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CORPORATE PARTICIPANTS

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

Jonathan Sinclair *Canada Goose Holdings Inc. - CFO & Executive VP*

Patrick Bourke *Canada Goose Holdings Inc. - Senior Director of IR*

CONFERENCE CALL PARTICIPANTS

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*

James G. Allison *Barclays Bank PLC, Research Division - Research Analyst*

Kate Bridget Fitzsimons *RBC Capital Markets, LLC, Research Division - Associate VP*

Mark Robert Petrie *CIBC Capital Markets, Research Division - Executive Director of Institutional Equity Research & 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 Institutional Equities, 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 Denise, and I'll be your conference operator today. At this time, I'd like to welcome everyone to the Canada Goose Third Quarter 2019 Earnings Conference Call. (Operator Instructions)

Patrick Bourke, Senior Director, Investor Relations, you may begin your conference.

Patrick Bourke - *Canada Goose Holdings Inc. - Senior Director of IR*

Thank you. Good morning, and thank you for joining us today. With me are Dani Reiss, President and CEO; and Jonathan Sinclair, EVP and CFO. For today's call, Dani will begin with the highlights of our third quarter performance. Following this, Jonathan will provide details on our financial results and our updated outlook for fiscal 2019. After our prepared remarks, we will take your questions.

Before we begin, I would like to inform you that this call, including the Q&A portion, includes forward-looking statements, including plans for our business and our updated outlook for fiscal 2019. 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 heading 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. It is also available in 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 call, in order to provide greater transparency regarding Canada Goose's operating performance, we refer to certain non-IFRS measures that involve adjustments to IFRS results. Any non-IFRS 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 financial measures referenced



on this call are reconciled to the most directly comparable IFRS measures in the table at the end of our earnings press release issued this morning. This is also available on the Investor Relations sections 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*

Thanks, Patrick. Good morning. Thanks for joining us. Happy Valentine's Day. Fiscal 2019 is shaping up to be another year of amazing results and impressive progress against our strategic vision for building Canada Goose into an enduring brand. I'm really proud that we continue to deliver when and where it matters most, and I remain as confident as ever about our long-term success.

With our largest quarter now behind us, I am excited to share the highlights and give you some context to our great results. The financials are truly impressive. Despite the law of large numbers, we achieved significantly higher rates of growth off of much larger bases. Revenue increased by 50.2% to \$399.3 million and adjusted EPS grew by 65.5% to \$0.96 per diluted share. To put that all into perspective, adjusted EPS in the quarter was larger than our annual figure for all of 2018.

On a global stage, our brand voice and consumer connection have never been stronger. Awareness and affinity are growing in the markets that we are prioritizing and we have a lot of remaining runway. Our results show that we know intuitively and what research confirms that we continue to be a highly desired and relevant brand. We are clearly seeing the benefit of all the commercial investments we are making in activation, brand storytelling and presentation. And in opening 5 new stores, we are continually reminded that bricks are not dead. Across a wide range of markets, all of our openings performed well and existing stores are also continuing to deliver strong results. I am very encouraged, but not surprised by guest feedback showing that we are moving the needle on our high-touch experiences. Getting this right is critical and doing it in peak season with high traffic is the ultimate test, and we passed that with flying colors.

These great results start with great product. The luxury performance outerwear category continues to evolve with consumers looking to express their style in new ways. As part of this, we're seeing a lot of demand for newness through color in the marketplace and our fall/winter collection delivered that. Amongst our heritage styles, which continue to grow at very healthy rates, we successfully introduced an expanded palette of seasonal colors and prints with white and silverbirch styles being particularly sought after. Alongside our core primary colors, we staged the flow of these into the marketplace, which elevated floor diversity and sell-through momentum.

Our new Approach Jacket made a big splash with its release on Black Friday. With inspiration from our history working with legendary Canadian adventurer Laurie Skreslet, it features high-visibility neon shades for the mountain in an urban and modern silhouette. At a time when consumers are bombarded with promotional messages and brands are competing on the lowest price, we chose to cut through the noise with a high-impact product momentum. With a creative, integrated marketing campaign focused on eye-popping experiences at retail, we drove global awareness and fast sell-through at full price on one of the biggest discount shopping days of the year. This is a great example of how we can build demand in ways very few others can, through an authentic story and product. It's this type of swimming upstream that has driven and will continue to drive our business.

When it comes to product, I have often said that 2 of the most powerful aspects of our business model are our foundation of enduring iconic styles and how we are able to innovate around the strength of those styles. By introducing newness in a authentic and measured way, we excite our fans and create demand ahead of supply and we gradually have built into that over time. Ultimately, this is about seeding and developing new generations of hero product to add to the depth and diversity of our already very strong core. One great example of this is our new lightweight down HyBridge Base Jacket, which is designed for a wider range of cold temperatures than the classic HyBridge Lite is. It has been a stand-out performer in its first year and we look forward to doubling down on that demand in years to come. More broadly, lightweight down continues to grow significantly. Its DNA is deeply rooted and what has made us the reference parka and has appealed to consumers looking for more versatility.

We made a concerted effort to drive higher awareness, coupled with greater year-round distribution and the results strengthen my conviction that we have an incredible opportunity to continue to lead this category going forward. Alongside great product, both distribution channels continue to raise the bar. As a vertical brand, the breadth and quality of our multi-channel distribution model is so powerful. Our strength across e-commerce,

stores and wholesale is truly unique. And it is grounded in how disciplined, maybe even obsessive, we have been about developing them in a balanced and complementary way.

Starting with direct-to-consumer. E-commerce continues to be a driver of our growth. Our existing sites put in another strong performance, and as we expected, Tmall has proven to be the right way to serve our fans online in Mainland China. On Singles' Day, we were one of the top 10 brands in our space despite offering no promotions and having only been on the platform for just over a month. Equally as important, we hit all of our operational and customer service metrics. Overall, on our e-commerce channel, we have also been fine-tuning the degree of localization in our merchandising and marketing and the initial results have been promising.

Moving on to stores, we are now in year 3 of our journey with 11 company-operated stores across 3 continents. I remember interacting with customers on our first store in Toronto on opening day, and I could see right then and there, that we had a massive opportunity in front of us. Reflecting back on that, it has certainly delivered on that potential and then some. A common thread that I see in each of our stores is consistency in performance from local focus markets like Short Hills and Montreal to global shopping destinations like Hong Kong and London, every single store has delivered exceptional experiences and results. Underlying this is our selective focus, tailored approach and commitment to continuous improvement. We have been and will continue to be exclusively focused on one of the best retail opportunities. The results speak for themselves and we are not straying from that approach.

The second piece to our retail success is recognizing the importance of localization. While brand consistency is key, we are not taking a cookie-cutter approach to any aspect of our stores. From seeding and activation to store environment and merchandise, we are very focused on leading and executing at a local level. The last part of the equation is continuous improvement. We are constantly elevating our game and our stores are an immersive gathering place to interact with our fans and help them find new ways to love Canada Goose. We saw great traction this year with our Generations of Warmth holiday photo booths and the introduction of our cold rooms, which I'm really proud to say, Fast Company called the best retail experience of the year. And we are excited to continue innovating on experiential retail in new ways in the years to come.

In parallel to our great results in DTC, wholesale also had another stand -- outstanding quarter. The rate and quality of the growth we have achieved is a real testament to multi-channel distribution done right. Last time we spoke, I went through the great work our team has done with our world-class partners to elevate our storytelling and presentation. We continue to see the benefit of that in the latter innings of fall/winter -- of the fall/winter shipping period.

On the back of high sell-through levels early in the season, retailers continue to request earlier shipments of remaining order book commitments and reorder allocations. And because of our success in expanding in-house manufacturing, we were able to respond to this faster, putting our partners in stronger merchandising positions to meet peak consumer demand. To sum it up, both DTC and wholesale channels outperformed. Neither channel impeded the growth of the other, they both delivered exceptional results.

Continuing on to the topic of manufacturing, we have just hit another major milestone. Earlier this morning, we announced that we are opening our second Québec production facility in Montreal, closely following the opening of our third Winnipeg facility. In Montreal, we will have 100 employees producing jackets by the end of March, and we expect to create over 300 new jobs in its first year of operation. At full capacity, the new site will employ 650 people. With this addition, we now have a total of 8 in-house manufacturing facilities in Canada. This is yet another example of how scaling Canadian production is a core competency at Canada Goose. It is a foundational part of our long-term vision and it is something that we are executing on consistently.

We have had great success in Boisbriand, Québec since opening our first facility there in 2017. In just over 2 years, we created over 500 new jobs. The city has a great history in apparel manufacturing and our sewer training school has been integral in creating a pipeline of skilled labor that we need to support our growth. This is also a major point and significant point of leadership for us. Montreal's Chabanel district was once a central part of apparel manufacturing in Canada, but this has been eroded by the shift to offshore in pursuit of margin. While some brands only have their headquarters in the city, they are missing the great history and potential that this area has. This is the perfect opportunity for us to rebuild and revitalize the cut and sew industry there and have a lasting impact on the community.

In summary, going back to my initial remarks, fiscal 2019 is going to be another great year at Canada Goose. Our brand and products continue to resonate globally, both channels are going from strength to strength and we have made massive progress expanding in-house capacity. We're really excited -- we are excited about next year as well and we remain deeply committed to our long-term vision.

And with that, I will turn it over to Jonathan to go over our financial results.

Jonathan Sinclair - Canada Goose Holdings Inc. - CFO & Executive VP

Thanks, Dani. Good morning, everyone, and thank you for joining us. Before I go through the numbers, I'd like to remind you that they are stated in Canadian dollars. I shall comment on the quarter and then update you on guidance.

As Dani just said, our financial performance in the quarter was outstanding and this is our largest quarter. Revenue increased by 50.2%, to \$399.3 million or 49% on a constant-currency basis. Relative to last year, the Canadian dollar depreciated relative to the U.S. dollar and to a smaller degree the euro and the pound, which somewhat benefited our reported top line.

Our DTC channel led the way with revenue increasing to \$235 million, up from \$131.7 million last year. All of our new stores put in a great performance relative to previous openings and Tmall also had a strong start. Our well-established stores and our e-commerce sites also went from strength to strength. Like Dani, I'm really encouraged by the quality of guest feedback on our retail experience during peak trading.

On the back of sell-through momentum, wholesale also put in a very strong quarter. Revenue grew to \$164 million from \$134.2 million, driven by higher order values from existing partners and earlier shipment timing. In response to customer requests and supported by expanded capacity, we have fulfilled a higher proportion of our order book and reorder allocations relative to last year. It's great to see the wholesale -- to see wholesale perform so well this year, alongside our expanding DTC footprint. This reflects all the work our team has done with our best-in-class partners to elevate our storytelling, our presentation and the customer experience. Downright, wholesale is a complementary channel, which extends the reach and diversity of our distribution and it will continue to be an important driver of our business going forward.

Consolidated gross margin expanded to 64.4% from 63.6%, driven by the higher proportion of DTC revenue. DTC gross margin was 76.1% compared to 76.4%. This was due to sold inventory manufactured at higher labor costs related to the onset of the Ontario minimum wage increase, which hounded the start of 2018. Wholesale gross margin was 47.7% compared to 51%. The flow-through of the higher labor costs affected the channel more significantly due to the difference between wholesale and DTC selling prices. Purchase accounting adjustments relating to Baffin and changes in product mix with a higher proportion of newer product also impacted margin. I'd stress that the point of comparison is also elevated relative to typical levels due to a combination of one-off material savings and favorable external factors, which we also had the benefit of, but earlier this year.

On a more representative year-to-date basis, wholesale gross margin is 49.2% compared to 48.2% last year. DTC operating income was \$141.4 million, an operating margin of 60.1%. This compares with \$79.1 million last year or an operating margin of 60%. We're pleased to have maintained a strong DTC operating margin, even as we absorbed incremental SG&A fees, which relate to our operating partners in Greater China. Wholesale operating income of \$65.1 million and an operating margin of 39.7% compared to \$57.2 million or an operating margin of 42.7%. SG&A decreased as a percentage of sales on a larger quarterly revenue base.

Unallocated corporate expenses were \$61.3 million compared to \$44 million. This was driven by planned growth investments in marketing, corporate headcount and IT, including our Greater China operations. We also incurred higher professional fees and other costs relating to public company compliance. Unallocated depreciation and amortization was \$5.3 million compared to \$2.4 million, and that increase is driven by the retail opening program and IT investments. Combined, this resulted in total operating income of \$139.9 million, up \$50 million from the \$89.9 million last year.

On a non-IFRS basis, adjusted EBITDA was \$151.1 million compared to \$94.7 million last year. Net income was \$103.4 million or \$0.93 per diluted share compared to \$63 million or \$0.56 per share. Adjusted net income was \$107.2 million or \$0.96 per diluted share compared to \$64.5 million or \$0.58.

Turning quickly to the balance sheet. We ended the quarter with a net cash position of \$55.8 million and working -- net working capital of \$170.7 million. Relative to last year, net working capital has increased due to the consolidation of Baffin, including inventory marked up for resell value and the planned build of inventory for future growth in fiscal 2020.

Now turning to our revised guidance for fiscal '19. With the majority of the fiscal year now complete, we have refined our guidance based on strength of our year-to-date performance and current trends in the business. We currently expect annual revenue growth in the mid- to high-30s on a percentage basis compared to what we said previously, which was at least 30%. This assumes annual wholesale revenue growth in the mid- to high-teens. Adjusted EBITDA margin expansion of at least 150 basis points, unchanged from last time, and annual growth in adjusted net income per diluted share in the mid- to high-40s expressed as a percentage compared to our previous guidance of at least 40%.

I would also note that the back half of fiscal '19 is more front-weighted to Q3 relative to last year. We build demand on an annual basis and as investment paces there is inevitably variability in buying patterns for our products across years. This is playing out across our business. As a general trend across channels, geographies and customer demographics, we've seen a higher proportion of purchasing in the earlier months of the season. You can really see this when you compare our Q3 growth rate relative to last year.

Despite a larger base and a more mature DTC footprint, revenue increased by 50.2% this year compared to 27.2% increase a year ago. With significantly more purchasing occurring earlier, this implies a naturally lower rate of speed in both channels through the remainder of the fiscal year in a smaller-shoulder quarter.

By all accounts, fiscal '19 will be our best ever year and by a wide margin. We have undertaken an ambition -- ambitious expansion of our DTC footprint and made significant investments in our platform for the long-term growth. All of this, while delivering exceptional results. On a global stage, our business has never been stronger and we are still just getting started. I look forward to speaking with you again on our next call to update you on our progress and outlook.

And now, I will turn it back to Dani for some closing remarks.

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

Thank you, Jonathan. The first 3 quarters of fiscal 2019 have been amazing. And I'm feeling really, really good about the year as a whole, which, as you know, we look at our business on an annual basis. I encourage you all to check out a new brand initiative that we've started to call Project Atigi, which we launched in January. It's a truly amazing one-of-a-kind parka collection, designed and made by Inuit seamstresses and is an example of social entrepreneurship at its very best. And believe me, we are just getting started. I believe this project can and will be transformative. We are also excited about our upcoming spring collection, which is hitting the shelves as we speak and there's a lot of consumer excitement about that.

And with that, I will turn it over to the operator to begin our Q&A session.

QUESTIONS AND ANSWERS

Operator

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

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

First, just a quick modeling question for Jonathan and then I have a bigger picture question. But on the gross margin, Jonathan, I think that different growth rates in the different businesses moving the mix around makes it a little bit hard to forecast. But I think it'd be helpful if you walked us through how you see gross margins evolving going forward in each channel. And if I can be direct, I think a lot of the gross margin -- do you think

a lot of the gross margin low-hanging fruit is behind us at this point and more of the past? And EBITDA margin expansion you laid out is from the SG&A side? And I guess, secondly, I'm a little confused when I look at the inventory up 75%, but you said, sales were pulled significantly forward within the second half of your fiscal year. It seems like there's quite a bit of inventory ready for the fourth quarter, but you're saying the growth rate's a little slow on a rate basis, maybe you can help just reconcile those 2?

Jonathan Sinclair - Canada Goose Holdings Inc. - CFO & Executive VP

Okay. So taking the gross margin question first. When we talked about gross margin before and we -- this is something that we very much continue to believe, there is forward tension in gross margin. However, the factors that take us forward are around production efficiency, scale benefits. Those help to fund investment in new product and also offset things like the increase in the Ontario minimum wage, increases in raw material costs and so on. As a result, we expect to see gross margins advance within channel, so ignoring the channel mix point -- within channel, but by a small number of bps, not by huge leaps and bounds. And that should -- that won't necessarily unfold in a linear way, it will be a little bit bumpy as it goes, but it's absolutely forward momentum in each channel in addition to the overall channel mix. As far as the inventory is concerned, we -- you rightly observed, we've got more inventory than we had a year ago by a significant margin. What you have to be aware of is, of course, is that we produce our inventory on a linear basis ahead of the planned growth for future seasons, so -- and for future years. So what you see now is an inventory being built in advance of our fiscal year 2020.

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

Yes. I would add one thing to that, just to say, in terms of inventory, we're right where we want to be. We're happy with where we're positioned and a lot of it, as Jonathan mentioned, is for next year and also to point out that we do have more stores so -- and having more stores, by definition, we need more inventory to fill those stores and that also adds to the increased inventory level.

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

Okay. And Dani, if I could ask just maybe on a more fun basis on China, how is it going? This is the first big quarter there, what are you learning now that you're on the ground there specifically? How do you look at the opportunity there for physical stores and then the ramp on -- in China on Tmall, do -- is the plan there to constrain supply into Tmall similar to wholesale and rest of the world? Any kind of outlook there as you've had a little bit of time in the saddle now would be helpful.

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

Sure. Yes, we're really -- we remain really bullish and excited about China. We're really happy to be serving our fans in Greater China. And we know that we have a tremendous amount of demand in that marketplace and that's been demonstrated. I mean, there have been all sorts of reports of lineups outside of our stores in both Beijing and Hong Kong. And that's just indication of how strong the demand is for our brand in China, and we contend -- we intend to continue to expand there.

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

On the wholesale channel, as your product assortment continues to broaden and as you think about product opportunities and line extensions, how has the nature of orders been changing? And related to this is, we're seeing competitors do frequency of monthly drops. What are your thoughts on balancing speed and novelty versus essentials as you think about that from both the merchandising and supply chain sensibility?



We'd love your thoughts, particularly as you have seen so much success in wholesale, and it feels like there's a lot of floor space as well as comp opportunity within this channel.

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

Yes. Thanks, Oliver. We're really excited and happy with how well wholesale has been performing, and a lot of that is due to the fact that we're working closely with our wholesalers to create optimal environments within our wholesale doors to put shop-in-shops there, to make sure we have trained and educated brand ambassadors in the stores and in all the shops. And as we look at our merchandising assortment and our merchandising planning teams, definitely we want and we're achieving the outcome of the space is looking new and fresh on a regular basis. And I think that that's table stakes for us now and it's certainly a very important part of how we perform and how -- why we're performing so well.

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

Okay. And on monthly drops and just stratification of the category, do you have any thoughts there as well as how should we model your -- the evolution of your averaging at retail as you continue to innovate in the new wearing occasions?

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

I think that we're going to continue to plan on merchandising in a similar fashion to the way we've always landed and it's been working really well for us. And we don't intend to any -- to introduce any radical shifts or changes at the -- to the diversification of product and the cadence of that diversification than we have currently and we're pleased with it.

Jonathan Sinclair - *Canada Goose Holdings Inc. - CFO & Executive VP*

And as you come to think about how average unit retail evolves, you should consider that we typically take price in the low- to mid-single-digits and that will impact on the average unit retail in channel.

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

Okay. And just a last modeling on the mix impact on the margin from newer product as well as labor. What -- how many more quarters will that be a headwind, just what should we think about as we consider our within channel margins in our models? And the new product mix impact, could you just elaborate on what that is so we understand how that may manifest?

Jonathan Sinclair - *Canada Goose Holdings Inc. - CFO & Executive VP*

So we -- the thing that I was -- the point I was just making, we manage margins like we manage the business, on an annual basis. And therefore, my comments from the earlier question really apply. We -- you need to take a longer-term view of margins on an annual basis. And on an annual basis, we expect margins to expand slightly in channel. And that's true for both wholesale and DTC. You have the forward momentum, as I said before, pricing and efficiency and scale and the manufacturing capacity that we're opening up, funding the newness of the price increases and resulting in a small forward momentum in margin over time.

Operator

Your next question comes from Kate Fitzsimons with RBC Capital Markets.



Kate Bridget Fitzsimons - RBC Capital Markets, LLC, Research Division - Associate VP

I guess, when we look at the guidance for this year, the direct channel is going to land at just over 50% of sales. Dani, when you think about the strength of the stores in e-commerce channel, do you think there's anything structural preventing that mix from moving higher? Some of your peers have direct channel penetration well into the 70s. So just your longer-term view on channel mix there would be helpful.

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

Yes, for sure. Thanks for the question. And yes, we -- I think we still have a lot of runway to continue to grow our direct-to-consumer sales as a percentage of our overall revenue at -- while at the same time, still growing wholesale. Wholesale is still important to us. And as you know, we feel it's going to continue to grow, and definitely as a percentage to your point, we feel that whole -- that DTC sales, there's more runway to increase the percentage. Good question.

Kate Bridget Fitzsimons - RBC Capital Markets, LLC, Research Division - Associate VP

Great. And then secondly, just when we think about the fourth quarter, certainly Jonathan, understood your comments on the revenue expectations. But when we're looking at the EBITDA margins, just given the year-to-date trends, is there anything to consider in terms of 4Q expense shifts impacting results?

Jonathan Sinclair - Canada Goose Holdings Inc. - CFO & Executive VP

I think the best way to approach the guidance is really to think about it in the round, and we're very confident in what we've said. We've got the peak selling season behind us. We've got a small-shoulder quarter remaining and therefore, the majority of the fiscal year is complete. I think we get -- we've got a really high level of visibility that helps us give more precise assumptions. When you consider what's happened to the evolution of the chain in the quarter, obviously, we've got a larger number of stores. We continue to invest in building demand in the business, both for the current year and future seasons. And therefore, that's what's reflected in our cost base.

Operator

(Operator Instructions) Your next question comes from Omar Saad with Evercore ISI.

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

It seems to us looking at the brand across channels and the product availability, given the stockouts and extreme demand, it seems like it's continually a supply-constrained brand, which is obviously a great situation to be in relative to demand, especially the luxury brand Made-in-Canada. But I wanted to kind of get your view point, how do you think about allocating as you build inventory and add more own production and expand your manufacturing base, Made-in-Canada manufacturing base? How do you think about philosophically allocating incremental supply to your own channels, to your e-commerce channels, to new opportunities in Asia versus wholesale? I know there's not a lot of wholesale distribution expansion. It seems like it's a much more productivity gains and space gains within existing channels. But how do you think about that philosophically where you want to direct, does that incremental supply build given the supply constraints on the business relative to the demand?

Jonathan Sinclair - Canada Goose Holdings Inc. - CFO & Executive VP

So I think, let's start with the question of supply constraint and then talk about allocation. Because the reality is that we continue to increase the proportion of our down product that we manufacture. And not only that, but we are also, as you heard today, continuing to expand our capacity, both through the earlier opening of Winnipeg, which we'll continue to scale up. And of course, the opening of our second Québec production facility. So honestly, we are laying in the capacity that allows us to deliver current and future growth. When it comes to our plans in terms of how

we allocate product, we have ample inventory to meet the demand both in wholesale and DTC. And you've seen us do that through this year. You've seen us building inventory this year, that allow us to be very confident about next year and how we'll be able to continue to deliver growth in future seasons. So we don't see that as a constraint either for wholesale or for DTC.

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

Yes. And I'll -- and if I could just jump in and add a little bit to that. As Jonathan said, I mean, I've been doing this for 22 years and every year is different. Shape of our growth every year is different. And just to point to the growth itself, I mean, it's amazing to be in a position where there's a lot of -- there is perceived scarcity for our brand. I know there is a lot of scarcity, it's hard to find our products, but our year-over-year growth percentages continue to be as strong as they are. And I think that those things together create a little bit of magic, which is why we continue to do so well.

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

Agreed. Agreed. Is it fair to say that some of the inventory build at the end of the quarter that you're holding for next year for fiscal 2020 and the following winter. That's the inventory you could sell now if you wanted to, but you want to build it for next year, is that the right way to think about your strategy there?

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

Yes, I think and if it's the first statement, for sure. I mean, we will definitely -- we start building inventory for next year even in the season, and though in some cases it's possible to pull forward and cannibalize some of that stuff for next year. We don't want to disappoint our customers next year at all. So we don't.

Operator

Your next question comes from Camilo Lyon with Canaccord Genuity.

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

Dani, I was hoping you could give us some insights into how you're thinking about your regional growth opportunities. Your home market of Canada showed another tremendous growth rate in the quarter, I think it was up 38%, U.S. up 45%, rest of the world, obviously a big opportunity for you. I'm pretty surprised at how great these growth rates are in your very established markets. So how do you think about the growth opportunities in that home market? And maybe you can help us provide some shape around the composition of the future expectations of growth by those regions?

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

Yes, we are -- we're very pleased with and very excited about our growth so far and future growth opportunities in all of our regions that we report. As you can see on our results, we have continued to grow our business significantly in all of our geographies and, as we mentioned, including our home market of Canada. And with that, we're also pursuing a global penetration opportunity and we'll continue to develop our brand and distribution both in America and in Europe and in Asia. I mean, as you know, China is -- has a massive amount of white space for us as does Europe -- as do all of our regions, Europe and North America do -- still do as well. And yes, we're just getting started in Greater China and we're very encouraged by the results so far. So can't wait to talk more about that next time we get together.

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

Is there anything that you're seeing that would suggest that there is a maturation that you're reaching in your home market?

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

No, there is not.

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

Great. And then just my final question is on store openings for '20. If you could just remind us what you've got planned and what cities you'll be going into?

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

I can't wait to discuss next -- in next quarter when we announce our year-end results. And at that time, we'll be talking about our plans for the future year and I'm really -- obviously some of them are starting to take shape and I'm -- I can't wait to discuss them with you at that time and I think it's going to be a lot of fun.

Operator

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

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

My one question is, could you give us some color on your tourist business. I'd be curious if you've seen any changes, in particular on the China tourist business in North America as you've opened up in Asia? And then just generally what you've seen from your tourism customers?

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

Tourism. Tourism business continues to be strong in all of our stores across all of our geographies, and opening in China has not negatively impacted our tourist business anywhere else in the world.

Operator

Your next question comes from Ike Boruchow with Wells Fargo.

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

I have a higher-level question to start. Just I guess, Jonathan or Dani, can you talk about the margin structure in China. I know it's early, but just kind of what you're seeing from the profitability, maybe the contribution margin with Tmall or the initial margins on the retail doors there, knowing the costs are a little bit higher? Just kind of how that compares to the existing base of business that you guys currently operate?

Jonathan Sinclair - Canada Goose Holdings Inc. - CFO & Executive VP

Yes. I mean, what we said all along and what continues to be the case is that we're having a great experience, as Dani said, we're very happy with how it's all performing. But of course, we do have to wear a slightly higher level of SG&A cost because we have partner fees. Those partner fees is very directly in line with revenue and therefore, structurally the margins are a little bit lower there than they are in the rest of the world.

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

Got it. And then just a quick follow-up. So on -- understanding this is a full year business, but as we look to model the fourth quarter, it seems like wholesale should be down. I know you guys talked about timing that maybe helped you in Q3. Jonathan, any way you could quantify timing shifts or timing benefits that kind of maybe shifted out of Q4 and into Q3?

Jonathan Sinclair - Canada Goose Holdings Inc. - CFO & Executive VP

Well, I think it's -- what I would say is that the -- we've clearly built our capacity. That's allowed us -- and I've been saying it pretty much since I've been here, that's allowed us each quarter to get our products in front of consumers through the wholesale channel faster than we've able -- been able to do previously in responding to the request from our partners in the wholesale channel. And therefore, we've exited Q3 with a pretty clean order book. As a result of which, we -- Q4, as you correctly observed, will be a bit smaller.

Operator

Your next question comes from Mark Petrie with CIBC.

Mark Robert Petrie - CIBC Capital Markets, Research Division - Executive Director of Institutional Equity Research & Research Analyst

Jonathan, you mentioned the pricing sort of dynamic generally, sort of low- to mid-single digit. But in the past, you've acknowledged that there are some psychological barriers, particularly on some of your longer-standing repeat products in some of your core markets, I guess, here in Canada in particular. I'm just wondering if today, you think that presents a bit of a barrier to that level of price increase or if you're still sort of looking to that over the course of time?

Jonathan Sinclair - Canada Goose Holdings Inc. - CFO & Executive VP

No. That's all factored into what we're saying. We continue to be able to run a model which allows us to take price in the low- to mid-single-digits and we benefit from the level of demand in the market with consumers generally, such that we're able to convert that into revenue.

Mark Robert Petrie - CIBC Capital Markets, Research Division - Executive Director of Institutional Equity Research & Research Analyst

And in Canada specifically, have you seen any sort of different reaction to the greater introduction of products over, I guess, the \$1,000 mark as opposed to the products under \$1,000 that have been increased over time?

Jonathan Sinclair - Canada Goose Holdings Inc. - CFO & Executive VP

No. We continue to -- that -- what I just said applies to each and every one of our markets. It's -- we simply don't come up against that barrier. It doesn't mean that we don't concentrate on sweet spots, of course, we do. But we do not come up against barriers.



Mark Robert Petrie - *CIBC Capital Markets, Research Division - Executive Director of Institutional Equity Research & Research Analyst*

Yes. Okay. And I guess, just secondly, recognizing that wholesale is an important part of your growth strategy and it remains in healthy growth. How would you sort of characterize the opportunities from here in terms of refining both your mix of wholesale partners and how those partners support your brand either in in-store experience or in terms of assortment that they carry? If there's still an opportunity to sort of prune to drive growth or should we expect it to be relatively stable from here?

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

We're happy with our wholesale partners where they are right now and we're always every year going through a process of sometimes editing and sometimes adding new entrants into the market that are brand-enhancing as we continue to work and develop and strengthen presentations in our wholesale partners with brand ambassadors. We speak directly to our brand, so that, that just elevates the brand and the brand perception around the world and that's as part of -- that's part of building a global brand and it's really important. So we're really happy with the performance of wholesale this year. And from what we've seen for -- our early indications for our wholesale order book next year, we're really happy with that as well.

Operator

Your last question comes from James Allison with Barclays.

James G. Allison - *Barclays Bank PLC, Research Division - Research Analyst*

Dani, in your opening remarks, you referenced research you've done that reaffirms the strength of Canada Goose's brand. Can you share some of the color of the research? Like, are you seeing brand recognition tick up in some of the white space in the U.S. and in Europe? And have you plateaued in Canada from a brand recognition standpoint?

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

Yes, great question. We have a dedicated in-house insights team and they continually monitor a wide range of data related to the brand health in all of our key markets. And we have this to serve as an important input to both our tactical and strategic decision-making. Since going public, we have significantly grown our brand awareness and affinity in the markets that we have prioritized. So examples of that could be London, Boston, Chicago, and this is reflected very much in the growth we're achieving outside of our home market as well. For example, in Q3, in the States and the rest of the world, our revenue grew by almost 45% and 75.4%, respectively. So we continue to believe that our brand has a large amount of white space globally and our research confirms that. And Canada, we still -- we -- Canada is a market that loves Canada Goose. We're a brand that in Canada, we've become something of a national brand here, a point of pride for Canadians. And as we continue to produce new styles and new colors and new collections, our core customer here in Canada continues to gravitate towards those.

James G. Allison - *Barclays Bank PLC, Research Division - Research Analyst*

And I guess, connected to that, are you seeing increased interest from your U.S. retail partners to sell your product in some of the white space in U.S.? I'm thinking of states in the west, the western side or in the south?

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

Absolutely. And we continue to work with all of those partners that are best-in-class, expanding doors where appropriate, and we'll continue to do that.

Operator

And there are no further questions queued up at this time. I'll turn the call back over to management for closing remarks.

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

Great. Well, thank you all very much for taking the time to be here with us today, really appreciate you being here. Appreciate your interest in Canada Goose. And I'm really excited and I really look forward to updating you on our progress. And I will look when we report our fiscal year-end results and provide some insight into the year to come after that. So thanks a lot, and have a great day.

Operator

Thank you. This concludes today's conference call. You may now disconnect.

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