



Retail

ELEVATOR PITCH

Presented by Hedgeye Retail Sector

Gildan Activewear Inc.

Ticker	GIL		2022A	2023E	2024E	2025E	2026E
Price	\$28	Hedgeye EPS	\$ 3.11	\$ 2.64	\$ 3.47	\$ 4.29	\$ 5.16
Market Cap	5.03 bn	Street EPS		\$ 2.57	\$ 3.06	\$ 3.80	
Enterprise Value	6.2 bn	Variance		3%	14%	13%	
Short Interest	3.3%	P/E		10.7x	8.1x	6.6x	5.5x
Debt/EBITDA	1.0x	Target P/E		12.0x	13.0x	14.0x	14.0x
Sell Side Target	\$37	Implied Price		\$32	\$45	\$60	\$72
Return to SS TGT	29%	Price Variance %		12%	60%	113%	156%

HEDGEYE EDGE | Low Cost Leader Accelerating Growth With New Facility

GIL has built up a competitive moat around large scale basic apparel manufacturing facilities maximizing fixed cost leverage, making it the lowest cost producer of basic apparel in the world. That edge will allow GIL to win business in retail Private Label programs as mass retail wants to continue to invest in Private Label brands. At the same time the screen print t-shirt industry is shifting to fashion basic tees, as opposed to old tube tees. The new style shirts are higher priced, but not much more costly to make, meaning ASP and margin lift on continued industry mix shift. Lastly, GIL is driving share gains in international markets, which the recently opened Bangladesh facility is specifically catered to do. Historically, the time to own GIL is when new factories are opened, as it means accelerated growth, strong incremental margins and potential SG&A leverage. With consumer and corporate macro pressure, we think GIL's cost advantage presents an opportunity to accelerate share gains. We think TAIL earnings are \$4.50 to \$5.50 with the multiple heading higher as growth and earnings accelerate. 2 year double.

NEAR-TERM (TREND) | Growth Drivers On Top Of Easy Compares

GIL took down expectations las quarter on slowing macro demand. The setup now is one where we are likely lapping peak YY cotton inflation pressure hitting the P&L, we are lapping some big de-stocking by top retail partners in WMT and TGT, and the new plant in Bangladesh is ramping up--driving top line growth and making for a high probability of business acceleration over a TREND duration on revenue and margins. Management is also talking about incremental retail program wins that will support growth in 2023--though without specifics and qualification, we're not banking on it.

KEY RISKS TO THE CALL | Macro and Cotton Deflation

A big slowdown in corporate marketing and consumer spending would further pressure demand and mean potential for numbers to head lower near term. If cotton reverts to rapid deflation it would mean they need to reset prices which would be a one time margin hit and likely slow topline growth over a few quarters.

COMPANY DESCRIPTION

Gildan is the lowest cost manufacturer of basic apparel in the world. It built its cost advantage by leveraging CAFTA and investing heavily in manufacturing assets in Honduras. It dominates the screenprint shirt market with upwards of 80% share in basic tees and cotton fleece.

KEY MODELING ASSUMPTIONS

	2022A	2023E	2024E	2025E	2026E
Revenue	\$ 3,240	\$ 3,163	\$ 3,463	\$ 3,822	\$ 4,252
YY % Change		-2.4%	9.5%	10.4%	11.2%
Gross Margin %	30.6%	27.7%	28.9%	29.5%	30.0%
EBIT Margin %	18.6%	19.6%	18.7%	19.0%	19.2%
EBITDA	\$ 761	\$ 782	\$ 822	\$ 901	\$ 986
Net Debt	\$ 780	\$ 809	\$ 689	\$ 715	\$ 706
Net Debt/EBITDA	1.0x	1.0x	0.8x	0.8x	0.7x
FCF/Share	\$ 0.92	\$ 2.16	\$ 3.54	\$ 3.72	\$ 4.24