



Dress for Portfolio Success With This Stock

Description

The tough clothing industry is taking its toll on Canadian apparel companies. However, despite a challenging environment and the influx into Canada of foreign entities, **Gildan Activewear** ([TSX: GIL](#))([NYSE: GIL](#)) is close to its 52-week high in share price, and offers dividends to investors.

Net sales and earnings per share

Gildan Activewear is the industry-leading printwear brand in Canada and the U.S. It is also expanding its market penetration in global printwear markets. Its operating segments are printwear and branded apparel.

Gildan is one of the largest suppliers of branded athletic, casual, and dress socks for a broad array of U.S. retailers. Moreover, it's developing Gildan® as a consumer brand for underwear and activewear. The company had 2013 net sales of \$2.18 billion versus \$1.05 billion in 2012. Its adjusted diluted EPS was \$2.69 in 2013 versus \$1.29 in 2012.

A diversified product portfolio

The company supplies branded basic family apparel like T-shirts, fleece, sport shirts, socks, and underwear. Its company-owned brands include the Gildan®, Gold Toe®, and Anvil®, as well as brand extensions. Gildan also has licensing arrangements with the Under Armour®, Mossy Oak®, and New Balance®.

Recent acquisition

Last week, Gildan Activewear announced that it completed its acquisition of Doris Inc. for \$110 million. Doris is North America's third-largest branded ladies legwear marketer. Doris owns pantyhose brands, which include Secret and Silks in Canada and Kushyfoot in the U.S.

Market penetration plans

Gildan's goal is to continue to expand its market share in targeted, worldwide printwear markets. This

includes Europe, the Asia-Pacific region, and Latin America. At present, these markets represent under 10% of its total consolidated net sales. The company has an expanded collection of brands that sell in the printwear channel.

Its second-quarter results

Gildan's total net sales for Q2 2014 were \$548.8 million versus \$523 million in Q2 2013. This represents a 4.9% increase. Its EPS for Q2 was U.S.\$0.64, an increase of 8.5% from U.S.\$0.59 in Q2 2013.

The company's adjusted net earnings were U.S.\$79.2 million, or U.S.\$0.64 per share on a diluted basis, for Q2 2014. This represents an increase of 8.9% and 8.5% respectively versus adjusted net earnings of U.S.\$72.7 million, or U.S.\$0.59 per share, for Q2 2013.

Dividends

Gildan Activewear announced a 20% increase in its quarterly dividend on November 21, 2013. Its current dividend yield is 0.751%. Its dividend rate is \$0.43. Its three-year average dividend growth rate is 45%.

The challenging apparel industry

The *Hamilton Spectator* reported that Randy Harris, president of Trendex NA, said he predicts that three or four clothing retailers will close after the 2014 Christmas season. As the newspaper noted, "Reitmans endured one of its weakest quarters to start the year, while Le Chateau, Bikini Village, and Danier Leather also reported lower revenues."

International companies are taking their slice of the Canadian pie. This includes **TJX Companies** ([NYSE: TJX](#)), which owns Marshall's, Home Sense, and Winners in Canada; T.J. Maxx, Marshall's, Sierra Trading Post, and HomeGoods in the U.S.; and T.K. Maxx and Home Sense in Europe. The company has recently opened its Marshall's department stores, which predominantly sell apparel, in the heart of Toronto and in many other locations across Canada.

If you're looking for something different for your portfolio, consider this apparel company for diversification. In highly competitive markets, Gildan Activewear is building and sustaining growth, and it provides an opportunity for investors to earn income from the apparel industry.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:TJX (The TJX Companies, Inc.)
2. TSX:GIL (Gildan Activewear Inc.)

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