



Why Gildan Activewear (TSX:GIL) Stock Rose 53% in 2021

Description

Gildan Activewear ([TSX:GIL](#))([NYSE:GIL](#)) is a Montreal-based company that manufactures and sells various apparel products in the United States, Canada, and around the world. Shares of this stock climbed 53% in 2021. Today, I want to discuss what was behind Gildan's momentum in the previous year. Should investors be confident in its [continued strength](#) in the new year? Let's jump in.

What is behind Gildan Activewear's big year?

Gildan Activewear released its third-quarter 2021 earnings on November 4. The company delivered record sales in the third quarter of \$802 million. That was up 33% from the previous year and 8% from Q3 2019. Moreover, it posted adjusted diluted earnings per share of \$0.80 — up 167% from the prior year. Better yet, Gildan posted record free cash flow of \$232 million in Q3 2021 and \$478 million for the first nine months of 2021.

The company was powered by the continued recovery in demand for its products. Sales volumes were able to rebound to pre-pandemic levels. That sales increase was powered by improved unit sales of activewear and underwear, positive product mix, and lower imprints promotional spending and accruals. Better yet, activewear shipments rose in imprints channels in North America and worldwide. Hosiery and underwear sales also improved in the year-to-date period.

In Q3 2021, the company generated gross profit of \$282 million. Better yet, its adjusted gross profit soared 86% from the third quarter of 2020. Once again, this was fueled by sales growth and improved margin performance.

Should Canadian investors be optimistic going forward?

The activewear space has delivered strong growth in recent years. Allied Market Research recently projected that the global activewear market would reach a value of \$546 billion in 2024. That would represent a CAGR of 6.5% from 2018 through to the end of the projected period.

For the year-to-date period in 2021, Gildan Activewear posted net sales growth of 66% to \$2.13 billion. It achieved this on the back of an 81% increase in activewear sales and 21% in the hosiery and underwear category. Adjusted gross profit hit \$663 million or 31% of sales — up from \$128 million and adjusted gross margin of 9.8% in the first nine months of 2020.

This improvement was reflected in Gildan's outlook. The ongoing supply chain issues are a concern worth monitoring, but management remains confident that Gildan can overcome this obstacle. Moreover, it is optimistic that pricing actions implemented in the fourth quarter will allow the company to effectively traverse inflationary pressures.

Bottom line: Should you buy or sell Gildan Activewear today?

Shares of this stock last had a price-to-earnings ratio of 16. That puts Gildan in favourable value territory in comparison to its industry peers. Clothing stocks have been [hit or miss](#), especially in an uncertain retail environment. However, Gildan Activewear proved resilient in a bounce back year. It also offers a [quarterly dividend](#) of \$0.154 per share, which represents a modest 1.4% yield.

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