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CORPORATE PARTICIPANTS

Dani Reiss *Canada Goose Holdings Inc. - Chairman, President & CEO*

John Black *Canada Goose Holdings Inc. - CFO*

CONFERENCE CALL PARTICIPANTS

Brian Jay Tunick *RBC Capital Markets, LLC, Research Division - MD and Analyst*

Camilo R. Lyon *Canaccord Genuity Limited, Research Division - MD & Head of US Consumer Research*

Irwin Bernard Boruchow *Wells Fargo Securities, LLC, Research Division - MD and Senior Specialty Retail Analyst*

Jonathan Robert Komp *Robert W. Baird & Co. Incorporated, Research Division - Senior Research Analyst*

Michael Charles Binetti *Crédit Suisse AG, Research Division - Research Analyst*

Oliver Chen *Cowen and Company, LLC, Research Division - MD & Senior Equity Research Analyst*

Omar Regis Saad *Evercore ISI, Research Division - Senior MD and Head of Softlines, Luxury & Department Stores Team*

Robert Frederick Ohmes *BofA Merrill Lynch, Research Division - MD*

PRESENTATION

Operator

Good morning. My name is Casey, and I will be your conference operator today. At this time, I would like to welcome everyone to the Canada Goose Q4 and Full Year Fiscal 2018 Earnings Conference Call. (Operator Instructions)

I would now like to turn the call over to [Patrick Burke], Senior Director, Investor Relations. You may begin your conference.

Unidentified Company Representative

Good morning, and thank you for joining us today. With me are Dani Reiss, President and CEO; and John Black, CFO. For today's call, Dani will begin with the highlights of our fiscal year 2018 performance, and then review the priorities we are focused on in fiscal 2019 and longer term. Following this, John will provide details on our financial results and outlook. After our prepared remarks, we will take your questions.

Before we begin, I'd like to inform you that this call, including the Q&A portion, includes forward-looking statements, including plans for our business and fiscal 2019 outlook. Each forward-looking statement made on this call is subject to risks and uncertainties that could cause actual results to differ materially from those projected in such statements. Certain material factors and assumptions were considered and applied in making forward-looking statements. Additional information regarding these forward-looking statements, factors and assumptions appears under the headings Cautionary Note Regarding Forward-Looking Statements and Risk Factors in our annual report on Form 20-F, which is filed with the SEC and the Canadian securities regulatory authorities and is also available on the Investor Relations section of our website at canadagoose.com and in the earnings press release that we furnished today under the heading Cautionary Note Regarding Forward-Looking Statements. The forward-looking statements made on this call speak only as of today, and we undertake no obligation to update or revise any of these statements.

During the conference call, in order to provide greater transparency regarding Canada Goose's operating performance, we refer to certain non-IFRS financial measures that involve adjustments to IFRS results. Any non-IFRS financial measures presented should not be considered to be an alternative to financial measures required by IFRS and are unlikely to be comparable to non-IFRS measures provided by other companies. Any non-IFRS measures referenced on this call are reconciled to the most directly comparable IFRS financial measures in the table at the end of our earnings press release issued this morning, which is also available at the -- in the Investor Relations section of our website at canadagoose.com.



With that, I will turn the call over to Dani.

Dani Reiss - *Canada Goose Holdings Inc. - Chairman, President & CEO*

Thank you, [Patrick], and good morning, everyone. Fiscal 2018 was a great year for Canada Goose, and I'm really excited to share with you our results today.

We have continued to drive amazing results across every area of the business. Our team is full of passionate people who are overcommitted to achieving our bold purpose. And once again, they accomplished a staggering amount this year, which has set us up for a very strong fiscal 2019.

Here are just some of the highlights from this past year. We are bringing more Canada Goose to more of the world. We grew annual revenue by 39.7% in the United States and 52.6% in rest of world. Canada, our most developed market and our home market, also had a very healthy 47.5% growth rate.

Our DTC channel reached \$255 million in sales and 43.1% of our total revenue. We have built this from scratch in just under 4 years while also growing wholesale faster than planned. This is unprecedented in our space.

We are going deeper and driving growth with the world's best retailers. By collaborating in areas like merchandising, creative content, customer events and experiences, we are building better brand awareness and affinity while driving traffic and full-price sell-through.

Alongside the continued growth of our long-standing parka styles, we broadened our fall, winter and spring collections, and we successfully introduced knitwear, our first-ever nonouterwear category.

And lastly, we continue to invest aggressively in our capacity. We successfully onboarded over 700 new manufacturing employees in Canada in 1 year. And as a result, in-house manufacturing has risen to 35% from 30% as a percentage of units produced while also growing total unit output significantly.

These strategic achievements also drove outstanding financial performance across all of our key metrics. Total revenue increased by 46.4% to \$591.2 million. Adjusted EBITDA margin expanded 517 basis points to 25.2%. Adjusted EPS per diluted share grew by 95.3% to \$0.84 per share.

These results say a lot about global demand for our products and about our ability to execute on that. Going back to the 3-year plan we presented last year, we delivered and exceeded all of the margin expansion and EPS growth we guided to in a single year. Going forward, we continue to believe that we are just scratching the surface of our potential across all of our growth strategies for market development on a global scale through product expansion and operational excellence. This is reflected in our revised long-term outlook, which has higher revenue and EPS growth rates off of a significantly larger base to start with.

Much of the success we've had this year goes back to decisions and investments that we made many years ago before we were a public company. I have always said that a great idea without great execution is just someone else's success story. Without the right infrastructure and people in place, great execution just doesn't happen. Our focus isn't just on what our needs are today, tomorrow, next month or next season, but as importantly, 5 and 10 years from now. As we continue to execute on our growth strategies, we are resolutely focused on driving sustainable results the right way. We will always continue to make long-term decisions.

I'm really excited about what's to come for fiscal 2019. It's going to be another year of growth and exciting, strategic investments for Canada Goose, and we are well on our way. So with that, here are some details about a few key initiatives we are undertaking this year.

The first is about our expansion into China, which we publicly announced at the end of May. We have experienced strong demand from Chinese consumers abroad for years, and we are eager to meet that end market opportunity directly. We've always done things differently at Canada Goose, and it's probably helpful to start with what we aren't doing in China. It should not come as a surprise that for us, driving success is not about throwing everything we can at a hot market just to hit a big year 1 revenue number. It is about capitalizing on immediate demand while also making

investments to put the right pieces in place to build a sustainable business and lasting brand affinity in arguably what is the world's most important and growing luxury market today.

Balancing the tension of being a global brand with our ability to execute locally is crucial. From day 1 of our planning process, it was a guiding principle that we would not be managing the Chinese market from Canada. Based in Shanghai, our regional head office will be a self-standing cross-functional business unit with local expertise and capabilities in marketing and commercial operations as well as support staff and IT, finance and human resources. We are building out this team as we speak, and we expect to add 14 to 16 employees by the end of this year.

Moving to our DTC strategy. In e-commerce, we will be transitioning from our Chinese cross-border pilot and relaunching on Tmall's luxury pavilion of curated premium brands, which we expect to occur in the third quarter. Tmall has the right capabilities to deliver on our vision for digital experience with a deep commitment to brand protection. We are excited -- we are very excited to have a dedicated presence on the platform, where our fans can easily find authentic Canada Goose products.

For our 2 stores, we will be partnering with ImagineX, part of The Lane Crawford Joyce Group, who have a great track record in helping to build a wide range of leading global brands in greater China.

It's important to note that in our case, this is not a joint venture, franchise, distributor or licensing agreement. For a fee tied to sales volumes and store contribution, we are benefiting from their extensive local operating expertise. We will have overall control of leases, staff and overhead, while ImagineX will be responsible for managing day-to-day store operations.

Our first 2 stores will be in Hong Kong and Beijing. Hong Kong, at 3,000 square feet, will be located at ifc mall, which is part of an iconic city landmark and world-class retail destination in the heart of the city. The store in Beijing will be a larger 2-storey location at just over 5,300 square feet at the prestigious Taikoo Li Sanlitun North Mall.

Blending the art with local inspiration, these stores will be in keeping with the great experiences we've created in our other stores, a place where our fans can discover our latest collections and dive deeper into our 60-plus year heritage with the help of high-touch personal service. We expect both stores to be in operation by the onset of the peak winter selling season.

How and why we are working with various partners is also important. With the high level of awareness and demand already established and increasing, we can and should be controlling our own destiny in China. We also recognize the importance of speed to market, local expertise and consumer preferences, which is why we're working with experienced, world-class operating partners to complement our efforts in the DTC channel. By working with a network of partners that we have chosen, we have hit the ground running.

Lastly, we're also continuing to expand our wholesale footprint in greater China, which we have operated on a smaller scale for the last 6 years. With retail partners like Lane Crawford and Galeries Lafayette, we will be working closely together to build even greater awareness and educate consumers who already know about our product but not about our full story while driving traffic and also creating exceptional experiences.

We are really, really excited about China, but I want to make it clear that it is one opportunity among many. In all of our geographies, including our most developed markets, we believe that we have significant runway to strengthen brand affinity and expand customer access. As an example of this, which you probably saw this morning, are -- is the 3 other new retail stores that we're opening in North America in Short Hills New Jersey, Montreal and Vancouver. In the past 2 years, we've seen an amazing impact -- we've seen the amazing impact our retail stores have on local market activation. Building on these successes and innovating for the future, we're excited to continue bringing our authentic brand experience unfiltered to our fans in world-class retail destinations.

IT is another area in our business where we will be making significant investments this year. To be clear, what we have in place today is supporting us well. What we're investing in now is about getting ahead of longer-term infrastructure and business process needs. These include incremental upgrades to our ERP system to enhance financial reporting workflows and to more easily address public company reporting requirements as well as our transition from a shared environment to an in-house solution for order management, which increases our ability to customize to specific needs for our e-commerce business.

We are also making significant improvements to our commercial planning tools, digital customer experience and especially cybersecurity. In order to appropriately support these efforts and our longer-term road map, we will be doubling the size of our IT team.

Moving to manufacturing. One of the most frequent questions I get asked is, do we have the ability to scale as we grow? And the answer is the same as it has been for many years, which is yes, building capacity is a core competency here at Canada Goose. I'm happy to announce that we will soon open our third factory in Winnipeg, which will be our largest single-production facility in Canada. Leveraging the lean and flexible manufacturing principles that we have developed in recent years, it will be built out in 2 phases over the next 3 years, and we expect it will be able to produce all of our down-filled jacket styles. We have scaled up our local workforce, and we have opened a second sewing (inaudible) in the city to support the growth of this facility.

Looking back, when we first started in Winnipeg in 2010, it's amazing to be in a position where we will have 3 thriving facilities in what was very recently considered a dying industry. We are all really proud of what we're doing in this community and the broader Canadian apparel manufacturing industry. For many people, the jobs we are creating are a way back into the workforce or their first employment experience as a new Canadian. We're offering a great place to work, investing significantly in people's skills and providing them with meaningful, long-term career opportunities.

Finally, I'd like to speak briefly about our team. With John Black's upcoming retirement, Jonathan Sinclair will be with us as Chief Financial Officer when we report our next quarter. I am so grateful for John's great service, and he'll be staying with us as a strategic adviser until year-end to support the transition. I'm also looking forward to having Jonathan onboard. Jonathan and I have gotten to know each other really well, and he will be a great strategic business partner, who will add a lot of value to this business.

With that, I will now turn over to John Black to review our financial results in more detail and give you an overview of our fiscal 2019.

John Black - Canada Goose Holdings Inc. - CFO

Thank you, Dani. Good morning, everyone, and thank you for joining us. As Dani mentioned, we ended the year on a high note with another year of exceptional growth. Before I go through the numbers in detail, I would like to remind you that our results are stated in Canadian dollars.

For fiscal 2018 as compared to fiscal 2017, total revenue increased by 46.4% to \$591.2 million, with strong execution across our business. On a constant currency basis, total revenue was up 47.7%.

Total consumer, or DTC revenue grew to \$255 million from \$115.2 million, representing 43.1% of sales. This was driven by growth from existing stores and e-commerce sites and incremental revenue from new units. A full fiscal year of operations for Yorkdale and Soho also contributed positively.

Wholesale revenue increased by 16.5% to \$336.2 million, with strong order growth from existing accounts and higher reorder volumes late in the year.

Consolidated gross margin expanded 628 basis points to 58.8% from 52.5%. This was due to a higher proportion of DTC revenue, partially offset by higher inventory provisions.

In our wholesale channel, we saw gross margin expansion of 359 basis points to 46.9% from 43.3%. This was driven by product mix with a greater proportion of higher-margin jackets. Lower materials cost also contributed positively. These benefits flowed down directly to wholesale operating margin, driving an increase to 35.9% from 32.7%. In our DTC channel, gross margin declined 105 basis points to 74.4% from 75.5%. This was more than offset by SG&A leverage, with DTC operating margin rising to 52.8% from 51.7%.

At a mid-70s level, we continue to be pleased with our DTC gross margin. The variability year-over-year was primarily due to product mix in off-peak periods. We naturally had a greater proportion of lighter-weight jackets and products relative to our parkas, where we have the highest volumes and efficiencies.



I would also stress that these sales represent significant incremental gross profit dollars. Total SG&A was \$200 million -- \$200.1 million compared to \$165 million. The \$35.1 million increase was primarily due to higher retail and corporate expenses. There was a partial offset from lower share based compensation and initial public offering costs last year.

Adjusted EBITDA increased by 84.1% to \$149.2 million. This represents 517 basis points of margin expansion to 25.2% from 20.1%.

With regards to tax expense, our effective tax rate was 23.3% compared to 25.3%. This was due to lower share based compensation expense and differences in taxable income across jurisdictions.

On an IFRS basis, we reported net income of \$96.1 million or \$0.86 per diluted share compared to \$21.6 million or \$0.21 per diluted share. On an adjusted basis, net income per diluted share increased 95.3% to \$0.84 a share from \$0.43 a share.

Now turning to our balance sheet. Working capital was \$167.4 million compared to \$99 million. This was primarily driven by 85 -- by an \$85.6 million increase in cash. Total debt net of cash was \$51.4 million compared to \$150.6 million. As you can see from these numbers, the shorter cash conversion cycle in our DTC channel has reduced net leverage levels.

Moving on to our guidance for fiscal 2019. We currently expect revenue to -- revenue growth of at least 20%, adjusted EBITDA margin expansion of at least 50 basis points and growth in adjusted net income per diluted share of at least 25%. Notably, this assumes wholesale growth in the mid-single digits and the opening of 5 new stores.

As it relates to margin, we expect positive but more gradual expansion due to SG&A growth and larger store base operating in off-peak periods. This also assumes a similar effective tax rate to what we had in fiscal 2018 and 111.8 million diluted shares outstanding.

I'd also like to take a minute to discuss seasonality. As we have said since our IPO, our strategy is to control more of our distribution through the expansion of our DTC channel. This drives revenue growth and higher margins, but it also skews sales and earnings towards the back half of the year. Relative to when we were predominantly a wholesale business, our financial results do not have the same quarterly concentration. As DTC continues to grow, we expect an increasing level of seasonality in our first fiscal quarter. Volumes in both channels are at their lowest point in this period, and we have an expanding SG&A cost base. With continued store expansion in fiscal 2019, we also expect to see a higher proportion of sales and earnings in the third quarter. When evaluating our results in the coming quarters, it's important to remember that we look at our business on an annual basis, and we strongly encourage our shareholders to do the same.

Looking back at this year in such -- in areas such as wholesale deliveries and quarterly profitability, it's clear that there are significant short-term shifts. We don't manage our business to smooth these out, and our approach -- and that approach is not going to change. The decisions we make are always centered on what is best for our brand and our customers over the long term.

Before wrapping up, I'd like to take a moment to address my upcoming retirement. Jonathan Sinclair will be with you as CFO on the next quarterly call. I look forward to working closely with Jonathan as a strategic adviser until the end of the year to ensure a smooth transition. It's been a great experience to have worked with Dani and the team and to have played a significant role in the incredible success of Canada Goose. I have very much enjoyed getting to know you as shareholders since the IPO, and I want you to know that I remain deeply committed to Canada Goose.

Now I will turn the call back to Dani.

Dani Reiss - Canada Goose Holdings Inc. - Chairman, President & CEO

Thanks, John. As I said before, we are very pleased with our financial results for fiscal 2018 and continue to believe that we have an amazing set of opportunities in front of us as we go forward. I'm really proud that we have committed to run our business as we always have, which is executing on both long-term vision with disciplined investment while delivering great results and shareholder value.

I look forward to catching up with you all again on our next earnings call. And with that, I'll turn it over to the operator to begin the Q&A session.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Your first question here comes from Michael Binetti from Crédit Suisse.

Michael Charles Binetti - *Crédit Suisse AG, Research Division - Research Analyst*

Guys, can you hear me?

John Black - *Canada Goose Holdings Inc. - CFO*

Yes.

Dani Reiss - *Canada Goose Holdings Inc. - Chairman, President & CEO*

Michael, we can hear you now, yes.

Michael Charles Binetti - *Crédit Suisse AG, Research Division - Research Analyst*

Sorry. Can you help us think a little bit ahead on your thinking on the 3-year time frame and the new targets? Previously, you talked about mid- to high teens revenues that would deliver about 75 basis points of leverage per year on the EBITDA margin. Now you've got 20% growth plus that will deliver about 50 basis points this year, then 15 after this. So I'm willing to guess there's some philosophical change on how much you invest for growth there. But would you mind walking us through the change and some of the differences over the next 3 years that you guys are looking at versus how you were thinking about the plan originally?

Dani Reiss - *Canada Goose Holdings Inc. - Chairman, President & CEO*

Yes. I think that last year, we were able to accelerate our DTC conversion, and a higher percentage of our sales than we expected ended up being DTC. And so we drove -- we really -- we captured all of the adjusted EBITDA margin expansion and then some in 3 years -- in 1 year than we spent in the 3 years. And I think it's important to remember that our business, because of that, today is very different than it was when we started fiscal '18. We significantly see there our expectation. And again, we're starting with much larger numbers. So because of that, and that we expanded our adjusted EBITDA to 570 basis points, that beat our expectations for -- over a very wide margin. And this year, we're planning responsibly. We feel that there's a lot of opportunity to continue to expand our EBITDA and -- over 3 years and this year as well, and we're going to take a responsible approach to how we plan to do that.

Michael Charles Binetti - *Crédit Suisse AG, Research Division - Research Analyst*

And I know you guys don't typically go into much of the components -- componentry of the margins, but it does seem like there's a fairly aggressive SG&A investment plan in here. We can clearly hear in your voice how excited you are about China. Congrats on that. Maybe you could talk to us a little bit about how you see the SG&A plan and the composition of SG&A going forward. And maybe more specifically, is there something unique about building out a new geography that's a big change in the leverage of the investment model as you look out for the next 3 years?



Dani Reiss - *Canada Goose Holdings Inc. - Chairman, President & CEO*

Yes. I mean, our SG&A continues to increase. Obviously, as we add store infrastructures and off -- we add stores and the store costs off season -- off-season costs. But also, the investment in the office in China is a massive -- yes, I mean, it's a massive part of that. So we're putting a lot of investment in China. We think the investment for the long term is the right thing to do in the short term. And midterm, our margins in China, we're planning for them to be slightly lower than our margins -- our DTC margins in the rest of the world as a result of partner fees and expenses related to that. So that goes into our thinking when we plan our numbers as well.

John Black - *Canada Goose Holdings Inc. - CFO*

And we're continuing to invest in infrastructure as well such as IT.

Operator

Your next question comes from Ike Boruchow from Wells Fargo.

Irwin Bernard Boruchow - *Wells Fargo Securities, LLC, Research Division - MD and Senior Specialty Retail Analyst*

I guess I was going to piggyback on Michael's question on China as opposed to profitability. Just at a higher level, Dani, maybe could you just tell us why now in terms of why the company is making the decision to go more aggressively into China today versus last year, years past? And then maybe just again at a high level, maybe frame the sales opportunity and how we should think of that region as part of the total company over time.

Dani Reiss - *Canada Goose Holdings Inc. - Chairman, President & CEO*

Yes. Thanks, Ike. So why now? I think that we've been -- you guys and our investors and the whole community has been asking us for -- asking me for the last year when we're going to get into China, and we've been working for the last year and then some on the right strategy for how to enter China. And we've settled on the right strategy. We're very confident in what we're doing, why we're doing it and how we're doing it. And so that's why now is the right time. There's a lot of demand in China for our products, and we know that from a lot of different sources, from market research studies that we do, from in-store traffic that we have and our other retail stores, from web traffic. And we have the capacity to deliver the units that we need for that marketplace. And so all of those factors combined, some of the reasons why this -- is it the right time to do it, and we're -- but I could not be more excited. And it's really important also to stress that we're doing it the right way, that we're putting a regional headquarters on the ground. We're building a business unit in China. This will be run from China. And that involves investment and a lot of investment in -- also investment in marketing. The Chinese consumer today is very sophisticated. They're interested in real, authentic products and real brands just like the rest of the world, and we have to make sure we tell our story in the right way. The opportunity to speak to that, I mean, we believe the opportunity is massive. It's -- there's a lot of -- I mean, there's obviously a lot of people in China. It's a very quickly growing economy. It's -- I believe it's the world's largest luxury market at the moment, and it's growing very quickly. So I think that the opportunity is very, very large.

Irwin Bernard Boruchow - *Wells Fargo Securities, LLC, Research Division - MD and Senior Specialty Retail Analyst*

Got it. And maybe just one follow-up for you, Dani or John. I know you got -- you have your direct-to-consumer segment, and we know there's e-commerce and stores. I mean, I know you don't like to give a lot of information on the stores specifically because there's so few. But could you maybe just give us what the comparable direct-to-consumer growth rate has been in last year and maybe what you're thinking of the comparable DTC growth rate this year, just stores, online, everything all together? That would be -- that might be helpful to us when we build our models.



Dani Reiss - *Canada Goose Holdings Inc. - Chairman, President & CEO*

With regards to China or with regards to...

Irwin Bernard Boruchow - *Wells Fargo Securities, LLC, Research Division - MD and Senior Specialty Retail Analyst*

Just in general, just your total company.

Dani Reiss - *Canada Goose Holdings Inc. - Chairman, President & CEO*

Yes. I mean, based on our guidance, our implied DTC revenue growth rate is just under 40%.

Operator

Your next question comes from Brian Tunick with Royal Bank of Canada.

Brian Jay Tunick - *RBC Capital Markets, LLC, Research Division - MD and Analyst*

I guess 2 questions. Two questions. Two questions. (inaudible), by the way. So I guess, first, on the wholesale side, right, you guys are guiding I think for mid-single-digit growth. You traditionally have very strong visibility I think at year-end into your wholesale growth. So just curious if you can maybe talk about any changes to how your customers are buying ahead of the year. Anything like that on the wholesale side would be helpful. And then maybe, John, a little more on the shifts here for the coming year. Particularly, it sounds like Q1, that there's a decent amount of SG&A deleverage that you're expecting or at least will want The Street to think about. So maybe can you help us think about SG&A dollar growth or any other metrics really regarding Q1 that could help us frame the guidance?

Dani Reiss - *Canada Goose Holdings Inc. - Chairman, President & CEO*

Sure, yes. Thanks, Brian. I'll hit the wholesale question first. I mean, I -- we did plan our wholesale last year in mid- to high single digits, and we were able to outperform that. I think the reason, there was a lot of demand, lots of demand, consumer demand and therefore, retailer demand. And fortunately, our manufacturing capacity was able to keep up and more than keep up, and we had goods to deliver to the marketplace. And that's why we were able to exceed our numbers. So we're very happy to see that happen. And over to John for the next one.

John Black - *Canada Goose Holdings Inc. - CFO*

Brian, I'll give you some context for the profitability in Q1. First of all, I'll speak a little bit about Q4 because it affects the phasing. Last year, Q4 represented about 13% of total revenue. This year, it jumped to 21%. Of course, that's a function of our DTC success and the fact that we're selling product in cold weather. And if you come back to Q1, it's still going to be a comparatively small proportion of sales because it's warm weather months. What that will mean is we'll have our fixed costs -- SG&A costs continuing to go through. So you will expect Q1 to generate a materially larger loss in both adjusted EBITDA and adjusted net income as compared to the previous scenario. So similar situation. We're building our fixed costs, and it's all factored into our guidance. But Q1 will provide a materially larger loss in EBITDA.

Operator

Your next question comes from Oliver Chen with Cowen and Company.

Oliver Chen - Cowen and Company, LLC, Research Division - MD & Senior Equity Research Analyst

Our question was about the ERP and order management and planning tools. How will that intersect with your inventory planning? And thoughts on how inventory will pace relative to sales and inventory speed? It sounds like those are going to be very helpful products just to further align supply and demand.

Dani Reiss - Canada Goose Holdings Inc. - Chairman, President & CEO

Yes. Sure, yes. They're going to be very helpful, and they're very important investments that we're making ahead of the curve. As I said earlier, the stuff that we -- our systems that we have today are working very well for us. We want to continue to invest to be best in class. And specifically on the OMS, it's -- it'll allow us to do things like personalization, gift cards, buy online, pick up in store, buy in store, ship to home, seamless access to inventory, inventory availability, it'll allow for enhanced payment options, cross-border expansion and easier to integrate with other systems and things like that. So I -- it's really going to be something that once it comes online for us, it's really going to be able help us accelerate our business.

Oliver Chen - Cowen and Company, LLC, Research Division - MD & Senior Equity Research Analyst

Do you have thoughts on just making sure to manage risk because sometimes, these changes can cause a disruption if they're not planned carefully. So I would love your thoughts on guard rails.

Dani Reiss - Canada Goose Holdings Inc. - Chairman, President & CEO

Yes, no question. I mean, yes, there's all kinds of stories out there about implementations that don't work. We've been through many of them here at Canada Goose. And we've learned some lessons along the way going back 20 years ago, and so we make sure that we're very careful when we make implementations. Our planning is thorough, very well thought out. And I'm very confident in the ability of our team to implement new systems while -- and integrate them with the old ones at the same time until the new ones are ready to be perfected and come online.

Oliver Chen - Cowen and Company, LLC, Research Division - MD & Senior Equity Research Analyst

Okay. And Dani, just a follow-up on product. What we're seeing in the luxury market is this integration of Street, inclusivity and big trends also around logo. What are your thoughts on your depth versus breadth to your SKUs and also the democratization of luxury at large as you think multiyear and innovation and how you'll evolve your brand to continue to be interesting and relevant to new generations?

Dani Reiss - Canada Goose Holdings Inc. - Chairman, President & CEO

Yes, that's the biggest thing for any company, any brand, any person to get right. I believe that today, we're at the sweet spot in the intersection of performance and luxury and culture. And we need to continue to stay ahead of that, and we're doing that by -- and we have -- through our collaboration strategies with different brands. We're doing that through putting into the marketplace different sorts of styles with different details, different features, different price points. We -- it's great to have our own retail stores that we can experiment with different things and see how they work. And we're using all these tools at our disposal to make sure that we remain relevant for decades to come.

Operator

Your next question comes from Robert Ohmes with Bank of America Merrill Lynch.



Robert Frederick Ohmes - *BofA Merrill Lynch, Research Division - MD*

The -- my question is -- and I know you talked already about adding capacity. But maybe remind us, with down prices going up and more competitors obviously trying to mimic you, looking beyond just the next quarter or 2, how should we think about capacity but also others coming in and bidding up your input costs and why we don't need to worry about that?

Dani Reiss - *Canada Goose Holdings Inc. - Chairman, President & CEO*

Well, all of our -- yes, you don't need to worry about it, for sure. All of our input costs are built into our guidance and to our costing. So we've covered that off in that regard. I think that there -- I don't believe there's another brand like us. We're a -- we have been around for over 60 years, manufacturing, investing in the hottest product, which is used at -- used in the coldest places on earth by people who live and work there. And that authenticity is something that you can't manufacture or make up overnight. A reputation is something. I believe a brand is nothing but their reputation. Reputation is not something you could just create from -- overnight. You have to earn it. And as long as we continue to manufacture best-in-class products, which we have always done and is our intention to continue to do, I believe that we are very well positioned, and we're resolutely focused on continuing to do that.

Robert Frederick Ohmes - *BofA Merrill Lynch, Research Division - MD*

In your access to down, there's no risk of -- I know you guys lock up your supply. But if somebody unexpectedly came in and really keep -- is there any risk of short-term shortages of down as an example?

Dani Reiss - *Canada Goose Holdings Inc. - Chairman, President & CEO*

There's not. We are in a very good place with regards to our down supply, and I am not worried about it.

John Black - *Canada Goose Holdings Inc. - CFO*

Yes. I'll remind you that down is a byproduct of the food industry, so it's readily available.

Operator

Your next question comes from Omar Saad with Evercore.

Omar Regis Saad - *Evercore ISI, Research Division - Senior MD and Head of Softlines, Luxury & Department Stores Team*

Dani, could you talk a little bit about -- I'm not sure if you addressed this, but the weather was obviously very favorable in the quarter in North America. I think Europe, too, was really cold. Do you think it had a big influence on the really strong sales results and maybe temperature planning for 1 year from now? And then I have a follow-up on the supply question.

Dani Reiss - *Canada Goose Holdings Inc. - Chairman, President & CEO*

All right. No, I don't think weather was a major factor. We've been growing now for many years in a row, and we've grown through so-called perceived warmer winters, colder winters. And regardless of whatever the weather has been in any given year, we've always been able to achieve our targets and exceed them. And I think that if anything, the weather these days is so unpredictable. And the unpredictability of the weather is actually a favorable -- something that is favorable for us. But again, I mean, the weather itself has not -- has never prevented us from achieving our objectives.



Omar Regis Saad - *Evercore ISI, Research Division - Senior MD and Head of Softlines, Luxury & Department Stores Team*

And then if I could just ask a follow-up on the supply question there. How do you think -- it is such a seasonal business. And you are building, really good, high-quality manufacturing capacity, owned and externally in Canada. How do you think about managing that supply in a seasonal business and what you have the factories working on during the downtimes during the year when it's not as seasonably cold.

Dani Reiss - *Canada Goose Holdings Inc. - Chairman, President & CEO*

Yes, we manufacture in all of our facilities 12 months a year. We're always -- our planning teams are essential to that process, and we're building inventory 12 months a year in all of our factories and contract facilities as well.

Operator

Your next question comes from Jonathan Komp with Baird.

Jonathan Robert Komp - *Robert W. Baird & Co. Incorporated, Research Division - Senior Research Analyst*

Dani, just a broader question. Looking back, I think looking at the full year 2018 revenue versus the original range, you had contemplated -- you showed more than \$100 million of upside versus the original plan. I just want to ask, when you look back, maybe if you could help attribute some of the areas that surprised you positively. If it's the -- as you have more experience in DTC or if it's some of the newer product categories or just broadly any more color there?

Dani Reiss - *Canada Goose Holdings Inc. - Chairman, President & CEO*

Sure. I think the biggest one is the rate at which our DTC channel grew and the percentage of our business that it represents today. And we were building our models last year and planning our year last year. We did not expect that we would be able to grow our direct-to-consumer channel as fast as we did. And that's obviously a very -- it's a great thing, and we have a lot more runway in that department. And this year, we're planning responsibly and making sure we're not going to overpromise anything that we aren't certain we can deliver on. But we -- that said, we absolutely expect a lot of -- we actually -- we know we have a long runway. We expect the continued growth in direct-to-consumer as a percentage of overall sales.

Jonathan Robert Komp - *Robert W. Baird & Co. Incorporated, Research Division - Senior Research Analyst*

Got it. And just as a follow-up there on the DTC side. Given the overdelivery now, having more experience, and I think your guidance implies that it'll be a roughly 50-50 split in 2019 for wholesale versus DTC revenue. Do you have any updated thoughts on ultimately how high the penetration or what the right penetration is longer term for the DTC business?

Dani Reiss - *Canada Goose Holdings Inc. - Chairman, President & CEO*

Yes. So you're correct, it implies roughly 50-50 split. And I think that there -- we don't have a definitive number where we say this is where it must be. There are companies -- and I want to emphasize, wholesale remains important to us regardless of the number, and it continues to grow as well. I think that when I look at companies out there that have 70% or 80% of their sales in direct-to-consumer, I see no reason why, over time, we can't come close those numbers as well.

Operator

Your next question comes from Camilo Lyon from Canaccord Genuity.

Camilo R. Lyon - *Canaccord Genuity Limited, Research Division - MD & Head of US Consumer Research*

I wanted to focus on 2 topics: your e-commerce business and China. So firstly, on e-com. If you could just remind us what that e-com mix ended up for the year, that would be really helpful. And then more broadly, I think in the past, you talked about opening up -- I think this past year, you opened up 7 new e-commerce countries. I think you talked about doing 6 more in '19 and 2 in '20. Have those out-year targets changed from the perspective of more countries that you want to add to your e-commerce platform? And then I have a follow-up on China.

Dani Reiss - *Canada Goose Holdings Inc. - Chairman, President & CEO*

With regards -- so 2 questions there. E-commerce mix, we don't really break that out by country or -- so it's growing, and we don't break out e-commerce versus stores either. But the whole direct-to-consumer channel, as you've seen, continues to grow. And both e-commerce and stores contributed to that growth. In terms of more countries, this year, we're adding the biggest new country, China, and we're adding that to our e-commerce mix this year. And that is extremely exciting to us. We're not adding any new countries this year other -- aside from China. Over long term, we intend to have Canada Goose available to anybody around the world, everywhere they live. This year, we've made strategic decisions to invest in other IT -- pieces of infrastructure and to leave some of the other countries online websites to future years.

Camilo R. Lyon - *Canaccord Genuity Limited, Research Division - MD & Head of US Consumer Research*

Got it. And then, I guess, with China, can you just give us some maybe broad strokes on the structure of the partnership with ImagineX in terms of -- it sounds like these are DTC sales minus a percentage of sales fee that is paid to them. Maybe some articulation on what that percent is, kind of broad ranges, and also maybe the duration of this contract and for how long does that stay in place at that level.

Dani Reiss - *Canada Goose Holdings Inc. - Chairman, President & CEO*

For competitive reasons and for privacy reasons, we're obviously not going to disclose the exact terms of the agreement. But the way the agreements are structured is exactly as you speculated, which is a percentage of our revenue. And we build that into our P&L. That's built into our guidance, and that allows us to work with world-class partners. ImagineX is a world-class partner, and they know how to operate stores in China. And we feel that partnering with them absolutely derisks our execution in China, and we're really excited to be partnering with them.

Operator

And there are no further questions at this time. I will turn the call back over to Dani Reiss for closing remarks.

Dani Reiss - *Canada Goose Holdings Inc. - Chairman, President & CEO*

All right. Well, thanks a lot, guys. Appreciate that you joined this call and for being a part of it. We look forward to speaking to you again when we report our Q1 results in August, and all the best until then. See you down the road.

Operator

And ladies and gentlemen, this concludes today's conference call, you may now disconnect.

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