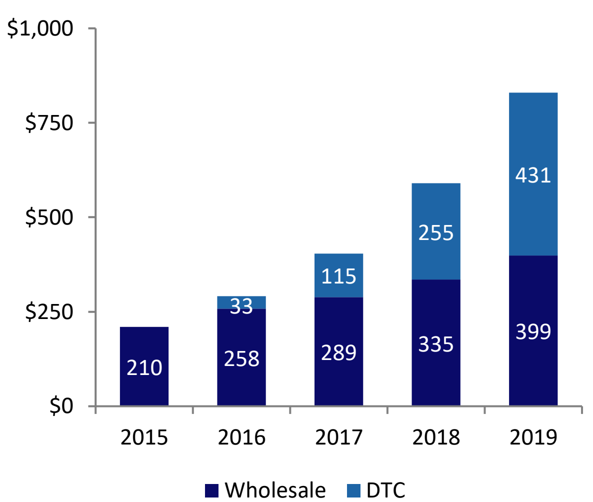
GOOS distributes via traditional wholesale partners and direct-to-consumer channels. The DTC channels, via their own brick-and-mortar stores and an online e-commerce platform, are a relatively recent initiative to improve margins and gain greater control over the brand. Historically, the company has generated most of their revenue through wholesale distribution to stores such as Harry Rosen and Nordstrom. However, the vast majority of recent growth has been derived from strong performance in DTC channels.

In addition, the company has recently implemented a brand-extension strategy to include knitwear, accessories, and lightweight coats alongside the flagship parkas in their brand portfolio. This helps smooth out the seasonal nature of selling parkas by extending the climates in which Goose apparel can be worn.

Canada Goose's reputation for Made-in-Canada quality and the legendary warmth of their product has commanded a price premium while propelling the brand to a global fashion icon. The company employs over 3,500 people in Canada, with factories and textile craftsmanship centers in 3 provinces. Today, GOOS is on a steep upward trajectory - revenue has grown at a 41% CAGR since 2017, reaching $830M in in the last fiscal year while generating a ~60% gross margin. The company derives the majority of revenue from North America, though other international sales already comprise 1/3 of revenue and are quickly growing as the focus shifts from North America to European and Asian markets.

Exhibit I

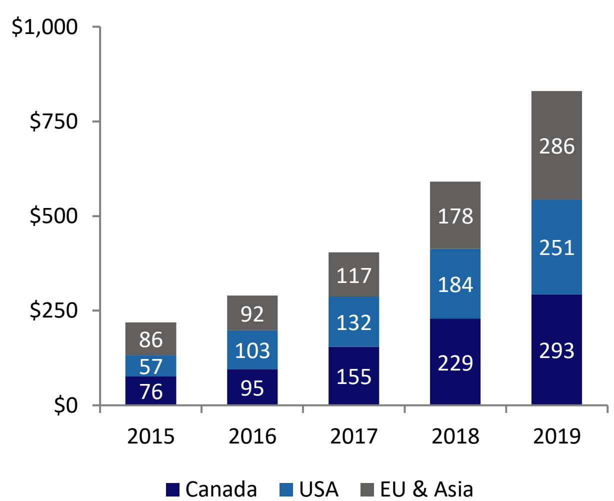
Revenue by Channel (C$M)



Source(s): Company Filings

Exhibit II

Revenue by Geography (C$M)



Source(s): Company Filings

History of the Canada Goose Brand

The firm was founded 1957 under the name Metro Sportswear, where it began supplying down-filled parkas for Canadian Rangers, police departments, environmental scientists, and other outdoor branches of the Canadian government. At the time, the company was a small industrial manufacturer with only a handful of employees, but quickly created a cult-like following for extreme warmth. However, they had yet to reach mass appeal, with most revenue generated by making outerwear under private-label commissions.

In 1985, the company had expanded to 50 employees and was beginning to sell jacket's to consumers (rather than government agencies & other private labels) under their own "Snow Goose" brand. By 1990, the company had expanded internationally to the Scandinavian countries. At that time, future CEO Dani Reiss was working in the international sales department for his father David, who was the current CEO.

During his encounters with European retailers, Dani was struck by the personal attachment the parka owners had to their ultra-warm coats, as well as how the European customers came to associate the parkas with idealized images of Canadian wilderness. He describes how "[people] had an emotional response to the "Made in Canada" story - the experience of owning one of these jackets was like trying on a piece of Canada".

Aiming to capitalize on this authentic brand foundation, Dani persuaded his father to change the consumer brand from Snow Goose to Canada Goose in the early 2000s. Shortly after, Dani took over as CEO while his father focused on manufacturing and operations. This moment was the company's key inflection point to move from a niche specialty product into an iconic national brand.

However, the road to stardom was far from certain. Several years after the name change, Canada Goose was facing an existential threat – orders were drying up as competitors began moving manufacturing overseas to cut costs. Dani's advisors, as well as conventional business strategy, suggested the only way to survive was to follow suit and continue competing on price. However, Dani took the road less travelled by maintaining the Canadian manufacturing base and focusing on the brand's highly-marketable storyline, betting in the process that the company could create a "Made in Canada" luxury brand.

With savvy marketing and a bit of good luck, the still-small company was able to get their parkas on highly-visible aspirational groups without glossy ad campaigns. The Goose coat was worn by movie stars in outdoor shoots, athletes, musicians, arctic expeditioners, and security guards at prestigious big-city nightclubs. This shift, driven by product quality in lieu of placement fees, allowed the brand to gain mainstream recognition and become a coveted status symbol for consumers in cold climates. As a result, since 2015 Canada Goose has begun shifting away from their wholesale strategy to focus on retail by opening their own locations and building out their online e-commerce platform.

Exhibit III

Canada Goose parkas on display in New York

Source(s): Company Filings

The Global Luxury Market & High-End Outerwear

Global Luxury Goods Industry

The luxury goods and services industry is valued at approximately C$1.7T and encompasses a variety of subsectors, including personal goods, consumables, beauty, and experiential luxury. Personal luxury goods, which include durables such as watches, cars, and parkas, is one of the fastest growing segments worldwide. BCG estimated that the personal luxury goods segment has grown at 5% annually, is currently valued at C$485B, and is expected go grow between 3% and 6% annually in the coming decade.

Key growth levers for the personal luxury goods segment are (1) continuing affluence of emerging markets like China, (2) increased appetite for luxury goods among the Millennial & Gen Z population as a means of social capital, (3) digital capabilities driving powerful brand ecosystems, from omnichannel e-commerce to tech-driven retail features like virtual reality, and (4) a secular shift among consumers to prefer technical or experiential luxury over more traditional durable goods such as watches and handbags

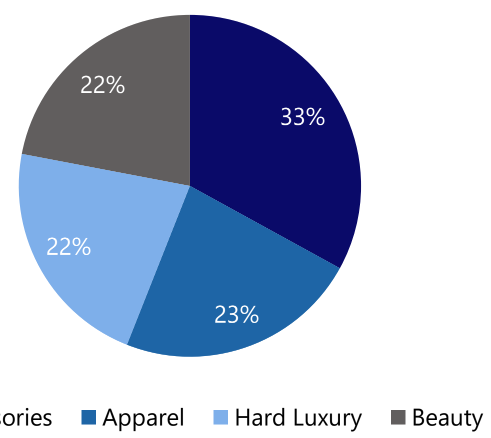
The Outwear Market

The outerwear market is crowded, particularly in the high-end segment. Many established outdoor brands such as the North Face, Patagonia, and Marmot already manufacture high-quality jackets and have a strong, loyal customer base. Furthermore, there exists both global and niche luxury brands such as Moncler and Mackage which compete for customers in the ultra-high end of the outerwear market.

However, Canada Goose is differentiated among the high-end players as a truly functional brand with a credible outdoor heritage. While their most comparable rival, the Italian powerhouse Moncler, commands even higher prices than Canada Goose, Moncler jackets are more fashion oriented compared to the understated, practical, and classically styled Goose parkas. As a result, we believe that they are not direct competitors; Moncler caters to the fashion-forward and trendy, while Canada Goose is positioned toward technically demanding consumers who desire the warmest, most functional coat that money can buy.

Exhibit IV

Global Luxury Market Breakdown (C$M)



Source(s): Boston Consulting Group

Exhibit V

Price Comparison of Leading Outerwear Brands

	Helly Hansen	North Face	Moncler	Canada Goose	Category Mean
Men	$ 300	$ 299	$ 1,795	$ 995	$ 727
Women	$ 300	$ 250	$ 1,805	$ 1,050	$ 725
Average	**$ 300**	**$ 275**	**$ 1,800**	**$ 1,023**	**$ 726**
Delta to Mean	*(59%)*	*(62%)*	*51%*	*41%*	

Source(s): MarketLine Research

Thesis I: Identity Brand Enables a Defensible Moat

Many players in the current consumer landscape are seeing the power of their brands erode as new disruptors come to market, gaining credibility with customers through "grassroots" tactics such as testimonials and product reviews rather than the traditional slow burn of advertising-driven brand development. This is frequently illustrated by the success of private brands on Amazon, where AmazonBasics batteries have outsold and outperformed incumbents like Duracell or Energizer without spending on traditional advertising channels.

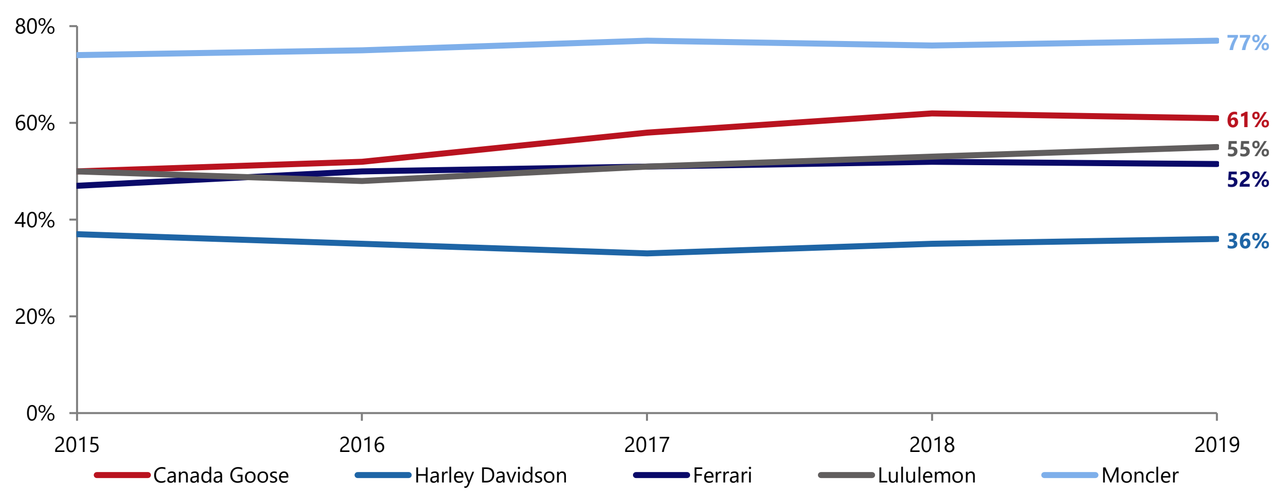
However, firms which are able to develop "identity brands" have been generally insulated from this trend. The ability for a product to signal desirable attributes about an owner to both themselves and to the outside world is much less susceptible to disruptive forces like private-label proliferation or new low-cost entrants. When a brand can transcend product attributes to influence social perception and self-expression, the result is a lasting, powerful competitive advantage. Examples of highly profitable identity brands include Ferrari, Equinox Fitness, Harley Davidson, Lululemon, and Red Bull.

GOOS as an Identity Brand

Canada Goose has created a defensible economic moat by leveraging their ultra-premium parkas into a worldwide status symbol. Like other status symbols such as Rolex or Mercedes-Benz, a Canada Goose jacket signals affluence and prestige while aligning the owner's personal identity with the brand's heritage and positioning. Specifically, GOOS allows owners to connect to the adventurous heritage of the brand while leveraging positive perceptions of Canada as rugged and outdoorsy. For Canadians, this appeal may be patriotic. For others around the globe, the Canada Goose brand draws on the allure of a foreign country that knows winter and has beaten the cold with technical product excellence. The 61% gross margin commanded by Canada Goose is evidence that consumers around the globe are willing to pay a premium for the prestige of the brand.

Exhibit VI

Gross Margin Comparison with Other Identity Brands



Source(s): Company Filings, Fast Company, QUIC Consumer's Team: *The Future of Brands*

Thesis I: Identity Brand Enables a Defensible Moat

The Canada Goose brand generates a sustainable competitive advantage because the heritage of the company cannot be faked, and it is this authenticity combined with the status of a luxury good which unlocks the profit-making power of an identity brand. This position is difficult to compete with – Canada Goose already dominates this position and is actively engaged in deepening the brand with a savvy marketing strategy.

Creating Brand Ambassadors

Canada Goose does not pay for endorsements and sponsorships, however they have developed an immensely credible network of “high-value” product users by offering parkas to influential groups like mountain climbers, arctic trekkers, scientific researchers, and winter filmmakers. This strategy, while still in the early stages, is akin to Red Bull’s alignment with extreme sports, which enabled a relatively simple drink to become a global powerhouse. Similarly, Canada Goose is leveraging the most demanding winter-weather customers to strengthen the credibility of the brand and ensure their allure as a status symbol remains. The breadth of high-status individuals proudly wearing Goose parkas creates a formidable barrier to entry.

Retail Strategy

Canada Goose has translated the power of their brand to a uniquely differentiated retail footprint. The company brings their heritage to life with strong imagery and unique store elements. For example, the “Cold Room”, a -30C in-store icebox, has improved in-store conversion rates as customers are able to experience the quality of the coats first-hand. Not only do Cold Rooms provide an element of memorable novelty, they are highly practical and magnify the elements which make the Canada Goose brand unique. Canada Goose has a clear, defensible market position. Their identity brand will enable continued profitability as they grow their brand awareness and retail footprint in new markets.

Exhibit VII

One of many Canada Goose celebrity ambassadors

Source(s): Company Filings

Exhibit VIII

A Cold Room in the New York flagship store

Source(s): Company Filings

Thesis II: Runway for Growth

Canada Goose is still in the early stages of its growth trajectory, particularly in the fragmented (but growing) premium outerwear market. The company achieved top-line growth at a CAGR of 39% from 2015-2018 and this growth is expected to continue over the next few years as the brand expands its retail network.

The execution of GOOS' growth strategy is likely to be successful given the company's differentiated position in the market, the strong credibility of its products, and the underpenetrated status of the brand in (a) retail, (b) international markets, and (c) offerings outside of heavy-duty outerwear.

Channel Shift: Wholesale to Retail

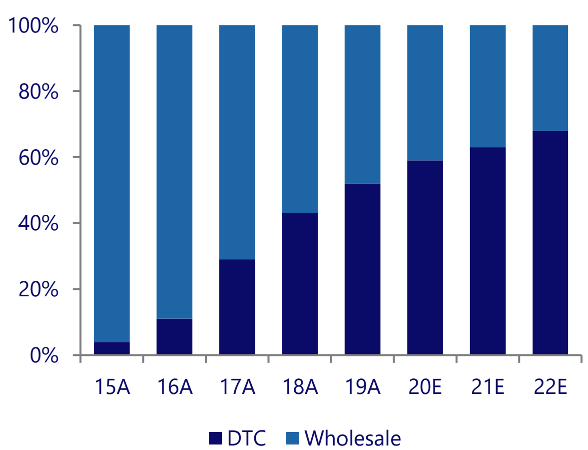
A key component of Canada Goose's growth trajectory is reconfiguring its operations through increasing the control of its production and more importantly, its distribution, shifting from a wholesale-heavy to a direct to consumer (DTC) model. Despite being top of mind for many consumers, Canada Goose remains underpenetrated. Although not a direct peer, the fact that the Italian high-end down jacket brand, Moncler, operates 294 retail stores and Canada Goose only has a footprint of 11 speaks to the runway left for the company's retail expansion.

Canada Goose's adoption of an aggressive retail expansion strategy began in 2016 when the brand opened its first store in Toronto, Ontario. The company plans to have eight new retail stores in operation by the end of the winter selling season of this year. The brand has no plans to open off-price stores or outlets to sell the inventory at markdown prices, which is a reasonable decision to protect brand equity.

Through the combination of an authentic brand, trend-setting global cities, and a unique and experiential buying experience, Canada Goose exemplifies all that is required to become a successful brick-and-mortar operator in the current retail environment.

EXHIBIT IX

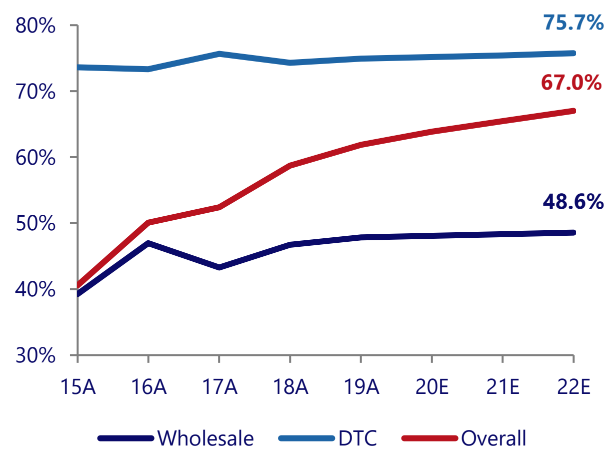
Distribution Channel Mix (% of revenue)



Source(s): Company Filings, HSBC Estimates

EXHIBIT X

Projected Gross Profit Margins (%)



Source(s): Company Filings, HSBC Estimates

Thesis II: Runway for Growth

Based upon the caliber of professionals at the board level (e.g. former Chanel CEO; senior executives at Bain Capital, Four Seasons, Unilever) and in the executive team (e.g. seasoned CFO and Chief Commercial Officer from luxury brands) that the company has brought in, it is believed that Canada Goose has the expertise and capability to run retail appropriately.

This self-managed DTC strategy will not only allow them to achieve greater control over their product and service quality and collect valuable consumer data, but it will also increase profitability through margin expansion.

Regional Shift: International Expansion

North America represents approximately two-thirds of the company's revenue due to the maturity of its distribution infrastructure and the strength of its existing brand awareness and loyalty in this region. In 2019, Canada sales grew by 28% while U.S. sales grew by 36%. Although Canada and the U.S. still have runway left with regards to retail network expansion, regional diversity and expansion beyond North America is a key growth driver for the brand. While the international segment grew at 61% in 2019, the company still has a great runway for growth in the largest luxury markets in the world, particularly China, Japan, South Korea, and Western Europe.

GOOS aims to open about 20 stores worldwide by the end of 2020 and primarily grow in China, and the U.S., while also increasing its presence in Europe and Japan. This gradual approach to expansion is encouraging given the current retail environment.

Chinese consumers, in particular, can be considered the engine of worldwide growth in spending. China's luxury spending will nearly double between now and 2025 (Exhibit IV). A major propellant of this growth is an increase in upper-middle-class households, which continue to purchase in luxury categories even as growth in China's economy has eased. About 70% of China's millennials own their own homes – twice the rate of U.S. millennials – and are willing and financially able to spend on luxury brands. On being asked about preferred brands in outerwear, Canada Goose was favored by 24% of respondents in China.

EXHIBIT XII

Canada Goose Global Penetration

<table>
<tr><th colspan="2" rowspan="2"></th><th rowspan="2">Canada</th><th rowspan="2">United States</th><th colspan="4">Rest of the World</th></tr>
<tr><th>Western Europe</th><th>Greater China</th><th>Japan</th><th>South Korea</th></tr>
<tr><td rowspan="3">Financials (FY19)</td><td>Revenue</td><td>$293M</td><td>$251M</td><td colspan="4">$286M</td></tr>
<tr><td>% Revenue</td><td>35%</td><td>30%</td><td colspan="4">35%</td></tr>
<tr><td>Revenue Growth</td><td>28%</td><td>36%</td><td colspan="4">61%</td></tr>
<tr><td rowspan="3">Distribution</td><td>E-commerce</td><td>✓</td><td>✓</td><td>✓ 9/29 countries</td><td>✓ Mainland China</td><td rowspan="3">Distributor Market</td><td rowspan="3">Distributor Market</td></tr>
<tr><td>Retail Stores</td><td>4</td><td>4</td><td>1</td><td>2</td></tr>
<tr><td>Wholesale</td><td>Mature</td><td>Developing</td><td>Developing</td><td>DTC Centric Market Structure</td></tr>
</table>

Source(s): Company filings

Thesis II: Runway for Growth

Canada Goose has managed to grow sales in Asia at a rapid place, with sales from this region rising by a healthy 84% to $48.9M compared to overall revenue growth of 27.7% in the second quarter of 2020. It is evident that China is a critical market for GOOS and the company has already established demand after the opening of its first flagship store in Beijing in 2018, despite ongoing trade and political tensions brewing between China and Canada in recent years.

While demand in international markets is well established, DTC expansion is central to unlocking the full global potential of the brand.

Category Shift: Enhance Product Offerings

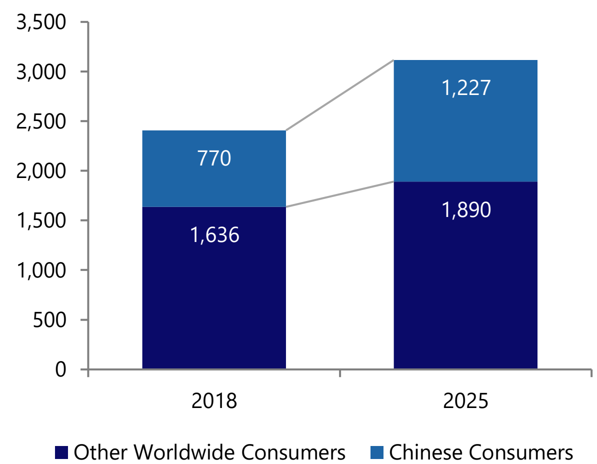
Currently, the brand is widely known for making highly insulated down jackets and parkas. These are worn by scientists at Antarctica's McMurdo Station, racer Lance Mackey and even aided mountaineer Laurie Skreslet become the first Canadian to reach the summit of Mount Everest. As a result of its strong brand appeal and high-profile exposure, sales are expected to increase further as the company diversifies its products outside of simply winter wear.

After great success in outerwear, the brand has begun penetrating the knitwear and accessory category which includes knits, spring wear, scarves, gloves, and hats. Additionally, the company acquired Baffin, a Canadian designer and manufacturer of performance outdoor and industrial footwear, in November of 2018. GOOS plans to operate Baffin on a standalone basis, utilizing its expertise to create its own cold-weather footwear in the future. These expansions are paramount to reducing the dependence of the business on one, very seasonal, category, take advantage of the cross-selling of products, and improve the company's diversification into new climates.

Furthermore, the company manufactures one-third of total production inhouse and is gradually bringing in more capacity to capture incremental gross margins and control the overall production.

EXHIBIT XIII

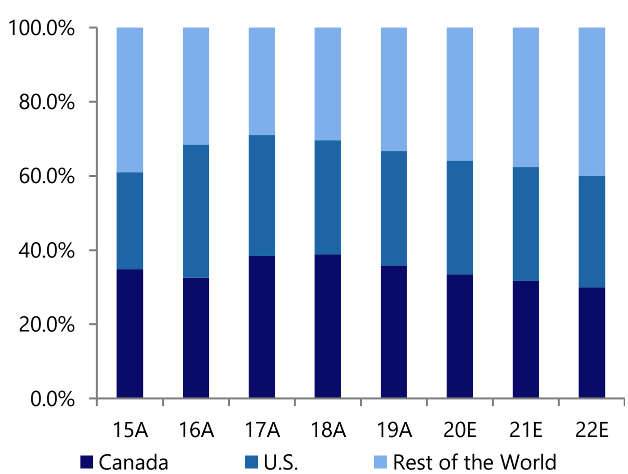
Global Luxury Good Market Evolution (CNY¥B)



Source(s): McKinsey & Company

EXHIBIT XIV

GOOS' Geographical Segmentation of Revenue (%)



Source(s): Company Filings, HSBC Estimates

Commentary on Recent Selloff

Canada Goose has endured a 57% decline since its peak in November 2018. The decline has been driven by a number of factors – some tied to specific instances, and some more general. Over the last year, the company has one of the highest short positions on the TSX, with over 1/4 of the float shorted (C$720M).

Insider Sales
Since the share's peaked in November 2018, insiders have sold 211k shares. The resulting price moves have been a substantial factor in the recent correction.

Q4 '19 Miss on Consensus Revenue
The largest-single day move was driven by GOOS missing the analyst consensus revenue target for Q4. As a result, shares declined 31%. However, analysts have historically padded management estimates based on a history of beats, with this miss reflecting more on inflated expectations than erosion of fundamentals.

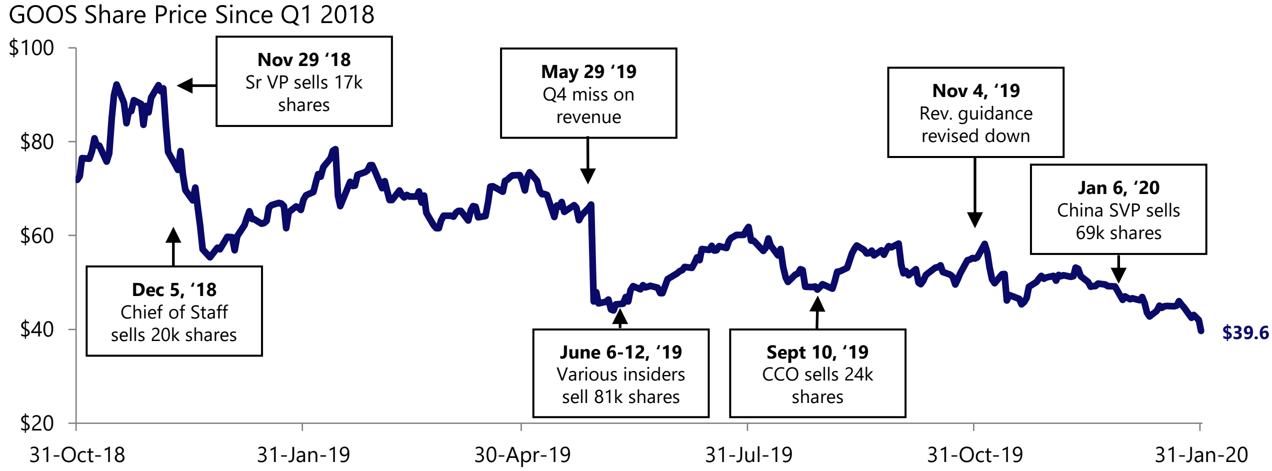
Inventory Buildup
Expanding inventory levels have spooked investors, sparking fears that production is not supported by market demand and may necessitate discounting. However, the seasonal nature of Goose parkas combined with the retail expansion have necessitated strong pre-production and distorted the nature of the buildup – GOOS has experienced shortages in the past as their Canadian production facilities struggled to keep up with the expansion.

Concern around Chinese Demand
Finally, the Canadian detainment of Meng Wanzhou & recent coronavirus outbreak has created fears of a brand boycott and weaker Chinese consumer spending. While short-term in nature, these factors complicate the Asian expansion strategy and raise question marks in a key growth market.

Zooming Out
Shares remain up 74% from IPO in 2017. The fundamentals are strong, with GOOS in early stages of a seemingly long growth runway. The selloff has created a more attractive valuation – EV / EBITDA has moved from 64x (Sept '18) to 25x (present). We believe current pressures are not reflective of the long-term potential in the business, though success in the coming quarters will be critical to restore confidence.

Exhibit XV

GOOS Share Price Since Q1 2018



Source(s): Company Filings, S&P Capital IQ, The Globe and Mail

Risks I

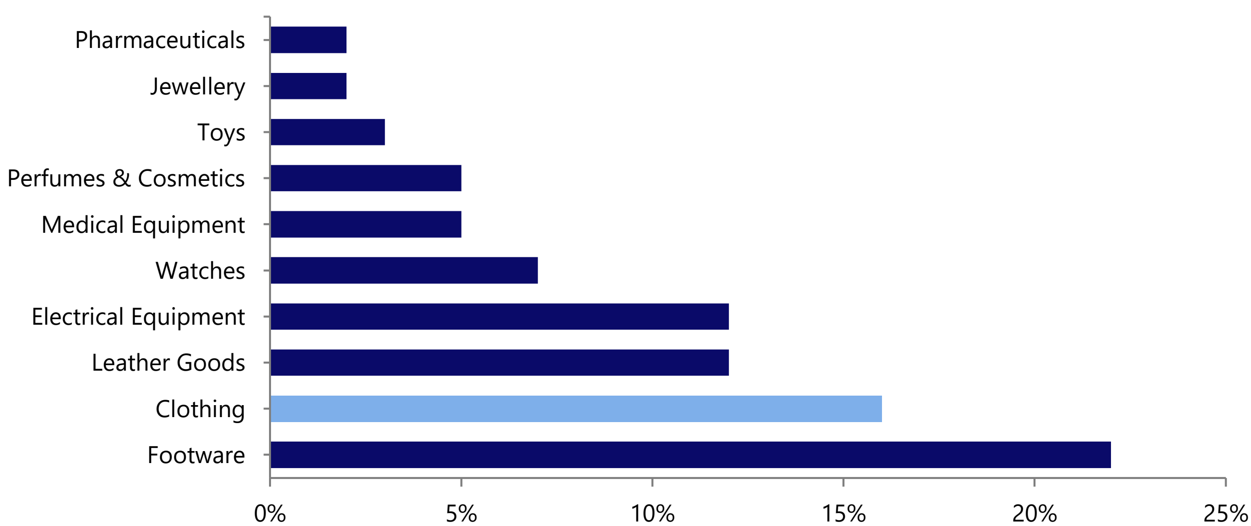
Counterfeiting
The current market value of the counterfeit market is over $12B with counterfeits accounting for 5% to 9% of global trades. Counterfeiting affects all global luxury brands as they lose out on potential sales, but also affects their brand image as people with the counterfeit products are displaying inferior products while portraying a relatively higher accessibility of the brand to the public. The growth of e-commerce has greatly changed the landscape of the counterfeit industry. Today, over 88% of sales of counterfeit goods are transacted online, as its ease of access provides consumers with the option of purchasing counterfeit products from their home as easily as purchasing authentic goods online.

The impact of counterfeit goods on Canada Goose are minimal at the moment as they have little presence online and are shifting to a direct-to-consumer model, rather than a distribution network. This enables Canada Goose to have more control over who is selling their goods and minimizes the possibility of counterfeits. Lastly, Canada Goose manufacturers all of their products in Canada, therefore it is easy for consumers to identify if an item is counterfeit as if it's made in China, the quality would not be up to par.

Product Diversification Risk
The full-length parka is ubiquitous with the brand image of Canada Goose. This ubiquitous brand image is not a negative for Canada Goose, however it could become a headwind for them in the near future as they seek growth in product diversification. Canada Goose is now releasing new designs and products in an attempt to diversify their product offerings and offer more products for more than just the winter season. This is important for the brand, as they need to avoid falling into the ubiquity trap that other luxury brands fell into for lack of product diversity.

Exhibit XVI

Industries Most Affected by Counterfeit Products



Source(s): OECD

Risks II

PETA & Animal Cruelty Concerns
Canada Goose in recent years has been facing increasing criticism from social activists such as PETA for their use of animal furs in their coats. PETA has urged to Canada Goose to create vegan (animal free) alternatives for their coats so alternative options are available to consumers. PETA purchased GOOS' shares to gain the ability to propose a shareholder resolution at their AGM to request a halt on the use of fur and feathers.

Sustainability has become an increasingly important topic for the younger generations, with protecting the environment being chief among them. In turn, this younger demographic is increasingly being more conscious about their purchases and favour brands and products that support sustainability.

In an HSBC survey, 83% of Chinese consumers and 55% of U.S. consumers reported that they had spent more on a product promoted as sustainable. The survey's younger respondents unsurprisingly favored purchasing sustainable products even more, with 89% of Chinese respondents and 61% of U.S. respondents answering they have spent more on a sustainable brand and/or product.

Environmental, social, governance (ESG) investing popularity has grown immensely in recent years. This trend towards investors investing in sustainable brands could foreseeably affect Canada Goose's shareholder base as their negative connotation with animal cruelty could classify them as a non-ESG company. This negative connotation could inevitably erode the brand image, cause a consumer boycott of their products and lead to less institutional investor interest.

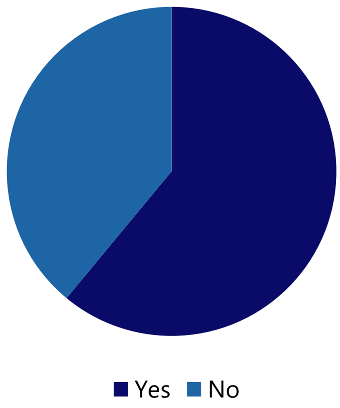
Most large luxury brands (Chanel, Burberry, Versace, Gucci, Jimmy Choo and Michael Kors) have recently announced plans to phase out the use of animal fur in their new clothing collections. Luxury retailers such as Farfetch have also announced that by the end of 2019, they would discontinue selling items containing fur. Several cities in California (including Los Angeles and San Francisco) have banned the sale of fur clothing and accessories. While full length parkas are not popular in California due to their weather, this illustrates that cities are taking the issue of animal welfare seriously and poses a risk going forward as more cities in important geographic locations for Canada Goose could ban the sale of fur items.

While the animal welfare, sustainability and ESG concerns are valid and relevant, we do not believe that this trend is widespread enough to create a negative material impact on the growth of the company in the next several years.

Conclusions
To conclude, while the global counterfeiting market could negate future growth, we believe that the direct-to-consumer model coupled with the Canadian manufacturing mitigates the majority of the counterfeit risks. Canada Goose is also addressing their product diversity issue by introducing products for new seasons which will be a tailwind for their sales.

Exhibit XVII

Respondents Willing to Pay More for Sustainable Products (%)



Source(s): HSBC

Valuation I: Financial Model Output and DCF

QUIC values Canada Goose through a 5 year DCF. The key value drivers are increased DTC and international sales as well as margin improvement.

We expect growth to remain around 20% – consistent with management's forecasts – as the company's international expansion continues. Our forecast period also assumes that the DTC category will continue to outpace wholesale growth, driving EBITDA margin expansion by approximately 180bps, a conservative estimate relative to management's expectations.

Furthermore, we expect additional capital requirements as the company expands their retail footprint over the next few years; however, this should not have a lasting impact on working capital and capex in the long term.

The team has conviction in the assumptions implied by the "Blue Sky" scenario, however the even the less favorable "Grey Sky" model still shows GOOS to be undervalued. We believe market pessimism is a result of an overall disdain for the retail sector and macroeconomic environment, contributing to a high amount of irrational selling.

QUIC values GOOS at $66.56 per share, assuming a discount rate of 9.9% and terminal multiple of 13.7x. Our valuation represents a 68% premium to the current price of $39.64.

C$ Millions, unless otherwise stated		2018	2019	2020E	2021E	2022E	2023E	2024E	2025E	2026E
Operational Summary	Revenue	591	831	1,099	1,349	1,626	1,951	2,341	2,805	3,355
Blue Sky	*Growth Rate*		*40.5%*	32.3%	22.7%	20.5%	20.0%	20.0%	19.8%	19.6%
	Wholesale	336	399	480	530	567	617	663	794	949
	Wholesale Growth		*18.7%*	*20.3%*	*10.4%*	*7.0%*	*8.7%*	*7.5%*	*19.8%*	*19.6%*
	Direct to Consumer	255	431	619	819	1,059	1,335	1,679	2,011	2,405
	DTC Growth		*69.1%*	*43.5%*	*32.3%*	*29.3%*	*26.1%*	*25.8%*	*19.8%*	*19.6%*
	EBITDA Margin	25.3%	26.0%	26.0%	26.3%	26.6%	26.9%	27.1%	27.5%	27.8%
	DTC as % of Revenue	*43.1%*	*51.9%*	56.3%	60.7%	65.1%	68.4%	71.7%	71.7%	71.7%
	Geographical Revenue Segmentation									
	Canada	38.7%	35.3%	33.4%	32.9%	32.3%	30.0%	29.2%	29.2%	29.2%
	U.S.	31.1%	30.2%	30.2%	30.1%	30.1%	30.0%	30.0%	30.0%	30.0%
	Europe & Asia	30.1%	34.4%	36.4%	37.0%	37.6%	40.0%	40.8%	40.8%	40.8%

		2018	2019	2020E	2021E	2022E	2023E	2024E	2025E	2026E
	EBITDA	150	216	286	355	433	525	634	771	933
	Less: D&A	(9)	(18)	(21)	(26)	(31)	(37)	(44)	(53)	(64)
	EBIT	140	198	265	329	402	488	590	718	869
	Interest Expense	13	14	15	17	18	20	21	23	24
	Tax Rate	26.5%	26.5%	26.5%	26.5%	26.5%	26.5%	26.5%	26.5%	26.5%
	Less: Cash Taxes	(41)	(56)	(74)	(92)	(111)	(135)	(162)	(196)	(237)
	Net Income	109	159	212	263	321	390	473	575	696
	Add: Stock Based Compensation	2	4	4	5	7	8	9	11	13
	SBC as % of Rev	0.3%	0.5%	*0.4%*	*0.4%*	*0.4%*	*0.4%*	*0.4%*	*0.4%*	*0.4%*
	Subtract: Working Capital Delta	69	109	145	181	195	213	211	210	201
	WC Delta as % of Rev	*11.6%*	*13.1%*	*13.2%*	*13.4%*	*12.0%*	*10.9%*	*9.0%*	*7.5%*	*6.0%*
	Add: D&A	9	18	21	26	31	37	44	53	64
	D&A % of Rev.	*1.6%*	*2.2%*	*1.9%*	*1.9%*	*1.9%*	*1.9%*	*1.9%*	*1.9%*	*1.9%*
	Gross Cash Flows	52	72	92	113	164	223	316	429	572
	Less: CAPEX	(26)	(30)	(41)	(53)	(62)	(70)	(75)	(56)	(47)
	CAPEX % of Rev.	*4.4%*	*3.6%*	*3.7%*	*3.9%*	*3.8%*	*3.6%*	*3.2%*	*2.0%*	*1.4%*
	Free Cash Flows	**26**	**42**	**51**	**61**	**102**	**152**	**241**	**373**	**525**

Valuation as at Feb 1 2020		
Discount Rate: 9.9%		
	PV of Forcast Period	640
	PV of Terminal Value	7,250
	Enterprise Value	7,890
	Add: Cash + ST, LT Investments	34
	Less: Debt	(569)
	Equity Value	7,355
	FD Shares O/S	111
	Price Per Share	**$ 66.56**

Terminal Multiple Method	
FY2026 EBITDA	933
Terminal Multiple	13.7x
Terminal EV (FY2026)	12,777

Valuation II: Grey Sky Scenario & Summary

C$ Millions, unless otherwise stated		2018	2019	2020E	2021E	2022E	2023E	2024E	2025E	2026E
Operational Summary	Revenue	591	831	1,080	1,348	1,625	1,950	2,330	2,775	3,291
Grey Sky	*Growth Rate*		*40.5%*	30.0%	24.9%	20.5%	20.0%	19.5%	19.1%	18.6%
	Wholesale	336	399	472	530	567	616	659	785	931
	Wholesale Growth		*18.7%*	*18.2%*	*12.3%*	*7.0%*	*8.7%*	*7.0%*	*19.1%*	*18.6%*
	Direct to Consumer	255	431	608	819	1,058	1,334	1,671	1,990	2,360
	DTC Growth		*69.1%*	*40.9%*	*34.7%*	*29.2%*	*26.1%*	*25.3%*	*19.1%*	*18.6%*
	EBITDA Margin	25.3%	26.0%	25.9%	25.7%	25.4%	25.0%	24.5%	24.0%	23.6%
	DTC as % of Revenue	*43.1%*	*51.9%*	56.3%	60.7%	65.1%	68.4%	71.7%	71.7%	71.7%
	Geographical Revenue Segmentation									
	Canada	38.7%	35.3%	33.4%	32.9%	32.3%	30.0%	29.2%	29.2%	29.2%
	U.S.	31.1%	30.2%	30.2%	30.1%	30.1%	30.0%	30.0%	30.0%	30.0%
	Europe & Asia	30.1%	34.4%	36.4%	37.0%	37.6%	40.0%	40.8%	40.8%	40.8%

		2018	2019	2020E	2021E	2022E	2023E	2024E	2025E	2026E
	EBITDA	150	216	280	347	413	487	571	666	777
	Less: D&A	(9)	(18)	(21)	(26)	(31)	(37)	(44)	(53)	(64)
	EBIT	140	198	259	321	382	450	526	613	713
	Interest Expense	13	14	15	17	18	20	21	23	24
	Tax Rate	26.5%	26.5%	26.5%	26.5%	26.5%	26.5%	26.5%	26.5%	26.5%
	Less: Cash Taxes	(41)	(56)	(73)	(90)	(106)	(125)	(145)	(169)	(195)
	Net Income	109	159	207	257	307	363	426	497	581
	Add: Stock Based Compensation	2	4	4	5	6	8	9	11	13
	SBC as % of Rev	0.3%	0.5%	*0.4%*	*0.4%*	*0.4%*	*0.4%*	*0.4%*	*0.4%*	*0.4%*
	Subtract: Working Capital Delta	69	109	143	181	214	234	268	264	263
	WC Delta as % of Rev	*11.6%*	*13.1%*	*13.2%*	*13.4%*	*13.2%*	*12.0%*	*11.5%*	*9.5%*	*8.0%*
	Add: D&A	9	18	21	26	31	37	44	53	63
	D&A % of Rev.	*1.6%*	*2.2%*	*1.9%*	*1.9%*	*1.9%*	*1.9%*	*1.9%*	*1.9%*	*1.9%*
	Gross Cash Flows	52	72	89	107	130	174	211	298	394
	Less: CAPEX	(26)	(30)	(40)	(53)	(62)	(70)	(75)	(56)	(46)
	CAPEX % of Rev.	*4.4%*	*3.6%*	*3.7%*	*3.9%*	*3.8%*	*3.6%*	*3.2%*	*2.0%*	*1.4%*
	Free Cash Flows	**26**	**42**	**49**	**55**	**68**	**103**	**137**	**242**	**348**

Valuation as at Feb 1 2020		
Discount Rate: 9.9%		
	PV of Forcast Period	435
	PV of Terminal Value	6,038
	Enterprise Value	6,474
	Add: Cash + ST, LT Investments	34
	Less: Debt	(569)
	Equity Value	5,939
	FD Shares O/S	111
	Price Per Share	**$ 53.75**

Terminal Multiple Method	
FY2026 EBITDA	777
Terminal Multiple	13.7x
Terminal EV (FY2026)	10,642

Valuation Summary as at Feb 1 2020	***Blue Sky***	***Grey Sky***
Goos Share Price @ 2020/02/01	$39.64	$39.64
DCF Value	**$ 66.56**	**$ 53.75**
Implied Return	68%	36%

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