



## Will These 2 Stocks Reach \$80 a Share?

### Description

It's been a great year for shareholders of **Gildan Activewear** ([TSX: GIL](#))([NYSE: GIL](#)) and **Saputo** ([TSX: SAP](#)). The shares of both companies have returned at least 30% over the past 12 months, and trade near all-time highs. They also each have very ambitious growth plans, so their best days could be ahead. Below we take a look at each company.

#### 1. Gildan Activewear

Shareholders of Gildan have been on a fantastic run since the beginning of 2012; the company's shares returned 91% that year before returning another 57% in 2013. Is there room for the shares to keep going higher?

Gildan has certainly been firing on all cylinders; the company has almost doubled revenue and increased earnings by about 50% since 2010. The growth could keep on coming, and Gildan hopes to achieve it from four sources.

First of all, there is the potential to continue growing its printwear business, especially in international markets, which last year accounted for only 7% of sales. Secondly, Gildan is still aggressively marketing its own consumer brand. There are also opportunities for cost savings, as the company is targeting \$100 million in cost savings from manufacturing improvements. Finally, the company is always on the lookout for acquisition opportunities.

The shares are currently trading at just over 20 times earnings, so there's already a lot of optimism built into the stock. For the shares to reach \$80, Gildan will probably need to execute on all four of these initiatives.

#### 2. Saputo

Saputo produces, processes, and distributes dairy products worldwide, and recently has been growing this business drastically. Just last year, revenue increased by more than 26%, and there is plenty of room for more growth.

Not unlike Gildan, Saputo's growth opportunities mainly come from foreign markets; on the most recent conference call, CEO Lino Saputo Jr. said that small \$100 million deals are possible locally, but acquisitions of up to \$4 billion are possible in other countries. The United States is a perfect example, where there are numerous players, and where Saputo has only about 10% market share.

There are also plenty of opportunities in Australia, where Saputo recently completed its acquisition of Warrnambool Cheese & Butter for \$450 million. If the company can encourage Australian farmers to produce more milk, that could lead to significant organic growth. Similar efforts in Argentina have worked very well in the past.

Again like Gildan, there's plenty of optimism built into Saputo's shares, which currently trade at over 23 times earnings. Saputo will have to execute very well for the stock price to reach \$80.

## **CATEGORY**

1. Investing

## **TICKERS GLOBAL**

1. NYSE:GIL (Gildan Activewear Inc.)
2. TSX:GIL (Gildan Activewear Inc.)
3. TSX:SAP (Saputo Inc.)

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