



## This Boring Business Just Flew 18%! Here's How an Unloved T-Shirt Stock Can Make You Just as Rich as a Darling Weed Stock

### Description

Boring is beautiful.

I've always tended to shy away from buzz stocks in buzz industries. It's not because you can't make money with them — you surely can. Just ask anyone who bought marijuana stocks just a few short years ago (and held to this day).

Nope. I shy away from exciting headline stocks for a simple reason: it's much easier to find value in quieter places. In day-to-day trading, boring industries tend to be overlooked by investors.

But you know what? During earnings season, these humdrum stocks can soar higher than you might think.

Take **Gildan Activewear Inc.** ([TSX:GIL](#))([NYSE:GIL](#)) for example.

### Try this on for size

How high is Gildan flying this morning? As I write this, it's up a whopping 18%. Not bad for a t-shirt company.

The company posted adjusted Q2 EPS of \$0.52, beating the consensus estimate by \$0.03. Revenue increased a solid 6.8% to \$764.2 million, which also thumped estimates. Moreover, management upped its 2018 outlook across the board. It now sees total sales, EPS, and even free cash flow coming in higher than it previously expected.

It was great quarter all around.

### Low expectations

But here's the main reason for Bay Street's celebratory reaction to Gildan's quarter: it wasn't expecting a good one — at all. In fact, it's safe to say that investors were expecting the worst.

Take a look Gildan's trading in the months leading up to today's Q2 release:



Needless to say, Gildan's quarter was a big surprise. Prior to today's pop, the stock even sported a cheapish P/E ratio in the mid-teens.

See what I mean when I say boring stocks tend to have the best value?

When you couple those low expectations with Gildan's positive outlook for 2018, it's easy to see why investors are thrilled.

"The company is projecting double digit growth in activewear sales for the full year, including continued strong growth trends in fashion basics, fleece, and international markets," Gildan said in the report. "For the balance of 2018, the company is projecting adjusted diluted EPS growth in the high-single-digit to low-double-digit range in the third quarter, and strong double-digit adjusted diluted EPS growth in the fourth quarter."

Here's why I'm personally bullish, though: Gildan is spewing off cash.

In Q2, the company posted \$98 million in free cash flow. And for 2018, management expects to generate more than \$425 million in free cash flow.

The market is a fickle place. But as long as you own businesses with the capacity to pay big dividends, buy back stock, and grow organically — all done with free cash flow — you lower your risks dramatically.

## The Foolish bottom line

Let's be clear: simple businesses like Gildan aren't going to fly 18% in one day very often. But if they're overlooked enough, unloved enough, and — most important — cheap enough, they can rocket just as powerfully as any marijuana or tech stock you can find.

So, don't overlook them.

## CATEGORY

1. Investing

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