



TFSA Investors: This Value Stock Could Double

Description

Gildan Activewear ([TSX:GIL](#))([NYSE:GIL](#)) is a leading manufacturer of [everyday basic apparel](#), including activewear, underwear, socks, and legwear. The company's products are sold in North America, Europe, Asia-Pacific, and Latin America to wholesale distributors and retailers. Recently, the company has made [significant capital investments](#) in developing large-scale, low-cost vertically integrated supply chain, encompassing yarn production, sock manufacturing, and sewing operations.

Low-cost manufacturing operations

Gildan's manufacturing operations are primarily located in Central America and Bangladesh. The company has developed a solid skill-set in designing, constructing, and operating manufacturing facilities combined with the significant capital investments made over the years. More than 90% of the company's sales are derived from products directly manufactured by Gildan.

Gildan owns and operates a vast majority of the company's manufacturing facilities. This allows it to exercise tighter control over production processes, efficiency levels, costs, and product quality, and helps it to provide reliable service with short production and delivery cycle times. In addition, Gildan is easily able to ensure adherence to high standards for environmental and social responsibility practices throughout the company's supply chain.

Valuation

The company has a price to book of 4.60 and market capitalization of \$6.79 billion. Debt is very sparingly used at Gildan, as evidenced by a debt-to-equity ratio of just 0.74. The company has excellent performance metrics with an operating margin of 0.69% and a return on equity of (15.13)%.

Strategic initiatives

Gildan's strategy is to leverage competitive strengths, including manufacturing excellence and a low-

cost, vertically-integrated supply chain. The company has a reputation for developing strong brands and long-standing customer relationships.

Two years ago, the company embarked on a plan to simplify Gildan's business and optimize operations by removing some of the complexity that had built up in the business over the years through acquisitions. Gildan realigned the company's organizational structure and consolidated business segments into one front-end organization, streamlining marketing and merchandising functions and consolidating certain warehouse distribution activities.

Innovative product portfolio

Currently, Gildan is focused on simplifying the company's product portfolio, while introducing new products in underpenetrated North American and international growth areas. The company has enhanced production capabilities through new capacity expansion in Central America and Bangladesh and consolidated higher-cost textile, sock, and sewing facilities within Gildan's existing manufacturing base.

Efficient distribution network

Further, Gildan has optimized the company's distribution network and infrastructure by leveraging distribution capabilities of the company's retail and e-commerce partners. Over the last few years, the company has developed and acquired brands that are well positioned to drive growth in fashion basics.

The company has invested in developing self-owned yarn-spinning manufacturing facilities, helping it to secure cost-effective yarn supply. In addition, the company's newest textile facility called Rio Nance 6, began production in 2018. This facility is being ramped up with new equipment geared for more efficient production of fashion basics.

More recently, Gildan introduced a new line of fashionable sport shirts. With a comprehensive portfolio, covering a wide range of fabrications, weights, and styles at different price points, supported by cost-effective manufacturing operations, Gildan is well positioned to drive market leadership for higher value products and grow in underpenetrated categories.

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