



## Should You Go Long Gildan Activewear Inc. Today?

### Description

**Gildan Activewear Inc.** ([TSX: GIL](#))([NYSE: GIL](#)), one of the world's leading manufacturers and distributors of apparel products, announced record fourth-quarter earnings on the morning of December 4, but its stock has reacted by making a sharp move to the downside. Let's take a closer look at the quarterly results and the company's outlook going forward to determine if we should consider using this weakness as a long-term buying opportunity.

### Breaking it all down

Here's a summary of Gildan's fourth-quarter earnings per share and revenue results compared to what analysts had expected and its results in the fourth-quarter of fiscal 2013.

Metric	Reported	Expected	Year-Ago
Earnings Per Share	\$1.00	\$1.08	\$0.83
Revenue	\$666.00 million	\$711.49 million	\$626.17 million

Source: *Financial Times*

Gildan's earnings per share increased 20.5% and its revenue increased 6.4% compared to the year-ago period. The company's Branded Apparel segment led the way during the quarter, as revenues increased an impressive 13.9% to \$230.23 million, and its Printwear segment saw moderate gains, with revenues increasing 2.8% to \$435.78 million.

Gross profit increased 8.6% to \$192.07 million and operating profit increased 12.5% to \$119.36 million, as the gross margin expanded 50 basis points to 28.8% and the operating margin expanded 100 basis points to 17.9%. The expansion of the margins can be attributed to costs of sales and selling, general, and administrative expenses increasing just 5.5% and 3.5%, respectively, both of which were outpaced by the company's 6.4% revenue growth.

For the quarter, Gildan generated \$185.5 million in net cash provided by operations and invested \$73 million in capital expenditures, resulting in a very healthy \$112.5 million of free cash flow. The company

utilized this free cash, and the \$45.1 million in cash and cash equivalents on its balance sheet to begin the quarter, to pay out \$13.35 million in dividends to its shareholders and grow its hoard of cash by 44.5% to \$65.16 million.

Lastly, Gildan provided its outlook on fiscal 2015, calling for the following performance:

- Earnings per share in the range of \$3.00-\$3.15, an increase of 2.0%-7.1% from the \$2.94 earned in fiscal 2014.
- Revenue of approximately \$2.65 billion, an increase of 12.3% from the \$2.36 billion reported in fiscal 2014.
- Printwear sales growth of approximately 3%.
- Branded Apparel sales growth of approximately 30%.

### **Should you buy Gildan today?**

Gildan Activewear is one of the world's leading manufacturers and distributors of apparel, and the growing demand for its products and services led it to grow its earnings per share by 20.5% and its revenue by 6.4% in the fourth quarter. However, these results fell short of analysts' expectations, which called for growth of 30.1% and 13.6%, respectively, so the company's stock has reacted by falling more than 7% in the trading session.

I think this weakness in Gildan's shares represents a long-term buying opportunity, because at these depressed levels, the stock trades at just 19.8 times the company's earnings per share outlook on fiscal 2015 and only 17.1 times analysts' estimates for 2016, both of which are inexpensive compared to its five-year average price-to-earnings multiple of 20.8.

### **CATEGORY**

1. Investing

### **TICKERS GLOBAL**

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

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