



## Will Gildan Activewear Inc. Continue its Meteoric Rise?

### Description

With a six-month return of over 22%, a one-year return of over 35%, and a two-year return of 94%, clearly **Gildan Activewear Inc.** ([TSX:GIL](#))([NYSE:GIL](#)) has rewarded its shareholders very handsomely.

It's an impressive story. Since Gildan came on the scene back in the late 1990s, the company has taken market share from well-established competitors in North America, such as Fruit of the Loom and Russell, which are now both subsidiaries of **Berkshire Hathaway** and Hanesbrands. The formula for this was simple. It was done by producing better quality apparel at a lower cost. And Gildan continues to take market share from its competitors in the wholesale market as well as the retail market in t-shirts as well as other products in the apparel category.

The company has expanded into different, related product lines and into the retail market, and will continue to leverage its infrastructure to increase sales.

The company's track record speaks for itself.

In 2011 Gildan acquired U.S. sock supplier Gold Toe Holdings Corp. for \$350 million, which gave the company relationships with major retailers across the U.S., such as **Wal-Mart**, **Target**, **J.C. Penney**, and **Kohl's**. The company also acquired contracts to make socks for New Balance Athletic Store and Under Armour.

In 2012 Gildan acquired Anvil, which increased its market share of the U.S. t-shirt market to over 70%. The company saw \$0.20/share in EPS accretion in 2014 from this acquisition.

In July 2014 Gildan acquired Doris, the third-largest marketer of branded ladies leg wear and a market leader in Canada. This gave Gildan the Secret, Shapewear, Silk, TherapyPlus brands. Revenue synergies from this transaction included sales infrastructure and distribution for Gildan and Gold Toe in Canada, and it added ladies brands for existing customers in the US. Furthermore, Doris has a strong presence in the food and drug channel, so Gildan got access to that channel. The goal is to build an intimate apparel platform over time.

Gildan entered the men's underwear market about a year ago and already has the third-largest market

share, approaching 10%. Expect momentum to continue into 2015.

Additionally, the company is pursuing further sales growth through the introduction of new products such as softer t-shirts and sport shirts, new styles tailored for women, a product line with tear away labels, performance products, enhanced sport shirt offerings and work-wear assortments.

### **A word of caution**

We have two issues that are lurking in the background that introduce a level of risk that is hard to quantify, but is there, nonetheless. First is Gildan's tax rate of roughly 6%, courtesy of a legal tax loophole that exists because of its subsidiary in Barbados. While there is no indication that this will change any time soon, it is nonetheless something that makes me nervous about this stock. When things like this change, they change fast and are usually unexpected, so this leaves me hesitant.

The other issue I have with the stock is the reports that have been going around over the years regarding the treatment of employees in overseas factories. This could simply be smoke, but again, it makes me uncomfortable. I personally prefer to invest in a company that doesn't have such issues lurking in the background.

### **CATEGORY**

1. Investing

### **TICKERS GLOBAL**

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

### **Category**

1. Investing

### **Date**

2025/08/25

### **Date Created**

2015/06/19

### **Author**

karenjennifer

default watermark