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CANADA GOOSE HOLDINGS: WHITE SPACE, AND A SUPER BRAND THAT TRAVELS

January 1st, 2024

“Performance pushed far enough becomes luxury.

It’s very important that we communicate that’s who we are. We can never make the mistake of seeing ourselves as a fashion brand. We are a function first brand and a performance brand. And that’s why we’re fashionable, and that is our authenticity too.”

Canada Goose CEO Dani Reiss, speaking in early 2023 at MediaEvents.ca¹

“I look at us as being the Land Rover of clothing. Land Rover is a vehicle designed for any environment, will cross cold and hot deserts, and you bring it into the city.

And you put some leather seats in it and some chrome shifter on it and some tyres and some wood grain, and it becomes a fashion statement, and a luxury product – but that is not what its intention was.”

Canada Goose CEO Dani Reiss, speaking in early 2023 at MediaEvents.ca²

“Canada Goose is a brand like no other – in a world of fabricated stories, we have given people something real to experience.”

Canada Goose CEO Dani Reiss, IPO Prospectus, March 2017³

1. Introduction

The aim of this white paper is to review the brand, product and business position of Canada Goose, the leading manufacturer and retailer of luxury, performance authentic winter outerwear. Whilst the review does not make projections, our analysis does aim to provide context regarding the assumptions of the Strategic Growth Plan put forward by Canada Goose in February 2023⁴.

The review also appraises Canada Goose in the context of a five year low in its share price and its commencement of share buybacks⁵. In the year to March 2024, owner-managed Canada Goose trades at an EV/Sales ratio of 1.14x, a 77% discount to closest peer Moncler⁶. Guidance from Canada Goose for the same year also implies a PE ratio of 14.6x⁷. However, if the assumptions of the Strategic Growth Plan are modelled as progressing in a linear fashion, the PE ratio for the following fiscal year cheapens to 8.3x. Furthermore, the operating margins of Canada Goose are currently just half of their average level in 2018 and 2019⁸. As reviewed by this white paper, the increased vertical integration of Canada Goose provides a rationale for margin recovery. To the extent historic margins are recovered, the look-through PE ratio based on the current fiscal year revenues of Canada Goose is implied at 7.5x⁹.



“We think about our business for the long-term, it is generation to generation. We are growing year-over-year, and we’ve grown through every economic cycle, every recession.”

Our operating margin went down during COVID, and we have a path to recovery. We were 25% operating margin headed toward 30% before the pandemic, and there’s no reason why that does not come back.”

Canada Goose CEO Dani Reiss, at Goldman Sachs conference, September 2023¹⁰

The white paper also reviews the characteristics that define the super brand archetype – brands such as Ferrari, Apple, Starbucks or Rolex that, through a combination of optimisation in their communication efficiency and performance authenticity achieve significantly above average long-term economics. The attributes of the Canada Goose brand and product are reviewed as consistent with those exhibited by super brands.

In assessing the success probability of the Strategic Growth Plan put forward by Canada Goose in February 2023, the white paper also considers the optimisations that have been carried out at the company since 2018. The business, which already possesses a track record of unbroken profitability, has been further enhanced by shifting to full vertical integration both in terms of manufacturing and directly owned retail stores, as well as an ongoing evolution to a globally originated revenue base.

“By fiscal year 2028, we expect to deliver a compounded annual growth rate of 20% in revenue and \$900m in operating profit, up from roughly \$180m expected in fiscal year 2023.”

Canada Goose CEO Dani Reiss, Canada Goose investor day, February 2023¹¹

The Strategic Growth Plan thereon discloses targets for meaningful economic uplift. Revenue, growing primarily through geographic expansion, is targeted to reach C\$3bn for the year to March 2028, almost a triple from the company’s reported C\$1.2bn of revenue in the year to March 2023. Cashflow generation, in part through the company harvesting the benefits from higher vertical integration, exceeds C\$670m in the same twelve month period¹². Furthermore, if the assumptions of the Strategic Growth Plan are accepted, Canada Goose will not only be debt free at March 2024, but by the year end to March 2028 cumulative net cash generation will be reaching the \$1.6bn level of the company’s current market capitalisation¹³.

2. The characteristics of the super brand

At the outset of our analysis, the white paper reviews the characteristics that are found coincident with super brands. The rationale for some characteristics is intuitive in its own right, and in other instances requires inverting, *why is it so*. A further set we draw from academic research.

Broadly, the white paper observes that the super brand possesses characteristics in four categories: 1) the communication of a compelling message at low cognitive load, 2) an authentic claim of primacy in performance, 3) brand values representing a noble mission, calling, or purpose and 4) the potential for above average growth by a process of positive feedback.

2.1. The super brand perfects the communication of a compelling message at low cognitive load

By perfecting the communication of a compelling message at low cognitive load the super brand achieves effective message transmission even in circumstances of extremely limited attention span from the prospective customer.

“This is a very complicated world it's a very noisy world and we're not going to get a chance to get people to remember much about us, so we have to be really clear on what we want them to know.”

Steve Jobs, introducing Apple's Think Different campaign, September 1997¹⁴

“It is easier to complicate than to simplify. Simple messages enter the brain quicker and stay there longer. Brutal simplicity is therefore a painful necessity.”

Maurice Saatchi, Brutal Simplicity of Thought, 2013¹⁵

Our observation is that super brands achieve effective message transmission at low cognitive load not by compression but by parallelisation.

That is, it is not that a super brand conveys a message containing multiple variables by successfully compressing it into a message containing far fewer variables. Instead, transmission occurs by the core concepts within the multiple variable message being split out, and then each being communicated across one of a set of domains in parallel. These are domains such as wording, iconography, colour, sound symbolism and syllabic repetition. The challenge of effectively splitting a multiple variable message across these domains, and thereon the re-combined message still remaining 'on point' is likely underestimated – the few brands that achieve it enjoy an impactful competitive advantage.

Super branding is also observed to achieve in the prospective customer a sense of magic or mysticism in the manner by which the brand is conveyed, such that following the instance of efficient message transmission the feeling possessed by its recipient is that their interest has been piqued and *they would like to know more*. As such there is an increased probability of their return to the brand to learn beyond the initial, and still simple, message that has so far been communicated.

2.1. a) The simplification of a word or set of words, and image

Efficient communication is first achieved by combining wording and iconography. Perhaps there is no better simplification-of-wording example than Netflix: two syllables, and the prospective customer understands exactly what the product offers.

Iconography is deployed coincident. The logo of Nike is instructive. The brand's values are centred around the aspiration to athletically win, and the iconography, a curving “swoosh”, at a single glance conveys the concept instantly.

Figure 1: Netflix – two syllables, and the prospective customer understands exactly what the product offers. Nike, a curving swoosh and the brand value has been instantly conveyed – to athletically win¹⁶



2.1. b) Super brands frequently use the colour red, connoting excitement and passion, love, danger and heroic action, and energy and warmth

“Any child, when asked to draw a car, will always create a picture of a red one.”

Enzo Ferrari, Ferrari corporate disclosures¹⁷

Super brands also appear to use the colour red more than other colours. A colour is identified with ideas and values. As such, colour choice is a form of message transmission. Red links to seduction, blood and fire, excitement and passion, love, danger and heroic action, and energy and warmth.

Super brands such as Ferrari, McDonald’s, YouTube, Red Bull, Kellogg’s, Virgin, Nintendo, Levi’s, Pizza Hut and Lego all communicate these values in relation to their product – instantly – by their use of red.

Figure 2: Excitement and passion, love, danger and heroic action, and energy and warmth – super brands communicate the relevancy of a selection of these values to their product – instantly – by the use of the colour red¹⁸



2.1. c) Sound symbolism is used to efficiently convey concepts such as exploration, adventure and aspiration

Super brands further accrete their efficiency of communication by sound symbolism and syllabic repetition.

A growing literature supports that sound symbolism, or the existence of consistent, intuitive relationships between speech sounds is effective in the efficient communication of specific concepts as well as related judgement and decisions.

The McDonald’s logo, with the Golden Arches conveying “mmm”, a sonic equivalent of enjoying food, is a readily ascertainable example. However, academic research has more generally shown that sounds using front vowels such as the “ee”

sound in “feet” produced with the highest point of the tongue relatively forward in the mouth are associated with familiarity. By contrast back vowels in particular the “oo” sound in “food”, produced with the tongue relatively far back in the mouth are associated with far away concepts such as exploration, adventure and aspiration¹⁹.

In this context it is observable that the super brand Google, functioning as an exploratory tool for the internet, and super brand Gucci, representing for many a pinnacle of aspiration, both commence with the “oo” sound symbolism.

Figure 3: Humans understand nonwords as meaning “remote” at significantly higher frequency when “oo” (F1) vowels are used in preference to “ee” (F2) vowels²⁰

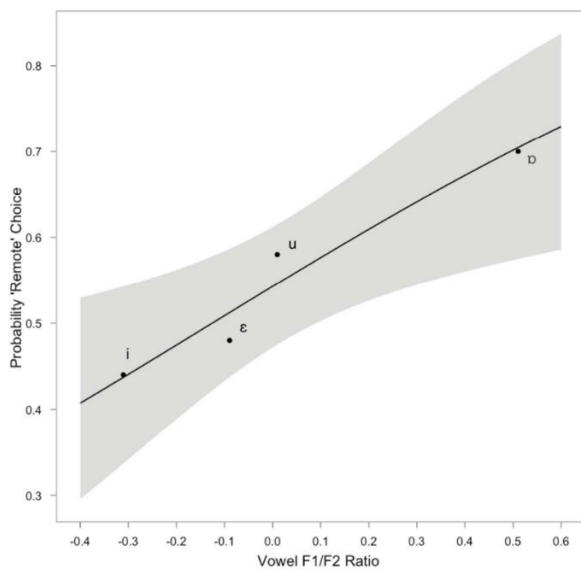


Figure source: The Sound of Distance, University of Toronto

Figure 4: Syllabic repetition when spoken aloud has been shown to favourably impact brand evaluations by consumers²¹

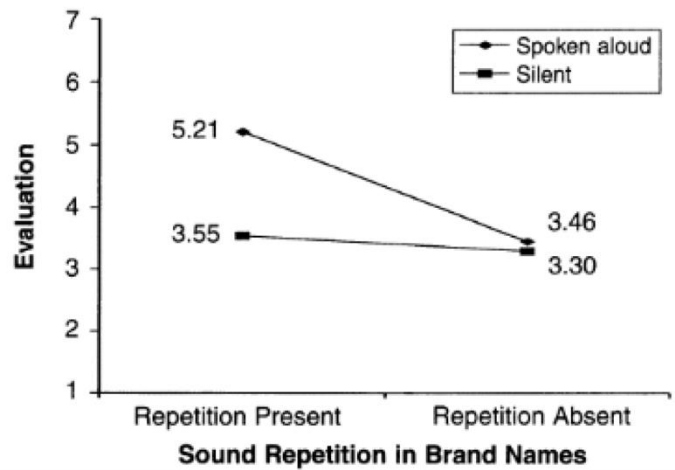


Figure source: The Sound of Brands, Journal of Marketing

2.1. d) Syllabic repetition is also used by super brands to efficiently stimulate positive brand interpretation

Similarly, syllabic repetition when spoken out aloud, in its mimicry of the rapid heartbeat associated with excitement, and just as a piece of energetic music containing sound repetition can stimulate positivity in its listeners, has also been shown to favourably impact brand evaluations by consumers and their reaction to cross-selling²².

Super Brands such as Coca-Cola, Lululemon, Hubba Bubba, Tutti Frutti, M&Ms, Kit Kat, Tostitos, Krispy Kreme and Dunkin Donuts, by their use of syllabic repetition, may elicit positive feelings, especially when the names are spoken aloud.

Figure 5: Super brands such as Coca-Cola, Lululemon, Hubba Bubba, Tutti Frutti, M&Ms, Kit Kat, Tostitos, Krispy Kreme and Dunkin Donuts, by their use of syllabic repetition, may elicit positive feelings²³



2.1. e) *The suggestion of a magical, mystical element thereon piques interest for follow-up consumer attention*

Finally, super brands communicate something extra, perhaps either magical or mystical, that piques interest such that once the initial efficient consumer communication has occurred, a follow up incentive exists.

“The name Starbucks has magic. It piques curiosity. Starbucks connoted a product unique and mystical.”

Starbucks founder Howard Schultz, 1999 Autobiography, *Pour Your Heart Into It*²⁴



In the case of Starbucks, coffee travels across vast sea-faring distances to reach the developed world, and the mysterious, nautical figure at the centre of the Starbucks logo – a two-tailed siren – in folklore lured sailors with a beautiful voice to shipwreck off the coast. The brand’s iconography thereby connotes the risk and adventure that took place to bring your latte to you, as that green mythological figure at the centre of your Starbucks cup stares into your soul.

In the case of Ferrari, a prancing horse and initials S. F. (standing for the Scuderia Ferrari racing team) imply risk taking and adventure, piquing follow up interest from consumers similarly drawn to these concepts. At McDonald’s the “mmm” lettering creates intrigue as to whether the product – would you not like to try it to find out – meets its iconography.

Critically, in all cases, the piquing of interest is achieved with the same low cognitive load efficiency that the brand’s primary wording and iconography also achieves.

2.2. The super brand possesses an authentic claim of primacy in performance

2.2. a) *The super brand represents the product that is the authentic, performance-proven leader*

Super brands also possess an authentic claim to primacy in performance – their product is the performance-tested leader – a concept we refer to as *performance authenticity*.

“Any theory, any laboratory experiment, needs practical support, and only the extreme contest, the race, can offer it because during the race the driver submits the car and its parts to intense, unpredictable, and unthinkable testing.

Machines should be functional and beautiful.

And the most beautiful car – is the one that wins the race.”

[To Ferruccio Lamborghini] “So, I build race cars, and you build tractors.

And you should stick to building tractors.”

Enzo Ferrari, public domain comments²⁵

“Coca Cola.. It’s the real thing.”

Coca-Cola brand advertising²⁶

The possession of performance authenticity is a consequence of the brand achieving leadership in a performance-critical domain. In the case of Ferrari, the performance-critical domain is competitive racing: Ferrari maintains a leadership position as the most successful team in the history of Formula One racing, the only team contesting every championship season since 1950, and in doing so winning more championships than any other team²⁷. Success in the performance critical domain is then used to provide authenticity, premium pricing and sales volume incentive for Ferrari’s consumer-facing sports cars, which provide the vast majority of Ferrari’s profitability.

Figure 6: Performance authenticity at Rolex resulted from the brand first achieving leadership in a performance-critical domain. Thereon this success accreted premium pricing and volumes for its consumer-facing products.

Rolex, in launching the Submariner wristwatch in 1954, pioneered a design that performed at the extreme; early advertising from Rolex focused on educating the brand’s prospective customer base regarding the use of the watch in performance environments²⁸

Divers dive with Rolex
THE ROLEX SUBMARINER

The Rolex Submariner is a self-winding chronometer designed for the man who spends part of his working life under water—often at considerable depths. It is made with a special Rolex Oyster case, one version of which is built to withstand water-pressure to a depth of 660 feet. Its extra-luminous minute, hour and second hands make it easy to read even in the twilight depths. A special revolving bezel makes it possible for the diver to check his decompression time at a glance. The Submariner is the official watch for divers of the Royal Navy, the French Navy and the Royal Canadian Navy.



THE ROLEX SUBMARINER
Precision protected by a special Rolex Oyster case which renders it 100% waterproof to a depth of 660 feet. Self-wound by the Perpetual rotor mechanism. Extra-luminous hands. Revolving, calibrated outer bezel acts as a reminder of elapsed time.

ROLEX
Official watch for Royal Navy divers

Write to Rolex, Geneva, for full details of the Submariner
THE ROLEX WATCH COMPANY LIMITED (Founded in 1815) GENEVA, SWITZERLAND

If you were looking for lost empires here tomorrow

you'd wear a Rolex


When a man's life depends on his watch, the chances are he wears a Rolex.
It's a top-notch working watch.
The Oyster case is casted out of a solid block of hardened Swedish stainless steel or gold. And inside, Rolex rotor works in a 14' jewel self-winding officially certified Swiss chronometer.
Because much of the work is done by hand it takes us more than a year to build a Rolex.
The men who have been seeking their long-dormant archaeological treasure in the Yucatan, feel it was well worth it.
The Rolex they wear is the Submariner, originally tested and approved to a depth of 660 feet, provided case, crown and crystal are Rolex. 660' of water resistance.
*Approved by the Admiralty and the Royal Canadian Navy.
*Official time-keeper for the World Cup.



ROLEX
AMERICAN ROLEX WATCH CORPORATION, 580 Fifth Avenue, New York, N.Y. 10018.
Also available in Canada. Write for free color catalog.

Rolex went under at the North Pole.

In April of 1974, a team of professional underwater experts, directed by Dr. Joe Macaroni, dove beneath the Polar ice cap of the Geographic North Pole. Expertise, confidence and precision were the chief of the mission.
Both the divers and their Rolex watches performed flawlessly. But you'd expect nothing less from a Rolex.
In an age of obscurantism and gimmicks, this simple classic virtue of a Rolex is indeed a rarity.




ROLEX

Subsequent advertising by Rolex thereon focused on accreting the consumer-facing sales volumes. The latter advertising uses the performance authenticity of the brand as the subtext but no longer as the focal point of the marketing approach. Instead, the focal point shifted to aspiration – be it sporting contest or social interaction²⁹

In the America's Cup, there is no second.

On this blue-water course, winner takes all. Then, timing is critical. If it makes the difference between winning and losing, which time explains why the superior Rolex Submariner has been the chronometer worn by all America's Cup defenders since 1958.



ROLEX

The Rolex Submariner Date, official America's Cup watch, self-winding automatic chronometer, pressure-proof to 660 feet. In stainless steel with matching bezel. In 18k yellow gold.
For your America's Cup 1977 Handbook, see your authorized Rolex jeweler.

The British Yachting Team went to the Olympics knowing their equipment was the finest money could buy.

The British Yachting Team won a Gold and a Silver Medal in the 1972 Olympics.
No Olympic team can afford to take chances with equipment. So everything on board was the finest that money could buy, including the Rolex watches issued to the helmsmen.
Sailing events are particularly arduous. Round the 12-mile course every day, for six days, only the most reliable equipment will survive.
And Rolex watches have proved again and again that they can successfully endure the most rigorous adventures.
One of the most remarkable of these was described in a letter sent to us by a Canadian deep-sea fisherman.
"At approximately four in the morning one of the crew members woke up to find that the boat was taking in water very rapidly. We had time only to rush up on deck and leap on to the barge to which we were tied. At that time I was not wearing my watch as we had suggested we not be pressur-

"The watch was on the galley floor amongst mud, seaweed, etc. I took it on the barge that had raised the boat and washed it off. Upon shaking the watch it commenced to go and was none the worse for the length of time it had been under. I continued to wear the watch without taking it to a jeweler."
A Rolex Oyster takes just over a year to make. In a series of 162 separate operations, our craftsmen carve each Oyster case out of a solid block of 18ct. gold, or surgical stainless steel.
Every rotor self-winding Perpetual movement is so accurate that it has been officially certified as a Chronometer.
It's not really surprising that the British Yachting Team chose Rolex watches.
People who need the best usually do.
Owning one is almost as satisfying as making one.



ROLEX
Precision: The Rolex Submariner. Available in 18k gold or stainless steel with matching bezel.

We invented the Submariner to work perfectly 660 feet under the sea.
It seems to work pretty well at any level.



The Rolex Submariner is a subtle watch. It's the official watch for divers of the Royal Navy. That beefed-up Oyster case resists pressure down to 660 feet. You'll find it in the cockpit of most ocean races as hard-driving skippers beat down to Bermuda, Hobart and the Farne Islands. How come it's seen so much where the water's so murky, it's a dry Martini? Who knows. Maybe it's because the black dial goes so well with a black tie. Ask her. Maybe she knows.

ROLEX
When a man has a world in his hands, you expect to find a Rolex on his wrist.

The performance authenticity attributes of super brand Rolex are also readily ascertainable in its business and marketing path, as per Figure 6. Like Ferrari, the possession of performance authenticity by Rolex results from the brand first achieving leadership in the performance-critical domain.

Rolex, in launching the Submariner wristwatch in 1954, focused on a design that performed at the extreme. The Submariner was the first watch to be waterproof up to 100 metres, today 300 metres³⁰, and early advertising focused on educating the brand’s prospective customer base regarding the use of the watch at the performance extreme.

The second half of Figure 6 depicts the brand’s subsequent advertising, which thereon focused on accreting the consumer-facing premium pricing and sales volumes. The latter advertising used the performance authenticity of the brand as the subtext but not the focal point of the marketing approach. Instead, the focal point shifted to aspiration – be it sporting contest or social interaction – and in doing so aimed to drive sales conversion from consumers drawn to, and willing pay a premium for, the aspirational qualities of the brand.

The Rolex example is not unique but instead represents a general characteristic of super brands. For example, that Goldman Sachs leads in mergers & acquisitions advice is a relevant *performance authenticity* measure when it comes to successfully pitching for IPO business, the profits from which far exceed those from mergers & acquisitions advisory³¹. Or, that Disney originated both the Mickey Mouse character and the Disney World theme parks is a relevant *performance authenticity* measure when it comes to the new characters originated by the company, and whose profitability far exceeds that attributable to Mickey Mouse and its theme parks³². And that Apple invented the first mass market desktop computer that came as a single motherboard, pre-assembled (unlike other personal computers of that era)³³ is a relevant *performance authenticity* measure when it came to the launch of the iPhone and to the upcoming launch of the Apple Vision Pro.

2.2. b) A history of struggle to achieve performance authenticity at super brands adds a sense of magic and mystery

An additional characteristic observed at super brands is that because performance is typically in the form of contest, there has been a history of struggle to achieve primacy in performance, and as such the super brand will have some form of corporate “hero’s journey” within its past.

This story, struggle before success – reinforces both the realism that performance authenticity has been achieved, and at the same time introduces an additional magical, mystical element to pique interest for follow-up consumer attention.

We would also observe Tesla’s control shareholder Elon Musk in sleeping at the production line during critical periods³⁴, as a modern equivalent of the struggle before success thematic which has had similarly positive consequences for the performance authentic brand values represented by Tesla in electrification and thereon follow-through premium pricing and sales volumes.

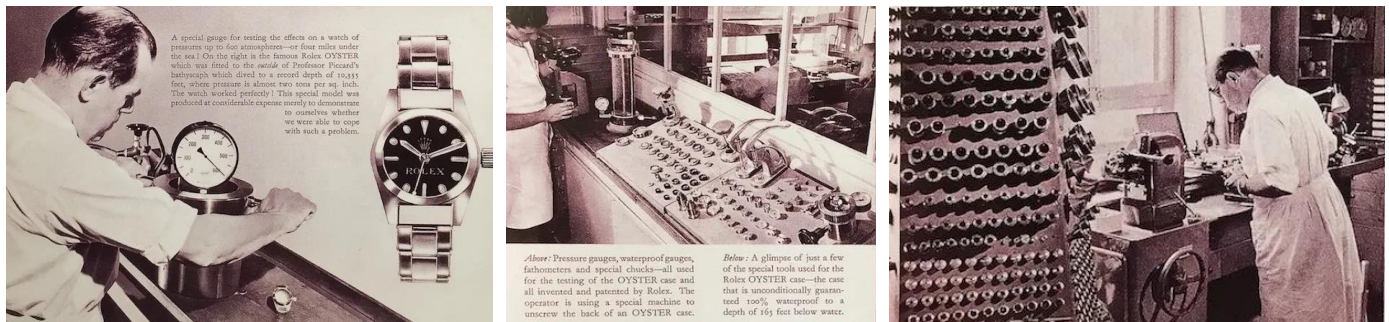
Figure 7: Super brands have within their corporate history a form of hero’s journey, struggle before success, reinforcing both their values of performance authenticity and mysticism



2.2. c) Performance authenticity requires vertical integration

Super brands also operate with vertical integration, that is, controlling both production and product distribution. It is unconvincing for a brand which does not control its production nor distribution to argue enduring performance authenticity as the brand owner has not remained in control of all aspects of the path of the product from production to customer.

Figure 8: Super brands operate vertically integrated business models, controlling both production and distribution, and emphasise these attributes in their marketing: below, the marketing of Rolex emphasises the company’s production expertise as underpinning the performance authenticity attributes of the brand³⁵



2.3. A super brand represents more than just its product: the brand also stands for a set of universal values representing a noble mission, calling, or purpose – creating an enduring bond of affection from the customer

2.3. a) Enduring affection from the customer is created by the communication of a set of values representing a noble mission, calling, or purpose

“One of the greatest jobs of marketing that the universe has ever seen is Nike. Remember, Nike sells a commodity – shoes.

Yet when you think of Nike you feel something different than a shoe company as their ads don’t ever talk about their products. They don’t tell you about their air soles, why they’re better than Reeboks air soles.

Where Nike is doing their advertising is they honour great athletes and athletics – and that’s who Nike are and that’s what they are about.

Steve Jobs, introducing Apple’s Think Different campaign, September 1997³⁶

“Our chief want is someone who will inspire us to be what we know we could be.”

Ralph Waldo Emerson³⁷

“Apple is about something more than that Apple as well. Our core value it is that we believe that people with passion can change the world for the better. And we believe those people that are crazy enough to think they can change the world are the ones that actually do.”

Steve Jobs, introducing Apple’s Think Different campaign, September 1997³⁸

As Steve Jobs argues, super brands inspire consumers when the brand communicates values that honour the great achievers in their domain. In the case of Nike, the brand advertising honours great athletes and athletics, rather than focusing on the specific attributes of the Nike product. In the case of Apple, the brand advertising honours the belief that people with passion can change the world for the better.

Tesla – by its name – attaches itself to humanity’s historic pioneer in electrification³⁹. Its founder Elon Musk has argued that a super brand keeps its power by attaching itself to a noble *mission, a calling, or a purpose*. Apple, by making tools that its brand values put forward as enabling people with passion to change the world, makes a comparable claim. It would be harder, however, for a brand involved in gambling or cigarettes to achieve the same contention – and as such some categories of product are handicapped, or outright disallowed, in their ability to reach super brand status.

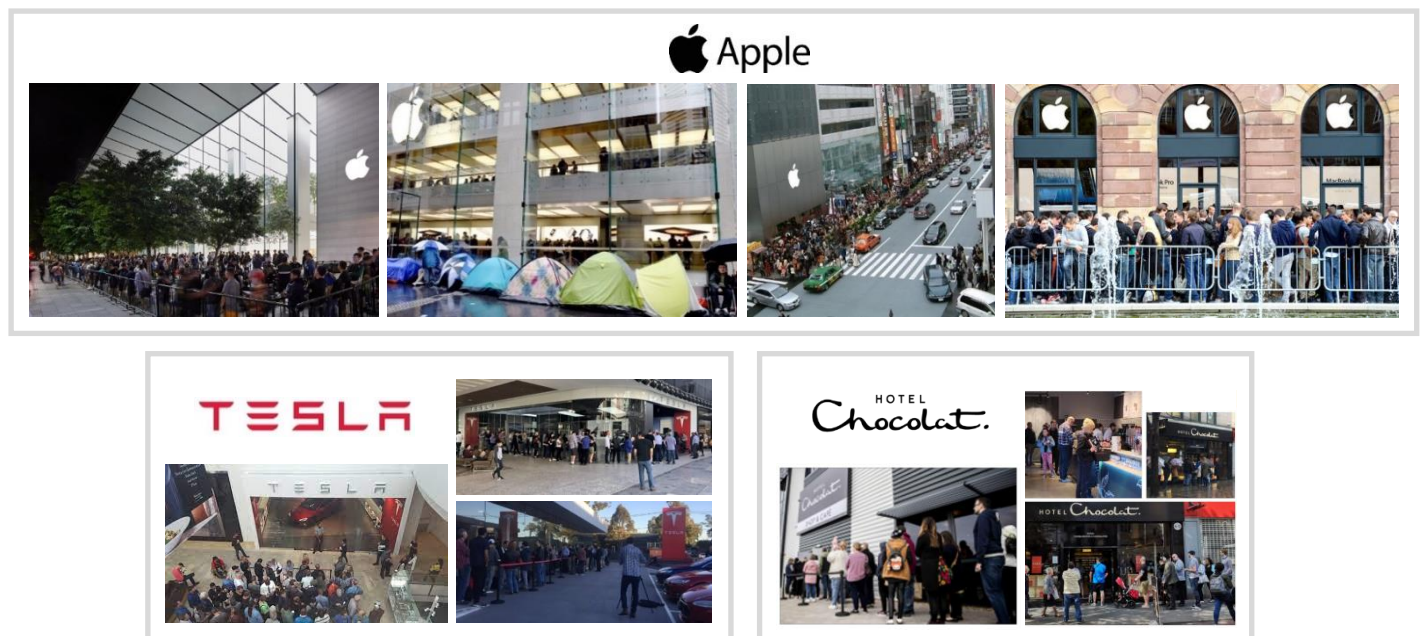
“Don’t attach yourself to a person, place, or organization. Attach yourself to a mission, a calling, or a purpose. That’s how you keep your power and your peace.”

Elon Musk, public comments, 2022⁴⁰

2.3. b) *Elevated levels of affection from the customer are revealed by behaviour around super brand retail points, and, when combined with universal appeal, are also indicative of the super brand’s success probability in penetrating new markets*

The super brand attributes detailed, efficient capture of prospective customer interest, brand linkage to authentic claim of primacy in performance, and the brand qualities, by inspiring the customer, and creating a bond of affection from the customer to the brand, reinforce each other to create unusual dedication in brand love and brand following by customers. At super brands, the connection feeling can be so strong that customers will queue for hours and sometimes days outside of its stores in advance of new product launches.

Figure 9: The qualities of super brands create unusual dedication in brand love and brand following by customers, qualities which are also indicative of the super brand’s high success probability in penetrating new markets⁴¹



The coincidence of a super brand having universal appeal and the observation of elevated levels of affection from consumers results in a high probability of the brand succeeding in penetrating new geographic regions. Correspondingly, we are aware of no example of a brand where the product has universal appeal and where consumers are willing to queue for hours outside its stores in one region but which has then failed in penetrating other regions where it was not previously represented.

2.3. c) *The iconography of super brands often also reveals a strong sense of national identity*

The unusual level of dedication in brand love and brand following from the general public that super brands achieve also often results in a strong sense of national identity with its founding nation. Ferrari for example places the colours of the Italian flag on its logo. In another example, Coca Cola, whilst not placing the American flag on their standard iconography, still possesses brand values that resonate as quintessentially American and in instances does combine their iconography with the American flag.

Figure 10: The possession by super brands of unusual dedication in brand love and brand following by the general public also often results in a strong sense of national identity with its founding nation⁴²



Naturally, in an increasingly politically polarised world, if the business plan targets international expansion, it is also beneficial if the brand's national identity is from a politically neutral nation. Scotland's Johnnie Walker whisky can still cross borders, but Russia's Standard Vodka may have less success.

2.4. The super brand achieves above average growth by a process of positive feedback

2.4. a) *The super brand augments its underlying growth rate by positive feedback, where initial growth precipitates a force to accelerate subsequent growth*

"[The super brand will precipitate amongst its customers] something like an autocatalytic reaction in chemistry, precisely the sort of multi-factor triggered lollapalooza effect we need."

Charlie Munger, Practical Thought About Practical Thought⁴³

Finally, the super brand empowers a business trajectory with attributes that align to the *autocatalysis* concept described by Charlie Munger. A starting precondition for this concept to have meaningful amplitude is that the addressable market size for the branded product should be significantly larger than the current customer base.

2.4. b) *For positive feedback through social constructs, a high visibility brand is necessary, combined with social proof*

Whilst the conditions necessary for positive feedback in the cases of software network effect⁴⁴ and geographic density network effect⁴⁵ in business arise as the result of the laws of either mathematics or physics, the mode of action that positive feedback occurs is different in the case of a super brand stimulating such autocatalysis through social constructs.

We stipulate as the first condition a brand whose iconography retains high visibility following the timepoint of consumer purchase, and as such, the act of the consumer purchasing the brand thereon achieves an ongoing advertising action in promoting of the brand.

As units sold increase, this form of advertising is increased, and the positive feedback process begins.

*“Would our brand appeal in Japan? We had been warned that, culturally, the Japanese refuse to carry to-go food or beverages on the street. Yet many **customers were walking out the door proudly carrying their Starbucks cups – with the logo showing.***

*I stood there with Howard Behar, architect of our international expansion. He turned to me with tears in his eyes. The Starbucks brand had the same power in Tokyo that it had in New York and Seattle. [Through positive feedback] the **Starbucks brand had taken on a life of its own.**”*

Starbucks founder Howard Schultz, 1999 Autobiography, *Pour Your Heart Into It*⁴⁶

For products such as the Starbucks coffee cup, the Apple iPhone, or even the Snickers chocolate bar, the customer holds the product – with its brand both prominent and visible – directly in front of them at the point of consumption. The social proof element becomes significant because the consumer by their action is making a highly visible statement of confidence in the attributes of the product and brand.

For brands that benefit from such high visibility at or following purchase, positive feedback is further amplified when celebrities are photographed, by their product consumption, making the same high visibility statement of confidence yet reaching a far wider audience due to each celebrity’s scaled followership.

2.4. c) *For clothing brands, the location of brand positioning on the garment most likely matters. The super brand, by placing its iconography on the upper arm may achieve a further amplification in positive feedback*

For clothing brands, an additional observation is apparent: the location of the brand on the garment can convey a differentiation in status, and therefore what may translate to an increased desirability function of that brand to the extent the consumer’s purchase motivation is at least partially as a status representation. In terms of positive feedback, when high status is represented this acts as an amplifier through the advertising action of the brand being worn by existing owners.

Our observation is that it may be a universal human characteristic that when a status identifier is presented on the upper arm it is a signal of leadership in a performance role. Examples include the captain armband in sports, identifiers for astronauts, police and military personnel, and arm bands on the striking arm for professional fighters. Notably, on a Ferrari – and if we consider the automobile reductively as a type of ‘clothing’ that the driver wears – the side panel location of the Ferrari brand icon also sits exactly overlaying the driver’s upper arm, conveying the same status symbol.

Figure 11: A performance-sensitive brand in clothing may achieve the signalling of a leadership position by placement of the brand iconography on the upper arm, and by doing so achieve an amplification in positive feedback outcome⁴⁷



By contrast, and as per Figure 11, when a status identifier on clothing is used to signal a subordinated position, for example in a service role, it is often observed that the identifier is presented on the torso or chest plate. Even at Aston Martin, whose brand sits at a subordinate position to Ferrari in that it does not possess the Italian automaker’s performance authenticity attributes, has not placed its brand icon on the side of the car as Ferrari does.

As such our observation is that, in clothing, the location of brand positioning on the garment most likely matters. The super brand for performance authentic clothing will more likely than not place its branding iconography on the upper arm, and by doing so achieves an amplification in positive feedback outcome from this positioning.

(white paper continues on following page)

3. Assessment of Canada Goose as a super brand

In the context of the characteristics laid out, our analysis reveals Canada Goose as possessing those consistent with super brands. That is, the communication of a compelling message at low cognitive load, an authentic claim of primacy in performance, the association with a set of universal values representing a noble mission, calling, or purpose – creating an enduring bond of affection from the customer, and the prospects of above average growth by a process of positive feedback.

3.1. The Canada Goose brand achieves the communication of a compelling message at low cognitive load

3.1. a) *Canada Goose efficiently conveys a simple, compelling message, amplified by sound symbolism and syllabic repetition*

Figure 12: The branding and iconography of Canada Goose conveys, through simplified wording and imagery, colour, sound symbolism and syllabic repetition, compelling brand values



The Canada Goose parka is iconic to spot in a crowd as a distinctive jacket with its silky fur trim and down-filled heft but most noticeably due to its embroidered “Canada Goose” “Arctic Program” upper arm brand logo. The insignia includes the brand name, Canadian maple leaves, a graphic of Antarctica, and also resembles a bulls-eye target, conveying the “No. 1” concept. This is co-incident with the use of the colour red, conveying excitement and passion, love, danger and heroic action, and energy and warmth. The overall impact evokes both the jacket’s warmth and the purchasing power of its owner.

The brand wording also communicates using sound symbolism and syllabic repetition. “Goose” not only conveys the thermal protection provided by the highest quality of down – white goose down – that the jackets use. “Goose” also, by conveying the “oo” sound in “food”, also associates with far away concepts such as exploration, adventure and aspiration. And “Can-a-da” by syllabic repetition, just as a piece of energetic music containing sound repetition can stimulate positivity in its listeners, favourably impacts brand evaluations before consumers consider the more literal associations of the country name.

3.1. b) *The Canada Goose brand also conveys the romantic mythology through which the world views Canada*

The Canada Goose brand also conveys, by the use of the word Canada, the qualities of the Canadian outdoors: breathtaking landscapes such as the Niagara Falls, combined with Canada’s wealth of outdoor activities whether it is skiing in the winter, hiking in the summer, or kayaking on Canada’s great lakes. These qualities are combined with Canada’s aspirational qualities as a peaceful, stable and politically neutral society, with low crime rates and a strong social safety net.

Dani Reiss [in 2001, upon becoming CEO] changed the name of the brand from Snow Goose to Canada Goose, understanding the romantic mythology through which the outside world views Canada.

Canada Goose profile by Forbes, December 2023⁴⁸

“Made in Canada, and you know that that’s part of the magic.”

Canada Goose CEO Dani Reiss, CNBC interview, 2018⁴⁹

3.2. The Canada Goose brand has an authentic claim of primacy in performance

3.2. a) Like Ferrari and Rolex, Canada Goose represents a product that is the authentic, performance-proven leader

Figure 13: The performance leadership of Canada Goose emerged from the 1980s when the brand produced an expedition parka for scientists at McMurdo Station Antarctica as well as producing the parka used by Laurie Skreslet when he became the first Canadian to climb Everest in 1982⁵⁰



The performance leadership of Canada Goose emerged from the 1980s, when the brand, then known as Snow Goose, began to produce performance-leadership products in the extreme winter outerwear category including an Expedition Parka developed to meet the unique needs of scientists at McMurdo Station Antarctica.

When Laurie Skreslet became the first Canadian to conquer Everest in 1982, he was also wearing a Snow Goose jacket⁵¹. The signature parka of Snow Goose, known as the “Big Red” would come to define the company. Snow Goose in the 1980s developed a small but loyal following among people who worked in the planet’s least hospitable climates including Canadian Arctic rangers, the Ontario police, and pilots and ground crews working on the frigid tarmacs of Canadian airports⁵².

In the early 2000s, Canada Goose commenced its current branding, and coincident continued on its path of pre-eminence in performance authenticity of its product. In from 2001 to 2010, Lance Mackey was wearing Canada Goose when he won the Yukon Quest and four successive Iditarod Trail Sled Dog Races⁵³. In 2009, when Ray Zahab entered the Guinness Book of Records for his unsupported trek to the South Pole, which was completed in 33 days, 23 hours, and 55 minutes, he was wearing Canada Goose⁵⁴.

Figure 14: 2004-2006, adventurer Ray Zahab completes multiple world records with Canada Goose outerwear⁵⁵



Figure 15: 2001-2010, Lance Mackey wins the Yukon Quest and four successive Iditarod Trail Sled Dog Race events with Canada Goose outerwear⁵⁶



In 2014, when Ben Saunders achieved the world record for longest every polar journey on foot after spending two decades leading polar expeditions, he completed the journey using Canada Goose outerwear⁵⁷.

In 2017, again with Canada Goose outerwear⁵⁸, Saunders attempted a two month 1,000 mile mission to be first to walk across Antarctica alone. A similar expedition had been attempted by his friend Henry Worsley who died in his attempt in 2016⁵⁹. Whilst Saunders did not complete the expedition, albeit returned safely⁶⁰, the life-or-death nature of his quest further cemented the reputation of Canada Goose as the preeminent provider of performance outerwear.

Figure 16: In 2014, when Ben Saunders achieved the world record for longest every polar journey on foot, he completed the journey using Canada Goose outerwear⁶¹



“If you look at a Swiss watch, it does so much you can go to extreme depths, you can fly to extreme heights. And if you look at our product, you can go to the Arctic, you can go to Antarctica.

Canada Goose is on, amongst other extreme-performance uses, research programmes called the Big Red Dome in Antarctica, and we’re relied on for a matter of life and death.

But the majority of people will never take our products to the extreme.

However, our use at the extreme drives our covetability. It drives our equity. And that drives a white space expansion for this brand that nobody can touch.”

Canada Goose chief marketing officer Penny Brook, Canada Goose investor day, February 2023⁶²

3.2. b) *The corporate journey of Canada Goose includes a history of struggle to achieve performance authenticity, adding a sense of magic and mystery to the brand*

The history of Canada Goose, in its struggle to achieve firstly performance authenticity and thereon its transition into the rapidly growing, luxury winter outerwear brand of today, also has the “hero’s journey” aspect that this white paper has identified in other super brands.

Two watershed decisions were impactful in defining Canada Goose’s path to success. Firstly, the decision to focus resources on technological innovation and invention. And secondly the decision to maintain manufacturing in Canada, and commensurately focus entirely on premium products.

i) *The decision to focus resources on technological innovation and invention*

Whilst Canada Goose today is not considered a technology company, the origination of its success resulted first from its decision in the 1970s to focus resources and investment capital on technological development. This led to the invention of the world’s first ‘down filling machine’⁶³. The machine automatically weighed the goose down and blew it into jackets during the manufacturing process. The outcome was a lowering of the production cost of down jackets⁶⁴. As such, the company had commenced a path to pioneering its flagship product efficiently – incredibly warm parkas, stuffed with goose down and punctuated with a fur-lined hood – that the company is known for today.

The inventor was David Reiss, then the company’s owner manager and the father of Canada Goose’s current CEO and owner manager Dani Reiss. The innovation was a pivotal step that enabled the building of the company into, initially, a pre-eminent private label manufacturer of winter outerwear as David Reiss’ down filling machine significantly cheapened the cost of manufacturing relative to peer group companies.

Figure 17: In the late 1970s David Reiss, the father of Canada Goose’s current CEO Dani Reiss, invented – and patented – the world’s first ‘down filling machine’ which automatically weighed the down and blew the down into the jackets, a pivotal step in the development of manufacturing advantage at the winter outerwear specialist⁶⁵

United States Patent [19] [11] **4,076,320**

Reiss [45] **Feb. 28, 1978**

[54] **DOWN FILLING MACHINE** 3,693,836 9/1972 Eisner 222/77
 3,731,754 5/1973 Godwin et al. 177/165
 3,797,890 3/1974 Walters 302/22
 3,942,840 3/1976 Foster 302/3

[21] Appl. No.: **645,267**

[22] Filed: **Dec. 29, 1975**

[30] **Foreign Application Priority Data**

Apr. 11, 1975 Canada 234434

[51] Int. Cl.² **B65G 53/28**

[52] U.S. Cl. **302/3; 302/23**

[58] **Field of Search** 302/3; 21-23,
 302/53; 222/56, 58, 77, 193; 141/67, 83;
 177/25, 64, 66, 116, 119, 120, 164, 165, 229

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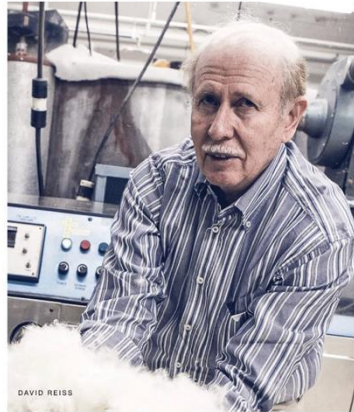
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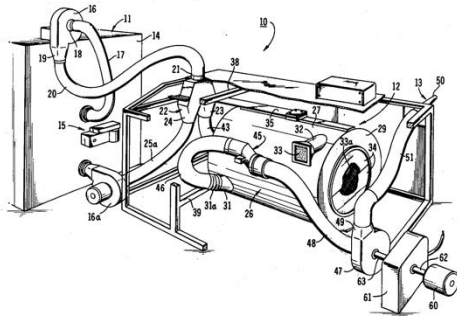
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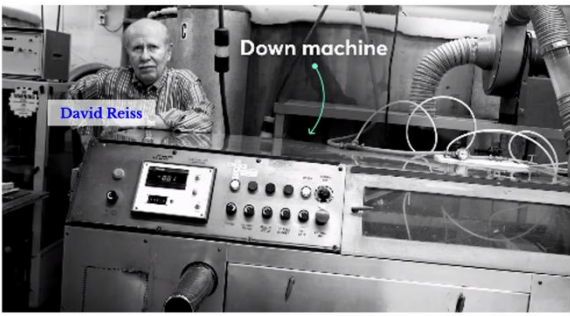
[57] **ABSTRACT**

An apparatus for weighing and discharging material such as down, feathers, and the like is disclosed. Feathers, down and the like are transported from a storage container to a weighing drum by means of a flow of air which passes horizontally into and through the weighing drum, whereby the feathers are deposited in the drum. When a desired weight has accumulated, the flow of air to the drum is diverted and the accumulation of feathers may be discharged from the drum. Upon completion of the discharge, the flow of air carrying feathers is again directed into the drum.



DAVID REISS





Down machine

David Reiss

“My father [David Reiss] was an inventor. He invented a down machine. There weren't any machines that fill the clothing with down. Previous to his machine, it had to be done by hand.

But he invented this machine that automatically weighed the down and blew the down into the jackets, which were then enclosed and then quilted.

It helped him build the business up into a preeminent private label down manufacturer, selling designs to brands like L.L. Bean, Timberland and Eddie Bauer.

And it is the way that down jackets are still manufactured in our factories.”

Canada Goose CEO Dani Reiss, CNBC profile on Canada Goose, 2023⁶⁶

ii) The decision to maintain manufacturing in Canada, and commensurately focus entirely on premium products

By the late 1990s, however, and as textile manufacturing in Canada had continued to shift to cheaper offshore locations, the company was struggling to maintain scale, and despite Canada Goose's greater automation in manufacturing. By 2001, when David's son, Dani, and current Canada Goose CEO took control of the company, revenue remained as low as \$2m⁶⁷.

“My parents always told me, whatever you do, don't get into this business.. it's too hard, it's too challenging, look at what it did to your dad.”

Canada Goose CEO Dani Reiss, speaking in early 2023 at MediaEvents.ca⁶⁸

This precipitated the second watershed decision in the company's history. Dani Reiss pitched his father the idea of retaining manufacturing in Canada and yet at the same time shifting to super premium pricing – selling to well-heeled urban dwellers who were already paying extra for the North Face and Patagonia coats⁶⁹. The younger Reiss had a different vision than his father and argued that customers would pay even more to walk around in the garment that Arctic explorers wore. He devised a plan to price the coats around \$1,000, above the North Face but modestly below Italy's style-focused Moncler outerwear⁷⁰.

“About 10 years or so ago we decided definitively to stay made in Canada and this was a big deal at the time – the conventional business wisdom and logic was to go offshore because it's far cheaper.”

“[But] we said look – if we could stay in Canada and succeed in staying in Canada we're going to position ourselves very well. We're going to be the only one left and as such we will have a competitive advantage.”

Canada Goose CEO Dani Reiss, keynote speech, enterprisetoronto.com, 2012⁷¹

“Different equals success and one great idea can be very powerful and very successful, and the only difference.

Difference also equals leadership because if you can be successful by being different then by definition you become a leader.”

Canada Goose CEO Dani Reiss, speaking at TEDxYouth Toronto, 2013⁷²

“I realised pretty quickly that Canada Goose was an authentic brand – it was the real thing. Our products are authentic, they are made in Canada, all of our down-filled products are made in Canada, we make our products in the best places in the world to make them.

I realised that people really want the genuine article. People want real, authentic products that are purpose-made. I realised that function pushed far enough becomes fashion, and I saw an opportunity for that. I think people these days really want authenticity, that is everything.

I thought that 20 years ago, and I still think that today.

And it is probably even more true today than it was then.”

Canada Goose CEO Dani Reiss, interview with Forbes, December 2023⁷³

The move transformed the company, leading to significant revenue expansion, and set it on its course to its current form as a highly successful premium manufacturer of winter outerwear⁷⁴.

Figure 18: In 1997 Dani Reiss, aged 23, joined Snow Goose. He became CEO aged 27 and changed the name of the brand name to Canada Goose, empowering a shift of the brand to focus upmarket customers⁷⁵



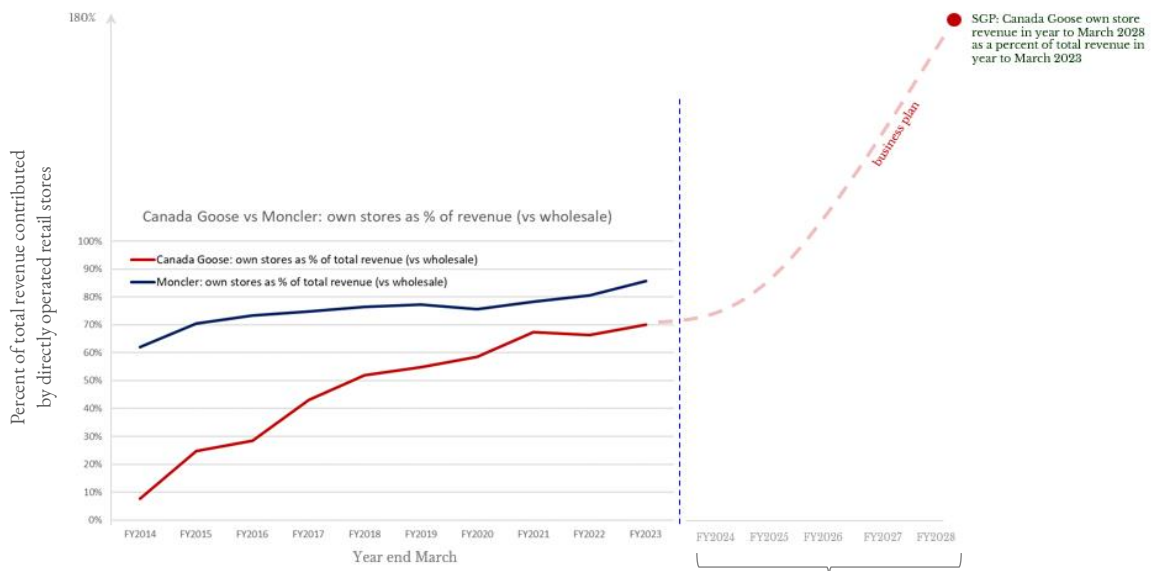
The election by Dani Reiss to use the name Canada Goose across the company’s products would also prove important for the long-term success of the brand and its ability to penetrate new markets. For years, Snow Goose was the North American name for the label, but (due to patent restrictions) in Europe the brand was known as “Canada Goose.”⁷⁶ In Europe, the coats started to appeal to the luxury market as well as the professional cold weather class, a phenomenon that began among Stockholm’s fashionable yet weather-conscious fashion elite⁷⁷. Even though the price tag was well above average, customers in Europe had no problem paying a premium for the Canadian brand.

Dani Reiss compares this phenomenon to the way that Americans relate to Rolex or Scotch whiskey. In 2014 he told Entrepreneur magazine, “For [Europeans] a Canada Goose jacket made in Canada was like a watch made in Switzerland. Rolex is not going to move its production to China.”⁷⁸ Hence Reiss united the entire brand, globally, under the Canada Goose name.

3.2. c) The super brand attributes of Canada Goose are also consistent with its vertical integration

The super brand attributes of Canada Goose are also consistent with its vertical integration, that is, controlling both its manufacturing and product distribution. However, in terms of distribution, it is only in recent years that Canada Goose has shifted to full vertical integration with today more than 75% of the company’s revenues originating from its own stores⁷⁹.

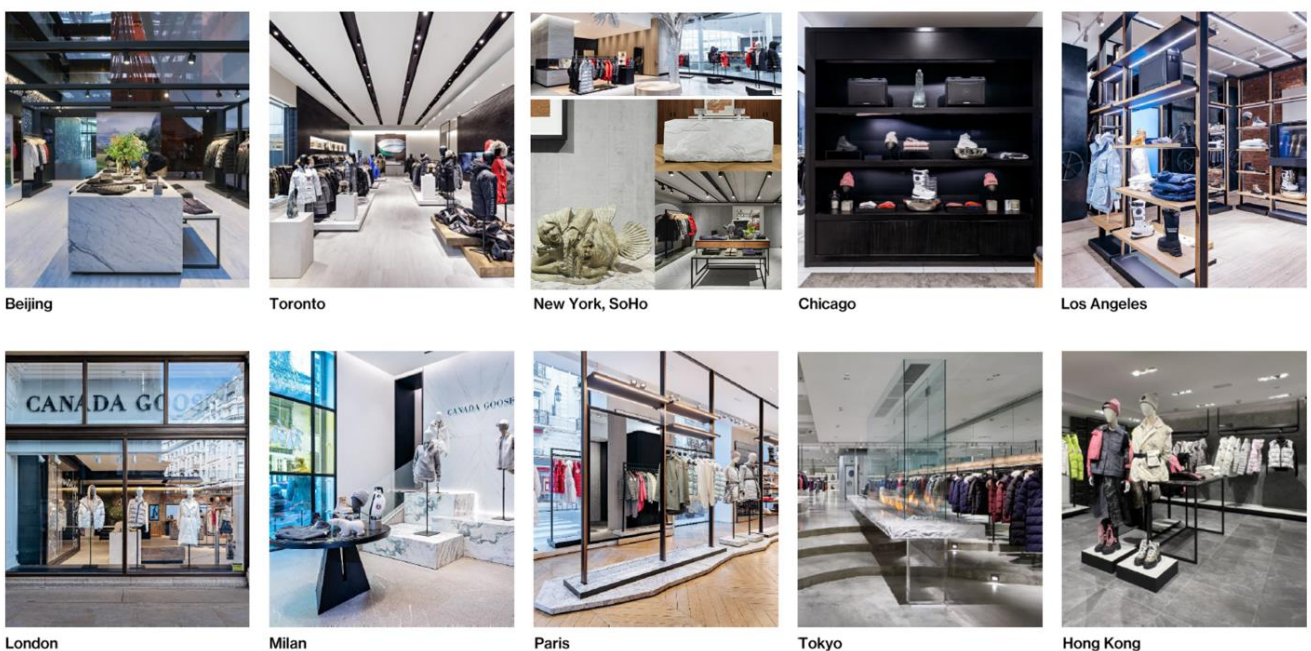
Figure 19: “Back 7 or 8 years ago, we were 100% wholesale, and today we are 75% own retail” – growth in own store retail at Canada Goose is planned to further increase further as part of the company’s Strategic Growth Plan⁸⁰



For the 2024-2028 period, estimates are illustrative, based on the publicly disclosed Strategic Growth Plan of Canada Goose, revenue percentage as a basis relative to March 2024

Overseeing its retail distribution directly has empowered Canada Goose to build a valuable asset in its unique store concepts, consistent design variations around which have been successful in penetrating multiple geographies across the globe.

Figure 20: In building out its network of own stores, Canada Goose has established a unique store concept, the consistent design variations around which have been successful in penetrating multiple geographies across the globe⁸¹



As such, today Canada Goose has demonstrated that its product and directly operated store format acts as a sufficient set of rails to allow the brand success in penetrating new markets across the world, in the majority of which the brand is significantly under-represented. We would put forward this set of rails as a potentially underappreciated asset possessed by the company.

As per the Warren Buffett quote below, a business which can successfully penetrate new markets is significantly more valuable than a business that is regionally constrained. The ability to penetrate new markets extends the runway for a larger pool of high return-on-capital deployment. By contrast, a business that is regionally constrained, even if achieving a high return business model in its local markets, will have its future new deployment opportunities restricted.

“With See’s – it hasn’t been a question of not trying to open stores - what we found out is that we have this wonderful brand but a brand that doesn’t travel. You know, the mystique, the actual product, the feelings people have about some things as we said before I mean it sometimes it is limited to given markets.

I kept learning more as I watched different brands – our economics were so good in California that we tried in many cases the same experiment over and over again. We’ve tried everything in the world to cause the See’s brand to travel.

The temptation is to keep trying because the economics would be so good, if we succeeded. So we tried various things, and of course every manager that comes along wants to try it because they’ve learned it should work. But [for See’s] it doesn’t work..”

Warren Buffett, speaking at Berkshire Hathaway shareholder meeting 2023⁸²

By linking its store design attributes to the unique characteristics of the Canada Goose brand, a unique store design is created. As such, similar to the way in which the unique characteristics of the product attracts customers, the unique retail stores of Canada Goose today similarly draw in customers attracted to its distinct retail experience.

The Canada Goose store designs include “ice ceilings”, till frontages overlaid with replica glacial rock, and a meaningful collection of unique artwork pieces that honour the Canadian North. Additionally, the store designs include walk-in “snow rooms” which allow customers a below-freezing experience in testing Canada Goose products before they buy.

Figure 21: Canada Goose store designs include “ice ceilings”, as well as till frontages overlaid with replica glacial rock, and a meaningful collection of unique artwork pieces that honour the Canadian North⁸³



Figure 22: Canada Goose store designs also include walk-in “snow rooms” which allow customers a below freezing experiential aspect in testing Canada Goose products before they buy⁸⁴



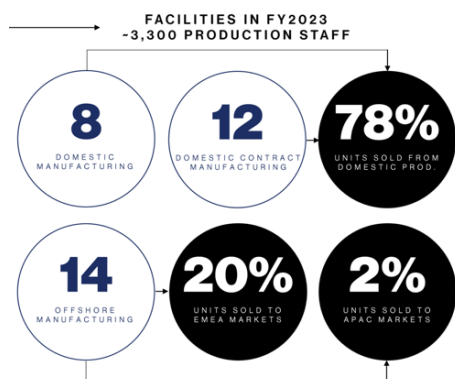
“We have award winning installations with our snow rooms. And they are in approximately half of our stores now and almost all of the new stores that we build.

And it’s really important to have that sort of experience available to our consumers.”

Canada Goose CEO Dani Reiss, at Goldman Sachs conference, September 2023⁸⁵

The vertical integration of Canada Goose also extends to its manufacturing infrastructure. The company today is the largest clothing manufacturer in Canada employing 20% of the nation’s cut-and-sew workforce through more than 8 directly overseen domestic factories resulting in nearly 85% of the units sold by Canada Goose originating from own factory, domestic production⁸⁶. All of the company’s down-filled products are made in Canada⁸⁷. And its vertical integration in manufacturing increased even further beyond these figures in late 2023 following the acquisition by Canada Goose of its knitwear manufacturing partner⁸⁸.

Figure 23: Canada Goose today is the largest clothing manufacturer in Canada employing 20% of the cut-and-sew workforce through more than 8 directly overseen domestic factories and resulting in nearly 85% of the units sold by Canada Goose originating from domestic production (up from 78% of units in February 2023)⁸⁹



“We also transitioned more production in-house with nearly 85% of our domestically produced jackets manufactured in-house in the second quarter of fiscal 2024, compared to 58% as recently as the fourth quarter of fiscal 2023.

In-house production gives us greater flexibility and quality control over our manufacturing process and consequently control over inventory management”

Canada Goose CEO Dani Reiss, Q2 2024 conference call November 2023⁹⁰

As Dani Reiss notes, in-house manufacturing advantages Canada Goose with greater flexibility and quality control over its manufacturing process, enhancing performance authenticity. Consumers want authentically manufactured products that are purpose-made. Vertically integrated manufacturing also improves control over inventory management and therefore provides another advantage to business economics.

“One of our core competencies is manufacturing products in Canada, that is one of the things we do best.

We have built out eight manufacturing facilities here in Canada, nobody has the manufacturing infrastructure of the kind that we have here in Canada, and that is a massive competitive advantage for us.

The hallmark of any great luxury brand is that they control their own supply chain and that they make their own products, and for us, it is super-important that we do that. There is not any company in Canada like us, that is a luxury brand that makes their own products.”

Canada Goose CEO Dani Reiss, interview with Forbes, December 2023⁹¹

Similar to Elon Musk’s dedication to best-in-class products being revealed by his own time allocation to manufacturing including sleeping at the factory, Canada Goose management have both a history of, and current time dedication to, both its manufacturing and retail footprint. Before becoming CEO of the company at age 27, Dani Reiss worked at the company in roles including at its factories filling and finishing jackets, and also in jacket shipment.

“I had jobs at Canada Goose every summer. So I worked in the down room filling down jackets, I worked in the shipping department, and the finishing department. I worked as a janitor. Reception, I would type letters. I did almost every job there was.

Canada Goose CEO Dani Reiss, CNBC profile on Canada Goose, 2023⁹²

Today, Canada Goose management are focused on optimising the customer experience in their directly operated retail stores, having overseen a significant expansion this area of the business over recent years. In this context, Reiss has instructed the executive team to begin working selected shifts within the retail footprint of the company to increase their understanding of the Canada Goose retail customer⁹³. Their aim is first learning – and thereon to enhance the in-store experience through a set of retail disciplines that they label as “Canadian Warmth” – warmth in every interaction and expertise behind every recommendation, and an uplift in a retail experience that is only possible now they directly control their distribution.

“With seven years under our belt as a retailer, we have learned a lot about what works for us in directly owned stores. We also learned a lot about where we have room to improve.”

Canada Goose CEO Dani Reiss, Canada Goose investor day, February 2023⁹⁴

“We need to learn how to be best in class retail in an authentic way. And one way to really do that, is to get the executive team, my team that are making the decisions, to get into the stores and understand what it is that our consumers want, and how we are bringing Canadian Warmth to the world.

Our Canadian Warmth is a distinctive approach to luxury retail – it is defined as warmth in every interaction and expertise behind every recommendation, and as a company that is used to being a wholesaler we can learn a lot of new things.”

Dani Reiss, interview with Forbes, December 2023⁹⁵

Figure 24: Canada Goose President Carrie Barker during in-store shifts, November 2023⁹³



3.3. The Canada Goose brand also stands for more than just its product: a universally attractive set of values representing a noble mission, calling, or purpose – creating an enduring bond of affection from the customer

3.3. a) *Enduring affection from the customer is created by the communication of a noble mission, calling, or purpose*

The Canada Goose brand also stands for the inspirational qualities of great adventurers in the harshest winter conditions, as well as those people who work in their daily lives in such winter environments and require Canada Goose products for their safety. This gives the company a genuine sense of purpose, protecting both our heroes and the people who face head-on the challenges of the natural environment.

“It’s difficult to have a purpose if you’re not authentic.. you have to be authentic to be purpose-driven”

Canada Goose CEO Dani Reiss, speaking in early 2023 at MediaEvents.ca⁹⁶

“People use our jackets in the coldest places on Earth and these jackets save lives”

Canada Goose CEO Dani Reiss, keynote speech, enterprisetoronto.com, 2012⁹⁷

“What Canada Goose stands for is the warmest coat in the world. We are worn by people who are professionally in extreme cold environments in the north of the Arctic, and we keep them warm.

Fundamentally we deliver a product that is superior to anything in the market and that is what drives our growth and that is what drives our success.”

Ryan Cotton, Bain Capital executive overseeing the firm’s shareholding in Canada Goose, February 2019⁹⁸

In a world of luxury brands emanating primarily from Western Europe, the inspirational qualities that have become attached to Canada Goose also result from the unique opportunity presented for Canada to build a global luxury brand. European luxury brands typically have had a strong tradition and history that they build on. Yet from Canada Goose’s point of view, the company also now possesses this heritage yet has uniquely grown from Canada. To continue to build the project not only inspires customers, but also inspires the Canada Goose management team and wider staff base.

“What’s a really exciting opportunity for Canada Goose and for us, is that there are many luxury brands around the world and most of them come from Europe, and they have this tradition and history that they build on – and from our point of view, we have the same thing but we’re in Canada.

And nobody else has that in Canada. And so to me it is super exciting to be able to build a legacy brand like this, in Canada.

The whole company is energised by what we are doing, because it is something that has never been done before.”

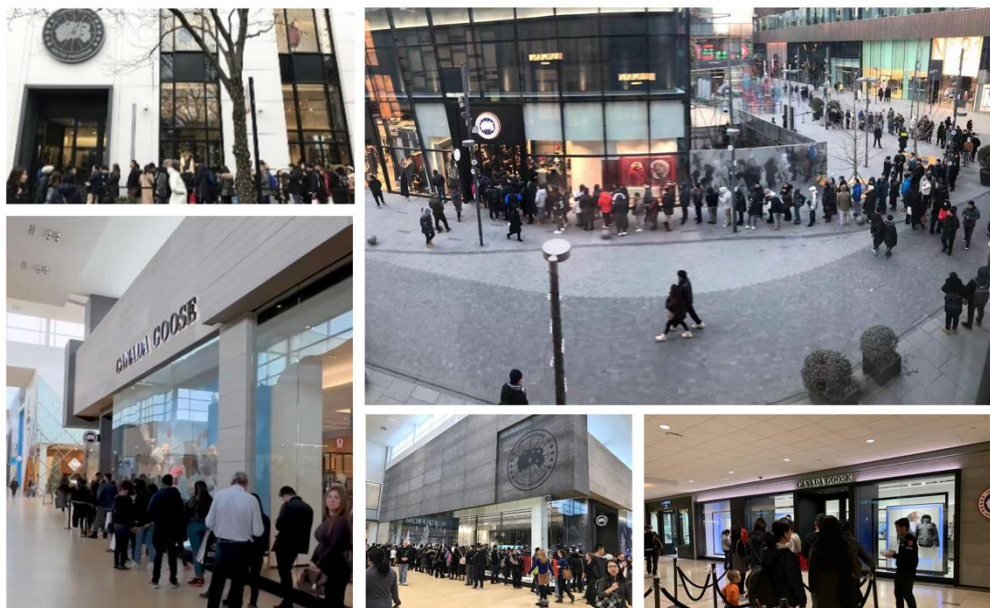
Canada Goose CEO Dani Reiss, interview with Forbes, December 2023⁹⁹

3.3. b) Elevated levels of affection from the customer are revealed by patterns of behaviour around Canada Goose retail points

As these super brand qualities of Canada Goose aggregate, and as was seen in the prior section’s super brand case studies, an elevated dedication in brand love and brand following is observed from customers. As at other super brands, at Canada Goose this connection feeling can be so strong that customers will queue for hours at new store opening events in regions that have not previously had Canada Goose stores.

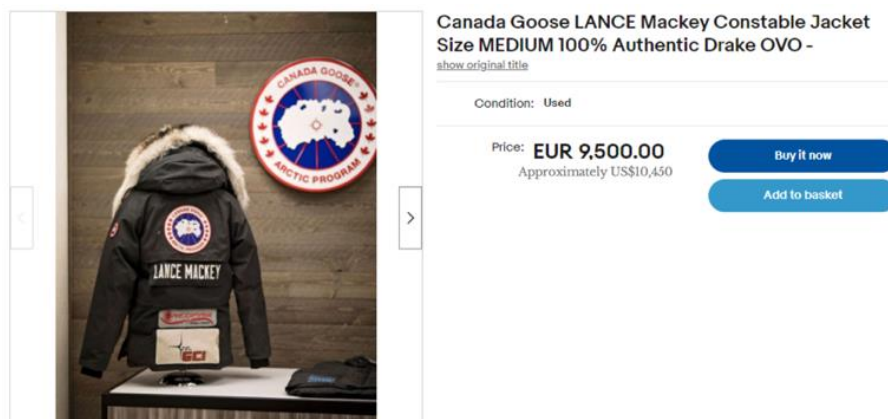
This type of consumer behaviour is not only rare – as are the super brands that can achieve it – but it is indicative as to a lower risk profile of a business plan predicated on store openings in new geographic regions.

Figure 25: Canada Goose customers will queue for hours at new store opening events in regions that have not previously had stores¹⁰⁰



The unusual dedication in brand love and brand following from prospective customers is also evidenced by the second hand pricing of limited production run products from Canada Goose. Following Lance Mackey's win of the Idiatrod in 2009, Canada Goose created a limited run parka in commemoration. Similar to a rare out-of-production Ferrari achieving super-premium pricing at auctions, iconic out-of-production products from Canada Goose, such as the Lance Mackey parka, currently sell for a 10x premium, at US\$10,000 on auction sites such as eBay¹⁰¹.

Figure 26: Similar to a rare out-of-production Ferrari achieving super-premium pricing at auctions, iconic out-of-production products from Canada Goose, such as the Lance Mackey parka, currently sell for a 10x premium, at US\$10,000 on auction sites such as eBay¹⁰²



3.3. c) Consistent with other super brands, the iconography of Canada Goose reveals a strong sense of national identity

The Canada Goose brand name and iconography combines two nations representing pioneers – Canada and Antarctica – and as such, achieves a messaging “one-two-punch”. Not only in communicating the aforementioned mystical and pioneering values of Canada, but also nodding to the exploration-at-the-extreme nature of Antarctica, and connecting the wearer of the jacket to these aspirational qualities.

There is no other developed region in the West that shares Canada's extremes in climate – most large cities in Canada have harsher winters than comparable large cities in Scandinavia¹⁰³. And the unique attraction of Canada Goose is not solely its broad identity linkage with Canada, but that its manufacturing is centred in Canada. Made in Canada is part of the Canada Goose authenticity that allows it to achieve premium pricing.

What appears to be a verification of the value realised from domestic manufacturing is available from a comparison between Lululemon and Canada Goose. Both share a Canadian heritage and a similar time point from which they scaled as businesses¹⁰⁴. However, Lululemon outsourced production overseas¹⁰⁵ and thereon targeted more mass market products. Similar outdoor jackets from Lululemon today retail at less than one third of the price of Canada Goose equivalents¹⁰⁶.

"There was a time when all Lululemon product was made in Canada. They, like many others, chose that the point of manufacturing of their product was not significant to their brand. I can't say they're right or wrong. But for us, we would never make that decision."

Canada Goose CEO Dani Reiss, interview with the Globe and Mail, August 2014¹⁰⁷

“People love Canada, they love the image of Canada, people romanticize Canada and they look towards Canada as a beacon of hope for the world. When people buy Canada they buy authenticity they buy honesty and they buy the perception of the great expanses of wilderness and natural resources and imagery of the North, and the Northern Lights. Part of it is romanticized and part of it is about goodness – there is a lot of prestige attached with a product being Canadian.”

Canada Goose CEO Dani Reiss in conversation with Goldy Hyder on the Speaking of Business Podcast¹⁰⁸

“I see Canada’s jackets like the Swiss Watch. We always talk about Swiss watches right, but you can’t make a Swiss watch in China.

Similarly, Canada Goose is a quintessentially Canadian product and people around the world when they buy a jacket are buying a piece of Canada.”

Canada Goose CEO Dani Reiss, keynote speech, enterprisetoronto.com, 2012¹⁰⁹

“I know this sounds strange because it’s apparel as an investment but absolutely I think that we are in parts investment apparel and that’s why we were able to grow through recessions because people saw our products as good purchases and you know the value is absolutely there.

Our products, made in Canada, have decades of history of craftsmanship and that is why it’s an investment product and I think that’s part of the magic”

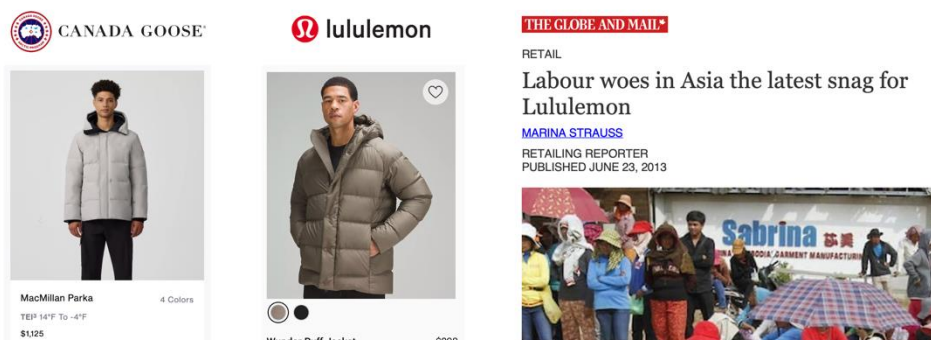
Canada Goose CEO Dani Reiss, CNBC profile on Canada Goose, 2023¹¹⁰

“Canadians are often joked about for being polite, apologetic, nice, but we’re also bold. We are pioneers and we are explorers. We’re a country full of people who have pushed boundaries and who have overcome obstacles and, over the last 150 years, Canada has become a country that has created truly great things.

We are a country revered around the world – the world truly loves Canada and wants more of it.”

Canada Goose CEO Dani Reiss, speaking at the Banff Centre for Arts and Creativity, May 2017¹¹¹

Figure 27: Both Lululemon and Canada Goose share a Canadian heritage, However, Lululemon outsourced production overseas and comparable outdoor jackets from Lululemon today retail at less than one third of the price of Canada Goose equivalents¹¹²

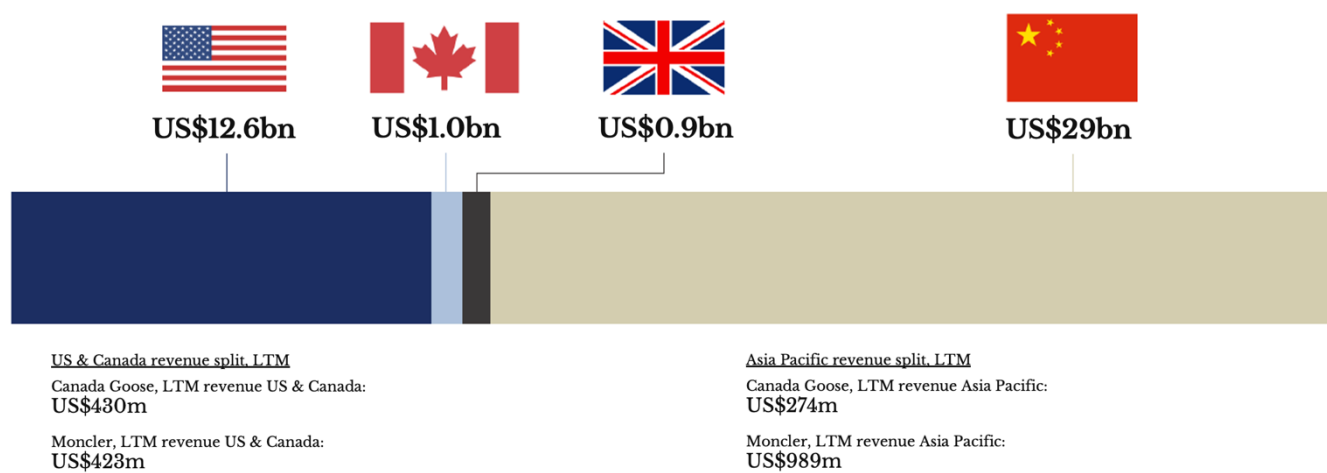


3.4. Matching other super brands, Canada Goose achieves above average growth by a process of positive feedback, where initial growth precipitates an accelerating force to bolster subsequent growth

3.4. a) *The addressable market size of Canada Goose is as high as an annual revenue pool exceeding US\$44bn, dwarfing the revenue of Canada Goose in the year to March 2024 of US\$1bn*

Canada Goose is also capturing a business trajectory that aligns to the *autocatalysis* concept described by Charlie Munger. The starting precondition for this concept is that the addressable market size for the branded product needs to be significantly larger than the current customer base, and this is indeed the case with Canada Goose with management at their 2023 investor day estimating a US, Canadian, UK and Chinese addressable annual revenue pool exceeding US\$44bn, and that doesn't include additional market opportunities in Japan, Korea, France, Germany or the rest of Europe¹³.

Figure 28: Canada Goose management has published estimates of a combined US, Canadian, UK and Chinese addressable market annual revenue pool exceeding US\$44bn¹⁴



3.4. b) *Canada Goose achieves positive feedback through its high visibility brand combined with social proof*

The revenue growth trajectory of Canada Goose is further bolstered by positive feedback as a result of its brand retaining high visibility following the timepoint of consumer purchase, and as such, the act of the consumer purchase thereon providing ongoing an advertising action each time the customer uses the product. As growth accumulates units sold, this advertising action is increased in magnitude, and the positive feedback process is reinforced.

However, in the case of Canada Goose this is then subject to potentially greater amplification than for most other brands. This is because, for Canada Goose, the performance authenticity of the product is also at the level that a dedicated celebrity following is sustained. If we consider the celebrity buyer of Canada Goose as a high advertising output individual making a public statement of confidence in the attributes of the product and brand – then the Canada Goose product has a commensurately higher social proof forcing function than a comparable brand where the celebrity following is absent.

In our contention Canada Goose has an enduring ability to attract celebrities to its product because Canada Goose represents exactly the qualities that the celebrities are themselves trying to convey.

In other words, it is a symbiotic relationship: whilst the celebrity provides advertising to Canada Goose, Canada Goose also provides advertising to the celebrity. The qualities that celebrities look to represent: authenticity, expertise, inspiration and relatability – are also the qualities that wearing the Canada Goose brand conveys onto them.

Figure 28: The Canada Goose product has attracted a dedicated celebrity following, significantly enhancing the post-purchase positive feedback advertising and social proof function that the brand achieves¹¹⁵

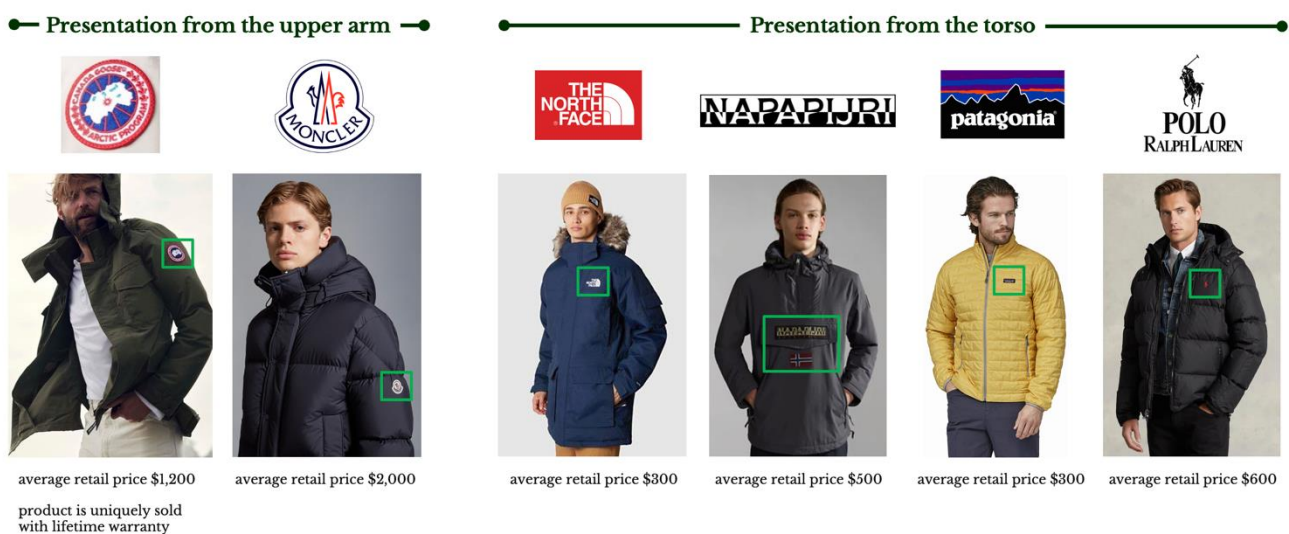


3.4. c) *By Canada Goose placing its iconography on the upper arm, high status is represented, acting as an additional amplifier in attracting prospective customers to the brand*

When high status is represented by brand iconography, our contention is that this is likely to act as an additional force in influencing prospective customers to be drawn to the brand. In section 2.4. c) of this white paper, our analysis observed that when a status identifier on clothing is presented on the upper arm it is a signal of leadership, and as such, a clothing brand such as Canada Goose that presents its iconography on the upper arm may accelerate its path of positive feedback.

Only Moncler, the closest peer to Canada Goose, and similarly a premium brand for winter outerwear, also uses the upper arm to present its brand iconography – placing both its brand and that of Canada Goose at a status above mid-market peers including The North Face, Napapijri, Patagonia and Ralph Lauren Polo, as per Figure 29.

Figure 29: By Canada Goose and Moncler placing their iconography on the upper arm, high status is represented, placing both brands at a status above to mid-market peers with competing winter jacket products including The North Face, Napapijri, Patagonia and Ralph Lauren Polo¹¹⁶



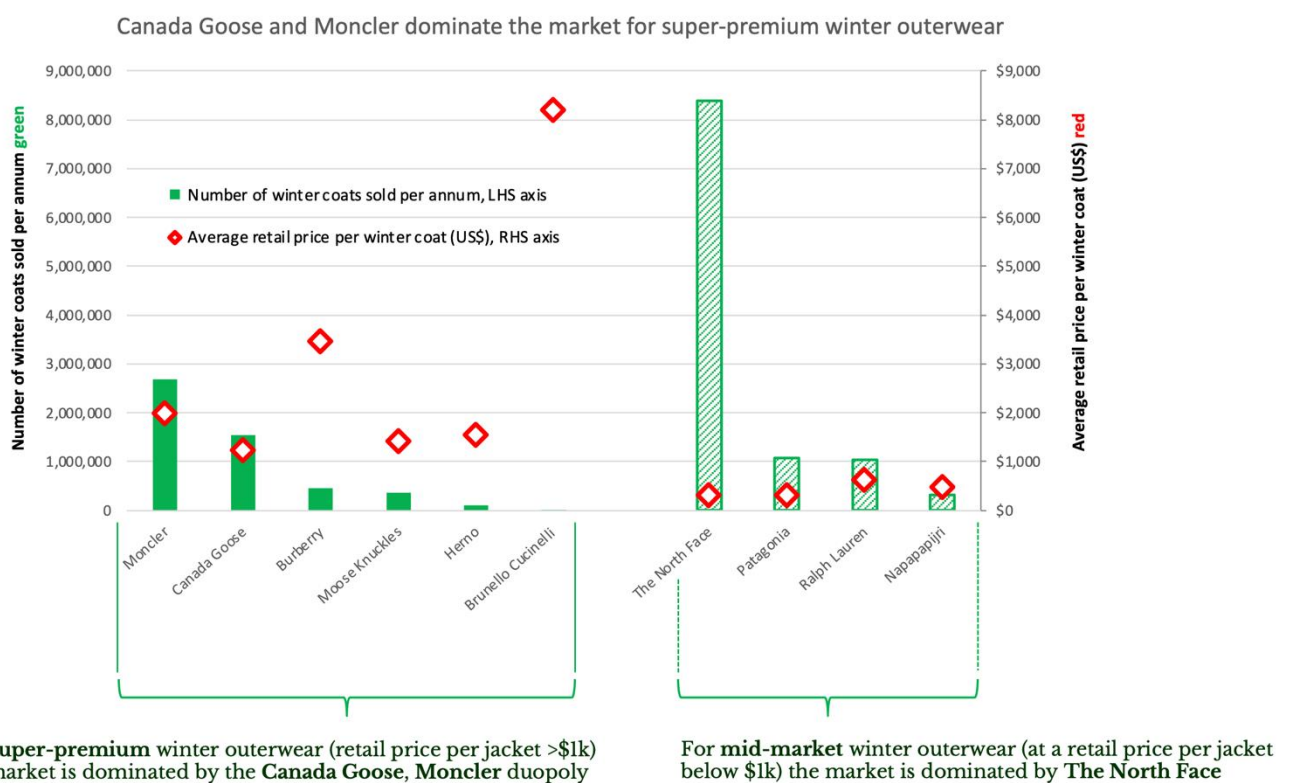
4. Canada Goose operates from a dominant business position

4.1. In the super premium category of winter outerwear, there are just two brands: Canada Goose and Moncler, however, each targets differentiated market segments

4.1. a) In the super premium category of winter outerwear, there are just two brands: Canada Goose and Moncler

As per Figure 30 below, we can group the specialist brands in winter outerwear into two categories. For super-premium winter outerwear (retail price per jacket >\$1k) the market is dominated by a Canada Goose, Moncler duopoly. This compares to mid-market winter outerwear (at a retail price per jacket below \$1k) where the market is dominated by The North Face.

Figure 30: For super-premium winter outerwear (retail price per jacket >\$1k) the market is dominated by the Canada Goose, Moncler duopoly¹¹⁷



As such in the super premium category there is only one near peer to Canada Goose – Moncler – and this naturally means that in most instances of a Canada Goose store there will be at maximum only one other choice of comparable brand in practical proximity, and in many cases, no other choice. Canada Goose therefore operates its business from a dominant position: a mix of duopoly and monopoly shares within the super-premium category.

“We often get asked about domestic competition. We cannot compare our brand in most cases. The fact of the matter is local brands rarely have stores in the malls we are in. Our adjacencies include Louis Vuitton, Chanel, Hermes and Dior to name a few.”

Canada Goose CEO Dani Reiss, Canada Goose investor day, February 2023¹¹⁸

4.1. b) However, Canada Goose targets a differentiated customer to Moncler; Moncler targets the fashion conscious buyer

Figure 31: Canada Goose targets a differentiated customer to Moncler; Moncler targets the fashion conscious



A visual review of Canada Goose relative to Moncler, as per Figure 31, broadly reveals the differentiation in the customer target focus of each brand.

The Canada Goose product ranges from highly functional authentic performance items for professionals dedicated to extreme winter outerwear work, then to functional winter protection outerwear suitable for most consumer purchases, thereon to some items with lower seasonality designed for more moderate temperature ranges, such as gilet jackets.

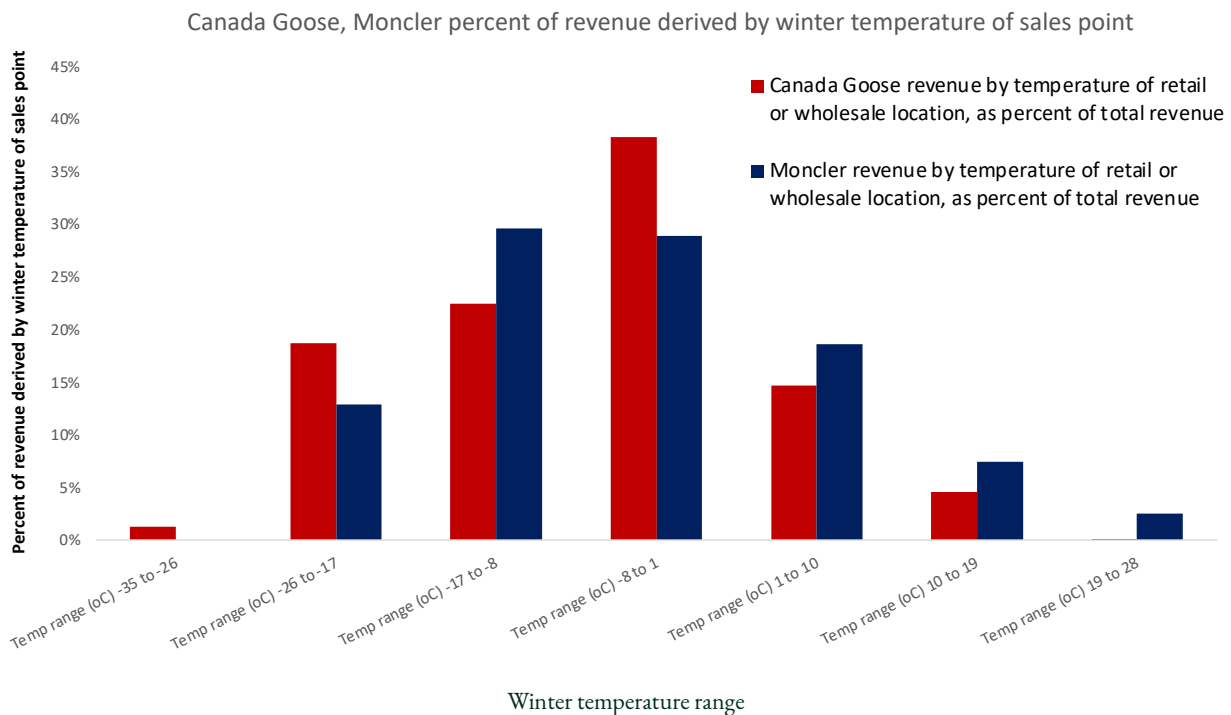
This contrasts to Moncler which does not have a product for professionals dedicated to extreme winter outerwear work, and in terms of its winter protection outerwear for most consumer purchases is targeting a more fashion-conscious buyer.

4.1. c) A higher resolution analysis of the differentiation in customer focus between Canada Goose and Moncler is revealed by the respective store distribution footprint of each company relative to regional winter temperatures

By comparing the per region store count to the per region retail revenue, a per store revenue figure can be estimated for each of Canada Goose and Moncler, and at each store location. Then, by taking the actual address of each store and winter temperature data for the same address, revenue can be mapped to winter temperature levels.

As can be seen from the figure below, at the lower winter temperatures, particularly at significantly below freezing, Moncler operates very few stores, and thereby in these locations Canada Goose will often operate as a monopolist. As such, whilst Moncler advocates itself as a specialist in winter jackets, when its authenticity is examined – at the extreme – it does not allocate comparable capital to store openings at the same low temperature extremes as Canada Goose.

Figure 32: Moncler does not allocate comparable capital to store openings in cities with the same low winter temperature extremes as Canada Goose does; in these locations Canada Goose often operates as a monopolist¹²⁰



“The name of the game today is finding something that is hard to imitate, and hard to knock off. Companies have value because they stand for something.

What Canada Goose stands for is the warmest coat in the world, worn by people who are professionally in extreme cold environments in the north of the Arctic, and we keep them warm. And so our products are differentiated in warmth.

Fundamentally we deliver a product that is superior to anything in the market and that is what drives our growth and that is what drives our success. We are serving a customer who understands the value proposition, and who is willing to pay up for that warmth.”

Ryan Cotton, Bain Capital executive overseeing the firm’s holding in Canada Goose, February 2019¹²¹

4.1. d) Canada Goose also possesses branding attributes with superior aspects to Moncler

In our contention the branding of Canada Goose also demonstrates some superiorities over Moncler. For Moncler, the logo is blue, linking to the sea and sky and attributes of stability, harmony, confidence but also and negatively to a feeling of not being warm. For an aspirational brand these are less competitive concepts than the linkage of red to excitement and passion, love, danger and heroic action, and importantly for cold weather protection, red’s additional linkage to energy and warmth.

In terms of iconography, Moncler’s logo contains a cockerel, which is a national symbol of France and yet absent any immediately obvious emphasis on winter conditions. Following research the linkage to the cold can ultimately be made – Moncler started using the cockerel as an emblem in the 1960s after it became a supplier of the French Olympic ski team¹²². However, competitive skiing conditions are not typically at the extreme of life-or-death temperatures, and before ski wear the origins of the Moncler brand were in sleeping bags¹²³. These attributes also reduce the brand’s signalling of potential performance authenticity in winter outerwear.

Moncler is today an Italian-owned brand after being purchased by entrepreneur Remo Ruffini in 2003¹²⁴, and after a bankruptcy of the previously French company. The name Moncler is originally derived from the French village Monestier-de-Clermont¹²⁵. The linkage to an individual nation, as to performance authenticity, continues therefore to be relatively fuzzy.

Figure 33: The brand iconography of Canada Goose possesses superiorities over that of Moncler: the colour red of Canada Goose versus blue of Moncler, the iconography of Antarctica versus that of a cockerel, clarity and consistency of national identity, the bull’s eye iconography, in aggregate, are in favour of Canada Goose as the dominant branding force to be reckoned with in communicating winter outerwear performance authenticity¹²⁶



4.2. The performance authenticity of Canada Goose results in a lower risk path to optimisation in business design

4.2. a) The performance authenticity of Canada Goose results in an initial low risk business position

Canada Goose stands for the warmest outerwear in the world, worn by people who are professionally in extreme cold environments. And so at this initial stance, its products are differentiated in the provision of protective warmth which is an enduring demand factor rather than its products being “in style” which would have a potentially less robust risk profile.

“Our products never go on sale. Our products are classic core, styles that are evergreen, and always always highly sought after by our consumer group.”

Canada Goose CEO Dani Reiss, interview at GS retail conference, January 2023¹²⁷

“Canada Goose makes money on every sale they're disciplined on pricing, they grow in a responsible way.

They try to make sure that the market demand is always in excess of the supply of their product so that they can sustain it and they can sustain the economics behind it.

That is a winning growth formula.”

Ryan Cotton, Bain Capital executive overseeing the firm's holding in Canada Goose, October 2019¹²⁸

“So lots of our inventory, even if a large, large component of it does not go out, even if we have to carry it over to next year, it's still relevant for the next season. That's really important.”

Canada Goose CEO Dani Reiss, Canada Goose investor day, February 2023¹²⁹

4.2. b) By targeting a greater balancing of the origination of revenue throughout the months of the year, Canada Goose minimises capacity de-utilisation, and therefore increases business efficiency

As this white paper details, Canada Goose continues on a path to optimise its business design. Optimisations include shifting manufacturing to almost entirely from Canada Goose's own factories, and product distribution to almost entirely from Canada Goose's directly operated stores.

However, as per Figure 34, an additional optimisation shift occurring is to achieve a greater balance in revenue delivered throughout the year, rather than a concentration of revenue delivery in the winter months consistent with the originating winter outerwear performance authenticity of Canada Goose. By greater balancing the origination of revenue across months throughout the year, Canada Goose minimises capacity de-utilisation, and therefore increases business efficiency.

“[fiscal] Q4 used to make a loss, it now makes a profit.”

Canada Goose CEO Dani Reiss, Canada Goose at Goldman Sachs conference, September 2023¹³¹

“From a shape point of view, from a strategic point of view, we’re actually evolving the way we expected to. As we look forward on that, product diversification continues to have an impact.

And it makes us even more relevant in the first half [April to September] of the fiscal year, what today is a 25%-75% business split on a consolidated basis may move towards 35%-65%, but we’re talking a 5-year time horizon. It’s a gradual evolution that we expect to see happen.”

Canada Goose CFO Jonathan Sinclair, at Goldman Sachs conference, September 2023¹³²

As can be seen from Figure 35, the shift occurring is that Canada Goose apparel, accessories and its “other” category of products – which have lower seasonality than winter jackets – are growing from 20% of revenue in the year to March 2023 to close to 25% of revenue in the business plan year to March 2028. It is notable that whilst the shift is not transformative, it does lead to Canada Goose giving greater visibility to non-traditional products.

Figure 34: The shift by Canada Goose to greater balance in revenue been ongoing since 2016¹³³

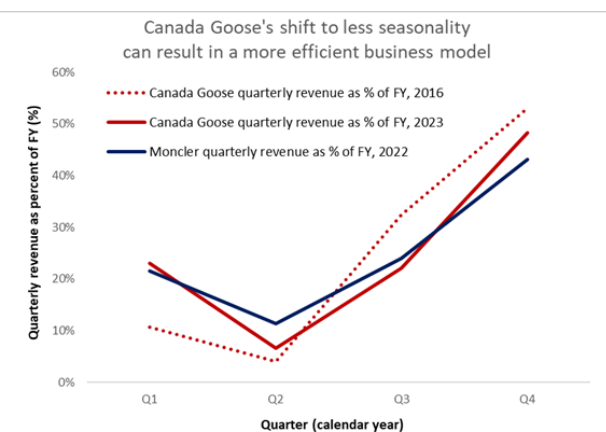
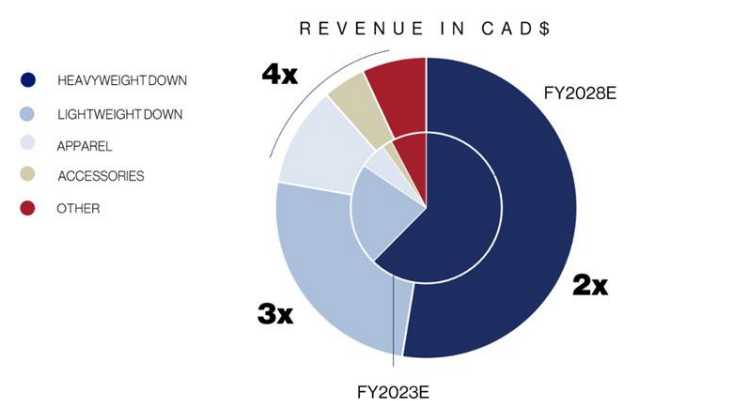


Figure 35: Canada Goose is growing apparel, accessories and other products to almost 25% of revenue by FY2028¹³⁴



(white paper continues on following page)

4.2. c) However, a greater balance in the origination of revenue throughout the months of the year does not necessitate that 'fashion risk' is being introduced into the products manufactured by Canada Goose

The modest re-balance in the calendar time point of revenue origination at Canada Goose may be one of the areas of business development that is less well understood, as well as potentially negatively interpreted as introducing fashion risk to the business. However, we would put forward a differentiated understanding.

As can be seen from Figure 55, even the products with lower seasonal sensitivity from Canada Goose are relatively straightforward in terms of their outward-facing aesthetics. That is, despite achieving a greater balance in the time point of revenue origination throughout the year, the products produced by Canada Goose still focus on performance, and as a result of that, also retain luxury product characteristics. But they are not products that have as their primary target a fashion status.

"I look at us as being the Land Rover of clothing. The Land Rover is a vehicle designed to work in any environment, cross cold and hot deserts, and bring you into the city.

And you put some leather seats in it and some chrome shifter on it and some tires and some wood grain, and it becomes a fashion statement, and a luxury product – but that is not what its intention was."

Canada Goose CEO Dani Reiss, speaking in early 2023 at MediaEvents.ca¹³⁵

"My take on brands today is brands themselves have become commodities because if you look around everything is branded.

So what separates us is that we're performance authentic – in a world of fabricated stories, we give people something real to experience."

Canada Goose CEO Dani Reiss, keynote speech, enterprisetoronto.com, 2012¹³⁷

"The most important thing is we make a best-in-class product – we're not about slapping logos on stuff.

We make best-in-class products and I think that you know from the point four point of view of brand management the one of the worst things you can do is to make bad product and rush to make it partly because you think you can still sell it"

Canada Goose CEO Dani Reiss, CNBC profile on Canada Goose, 2023¹³⁶

The argument by Dani Reiss, that performance pushed far enough becomes luxury, is similar to that made by Enzo Ferrari in section of 2.2. a) of this white paper, in his stating "*machines should be functional and beautiful – and the most beautiful car is the one that wins the race*". It is because Canada Goose possesses performance authenticity, that, like Ferrari, it can produce luxury products at lower fashion risk. By contrast, for a winter jacket from a company which does not have performance authenticity, higher fashion risk may be necessary for the same premium pricing.

Canada Goose also avoids the negative connotations associated with traditional luxury by playing up the positive attributes of quality in workmanship and design with a practical, performance edge. If Canada Goose can keep researchers in Antarctica warm, it can keep young, urban professionals in New York, London and Beijing warm too.

In this manner, Canada Goose is made relevant to young consumers who seek that top-of-the-line performance, rather than just a showy luxury label that may have resonance only with a potentially older customer group. Canada Goose becomes the *practical* choice for affluent consumers and in doing so Canada Goose can also reduce its exposure to the elitism risk implicit in traditional luxury brands.

However, we can observe that this approach, despite its lower risk, still results in performance being pushed far enough to become luxury, and with Canada Goose indeed in instances becoming a fashion statement, and Canada Goose parkas pictured on the front pages of fashion-facing magazine covers.

Figure 37: “Performance pushed far enough becomes luxury.. and it becomes a fashion statement.. but that is not what its intention was” – Canada Goose CEO Dani Reiss¹³⁸

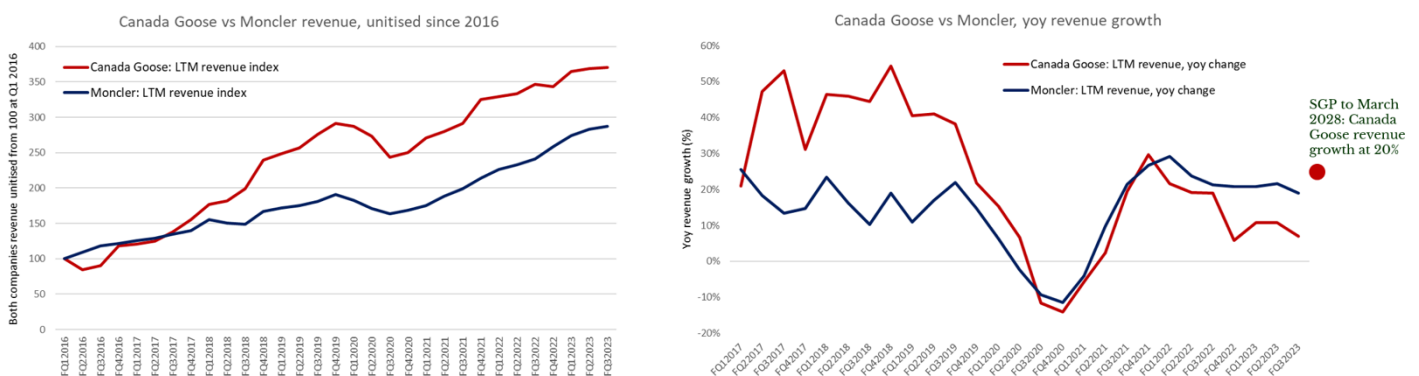


4.3. Canada Goose has delivered superior trailing economic performance relative to Moncler

4.3. a) Canada Goose has a superior long-term revenue growth and EBITDA growth track record to Moncler

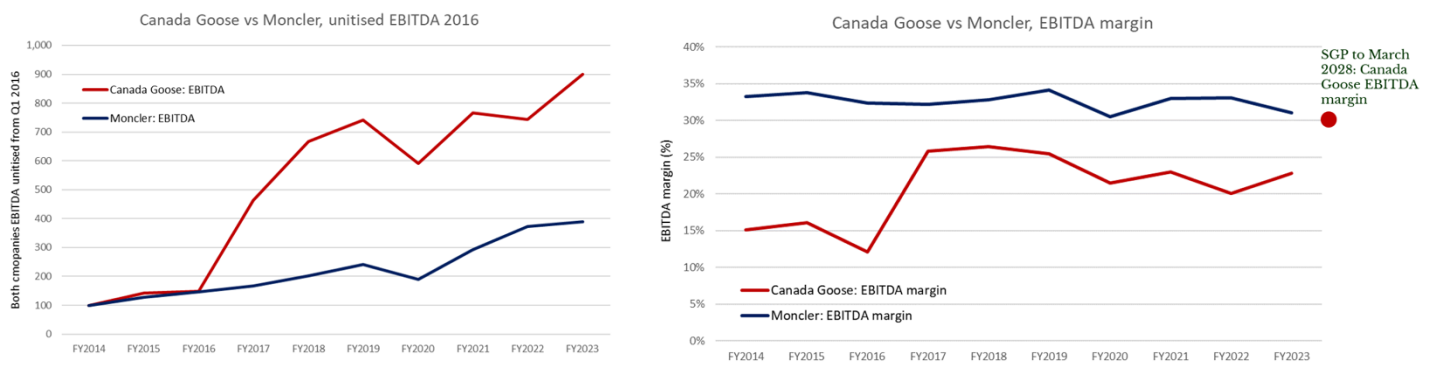
The attractive business characteristics of Canada Goose have also enabled the company to achieve a history of high performance in its economic growth. Since 2014, Canada Goose has delivered average revenue growth of 19.1% annualised versus Moncler which has delivered 17.0% annualised¹³⁹. Whilst, in the recent period, the revenue growth of Canada Goose has decelerated as the company has gone through its evolution in distribution from wholesale to retail, the business plan of the company is to return to 20% revenue growth¹⁴⁰.

Figure 38: Since 2014, Canada Goose has delivered average revenue growth of 19.1% annualised versus Moncler which has delivered 17.0% annualised^{139, 140}



The revenue growth trajectory of Canada Goose has also translated into an attractive rate of profitability growth, with, since 2014, Canada Goose delivering average EBITDA growth of 27.7% annualised versus Moncler which delivered 16.3% annualised¹⁴¹. Whilst Canada Goose’s EBITDA margin today remains at 10% below that of Moncler, this white paper in section 4.3. b) details that there is rationale to anticipate margin improvement, and it is also of note that Canada Goose’s business plan targets EBITDA margins to return to prior highs, matching Moncler’s margin level¹⁴².

Figure 39: Since 2014, Canada Goose has delivered average EBITDA growth of 27.7% annualised versus Moncler which has delivered 16.3% annualised^{141, 142}



4.3. b) Canada Goose’s vertical integration and higher per store revenue density may provide a path to superior profitability margins to Moncler

i) Almost all Canada Goose products are now manufactured by the company’s own factories, versus approximately 20% of Moncler’s products being manufactured by their own factories

The growth in Canada Goose’s vertical integration, now at almost 100% own manufacturing, has significantly superseded Moncler, which according to public disclosures own-manufactured 20% of its product in 2018¹⁴³. In its 2022 annual report Moncler disclosed that the same factory remained its only own-manufacturing plant¹⁴⁴, with remaining manufacturing occurring through third party contracts. As per Figure 40, as vertical integration has increased, the gross margins of Canada Goose have risen by more than 10% since 2016, and now approach the gross margins of Moncler, whose gross margins have modestly declined over the same period.

About supply chain and sourcing, in our own factory in Romania, we developed now and in 2018, about 15% of our total needs with a target to achieve the 20% we said at the beginning of this project.

Luciano Santel, executive director Moncler, corporate conference call, October 2018¹⁴⁵

ii) Canada Goose achieves higher revenue per store than Moncler

Both companies today also derive close to three quarters of their revenues from directly operated stores, as per Figure 19. However, Canada Goose is increasingly targeting distribution with above-average exclusivity (by restricting wholesale accounts). Whilst Canada Goose could be available at more locations, availability is restricted to fewer – with the company confident that customers will come to their stores as a destination, resulting in a higher sales density per store and with a commensurate higher ultimate profitability implication.

“Our stores are built as a destination in their own right.”

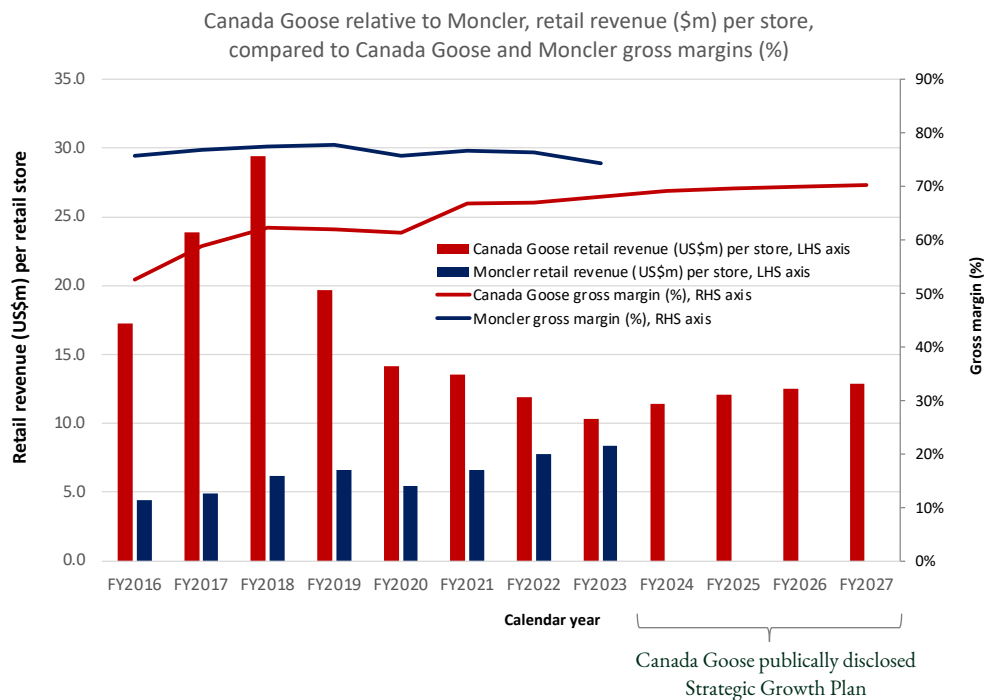
Canada Goose CEO Dani Reiss, Canada Goose investor day, February 2023¹⁴⁶

“There are lots of places we could be even in the luxury space, but we’ve chosen not to be.

“We prefer to prioritise selling through our own retail stores, creating a direct connection with our customers. And the brand is at a level of high enough awareness that people will come to us.”

Canada Goose president Carrie Baker, investor day, February 2023¹⁴⁷

Figure 40: Canada Goose achieves higher revenue per store than Moncler, and is reaching comparable gross margins¹⁴⁸

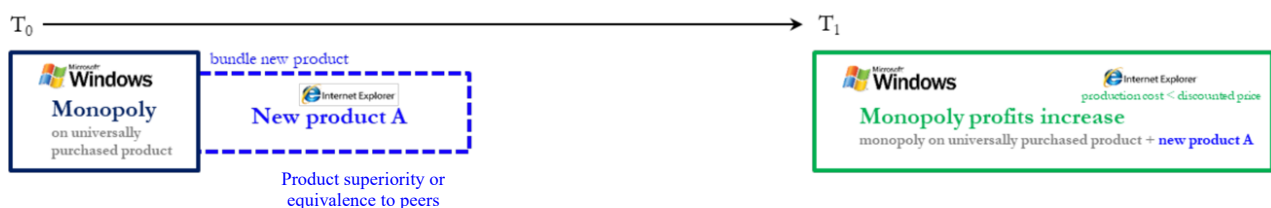


4.4. Canada Goose, by possessing often monopolistic positioning at the extreme in winter outerwear, also gains an advantaged path for the launch of ancillary products

4.4. a) *When a monopolist bundles an ancillary product, the incumbent that the bundled product competes with is displaced*

As this white paper has reviewed, at the performance extreme Canada Goose operates often as a monopolist. When a monopolist bundles an ancillary product, the existing product that the bundled product competes with is displaced because the consumer has no choice but to buy the monopoly product bundle, and as such, the new ancillary product also.

Figure 41: When a monopolist bundles an ancillary product, the existing product that the bundled product competes with is displaced because the consumer has no choice but to buy the monopoly product bundle, and as such, the new ancillary product also¹⁴⁹



4.4. b) To de-risk its growth trajectory, Canada Goose is deploying the “Snow Mantra effect” – the company’s leadership position in extreme winter outerwear is used as the platform to launch ancillary products

At the product level, the growth plan of Canada Goose is anchored around the company’s leadership position in extreme winter outerwear, and the use of that position to launch ancillary products, a strategy that the company at its February 2023 investor day labelled as the “Snow Mantra effect”.

*“Let’s review **the mechanics of our product growth** by looking back to **our original business case, which has really been key to our success**. We call it **Snow Mantra effect**. Let me explain what this is.*

For decades, Canada Goose has made among the most extreme cold weather product on the planet. It was through this focus that we gained our reputation.

And today, think of it as we own warrants. And if you ask anyone who knows the Snow Mantra parka, it is at the pinnacle of warmth and production. So we took the Snow Mantra parka, which is ready to protect at environments below negative 30 degrees Celsius and adapted and evolved its design as we expanded within the category.

We identified the key elements of the design DNA from this pinnacle design, such as the snow skirt, the signature de-rings, the [grad] straps and cuts, and then we flow those through to new products. So we build credibility through our pinnacle product and then we flow through the signature design elements and performance drivers to the rest of the category. Using this approach we have carefully expanded our assortments and at the same time, broadening our appeal to more and more consumers.”

Canada Goose CEO Dani Reiss, Canada Goose investor day, February 2023¹⁵⁰

This approach has been used to grow Canada Goose beyond the parka to heavyweight down, to lightweight down, and to newer categories such as rainwear and apparel. In just over a decade, for example, lightweight down has grown into a C\$250m revenue business for Canada Goose and includes performance lightweight icons such as the Crofton and Cypress jackets¹⁵¹.

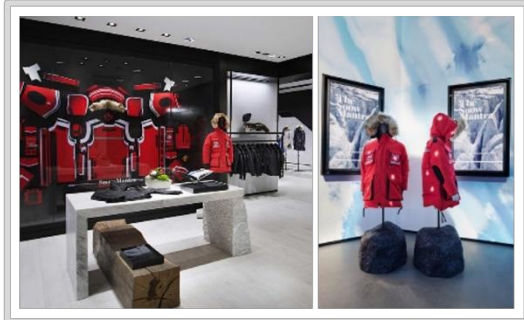
Alongside this path, the company enhances its ancillary designs by incorporating the information received from the Canada Goose community from warranty claims to product reviews. The product assortment is thereon also edited and updated while being careful to maintain the original performance and design DNA¹⁵².

In 2023, Canada Goose deployed its Snow Mantra effect in footwear¹⁵³. The first style launched was the Snow Mantra boot, one of the purest examples of performance footwear on the market and which has authenticated the Canada Goose brand in the category. More recently, Canada Goose footwear has expanded beyond this pinnacle product with both the journey boot, a high-performance style designed with intention to be perfectly at home in the city or on the trail, puffer boots and entrance into the trailer sneaker category. Additional categories planned within the same Snow Mantra strategy and design path include eyewear, bags and luggage, and home¹⁵⁴. Each time, Canada Goose is approaching the category with a pinnacle product first, built for the extreme, and then expanding into more everyday styles¹⁵⁵.

Whilst the deployment by Canada Goose of its “Snow Mantra effect” strategy to launch new products is not explicitly “a bundle”, the coincident promotion of the new ancillary product alongside the existing leadership product achieves a comparable, albeit perhaps in softer form, business advantage.

Figure 42: The growth plan of Canada Goose is anchored around the company’s often monopoly position in extreme winter outerwear, and the use of that position to launch ancillary products, a strategy that the company has referred to as the “Snow Mantra effect”¹⁵⁶

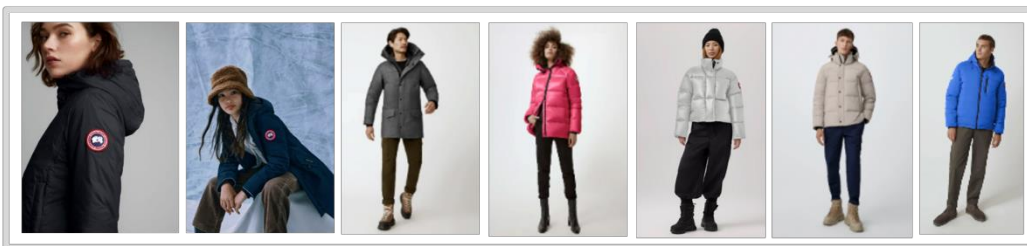
For decades, Canada Goose makes the most extreme cold weather product on the planet: the Snow Mantra parka



Snow Mantra leadership credibility prominent in Canada Goose stores, then adapted and evolved – key elements of DNA incorporated into new heavy weight down products



Customer feedback used to both improve existing heavyweight down products and expand product leadership to light weight down products



“In the near future, we plan to tackle the wet and enter the ocean category. Our offering will represent the ultimate and keep people dry and comfortable in extreme wet. And it is going to be called the Sea Mantra. The Sea Mantra pinnacle product will offer head-to-toe protection in extreme wet. From there, we’ll expand into more everyday rainwear styles built on performance with luxury design. The Sea Mantra will be our hero from where we can then expand into a meaningful rainwear business with authenticity.”



Figure 43: In the last 12 months, Canada Goose has deployed Snow Mantra effect in footwear
“Footwear is going to be a very significant and material piece of our business down the road; we will take a very measured approach to how we introduce new products to the market”¹⁵⁷

Canada Goose launches the Snow Mantra boot, the “purest example of performance boot on the planet”



“Following our playbook, we expanded beyond our pinnacle product with the Journey boot, a high-performance style designed with intention perfectly at home in the city or on the trail, the epitome of performance and luxury. And this fall added another offering to the collection are puffer boots, versatile styles built to perform with luxury styling.”

Looking ahead, Canada Goose will launch performance authentic sneakers. This will truly unlock our seasonal relevance with a 12 month broad appeal. And these trail sneakers are just the start as we accelerate our expansion in the category.”

From winter performance boots to every day luxury footwear



From winter performance boots to every day luxury footwear



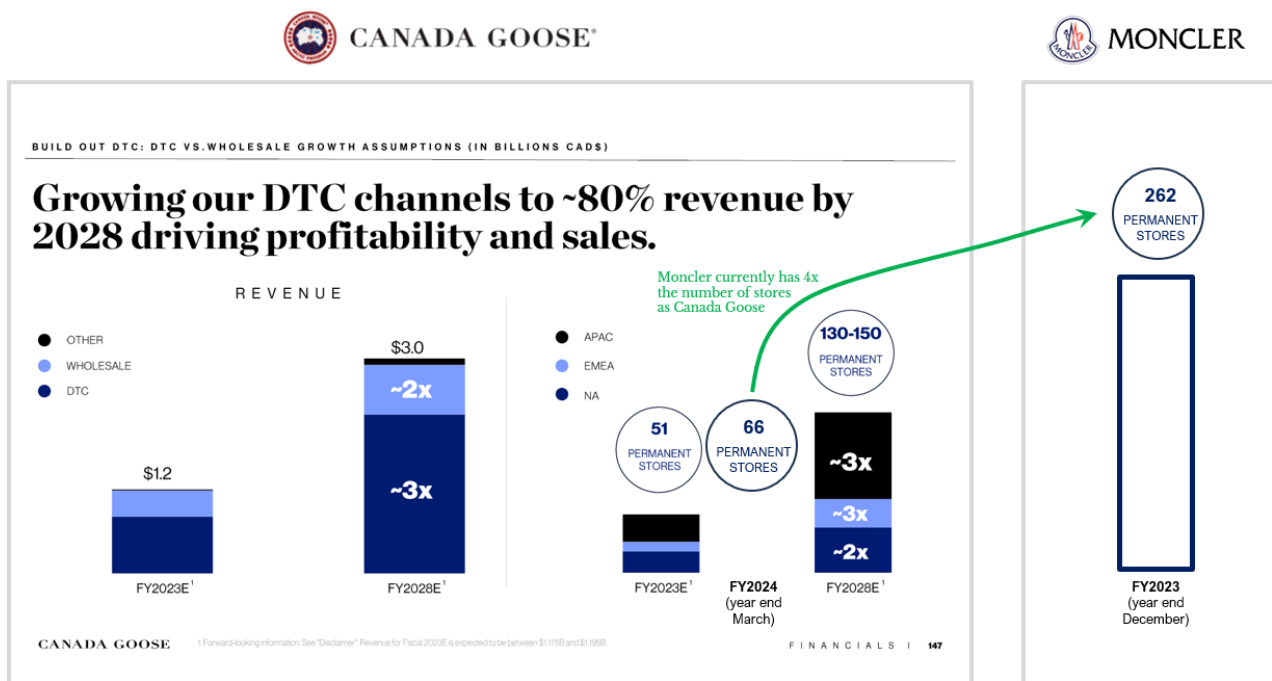
From winter performance boots to every day luxury footwear

5. Canada Goose has clear potential for higher penetration in the Americas, and for significantly higher penetration in European and Asia Pacific regions

5.1. The Canada Goose Strategic Growth Plan targets a store count closer to the level of Moncler

As we begin to consider the Canada Goose Strategic Growth Plan, it is instructive to zero-in on the core variable driving economic growth – new store openings. The business plan targets mid-point 140 stores globally by the year to March 2028¹⁵⁸, compared to the current Canada Goose store count of 66 stores¹⁵⁹, and the Moncler store count of 262 stores¹⁶⁰.

Figure 44: The Canada Goose business plan targets mid-point 140 stores globally by the year to March 2028, compared to the current Canada Goose store count of 66 stores, and the Moncler store count of 262 stores¹⁶¹



“The performance luxury category is a massive global category. There’s no equivalent to Canada Goose – we are the reference outerwear and the reference clothing for people who live and work in the coldest places on earth. That’s authenticity. You cannot buy that.

It’s like a Swiss watch, made in Switzerland. But for Canada Goose it’s like a Range Rover, we are the Range Rover of clothing. Our products work. And every product we make works even – and it is very important to us that any new products we get into, they work just as well and they do not dilute the reputation that we have, because reputation equals brand.

We will not dilute our reputation that we have for being a best-in-class product. And so as a performance luxury brand, we created this category, and we lead this category. Being the leader is very important and we intend to maintain that. And there is a ton of white space there.”

Canada Goose CEO Dani Reiss, Canada Goose investor day, February 2023¹⁶²

5.2. Canada Goose is significantly underpenetrated relative to the total addressable market

The market for winter jackets is highly atomised, with even the largest player by volume, The North Face, which sells an estimated 8 million winter coats per annum, possessing a volume market share of just 2.9%¹⁶³. Winter coats across the Developed and Asia Pacific markets sell more than 300 million units annually and more than double that figure when the broader measure of outdoor jackets is estimated¹⁶⁴.

As such, there is the opportunity for very significant relative share gain between the players in the market when the market leader has such low overall share. As per the figure below, Canada Goose’s volume market share in winter coats is approximately 0.4%, and its revenue market share is just below 2%¹⁶⁵.

We would observe, as per Figure 29, that Canada Goose is also the only outerwear product on the market sold with a lifetime guarantee. As such, whilst the headline price of a Canada Goose jacket is at a premium, the same statement is not necessarily true for the amortised price. This speaks to the potential for Canada Goose to continue to gain share relative to all outerwear competitors including those that possess a lower headline price point.

Figure 45: Canada Goose’s volume market share is just 0.4% of the winter jackets market¹⁶⁶

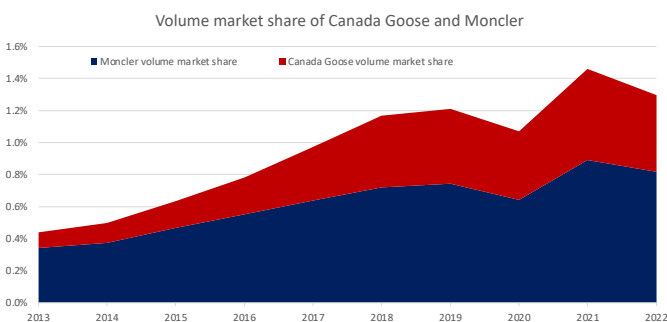
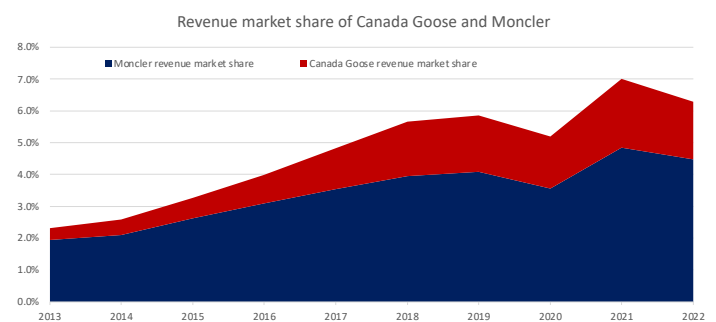


Figure 46: Canada Goose’s revenue market share is just below 2% of the winter jackets market¹⁶⁷



5.3. The Canada Goose business plan targets meaningful expansion in the European and Asia Pacific regions, where, in comparison to peer Moncler, Canada Goose has markedly lower current penetration

It is also clear at the level of rudimentary analysis that Canada Goose – unlike Moncler, has considerably less penetration in Europe and Asia Pacific.

Figure 47: Canada Goose derives US\$430m of revenue from the Americas, roughly equal to the US\$423m of revenue derived by Moncler. As Canada Goose expands, revenue derived from the Americas has declined from 70% (2016) to 45% (2023)¹⁶⁸

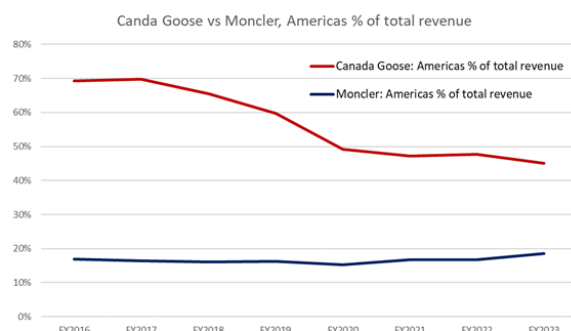
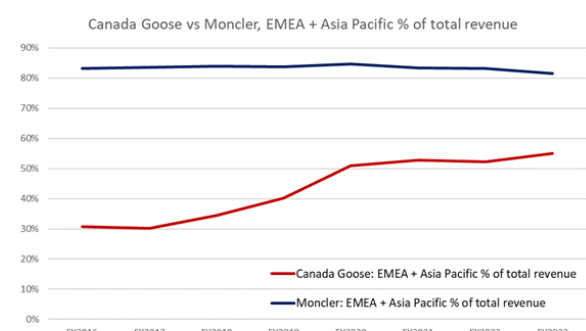


Figure 48: Canada Goose derives US\$274m of revenue from Europe and Asia Pacific, far less than the US\$989m of revenue by Moncler. Canada Goose is growing in the region, with revenue from Asia Pacific increasing from 30% (2016) to 55% (2023)¹⁶⁹

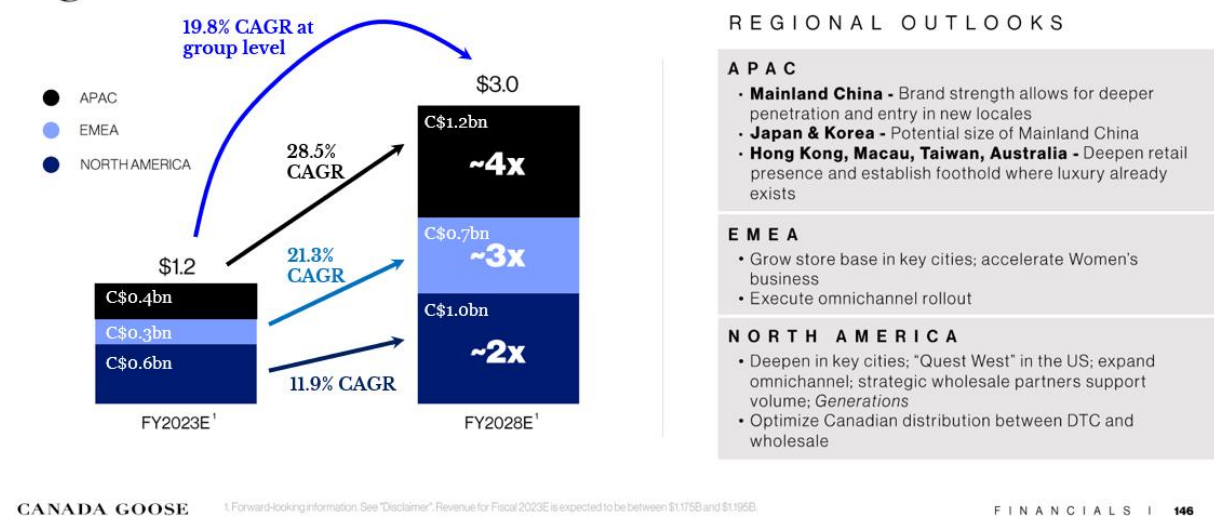


As detailed by Figure 32, at the lower winter temperatures, particularly significantly below freezing, Moncler operates considerably fewer stores, and thereby in these locations Canada Goose often operates as a monopolist. As such, should the Canada Goose Strategic Growth Plan target expansion into new regions that possess comparably low winter temperatures – where Canada Goose can also operate as a monopolist, then the risk of the plan is commensurately reduced.

Canada Goose has not revealed – at city-level specificity – the locations of each projected new store opening. However, what has been revealed is that, as per Figure 49, expansion primarily targets the European and Asia Pacific regions, where current penetration is lower, and with revenue expansion to the year March 2028 at 3x in Europe and at 4x in Asia Pacific.

Figure 49: The Canada Goose Strategic Growth Plan primarily targets the European and Asia Pacific regions, with revenue growth at 3x in Europe at 4x in Asia Pacific¹⁷⁰

Strategically, balancing revenue across the regions.



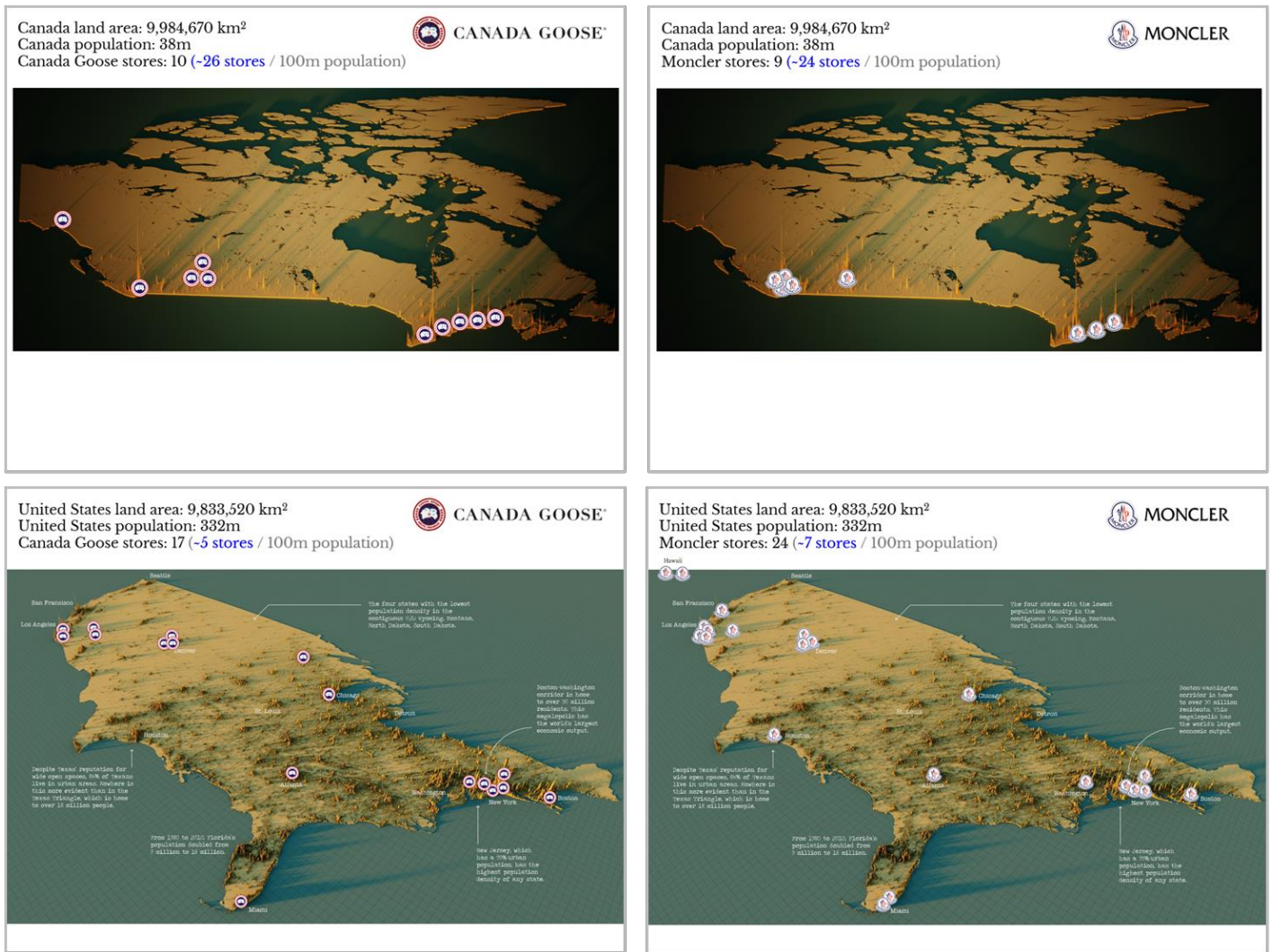
5.4. The feasibility of the Canada Goose Strategic Growth Plan appears reasonable when a detailed analysis is conducted relative to penetration levels, and relative to peer Moncler

Overall, and in light of the evidence presented, our observation is that the realism of the Strategic Growth Plan is reasonable. As per Figure 50 on the following page, in Canada and in the United States, the penetration of Canada Goose is 26 stores per 100m of population, and 5 stores per 100m of population respectively, and compared to, for Moncler, figures of 9 stores per 100m of population in Canada and 7 stores per 100m of population in the United States. Should, for the United States, Canada Goose achieve penetration equal to its penetration in Canada, a more than 4x in United States store growth would be possible, exceeding the assumption set of the business plan.

"We are underpenetrated even in the US. There's a huge opportunity for Canada Goose in the US."

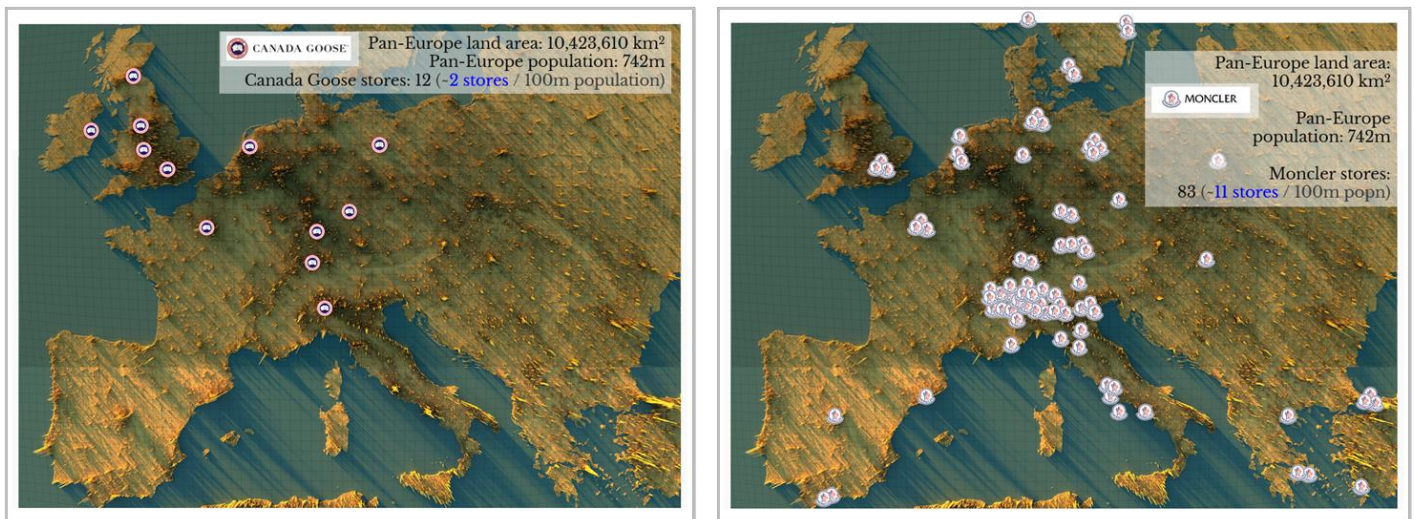
Canada Goose CFO Jonathan Sinclair, at Goldman Sachs conference, September 2023¹⁷¹

Figure 50: Should, for the United States region, Canada Goose achieve penetration as a whole equal to its penetration in Canada of 26 stores per 100m of population, a more than 4x in store growth would be possible¹⁷²



5.5. For the European and Asia Pacific region, the potential for incremental penetration is larger

Figure 51: For Europe, the penetration of Canada Goose is 2 stores per 100m of population, and compared to a figure of 11 stores per 100m of population for Moncler¹⁷³



In appraising the incremental penetration potential for Canada Goose in Europe, the white space opportunity becomes even more apparent. For Europe, the penetration of Canada Goose is 2 stores per 100m of population, compared to an equivalent figure of 11 stores for Moncler.

It is notable that Canada Goose management contend that there is also a natural tailwind that the brand benefits from in Europe, relative to the Americas, due to the greater appreciation by Europeans of the Canadian heritage of the brand.

As Dani Reiss explains, when he first took control of the company, he began distributing jackets internationally. To his surprise, Canada Goose products were immediately embraced more by European retailers, who viewed the Canadian jackets as luxury items and thus never questioned the price point nor the decision to keep manufacturing in Canada.

“The reason why we ended up going international other than that I wanted to travel was that it was easier to sell our stuff from Europe than it was in North America especially in Canada”

Canada Goose CEO Dani Reiss, keynote speech, enterprisetoronto.com, 2012¹⁷⁵

“We went to Europe and it was different – they understood that Canada Goose was a quintessentially Canadian product in fact if it wasn't made in Canada they wouldn't have been interested”

Canada Goose CEO Dani Reiss, keynote speech, enterprisetoronto.com, 2012¹⁷⁶

In Asia Pacific, whilst this white paper does not provide map-based representations, the table below shows that the incremental penetration potential for Canada Goose is also high – similar to Europe. In Asia Pacific, Canada Goose currently has less than 2 stores per 100m of population, relative to Moncler with a density of 11 stores, as per Figure 52.

“Asia in general I'm excited I think that the growth in Asia there's so much white space for us.”

Canada Goose CEO Dani Reiss, interview with Forbes, December 2023¹⁷⁷

Figure 52: In Asia Pacific, Canada Goose currently has less than 2 stores per 100m of population, relative to Moncler with a density of 11 stores¹⁷⁸

ASIA PACIFIC			CANADA GOOSE [®]				MONCLER			
	Winter temperature (°C)	Directly owned stores #	Est. revenue (USDm)	Wholesale locations #	Est. revenue (USDm)	Directly owned stores #	Est. revenue (USDm)	Wholesale locations #	Est. revenue (USDm)	
Asia Pacific	Mongolia	0	0.0	1	1.2	0	0.0	0	0.0	
Asia Pacific	China	17	130.5	30	35.2	52	253.3	0	0.0	
Asia Pacific	Japan	4	30.7	17	20.0	34	165.6	4	74.0	
Asia Pacific	South Korea	0	0.0	13	15.3	32	155.9	9	166.4	
Asia Pacific	Australia	0	0.0	3	3.5	6	29.2	0	0.0	
Asia Pacific	New Zealand	0	0.0	6	7.0	3	14.6	0	0.0	
Asia Pacific	Macau Sar, China	1	7.7	0	0.0	3	14.6	1	18.5	
Asia Pacific	Hong Kong	2	15.3	0	0.0	9	43.8	0	0.0	
Asia Pacific	Taiwan	1	7.7	0	0.0	5	24.4	0	0.0	
Asia Pacific	Thailand	0	0.0	0	0.0	2	9.7	0	0.0	
Asia Pacific	Cambodia	0	0.0	0	0.0	2	9.7	0	0.0	
Asia Pacific	Indonesia	0	0.0	0	0.0	1	4.9	0	0.0	
Asia Pacific	Guam	0	0.0	0	0.0	1	4.9	0	0.0	
Asia Pacific	Singapore	0	0.0	0	0.0	2	9.7	0	0.0	
		25	191.8	70	82.2	152	740.5	14	258.9	
		70.0%		30.0%		74.1%		25.9%		
	Percent of revenue by channel									
	Revenue, last 12 months (m, USD)	191.8		82.2		740.5		258.9		
	Revenue per store/wholesale, last 12 months (m, USD)	7.67		1.17		4.87		18.49		

6. An unusual co-incident of conditions appear to have resulted in the recent compression in the equity pricing of Canada Goose

“The fault, dear investor, is not in our stars – and not our stocks – but in ourselves”

Ben Graham, *The Intelligent Investor*, 1949¹⁷⁹

“The young perceive the world through a microscope. The old, through a telescope.

And yet neither can see that which is directly in front of them.”

Unattributed

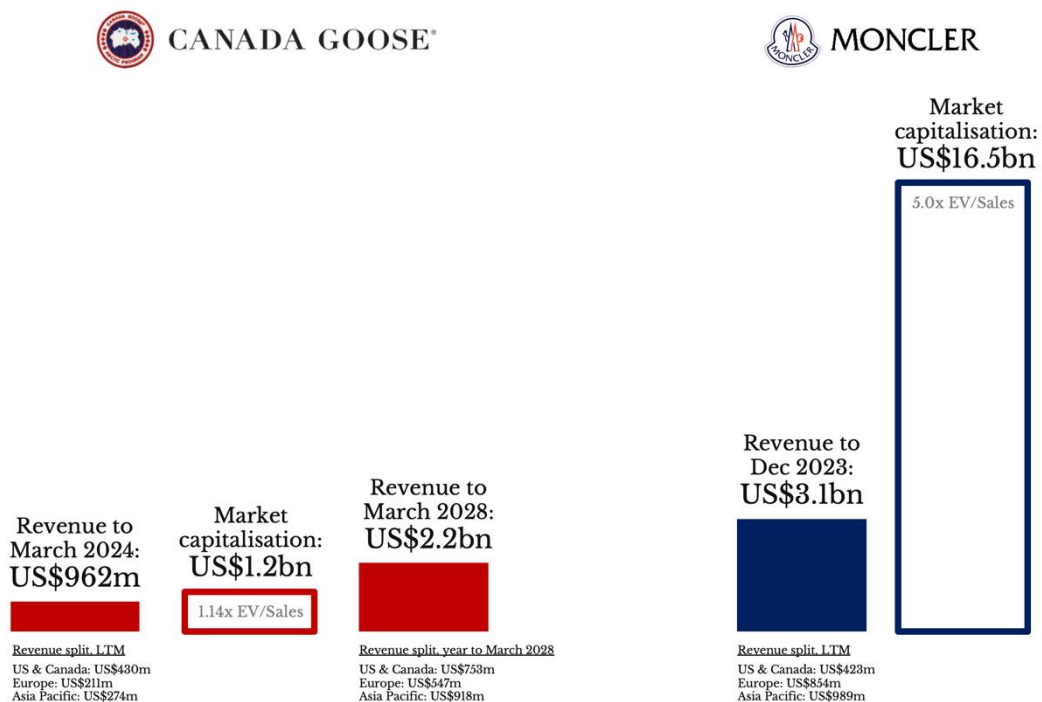
6.1. Today’s discounted valuation of Canada Goose follows a period of euphoric pricing, the placement of shares by insiders, and thereon a slowdown in revenue growth

6.1.a) Canada Goose trades at an EV/Sales ratio of 1.14x, a 77% discount to closest peer Moncler

For the year to March 2024, owner-managed Canada Goose trades at an EV/Sales ratio of 1.14x, a 77% discount to closest peer Moncler¹⁸⁰. Guidance from Canada Goose for the same year implies a PE ratio of 14.6x¹⁸¹.

However, if the assumptions of the Strategic Growth Plan are modelled as progressing in a linear fashion, the PE ratio for the following fiscal year cheapens to 8.3x. Furthermore, the operating margins of Canada Goose are currently just half of their average level in 2018 and 2019¹⁸². As reviewed by this white paper, the increased vertical integration of Canada Goose provides logic that these prior margins can again be met or exceeded, and to the extent historic margins are recovered, the current fiscal year look-through PE ratio is implied at just 7.5x¹⁸³.

Figure 53: Canada Goose trades at an EV/Sales ratio of 1.14x, an 77% discount to closest peer Moncler¹⁸⁴



6.1. b) The equity pricing of Canada Goose saw a significant uplift in valuation in the period 2013 to 2018, with its peak met by Bain Capital and founder Dani Reiss placing shares onto the market representing 20% of the stock outstanding

To give greater context to the valuation of Canada Goose today it is instructive to consider its valuation history which included a significant uplift in valuation in the period from 2013 to 2018.

“Investors behave in very human ways – which is that when prices are rising they get very excited, and they look in the rear-view mirror – I made money last year, I’m going to make money this year, so I will borrow.

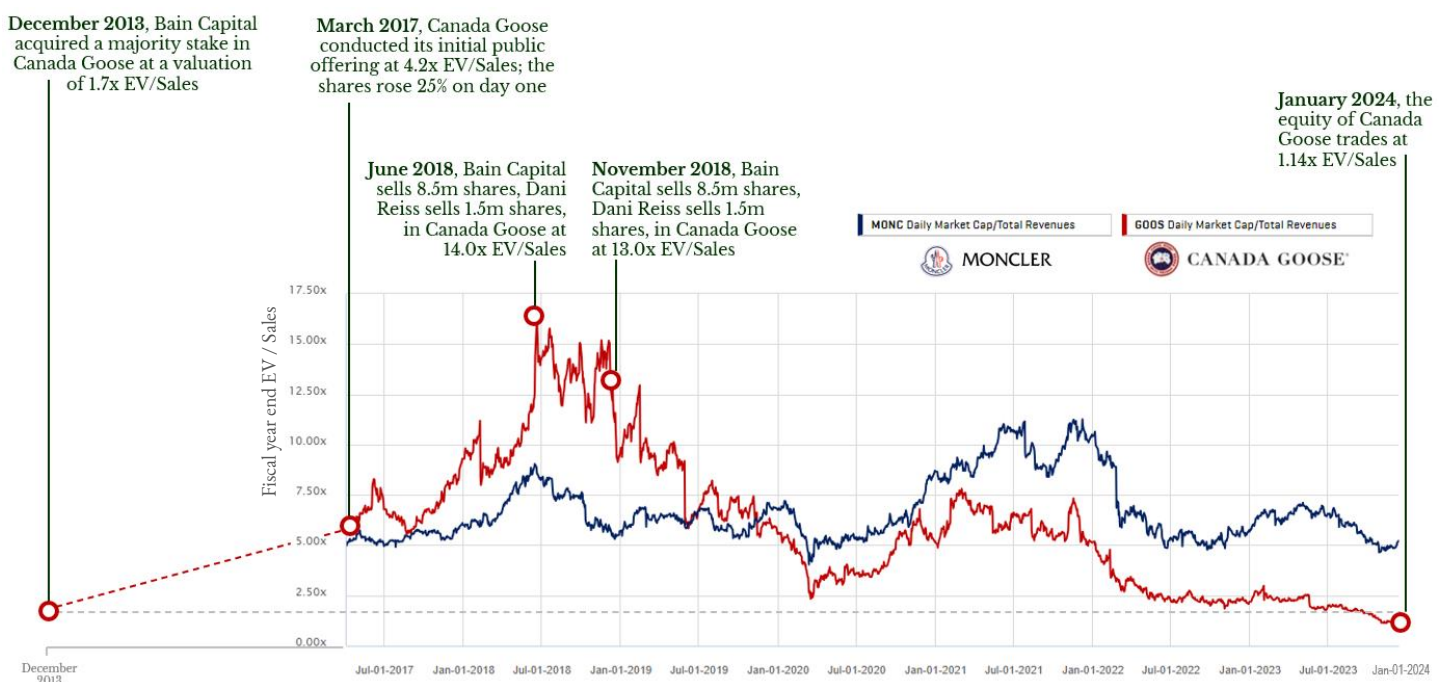
And then the next year they look in the rear-view mirror, and they plough in, and they just push and push and push up prices..”

Warren Buffett, 2001, lecture at the University of Georgia¹⁸⁸

The critical points in this valuation uplift path, as per Figure 54 below, commenced in December 2013 when Bain Capital acquired a majority stake in the company at a valuation of 1.7x EV/Sales¹⁸⁵. Then, in March 2017, the company listed onto the public markets at a valuation of 4.2x EV/Sales¹⁸⁶. Finally from June to November 2018, and following a continuing rise in the equity valuation of Canada Goose, both Bain Capital and owner manager Dani Reiss placed an additional 20% of the company’s outstanding equity onto the market at a valuation of 13-14x EV/Sales¹⁸⁷.

As such, the period 2013 to 2018 saw a growth rate in the EV/Sales multiple that investors attributed to Canada Goose at 55% per annum. This growth in valuation occurred at the same time as Canada Goose delivering revenue growth at 53% per annum¹⁸⁹. The result – shareholder returns in excess of 100% per year, was a stratospheric ride for equity participants in the company.

Figure 54: The equity pricing of Canada Goose saw a significant uplift in valuation in the period 2013 to 2018, with its peak in 2018 met by Bain Capital and founder Dani Reiss placing equity representing 20% of the shares¹⁹⁰



6.2. That there is weather-sensitivity to the economics of Canada Goose may also have added to today’s negative valuation stigma, however, a review of trailing climate data suggests a balanced set of outcomes for the company

6.2. a) As Canada Goose increasingly shifts to a variety of categories of products, not only within winter outerwear, but many different weights of outerwear, windwear, rainwear, knitwear, the reliance of the company on cold temperatures is moderating

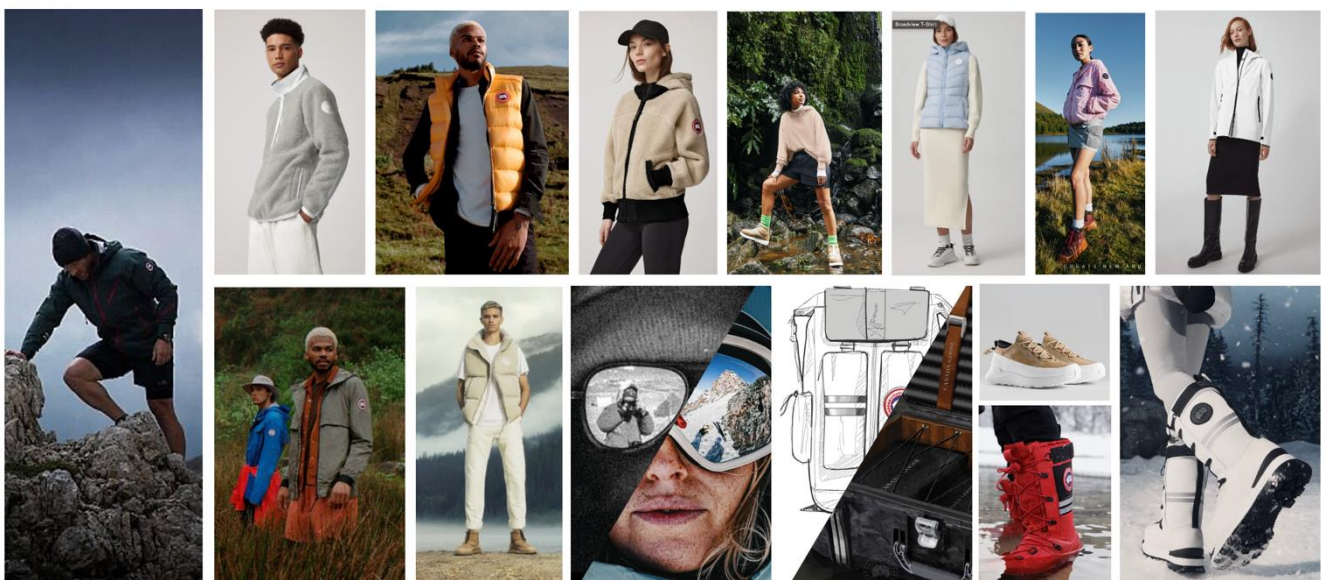
“Weather does impact this business in the sense that it’s -- it prompts -- the first cold snap prompts business. It sort of reminds the consumer that this is the time that they should go and buy cold weather gear. And so the longer you wait for that, the later it starts. And I think that is what we’ve experienced this year.”

Canada Goose CFO Jonathan Sinclair, November 1st 2023 conference call¹⁹¹

In recent decades climatic change developments, and postulations as to their future trajectory, have become a significant topic in terms of political and scientific discussion. Whilst it is logical that the conclusions reached by the investing public with regard to climate developments might reasonably have valuation influence on businesses which are impacted by the weather such as Canada Goose or Moncler, it is notable that a low valuation rating has only been imposed by the markets onto the Canada Goose equity rather than onto both companies. It is also observable, as per Figure 54, that the recent period over which devaluation of Canada Goose has occurred has not coincided with the development of the political and scientific discussion relating to climate change which has occurred over a longer time period.

In further assessing this risk factor it is also helpful to observe that whilst Canada Goose started out almost exclusively in heavyweight down jackets, and such had high sensitivity to the continuation of winter conditions, Canada Goose today makes a variety of categories of products. These product categories include not only outerwear, but even within outerwear, many different weights of outerwear, and thereon windwear, rainwear, knitwear, and as such the reliance of the Canada Goose business model on cold temperatures is moderating.

Figure 55: Canada Goose today makes a variety of categories of products, has a full line of accessories and products that result in consumer demand across a range of outdoor conditions¹⁹²



6.2. b) Climate change developments include that severe cold winter weather is measured as occurring more frequently across many of the heavily populated mid-latitude regions of the Americas, Europe and Asia Pacific

When the trailing measurement data relating to climate developments is closely inspected, an interesting observation is that the data series includes an increasing occurrence of severe winter events across many heavily populated mid-latitude regions.

Recent examples include the cold weather of January and February 2021 in Asia, Europe, and especially the United States. In February 2021, the cold spell in Canada, the United States, and even parts of northern Mexico, caused by the southerly migration of cold air from the Arctic, reached record low temperatures¹⁹³. Texas was especially hard hit, with at least 246 reported weather-related fatalities¹⁹⁴. Frozen pipelines and power grid failures across the state led to record damages amounting at \$300 billion, at least twice as costly as the entire record-breaking North Atlantic 2020 hurricane season¹⁹⁵.

Similarly, in early 2023, a combination of cold weather and wind chill led a new low in North American temperatures on record¹⁹⁶, and in December 2023, temperatures in Beijing also reached their lowest levels since measurements began¹⁹⁷.

Figure 56: In 2021 and in 2023, record low temperatures were recorded across North America, Europe and Asia Pacific, illustrative of the breadth of changes that may be occurring across climate dynamics¹⁹⁸

In 2023, a combination of cold weather and wind chill led to the lowest North American temperatures on record

Coldest wind chill ever recorded in continental US, say forecasters
7 February, 2023
By Sam Cabral & Nadine Yousif
BBC News, Washington and Toronto

Forecasters say the coldest wind chill ever has been recorded in the continental US as an Arctic cold snap freezes a swathe of North America. The National Weather Service (NWS) said the icy gusts on Mount Washington in New Hampshire on Friday produced a wind chill of -108F (-78C).

How one US city tracked a lower temperature than the coldest place on Earth
Mt. Washington, the tallest peak in the Northeast, made this chilly mark on history due to a polar vortex, a persistent area of arctic air that is usually contained around the polar region.

On Saturday, the coldest city on the planet, Oymyakon in eastern Russia, had nothing on tiny-but-mighty **New Hampshire**.

A portion of this polar vortex dipped down into the U.S. on Saturday and caused temperatures for many Americans to dip below zero — and **break records**.

Mt. Washington, the tallest peak in the **Northeast**, made this chilly mark on history due to a **polar vortex**, a persistent area of arctic air that is usually contained around the polar region.

In 2021, North America recorded low temperatures surpassed only by winters in 1899

Central states' Arctic plunge: The historic cold snap and snow by the numbers
By Andrew Freedman, John Myleski and Jason Samenow February 24, 2021

The snow is rapidly melting across the southern Plains, with temperatures for Texas to Oklahoma running about 40 to 50 degrees above what they were just days ago, during the deadly cold snap that gripped the central United States for than a week.

The frigid weather and related storminess brought much of Texas to a standstill. Residents went without power and potable water for days, and more than 30 people died in the Lone Star State alone.

While the cold snap was in many ways historic, it **wasn't completely unprecedented** based on climate data going back many decades; some past cold waves, such as **one in 1899**, surpassed it in severity. Still, this winter weather event, which is expected to be on the list of most expensive U.S. natural disasters of 2021, set thousands of records.

Where more than 3,000 daily low temperature records were tied or broken

Some of the records set were not just for a single calendar day or month of the year, but the lowest ever recorded, "all-time" benchmarks. In parts of the Plains and the South, the cold was particularly noteworthy for its duration.

In early 2023 temperatures across Asia set all time record lows, and in winter 2023 Beijing had the coldest December on record

The coldest temperatures on record are hitting Asia
Feb 2, 2023

Over the past two weeks, polar vortex-induced freezing weather has seen all-time cold temperature records tumble across Central and Eastern Asia. This included China's coldest temperature ever. On January 22, Mohe in the country's northernmost Heilongjiang province recorded a chilly -53°C/-63.4°F, the lowest temperature ever measured in China.

Previously, Tonglun in Siberia, Russia, had recorded -62.7°C/-80.9°F, a new record low for the town. As the icy weather moved West to East, Northern India also experienced near-record chill, while Nakkund in the Balochistan province of Pakistan repeated an all-time record for its coldest-ever temperature at -10°C/+14°F. 160 people perished in Afghanistan over the past 14 days when temperatures dropped way below their usual levels.

On January 25 and 26, the **cold hit Japan**, causing several local record lows to fall — for example in Otawara in the central Tochigi prefecture, which recorded -16.4°C/+2.5°F.

From China to Japan, deadly cold is gripping East Asia. Experts say it's the 'new norm'

Hong Kong (CNN) — A deadly cold snap that is gripping East Asia has killed at least four people in Japan after subzero temperatures and heavy snow brought travel chaos during the Lunar New Year holidays, with climate experts warning that such extreme weather events had become the "new norm."

Japanese officials said all four of those who died on Wednesday and Thursday had been working to clear snow amid what Chief Cabinet Secretary Hirokazu Matsuno has called a "once-in-a-decade cold snap."

In 2021, Spain and Germany recorded their lowest temperature on record

Spain records coldest ever temperature at -35.8°C
By Euronews with AP
Published on 07/01/2021 - 14:53 • Updated 08/01/2021 - 11:35

Spain is currently being battered by Storm Filomena with "heavy snowfalls" expected even at altitudes of just 200 metres

Spain recorded its lowest temperature on Thursday with the mercury dropping to -35.8°C.

The record-breaking temperature was recorded at the Vega de Liordes weather station, located at an altitude of 1,874 metres in the northwestern province of Leon.

German village logs -28.9 Celsius as cold snap persists

A village in the Erz mountains recorded Germany's coldest temperature of the winter so far. In Berlin, icy scenes prompted revelers to put their skates on — only for police to try to disperse the crowds.

The record low of minus 28.9 degrees Celsius (20 F) is unofficial, as it was not picked up by the German Meteorological Service (DWD), whose network does not cover the village.

The Kachelmann weather service announced the temperature on Twitter, reporting: "The cold depression last night, again in the east with some -20s. In Marienberg-Kühnhaide in the Erz mountains, it was at least -29 degrees, the coldest night this winter."

6.2. c) Arctic warming, and consequently retreating Arctic sea ice, may be resulting in stratospheric changes lowering winter temperatures in mid-latitude regions specifically an increase in instances of northern hemisphere severe winter weather

“You have been cold your whole life and now you’re not any more, that’s pretty valuable.”

Ryan Cotton, Bain Capital executive overseeing the firm’s shareholding in Canada Goose, February 2019¹⁹⁹

Recent academic studies, such as those by Judah Cohen – a climatologist at the Massachusetts Institute of Technology and published in the American Association for the Advancement of Science – whilst contending no dispute that the rate of Arctic warming is above the global average²⁰⁰, have looked more closely at what appears to be increasingly severe winter weather events across many heavily populated mid-latitude regions, and have provided evidence that changes to stratospheric winds may be playing a role²⁰¹.

The hypothesis put forward by these studies is that Arctic climate change has modified polar vortex behaviour. The polar vortex is a circulation of winds high up in the stratosphere over the poles. Because the polar vortex exists at an altitude in the atmosphere above typical weather systems, which usually occur in the lower troposphere, stratospheric changes are sometimes able to affect weather conditions that bring extremely cold weather. If the polar vortex is weakened when the stratosphere gets warmed, it can cause it to surge further south, bringing to mid-latitude regions an increased occurrence of freezing cold weather conditions.

Figure 57: Recent academic studies such as those by Judah Cohen, a climatologist at the Massachusetts Institute of Technology, have looked more closely at the increasingly severe winter weather events across many heavily populated mid-latitude regions, and have provided evidence that changes to stratospheric winds may be playing a role²⁰²



Cohen et al., *Science* 373, 1116–1121 (2021) 3 September 2021

REPORT

CLIMATE DYNAMICS

Linking Arctic variability and change with extreme winter weather in the United States

Judah Cohen^{1,2*}, Laurie Agel³, Mathew Barlow³, Chaim I. Garfinkel⁴, Ian White⁴

The Arctic is warming at a rate twice the global average and severe winter weather is reported to be increasing across many heavily populated mid-latitude regions, but there is no agreement on whether a physical link exists between the two phenomena. We use observational analysis to show that a lesser-known stratospheric polar vortex (SPV) disruption that involves wave reflection and stretching of the SPV is linked with extreme cold across parts of Asia and North America, including the recent February 2021 Texas cold wave, and has been increasing over the satellite era. We then use numerical modeling experiments forced with trends in autumn snow cover and Arctic sea ice to establish a physical link between Arctic change and SPV stretching and related surface impacts.

“Less Arctic Sea ice may be resulting in higher severity in winter weather in the mid-latitudes as a result of a pathway through the stratospheric polar vortex.

Less sea ice increases the probability of a stronger Siberian high-pressure ridge and upward atmospheric wave energy flux.

Increased wave flux from the troposphere to the stratosphere can result in a sudden stratospheric warming events characterized an increase in northern hemisphere severe winter weather..”

Judah Cohen, Laurie Agel, Mathew Barlow, Chaim Garfinkel and Ian White,

Linking Arctic variability and change with extreme winter weather in the United States,

American Association for the Advancement of Science²⁰³

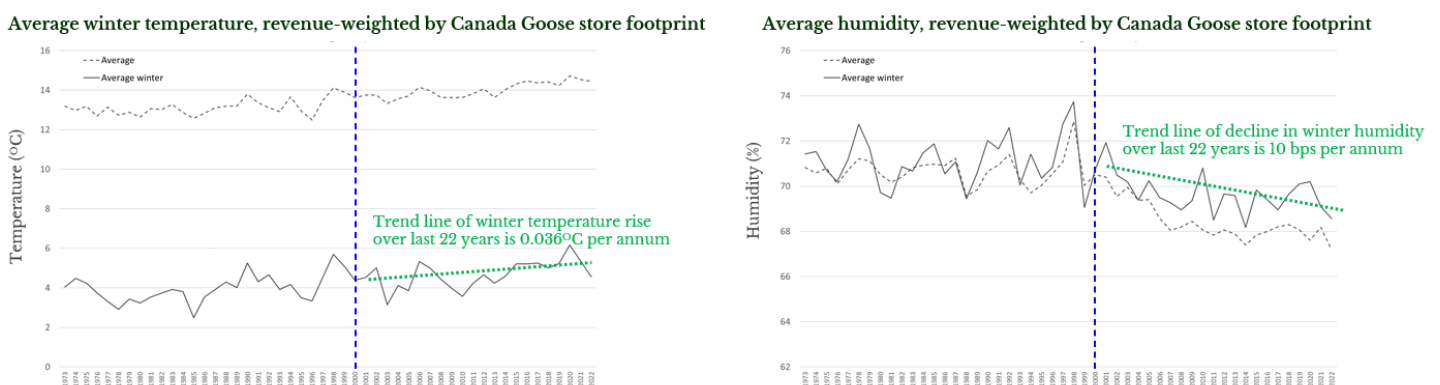
6.2. d) The trailing rate of climate change does not irrespectively appear sufficiently material to significantly impact the economics of Canada Goose over the time period of the Strategic Growth Plan, and is also moderated by other factors

Outside of extreme winter events, it is also instructive to review the overall trends in climate that have occurred over the last 50 years, albeit in particular we focus on the trailing 22 year period, that is, the period since Dani Reiss became CEO of Canada Goose and grew revenue from C\$2m in 2001 to its guided level of C1.3bn for year to end March 2024.

As per Figure 58, over the last 22 years, the temperature averaged through the winter season weighted by the Canada Goose store footprint has risen by 0.036°C per annum²⁰⁴. However, over the period humidity has also declined, and – by wind chill effect – this offsets the temperature rise felt by 0.010°C per annum²⁰⁵.

As such, in aggregating the temperature and humidity change balance, the Canada Goose store-footprint has realised an effective increased average winter temperature of 0.026°C per annum over the 22 years²⁰⁶. Put another way, if historic trends are extrapolated, and ignoring any potential of increasing frequency of severe winter events, it would take 38 years for the Canada Goose store footprint to be exposed to a winter temperature rise of 1°C.

Figure 58: The trailing rate of climate change may not be sufficiently material to significantly impact the economics of Canada Goose; if the trailing trend over the last 22 years is extrapolated, it would take 38 years for the Canada Goose store footprint to be exposed to an average winter temperature rise of 1°C^{204, 205}



Additionally, other climate development variables may be relevant. Rainfall has also increased over the last 22 years, by 0.01mm per annum and at a greater gradient over the full 50 year period²⁰⁷. To the extent that either period is extrapolated, this would provide a growth tailwind for the rain weather products from Canada Goose.

Finally, we would note that climate change conjectures should be assessed not in isolation but within the context of other societal developments. For example, as populations age, blood circulation slows, handicapping thermoregulation²⁰⁸, and therefore also increasing the need for performance protection products against low temperatures of the type manufactured by Canada Goose.

(white paper continues on following page)

6.3. During its period of revenue slowdown Canada Goose shifted to full vertical integration, providing a path to both superior profitability margins and the increased funding of future revenue growth, and implying an overall positive outlook supported by continuing owner-manager participation and the commencement of share buybacks

“..but sooner or later investors then look in the rear-view mirror and see no money having been made. And they just say this is a lousy place to be – so they don’t care what is going on in the underlying business. It is astounding, but that makes for huge opportunity – just huge opportunity.”

Warren Buffett, 2001, lecture at the University of Georgia²⁰⁹

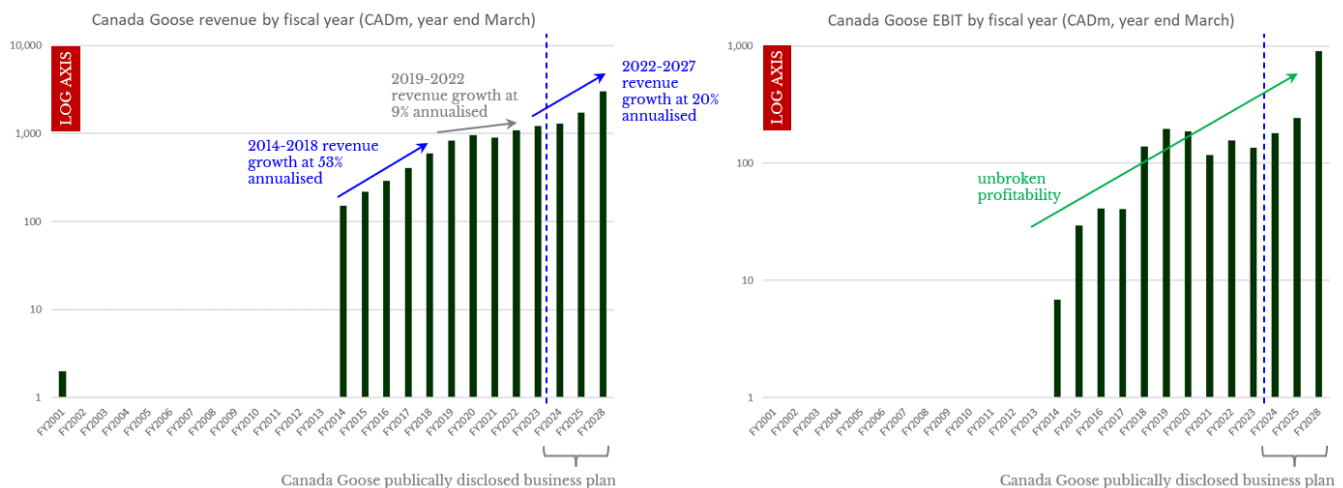
6.3. a) Whilst there has been a slowdown in the revenue growth of Canada Goose in the recent period, the period has also seen a shift by Canada Goose to full vertical integration, providing a path to superior profitability margins over future periods

Undeniably, there has been a slowdown in the revenue growth of Canada Goose in the recent period. As per Figure 59, over the period 2019-2022, the revenue growth of Canada Goose slowed to 9% annualised, relative to a 53% annualised rate of revenue growth from 2014-2018²¹⁰.

However, and as this white paper has detailed, it may be too simplistic to consider the years from 2019 to 2022 as representing a slower rate of economic progress at the company. The period has also seen a shift by Canada Goose to full vertical integration, with today more than 75% of the company’s revenues originating from its own stores combined with manufacturing from more than 8 directly overseen domestic factories and resulting in nearly 85% of the units sold by Canada Goose originating from directly owned production.

Not only do the economic benefits of this shift provide a path for Canada Goose to aim for superior profitability margins over time, but throughout the period, also as per Figure 59, Canada Goose has delivered unbroken profitability²¹¹.

Figure 59: Whilst there has been a slowdown in the revenue growth of Canada Goose in the recent period, the period has also seen a shift by Canada Goose to full vertical integration, providing a path to superior profitability margins over future periods²¹²



6.3. b) The owner managers of Canada Goose retain significant equity participation; and in late 2022 the company commenced share buybacks at double the current equity valuation

Following the compression in its equity valuation, Canada Goose also appears to be conducting capital allocation decisions in a manner aligned with shareholder interests. In late 2022 the company announced a share buyback program (at the time the shares were at double their current valuation)²¹³, and throughout 2023 the company bought back shares²¹⁴.

However, our observation is that the valuation of Canada Goose continues to be impacted by a negative stigma held by market participants, seeking rationale to justify the discounted valuation through arguments of over-penetration.

*“We’re a small brand. Our company just passed \$1bn in revenue last year, and other companies as we know in the world that you might compare us to are many billions of dollars, and **they’re not over-penetrated and they’re not over-saturated, and they don’t get those sort of questions.**”*

Canada Goose CEO Dani Reiss, at Goldman Sachs conference, September 2023²¹⁵

We would note that it is perhaps an additional contention silently felt by investors is that Canada Goose and Bain Capital over-promoted its equity only to then sell out at the top. And therefore the historically higher level trust that market participants placed in the company has rightly been degraded. However, this is not evidenced by the actual trailing data.

Whilst it is the case that Bain Capital and Dani Reiss placed shares at the valuation peak, it is surely expected that Bain Capital as a private equity group and with ultimately a fixed time horizon has no choice but to conduct decision making consistent with these actions. Furthermore, whilst Bain Capital sold shares, their stake retained – 31% of the company – is considerably larger than the 18% of the company which they sold²¹⁶. Likewise, the Canada Goose CEO Dani Reiss retains a 21% stake in the company and his equity sales during 2018 represented little more than 2% of the company²¹⁷.

Figure 60: CEO Dani Reiss retains a 21% stake in Canada Goose, Bain Capital retains a 31% stake²¹⁸

Name and address of beneficial owner	Subordinate Voting Shares		Multiple Voting Shares	
	Number of shares	Percentage of shares	Number of shares	Percentage of shares
5% shareholders:				
ArrowMark Colorado Holdings, LLC ⁽¹⁾	3,144,398	5.9 %	—	— %
Entities affiliated with Bain Capital Investors, LLC ⁽²⁾	—	—	30,873,742	60.5 %
Dani Reiss ⁽³⁾	946,864	1.8 %	20,130,334	39.5 %
FMR ⁽⁴⁾	4,074,863	7.8 %	—	—
Goldman Sachs ⁽⁵⁾	3,409,138	6.4 %	—	—
Morgan Stanley ⁽⁶⁾	7,041,452	13.2 %	—	—

Figure 61: Dani Reiss has expressed a long-term commitment as owner-manager of Canada Goose; this white paper has not uncovered reasoning to contradict that his incentive matches his public statements

“I look at my role in running this company in that want to build a company that built for the long term and that is going to be here in in generations and in decades. And I think that over time that is building shareholder value. Shareholder value is not built quarter to quarter – often public markets look at things that way but we definitely do not look at things that way, we never have.

“We’ve always been a brand that looks at things long term and so I would challenge anybody who would oppose that premise – they just have a different view of the time horizon of shareholder value than I do.”

Canada Goose CEO Dani Reiss, public comments at Canadian Club 125 Toronto, April 2022²¹⁹

“I always wanted to do something that I would love and could be passionate about. I love this company. It's important to me. It's my life's work and I couldn't imagine not doing that.”

Canada Goose CEO Dani Reiss, CNBC profile on Canada Goose, 2023²²⁰

It is also notable that the business targets communicated by Canada Goose at the time of its initial public offering “IPO” have been exceeded, or, to put another way, the company cannot be empirically charged with *over-promotion*.

At its IPO Canada Goose guided annualised revenue growth at mid-to-high teens percentages; yet from IPO to today, the company has grown revenue at 19% per annum. Canada Goose also at its IPO guided annualised growth in earnings per share at 20%; and yet from the IPO today the earnings per share growth of Canada Goose has been 26% per annum²²¹.

Finally, we would observe from the 2017 IPO prospectus of Canada Goose the statements by Dani Reiss, as per below, that the company would not chase short term revenue opportunities for bad long term business decisions. The 2019-2022 period for the company, at lower revenue growth whilst succeeding in a shift to full vertical integration, can be put forward as a perfectly reasonable development at a company sticking to the wording from its CEO in its IPO prospectus.

*“**We are not interested in trading short term revenue opportunities for bad long term business decisions.** We are focused on building an enduring brand, a legacy for our employees and our country and long-term value for our shareholders. We have been careful stewards of this brand for 60 years and we will do the same as a publically-traded company in the years ahead.”*

*“That may mean **we won't always choose the obvious path or do what traditional thinking would dictate.** We would not be where we are today if we had done what everyone else was doing or what was easy. We have taken risks that we believed in. We intend to continue on our path of swimming upstream. It's certainly more challenging, but more fun – and more rewarding.”*

“We are on a remarkable journey, one I feel incredibly privileged to lead and one that I hope you will be proud to be part of”

Canada Goose CEO Dani Reiss, IPO prospectus, March 2017²²²

(white paper continues on following page)

7. The economic contentions of the Canada Goose Strategic Growth Plan

7.1. The economic uplift targeted by the publically disclosed Strategic Growth Plan of Canada Goose is underpinned by a supernormal return on invested capital from new store openings

“We’re gating the stores at C\$4,000 of revenue a square foot. And we gaining those stores at a 40% margin.

So if it is not going to deliver C\$4,000 a square foot, and if it’s not going to deliver a 40% margin, it isn’t going to have a Goose over the door.”

Canada Goose CFO Jonathan Sinclair, at Goldman Sachs conference, September 2023²²³

As this white paper has detailed, the Canada Goose business model consistently scores favourably in terms of the attributes that define a super brand.

According to the Strategic Growth Plan of Canada Goose, and as per Figure 62 and 63 below, these attributes translate to supernormal economics for new store openings, achieving revenue per store of C\$13m, a return on invested capital “ROIC” exceeding 140% and a net operating profit after tax per store of C\$4.5m. At C\$3m of capex per store opening, the payback period is less than one year²²⁴.

“The right answer to incremental capital allocation is to look at growth on a return on investment basis: what is the return on the growth capital you’re spending and probably the best way to do that is to look at the payback on customer acquisition how long does it take you to payback your customer acquisition costs.

I think a lot of people don’t do that analysis correctly because they just look at the revenue they make from that customer but you actually have to look at the incremental profit on each incremental dollar of capex..”

David Sacks, comments on capital allocation principles, December 2023²²⁵

Our observation is that the assumptions of the Canada Goose store roll out model appear reasonable. Currently, the average Canada Goose retail store achieves revenue of C\$16m (US\$12m), above the C\$13m target of the Strategic Growth Plan, as per Figure 40. This white paper has also identified that Canada Goose has significant white space available to it for store opening potential, and in many areas where temperatures would be below the level that Moncler is observed to be willing to operate stores. As such Canada Goose has a path to open many stores from a strong business position.

Figure 62: The store roll out model targets \$1k store opening capex per square foot leading to \$4k sales per sq foot at >40% operating margin²²⁶

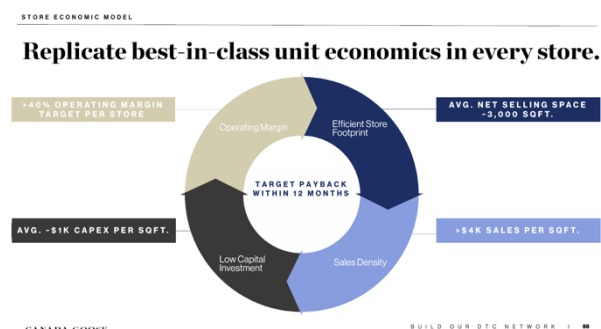


Figure 63: The output from the store roll out model is revenue per store of C\$13m, a return on invested capital exceeding 140% and a net operating profit after tax per store of C\$4.5m²²⁷

Canada Goose Holdings Inc.	FY2024	FY2025	FY2026	FY2027	FY2028
Net selling space (sq ft) per store	3,000.0	3,000.0	3,000.0	3,000.0	3,000.0
Revenue per square ft	4,370.9	4,502.0	4,637.1	4,776.2	4,919.5
Revenue per store	13.1	13.5	13.9	14.3	14.8
Operating profit per store	5.8	6.0	6.2	6.4	6.6
Operating margin	44.5%	44.5%	44.5%	44.5%	44.5%
NOPAT / store	4.4	4.5	4.6	4.8	4.9
Capex to open single store	-3.1	-3.2	-3.3	-3.4	-3.5
Total store opening capex Total, 2024-2028: C\$293m	-46.4	-58.9	-60.6	-62.5	-64.3
ROIC on store opening	141.7%	141.7%	141.7%	141.7%	141.7%

Inputs for the 2024-2028 period taken from Canada Goose publically disclosed business plan

7.2. The Strategic Growth Plan of Canada Goose also targets a moderation in SG&A growth such that SG&A expenses represent 40% of revenue by the year to March 2028

The second aspect of the Strategic Growth Plan of Canada Goose is its contention that selling, general and administrative (“SG&A”) costs can be subject to a lower rate of absolute growth, such that the current level of these expenses, at C\$780m or 60% of revenue, rise to just C\$1.2bn, or 40% of revenue, by the year to March 2028²²⁸.

Figure 59: The moderation in the growth in SG&A Canada Goose puts forward as driven by improvements in direct costs of goods, sourcing, technology, operating model and marketing²²⁹

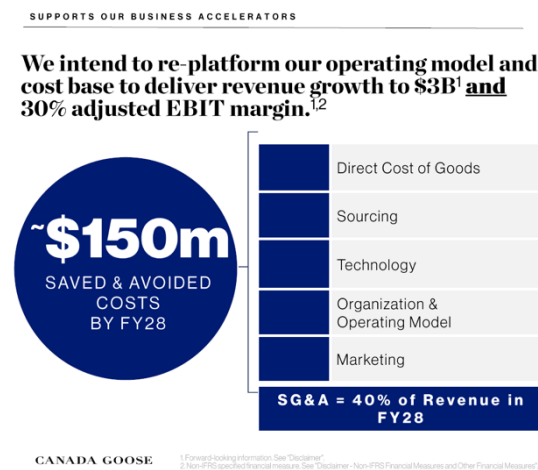
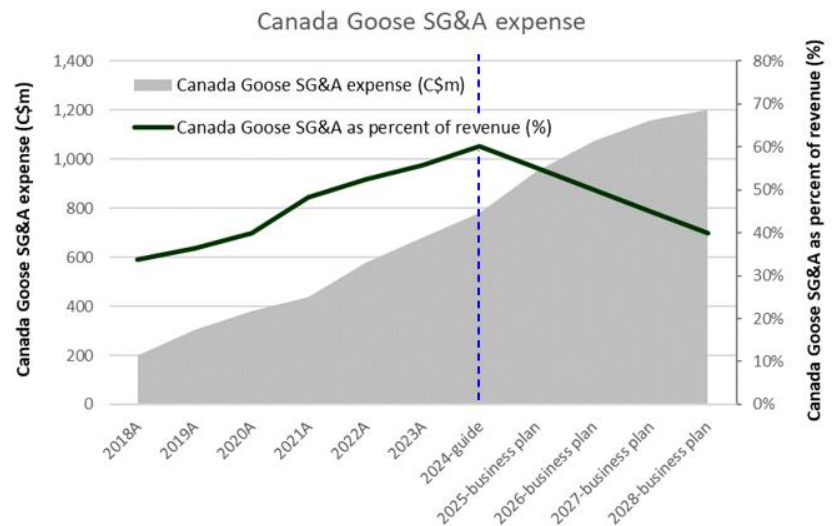


Figure 60: According to the Strategic Growth Plan, the current level of SG&A expenses, at C\$780m or 60% of revenue, rises to just C\$1.2bn, or 40% of revenue, by the year to March 2028²³⁰



Assessing the reasonableness of Canada Goose’s targets in SG&A expense is arguably a more subjective exercise than assessing the per store economic assumptions of the company’s Strategic Growth Plan. For objective measures of support, it can be noted that Canada Goose achieved SG&A as percent of revenue at 40% in 2018²³¹, and as such, the contention of the Strategic Growth Plan is to target an efficiency in SG&A equal to a level that has been achieved in the past. It is furthermore notable that at Moncler SG&A expenses are 47% of revenue²³², which also offers some reasonableness justification for the Canada Goose target at 40%.

“We’ve talked about \$150m as our goals are running for our annual saving and running costs. And that comes in between saved costs and avoided costs. The important thing is it’s coming from a number of strands. It is not just in one place.

It’s the organisation and an operating model. It’s in sourcing, supply chain and technology. It’s in marketing. Not just about what we spend so the efficiency with which it gets spend and the strategic precision of where we put the money.”

Canada Goose CFO Jonathan Sinclair, at Goldman Sachs conference, Sept 2023²³³

“Compared to the same period last year, we saw Canada Goose Base Camp membership grow by more than 50%”

Canada Goose CEO Dani Reiss,
Canada Goose investor day,
February 2023²³⁴

However, the comparison to past levels of SG&A at Canada Goose also has lower relevance, given the company has shifted its distribution today to almost entirely own store retail, whereas in 2018 the company derived just 50% of its revenues from own retail stores. Nevertheless, it is notable that as the company has expanded its own store network, it is also building database of customers through email list contacts²³⁵, which the company refers to as “Canada Goose Base Camp” and this does reduce repeat marketing expense.

7.3. The Strategic Growth Plan outputs cashflow generation in the year to March 2028 exceeding C\$670m relative to the current market capitalisation of Canada Goose at C\$1.6bn

As a white paper we do not put forward a definitive conclusion as to the likely realisation of the Strategic Growth Plan, nor forecasts of our own. However, we would observe that the revenue growth contention of the plan – 20% per annum revenue growth from the year to March 2023 to the year to March 2028²³⁶ – is not meaningfully different from the company’s historic rate of growth. The absolute level of revenue reached – C\$3.0bn in the year to March 2028 – is also well below the addressable market size and white space opportunity that has been detailed in this white paper.

“Whilst our growth potential [to March 2028] gets us excited, we believe there is even more to play for. We estimate a total addressable market valued in the C\$60bn range, and that doesn’t even include Japan, Korea, France, Germany or the rest of Europe. Our 5-year goal is to own just C\$3bn of that market.”

Canada Goose CEO Dani Reiss, Canada Goose investor day, February 2023²³⁷

In addition to revenue growth, The Strategic Growth Plan contends a margin uplift trajectory. Furthermore, the high ROIC on store openings results in efficiency in capital expenditures, which, combined with working capital productivity, results in sufficient growth in cashflow generation such that in the year to March 2028 net cashflow is targeted to exceed C\$670m, and relative to the current market capitalisation of Canada Goose at C\$1.6bn²³⁸.

Figure 61: The Strategic Growth Plan targets own store retail revenue rising to 80% of total revenue in the year to March 2028 relative to 66% of total revenue in the year to March 2023²³⁹

Figure 62: The Strategic Growth Plan targets revenue from Europe and Asia Pacific rising to 66% of total revenue in the year to March 2028 relative to 52% of total revenue in the year to March 2023²⁴⁰

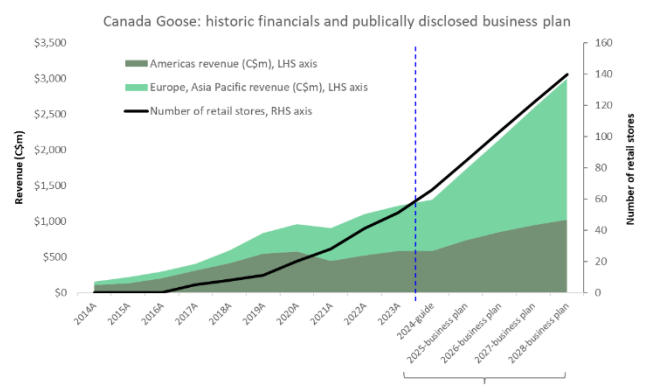
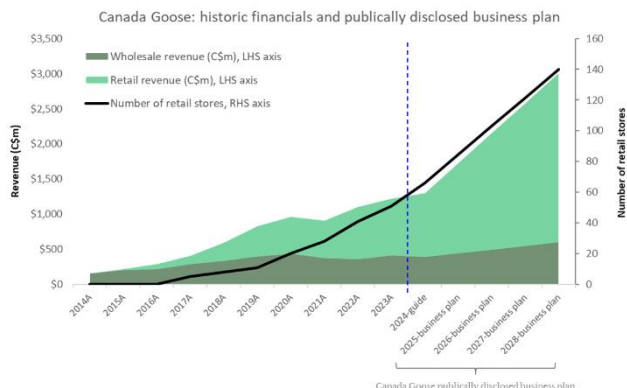
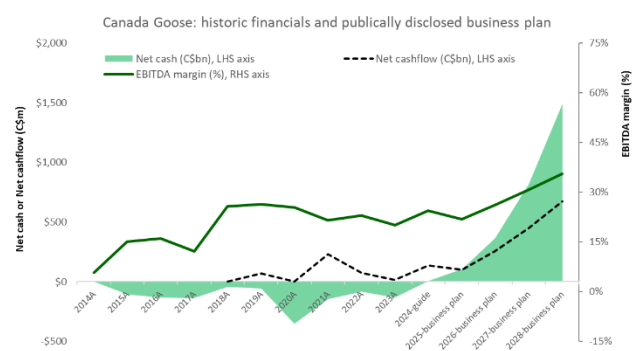
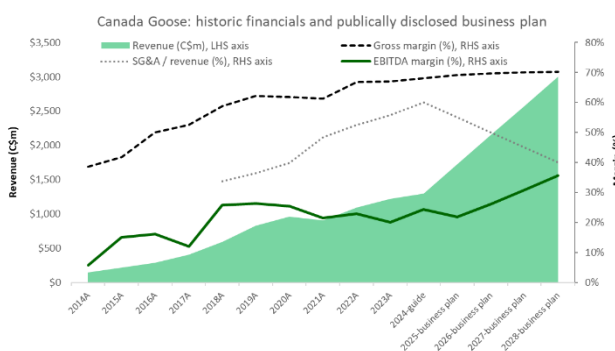


Figure 61: The Strategic Growth Plan targets EBITDA margins rising to 36% in the year to March 2028 relative to EBITDA margins of 20% in the year to March 2023²⁴¹

Figure 62: The Strategic Growth Plan outputs annual net cashflow generation in the year to March 2028 exceeding C\$670m, in comparison to the current market capitalisation of Canada Goose at C\$1.6bn²⁴²



8. Conclusion

“In our key markets of Canada, the US and the UK, there is no other brand that is searched more when it comes to parkas than Canada Goose”

Canada Goose CEO Dani Reiss, Canada Goose investor day, February 2023²⁴³

“Dani Reiss figured out how to take a functional thing and make it beautiful.. And why wouldn’t you want something technical that looks good? You can double the price of a garment.”

Lululemon founder Chip Wilson, May 2019²⁴⁴

“A mentor told me, ‘Dani, don’t make it cheaper, make it better.’ So we’re going to keep doing just that..”

Canada Goose CEO Dani Reiss, CNBC profile on Canada Goose, 2023²⁴⁵

Figure 64: The Canada Goose Archive Rooms, located at Toronto headquarters, and created as a historical catalogue of product and inspiration point for both the internal design team and guest collaborators²⁴⁶



“Bain Capital partnered with Dani Reiss six years ago.

Canada Goose is a great business, they make money on every sale, they’re disciplined about pricing and they grow in a responsible way and they try to make sure that the market demand is always in excess of the supply of their product so they sustain the economics behind it. And that is a winning growth formula.”

Ryan Cotton, Bain Capital executive overseeing the firm’s holding in Canada Goose, October 2019²⁴⁷

“We are really excited to be doing something that Canada has never done before – build a luxury brand.

And we’ve always had the same ethos: we need to protect our brand at all costs. Brand is first, always, and we always take the long term view. We have a very successful company and we are going to continue to grow. We have a long run way ahead of us and we have a lot of opportunity to come.”

Canada Goose CEO Dani Reiss, interview with Forbes, December 2023²⁴⁸

“Dani has got a single-minded focus. And they make a great product.”

David Russell, co-owner of upscale fashion retailer Sporting Life, August 2014²⁴⁹

In conclusion, the analysis presented by this white paper identifies Canada Goose at what may be a highly attractive, and rare, point in its both business development and equity pricing instance.

The business is reviewed as meeting the criteria consistent with a super brand, and with the potential to grow at high returns through expanding its network of directly operated stores, and by leveraging its existing brand and product leadership position into a significant white space opportunity, particularly in Europe and the Asia Pacific. The growth potential builds on a business already possessing an unbroken track record of profitability, and now further enhanced by full vertical integration across manufacturing and retail distribution, and with the company's modest existing penetration in new markets already providing a proof-of-concept evidence set as to future progress.

Figure 63: Canada Goose is reviewed as meeting the criteria consistent with a super brand – performance authenticity leading to a mainstream product benefitting from an enduring halo effect, combined with a brand wording and iconography, heritage and vertical integration that precipitate growth by positive feedback



Canada Goose "Big Reds" on arrival at McMurdo, Antarctica - it is mandatory to wear it on the aircraft to provide a survival function in the event of the aircraft coming down over Antarctica



Canada Goose has made public the economic targets consistent with its Strategic Growth Plan. Market participants naturally will take their own view as to the realism of these contentions. However, it is notable that even before the ambition consistent with such a plan is considered, the equity of Canada Goose appears to be priced at a conservative level relative to a number of measures which may be appropriate benchmarks.

As this white paper has reviewed, for the year to end March 2024 Canada Goose trades at an EV/Sales ratio of 1.14x, a 77% discount to closest peer Moncler, and the latter being a company that has also been detailed as delivering inferior growth KPIs to Canada Goose over the trailing period as well as possessing a lower level of vertical integration over the forward period.

Guidance from Canada Goose for the same year implies a PE ratio of 14.6x. However, if the assumptions of the Strategic Growth Plan are modelled as progressing in a linear manner, the PE ratio for the following fiscal year cheapens to 8.3x. Furthermore, the operating margins of Canada Goose are currently just half of their average level in 2018 and 2019. As detailed by this white paper, the increased vertical integration of Canada Goose provides a reasonableness contention for recovery to prior margins. To the extent historic margins are recovered, the look-through PE ratio based on current fiscal year revenues is implied at 7.5x.

The paper has also reviewed the circumstances of the valuation compression over recent years at Canada Goose, an equity that became euphorically valued following its initial public offering in 2017, and which has appeared to become stigmatised as its valuation normalised. As revenue growth has slowed, investors have arguably overlooked the progress made by the company in its increased vertical integration which occurred at the same time, and investors may also be over-simplifying climate change developments in questioning the long-term growth potential of the company. The white paper did not find convincing evidence to justify the significantly discounted equity at Canada Goose.

Canada Goose's Strategic Growth Plan prospectively results in meaningful uplifts in both revenue, reaching C\$3bn in the year to March 2028, and cashflow generation, exceeding C\$670m in the same twelve month period. If the assumptions of the plan are accepted, Canada Goose will be a debt free business at year end March 2024, and by the year end to March 2028 cumulative net cash generation be reaching the \$1.6bn level of the company's current market capitalisation²⁵⁰.

Footnotes

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- 8., 182. Guided operating margins for the year ending March 2024 at Canada Goose are 13.8%, compared to reported operating margins of 23.4% in 2018 and 23.7% in 2019
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