



Is Gildan Activewear Inc. a Good Buy?

Description

Montreal-based **Gildan Activewear Inc.** ([TSX:GIL](#))([NYSE:GIL](#)) is a supplier of basic apparel, including T-shirts, fleece, underwear, socks, hosiery and shapewear. The company operates across two segments—Printwear and Branded Apparel.

The products are sold under a variety of brands, including Gildan, Gold Toe, and Comfort Colors just to name a few. There are also licensing agreements for the Under Armour, Mossy Oak, and New Balance brands.

The company employs nearly 40,000 people and has manufacturing operations in Canada, the U.S., Central America, the Caribbean, and Asia.

To determine whether Gildan is a good buy or not, let's take a closer look at how the company is doing.

How is Gildan doing?

In the most recent quarter, Gildan reported net sales of \$714 million, up from \$636 million. EPS was adjusted and subsequently came in at \$0.42, a decrease from the \$.047 reported in the prior quarter, just missing the guidance range of \$0.43-0.45 the company had previously issued. This drop was due to lower-than-projected sales.

The stock subsequently dropped nearly 11% after that report, but has since rebounded back. Gildan currently trades just over \$40, closer to the 52-week high of \$45.73 than the low of \$28.45. Year-to-date, the stock is up 23.11%, and over the course of a full calendar year, this improves to over 30%. Long-term investors, take note that the five-year increase is a very respectable 173%.

The company pays a quarterly dividend of \$0.08507 per share, and analysts expect this figure to increase this year by as much as 21%. The consensus among analysts covering Gildan is a rating of outperform, with price targets as high as \$45.

Looking forward

Before the current recession was officially declared, companies like Gildan understood that there was a slowdown looming in the economy, and attempted to make changes to the business and tighten spending to minimize the effect of any recession.

Looking forward, the company is projecting an adjusted EPS for the 12-month period ending January 3, 2016 to be closer to the bottom of the previously issued guidance range of US\$1.50-1.55. This guidance also projects sales to be closer to US\$2.6 billion rather than the previously projected US\$2.65 billion.

The company has a number of investments that are targeted to start delivering results over the next year, which could spell significantly better results. During the earnings call, Laurence Sellyn, executive vice president and chief financial and administrative officer, made note of this by saying “earnings in December will be by far a record for this calendar quarter...”

Further into 2016, manufacturing cost savings and the removal of certain inefficiencies should result in a much healthier bottom line, in turn, leading to reduced debt and increased free cash flow.

In my opinion, Gildan is a great option for an investor looking to diversify their portfolio. The company has a clear path to increase profits, and has made significant investments and implemented efficiencies over the past few quarters that should start bearing fruit.

CATEGORY

1. Investing

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1. NYSE:GIL (Gildan Activewear Inc.)
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