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GILDAN ACTIVEWEAR INC
Form 6-K
December 09, 2002

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 6-K

Report of Foreign Issuer
Pursuant to Rule 13a-16 or 15d-16 of
the Securities Exchange Act of 1934

For the month of: December 2002

Commission File Number: 1-14830

GILDAN ACTIVEWEAR INC.
(Name of Registrant)

725 MONTEE DE LIESSE
VILLE SAINT-LAURENT, QUEBEC
CANADA H4T-1P5
(Address of Principal Executive Offices)

Indicate by check mark whether the registrant files or will file annual reports
under cover of Form 20-F or Form 40-F:

Form 20-F

Form 40-F X

Indicate by check mark whether the registrant by furnishing the information
contained in this Form is also thereby furnishing the information to the SEC
pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934:

Yes

No X

If "Yes" is marked, indicate the file number assigned to the registrant in
connection with Rule 12g3-2(b): N/A

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[GILDAN ACTIVEWEAR LOGO]

PRESS RELEASE

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GILDAN ACTIVEWEAR ANNOUNCES 31% GROWTH IN EARNINGS PER SHARE FOR FISCAL 2002,
COMBINED WITH FREE CASH FLOW OF \$111 MILLION

- WELL POSITIONED FOR CONTINUING SALES AND EARNINGS GROWTH
DUE TO NEW STRATEGIC MANUFACTURING INVESTMENTS -

MONTREAL, FRIDAY, DECEMBER 6, 2002 - Gildan Activewear Inc. (NYSE: GIL; TSX: GIL.A) today released its financial results for its fourth quarter and fiscal year ended September 29, 2002.

FOURTH QUARTER SALES AND EARNINGS

Net earnings for the fourth quarter of fiscal 2002 were \$19.6 million or \$0.66 per share on a diluted basis, compared with \$6.7 million or \$0.23 per diluted share in the fourth quarter of fiscal 2001 before special charges and adjustments. In the fourth quarter of fiscal 2001, the Company incurred a loss of \$38.8 million or \$1.33 per diluted share, after reflecting special charges and adjustments totaling \$45.5 million, or \$1.56 per share.

Earnings and earnings per share in the most recent quarter were both records for the Company for the fourth quarter of any fiscal year. The significant increase compared with fiscal 2001 was due to continuing growth in sales and higher gross margins, partially offset by higher selling, general and administrative expenses.

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Sales for the quarter were a fourth quarter record at \$159.9 million, up 38.8% from \$115.2 million in the fourth quarter last year. The higher sales reflected a 26.8% increase in unit shipments, combined with a higher value product-mix compared with the fourth quarter of fiscal 2001. In the fourth quarter last year, product mix included a higher proportion of lower-value white T-shirts as a result of the surge in demand following the events of September 11, 2001. Also, golf shirts and fleece accounted for a higher proportion of sales in the fourth quarter of fiscal 2002 compared to the previous year.

According to the S.T.A.R.S. reports from ACNielsen Market Decisions, unit shipments for the overall industry were slightly down for the fourth quarter of fiscal 2002, primarily due to the impact in the prior year of September 11, as well as continuing weak demand for golf shirts due to the downturn in the corporate promotional market. In spite of the absence of overall industry growth, unit sales for Gildan were up significantly from the fourth quarter of last year, due to continuing market share penetration in all product categories. In T-shirts, the Company further reinforced its No. 1 overall market share position, with a share of 28.0% according to S.T.A.R.S., compared with 25.8% in the fourth quarter of fiscal 2001. The Company's share in the golf shirt segment increased to 15.0%, up from 8.8% in the fourth quarter of the prior year, while Gildan's share in fleece increased to 11.7%, from 9.7% a year ago.

Gildan's sales in Europe increased by 77% compared with the fourth quarter of last year, as the Company continued to achieve strong share penetration in this market.

Gross margins for the fourth quarter were 28.1%, compared with 24.2% in the fourth quarter last year, before reflecting the impact of the special charges in the prior year. The increase in gross margins reflected significantly lower raw material costs compared with a year ago, combined with the impact of favourable manufacturing efficiencies, increased vertical integration in yarn spinning and the higher valued product mix. Selling, general and administrative expenses for

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the quarter were \$15.5 million, up 23.6% from the fourth quarter of fiscal 2001, before reflecting the special charges in the previous year. The increase was due to provision for the Company's performance-based incentive plan and higher variable distribution expenses. As a percentage of sales, selling, general and administrative expenses declined to 9.7%, compared with 10.5% last year.

FULL YEAR SALES AND EARNINGS

Sales for the full fiscal year in 2002 were a record \$600.7 million, up 19.0% from \$504.9 million a year ago. Net earnings were a record \$66.5 million, an increase of 32.2% over net earnings before special charges of \$50.3 million in fiscal 2001. Diluted earnings per share were a record, at \$2.26, slightly above the top end of the Company's guidance range, and up 31.4% from \$1.72 per diluted share last year before special charges. After special charges, net earnings in fiscal 2001 were \$0.8 million, or \$0.03 per diluted share. Return on equity for fiscal 2002 was 29.4%.

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CASH FLOW

The Company generated \$53.2 million of free cash flow after capital expenditures in the fourth quarter, due to the cash flow from its operating earnings and continuing reduction of working capital. For the full 2002 fiscal year, Gildan generated \$111.1 million of free cash flow. Days sales outstanding in trade accounts receivable at the year-end amounted to 44 days, compared to 92 days in the fourth quarter of fiscal 2001. At September 29, 2002 inventories amounted to \$113.0 million, down \$65.4 million from the prior year end.

Capital expenditures for fiscal 2002 totaled \$65.8 million, including \$18.0 million in the fourth quarter, as the Company accelerated spending on its integrated textile manufacturing facility at Rio Nance, Honduras, and on its yarn spinning facility in Long Sault, Ontario. In addition, in the fourth quarter the Company completed the purchase of the building and property at which its newly-acquired Montreal yarn spinning operation is located.

The Company ended the fiscal year with \$70.9 million of cash and cash equivalents. At the year end, the Company's \$150 million revolving credit facility was entirely unutilized and available, and net debt/ total capitalization was 16%.

H. Greg Chamandy, Chairman and Chief Executive of Gildan Activewear, commented that "We are pleased to have delivered on all of our key performance targets in fiscal 2002. We have exceeded our market share and sales growth goals, we have achieved in excess of 30% growth in earnings per share, we have continued to lower our cost structure, and we have become a significant free cash flow generator, while still maintaining a strong growth profile."

OUTLOOK

On November 13, 2002, the Company reiterated its earnings guidance for fiscal 2003, calling for earnings per diluted share in the range of \$2.60 - \$2.70. Gildan expects to generate \$25 to \$35 million of free cash flow during the 2003 fiscal year, after capital expenditures. The Company continues to have an objective of sustaining long-term average annual growth in earnings per diluted share of 15 to 20%.

Mr. Chamandy concluded his comments on Gildan's results and outlook by stating that "We are delighted with the successful execution of the Rio Nance start up

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and excited about the impact this facility will have on our overall cost structure, starting with the 2003 fiscal year. We believe this facility will have the lowest delivered costs for the U.S. activewear market, against any global competition. We are equally pleased with the results of our vertical integration into yarn spinning, which also significantly lowers our cost structure. These investments position us well for continuing profitable growth in fiscal 2003 and beyond."

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"We have ended the year in a very strong capital position, and expect to continue to generate free cash flow in fiscal 2003. During the year, one of our key priorities will be to determine the optimal utilization of our surplus cash balances. We believe we have significant growth opportunities available based on capitalizing upon our core competency as a global low cost manufacturer of basic circular knit apparel."

OTHER MATTERS

The Company announced that it intended, within the next week, to file for approval by the Toronto Stock Exchange to make a normal course issue bid in order to repurchase a maximum of 200,000 Class A Subordinate voting shares, representing less than 1% of the total Class A shares issued and outstanding at November 30, 2002. The repurchase program will be applicable for a period of one year from the date of approval by the TSX, unless terminated earlier by the Company.

As of November 30, 2002 there were 22,827,772 Class A subordinate shares and 6,094,000 Class B multiple voting shares issued and outstanding, along with 1,428,954 options outstanding.

The Company also indicated that Mr. Chamandy, and Laurence Sellyn, its Executive Vice-President and Chief Financial Officer, would be certifying its year-end financial statements when filed with U.S. regulatory authorities in early 2003.

PROFILE

Gildan Activewear is a vertically-integrated manufacturer and marketer of premium quality branded basic activewear for sale principally in the wholesale imprinted activewear segment of the Canadian, U.S., European and other international apparel markets. The Company manufactures and sells premium quality 100% cotton T-shirts, 50% cotton/50% polyester T-shirts, placket collar golf shirts and premium quality fleece in a variety of weights, sizes, colours and styles. The company sells its products as blanks, which are ultimately decorated with designs and logos for sale to consumers.

(UNLESS OTHERWISE INDICATED, ALL AMOUNTS ARE EXPRESSED IN CANADIAN DOLLARS.)

CERTAIN STATEMENTS INCLUDED IN THIS PRESS RELEASE MAY CONSTITUTE "FORWARD-LOOKING STATEMENTS" WITHIN THE MEANING OF THE U.S. PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995. SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN 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 FOR A DISCUSSION OF THE VARIOUS FACTORS THAT MAY AFFECT THE COMPANY'S FUTURE RESULTS.

INFORMATION FOR SHAREHOLDERS:

Gildan Activewear Inc. will hold a conference call to discuss these results today at 10:00 AM Eastern Time. Interested parties can join the call by dialing (888) 740-8770. The conference call can also be accessed via live webcast at www.newswire.ca or www.q1234.com.

If you are unable to call in at this time, you may access a tape recording of the meeting by calling 1-800-558-5253 and entering the passcode 21030398 on your phone. This tape recording will be available on Friday, December 6 as of noon until 11:00 PM on Friday, December 13, 2002.

GILDAN ACTIVEWEAR INC.
CONSOLIDATED STATEMENTS OF EARNINGS
(In thousands of Canadian dollars, except per share data)

	THREE MONTHS ENDED		
	September 29, 2002 (unaudited)	September 30, (1) 2001 (unaudited)	September 2002 (audited)
SALES	\$159,921	\$115,208	\$600,660
Cost of sales	115,011	119,308	431,996
GROSS MARGIN	44,910	(4,100)	168,664
Selling, general and administrative expenses	15,506	31,733	63,926
EARNINGS BEFORE INTEREST, INCOME TAXES, DEPRECIATION AND AMORTIZATION	29,404	(35,833)	104,738
Depreciation and amortization	4,896	4,243	17,592
Interest expense	2,964	3,698	13,342
EARNINGS (LOSS) BEFORE INCOME TAXES	21,544	(43,774)	73,804
Income taxes	1,982	(4,939)	7,312
NET EARNINGS (LOSS)	\$ 19,562	\$ (38,835)	\$ 66,492
BASIC EPS			
Canadian \$	\$ 0.68	\$ (1.38)	\$ 2.33
US \$ (2)	\$ 0.44	\$ (0.89)	\$ 1.49
DILUTED EPS			
Canadian \$	\$ 0.66	\$ (1.33)	\$ 2.26
US \$ (2)	\$ 0.43	\$ (0.87)	\$ 1.45

(1) Net earnings (loss) include special charges and other adjustments amounting to \$45.5 million on an after tax basis for the fourth quarter of 2001 and

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\$49.5 million on an after tax basis for the year ended September 30, 2001. Supplementary measures of earnings per share do not have any standardized meaning prescribed by generally accepted accounting principles and are therefore unlikely to be comparable to similar measures presented by other companies. The purpose of presenting a supplementary measure of earnings per share is to show the earnings per share as adjusted for the impact of the "special charges and other adjustments" on an after-tax basis.

	THREE MONTHS ENDED		
	September 29, 2002	September 30, 2001	September 2002
BASIC EPS:			
Canadian \$	\$ 0.68	\$ 0.24	\$ 2.33
US \$	\$ 0.44	\$ 0.16	\$ 1.49
DILUTED EPS:			
Canadian \$	\$ 0.66	\$ 0.23	\$ 2.26
US \$	\$ 0.43	\$ 0.15	\$ 1.45

- (2) The U.S. dollar earnings per share are based on the Canadian results on a Canadian GAAP basis converted at the average exchange rates for the respective periods.
- (3) Certain prior period figures have been reclassified to conform with the basis of presentation adopted in the current period.

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GILDAN ACTIVEWEAR INC. CONSOLIDATED STATEMENTS OF CASH FLOWS (In thousands of Canadian dollars)

	THREE MONTHS ENDED		
	September 29, 2002 (unaudited)	September 30, 2001 (unaudited)	Sep (
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	\$ 24,580	\$ -	\$
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net earnings (loss)	19,562	(38,835)	
Adjustments for:			
Depreciation and amortization	4,896	4,243	
Future income taxes	3,427	632	
Other	3,374	(1,007)	
	31,259	(34,967)	
Net changes in non-cash working capital balances:			
Accounts receivable	18,905	39,072	
Inventories	25,111	14,263	
Prepaid expenses and deposits	1,679	1,278	

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Accounts payable and accrued liabilities	(2,983)	12,768
Income taxes payable	(1,254)	(5,086)
	72,717	27,328
CASH FLOWS FROM FINANCING ACTIVITIES:		
(Decrease) increase in revolving bank loan	-	(17,915)
Repayment of capital leases	(2,358)	(1,211)
Increase in unsecured debt	459	-
Repayment of other long-term debt	(5,579)	(503)
Proceeds from the issuance of shares	1,481	-
Increase in deferred charges	(882)	(677)
	(6,879)	(20,306)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of fixed assets, net of disposals	(17,996)	(7,246)
(Increase) decrease in other assets	(1,517)	224
	(19,513)	(7,022)
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 70,905	\$ -

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GILDAN ACTIVEWEAR INC.
CONSOLIDATED BALANCE SHEETS
(in thousands of Canadian dollars)

	September 29, 2002	September 30, 2001
	(audited)	(audited)
CURRENT ASSETS:		
Cash and cash equivalents	\$ 70,905	\$ -
Accounts receivable	87,746	125,525
Inventories	112,971	178,351
Prepaid expenses and deposits	3,657	4,265
Future income taxes	5,028	6,915
	280,307	315,056
FIXED ASSETS	209,247	153,572
FUTURE INCOME TAXES	-	1,081
OTHER ASSETS	7,085	6,942
TOTAL ASSETS	\$496,639	\$476,651
CURRENT LIABILITIES:		
Accounts payable and accrued liabilities	\$ 82,168	\$ 98,198
Income taxes payable	3,063	2,312
Current portion of long-term debt	6,249	6,416
	91,480	106,926
LONG-TERM DEBT:		

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Revolving bank loan	-	35,083
U.S. senior notes	110,271	106,173
Capital leases	2,109	6,139
Other secured debt	34	5,530
Unsecured debt	2,452	300
	-----	-----
	114,866	153,225
FUTURE INCOME TAXES	20,385	17,646
SHAREHOLDERS' EQUITY:		
Share capital	104,925	100,362
Contributed surplus	323	323
Retained earnings	164,660	98,169
	-----	-----
	269,908	198,854
	-----	-----
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$496,639	\$476,651
	=====	=====

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

GILDAN ACTIVEWEAR INC.

Date: December 6, 2002

By: /s/ Francois D. Ramsay

 Name: Francois D. Ramsay
 Title: Vice-President, General Counsel
 and Corporate Secretary

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