

# Call Participants

## EXECUTIVES

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*Executive VP & COO*

**Glenn J. Chamandy**

*President, CEO & Director*

**Jessy Hayem**

*Senior VP & Head of Investor Relations  
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**Luca Barile**

*Executive VP & CFO*

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**Brian Morrison**

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# Presentation

## Operator

Ladies and gentlemen, thank you for standing by, and welcome to Gildan Activewear 2025 Second Quarter Earnings Conference Call. Please be advised that today's conference is being recorded.

[Operator Instructions] I would now like to hand the conference over to Jessy Hayem, Senior Vice President, Head of Investor Relations and Global Communications. Ma'am, please go ahead.

## Jessy Hayem

*Senior VP & Head of Investor Relations and Global Communications*

Thank you, Jeanine. Good morning, everyone, and thank you for joining us. Earlier today, we issued a press release announcing our results for the second quarter while updating our full year guidance for 2025. We also issued our interim shareholder report containing management's discussion and analysis and consolidated financial statements. These documents are expected to be filed with the Canadian Securities and Regulatory Authorities and the U.S. Securities Commission today, and they'll also be available on our corporate website.

Joining me today on the call are Glenn Chamandy, President and CEO of Gildan; Luca Barile, Executive Vice President, Chief Financial Officer; and Chuck Ward, Executive Vice President, Chief Operating Officer. This morning, as usual, we'll take you through the results for the quarter, and then a question-and-answer session will follow.

Before we begin, please take note that certain statements included in this conference call may constitute forward-looking statements, which involve unknown and known risks, uncertainties and other factors, which could cause actual results to differ materially from future results expressed or implied by such forward-looking statements. We refer you to the company's filings with the U.S. Securities and Exchange Commission and Canadian securities regulatory authorities. During the call, we will also discuss certain non-GAAP financial measures. Reconciliations to the most directly comparable IFRS measures are provided in today's earnings release as well as our MD&A.

Now I'll turn it over to Glenn.

## Glenn J. Chamandy

*President, CEO & Director*

Thank you, Jessy, and good morning, everyone. Our Gildan sustainable growth strategy is on track. We're executing the plan that we have laid out, especially in this fluid environment. Our priority is to control the controllables with discipline and agility.

We reported record second quarter sales of \$919 million, which were up 6.5% versus last year, driven by strong Activewear sales growth of 12%. We also reported record adjusted diluted EPS of \$0.97 a share, an increase of 31% year-over-year, reflecting our focus on profitable growth, and we are very pleased to deliver the strong performance.

We continue to demonstrate consistent execution of our Gildan sustainable growth strategy from our Bangladesh facility being ramped up to the continued pipeline of new innovation and finally, ESG with the publication of our 21st ESG report in May. We continue to gain market share in key growth categories. Our sales and distributor channel were further supported by strong demand of our existing brands like Gildan Soft Cotton Technology, Comfort Colors, American Apparel, and from the contribution of new brand offerings under the AllPro brand and Champion.

Furthermore, we see solid momentum in our national accounts. Remember, about 3/4 of our expected sales growth in 2025 is expected to come from new programs. We're set to continue to launch additional industry-leading innovation, and we'll continue to focus on operating our global vertically integrated low-cost manufacturing facilities, which will allow us to be flexible, agile in this operating environment with the current tariffs in place. Remember, we have significant U.S. cotton and yarn content in our products. And this allows for significant tariff savings since tariffs do not apply to the value of U.S. content on imported products, a clear competitive advantage for us. And to mitigate the impact we do have from tariffs, we have implemented pricing action.

So with that in mind, we are reaffirming our previous provided 2025 full year guidance, and we are narrowing our adjusted diluted EPS range, all of which are supported by many drivers that should allow us to deliver on our objectives for the full year.

So in conclusion, despite the prevailing uncertainty, I am confident in our ability to continue delivering as we remain on track to deliver on our 3-year objectives for the 2025 to 2027 period, thanks to our solid foundation, our focus on GSG strategy, our strong industry positioning and our experience in operating in dynamic environments, all with the focus of executing to deliver long-term shareholder value.

I'm looking forward to answering your questions after our formal remarks. And now I will turn it over to Luca for the financial review.

**Luca Barile**

*Executive VP & CFO*

Thank you, Glenn. Good morning, everyone, and thank you for joining us today to discuss our second quarter results. Let me begin by covering the specifics of the quarter, and then I will comment on our outlook and guidance for 2025. So let's begin with the quarter's results.

We reported record second quarter sales of \$919 million, up 6.5% year-over-year, in line with guidance provided. This reflected strong performance in Activewear with sales up 12%, driven by higher sales volumes and to a lesser extent, favorable product mix and higher net prices. We continue to experience a strong market response to our recently introduced products, which feature key innovations, including our Soft Cotton Technology.

Strong sales to North American distributors were complemented by continued momentum with national account customers, driven by our competitive positioning and the ongoing benefits from recent changes in the industry landscape. During the quarter, we benefited from a slight tailwind from orders being placed in advance of our announced pricing actions.

Turning to international markets. Sales were down by 14% year-over-year as demand moderated in Europe and softness persisted in Asia due to the macroeconomic backdrop. Furthermore, and contributing to a softer quarter for international, we faced a tough comparative period in Latin America, as last year's quarter included large election-related purchases.

Moving on to hosiery and underwear. As we expected, sales in this category were down in the quarter. We reported a 23% decrease versus the prior year, stemming from broad-based market demand softness, unfavorable mix and as previously communicated, some program resets towards the second half of the year.

Turning our focus to margins for the quarter. Our gross margin was 31.5%, a 110 basis point improvement over the prior year, primarily due to lower raw material costs, lower manufacturing costs as well as favorable pricing.

SG&A expenses were down year-over-year at \$82 million versus \$124 million last year, which included significant proxy contest and leadership changes and related matters. Excluding these charges, adjusted SG&A for the quarter was \$81 million or 8.8% of sales compared to \$66 million or 7.7% of sales in the same quarter last year, reflecting higher general and administrative expenses and variable compensation.

As you may recall, the positive impact from the Barbados jobs credit was \$17 million in the second quarter of 2024 when this credit was introduced retroactively to January 1, 2024, as compared to a \$12 million benefit recorded in the second quarter of 2025.

As we bring all these elements together, adjusting for restructuring and acquisition-related items in both years and costs related to proxy contest and leadership changes, which were primarily incurred in the prior year, we generated adjusted operating income of \$209 million, up \$13 million or 22.7% of net sales, flat year-over-year and in line with guidance provided.

Moving on to taxes. The company's adjusted effective income tax rate for the quarter was 17.4% compared to 27.2% last year, which reflected the impact of the enactment of global minimum tax in Canada and Barbados with retroactive effect to January 1, 2024. After reflecting higher net financial expenses and a lower outstanding share base, we reported record adjusted diluted EPS of \$0.97, up 31.1% year-over-year.

Now turning to cash flow and balance sheet items for the first half of 2025. Operating cash flow was \$46 million compared to \$113 million in the first half of 2024, primarily reflecting higher working capital investments. After accounting for CapEx of \$58 million, the company consumed approximately \$12 million in free cash flow in the first 6 months of 2025, while generating \$154 million of free cash flow in the second quarter.

In line with our strong commitment to return capital to shareholders, during the first 6 months of the year, we repurchased about 2.9 million shares, returning \$206 million in capital to shareholders, including \$68 million in dividends. Finally, we ended the first half of 2025 with net debt of about \$1.85 billion and a leverage ratio of 2.2x net debt to trailing 12 months adjusted EBITDA, within our targeted range of 1.5x to 2.5x.

Now turning to our strategy and outlook. As Glenn highlighted earlier, we are pleased with our execution and the progress made on the 3 pillars of our GSG strategy. First, our new manufacturing complex in Bangladesh is now fully ramped up and performing as expected. Moreover, on the innovation front, we continue to tap into the largest innovation pipeline in the company's history with more product launches to come in '25 and into 2026.

Lastly, touching briefly on ESG. We have released our 21st ESG report in May, which highlights our progress against our next-generation objectives.

In addition, and as we communicated in early July, Gildan was recognized as one of Canada's Best 50 Corporate Citizens by Corporate Knights for a fourth consecutive year and was once again featured among TIME's World's Most Sustainable Companies, which we believe is a testament to our strong commitment to sustainable practices.

Now let's turn to our outlook. Against the current fluid macroeconomic backdrop, we remain focused on our operational agility and remain committed to executing on our GSG strategy in order to drive strong financial performance.

For 2025, we are reaffirming our full year guidance while narrowing the range of adjusted diluted EPS. We expect revenue growth for the full year to be up mid-single digits; full year adjusted operating margin to increase approximately 50 basis points; CapEx to come in at approximately 5% of sales; adjusted diluted EPS to be in the range of \$3.40 to \$3.56, up between approximately 13% and 19% year-over-year compared to our previous guidance of \$3.38 to \$3.58; and free cash flow is still expected to come in above \$450 million.

Further, the outlook, which I just laid out is underpinned by some key assumptions, including the following: Firstly, we have considered the impact of tariffs currently in place in conjunction with mitigation initiatives available to us, including pricing and our ability to leverage our flexible business model as a low-cost, vertically integrated manufacturer. Furthermore, the outlook continues to reflect growth in key product categories driven by recently introduced innovation, the favorable impact from new program launches and market share gains, the expected ongoing benefits from the Barbados jobs credit as well as continued share repurchases under our NCIB program while remaining within our leverage framework. We also anticipate that our adjusted effective tax rate for 2025 will remain at a similar level to what we saw for the full year in 2024.

Finally, we have also provided guidance for our third quarter with net sales expected to be up low single digits year-over-year, reflecting a timing shift of orders from the third quarter into the second quarter and partly into the fourth quarter. We expect our adjusted operating margin to be in the same range as the second quarter of 2025. We also expect our adjusted effective income tax rate in the third quarter of 2025 to be at a similar level to that of the full year 2024.

So in summary, we are very pleased with the quarter, and we remain confident in our ability to deliver continued strong financial performance amid the dynamic macroeconomic environment.

Thank you. And now I'll turn it over to Jessy.

**Jessy Hayem**

*Senior VP & Head of Investor Relations and Global Communications*

Thank you, Luca. This concludes our prepared remarks, and now we'll begin taking your questions. As usual, before we move into Q&A session, I'd like to remind you to limit your questions to 2, and we'll circle back for a second round if time permits. Jeanine, you may begin the Q&A session.



# Question and Answer

## Operator

Our first question comes from the line of Mr. Paul from Citi.

**Brandon Babcock Cheatham**  
*Citigroup Inc., Research Division*

This is Brandon Cheatham on for Paul. I was hoping that you could help quantify the shifts that occurred in 2Q. How much was taken from 3Q and how much shifts from 3Q into 4Q? And then I just have a follow-up on the underwear and hosiery business. If you could parse out what was the impact from the Nike sock pause versus the core business? And how are you thinking about that segment for the rest of the year? And anything you can share on backfilling the Under Armour business that you previously exited? Like what are you doing with that capacity now?

**Luca Barile**  
*Executive VP & CFO*

Okay. Well, thank you for your question. So with respect to the second quarter, second quarter was a very strong quarter. Activewear sales were \$822 million. They're up 12% year-over-year. And like we provided on our formal remarks, some of that was aided by a tailwind of orders ahead of pricing action. So I think what you have to keep in mind here is that when you take a look at the second and third quarter really in conjunction, that would yield a growth of mid-single digit. We did guide the third quarter to being revenue up low single digit, again, with a very strong performance in Q2 and some of those sales shifting to the fourth quarter.

We provided guidance on the full year. Again, as a reminder, the revenue was up mid-single digit for the full year. And the way I think you have to really interpret the guidance across the second -- the results in the second quarter and the guidance for the remainder of the year is that you have to start with the market assumption, right? And the market assumption really is -- if you look at Q1, the market was down. We had informed the market of that. In the second quarter, the market was still down, but improving, right? And that is expected to continue to improve. And the market assumption for the guide is that the market will be down to low single digit for the full year.

So what we've done as a result is we've reaffirmed our top line. We're really happy with the way sales are progressing, revenue up mid-single digit. But what we've done is we've narrowed the range when it comes to EPS by \$0.02 on the low and \$0.02 on the high, reflecting some of the conservatism that is -- or uncertainty that's in the market. And I would say that from a growth perspective, again, the vectors are that we continue to take share, strong Activewear performance even though the market is down.

That was the first part of your question. Maybe, Chuck, for the second part.

**Chuck J. Ward**  
*Executive VP & COO*

Yes. Thank you, Luca. Yes, to answer your question on the other part, as Luca said, we're very happy with our activewear and our new programs we delivered during the quarter, but we did have some headwinds, as we talked about a little bit in the Innerwear. It was things like delayed store sets. There was a little market softness. But yes, we do have some customers that are doing some program and product resets that will continue to happen and ramp up throughout the year. So we do expect it to continue to improve quarter-over-quarter for the remaining of the year as we go forward. So we often see program resets and it's timing and we work through those. So we expected some of that, and we're facing that as we go through the year.

**Glenn J. Chamandy**  
*President, CEO & Director*

And it's not structural. This just will work itself out and will be on, I think, on a better pace as we go into the second half.

**Brandon Babcock Cheatham**  
*Citigroup Inc., Research Division*

Does that imply your second half is positive in the hosiery and underwear business? Anything you can quantify and just how to think about that?

**Luca Barile**

**Executive VP & CFO**

Yes. So we've provided the guide, I guess, for Q3. But what we can share is that definitely we see sequential improvement in the underwear and hosiery category, and positivity as we move through the rest of the year.

**Operator**

Our next question comes from the line of Mr. Chris from Desjardins.

**Jessy Hayem**

*Senior VP & Head of Investor Relations and Global Communications*

It looks like he dropped off, Jeanine. Can we move on to the next one?

**Operator**

Yes, we'll do. Our next question comes from the line of Mr. Jay from UBS.

**Jay Daniel Sole**

*UBS Investment Bank, Research Division*

This is Jay Sole on from UBS. My question is about the comment in the press release, you mentioned that the Activewear business, you're seeing continued momentum from national accounts, and that's driven in part by continued benefit from recent changes in the industry landscape. Can you just expand on that a little bit and tell us what kind of changes you're seeing and what the opportunity is going forward?

**Chuck J. Ward**

*Executive VP & COO*

Yes, Jay, it's Chuck. We're continuing to see things move around. Obviously, there's a lot of change going on in the industry also with tariffs and other things in the economic backdrop. And as we do that, we see customers continue to look to different suppliers. And one thing that we provide, obviously, with our globally vertically integrated manufacturing is we -- Glenn mentioned in his comments, we provide stability in an uncertain environment. And so we're seeing benefits of that. So as we see our strong Activewear POS for North America specifically, it is driven by our GLB customers, our retail and our large screen printers. And the big thing there is, as Luca talked a little bit about the market, we are continuing to gain share in key categories. I mean we're continuing to grow in ringspun, specifically Comfort Colors is continuing to do quite well, and we're growing in that.

So against a good -- against a maybe a macroeconomic backdrop that wasn't as positive; we've done quite well.

**Glenn J. Chamandy**

*President, CEO & Director*

And maybe to add on to that as I look at -- we're well positioned because of our U.S. cotton and U.S. yarn. I mean, we have, I would say, a lesser impact on the impact of tariffs from -- particularly from Central America. So one thing that we called out is that when we look at our whole manufacturing and our manufacturing capacity, what we said is that for this year, we're running around 90% of our capacity. We do have enough capacity installed today to handle the 3-year period, '25 to '27. But as we speak, we are actually incrementally adding additional capacity in Central America, because we believe there will be potential opportunity as we move forward, particularly in our positioning because, look, this is a very fluid situation. Every day tariffs are moving around, qualifying goods and not qualifying goods, it could be anywhere between 20% to 40%.

So these are significant tariffs basically. And we're well positioned, we think, to take advantage of that. So it takes time for these things to develop. It just doesn't happen overnight. People just don't wake up one day and say, "Hey, I'm going to change my supply chain." But it's moving in the right direction, and we're very confident that we're well positioned to take advantage, particularly with our national accounts. And people book sometimes 6, 8, 9 months in advance because of the lead time, particularly in retail from Asia.

So as we move into forward, I think that they're taking that risk on where tariffs would be is creating uncertainty for a lot of these customers. So I think we're well positioned. And like what we said in our last call is we do have good visibility as we already move into 2026, which is really a reflection of the opportunity in hand.

**Operator**

Our next question comes from the line of Brian Morrison from TD Cowen.

**Brian Morrison***TD Cowen, Research Division*

Glenn, I want to follow up on that comment that you're making, specifically nearshoring national accounts and GLB tariff relocation opportunities. How much can you actually increase the throughput in Honduras? And with the uncertainty that's out there, can you give us some timing and magnitude potentially of the opportunity?

**Glenn J. Chamandy***President, CEO & Director*

Well, we're going to -- and the thing about what we're trying to do is we're adding extra capacity within the 4 walls of our existing facilities. So it's a little -- we run 5 operating plants in this hemisphere basically. So we'll add a little bit in each plant. But I would say that we will be able to yield a good 10% more additional capacity overall basically in our system, and that will be installed as we go through this year.

**Brian Morrison***TD Cowen, Research Division*

So 10% on \$550 million per plant, call it, \$250 million, is that what we're saying?

**Glenn J. Chamandy***President, CEO & Director*

I would say probably maybe just a little bit more than that.

**Brian Morrison***TD Cowen, Research Division*

My second question is actually on the Bangladesh facility. It's -- I believe you've been over there now. Is it running at optimal levels of efficiency? When will the inefficiencies be out of inventory? And maybe just in terms of the cash cost savings, I think it's 25% relative to Honduras. How do you view this in various tariff scenarios?

**Glenn J. Chamandy***President, CEO & Director*

Okay. Well, I would say to you that, look, we're already seeing the benefit of Bangladesh because we're projecting to have operating margin expansion as we move through the year and a lot of that operating margin expansion is coming from our Bangladesh facility because we really haven't had the impact of our yarn modernization project hit our P&L yet. So that's probably going to go into 2026. So that will have continued operating margin improvement. That's how we're essentially being able to do that. And as well as, obviously, as we utilize our Central American facilities, that's another even consuming the first phase of running at 100% would allow us for additional, I think, margin improvement. But when you look at Bangladesh, it's fully ramped up. And Bangladesh services basically -- about half of the volume is going to service international markets, Europe, Canada, Japan, Australia, et cetera. And the other half is coming this way basically.

So we are using U.S. cotton in Bangladesh. So we're offsetting the tariff impact from U.S. cotton. And we also have some other flexibilities within our supply chain to mitigate where some of that fabric is being sown so that we can reduce the amount of tariffs. So we're very comfortable with our positioning. I think we have a good handle on the cost of tariffs. And like what I said earlier is that we also take minimal price increases to support the differentiate between the cost of tariffs and not so. So we've taken price to respond to it as well. So we're fully covered.

I think that we are in a better position than anybody else. And I think that as we move forward in the coming years, basically, as this works itself through, I think that we're in good shape. I mean, yesterday, India, 25%. Vietnam is 20%, but that's on products that are produced in Vietnam. So a lot of products that are produced in Vietnam are coming -- fabric coming from China. What we're seeing is that could be a 40% tariff rate.

So overall, I think that we're very excited about our positioning. We're going to leverage our low-cost vertically integrated manufacturing, and we're excited, and it's a reflection of really of our positioning, not only on our manufacturing side, but I would say that we're well positioned from a product side, too, with all of our innovation, our brand strategy. I mean we've got 5 great brands right now that we're bringing to market and all of them are doing well. And Comfort Color is knocking it out of the box again this year. So things are going well, and that's a reflection of our 12% growth in Activewear for the quarter.

**Operator**

Our next question comes from the line of Mark from CIBC.

**Mark Robert Petrie**

*CIBC Capital Markets, Research Division*

I wanted to actually just follow up, Glenn, on your comment with regard to price. If you could just expand a little bit on the magnitude of that, the timing and then what you've seen more broadly from competitors and how they've responded to the tariff pressures?

**Glenn J. Chamandy**

*President, CEO & Director*

Well, I would say that, look, pricing is all over the place a little bit because we have different customers with different lead times, and we have also different product categories that have a little bit higher tariffs than others like imported socks, for example, things like that. So the pricing is sequentially being rolled out basically in a very uniformed way. But it's not substantial, I would say. I mean when you look at the price impact, I think that's the point so far because we mitigated a lot of the tariff costs. And then there could be more price being rolled out as we go forward. It's not completely all done yet. But I think we're in a relatively good position. And all the competitors have the same issue basically, because most of them not even having the best -- the same cost structures we have. So they could be further impacted than we are in terms of the tariff impact.

And the one thing I think I'd like to always make people remember, particularly in our wholesale business is that we were selling shirts, wholesalers were selling our shirts, reselling them for \$2.25 a shirt. So the shirt goes up by \$0.10 a unit. You got to remember that, that shirt is still being sold in the souvenir store for \$25. So it goes from us to the distributor, to the printer, to a reseller, to a retailer. So \$0.10 a unit on a supplier that -- on something that's been handed over 5x before it gets to consumer is insignificant. And we have a lot of opportunity, I think, in terms of price elasticity, particularly in our wholesale business.

So I think we're well positioned, and we'll continue going, and we'll see what happens. There's still -- the situation is still fluid. We don't know what happens August 1. I mean tomorrow is another day, but we're well positioned to navigate through any of these challenges. I can tell you that.

**Mark Robert Petrie**

*CIBC Capital Markets, Research Division*

Yes. Okay. Fair enough. Maybe just a slightly different angle then on the pricing side. Maybe first, just if you could clarify if the price actions were sort of consistent across your different channels and sort of segments. And then if you were to look back, call it, 6 months ago to a free tariff or sort of unaffected pricing environment, would the price gaps to peers or competitors today be about the same? Or do you think they've narrowed or expanded as a result of all of the different noise over the last half year?

**Glenn J. Chamandy**

*President, CEO & Director*

I would say everything is rolling in the same direction, going up equally on a product per product like basis within the marketplace. So there's been really no change because everybody has got the same impact. And in terms of pricing, like I said earlier, we have different markets and different products with different contributions. So we're consistent, I would say, within the market in all of the categories in which we sell. So there's been a consistent theme because everybody is pretty much rolling in the same direction, right? So -- and everybody has taken price where they had to basically depending on those products.

So products that are made in this hemisphere had a larger impact basically than products that -- from Asia, for example, that are not conducive to make in this hemisphere, like dress socks, for example, we just don't make them here. I mean nobody does. So those -- but everybody is sort of aligned, I would say, and everybody has rolled out pricing in a sequential manner, either in the wholesale market or in the retail market.

**Operator**

Our next question comes from the line of Mr. Martin from Stifel

**Martin Landry**

*Stifel Nicolaus Canada Inc., Research Division*

I would like to talk, Glenn, about the U.S. distributor landscape. It's been almost a year since 2 large distributors merged. I was wondering what's been the impact for Gildan? Have they closed warehouses? Have they reduced inventory in the channel? Any color would be great.

**Glenn J. Chamandy**  
*President, CEO & Director*

Well, I would say, look, I mean, we haven't had an impact because our Activewear sales were up 12%. So it's a good reflection of the positioning in the market, and we're continuing to take market share in that market. As regarding our largest customer today who's now consolidated, that consolidation is completely finished. The warehouses are completely integrated.

I would say the acquisition integration is completely finished. It was done in Q2. So we haven't really seen any impact. In fact, we continue to see positive impact because as we said in previous calls, there's continuing to be reduction in brands in the market. I mean the market is overbranded, overassorted in terms of available brands, and we are continuing to leverage our footprint. And we think that we're continuing to be the beneficiary of consolidation, which has been happening for obviously, the 25 years that it's been happening.

So our brands are running. We've actually launched new brands. We have AllPro, which is a new brand that we launched this year as well as the Champion brand. So we've got a really good, I think, footprint. And I'll also add on to that is that the competitive landscape is weakening even further. Our competitors are -- because, look, we're leveraging our low-cost vertically integrated manufacturing. We've seen Delta to go out of business last year, Fruit of the Loom divested brand in the market and other people in the industry that are having financial issues basically, which we see. So I think that we're well positioned to be a leader and continue leading, and it's a good reflection of our strong performance with Activewear beating up 12% for the quarter.

**Martin Landry**  
*Stifel Nicolaus Canada Inc., Research Division*

And just on the outlook in the -- we're seeing a rebound in consumer confidence, and it looks like concerns about a U.S. recession are abating. So I'm wondering if you're seeing that with your clients, especially, I'd love to hear you talk about a bit more about corporate promotional activity. Do you expect corporate spending to rebound in H2?

**Glenn J. Chamandy**  
*President, CEO & Director*

Look, we don't have a crystal ball, to be honest with you. So what Luca said earlier is that, look, the market was down in Q1. January was an anomaly basically because of the weather, the fires and all those things. But taking out January, I think we've seen a consistent sort of flow in the market. And that could be the corporate promotional side is definitely weak. But there's all different aspects of the market. That's what's so great about the printwear market. It's tourism, it's travel, it's the experience, it's creator economy. It's all these things that sort of drive the market. But we've taken an approach where we see that the market is going to slightly improve as we go through the year and particularly because Q4 is when the market -- Q3 and Q4 -- towards the end of Q3 and Q4, we saw a greater downturn in 2024. So we're going to be comparing sales on a different basis.

So we're taking a view that the market is not going to be robust. I mean we believe that consumers will come back. Interest rates are still haven't moved yet. So when they do come down, that's going to create some consumer confidence again. So it's early days. We're cautiously optimistic. We control what we can control, to be honest with you. And we're taking a view -- and there's still a lot of uncertainty. I mean we don't know what's going to happen tomorrow, to be honest with you. So I think we're in a really good position. I think that we've laid out and delivering. We're executing.

We've got strong sales, good earnings. We got good visibility as we -- with all the programs. Part of what's happening in the second half is that a lot of those new programs that we called out, which is 3/4 of our program, they're being launched in the back half of this year. Our big activewear programs at retail. I mean they're just being shipped as we speak. So they're providing a good base of sales growth for us regardless really of where the market is going to be. And look, with all this instability, we've already got good visibility on 2026.

So look, we've got to take things with a grain of salt. We don't know what's going to happen. We're cautiously optimistic, and I think we're well positioned.

**Operator**

Our next question comes from the line of Stephen from BMO Capital Markets.

**Stephen MacLeod***BMO Capital Markets Equity Research*

Just wondering if you can give a little bit of color around kind of the activewear growth components in the quarter. Specifically sort of what POS growth was by fashion basics, fleece basics, and what you saw in terms of industry growth in Q1 -- Q2, sorry, and how your growth compared to that?

**Glenn J. Chamandy***President, CEO & Director*

Look, I would just say that you look at our growth is driven really by our brand strategies. Our Gildan Soft Cotton Technology is continuing to work well. Our Comfort Colors brand is basically -- it's on fire still. I mean, we've got very good growth. AA is actually -- our American Apparel brand is actually gaining a lot of traction in the industry today. We launched AllPro this year. It's a brand-new brand for us. It's more performance-based. It's 100% polytype products and performance. And obviously, our Champion brand is on track, which we said is going to be about \$100 million business over the 3 years.

So all of these things are driving it. And if you peel back the onion within each one of the categories, it's fleece, it's rings spun T-shirts. It's basically because we have them all in the same categories, right? So we've got a very good diverse portfolio of brands, and then we have products within those brands that are continuing to drive and take market share. So overall, we're well positioned, and it's all of these things that are continuing to contribute to our 12% Activewear growth.

**Stephen MacLeod***BMO Capital Markets Equity Research*

Okay. And then maybe just with respect to some of the new products in the back half of the year, you've referenced that a number of times. Can you give any specifics around kind of what those are and what channels you're specifically referring to?

**Chuck J. Ward***Executive VP & COO*

I mean I think as we said before, we have products across each of the categories and each of the channels that we're launching. So I would say, as Glenn said, I mean, we see some things with the new brands and things that we've launched in distributors. We have things in national accounts with some of our GLB customers. We have some additional programs with large retailers as well. So the good news is it's kind of across channels and across products.

**Glenn J. Chamandy***President, CEO & Director*

And they're meaningful, right? Because the bulk of our 3/4 of our sales increase, a lot of that's coming in the back half, particularly with the large fleece program with our large national account customer, more shelf space in the Innerwear area. So we -- it's all really -- and that's why we're confident really as we move into really Q4 as you see the bigger increase in revenue is contributed from these new programs.

**Operator**

Our next question comes from the line of Mr. Luke from Canaccord.

**Luke Hannan***Canaccord Genuity Corp., Research Division*

I wanted to follow up as it relates to the outlook for the year and specifically what's being implied from an operating margin perspective. Glenn, I think you just kind of touched on it there. Q4, it sounds like should be pretty favorable when it comes to sales program wins. I imagine that also is translating into the implied operating margin strength. I'm just more curious, I guess, about the raw materials outlook when it comes to cotton cost, it seems like it's been relatively stable of late. Should we expect those tailwinds to sort of dissipate towards the end of the year and into next? Or maybe just frame up for us the drivers behind operating margin for the balance of the year?

**Luca Barile***Executive VP & CFO*

Yes. Thank you for your question. So if we start with the guide, right? So we're guiding operating margin for the year to be up approximately 50 basis points versus 2024. As you alluded to, when you look at the evolution of the margin profile, in the second

quarter, we had very strong gross margins, and we had sub-10% SG&A. When you look at the gross margin, that was delivered in part driven by lower raw material costs. It was delivered as planned. We saw some price favorability there.

The way to think of the gross margin is that's going to sequentially improve. That's included within the guide. And when you look at the drivers of the operating margin guide for the full year, that 50 basis point accretion, Glenn had alluded to these drivers earlier in the call. The ramp-up of our Bangladesh facility, right, the cost advantage there that's starting to trickle in as planned. There's some of the yarn optimization, even though more of that is going to go into 2026, and the optimization of our Central American mix and network. So that in conjunction with maintaining our sub-10% in terms of SG&A and good cost control are really the drivers behind that guide of accretion of 50 basis points for the year.

**Luke Hannan**

*Canaccord Genuity Corp., Research Division*

Okay. And for my follow-up here, Glenn, you alluded to there being roughly 3/4 of the sales growth coming from some of these new programs for 2025. Is that true for 2026 as well?

**Glenn J. Chamandy**

*President, CEO & Director*

We have very good visibility for 2026, yes.

**Operator**

Our next question comes from the line of Mr. Vishal from National Bank.

**Vishal Shreedhar**

*National Bank Financial, Inc., Research Division*

With respect to the market weakness, in the past, Glenn, Gildan has used the market weakness as opportunities to pick up acquisitions related to some of these competitors are struggling. How do you foresee that evolving in the year ahead?

**Glenn J. Chamandy**

*President, CEO & Director*

Well, I would say, look, right now, what we're doing is we're taking share in the market. So it's a lot more advantageous to gain share than buy share. So we're taking advantage of the positioning, our low-cost manufacturing and the weakness in the competitive landscape and also I would say, the consolidation of brands within the market.

So all those things are allowing us really to drive on the existing brands. So what we've been able to do is actually create new brands. I mean our Comfort Colors is probably the fastest-growing fashion brand in the industry. I mean it's taking share. I mean you walk into a Souvenir store today, you'll see Comfort Colors on every single one of those tables where you used to see fashion brands before. Now it's Comfort Colors because that's the place in the market that is actually growing again.

So AA is doing really well. And now we've got additional product categories in the AllPro and Champion. So I think we're well positioned, to be honest with you, to keep taking share and staying focused and executing on our plan. And look, we're not to say that we wouldn't look at something at the right opportunity. But right now, I think we're very focused on delivering on our core strength, the way we laid out.

**Vishal Shreedhar**

*National Bank Financial, Inc., Research Division*

Okay. And there are indications that there's been a new exclusive distribution agreement between Hanes and S&S in North America. I want to get your comments on that and how it relates to Gildan's positioning there.

**Glenn J. Chamandy**

*President, CEO & Director*

Well, I think you're going to have to ask them that basically because the -- I don't want to comment on their strategy and how they go to market. But as far as we're concerned, look, we're not really affected. I mean, we're taking share. We're growing our Activewear sales this quarter by 12%. We're well positioned with our brand strategy.

And innovation, look, I mean, the one thing that I can tell you is that our innovation pipeline is strong. And our innovation isn't even understood yet, and we're taking share because you got to remember, like what's so unique about particularly the distributor side of the business is that the average order outside a distributor's warehouse is very small. It's only about \$150. So it's like 1 at a time, 2 at a time, 3 at a time, it's a local electrician. and it takes time to really spread the word and to market our products and get people to understand the features and the value relationship between our products.

So when you look at everything that we've done in terms of our innovation, it's not 100% understood yet. So it's continuing to -- we're continuing to market. I mean if you go at the trade show, you can see how we laid out our booth and we're trying to explain to consumers and end users about our product. So that's a constant opportunity for us to continue taking share. At the same time, we have other innovations that are continuing to come out. So investing in our vertically integrated low-cost manufacturing is allowing us in all of our markets to become the market leader. And this is really, I would say, a differentiation between where Gildan might have been 3, 4, 4 or 5 years ago and where we're going today is we're investing heavily and dealing in terms of innovation to drive share and separate ourselves from the competition that they can't replicate what we have, which just gives us a competitive advantage. And that's a proof in the pudding with the type of growth we had in this quarter.

### **Operator**

Our next question comes from the line of Mr. John from Scotiabank.

### **John Zamparo**

*Scotiabank Global Banking and Markets, Research Division*

I wonder if you can give a sense of what those capacity increases in Central America might cost. You have your CapEx guidance for this year, of course, but wondering if we should expect maybe a step-up in future years? Or do these expansion efforts come with a low enough level of capital spending that this is part of fairly normal course CapEx?

### **Glenn J. Chamandy**

*President, CEO & Director*

Yes. Well, look, we're going to live within our CapEx guide for sure, number one. And because look at the -- there's no big infrastructure to put in because we're actually expanding in the existing facilities that already have all the infrastructure in place. So basically, we've got 50 machines, you put 5 more machines in. I mean it's as simple as that.

So we've got space in our facilities. We re-laid out some of our plants basically to allocate more capacity. And that's what we do best, right? So I think, look, it's a minimal investment for a good return because not only is it going to give us incremental revenue stream, but it's also going to come at a much more advantaged cost structure because we're running obviously more capacity through the same 4 walls. So it's a win-win for us, and it's a good use of capital.

We also have -- like we still have the capabilities. And in our guide for our next 3 years, we actually included to build out the plant the second phase of our Bangladesh facility. That's also included in maintaining our 5% of sales and our CapEx. So that's still in our plans. We're going to obviously just wait out until we make sure that we're still well positioned because we don't know where the wind will blow after these tariffs situation lays out. That's one of the reasons why we're also expanding in Central America because we have probably a little bit better understanding what's going to happen in this region. But once we see over the next month or 2 and we get good color on Bangladesh, I mean, our plan is to also continue to develop in that region as well.

### **John Zamparo**

*Scotiabank Global Banking and Markets, Research Division*

Okay. And then on international markets, I wonder if you could add some color here on the macro picture, which is what you referenced in the press release. It's such a sizable divergence from the U.S. And I wonder what you attribute that to? Is there something specific to Gildan's international customer base or product set? And how do you expect that segment to perform in the second half?

### **Glenn J. Chamandy**

*President, CEO & Director*

Well, I'll just start with the first part of your question, maybe and Chuck will answer the rest. But I would say, look, the one thing you have to keep in mind is that our international businesses are relatively smaller in size just because of the way the markets function, right? I mean T-shirts, for example, in the U.S. are screen printed and sold to consumers at a very inexpensive cost structure, where in



Europe, the cost of printing and reselling shirts is much more expensive in countries like Germany and France, et cetera. So just the market dynamics aren't the same.

And we expect that when you look at our international sales, which we guided to over '25 to '27 at the end of the period, our international revenue should be around 10% of our Activewear sales. So just keep that in mind because that's a reflection more of the size of the market really than it is our ability to take the market. So we're equally as positioned in those markets as we are in the North American market. We may not have as much market share because the market is a little bit more fragmented. But overall, we've got the same positioning. And Chuck will talk about the nuances.

**Chuck J. Ward**  
*Executive VP & COO*

Yes. I mean I think as we look at the international markets, I think some of it Luca covered in his comments, but it was a little lower than we expected. I mean the U.K. is -- I mean, we've seen economically challenges in the U.K. globally, everybody can see it. And so we did see some challenges there and lower than expected. But really, when you think about year-over-year comps, we were comping 2 things that -- one that Luca called out and one that we didn't. And one was Latin America, which he mentioned with the Mexico election last year, and that always runs up demand. But also we launched our Style 3000 last year into Europe, so during Q2. And so you kind of have some load in there.

And so we're still very happy, as Glenn said, with our international business. As a matter of fact, if I look at Q3, POS has significantly improved in the first part of Q3. So it's looking good there. But -- and we're very comfortable as we look at that 3-year target and saying that international sales will represent 10% of Activewear sales, I think we're very comfortable with that target going forward.

**Operator**

Our last question comes from the line of Mr. Chris from Desjardins.

**Christopher Li**  
*Desjardins Securities Inc., Research Division*

Sorry about earlier. Glenn, I know everything is still very fluid, but if tariffs in Bangladesh were to revert to the higher rate of 35%, it sounds like the plan is to shift the production of ringspun back to Central America. And if that's the case, how quickly will you be able to fill out the unused capacity in Bangladesh? And would that have some impact on margins in the near term?

**Glenn J. Chamandy**  
*President, CEO & Director*

What I said earlier is that half of the capacity that we're currently -- which we didn't -- when we started the year, we optimized our plants by product category, okay? So that's one. But since the tariffs have come in, what we've done is we basically shifted the volumes that are supporting our international sales, Canada, Europe, Japan, Australia, China. All that product is being produced today in Bangladesh, which is just slightly more than half of the volume. The remaining volume is basically being sold in ringspun type products, and it's coming back to North America.

We have the ability to repurpose the production from that plant and sell it in geographical regions that basically allow us to mitigate the tariff impact. So we're basically, I would say that we've got a good handle on tariffs. I think we're well positioned. We're also using U.S. cotton in Bangladesh as well. So that's another advantage. So the part that we're actually bringing back to this hemisphere is probably not any worse tariff than what we're producing today in Central America. So we've got a very good positioning on where we are today.

So now we'll wait and see what happens because right now, Bangladesh has got a 10% tariff. Will they be tariffed at a higher rate? We'll adjust these things as we go forward. But we've got, again, a lot of flexibility in our operations, and we're very comfortable with our positioning as we go forward.

**Christopher Li**  
*Desjardins Securities Inc., Research Division*

Okay. And my second question, maybe this one is for Luca. Even though you narrowed your EPS guidance range, still fairly wide with half a year to go, which is understandable given all the macro uncertainties. And I just wanted to get a sense of what are some of the key differences between the low end and the high end of your EPS guidance?

**Luca Barile**

*Executive VP & CFO*

Yes. Thank you for your question, Chris. So again, when you look at the guide, first of all, we're pleased with the performance so far. As I articulated earlier in the call, I think it all starts with the market assumption. Last time we gave the market assumption supporting the guide was that the market would be flat to down low single digit. Now it's more to down low single digit, even though there's sequential improvement in the market over the year. And then when you take a look at the EPS guidance that we provided, again, we took a balanced approach, right? There's some puts and takes. If you look at things like -- that would be accretive, there's more share gains that potentially we can go and get further wins and so forth. And then on the risk end, you have slowdown in more slowdown in general demand or less of a quick recovery.

So there's puts and takes. We're cautiously optimistic on that guide, but we're comfortable with that guide. And that all starts with the top line, the consistent margin profile, making its way down to the EPS range that we've now given of \$3.40 to \$3.56. So hopefully, that helps.

**Operator**

This concludes our question-and-answer session. I will now turn the call over to Jessy for closing remarks.

**Jessy Hayem**

*Senior VP & Head of Investor Relations and Global Communications*

Thank you. We just would like to thank everyone for joining us and attending our call today, and we do look forward to speaking with you soon. Have a great day.

**Operator**

This concludes today's conference call. You may now disconnect.

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