WESTPEAK RESEARCH ASSOCIATION

Canada Goose Holdings Inc. (TSX: GOOS)

Consumer Discretionary – Luxury Apparel

The Golden Goose

March 10, 2021

Canada Goose Holdings Inc. (GOOS or the "Company") and its subsidiaries design, manufacture, and sell performance luxury apparel for men, women, youth, children, and babies. GOOS operates under its Direct-To-Consumer (DTC), Wholesale and Other segments. As its name suggests, GOOS was founded in Canada by Sam Tick, originally under "Metro Sportswear Ltd." In 1957.

Theses

GOOS's current expansion in China positions them well for the Beijing 2022 Winter Olympics and Chinese infrastructure investments in the winter sports industry. Also, we believe GOOS's promised footwear line will silence current cyclicality concerns.

Drivers

Increasing Brick-and-Mortar (B&M) stores and improving e-commerce infrastructure under its DTC channel are critical for GOOS's long-term growth prospects. Expansion into key markets, such as Greater China and Europe, will shift GOOS away from its even split between domestic and international sales. Increasing product line depth through innovation and co-marketing remain vital to staying relevant and maintaining prestige associated with the brand.

Valuation

Given the current share price of CAD 56.81, we believe that the market has not fully realized the potential to be made by holding GOOS. Using a discounted cash flow analysis weighted at 70% and a comparable companies analysis weighted at 30%, we determined a target share price of CAD 66.75, representing a 12-month return of 17.5%. We initiate a BUY rating on GOOS.

Analyst: Reilly Kagetsu, BCom. '23
contact@westpeakresearch.com

Equity Research	Canada
Price Target	**C$ 66.75**
Rating	Buy
Share Price (March 10 Close)	$ 56.81
Total Return	17.5%

Key Statistics	
52 Week H/L	$58.82/$18.27
Market Capitalization	$6,331.0M
Average Daily Trading Volume	2.0M
Net Debt	$175M
Enterprise Value	$6,506.0M
Net Debt/EBITDA	1.73x
Diluted Shares Outstanding	110.4M
Free Float	99.6%
Dividend Yield	N/A

WestPeak's Forecast

	2019A	2020A	2021E
Revenue	$830.5M	$958.1M	$847.3M
EBITDA	$214.7M	$242.8M	$188.7M
Net Income	$143.6M	$151.7M	$83.4M
EPS	$1.28	$1.36	$0.75
P/E	61.9x	43.5x	91.6x
EV/EBITDA	42.5x	29.5x	34.0 x

1-Year Price Performance (C$)

Business Overview/Fundamentals

Company Overview

GOOS and its subsidiaries design, manufacture, and sell performance luxury apparel for men, women, youth, children, and babies. GOOS sells its products in Canada, the United States (US), Europe, and Asia. While GOOS makes the bulk of its revenues through selling its trademark parka and lightweight down jackets in winter seasons, it also caters to fall and spring seasons through its rainwear, windwear, knitwear, footwear (Baffin Boots & Footwear), and accessory lines. Urban and wildlife explorers, scientists, athletes, film crews, and affluent customers all wear GOOS's products. GOOS operates two customer-facing segments: DTC and Wholesale. GOOS refers to its internal and unaccounted for sales under "Other."

Flagship Yorkdale (Toronto) B&M Store, Canada Goose 2020

Operating Segments

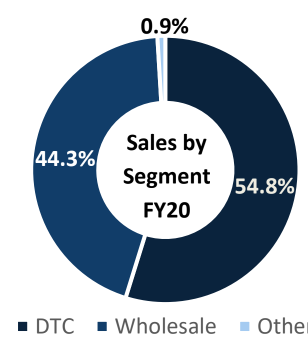
Direct-To-Consumer (DTC)

The DTC segment includes sales through country-specific e-commerce platforms and its company-owned B&M retail stores in luxury shopping locations. GOOS has 51 national e-commerce markets and 29 B&M stores across North America, Europe, and Asia. Its in-store omnichannel elements combine guided digital and physical experiences with inventory-free online shopping and same-day home delivery. GOOS has "Cold Rooms" in select locations. This immersive element allows the customer to try their warmest parkas in temperatures as low as -25°C. GOOS earns a significant portion of its DTC revenue and net income in FQ3 (October-December). Customers tend to purchase their specialty winter goods in retail stores and e-commerce sites during these months. GOOS recognizes that its DTC channel is a key driver for growth, particularly in Greater China and Europe.

Nordstrom Toronto Location, Nordstrom 2020

Wholesale

The Wholesale segment includes sales made to a mix of major luxury department stores, outdoor specialty stores, individual shops, and international distributors. GOOS has 2,100+ Wholesale points in both urban locations and alpine resorts such as Whistler Blackcomb. GOOS partners with 47 independent wholesalers and distributors, including Nordstrom and Harry Rosen. GOOS earns a significant portion of its Wholesale revenues and operating income in FQ2 (July-September). GOOS delivers Wholesale orders in FQ2 ahead of department stores' peak selling season in the winter months. While GOOS seeks to increase its global DTC depth, it plans to extend Wholesale distribution beyond its current DTC footprint and strengthen its existing relationships with merchandisers.



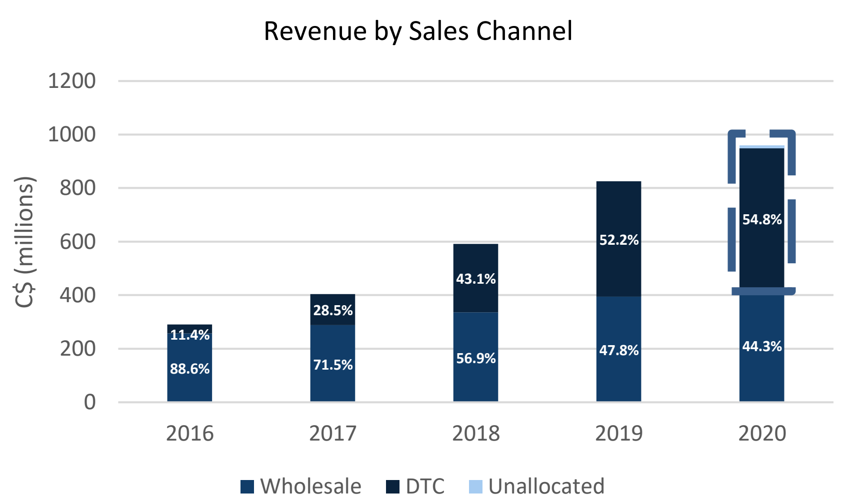
20-F, Canada Goose Holdings Inc. 2020

Drivers / Growth Strategies

		CANADA	UNITED STATES	EUROPE AND ROW	ASIA		
					GREATER CHINA	JAPAN	SOUTH KOREA
Financials	FY20 Revenue	**$293M**	**$279M**	**$186M**	**$200M**		
	% FY20 Revenue	**31%**	**29%**	**19%**	**21%**		
	FY 20 Growth	**-0.10%**	**11%**	**7%**	**78%**		
Distribution	E-Commerce	✓	✓	✓ (10/29) countries	✓ Mainland China (Tmall)	**Distributor Market**	**Distributor Market**
	Retail Stores	**9**	**5**	**4**	**11**		
	Wholesale	**Mature**	**Developing**	**Developing**	**DTC Centric Market Structure**		

FQ2 Investor Presentation, Canada Goose Holdings Inc. 2020

New Retail Locations to Drive DTC



20-F, Canada Goose Holdings Inc. 2020

GOOS has established a coveted brand image in major international markets. However, DTC expansion is the key to unlocking the full global potential of the brand. Currently, GOOS is in the early stage of development in large international markets. As GOOS shifts away from Wholesale to DTC distribution, it needs to build outwards from its existing company store locations. Recently, GOOS's Asia geographic segment overtook Canada in store-count. GOOS has 11 stores in Asia, nine in Canada, five in the US, and four in Europe (& ROW). These B&M locations allow customers to experience GOOS's products hands-on in cold rooms, touchscreen video, and information displays. GOOS's customer-first retail strategy supports its omnichannel elements. As a result, DTC favours more sales than Wholesale.

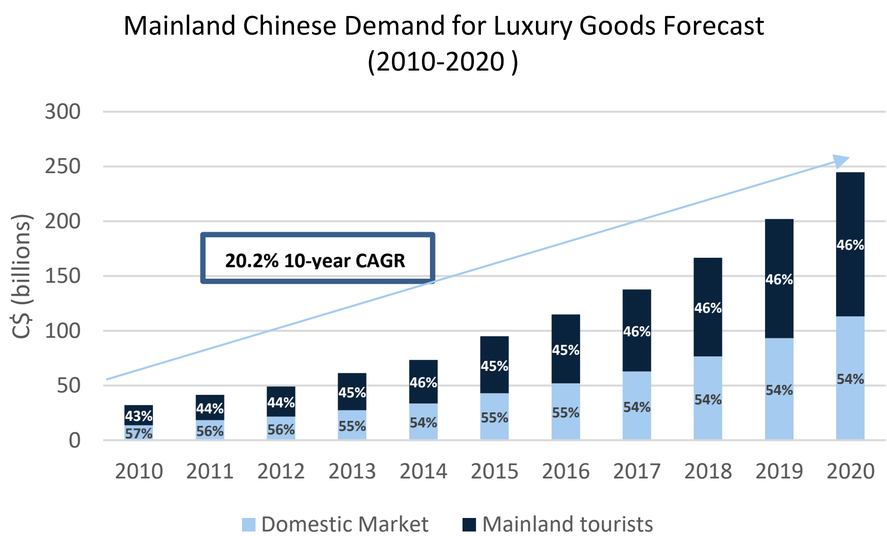
Increased E-commerce Access to Drive DTC

GOOS has national e-commerce markets in Canada, the US, Europe, and China (Tmall). While the COVID-19 era may be coming to an end, we will continue to feel the pandemic's impacts in the years to come. Government-mandated store occupancies below capacity and location hours serve as significant constraints to GOOS's B&M stores. Dissimilar in this regard, e-commerce channels are operational 24/7. As a result, GOOS e-commerce sales grew 33.1% in FQ3 YoY FY-2020-FY2021. Now and in the future, this channel will prove to be among GOOS's key core revenue drivers.

FQ2 Investor Presentation, Canada Goose Holdings Inc. 2020

New Product Lines at Higher Prices

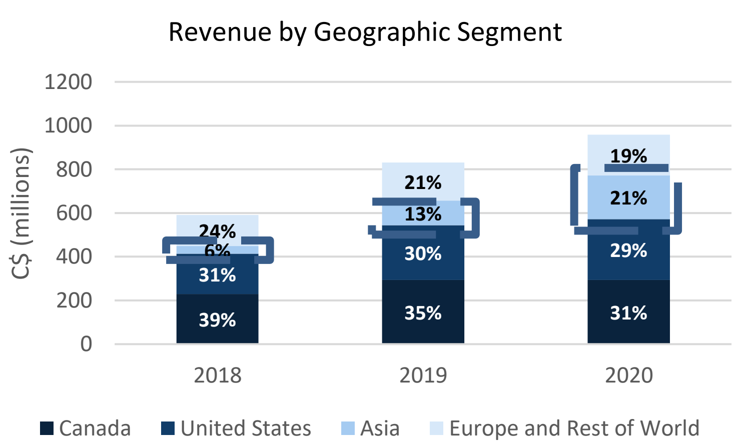
GOOS must stay relevant by innovating new products at new price points to remain competitive in a continually consolidating global luxury goods industry. By developing new products, GOOS is also protecting itself from the competition by increasing its economic moat. GOOS has trademarks in over 60 countries that protect their intellectual property (IP), including the CANADA GOOSE word mark, ARCTIC PROGRAM & DESIGN trademark. GOOS also has IP protection on its fabric, warmth categorization, and style names. Although GOOS runs Baffin Boots & Footwear (Baffin) separately from its core operations, this subsidiary reduces seasonal risk and niche product risk by selling lower margin industrial and all-season footwear.



CLSA Asia-Pacific Markets, China Reality Research 2020

Expansion into Greater China

Pre-COVID-19, Chinese consumers' global luxury consumption was significant at 80%, while American consumers were primarily domestic. We anticipate Chinese consumers will be a meaningful driver for the luxury goods industry. In recent FQ3 earnings, GOOS's Asia segment revenue grew YoY while all other geographic segments' revenues contracted. GOOS is currently expanding its DTC footprint in China (11 B&M locations) to drive company revenue.



Canada Goose Holdings Inc. financial statements 2021

Competitive Advantages

Brand Equity

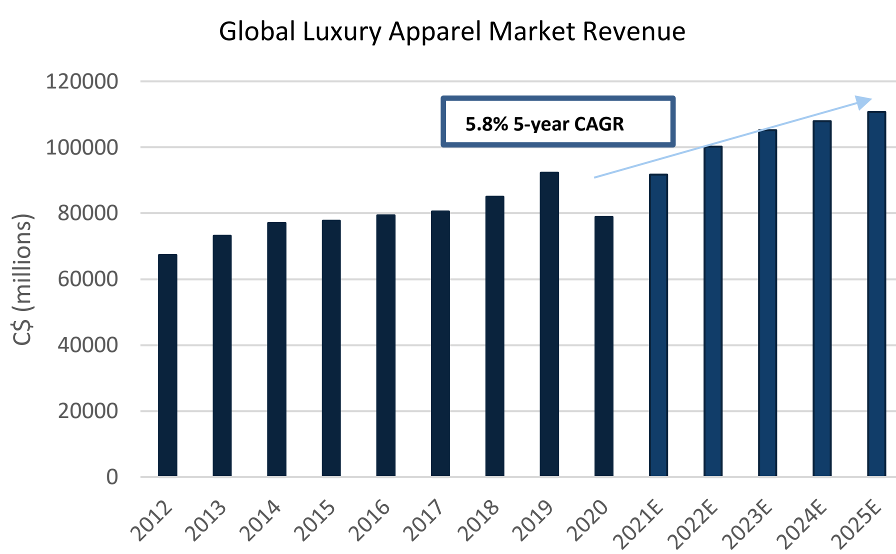
Consumers buy Canada Goose over its competitors (e.g., Moncler, Burberry, Moose Knuckles) for the coveted name and image associated with the brand. Although this feature is hard to place a numerical dollar value to, it is the singular most important reason consumers purchase the product. GOOS's considerable brand equity is why its original tactical-based outerwear transitioned from a tool against the frigid arctic climate to a metropolitan staple. Dani Reiss' decision as CEO in 2000 to start selling GOOS' products under "Canada Goose" effectively put the Company on the map. GOOS is well known in its home turf, with significant brand awareness in Canada at 76%. However, GOOS has a long runway for growth in international markets, with brand awareness in the US at 17%.

High-Quality Down-Filled Jackets as a Result of Years of Experience

GOOS' high quality is the reason that 84% of their customers love their jackets, and more than 82% of them would likely purchase again (*FY18 Investor Presentation*). Customers place a substantial value on GOOS's commitment to manufacturing 100% of its goose down-filled jackets in Canada. In 1970, David Weiss (founder's son-in-law) joined GOOS and was responsible for the first volume-based down filling machine. In the 1980s, GOOS developed the Expedition Parka to meet scientists' needs at Antarctica's McMurdo Station. In 1982, Laurie Skreslet was the first Canadian to summit Mt. Everest, wearing a custom parka designed and manufactured by GOOS. Over the years, GOOS has developed extensive proprietary know-how in down-filled jacket production. GOOS's rich history in protecting its users from the elements proves that its jackets are the gold standard.

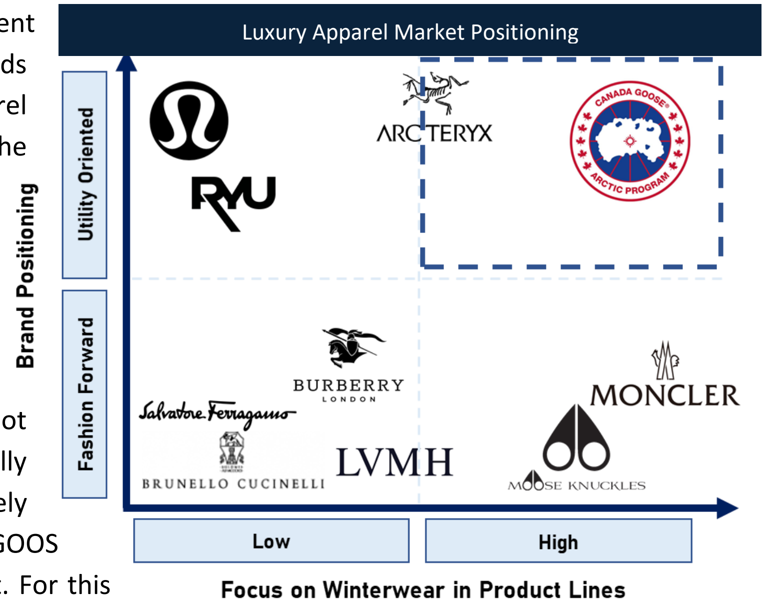
Industry Analysis

GOOS operates in the luxury apparel market. Sales from a handful of firms make up most of the industry's total sales, effectively making it an oligopoly market structure. Products must be marketed to be exclusive or scarce to succeed in this industry—brands relay exclusivity through limited sales volumes and outlets and big price tags. Newcomers looking to enter the luxury apparel market face high barriers to entry. Ultimately, newcomers need to break into the exclusive set of luxury goods; this is not achievable without adoption by high-net-worth individuals and high fashion.



Statista 2020

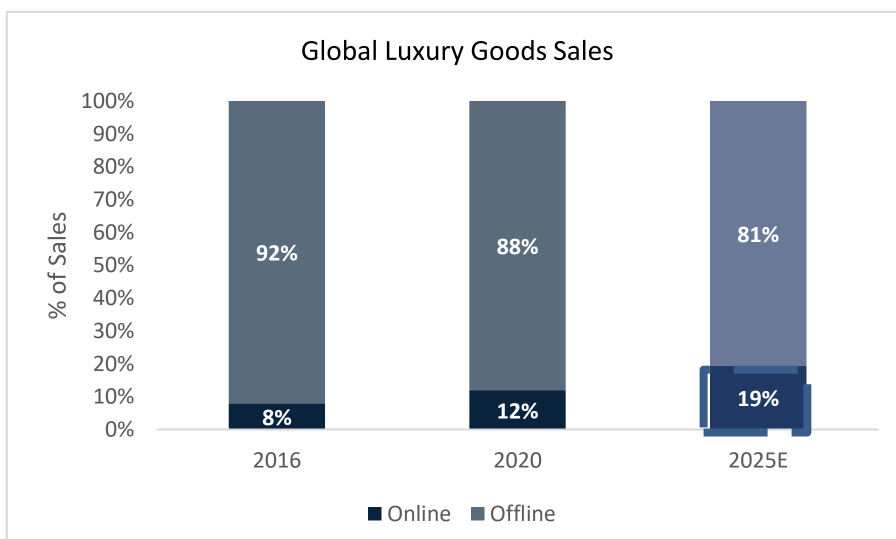
Varying climates and distinct seasons give way to different wardrobe styles, and in following, different consumer needs for the four seasons. Statista forecasts the luxury apparel market to reach C$110.7 billion by 2025 and expects the industry to experience a 5.8% five-year revenue CAGR (2020-2025).



GOOS faces fierce competition from big portfolio luxury brand names such as LVMH Moet Hennessy Louis Vuitton SE (EPA: MC), and Capri Holdings Ltd (NYSE: CPRI). However, solely comparing GOOS to MC and CPRI would not make sense since MC and CPRI pursue growth inorganically through M&A, are mature companies, and are not exclusively focused on winterwear production. On the other hand, GOOS seeks to expand organically and is currently growing fast. For this reason, Moncler (BIT: MONC) is GOOS's closest competitor in terms of growth strategy and outerwear value proposition. Being at roughly 2.9x GOOS's Market Capitalization, 1.7x GOOS's sales, and retailing its products through 122 B&M stores in 66 countries (approximately 5x GOOS's DTC presence), MONC is GOOS's most suitable comparable industry peer. The matrix above plots high-end and luxury apparel brands according to their focus on winterwear and fashion/function. GOOS distinguishes itself from its competitors through being functional and possessing a high emphasis on winterwear product lines.

COVID-19 is currently accelerating pre-pandemic industry trends, including an emphasis on online luxury sales, DTC sales dominating Wholesale, consolidation of product portfolios and among markets, and a localized manufacturing approach to target Chinese consumers.

Industry Trend 1: **Online Luxury Goods Sales are on the Rise**



The State of Fashion, McKinsey 2020

The prolific success of big e-commerce giants such as Amazon and Alibaba have made us question the need for B&M stores altogether; why go somewhere outside of your home to buy something? This sentiment is more relevant today than ever, as consumers are still reluctant to gather in crowded environments, particularly in small stores and shopping mall complexes due to COVID-19. Retailers have been faced with a do-or-die situation; their future success is contingent on their quickness to improve their e-commerce infrastructure and adjust to changing consumer buying habits trending towards e-commerce. Sure, this decision requires no deliberation for cheap item retailers. However, it was not always the case for luxury retailers. Pre-pandemic, high-value transactions were primarily performed in person through B&M locations. After all, if you are spending triple to quintuple figures on a small basket, best be sure they suit your needs perfectly. COVID-19 has tested this paradigm thinking and proved that there is a market for luxury items online. Ultimately, affluent customers do not mind buying big-ticket items online without the personalized customer service in B&M stores.

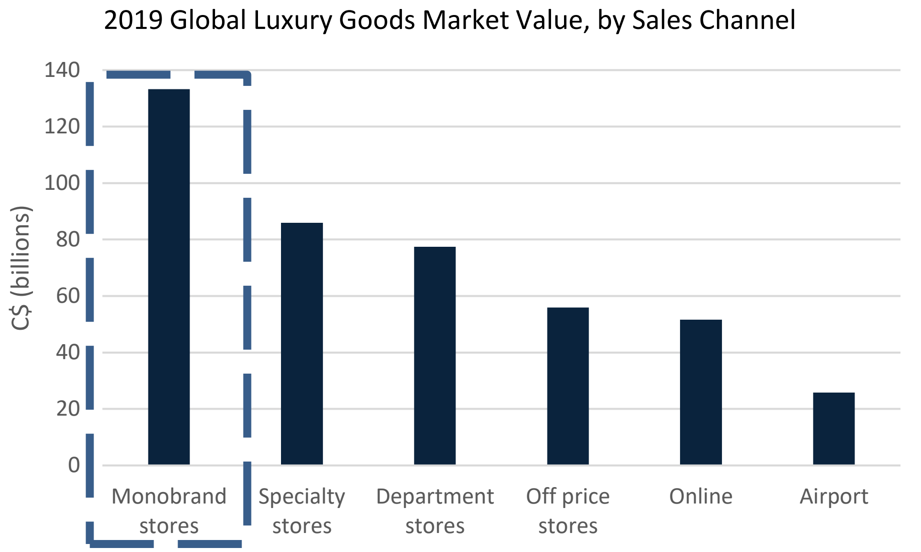
Increasing e-commerce infrastructure investments have driven drastic improvements in data analytics. Nearly 80 percent of consumers hit one or more digital touchpoints (including social media posts, advertisements, and promotional videos) in their luxury-shopping journeys. Ultimately, the winning luxury business model will create a seamless system that ties together self-aware machines in factories, smart logistics, customer data, and design (McKinsey, 2020). The luxury ecosystem's connections make it possible to respond rapidly to shifts in demand and customer needs, reduce costs, and quickly turn customer data into new products and business models. These features drive growth while preserving luxury products' DNA craftsmanship, unique design, and personalization. Online sales of luxury goods account for eight percent of the C$ 477.36 billion global luxury goods market, up 85% from 2016. McKinsey expects online luxury sales to double by 2025, reaching 24% of global luxury goods sales.

The State of Fashion, McKinsey 2020

Industry Trend 2**: DTC Dominates Wholesale Channel**

Since 2010, DTC revenue growth has outpaced Wholesale revenue growth. This trend is because consumers are attracted to specialty shopping experiences, and traffic is reduced in mono-brand B&M stores, favouring higher conversions and larger basket sizes. In an increasingly concentrated market, luxury goods brands seek to promote the prestige, value, and sentiment that is synonymous with their brand name in hopes of attracting new and retaining old customers. With more access to consumers' buying habits online via e-commerce websites, luxury goods brands must rethink store formats and leverage data and analytics to manage assortments better and build personalized offerings. Consumers are no longer just purchasing a product. More so, they are purchasing the experiences and emotions the brand can offer them.

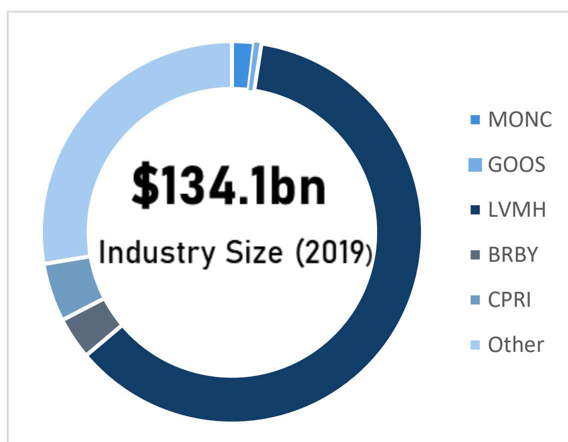
The possibilities of leveraging improving technology in new and exciting store formats are limited in Wholesale channels. In these environments, brands only get limited space to display their product and are stocked next to each other, leading to increased price competition. Not to mention, Wholesale lags DTC turnaround time and involves arduous operations planning. Ultimately, Wholesale is more prone to channel conflict than DTC. Time is money, and the businesses saving money are cutting out the list of intermediaries in a conventional Wholesale distribution process. DTC segments allow retailers to grow their owned footprints in a more meaningful way, especially for retailers under-stored in key luxury markets, such as GOOS. In 2019, Mono-brand stores outpaced luxury goods sales, at 1.55X sales of specialty stores, the closest channel by sales.



Statista 2020

Industry Trend 3: **Consolidation of Product Portfolios and Among Markets**

As COVID-19 has had a devastating impact on businesses and jobs and led the luxury goods industry to post record-low profits, companies are finding the need to reshape their business opportunities and double down on their outperforming categories, value segments, and markets. In the process of reshaping, luxury goods companies are reducing product line complexity and reducing inventory levels by adopting a demand-focused approach for both new products and trademark product lines. Amidst the fallout of 2020, we see luxury good brands increasing their amount of opportunistic investments as they maneuver to take market share, grow their capabilities, and deepen partnerships that exceed those initiated on a transaction basis. For instance, on January 7, 2021, MC acquired Tiffany & Co., the global luxury jeweller, for USD 15.8 billion. This deal puts pressure on other M&A-growth-focused luxury goods brands to make a move in response. However, this need to respond is irrelevant for GOOS. Since GOOS is fixated on DTC China and product line expansion organic growth strategies, we do not expect them to make any M&A moves soon.



Luxury Goods Industry, Bloomberg 2021

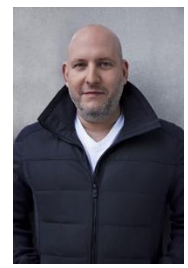
Industry Trend 4: **Localized Manufacturing Approach to Target Chinese Consumers**

Consulting firms such as Bain & Co. anticipate Chinese consumers to represent a meaningful industry driver as luxury spending recovers. As a result, we see brands and retailers taking a more localized approach to serve key customers and markets in Greater China. A potential localized approach is relevant for GOOS, as management has previously stated that demand for its product is approximately split between domestic and international. While GOOS has promised to produce 100% of its down-filled jackets in Canada, it has expanded its knitwear manufacturing facilities to Italy and Romania in recent years. In the future, GOOS may choose to localize its Asian-inspired materials and product designs in China.

Management Team

The principal shareholders of GOOS are investment funds advised by Bain Capital LP and its affiliates (“Bain Capital”) and DTR LLC (“DTR”), an entity indirectly controlled by GOOS’s President and Chief Executive Officer (CEO). The principal shareholders hold a combined 89.6% of the total outstanding voting shares. GOOS awards each Named Executive Officer (NEO), other than the President & CEO, based on their target bonus, individual performance, and GOOS’s performance measured in EBIT, prioritizing GOOS’s focus on sustained profitability and growth. GOOS believes that equity-based awards allow it to reward executive officers for their continued contributions and provide management with a strong alignment with long-term corporate performance. We believe this shows that management’s interests align with shareholders’ interests.

Dani Reiss, President and CEO


Dani Reiss

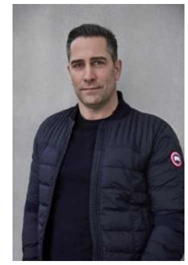
As President and CEO, Dani Reiss has transformed the small outerwear manufacturer founded by his grandfather into a global luxury brand. He took over in 2000 when GOOS was still privately labelled, operating a single manufacturing facility, and heavily reliant on large orders. Over two decades, he transformed the business into a consumer-facing brand, developing international markets, building a world-class team of senior business leaders, and played a role in GOOS’s’ current nine-figure revenues. Dani was appointed to the Order of Canada in 2016, was named Canada’s Entrepreneur of the year in 2011 by Ernst & Young and was a recipient of Canada’s Top 40 under 40 award in 2008. He currently serves as a chairman of the Board for Polar Bears International and on the Board of Directors of Casper and Mount Sinai Hospital Foundation. In FY2020, Dani Reiss earned C$4,909,847. Of his compensation, he earned C$1,182,692 in salary, C$3,690,000 in option awards, and C$37,155 in other compensation. In August 2020, a ballot was conducted concerning the election of GOOS’s directors. Since last year’s director election, Dani’s approval rating improved 126 basis points from 97.27% to 98.53%. This most recent vote clearly shows voters’ satisfaction with his and management’s performance.

Jonathan Sinclair, Executive VP, CFO


Jonathan Sinclair

Jonathan Sinclair brings more than 20 years of global financial and operational experience in extensive luxury, fashion, and DTC background in his role before joining GOOS. He most recently served as the Chief Financial Officer and Executive Vice President of Business Operations at Jimmy Choo. He facilitated its initial public offering and strategic review process, which ultimately led to its sale to Michael Kors Holdings Limited. Jonathan has also served as Chief Operating Officer at Jimmy Choo and Vertu. He held several financial leadership roles at Pentland brands plc and The Boots Company PLC. He received a Bachelor of Arts in Business administration and French at the Loughborough University of Technology. In FY2020, Jonathan Sinclair earned C$1,743,432. Of his compensation, he earned C$779,000 in salary, C$616,708 in option awards, and C$347,724 in other compensation.

Pat Sherlock, President, Canada Goose International AG


Pat Sherlock

Pat Sherlock joined GOOS in November 2012 as the Director of Canadian Sales and was named Senior Director of Sales in May 2014, Vice President of Sales Canada in May 2015, Senior Vice President of Global Wholesale in April 2016, and President of Canada Goose International AG in April 2018. He currently oversees all operations in Europe, the Middle East, Asia, and South America. Before joining GOOS, Pat served as the National Sales Manager of New Balance Canada Inc. from January 2008 to November 2012 and Managing Director for Lothar Heinrich Agencies Ltd. from December 2006 to January 2008. He spent ten years at InBev, from 1997 to 2007, most recently as National Field Sales Manager. Pat received a Bachelor of Business Administration and Management from the University of Winnipeg. In FY2020, Pat Sherlock earned C$1,101,038. Of his compensation, he earned C$432,025 in salary, C$343,519 In option awards, and C$325,494 in other compensation.

Investment Theses

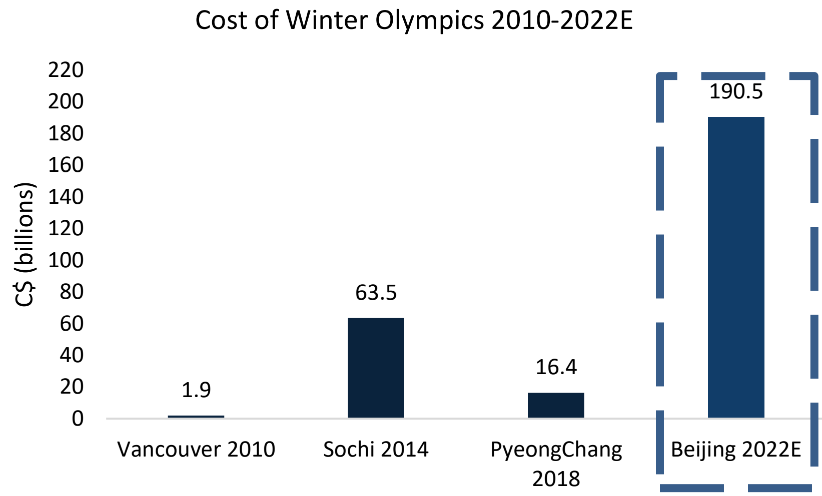
Market View

The market views GOOS as a top consumer-discretionary growth stock positioned well for winter seasons and expansion in Greater China. Facing significant headwinds from COVID-19 and restrictions on B&M capacity and operating hours (and indefinite store closures), GOOS is valued just over half of its historic high (88.99 CAD). A predominant buy rating on Seeking Alpha indicates that retail investors are bullish towards GOOS. However, bulge bracket, Goldman Sachs was among the more notable parties to downgrade its position to sell in early December. Successful DTC operations in China drove FQ3 earnings to beat estimates. As a result, the stock shot up 21% on earnings day. However, investors remain pessimistic towards GOOS's long-term growth prospects. The market is unsure about GOOS's success because of its decision to rapidly shift from Wholesale to DTC and expand in new geographical markets during COVID-19. Also, GOOS faces pressure from animal rights activists about the parka's excessive coyote fur-lined hoods.

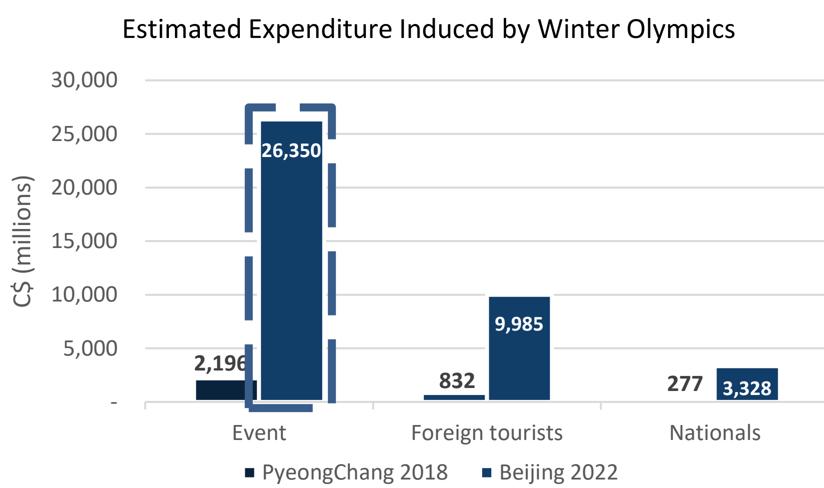
Investment Thesis 1: GOOS's Expansion in China Positions Them Well for Beijing 2022

The market's observations are surface level when it comes to China. The market concludes that it is reasonable to expand in China because it is a growing market. They also believe that the vast 2/3 of Chinese consumers that would buy luxury goods internationally pre-COVID-19 are limited by essential-travel restrictions across the world. While we do not deny this fact, we believe GOOS's expansion in China positions them well for an additional reason. GOOS is positioned well for the Beijing 2022 Winter Olympics.

According to the Globe and Mail, Chinese Central Planners want to build winter sports into a C$190.5 billion industry by 2022, the year Beijing plays host to the Winter Olympics. For reference, Russia spent C$63.5 billion on the Sochi 2014 Winter Olympics, and South Korea spent C$16.4 billion on the PyeongChang 2018 Winter Olympics. At a budget three times that of Sochi 2014 Winter Olympics, the largest Winter Olympics expenditure in history, this is an opportunity for winter luxury goods brands to target the influx of individuals headed to China's new winter resorts and facilities. While previous Winter Olympics hosts, such as Russia, have suffered from Olympic budget deficits, what makes China different is the country's leadership in treating winter sports following Beijing 2022. China's leadership has mandated that snow and ice become national playgrounds for players, profiteers, and political grandstanders. Following the Olympics, the government will continue to strengthen the nation's winter sports training facilities and winter sports resorts to make the country a future powerhouse in the Winter Olympics to come. Enormous spending on the Chinese winter sports industry is a very favourable tailwind for GOOS.



Statista 2021 & Government of BC 2011



Statista 2021

In PyeongChang 2018, the events alone induced C$2.2 billion in South Korean goods (this estimate accounts for the live purchases and those in the ten years to come). At 12X the investment of PyeongChang 2018, we can expect the events to generate at least C$26.4 billion during the Beijing 2022 Winter Olympics and in the ten years following.

We believe GOOS is well-positioned to establish itself as a household name on the slopes and in Nordic sporting events. GOOS's trademark parka is a coveted winter accessory. Chinese luxury consumers love the product for its fine craftsmanship and Canadian heritage. GOOS can also serve athletes via its Hybridge Lite product line (thin, fitted, and breathable, down-filled jacket), designed for elite performance in marginal conditions.

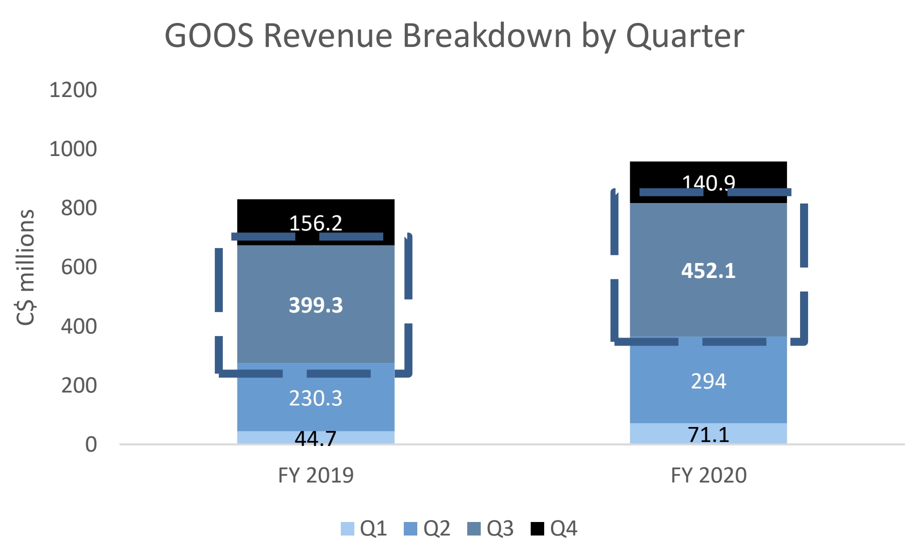
GOOS's two largest luxury winterwear competitors are Moncler and Moose Knuckles. Fashion publishers such as Harper's Bazaar and YouTube blogs demonstrate that Moncler and Canada Goose's key difference is their intended use. Moncler has a fashion-first appeal, prioritizing its glossy finish over its heat-insulating capabilities. Dissimilar to Moncler in this regard, GOOS's products are intended to be used for everyday wear and are extremely durable.

On the other hand, Moose Knuckles is a very provocative western brand, partnering with the adult film industry in their most recent advertising campaign. This stunt would not sit well with Chinese consumers. Moose Knuckles' values are the antithesis to righteousness, one of the utmost important Chinese traditional cultural values. As a result, we believe GOOS is far better positioned than Moncler or Moose Knuckles to suit Chinese consumers' needs during the Winter Olympics as it continues to expand its DTC footprint in China.

GOOS's expansion in China is the next crucial step to growing its brand internationally. We believe that the Beijing 2022 Winter Olympics is an opportunity for GOOS to accelerate adoption in China. Ultimately, we see China as a long-term opportunity to reach the luxury good's next largest consumer group and improve brand awareness. However, China is not the final destination for GOOS. GOOS will continue to expand its brand footprint in the world's fashion capitals such as Milan, Paris, London, and New York to further prove to luxury consumers why it should be in the exclusive set of high fashion brands.

Investment Thesis 2: GOOS's Promised Footwear Line Will Silence Current Cyclicality Concerns

On September 23, 2020, GOOS received a good speculative grade liquidity rating (SGL-1) by Moody's Investor Service (Moody's). However, they also received a less favourable B1 corporate family rating (CFR), B1-PD probability of default rating, and a B2 rating to its proposed $300 million senior secured first-lien term loan B due in 2027. According to Moody's, GOOS's "seasonal business with small scale" constrains their B1 CFR rating.



Canada Goose Holdings Inc. filings, Sedar 2021

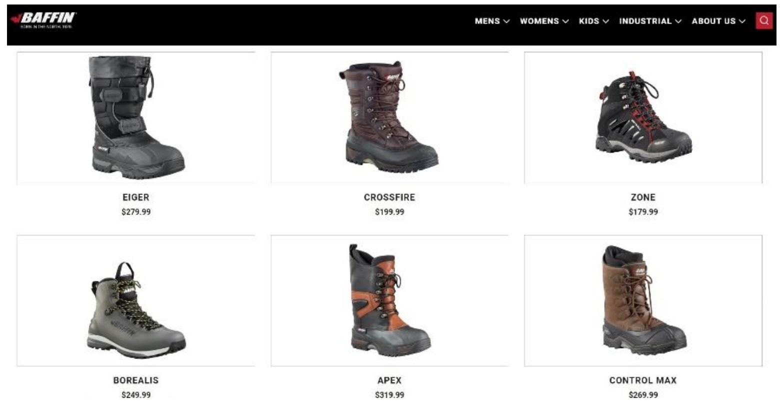
GOOS's niche function-first and winter outerwear value proposition come at the cost of business cyclicality risk. As a result, the bulk of GOOS's sales occur in FQ3, running from October to the end of December. GOOS's recent expansion into knitwear, rainwear, and additional accessories shows its initiative to combat creditors' and investors' concerns about its cyclical risk. In addition to developing its trademark products, GOOS has collaborated with other high-fashion and popular culture lifestyle brands to develop one-off product lines. On March 2, 2021, GOOS announced that it entered a multi-year partnership with the NBA, now being the official outerwear provider for the NBA All-star games.


GOOS x NBA product line, Canada Goose Website 2021

To date, GOOS has shown promise in reducing the inherent cyclicality risk associated with its business. However, we believe there is another compelling reason to invest in the stock before the public is well aware of GOOS's next product line expansion.

In their FQ2 earnings call on November 5, 2020, GOOS re-confirmed listeners about releasing their outdoor footwear line in fall/winter 2021.

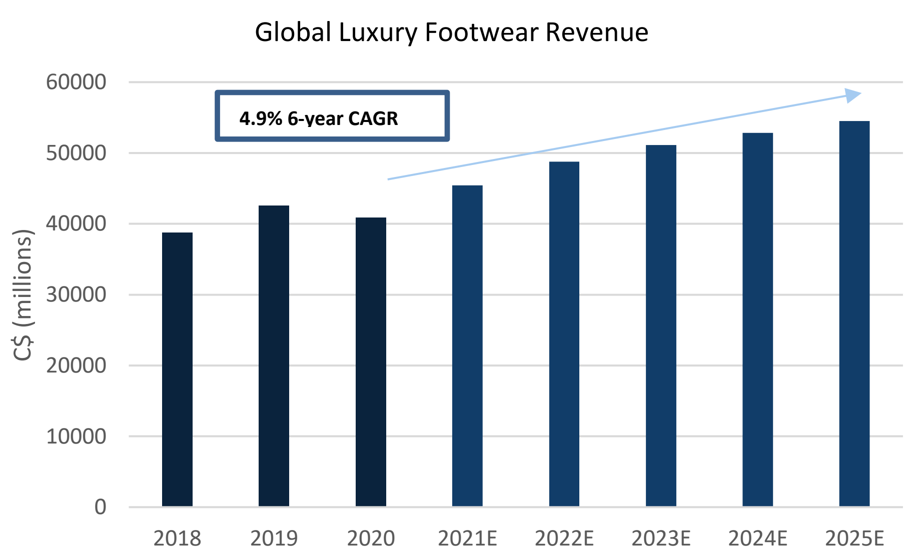
In 2018 GOOS acquired Baffin, a Canadian boot and footwear manufacturer, for C$32.5 million in cash and stock. As a result, GOOS can leverage Baffin's experience in making quality winter, industrial, hiking, hunting, and fishing boots. Baffin's ICE BITE and POLAR PROVEN patented technologies fitted for use in the North-South Poles are likely to appear in GOOS's footwear launch later this year.



Selection of Baffin shoes, Baffin 2020

Baffin currently mitigates GOOS's niche value proposition risk as it has lower entry product prices and season-round footwear offerings. Alone, GOOS's shoulder season offerings and Baffin will not eradicate its cyclical risk. GOOS's expansion into luxury footwear will aid in relieving these cyclical concerns.

The luxury footwear industry consists of leather footwear, athletic footwear, sneakers, textile footwear, sandals, and other shoes. GOOS's planned footwear product line expansion will compete against MONC's established winter footwear mix and LVMH's all-season footwear mix. GOOS will be able to disrupt the market through its functional-first and fashion-second methodology. MONC and LVMH prioritize the latter above functionality. As a result, GOOS will be able to tap into the industry's 4.9% six-year revenue CAGR.



Statista 2021

We believe the market has not fully realized the value of GOOS initiatives to mitigate its business cyclicality concerns. As a result of GOOS's planned expansion into luxury footwear, continued development of shoulder-season product lines and strategic partnerships, we believe GOOS will generate more stable cash flows and increase creditors' and investors' confidence in their business.

Shareholder Base, Liquidity, Market Depth

Shareholder Base

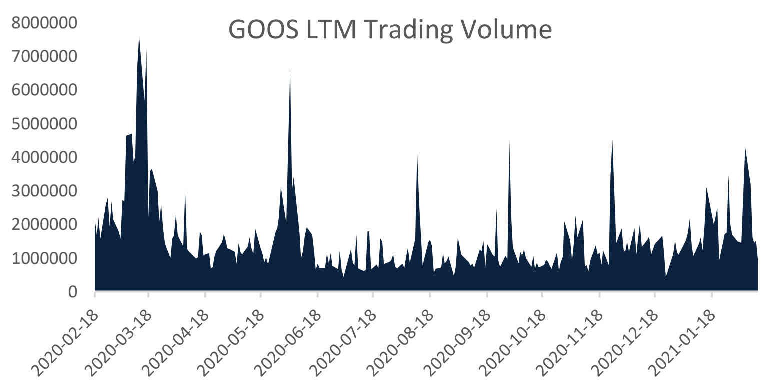
Public Ownership Summary			
Type	**Common Stock Equivalent Held**	**% of Total Shares Outstanding**	**Market Value (CAD in mm)**
Institutions	58,351,187	52.92	2,208.0
Individuals/Insiders	20,217,741	18.33	765.0
VC/PE Firms (>5% stake)	30,873,742	28.00	1,168.3
Public and Other	829,376	0.75	31.4
Total	110,272,046	100.00	4,172.7

S&P CAPIQ 2020

Institutions predominantly hold GOOS's shareholder base (52.92%), followed by Venture Capital and Private Equity firms (28%) and Insiders (18.33%). Bain Capital, LP holds the largest GOOS position, holding 30,873,742 or 28% of Common Shares Outstanding (CSO). Morgan Stanley is the largest institutional investor in GOOS, possessing 8.39% of the total CSO. Dani Reiss, Chairman, President & CEO, boasts the largest insider holding position at 18.255% of the total CSO. GOOS remains immune to potential hostile takeovers as principal shareholders hold a combined 89.6% of the total outstanding voting shares.

Liquidity

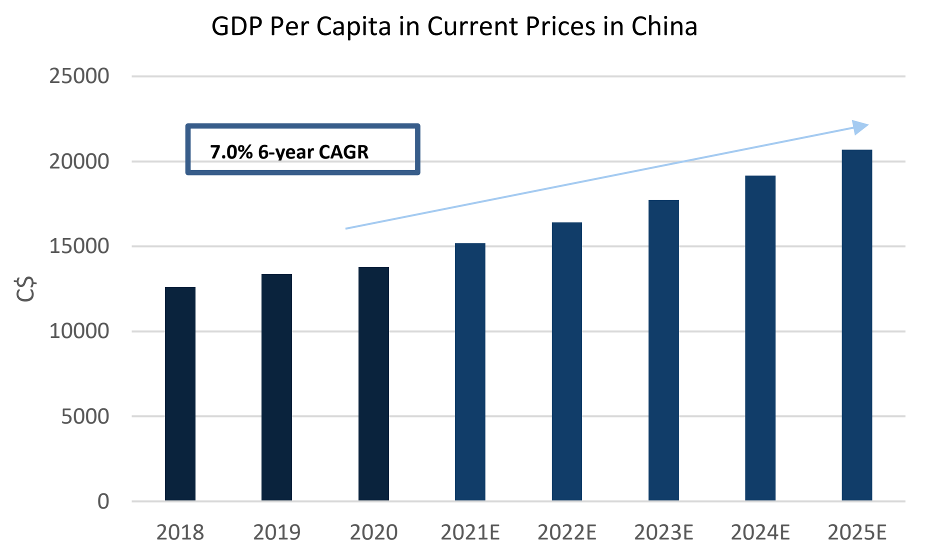
As of February 19, 2021, GOOS's year-to-date average daily trading volume (in dollars) was $115 million, significantly smaller than its market cap ($6.33B). The free float is 59.25M out of 59.33M, representing a free float percentage of shares outstanding of 99.9%. This high free float percentage of shares implies high liquidity.



S&P CAPIQ 2021

Catalysts

China's Demand for Luxury Goods and Economic Performance Will Beat Current Forecasts



Statista 2021

In summary, Bain & Co. estimates say China will account for 50% of demand for luxury goods and 30% of online luxury sales by 2025. Ultimately, China's economic performance drives its demand for luxury goods. In the last twelve months, China has shown exceptional economic resiliency to the COVID-19 pandemic. As the graph shows, China's GDP per capita still grew 3% YoY from 2019-2020 while other nations such as the US (-3.37%), UK (-7.4%), and Canada (-9.1%) experienced a decline in GDP per capita. Due to China's ability to return to pre-COVID-19 economic expansion rates, we believe China is positioned to beat economic performance estimates. We conclude this event has a high impact (70%) and high likelihood (90%).

Fiscal Year-End Earnings (March 31)

If global COVID-19 vaccine roll-out over the next two months is better than expected in metropolitan areas, GOOS's B&M stores and a spike in Wholesale shipment orders will drive FQ4 revenues. These events will impact fiscal year-end earnings (March 31), traditionally made available to the public in late May or early June. We believe this event has a relatively low long-term impact (35%) and moderately high likelihood (75%).

GOOS Receives a Higher Credit Rating from Moody's

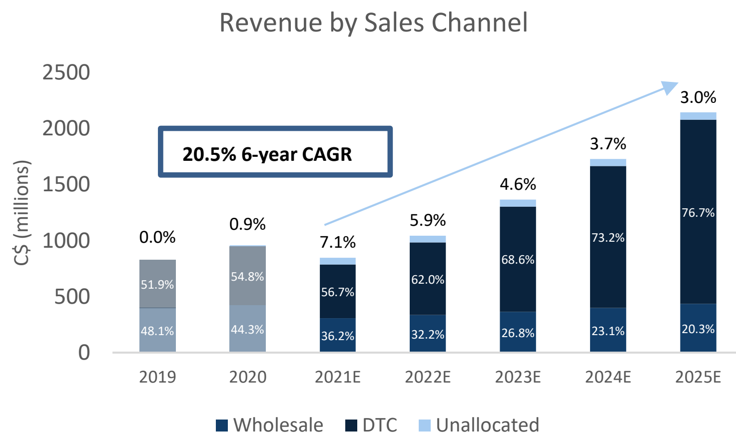
On September 23, 2020, Moody's assigned a first-time B1-CFR credit rating to GOOS. Moody's claimed GOOS's "seasonal business with small scale" constrains their B1 CFR rating. However, we believe GOOS deserves a higher credit rating. As a result of GOOS's planned expansion into luxury footwear, continued development of shoulder-season product lines and strategic partnerships, we believe GOOS will generate more stable cash flows and inspire Moody's to upgrade their credit rating. Moody's states that "all monitored credit ratings are reviewed at least once every twelve months." Ultimately, GOOS's share price may rise after Moody's publishes their B1 CFR credit rating revisions this coming September. We believe this event has a high impact (70%) and high likelihood (80%).

Valuation

Discounted Cash Flow Analysis Assumptions

Revenue

GOOS's revenue was projected separately for each of GOOS's operating segments, including DTC, Wholesale, and Other. GOOS's DTC channel is their key revenue driver, at 55.7% of GOOS's revenues in FY2020. At only 28 total stores, GOOS has grown its revenues to nine figures. GOOS's e-commerce DTC channel will be pivotal as online luxury goods sales continue to grow. Increased DTC focus will enable GOOS to improve quality control measures, reduce intermediary party costs associated with Wholesale, and strengthen customer relationships. As a result, we believe this operating segment will drive our 20.5% 6-year revenue CAGR estimate.



Capital Expenditures (CapEx)

In FY2019, GOOS's CapEx rate as a percentage of beginning PP&E increased 37% YoY, followed by a 31% increase YoY in FY2020. In the past year, GOOS has doubled its retail footprint in China by opening four recent B&M locations. We see a trend towards a 34% CapEx rate as a percentage of Beginning PPE in the long term. CapEx accounts for new B&M locations, omnichannel technology installments (touchscreen and cold room), e-commerce infrastructural investments, and more manufacturing facilities.

Weighted Average Cost of Capital

We retrieved our Weighted Average Cost of Capital (WACC) inputs from S&P CAPIQ. We set the risk-free rate equal at 1.89% (yield of Government of Canada's 30-yr bond), expected market return at 12.2% (S&P 500's 10-year average market return), levered beta at 1.05, pre-tax cost of debt equal to 6.9% (comparable corporate yield rate of consumer discretionary BB bonds), and the effective tax rate equal to 21% (historical tax rate). We arrived at a cost of equity equal to 12.6%, cost of debt equal to 3.8%, and WACC equal to 11.8%. We did not factor preferred shares into our WACC calculation.

Weighted Price Target: To determine our target price, we weighted 35% on the perpetuity growth method, 35% on the exit multiple from our Discounted Cash Flow, alongside the remaining 30% on the Comparable Companies Analysis.

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Comparable Companies Analysis

Moncler Group (BIT: MONC)

MONC is a high luxury Italian apparel manufacturer. MONC sells its main collection, high fashion, technical garments, and special innovative design collection for men, women, and children. MONC is GOOS's most significant industry peer. MONC prizes aesthetics while GOOS holds function as its core value.

LVMH Moet Hennessey Louis Vuitton SE (EPA: MC)

LVMH is a French diversified luxury goods group. LVMH produces and sells wine and spirits, perfumes, cosmetics, fashion and leather goods, and watches and jewelry. LVMH pursues an inorganic growth strategy through M&A to acquire niche brands and add them to its product mix. LVMH reflects the global luxury goods industry in our comps set.

Burberry Group (LON: BRBY)

Founded in England, BRBY sells clothing (core outerwear), accessories (large leather goods base), and beauty products for men and women. BRBY reflects the global luxury apparel industry in our comps set.

Salvatore Ferragamo SpA (BIT: SFER)

SFER is an Italian clothing and accessories company offering shoes, handbags, belts, luggage, ties, scarves, and watches. SFER reflects the global luxury apparel industry in our comps set.

Brunello Cuccinelli SpA (BIT: BC)

BC is an Italian luxury fashion company known for its cashmere products and exclusive brands. Brunello Cuccinelli designs, manufactures, and distributes clothing and accessories globally for men and women. BC reflects the global luxury apparel industry in our comps set.

Aritzia Inc. (TSX: ATZ)

ATZ, founded in Canada, creates, develops, and sells women's fashion products. ATZ offers t-shirts, blouses, sweaters, jackets, coats, pants, skirts, dresses, denim, intimates, and accessories. ATZ serves customers in Canada and the United States. ATZ is in the same global apparel industry as GOOS and reflects GOOS's growth in our comps set.

Lululemon Athletica inc. (NASDAQ: LULU)

LULU, founded in Canada, designs and retails athletic clothing products. LULU produces fitness pants, shorts, tops, and jackets for yoga, dance, running, and general fitness. LULU is in the same global apparel industry as GOOS and reflects GOOS's growth in our comps set.

Nike Inc. (NYSE: NKE)

NKE, founded in America, designs, develops, and markets athletic footwear, apparel, equipment, and accessory products for men, women, and children. NKE's strategy is to achieve long-term revenue growth by creating innovative, "must-have" products, building deep personal consumer connections with its brands, and delivering compelling consumer experiences through digital platforms and retail. NKE is in the same global apparel industry as GOOS, and we believe GOOS will have a similar presence in luxury outerwear as NKE currently does in sportswear.

Recommendation

Consumers buy Canada Goose over its competitors for the coveted name and image associated with the brand. GOOS's considerable brand equity, niche function-first and winter outerwear value proposition, and strong financials explain its meteoric rise to the top. As popular as the brand has come to be in recent years, we believe that the market has not yet seen GOOS's full potential. We believe that GOOS's current expansion in China positions them well for the Beijing 2022 Winter Olympics and Chinese infrastructure investments in the winter sports industry. Also, we believe GOOS's promised footwear will serve as a considerable force in silencing current cyclicality concerns.

We decided to weigh the DCF analysis 70%, with the perpetuity growth method at 35% and exit multiple at 35%. The comps analysis is weighted at the remaining 30%, with both multiples equal to 15%. We weighed the comps significantly less because large portfolio brands such as LVMH do not reflect GOOS's organic growth strategy. We believe this 70/30 weight split also hedges against current volatile market prices.

Based on the Discounted Cash Flow Model and our Comparable Companies Analysis, we determine a share price of C$66.75. We initiate a buy rating on GOOS. For these reasons, we believe GOOS truly is the Golden Goose that it is.

Risks

COVID-19 Fallout

Due to the restrictions to mitigate the spread of the ongoing COVID-19 pandemic, GOOS's retail stores are operating with reduced hours, physical distancing, enhanced cleaning and sanitation, and limited occupancy levels. GOOS has also experienced a significant reduction in Wholesale shipments due to COVID-19 disruptions to partner operations. These circumstances adversely impacted their two-quarters ended earnings. Disruptions could also affect e-commerce shipments due to issues with fulfillment associated with the COVID-19 pandemic. The extent of the impact will depend on future developments, which are highly uncertain and out of GOOS's control, including, among others, the duration and intensity of the COVID-19 pandemic.

GOOS's Rapid Shift from Wholesale to DTC channel

Growing e-commerce platforms and the number of B&M stores are essential to GOOS's future strategy. This strategy requires significant investment in cross-functional operations, management focus, and investment in supporting technologies and retail store spaces. If GOOS cannot provide a convenient and consistent experience for their customers, their ability to compete and operations results could be adversely affected. With GOOS's increasing retail footprint, they are subject to risks relating to B&M store locations, such as social distancing requirements implemented by local governments as well as mandatory shut-downs due to the ongoing COVID-19 pandemic. As a result, GOOS may experience low or no foot traffic. In response to COVID-19, GOOS has decreased its initial CapEx budget relative to FY20 by 30% and refocused marketing investments towards brand storytelling and e-commerce amidst uncertain retail environments worldwide.

The Cost of Raw Materials Could Increase the Cost of Goods Sold

The raw materials used in their supply chain include synthetic fabrics and natural products, including cotton, polyester, down, and coyote fur. Significant price fluctuations or shortages in these materials' costs may increase their cost of goods sold and cause operations and financial condition results to suffer. If GOOS cannot secure coyote fur for their jackets at a reasonable price by their standards, GOOS may have to alter or discontinue selling some of their designs or attempt to pass along the cost to their customers. Any of these scenarios could adversely affect their results of operations and financial condition.

Ethical Concerns Around Fur and Down

GOOS has been the target of protesters and activities in the past. Their coats include certain animal products, including goose and duck feathers in all their down-filled parkas and coyote fur on the hoods of some of their parkas. The use of animal products has drawn animal welfare activists' attention. Protestors can disrupt their stores' sales or use social media or other campaigns to sway public opinion against their products. Also, activism could influence laws or regulations applicable to the jurisdiction in which they operate, including laws and regulations related to the use of animal by-products. If any such activists are successful, their sales and results of operations will be adversely affected. On January 7, 2021, GOOS released its most sustainable parka to date. In their product announcement, GOOS states that it is "the first-ever Canada Goose parka to feature reclaimed fur on its adjustable hood, a direct result of our commitment to ending the purchase of new fur by 2022". The new Standard Expedition Parka has a 31 percent lower carbon footprint and required 68 percent less water based on footprint than the in-line Expedition Parka. The release of their "most sustainable parka" is a single initiative in their "HUMAN NATURE" program, which supports their corporate-wide environmental programs. This portfolio of programs combats pressure from animal rights activists.

International Boycott of Beijing 2022 Winter Olympics

This past month, human rights groups have issued an open letter calling on governments to boycott the Beijing 2022 Winter Olympics games in response to human rights violations. As a result, this event may damage GOOS's expansion plans in China. However, regardless of the decision to move forward with the Olympics, China is still investing C$190.5 billion in their winter sports industry. GOOS is well-positioned to capture the influx of Chinese athletes and spectators headed to colder climates.

Appendix 1: Model Summary

	Mar-16	Mar-17	Mar-18	Mar-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Mar-21	Mar-22	Mar-23	Mar-24	Mar-25	Mar-26
(Figures in mm CAD)	FY2016	FY2017	FY2018	FY2019	FY2020	Q1-2021	Q2-2021	Q3-2021	Q4-2021	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026
Income Statement															
Revenue	290.8	403.8	591.2	830.5	958.1	26.1	194.8	474.0	152.4	847.3	1,043.8	1,366.4	1,728.9	2,145.9	2,597.9
EBITDA	45.5	47.1	147.5	214.7	242.8	(43.8)	31.8	171.7	29.0	188.7	326.4	478.2	570.5	772.5	987.2
Net Income	26.5	21.6	96.1	143.6	151.7	(50.1)	10.4	107.0	16.1	83.4	230.9	350.1	420.2	578.2	746.8
Earnings Per Share	$ 0.26	$ 0.21	$ 0.86	$ 1.28	$ 1.36	$ (0.46)	$ 0.09	$ 0.96	$ 0.14	$ 0.75	$ 2.07	$ 3.14	$ 3.77	$ 5.19	$ 6.70
Cash Flow Statement															
Capital Expenditures	(15.0)	(15.8)	(26.1)	(30.3)	(45.3)	(4.0)	(3.0)	(11.1)	(11.6)	(29.7)	(52.3)	(56.1)	(59.4)	(61.6)	(62.5)
Acquisitions	(6.8)	(10.5)	(7.7)	(19.0)	(17.0)	(0.8)	(1.0)	(1.5)	-	(3.3)	-	-	-	-	-
Divestitures	-	(0.7)	(0.6)	(33.6)	-	-	-	-	-	-	-	-	-	-	-
Dividend Payment	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Dividend Per Share	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Dividend Payout to Earnings	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Dividend Payout to Core FCF	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Dividend Yield	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Balance Sheet															
Current Assets	154.7	163.2	301.0	413.2	524.2	669.4	736.1	956.6	882.9	882.9	1,118.4	1,484.3	1,923.3	2,530.9	3,319.9
Non-Current Assets	198.3	217.7	247.4	312.2	588.5	595.0	641.5	620.0	622.9	622.9	637.8	653.9	668.6	681.3	691.3
Assets	353.0	380.9	548.4	725.4	1,112.7	1,264.4	1,377.6	1,576.6	1,505.8	1,505.8	1,756.3	2,138.2	2,591.9	3,212.2	4,011.2
Current Liabilities	49.9	64.3	133.6	136.6	201.3	197.7	249.1	325.0	238.0	238.0	257.6	289.5	323.0	365.2	417.4
Non-Current Liabilities	160.4	170.4	171.2	189.7	391.2	592.5	638.8	650.7	650.7	650.7	650.7	650.7	650.7	650.7	650.7
Liabilities	210.3	234.7	304.8	326.3	592.5	790.2	887.9	975.7	888.7	888.7	908.3	940.2	973.7	1,015.9	1,068.1
Shareholders' Equity	142.7	146.2	243.6	399.1	520.2	474.2	489.7	600.9	617.0	617.0	848.0	1,198.0	1,618.2	2,196.4	2,943.2
Cash	7.2	9.7	95.3	88.6	31.7	160.1	156.3	469.0	474.5	474.5	639.8	873.2	1,140.8	1,599.2	2,198.4
Debt	0	140	137	145.2	386.0	385.9	428.9	644.0	644.0	644.0	644.0	644.0	644.0	644.0	644.0
Net Debt	(7.2)	129.8	41.8	56.6	354.3	225.8	272.6	175.0	169.5	169.5	4.2	(229.2)	(496.8)	(955.2)	(1,554.4)
Minority Interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Debt/EBITDA	n/a	2.8 x	0.3 x	0.3 x	1.5 x					0.9 x	0.0 x	n/a	n/a	n/a	n/a
Operating Metrics															
Return on Equity (ROE)	18.6%	14.8%	39.4%	36.0%	29.2%	-10.6%	2.1%	17.8%	2.6%	13.5%	27.2%	29.2%	26.0%	26.3%	25.4%
Return on Assets (ROA)	7.5%	5.7%	17.5%	19.8%	13.6%	-4.0%	0.8%	6.8%	1.1%	5.5%	13.1%	16.4%	16.2%	18.0%	18.6%
Return on Invested Capital (ROIC)	13.5%	12.8%	33.3%	33.4%	21.1%	-5.6%	1.3%	12.2%	1.6%	10.2%	19.3%	23.7%	23.2%	25.4%	26.0%
Valuation Metrics															
Stock Price (High)	$ 8.94	$ 4.62	$ 31.91	$ 79.51	$ 59.19	$ 37.19	$ 37.19	$ 37.19	$ 56.81	$ 56.81	$ 56.81	$ 56.81	$ 56.81	$ 56.81	$ 56.81
Stock Price (Low)	$ 4.62	$ 1.79	$ 31.91	$ 79.51	$ 59.19	$ 37.19	$ 37.19	$ 37.19	$ 56.81	$ 37.19	$ 56.81	$ 56.81	$ 56.81	$ 56.81	$ 56.81
Stock Price (Average)	$ 6.78	$ 3.21	$ 31.91	$ 79.51	$ 59.19	$ 37.19	$ 37.19	$ 37.19	$ 56.81	$ 47.00	$ 56.81	$ 56.81	$ 56.81	$ 56.81	$ 56.81
Diluted Shares Outstanding (Average)	101.7	102.0	111.5	111.8	111.5	110.1	110.9	111.5	111.5	111.0	111.5	111.5	111.5	111.5	111.5
Market Capitalization (Average)	689.5	326.9	3,558.0	8,889.2	6,599.7	4,093.9	4,124.4	4,146.7	6,334.3	5,216.8	6,334.3	6,334.3	6,334.3	6,334.3	6,334.3
Enterprise Value (Average)	682.3	456.7	3,599.8	8,945.8	6,954.0	4,319.7	4,397.0	4,321.7	6,503.8	5,386.3	6,338.5	6,105.1	5,837.5	5,379.1	4,779.9
P/E	26.0 x	15.1 x	37.0 x	61.9 x	43.5 x					62.5 x	27.4 x	18.1 x	15.1 x	11.0 x	8.5 x
EV/EBITDA	15.0 x	9.7 x	24.4 x	41.7 x	28.6 x					28.6 x	19.4 x	12.8 x	10.2 x	7.0 x	4.8 x
FCF Yield to Market Capitalization	-3.6%	3.0%	2.1%	-0.1%	-0.2%					3.7%	2.6%	3.7%	4.2%	7.2%	9.5%
FCF Yield to Enterprise Value	-3.6%	2.1%	2.0%	-0.1%	-0.2%					3.6%	2.6%	3.8%	4.6%	8.5%	12.5%
Free Cash Flow															
EBIT	41.0	40.5	138.1	196.7	192.1	(59.3)	15.1	153.3	20.2	129.3	289.0	438.1	525.8	723.6	934.7
Tax Expense	(6.5)	(8.9)	(29.1)	(38.9)	(12.0)	15.9	1.3	(30.8)	(4.1)	(26.0)	(58.1)	(88.1)	(105.7)	(145.5)	(187.9)
D&A	4.5	6.6	9.4	18.0	50.7	15.5	16.7	18.4	8.8	59.4	37.4	40.1	44.7	48.9	52.5
Capital Expenditures	(15.0)	(15.8)	(26.1)	(30.3)	(45.3)	(4.0)	(3.0)	(11.1)	(11.6)	(29.7)	(52.3)	(56.1)	(59.4)	(61.6)	(62.5)
Changes in NWC	(48.8)	(12.7)	(19.3)	(152.2)	(201.2)	(30.2)	(48.1)	146.7	(7.8)	60.6	(50.7)	(100.6)	(137.8)	(107.1)	(137.6)
Unlevered Free Cash Flow	(24.8)	9.7	73.0	(6.7)	(15.7)	(62.1)	(18.0)	276.5	5.5	193.5	165.3	233.4	267.6	458.4	599.2

Valuation Summary

Current Price	**$ 56.81**
Target Price	$ 66.75
Total Return	17.5%
Recommendation	**BUY**

DCF Valuation	
Perpetuity Growth Implied Price	$ 49.39
Exit Multiple Implied Price	$ 92.14
Comps Valuation	
Comps - EV/EBITDA Implied Price	$ 34.81
Comps - P/E Implied Price	$ 79.95

DCF Valuation	
Perpetuity Growth	35%
Exit Multiple	35%
Comps Valuation	
Comps - EV/EBITDA	15%
Comps - P/E	15%

Appendix 2: Discounted Cash Flow Analysis

(Figures in mm CAD)	Mar-16 FY2016	Mar-17 FY2017	Mar-18 FY2018	Mar-19 FY2019	Mar-20 FY2020	Jun-20 Q1-2021	Sep-20 Q2-2021	Dec-20 Q3-2021	Mar-21 Q4-2021	Mar-21 FY2021	Mar-22 FY2022	Mar-23 FY2023	Mar-24 FY2024	Mar-25 FY2025	Mar-26 FY2026
Free Cash Flow															
EBIT	41.0	40.5	138.1	196.7	192.1	(59.3)	15.1	153.3	20.2	129.3	289.0	438.1	525.8	723.6	934.7
Less: Tax expense	(6.5)	(8.9)	(29.1)	(38.9)	(12.0)	15.9	1.3	(30.8)	(4.1)	(26.0)	(58.1)	(88.1)	(105.7)	(145.5)	(187.9)
Add: Depreciation and amortization	4.5	6.6	9.4	18.0	50.7	15.5	16.7	18.4	8.8	59.4	37.4	40.1	44.7	48.9	52.5
Less: Capital expenditures	(15.0)	(15.8)	(26.1)	(30.3)	(45.3)	(4.0)	(3.0)	(11.1)	(11.6)	(29.7)	(52.3)	(56.1)	(59.4)	(61.6)	(62.5)
Less: Change in net working capital	(48.8)	(12.7)	(19.3)	(152.2)	(201.2)	(30.2)	(48.1)	146.7	(7.8)	60.6	(50.7)	(100.6)	(137.8)	(107.1)	(137.6)
Unlevered Free Cash Flow	**(24.8)**	**9.7**	**73.0**	**(6.7)**	**(15.7)**	**(62.1)**	**(18.0)**	**276.5**	**5.5**	**193.5**	**165.3**	**233.4**	**267.6**	**458.4**	**599.2**
Discount factor						-	-	0.25	0.50	0.50	1.50	2.50	3.50	4.50	5.50
Present Value of Unlevered Free Cash Flow						**-**	**-**	**268.9**	**5.2**	**274.1**	**137.1**	**176.5**	**181.0**	**277.3**	**324.2**

WACC Calculations

Cost of Equity	
Risk-free rate	1.9%
Expected market return	12.2%
Market Risk Premium	**10.26%**
Beta	1.05
Cost of Equity	**12.6%**

Cost of Debt	
Pre-tax cost of debt	4.7%
Effective tax rate	20.1%
Cost of Debt	**3.8%**

WACC	
Market value of equity	6,334.3
Market value of debt	644.0
Total Capitalization	**6,978.3**
Cost of equity	12.6%
Cost of debt	3.8%
WACC	**11.8%**

Discounted Cash Flow Valuations

Perpetuity Growth Method	
Perpetuity Growth Rate	4.0%
PV sum of unlevered FCF	1,370.1
Terminal value	4,311.7
Enterprise Value	**5,681.9**
Add: Cash	469.0
Less: Debt	644.0
Less: Other EV adjustments	-
Equity Value	**5,506.9**
Shares outstanding	111.5
Implied Share Price	**$ 49.39**
Current Price	$ 56.81
Implied Price	**$ 49.39**
Total Return	**-13.1%**

Exit Multiple Method	
Terminal EV/EBITDA Multiple	17.0 x
PV sum of unlevered FCF	1,370.1
Terminal value	9078.842
Enterprise Value	**10,449.0**
Add: Cash	469.0
Less: Debt	644.0
Less: Other EV adjustments	-
Equity Value	**10,274.0**
Shares outstanding	111.5
Implied Share Price	**$ 92.14**
Current Price	$ 56.81
Implied Price	**$ 92.14**
Total Return	**62.2%**

Perpetuity Growth Rate \ WACC	12.82%	12.32%	11.82%	11.32%	10.82%
3.00%	$ 39.41	$ 41.90	$ 44.67	$ 47.79	$ 51.32
3.50%	$ 41.12	$ 43.84	$ 46.89	$ 50.34	$ 54.28
4.00%	$ 43.02	$ 46.01	$ 49.39	$ 53.24	$ 57.67
4.50%	$ 45.15	$ 48.46	$ 52.23	$ 56.56	$ 61.60
5.00%	$ 47.55	$ 51.24	$ 55.49	$ 60.41	$ 66.20

Terminal EV/EBITDA Multiple \ WACC	12.82%	12.32%	11.82%	11.32%	10.82%
15.0 x	$ 78.79	$ 80.65	$ 82.56	$ 84.54	$ 86.56
16.0 x	$ 83.35	$ 85.32	$ 87.35	$ 89.44	$ 91.60
17.0 x	$ 87.91	$ 90.00	$ 92.14	$ 94.35	$ 96.63
18.0 x	$ 92.47	$ 94.67	$ 96.93	$ 99.26	$ 101.66
19.0 x	$ 97.03	$ 99.34	$ 101.72	$ 104.17	$ 106.69

Appendix 3: Company Comparable Analysis

(Figures in mm CAD)				EV/EBITDA Multiple			P/E Multiple		
Company	**Ticker**	**Equity Value**	**Enterprise Value**	**2019A EV/EBITDA**	**LTM EV/EBITDA**	**2021E EV/EBITDA**	**2019A P/E**	**LTM P/E**	**2021E P/E**
LVMH	(EPA: MC)	414,049.6	390,455.5	19.3 x	25.1 x	15.6 x	37.7 x	57.5 x	34.5 x
Nike Inc.	(NYSE: NKE)	283,139.4	281,884.5	40.6 x	43.8 x	33.0 x	57.0 x	80.2 x	47.8 x
Lululemon Athletica	(NASDAQ: LULU)	56,456.4	56,087.5	53.7 x	46.9 x	43.5 x	95.0 x	80.5 x	74.7 x
Moncler Group	(BIT: MONC)	20,234.1	20,186.7	23.7 x	31.5 x	19.0 x	36.7 x	51.6 x	41.9 x
Burberry Group	(LON: BRBY)	13,188.1	12,227.6	13.0 x	19.2 x	11.5 x	22.7 x	362.9 x	36.3 x
Salvatore Ferragamo	(BIT: SFER)	4,085.2	3,327.8	10.2 x	61.4 x	9.9 x	30.7 x	nm	403.8 x
Brunello Cucinelli	(BIT: BC)	3,720.3	2,767.7	16.6 x	36.8 x	11.1 x	46.4 x	nm	82.9 x
Aritzia	(TSX: ATZ)	3,103.9	2,684.3	19.1 x	28.3 x	16.8 x	42.3 x	128.7 x	188.8 x
GOOS	**(TSX: GOOS)**	**6,334.3**	**6,509.3**	**30.4 x**	**64.3 x**	**34.0 x**	**44.4 x**	**90.2 x**	**91.6 x**
Median					**34.1 x**	**16.2 x**		**80.4 x**	**61.2 x**
Mean					**36.6 x**	**20.1 x**		**126.9 x**	**113.8 x**
High					**61.4 x**	**43.5 x**		**362.9 x**	**403.8 x**
Low					**19.2 x**	**9.9 x**		**51.6 x**	**34.5 x**

	EV/EBITDA Impliled Price		P/E Implied Price	
Median	$ 32.55	$ 29.36	$ 50.62	$ 37.97
Mean	**$ 34.81**	**$ 35.96**	**$ 79.95**	**$ 70.58**
High	$ 57.30	$ 76.23	$ 228.62	$ 250.38
Low	$ 19.00	$ 18.55	$ 32.53	$ 21.41

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