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CORPORATE PARTICIPANTS

Jessy Hayem *Gildan Activewear Inc - Vice President, Head of Investor Relations*

Vincent Tyra *Gildan Activewear Inc - President, Chief Executive Officer*

Rhodri Harries *Gildan Activewear Inc - Chief Financial Officer, Executive Vice President, Chief Administrative Officer*

Chuck Ward *Gildan Activewear Inc - President - Sales, Marketing and Distribution*

CONFERENCE CALL PARTICIPANTS

Paul Lejuez *Citigroup Investment Research - Analyst*

George Doumet *Scotiabank - Analyst*

Jay Sole *UBS - Analyst*

Brian Morrison *TD Cowen - Analyst*

Chris Li *Desjardins Capital Markets - Analyst*

Martin Landry *Stifel Nicolaus - Analyst*

Stephen MacLeod *BMO Capital Markets - Analyst*

Luke Hannan *Canaccord Genuity - Analyst*

Mark Petrie *CIBC World Markets - Analyst*

Vishal Shreedhar *National Bank Financial - Analyst*

PRESENTATION

Operator

Ladies and gentlemen, thank you for standing by, and welcome to the Q1 2024 Gildan Activewear earnings conference call. (Operator Instructions) Please be advised that today's conference is being recorded. I would now like to hand the conference over to Jesse Hayem, Vice President, Head of Investor Relations. Please go ahead.

Jessy Hayem - *Gildan Activewear Inc - Vice President, Head of Investor Relations*

Thank you. Good afternoon, everyone. Earlier we issued a press release announcing our results for the first quarter of 2024, along with our interim shareholder report containing management's discussion and analysis as well as consolidated financial statements. These documents expected to be filed with the Canadian securities and regulatory authorities and the US Securities Commission today and will also be available on our corporate website.

Joining me on the call today are Vince Tyra, President and CEO of Gildan; Rhodri Harries, Executive Vice President and Chief Financial and Administrative Officer; and Chuck Ward, President, sales Marketing and Distribution. This afternoon, 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 US Securities and Exchange Commission and Canadian securities regulatory authorities.

During this 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. And now I'll turn it over to Vince.

Vincent Tyra - *Gildan Activewear Inc - President, Chief Executive Officer*

Thanks, Jesse, and good afternoon, everyone. This quarter I saw firsthand the hard work and dedication of our teams as we delivered on our goals and demonstrated resilience as a company. Our first quarter performance was in line with our expectations with several bright spots, including continued market momentum in ring-spun in fleece products. We saw good momentum in activewear overall, which was offset by some softness in hosiery and underwear, but this was expected and to a certain extent larger, broader market weakness.

So I'm pleased with our competitive positioning and the team's execution, which drove significant year-over-year improvement in our key financial metrics. We met our top-line expectations, maintain solid margins and a healthy balance sheet, all a testament to our strong business model. Some of you joined us on April 15 when I shared key elements of my vision for the future, which will enable us to embark on a new chapter of sustainable growth, driving strong free cash flow generation and shareholder returns.

So before diving into the details of our first quarter results. Allow me to summarize these elements on which we are now laser focused. One. We will continue to focus on our supply chain excellence and driving successful execution of our investments in Bangladesh, while remaining true to our back-to-basics principles and our commitment to innovation and ESG. Two, we have a renewed focus on our brands and enhance and own and enhancing our commercial capabilities to deliver the best offering to our customers across the board.

Three, we are increasing our emphasis on serving our retail partners in becoming the supplier of choice. Four, we will apply a focused B local approach from product to pricing to supply chain to regain and gain share in targeted international markets. And lastly, we will make people and their development a priority, ensuring that the next generation of leaders have a space and support to grow to their full potential.

So bottom line, our key focus brands which are clear, we are off to a good start to the year. I look forward to taking your questions a little later during the Q&A session. And with that, I will turn it over to Rod.

Rhodri Harries - *Gildan Activewear Inc - Chief Financial Officer, Executive Vice President, Chief Administrative Officer*

Thank you, Vince, and thank you all for joining us today to discuss our first quarter results. The quarter unfolded largely as we anticipated with sales of \$696 million, down 1% in line with guidance provided on April 15. Activewear sales were up 1% versus last year, offset by a 10% decline in the hosiery and underwear category, which was expected and which I'll address later.

Total shipments, all categories combined were stable compared to the previous year, slightly exceeding our initial expectations the year-over-year decline in consolidated net sales can largely be attributed to both lower net selling prices as we drove market share gains in certain areas and unfavorable mix due to the ongoing impact of trade down within certain costs.

As importantly, though, we delivered an operating margin within our target range and in line with our guidance as we lapped peak cotton costs and reap the benefits of lower manufacturing costs. And this drove a strong double digit increase in adjusted earnings growth for the quarter. So all in all, we were pleased with our performance. And as Vince mentioned, we are off to a good start to the year, allowing us to reaffirm our outlook and guidance for 2024.

So now let's turn to the specifics of the quarter. Activewear sales of \$592 million were up 1%, driven by higher shipments, reflecting positive POS trends, both in North America and international markets and continued strength in key product categories, namely fleece and ring-spun T-shirts, where we believe we are gaining share.

We also benefited from seasonal replenishment at distributors, which came in slightly below last year's levels. As expected, our national accounts who service retail markets also showed strong momentum as we continued to gain share in this channel as well. Partly offsetting the active were

volume growth were lower net selling prices as we opportunistically implemented price actions in select channels where we are seeing direct flow through to share.

This said, from an overall pricing perspective for the full year, it is important to note that we continue to expect relatively good price stability as we move through 2024. Volume growth was also offset by unfavorable product mix relative to the prior year due to the ongoing impact of trade down within certain categories, as noted early earlier.

Finally, international sales were up 1%, reflecting a potential stabilization in POS trends with noticeable signs of recovery in some of our regions. Turning to the hosiery and underwear category, sales were down 10% versus the prior year, reflecting unfavorable mix within this category, the phase-out of the Under Armour business with the expiry of the license on March 31st, as previously communicated and broader industry weakness in the underwear category.

Moving on to margins for the quarter, both gross and adjusted gross margin saw significant improvement of 360 basis points and 410 basis points year over year, respectively. Our adjusted gross margin reached 30.3%, which was primarily driven by lower raw material and manufacturing input costs, slightly offset by the impact of lower net selling prices and unfavorable mix, as noted earlier.

With respect to SG&A, expenses were \$105 million or 15.1% of sales, including charges pertaining to advisory fees on shareholder matters, costs related to assessing external interest in acquiring the company adjustments to CEO separation costs as well as special retention awards, all totaling \$20 million. Excluding these charges, adjusted SG&A expenses as a percentage of sales were up 70 basis points to 12.3%, mainly reflecting various nonrecurring expenses and to a lesser extent sales to deleverage, even though it was a smaller quarter, 12.3% is definitely higher than we like.

And looking ahead, we expect SG&A as a percentage of sales to return closer to 10% for the remainder of the year. Putting these elements together, we generated an operating margin of 15.1%, down from 18.2% in the comparable period in 2023, which included a \$25 million gain from the sale and leaseback of one of our US distribution facilities.

On an adjusted basis, our operating margin was 18%, up 340 basis points over last year at the low end of our target range of 18% to 20% and in line with the guidance we communicated further after reflecting net financial expenses of \$23 million and factoring in the positive benefit of a lower outstanding share base, we reported GAAP diluted EPS of \$0.47, down 13%. However, adjusting for the previously detailed charges, earnings per share was \$0.59, up a strong 31% year over year.

Turning to cash flow and balance sheet items. Cash flow used in operating activities totaled \$27 million, and we consume \$71 million of free cash flow in the quarter, which was a significant improvement over the \$202 million free cash flow consumed in 2023. This was driven by lower working capital investments and lower CapEx, which last year reflected the investments made in our new large-scale manufacturing complex in Bangladesh.

On this note, we are pleased to share that the ramp of our Bangladesh, Bangladesh facility is progressing as planned and we continue to expect that we will reach 75% extra capacity at the end of 2024, enabling us to reduce for further reduce costs, diverse, diversify our slip supply base and providing us with another valuable key foothold from which to serve our global markets.

Finally, capital return to shareholders from share repurchases was \$57 million during the quarter. And we ended with net debt of \$1.1 billion and a net debt leverage ratio of 1.6 times, well within our targeted levels.

Turning to our outlook, we continue to feel cautiously optimistic about the industry landscape for the remainder of 2024. We are mindful of the general concerns over a softening and more value-focused consumer and potentially moderating consumer spending.

Nonetheless, we believe our industry continues to benefit from some recovery and the ongoing shift of wallet share towards experiences, events and travel. As such, we believe we remain well positioned to meet the 2024 targets that we laid out in February and that we're really recently reconfirmed at our investor update on April 15.

So recapping for 2024, we expect the following revenue growth for the full year to be flat to up low single digits with the notable call out that excluding the impact of the Under Armor license agreement expiry, 2024 full year revenue growth would be in the low to mid single digit range. We also expect adjusted operating margin to be slightly above the high end of our 18% to 20% target range for 2024.

This assumes that certain refundable tax credits will be introduced in one of the jurisdictions in which we operate, which will reduce our SG&A in 2024, we expect CapEx to come in at approximately 5% of sales. We expect adjusted diluted EPS in the range of \$2.92 to \$3.07, up between 13.5% and 19.5% year over year. And we expect free cash flow to be above 2023 levels, driven by increased profitability, lower working capital investments and lower capital expenditures than in 2023.

Given our expected strong free cash flow and our recently revised target debt leverage ratio of 1.5 times to 2 times tightened from previously 1 times to 2 times, the company currently plans, absent any further corporate developments to resume share repurchases following the Annual General Meeting of shareholders on May 28, 2024.

Furthermore, the assumptions underpinning our outlook are essentially the same as we had previously communicated. In this regard, we continue to assume that the global minimum tax or GMT legislation in Canada and Barbados will be enacted during 2024, retroactive to January 1, 2024 have incorporated its impact on our effective tax rate.

Finally, we have also provided guidance for our second quarter with net sales expected to be flat to up low single digits year over year and adjusted operating margin expansion is expected to come in above the high end of our 18% to 20% target range for 2024, including the cumulative positive benefit of expected refundable tax credits mentioned earlier. Correspondingly, we have also assumed that the GMT will be enacted in the second quarter of 2024, although we recognize that this could occur later in the year.

So that's all I wanted to cover from a financial perspective. And with that, I will turn it back over to Vince.

Vincent Tyra - *Gildan Activewear Inc - President, Chief Executive Officer*

Thanks, Rod. And to wrap up, let me reiterate that our team remains focused on executing our enhanced GST's strategy and leveraging our solid foundation as we work towards executing on the five priorities I've identified and achieving the near and medium term targets. As outlined during the investor update on April 15th, our foundation is solid and this, together with our strong balance sheet, is an enviable position to be in, and I'm excited about our ability to drive shareholder value into the future.

And now I will turn it over to Jessy.

Jessy Hayem - *Gildan Activewear Inc - Vice President, Head of Investor Relations*

Thank you, Vince. This concludes our prepared remarks, and now we'll begin taking your questions. Before moving to the Q&A session, I'd like to remind you to limit your questions to two, and we'll circle back for a second round of time permits. Operator, you may begin the Q&A session.

QUESTIONS AND ANSWERS

Operator

Thank you. (Operator Instructions)

Paul Lejuez, Citigroup.

Paul Lejuez - *Citigroup Investment Research - Analyst*

Hey, thanks thanks, guys. Hopefully you can hear me curious what the nonrecurring expenses were that you didn't adjust out of SG&A and what the amount was? And then if there was anything that we should think about in terms of SG&A dollar growth, as you think about the next the next several quarters, I think you said closer to 10%, but targeted that will be dependent on sales. So curious how you're thinking about SG&A dollar growth?

And then second, curious about the product cost tailwinds that helped you in the first quarter and how are you thinking about those tailwinds as we move throughout the year? And then you did, I think, invest in some price to drive market share in 1Q. How should we be thinking about your actions to do the same in future quarters? Thanks.

Rhodri Harries - *Gildan Activewear Inc - Chief Financial Officer, Executive Vice President, Chief Administrative Officer*

Okay, Paul, I'll take that and there's a few things to cover there. So on SG&A, if you look at effectively where we came in on SG&A for the quarter. The one thing you do have to remember is that we were expecting that it would be as a percent of sales a little bit lower due to the enactment of GMT. that would have had about an 80 basis point impact that didn't occur, but that should occur as we go forward.

Right now, we're expecting that that will occur in the second quarter and there will be a catch-up for the first quarter and the second quarter. So instead of effectively an 80 basis point reduction and that you would have normally seen we probably see something like 160 basis point reduction in the catch-up. But if you look at SG&A overall as we do think we have it dialed in well, there was a little bit of noise in the first quarter on some near a nonrecurring cost that to a certain extent was somewhat related to the current situation that we're in.

We were able to effectively adjust out the majority of those impacts, but we had a little bit of noise, but I wouldn't get too distracted by that. I think overall, we've got to SG&A well in hand. And as we as we move through the year, as we said, we effectively would see SG&A dollar delivering on our target of 10% or better, especially with the enactment of GMT and when again, when that GMT gets enacted and we do see the jobs credits coming through the quarter where that occurs, we do expect to see a fairly significant retroactive or come catch up.

So might be a little bit. I would say variable as we go through the year as you go from quarter to quarter driven by that. But overall, I would say the 10% or better of sales is really what we're driving towards for the full year. If you look at product cost tailwinds, as we as we move through the year, we have said that effectively we would benefit from a couple of things this year, which we were tracking really in the back half of last year.

And that's flowing through as we move through '24 that we do have lower fiber costs effectively unfolding. And that is, I would say, pretty significant. Again, we saw that occurring in them to a certain extent in at the end of Q3. And then Q4 and now we see that as we as we move through the first quarter and the remainder of the year.

And that also combined with, I would say, very good manufacturing performance because we're very focused on the optimization of our system and we are ramping up. Bangladesh really gives us, I would say, strong tailwind as we move forward. And so that gross margin, which I called out at 30.3%, which is basically in line with where we are, where we where we saw it in Q4 is now at that level, which I would say we feel we can continue to move forward and gives us, I would say, strong support to our overall operating margin performance out from a pricing perspective, I did call out that we did see some negative price in the quarter.

And look as we move through the year, we expect to see a bit of negative price but I think if you look at that, it's I would say, very targeted the price actions that we're taking. We're focusing on really areas where we can take share. We're also seeing a little bit of a targeted work in the international markets. But again, what we see is effectively, I would say, moderate impact because if you think about price overall, we have big price gaps versus our competitors. We are lower than our competitors.

And then in an environment where you have inflation, if you look at your ultimately what's going on with the various input costs. There's not really, I would say, downward price pressure for us. So for us, it's very targeted activities on the price side where we're driving share and we'll see the impact of that as we move through the year long-term catalysts.

Paul Lejuez - *Citigroup Investment Research - Analyst*

Thank you for that.

Rhodri Harries - *Gildan Activewear Inc - Chief Financial Officer, Executive Vice President, Chief Administrative Officer*

Thank you.

Operator

George Doumet, Scotiabank.

George Doumet - *Scotiabank - Analyst*

Yes, roughly in the hosiery and underwear segment came a little bit below expectations. Can you maybe give a little bit of color on there, maybe perhaps the impact of the unfavorable mix on the expectations for some retail wins. Just trying to get a sense of maybe how the revenue outlook looks like for that segment for the year? Thanks.

Chuck Ward - *Gildan Activewear Inc - President - Sales, Marketing and Distribution*

George, just Chuck, I'll take that on. As we saw Rod mentioned, we did see a little bit more performance within the innerwear category, but it was really mostly in the underwear segment. Where underwear, we're not seeing the historical replenishment at this point that you would typically see. But we and the retailers are remaining cautious around that.

But we do expect that to return as we go through the year. And so and then from a hosiery perspective, I would say had a good performance in hosiery for the quarter. We are seeing solid traction with some of our GLB partners and hosiery. And so despite with the expiry of the UA license, we're seeing good momentum from a hosiery perspective.

So from a mix perspective, again, I think it was lower underwear kind of in line with the socks, but then overall mix that Rod mentioned in his comments, I would say we're more in the active wear area that he was missing from a mix perspective.

George Doumet - *Scotiabank - Analyst*

Got it. And my final question and your outlook calls for no meaningful deterioration from current conditions. But I guess for events, if we do see, can you see a deterioration? Just wondering how you would position given perhaps any differently than today over the coming quarters and years?

Chuck Ward - *Gildan Activewear Inc - President - Sales, Marketing and Distribution*

Yes. I guess you're thinking about the deterioration in pricing. And I know you know right now, I feel like we're in a really good shape is, as Rod talked about from the fiber costs and even competitively I feel like we're at a place where we need to be. I mean, Chuck and I spent time with our teams just talking about where we are competitively price. We've watched some competitive action in pricing that we've not followed in a couple of instances and feel comfortable. We continue to move forward. So and we don't have any anticipation of it. There's nothing in our plan for it, but we'll watch it as the market and react accordingly.

George Doumet - Scotiabank - Analyst

Okay, great. Thanks a lot.

Operator

Jay Sole, UBS.

Jay Sole - UBS - Analyst

Great. Thank you so much. Rod. I thought I heard you say for second quarter sales, you're forecasting flat to up low single digits as opposed to get some more color on that, how you're thinking about activewear, how you're thinking about the hosiery and underwear segment. That'd be super helpful. Thank you.

Rhodri Harries - Gildan Activewear Inc - Chief Financial Officer, Executive Vice President, Chief Administrative Officer

Okay, Jay, thanks for the questions. Yes. So if you look at the second quarter, we are guiding flat to up low single digits. And I think if you think about how we're progressing as we move forward, we do see strength in the active wear side. So if you look on the on the active wear side and you think about on the volume side or you think about sort of POS on active wear in the first quarter.

It was, I would say, high low single digit. And then as you move into the second quarter, we see more like mid-single digits. So we are seeing positive POS in North America. We're seeing positive POS in international and the active wear story is unfolding well. We are very well positioned from a product perspective, if you look at that, we are we talk often about how we're driving share and ring-spun, how we're driving in fleece.

But we also have new product innovation flowing through in basics. We have new product styles coming through at 3,000 is a good example of that where we are effectively a new product in the national account side on the on the international side and so active or is we're really showing very good strength on the active wear side as the as we move as we progress through the year and so that's where the strength is.

I would say we do expect to continue to see softness in the underwear and hosiery category as we go into the second quarter, we do have the phase-out of Under Armor, which we've talked about. We do have broader market weakness on the on the underwear side. If you look at the market in total, effectively you're seeing POS down probably mid-single digit, maybe high single digit. And that market has been a tough market.

What's interesting is sooner or later, people are going to replenish, and that's going to turn into a tailwind. But we do see continued, I would say, weakness in the broader market in the second quarter as we move forward. And so that I would say is effectively that softness in the underwear and hosiery, despite really we're doing well on products and everything that we can control is off offsetting strength in the active work side pricing, we will still be doing a bit of, I would say, targeted pricing continue to drive share.

And then the unfavorable mix will be coming through with the trade down again, this is effectively if we see people buying more crews than hoods, people buying more T-shirts than long sleeves. I mean this is this has been occurring was a theme that it started last year and that we continue to see it in the marketplace that ultimately will reverse as well. So I would say on the core fundamentals, we're doing very well and so I think what is pleasing as we move in the second quarter, we do see now the flat to low single digit. And obviously, we'll continue to be driving that as we as we move through the year.

Jay Sole - UBS - Analyst

Understood. Thank you so much.

Operator

Brian Morrison, TD Cowen.

Brian Morrison - TD Cowen - Analyst

Thank you very much a broad first question. Can you just clarify, did you say that POS was up high single digits for active or in Q1? And do you know what the industry was?

Rhodri Harries - Gildan Activewear Inc - Chief Financial Officer, Executive Vice President, Chief Administrative Officer

no, I didn't say that effectively. What I said, Brian, was for us, it was a high low single digit, right? So effectively, if you look at where the POS was and if you look at it and across the what was what was really good is that we saw very positive POS pretty well across the board in the active wear side. So we thought in all categories and international, actually it was mid-single digit, a little bit higher, actually, um, but on it for the total category was high, low single digit. And then as we go into second quarter, what we're seeing is more like mid single digits. So it's progressing well.

Brian Morrison - TD Cowen - Analyst

And relative to the industry, I think that was great.

Rhodri Harries - Gildan Activewear Inc - Chief Financial Officer, Executive Vice President, Chief Administrative Officer

Well, we think the industry in some cases is really struggling. Actually, if you if you look effectively on on the Printwear side, I would say down probably negative mid-single digit, maybe even high single digit. I mean and we are grabbing share and we were doing well and it is a tough environment out there. So I would say it's been a it is it more broadly, it's a negative environment in well against that backdrop.

Brian Morrison - TD Cowen - Analyst

Okay. Sorry. And Rod, I want to follow up in terms of EPS for the quarter, had the GVGMT been implemented, I estimate you would have been about \$0.55. Is that correct?

And the second part of that question is for Q2, you expect to be at the high end of the margin range or above the margin range. Does that include the 160 basis points of improvement of SG&A?

Rhodri Harries - Gildan Activewear Inc - Chief Financial Officer, Executive Vice President, Chief Administrative Officer

Yeah. Okay. So if you look at the first quarter? Your first question, I would say if I if GM T had been enacted, it would have been about a \$0.05 impact, right? So we would have been about \$0.05 lower. So if you think about the beat on effectively \$0.05 that was GMT and the I would say the remainder of the beat was just on the on our manufacturing side, our underlying cost performance.

So I would say we're pretty pretty pleased with the way that turned out. But then obviously, as we go forward will be catch up on that after you have to think about that as you think of the second quarter and then effectively, if you think about the where we're going to be from an operating margin standpoint for the second quarter, we have guided that we'll be above our range, the 18% to 20%. And I would say I think we can do well versus the high end of the range. And again, that assumes that the GMT is implemented and we do get the refundable tax credits.

Brian Morrison - TD Cowen - Analyst

Okay. And then last question, it's more high level, Vince, and I want to hear your view not so much on why there needed to be wholesale changes at the Board level recently, but what, if any changes we should expect either operationally or governance wise as a result of these changes?

Vincent Tyra - Gildan Activewear Inc - President, Chief Executive Officer

Yeah, I don't I don't think you're going to see anything material there, um, you know, obviously the special committee meets on that. It's outside our privy in terms of involvement and and in decision making, there certainly had an opportunity to interview some of the candidates along the way.

But no decision from my end in terms who who joined our Board, obviously, we just completed our Board meetings and had a nice transition between the of the, I'll say, the outgoing and the incoming Board members. And but we don't expect anything materially to change in terms of what's happening, governance and things like that. We respect to rely on the professionalism and experience of who's joined us now. We're excited to meet them and get working with them.

Brian Morrison - TD Cowen - Analyst

Okay. Very good color. Thanks a lot.

Operator

Chris Li, Desjardins.

Chris Li - Desjardins Capital Markets - Analyst

Hey, good afternoon, everyone. And my first question is, I was wondering if you can talk about just the inventory level for your customers, both at the wholesale distributor level and at the retail level?

Thank you.

Chuck Ward - Gildan Activewear Inc - President - Sales, Marketing and Distribution

Chris, this is Chuck. Yes, I think from an inventory perspective where we're in balance overall, if you think about from a distributor channel perspective, I would say, as Rod mentioned, we had our seasonal restocking, not as not as much as weak as last year, but again, a good restocking, I would say, weeks on hand or are in good shape.

And again, the inventories and balanced, I think from a retail perspective, we've continued to see retailers bring down inventory since post pandemic times. And as they adjusted their as I mentioned earlier, they are cautious and they're monitoring inventory closely and staying more. It's just in time. But we think inventories are in a good place overall.

Rhodri Harries - Gildan Activewear Inc - Chief Financial Officer, Executive Vice President, Chief Administrative Officer

So maybe I'll just add to that. The one area where we are running just maybe a little light is in the international in Europe and the one thing that we see there very definitely is with the ramp-up of Bangladesh, we're going to fix that very soon. So I would say there's a little bit opportunity in the international side as we bring product in. And again, we see that as effectively driving driving POS and sales as we go forward.

Chris Li - *Desjardins Capital Markets - Analyst*

Okay. That's helpful. And maybe one for you Rod, just done for the quarter annual active where sales were up about 1%. I was wondering if you can sort of break out for us how much of that was volume growth versus the net selling price decline? Just to get a sense of maybe what was the composition of that 1% activewear sales growth?

Rhodri Harries - *Gildan Activewear Inc - Chief Financial Officer, Executive Vice President, Chief Administrative Officer*

Yeah. I mean, look, if you get to effectively the 1%. I would say that as I said, the volume was we had we saw a good volume uplift in the quarter from an active wear perspective, right. So if you think about the I talked about the the mid-single digits in POS I'm sorry, not mid-single low single-digit POS on the higher side. But really that just flows through to volume for the most part.

And so that was a good driver in the quarter. And then we had we saw some offset on the price side, and we saw some slight offset on the on the mix side. But volume is going well within active wear and as I said, just sets us up well for second quarter and the remainder of the year, we're taking share and we're doing well.

Chris Li - *Desjardins Capital Markets - Analyst*

Thanks very much.

Operator

Martin Landry, Stifel.

Martin Landry - *Stifel Nicolaus - Analyst*

Hi, good evening I would like to touch on the trade down patterns that you've talked about. I mean, we I think if I recall correctly, we started to see a trade down in Q2 last year. And I was wondering when do you expect to cycle that and how is the trend going? Is the trend worsening? Is the Chinese in just a bit of color too? And what the end consumer is how they're behaving?

Vincent Tyra - *Gildan Activewear Inc - President, Chief Executive Officer*

Okay. Martin, you don't you're right. We did start last year seeing some of the trade down. Some of that may have been economic but also some of it may have been from a fashion perspective. We've seen a trade down really into fleece as we talk about it from hoods to cruise. As you know, we used to be a larger percent hoods.

It kind of shifted down some last year to where we were larger crews. Now it's kind of eased up to where it's closer to 50 50 of the crews and hoods. So we're starting to see that that E. Sun. And then as Rod mentioned, the long-sleeved, we've seen a shift some long sleeves as well, but again, that that could be somewhat comp. But I think it's also some shift in fashion.

Martin Landry - *Stifel Nicolaus - Analyst*

But overall, we are seeing it ease and or it will we're seeing in the apparel space and consumers responding to promotions a lot like can you talk little bit about you know, your your on what you're seeing in terms of promotional activity right now?

Chuck Ward - *Gildan Activewear Inc - President - Sales, Marketing and Distribution*

As was Vince mentioned earlier, I mean, I think we've seen some competitors do some promotional things specifically in our active wear channels that we have followed suit on and haven't moved a whole lot there.

As Vince said, it didn't move. We continue to gain share in the market. You are seeing some at a retail level. We are looking at it, things with our retailers. But again, I think as Rod also mentioned earlier, we have a pricing gap on a lot of our competitors such that when they do have promotional activity. We're not seeing a big impact come our way, and we're not having to match because we already have such pricing yet.

Martin Landry - *Stifel Nicolaus - Analyst*

Okay, that's helpful. Thank you.

Operator

Stephen MacLeod, BMO Capital Markets.

Stephen MacLeod - *BMO Capital Markets - Analyst*

Thank you. Good evening. I'm just wondering if you can provide a little bit of color around them what you saw in terms of POS between fleece and fashion basics in the quarter?

Chuck Ward - *Gildan Activewear Inc - President - Sales, Marketing and Distribution*

Both were good. We saw high single digit on the fleet side and again, continue to see great volume from that perspective, we're seeing double-digit growth on the ring-spun. And as Rod mentioned, we are continuing to take share across all categories. But I would say even more so those categories, yes.

Stephen MacLeod - *BMO Capital Markets - Analyst*

Okay, that's great. That's helpful. Thanks, Chuck. And then just on the international business, you talked a little bit about in your prepared remarks, just seeing some incremental inflections in POS. And just wondering if you can give a little bit of color around sort of where where you're seeing the POS stabilization maybe but maybe by market and what you think some of the drivers might be? Is it just comping up against tougher comparatives? Or are you seeing sort of demand beginning to really take hold?

Chuck Ward - *Gildan Activewear Inc - President - Sales, Marketing and Distribution*

Yes, no, the comment there has been it's been a little bit of that. I would say, diverse reaction throughout some of the international markets we're seeing. Asia is actually up. So we're starting to see for a long time. We were seeing decline there. We're seeing improvement there of Europe's stable, but we're still seeing some of what we saw last previous quarters, which I mentioned was was kind of lower in the UK versus better in Continental Europe.

We're still seeing those same trends. It hasn't really changed a whole lot. But then we've seen strength in Latin America, some of that driven by things like election in Mexico that's happening now that obviously drives volume. So we're seeing good volume in that market.

Stephen MacLeod - *BMO Capital Markets - Analyst*

Okay. That's that's great color. Thank you.

Operator

Luke Hannan, Canaccord Genuity.

Luke Hannan - *Canaccord Genuity - Analyst*

Thanks. Good afternoon. Rod, I think you had mentioned we were talking earlier about innovation. And I think that specific style that you brought up was the Gildan 3,000 something that is being well-received by customers. Can you remind us just where you are as of today when it comes to introducing new innovation, new products to both your retail and your your imprintable customers as well as are we in the early stages here should that accelerated throughout the year, maybe cadence?

Rhodri Harries - *Gildan Activewear Inc - Chief Financial Officer, Executive Vice President, Chief Administrative Officer*

Yeah. Look, I think overall, to the 3,000 perspective, we are in early days there. We've lost at lunch that from an international perspective, had a great reception to it, and I think it's going to really help us grow internationally. We've done that in some of our national account business that services large retailers as well. We've seen a great reception of that.

But I think more importantly, on the innovation side, we've talked about it quite a bit last year and earlier this year around the real innovation is on some of our core products where we have taken our core basic product. We've upgraded it, giving it a better feel, better printability. And really, we're still have it at the same price and they're starting to see that in the market.

And really you're going to see it in the market largely in the summer, but people are already starting to get the product and we're getting great our comments about it about the improved has improved printability, both on that basic core product as well as our core fleece and so there those innovations are going to continue to drive the growth that we've talked about in our five year plan.

Luke Hannan - *Canaccord Genuity - Analyst*

Okay, thanks. And then for my follow-up here, we talked about the acceleration of POS so far into Q2. I'm just curious if you can share what sort of end markets are driving that as of today? No corporate promotional channels for instance been somewhat of a laggard compared to some of the other end markets. Just curious I share what you're seeing on that.

Chuck Ward - *Gildan Activewear Inc - President - Sales, Marketing and Distribution*

Yeah. I think was we left 12st quarter one in the second quarter. We just continue to see sequential improvement really go back to January. We've seen it throughout throughout each month. We're seeing sequential improvement. And I think as you as you think about it, you're thinking about I think we mentioned in our opening comments around travel and leisure and events, and we're continuing to see those things drive demand and we're seeing good demand driven from those things.

And to your point, some of the corporate spending, we continue to think will be a future tailwind because it has not come back completely, but we are seeing improvements there. So we're seeing it across, you know, various channels. And then also with our new activewear program that we had at retail that we launched in the first quarter has really performed well. And so obviously, that's been driving good POS versus well.

Luke Hannan - *Canaccord Genuity - Analyst*

Okay. Thank you very much.

Operator

Mark Petrie, CIBC.

Mark Petrie - *CIBC World Markets - Analyst*

Yes, thanks. Good afternoon. You just touched on it, Chuck, but I wanted to ask about the retail program and the wins that are in place now how they're performing. I think you said performing well, I guess that means on plan. And then I think you had a new program coming in around now as well, is that on track? Is that in place? And then are there other program wins that are embedded in your guidance or would those be incremental what you have?

Chuck Ward - *Gildan Activewear Inc - President - Sales, Marketing and Distribution*

Sure, Mark, I think first of all, you asked about the program that recently launched DASH was the active wear program I just mentioned, and it is performing well. I would say maybe even above some expectations. So it's performed quite well in. We're happy with it. I think other programs we do have other wins that we do have baked in the in our forecast that we have landed and we're excited about those that we have some that are kind of rolling Q2, some rolling Q3 and some roll in Q4.

So we have opportunities that are that are rolled out throughout the year and it is you had asked where's Dan doing well, I would say on the underwear category, we have seen that that's not performing quite to where we would we would hope.

But again, we think there's a tailwind. We think there will be replenishment of people of underwear coming soon, and we have some good opportunities within there where we're doing some things with pack sizes, doing things with space where I would say we should get improvement in turns. And so I think we are excited about the various retail programs that we have both coming and already launched.

Rhodri Harries - *Gildan Activewear Inc - Chief Financial Officer, Executive Vice President, Chief Administrative Officer*

And I would say, Mark, any new anything above that? Any incremental programs will be upside to basically what we have in the right. So I think our forecast is we've tried to make sure that it's deliverable. It reflects what we're seeing in some respects. I would say we have been cautious because of the broader environment or we said earlier about the consumer and how they're reacting in the marketplace.

So we have good programs on the activewear side on the underwear side on the the hosiery side, they're all rolling out. They're reflected in that. If we do see some upside in the back half, which obviously we're progressing through the year now. So that probably would impact more 2025 than it was '24. But in any event, if they are new programs that will provide the support and upside to the upside, I would say.

Mark Petrie - *CIBC World Markets - Analyst*

Fair. Very fair. And on Bangladesh, how should we think about of the ramp up from here? I mean, if you're at 75% exit rate, or 75% capacity at exit of the year. Where are you today? How should we frame the revenue contribution of that? And then how will that ramp-up affect your Central America capacity and Wynnewood?

Rhodri Harries - *Gildan Activewear Inc - Chief Financial Officer, Executive Vice President, Chief Administrative Officer*

So Mark, if you look at where we are, we are we, as we said, very clear, right? We ended the year at '25 we're going to be at 75 at the at the end of the year. And I would say the ramp-up is going very well. It's it's progressing actually in some respects a little bit better than than we anticipated. And we are very excited about what we see coming out of out of Bangladesh.

And so and we have good flexibility actually, as the IT of the environment, the broader environment gets a little bit stronger. We need to go a little faster. We definitely have the capability to do that in the as we move through '24. And then what we expect is the progressive ramp-up of the remainder in '25. So it's going going very well, and we are very pleased with the product with the cost, everything that's occurring in Bangladesh.

And the second part of your question, again, please?

Mark Petrie - *CIBC World Markets - Analyst*

second part related to how the Central American capacity we'll be adjusted as Bangladesh ramps up and the timing of that?

Rhodri Harries - *Gildan Activewear Inc - Chief Financial Officer, Executive Vice President, Chief Administrative Officer*

Yeah, I would say that our center, our Central American capacity is pretty well dialed in right to effectively that capacity. He's obviously close to the North American market. We've got it of focusing on certain products, at least a good example of that. And on the on the GLB side is also a good example of that some on the hosiery side.

So I would say Central America is focused on a number of different products, and we've got it where we want it to be. And so as we go forward, what we're really expecting is growth to come out of Bangladesh and to continue to run with the current capacity we have in Central America.

And then we'll see. I mean, we might get the opportunity to tweak that up as well at some point as well. But right now, I would say that's pretty stable and we're bringing up Bangladesh, and we've got very, very good flexibility with that ongoing ramp up and supporting future growth.

Mark Petrie - *CIBC World Markets - Analyst*

Okay. Thanks for that.

Operator

Vishal Shreedhar, National Bank.

Vishal Shreedhar - *National Bank Financial - Analyst*

Hi. Thanks for taking my questions. Just a few clarifications have has Gildan taken all the price that it has is that it needs to take or do you anticipate taking more through the year?

Chuck Ward - *Gildan Activewear Inc - President - Sales, Marketing and Distribution*

No, we do not anticipate taking additional price. I think we're comfortable price. We think overall pricing will remain stable. And again, we will just do some strategic pricing where we need to where we think we can gain share.

Yeah, Rod mentioned maybe in international markets, certain certain categories, certain markets. But again, I think we think price will remain fairly stable.

Vishal Shreedhar - *National Bank Financial - Analyst*

Okay. And the gains that you've noted in international, the inflection, is that due to allocating more capacity to the international markets? Or is that due to the Intermountain national markets themselves recovering or a bit of both.

Chuck Ward - *Gildan Activewear Inc - President - Sales, Marketing and Distribution*

I would say there's some of both, but I think really as we go forward as one you're going to continue to see improvement in the international markets. But on top of that, we think there's definitely opportunity to, as Vince said in his opening remarks, ring get regain share and gain additional share in international markets as Bangladesh comes up because it gives us the ability where maybe we had shorted those markets in the past, we have the ability to make sure we have the right inventory available because again, availability is a key purchase criteria, obviously for us.

So we want to make sure that products available in market and will Bangladesh coming up and ramping up, we'll be able to do that. And as Rod said, if it grows, if the markets grow, we gain share quicker, we can ramp up Bangladesh quicker to fulfill that.

Vishal Shreedhar - *National Bank Financial - Analyst*

Okay. So the 25% of Bangladesh that you that you currently ramped up to by the end of 2023, that's being placed internationally currently?

Chuck Ward - *Gildan Activewear Inc - President - Sales, Marketing and Distribution*

That's speeding both. It's though I want to be clear. It helps feed international, but it also comes back to the North American market as well. So we are underway as largely made in Bangladesh. So it feeds that market back to the US feeds of our growth, you know I talked about earlier, our fashion growth is up double digits. It feeds it helps feed that growth.

That's the reason as Rod said, Central America, we are stable with things like Comfort Colors, GLB, hosiery. And as we continue to grow, we'll use Bangladesh continued grow not only to provide international markets, but also come back to North America.

Vishal Shreedhar - *National Bank Financial - Analyst*

Okay, thank you.

Operator

There are no further questions at this time. I'll turn the call to Jessy Hayem for closing remarks.

Jessy Hayem - *Gildan Activewear Inc - Vice President, Head of Investor Relations*

Thank you. And again, we'd like to thank everyone for joining us and attending our call today, and we look forward to speaking with you soon. Have a great evening.

Operator

This concludes today's conference call. Thank you for joining. You may now disconnect.

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