



Retail

# ELEVATOR PITCH

Presented by Hedgeye Retail Sector

LONG

Gildan Activewear Inc.

Ticker	GIL		2023A	2024E	2025E	2026E	2027E
Price	\$35	Hedgeye EPS	\$ 2.57	\$ 3.00	\$ 3.72	\$ 4.61	\$ 5.44
Market Cap	5.98 bn	Street EPS		\$ 2.95	\$ 3.31	\$ 3.75	
Enterprise Value	7.24 bn	Variance		2%	13%	23%	
Short Interest	1.1%	P/E		11.8x	9.5x	7.7x	6.5x
Net Debt/EBITDA	1.0x	Target P/E		15.0x	15.0x	16.0x	16.0x
Sell Side Target	\$40	Implied Price		\$45	\$56	\$74	\$87
Return to SS TGT	12%	Price Variance %		27%	58%	108%	146%

## 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. Global min tax is a headwind, but that's now in expectations. We think TAIL earnings are \$4.50 to \$5.50 with the multiple heading higher as growth and EPS accelerate. 2 year double.

## NEAR-TERM (TREND) | 1Q Rev Shift, Then Return To Acceleration

1Q was guided to a low bar, but it is likely to slow given a revenue shift into 4Q from 1Q24. Looking out, the Bangladesh facility is an accretive kick-off to meaningful int'l share gain in fashion basics, at a time when we think GIL is winning in North America as the consumer trades down to the low-cost producer for screen-printed product.. GIL is now seeing accelerating revenue trends against easy compares. The company has been accelerating stock buyback ahead of the cashflow unlock to come, a smart move for creating value.

## KEY RISKS TO THE CALL | Macro, Cotton Deflation, Proxy Noise

We'd rather do without the drama of shareholders bickering about the recent CEO change, but it's needed. The shareholder turnover will create some chop, but will ultimately mean a better setup for owning GIL. Either way shouldn't effect the model setup. A big slowdown in corporate marketing and consumer spending could 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

	2023A	2024E	2025E	2026E	2027E
Revenue	\$ 3,196	\$ 3,427	\$ 3,785	\$ 4,210	\$ 4,612
YY % Change	-1.4%	7.2%	10.4%	11.2%	9.5%
Gross Margin %	27.5%	29.4%	29.7%	30.5%	31.0%
EBIT Margin %	17.9%	20.0%	20.5%	21.0%	21.3%
EBITDA	\$ 674	\$ 840	\$ 940	\$ 1,059	\$ 1,162
Net Debt	\$ 895	\$ 857	\$ 946	\$ 949	\$ 870
Net Debt/EBITDA	1.3x	1.0x	1.0x	0.9x	0.7x
FCF/Share	\$ 1.92	\$ 2.89	\$ 3.05	\$ 3.68	\$ 4.51