Here’s an Underrated, Rarely Mentioned, Long-term Growth Pick

Description

One of the things that continues to amaze me is the way some really incredible opportunities go completely unnoticed by investors due to the fact that they relate to a company that is rarely mentioned. Adding to this is the fact that some of these companies have unique traits and processes that place them at a significant advantage over their peers in the same sector, which also goes by unnoticed by potential investors.

One such company that investors should take a serious look at is **Gildan Activewear** (TSX:GIL)(NYSE:GIL).

Meet Gildan, the company you will never forget

As the name suggests, Gildan is a manufacturer of active wear, making everything from socks and underwear garments to t-shirts, sweats, hoodies, and more. Those products are sold under nearly a dozen different well-known brands, including Goldtoe, American Apparel, Anvil, and the company’s namesake brand, Gildan.

Having a diversified brand portfolio is a great differentiator across its peers in the same sector, but what really impresses me about Gildan is just how diversified the company is, both in production and distribution. Specifically, Gildan owns over 30 manufacturing facilities spread across seven different countries, which in turn feed into distribution centres that provide market access to 55 different countries worldwide.

Additionally, Gildan is a vertically integrated manufacturer, meaning that it has ownership across all phases of the production cycle, from raw material harvesting and processing to production, distribution, and sales. This allows Gildan to realize considerable time and cost savings, putting it at a considerable market advantage over its peers.

In fact, within the U.S. textiles market, Gildan is one of the largest employers in the country, with five different yarn-spinning facilities encompassing over 2.5 million square feet of space.

In short, the company is a well-diversified, efficient machine with approximately 90% of revenue stemming from those company-owned facilities.

What about results?

From an operational standpoint, Gildan is a well-oiled machine. In terms of results, in the most recent quarter, Gildan reported net earnings of $114.3 million, or $0.55 per diluted share, representing a slight decrease over the $116.1 million, or $0.52 per share reported in the same period last year. Total sales for the quarter hit $754.4 million, thereby surpassing the $716.4 million reported in the same quarter last year.

Some of that decline in earnings was attributed to inclement weather conditions in both Eden North Carolina, as well as Charleston, South Carolina, where Gildan has sizeable distribution centres. Company management noted that had it not been for the disruption caused by hurricane Florence, Gildan could have shipped an additional $30 million worth of merchandise. Results for the next quarter, set to be announced within the next few weeks, should reveal most of those lost sales accounted for.

One of the things that intrigues me about Gildan was the emergence of a private label underwear manufacturing deal set to begin this year, with what the company only referred to as its “largest mass retail customer.” This is important for long-term growth, as in recent years, retailers have moved toward private label brands in lieu of other brands, resulting in less space on store shelves, and by extension, lower sales.

While Gildan does offer a dividend to investors, the 1.38% yield is hardly something that will excite investors to invest right now. That’s not to say that there hasn’t been growth; Gildan’s dividends have certainly seen some growth over the years. Still, if your focus is on income, you may want to first look toward any number of other income-producing investments.

In my opinion, Gildan represents an intriguing long-term option for those investors looking to diversify their portfolio.

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