



This Apparel Stock Is a Better Value Buy Than Canada Goose (TSX:GOOS)

Description

There was heavy trading of **Gildan** ([TSX:GIL](#))([NYSE:GIL](#)) in the aftermath of its announcement of a revised but lower guidance for the rest of the year. Investors found the news alarming, and as a result, the stock fell by 34.6% last October 18. Suddenly, Gildan is down 17.5% year to date.

At the current price of \$33.88, you might be looking at a buying opportunity. The price movement of Gildan is typical of consumer discretionary stocks. Gildan was enjoying brisk sales in recent years due to the rising demand for activewear. Does the situation Gildan is in today mean it's a better buy than **Canada Goose**?

Not down and out

A backlash, including a downgrade, is expected whenever a company lowers its earnings guidance. The recent drop is the stock's biggest percentage decline in eight years. Also, the downtrend might continue after Gildan reports its third-quarter results on October 30, 2019.

Gildan attributes the necessary revision to the lower prices of its Printwear, which is affecting margins. The company also cited manufacturing transitions for new retail programs as a weakness. But it should be noted that fashion trends and consumer behaviour are changing rapidly.

Fortunately, it's not the end of the road for Gildan. This \$1.9 billion apparel manufacturer has been around since 1995. Downturns in the retail space are nothing new among apparel companies.

Some analysts are saying the selloff is just an overreaction to a one-off weakness in imprintables. Remember that over the last 10 years, Gildan climbed 377% to beat the broader market. However, it has been flat for the past three years.

Silver lining

The prospects are not all bad for both Gildan and would-be investors. You are presented with an

attractive buying opportunity since the situation appears to be temporary.

While commodity prices are good for consumers, the lower input and transport costs of goods are beneficial to Gildan. Likewise, a global weakness could bring up margins.

Gildan was among the first apparel maker to tighten branded assortments. The company took advantage of the growing appeal of private labels. New product lines in 2020 could be the key to [a financial rebound](#).

The concern of investors regarding the plight of Gildan is justifiable. However, bargain hunters are watching from the sidelines, since the price of Gildan is not yet rock bottom. But it's nearing the 52-week low of \$30.81.

But there's another group that is as interested as the bargain hunters. One analyst contends that if Gildan continues its downtrend, the stock would be approaching value-stock territory. The observation is interesting, although you need to be able to accurately determine whether Gildan is trading for less than its real worth.

Saving grace

For those covering the stock, Gildan has a potential upside of 18%. If you factor in the 2% dividend, your [overall return is decent](#). But the weakening economy is still a hindrance to Gildan.

With the news of significant progress in the ongoing U.S.-China trade talks, Gildan's fortune might change. A new trade deal could be its saving grace.

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