



Retail

ELEVATOR PITCH

Presented by Hedgeye Retail Sector

LONG

Gildan Activewear Inc.

Ticker	GIL		2022A	2023E	2024E	2025E	2026E
Price	\$35	Hedgeye EPS	\$ 3.11	\$ 2.55	\$ 3.50	\$ 4.22	\$ 5.11
Market Cap	5.99 bn	Street EPS		\$ 2.55	\$ 2.99	\$ 3.41	
Enterprise Value	7.13 bn	Variance		0%	17%	24%	
Short Interest	2.4%	P/E		13.6x	9.9x	8.2x	6.8x
Net Debt/EBITDA	1.1x	Target P/E		13.0x	14.0x	15.0x	16.0x
Sell Side Target	\$39	Implied Price		\$33	\$49	\$63	\$82
Return to SS TGT	12%	Price Variance %		-5%	41%	82%	135%

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 Accelerating On Top Of Easy Compares

GIL is now seeing accelerating revenue trends against easy compares. The setup now is one where we have lapped the peak of cotton inflation pressure hitting the P&L, aiding margins and the company Bangladesh is ramping up--driving top line growth at very high incremental margins, and making for a high probability of continued business acceleration over a TREND duration on revenue and margins. The company has been accelerating stock buyback ahead of the cashflow unlock to come, a smart move for creating shareholder value.

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	\$ 3,176	\$ 3,475	\$ 3,838	\$ 4,269
YY % Change		-2.0%	9.4%	10.4%	11.2%
Gross Margin %	30.6%	27.3%	28.9%	29.5%	30.0%
EBIT Margin %	18.6%	19.3%	18.9%	19.2%	19.5%
EBITDA	\$ 761	\$ 763	\$ 828	\$ 912	\$ 1,007
Net Debt	\$ 780	\$ 842	\$ 713	\$ 733	\$ 706
Net Debt/EBITDA	1.0x	1.1x	0.9x	0.8x	0.7x
FCF/Share	\$ 0.92	\$ 1.97	\$ 3.57	\$ 3.67	\$ 4.25