

Gildan Activewear Inc.
Form 40-F
December 09, 2014

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 40-F

^o Registration statement pursuant to Section 12 of the
Securities Exchange Act of 1934

or

^p Annual report pursuant to Section 13(a) or 15(d) of the
Securities Exchange Act of 1934

For Fiscal year ended: Commission File number:
October 5, 2014 01-14830

GILDAN ACTIVEWEAR INC.

(Exact name of registrant as specified in its charter)

Canada

(Province or other jurisdiction of incorporation or organization)

2200, 2250, 2300

(Primary standard industrial classification code number, if applicable)

Not Applicable

(I.R.S. employer identification number, if applicable)

600 de Maisonneuve Boulevard West, Montreal, Quebec, Canada H3A 3J2, (514) 735-2023

(Address and telephone number of registrant's principal executive office)

Puglisi & Associates, 850 Library Avenue, Suite 204, P.O. Box 885, Newark, Delaware 19715, (302) 738-6680

(Name, address and telephone number of agent for service in the United States)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Shares	New York Stock Exchange

Securities registered or to be registered
pursuant to Section 12(g) of the Act None

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Securities for which there is a reporting obligation pursuant to Section 15(d) of the None Act:

For annual reports, indicate by check mark the information filed with this form:

Annual Information Form Audited Annual Financial Statements

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report:

Common Shares:

122,471,176

Indicate by check mark whether the Registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the preceding 12 months (or for such shorter period that the registrant was required to file such reports); and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit and post such files).

Yes No

GILDAN ACTIVEWEAR INC.
ANNUAL INFORMATION FORM
for the year ended October 5, 2014

December 9, 2014

2014 ANNUAL INFORMATION FORM

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This Annual Information Form is dated December 9, 2014 and, except as otherwise indicated, the information contained herein is given as of December 9, 2014.

Unless otherwise indicated, all dollar amounts set forth herein are expressed in U.S. dollars and all financial information set forth herein is prepared in accordance with International Financial Reporting Standards (“IFRS”).

Unless otherwise indicated, all references to share prices, trading volumes and per share measures are adjusted, on a retroactive basis, to reflect all stock splits.

In this Annual Information Form, “Gildan”, the “Company” or the words “we”, “our” and “us” refer, depending on the context, either to Gildan Activewear Inc. or to Gildan Activewear Inc. together with its subsidiaries.

The information appearing in the extracts of the documents listed below and specifically referred to in this Annual Information Form is incorporated herein by reference:

- Audited Consolidated Financial Statements as at and for the year ended October 5, 2014 (the “2014 Financial Statements”);
- Management’s Discussion and Analysis for the year ended October 5, 2014 (the “2014 Annual MD&A”); and
- The latest Notice of Annual Meeting of Shareholders and Management Proxy Circular filed on SEDAR.

The foregoing documents are available on the SEDAR website at www.sedar.com, on the EDGAR website at www.sec.gov and on the Company’s website at www.gildan.com/corporate.

This Annual Information Form contains certain forward-looking statements that are based on Gildan’s current expectations, estimates, projections and assumptions and that were made by Gildan in light of its experience and its perception of historical trends. Results indicated in forward-looking statements may differ materially from the actual results. Please refer to the cautionary statement on pages 30 and 31 of this Annual Information Form for further explanation.

1. CORPORATE STRUCTURE

1.1 Name, Address and Incorporation

We were incorporated on May 8, 1984 pursuant to the Canada Business Corporations Act under the name of Textiles Gildan Inc. At our inception, we focused our activities on the manufacture of textiles and produced and sold finished fabric as a principal product-line. In 1992, we redefined our operating strategy and, by 1994, our operations focused exclusively on the manufacture and sale of activewear in the screenprint channel. In March 1995, we changed our name to Gildan Activewear Inc./Les Vêtements de Sports Gildan Inc. In 2005, we changed our French name to Les Vêtements de Sport Gildan Inc.

In June 1998, in conjunction with a planned initial public offering, we filed Articles of Amendment to, among other things, remove the private company restrictions contained in our charter documents and change the structure of our authorized share capital. On June 17, 1998, we completed our initial public offering of an aggregate of 3,000,000 Class A Subordinate Voting shares at Cdn\$10.29 per share, on a pre-split basis, for total gross proceeds of Cdn\$30,880,500.

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On February 2, 2005, we filed Articles of Amendment in order to, among other things, (i) create a new class of common shares (the “Common Shares”), (ii) change each of the issued and outstanding Class A Subordinate Voting shares into one of the newly-created Common Shares, and (iii) remove the Class B Multiple Voting shares

and the Class A Subordinate Voting shares as well as the rights, privileges, restrictions and conditions attaching thereto. On February 15, 2011, we filed Reinstated Articles of Incorporation in order to change the number of directors to a minimum of five and a maximum of twelve as determined by the directors from time to time and to appoint one or more directors in accordance with the law governing the Company.

Our principal executive offices and registered office are located at 600 de Maisonneuve Boulevard West, 33rd Floor, Montréal, Québec, Canada H3A 3J2, and our main telephone number at that address is (514) 735-2023.

1.2 Intercorporate Relationships

The following table indicates our principal subsidiaries, their jurisdiction of incorporation and the percentage of voting securities that we beneficially own or over which we exercise direct or indirect control:

Subsidiary	Jurisdiction of Incorporation	Percentage of Voting Securities or Partnership Interests that Gildan held as at December 9, 2014
Gildan Activewear SRL	Barbados	100%
Gildan USA Inc.	Delaware	100%
Gildan Yarns, LLC	Delaware	100%
Gildan Honduras Properties, S. de R.L.	Honduras	100%
Gildan Apparel (Canada) LP	Ontario	100%
Gildan Hosiery Rio Nance, S. de R.L.	Honduras	100%
Gildan Mayan Textiles, S. de R.L.	Honduras	100%
Gildan Apparel USA Inc.	Delaware	100%
Gildan Activewear Honduras Textile Company, S. de R.L.	Honduras	100%
Gildan Activewear (UK) Limited	United Kingdom	100%
A.K.H., S. de R. L.	Honduras	100%

The subsidiaries that have been omitted do not represent individually more than 10% of the consolidated assets and 10% of the consolidated revenue of Gildan, or in the aggregate more than 20% of the total consolidated assets and the consolidated revenue as at and for the year ended October 5, 2014.

2. GENERAL DEVELOPMENT OF THE BUSINESS

The following section describes how our business has evolved in the last three completed financial years and lists key events that have influenced the development of our business.

2.1 Recent Developments

- On December 4, 2014, the Company announced that it will be transitioning to a new fiscal year-end in 2015. As a result of this transition, the Company's year-end will take place on the Sunday closest to December 31, rather than the first Sunday following September 28. The change in year-end recognizes that the seasonality of the overall consolidated sales revenues for the Company is changing due to the increasing importance of the Branded Apparel segment. The Company's business planning cycle is becoming more aligned with the

calendar year, and this change will provide better visibility on retail program placements and cotton fixations. In addition, the change in year-end will be better aligned with Gildan's industry comparables. For purposes of its regulatory filings, the Company will report results for the fifteen-month transition period of October 6, 2014 through January 3, 2016. The Company's first twelve-month fiscal year on a calendar basis will begin on January 4, 2016 and end on January 1, 2017.

- On December 3, 2014, the Company decided to take major strategic pricing actions in Printwear to reinforce its leadership position in the industry. The Company significantly lowered base selling prices and reduced and simplified its discount structure, in order to be responsive to distributors and enhance their ability and visibility to plan their business. In addition, these strategic pricing actions are expected to stimulate end-use demand and drive unit sales volume and earnings growth in calendar 2015 and beyond. The Company has historically followed a strategy to continue to invest in low-cost manufacturing capacity and cost reduction projects and pass through a portion of the resulting cost reductions into lower selling prices. The selling price reductions reflect the pass through of a portion of the expected cost savings from the Company's investments in new yarn-spinning facilities, in order to drive further growth and market penetration. The price reductions also reflect the further reduction in the price of cotton futures in recent months.

The Company will be applying the benefit of the reduction in selling prices announced on December 3, 2014 to existing distributor inventories in the form of a distributor inventory devaluation discount projected to be approximately \$45 million, which will be reflected as a deduction from net sales in the three-month period ending January 4, 2015.

- On December 4, 2014, the Company announced that it had received approval from the Toronto Stock Exchange ("TSX") to implement a normal course issuer bid to purchase for cancellation up to 6.1 million Common Shares, representing approximately 5% of the Company's issued and outstanding Common Shares. As of November 30, 2014, the Company had 122,478,794 Common Shares issued and outstanding.

Gildan is authorized to make purchases under the bid during the period from December 8, 2014 to December 7, 2015 in accordance with the requirements of the TSX. Purchases will be made by means of open market transactions on both the TSX and the New York Stock Exchange ("NYSE"), or alternative trading systems, if eligible, or by such other means as the TSX, the NYSE or a securities regulatory authority may permit, including by private agreements under an issuer bid exemption order issued by securities regulatory authorities in Canada.

Under the bid, Gildan may purchase up to a maximum of 79,271 Common Shares daily through TSX facilities, which represents 25% of the average daily trading volume on the TSX for the most recently completed six calendar months. The price to be paid by Gildan for any Common Shares will be the market price at the time of the acquisition, plus brokerage fees, and purchases made under an issuer bid exemption order will be at a discount to the prevailing market price in accordance with the terms of the order.

Gildan has not repurchased any of its outstanding Common Shares under a normal course issuer bid in the last twelve months.

- Subsequent to the end of fiscal 2014, the Company increased its bank credit facility from \$800 million to \$1 billion and extended the maturity date to April 2020 from January 2019, in order to provide the Company with financing flexibility to initiate the normal course issuer bid while at the same time to pursue potential future acquisition opportunities. The terms and conditions of the amended bank credit facility agreement are substantially unchanged.

- On December 3, 2014, Gildan's Board of Directors approved a 20% increase in the amount of the current quarterly dividend and declared a cash dividend of \$0.13 per Common Share payable on January 12, 2015 to shareholders of

record on December 18, 2014.

2.2 Developments in Fiscal 2014

- On November 20, 2013, Gildan's Board of Directors approved a 20% increase in the amount of the quarterly dividend and declared a cash dividend of \$0.108 per Common Share payable at each quarter of fiscal 2014 to shareholders of record.
- Effective November 1, 2013, Mr. Russ Hagey was appointed to the Company's Board of Directors. Mr. Hagey is a Senior Partner and the Worldwide Chief Talent Officer of Bain & Company, Inc., one of the world's leading management consulting firms. Mr. Hagey holds a Master of Business Administration from the Stanford Graduate School of Business and earned his Bachelor of Arts in economics from the University of California at Los Angeles. He also serves on a number of community and not-for-profit boards.
- The Company continued to execute on its yarn-spinning manufacturing initiative:
 - The Company completed the refurbishment and modernization of its yarn-spinning facilities in Clarkton, NC and Cedartown, GA.
 - The first facility in Salisbury, NC producing ring-spun yarn began operations in the second quarter of fiscal 2014.
 - The Company constructed a second yarn-spinning facility in Salisbury and operations are projected to commence in the last calendar quarter of the year.
 - The Company began construction of a new yarn-spinning facility in Mocksville, NC.
- During fiscal 2014, the Company announced plans for further textile capacity expansion. The Company plans to construct a new textile facility, Rio Nance 6, which will be located at the Company's Rio Nance complex in Honduras. The new Rio Nance facility is intended to support the introduction of more higher-valued products and optimize manufacturing efficiencies at the Company's other textile facilities. Development of the site for Rio Nance 6 is currently underway and the facility is expected to begin production in 2016.
- The Company also announced plans to construct its first facility in Costa Rica, which is strategically located for duty-free, quota-free access to the Company's major markets in the U.S. The facility will be located in the province of Guanacaste in north-western Costa Rica, close to the Company's sewing plants in Nicaragua and accessible to ports on both the eastern and western coasts of the country. The Costa Rica facility is expected to begin production in 2017.
- During fiscal 2014, the Company also substantially completed the production ramp-up of its Rio Nance 1 facility, which was modernized and refurbished during fiscal 2013 to improve its cost efficiency.
- On July 7, 2014, the Company acquired substantially all of the operating assets and assumed certain liabilities of Doris Inc. ("Doris") for cash consideration of \$101.7 million, plus additional contingent payments of up to \$9.4 million, payable based on the achievement of targets for growth in sales revenues over a three-year period from the date of the acquisition. The acquisition was financed by the utilization of the Company's revolving long-term bank credit facility. Doris is a marketer and manufacturer of branded sheer hosiery, legwear and shapewear products to retailers in Canada and the United States. The acquisition immediately provides Gildan with an established sales organization and a platform for retail distribution of the Gildan® and Gold Toe® brands in Canada. In addition, the acquisition further enhances and expands the Company's consumer brand portfolio within its existing U.S. retail distribution network and further broadens the Company's retail distribution network in the United States due to Doris'

strong presence in the food and drug channel. The Company believes this acquisition also represents a first step in building a ladies' intimate apparel platform over time.

- Effective October 1, 2014, the Company extended its worldwide license for the Mossy Oak® brand for activewear, underwear and socks providing exclusive licensing rights to Gildan for a term of ten years. The previous initial license agreement was for a three-year term.

2.3 Developments in Fiscal 2013

- On November 28, 2012, Gildan's Board of Directors approved a 20% increase in the amount of the quarterly dividend and declared a cash dividend of \$0.09 per Common Share payable at each quarter of fiscal 2013 to shareholders of record.
- During fiscal 2013, the Company made important progress in its strategy to penetrate the retail market:
 - We continued to improve the operating profitability of our Branded Apparel segment, which reflected in part the increasingly more favourable mix of higher-value Gildan® and Gold Toe® branded products.
 - During the third quarter of fiscal 2013, the Company began shipment of its first major Gildan® branded underwear program to a U.S. national mass-market retailer. Initial retailer sales of the Gildan® underwear products exceeded the Company's expectations.
- During fiscal 2013, the Company completed the production ramp-up of its newest textile facility Rio Nance 5.
- During fiscal 2013, the Company began to execute on a significant yarn-spinning manufacturing initiative in order to support its projected sales growth and planned capacity expansion and to continue to pursue its business model of investing in global vertically-integrated low-cost manufacturing technology. Our investments in yarn-spinning include the following:
 - On October 29, 2012, the Company acquired the remaining 50% interest in CanAm Yarns, LLC ("CanAm"), its jointly-controlled entity, for cash consideration of \$11.1 million. The entity was subsequently renamed Gildan Yarns, LLC ("Gildan Yarns"). Gildan Yarns operates open-end yarn-spinning facilities in Cedartown, GA and Clarkton, NC, which the Company subsequently refurbished and modernized during fiscal 2014.
 - The Company began developing a new yarn-spinning facility in Salisbury, NC for the production of ring-spun yarn, which began production in the second quarter of fiscal 2014.
 - On September 23, 2013, the Company announced investments for fiscal 2014 and 2015, in excess of \$200 million, for the construction of two additional yarn-spinning facilities. One of the facilities will be located in Salisbury, NC, adjacent to the facility then being developed and the second facility will be located in Mocksville, NC.
- On June 21, 2013, the Company acquired substantially all of the assets and assumed certain liabilities of New Buffalo Shirt Factory Inc. ("New Buffalo") and its operating affiliate in Honduras, for cash consideration of \$5.8 million. New Buffalo is a leader in screenprinting and apparel decoration for global lifestyle and athletic brands. The rationale for the acquisition is to complement the further development of the Company's relationships with these major consumer brands which it supplies.

2.4 Developments in Fiscal 2012

- The unprecedented volatility in the cost of cotton in fiscal 2011, which saw cotton prices reach historic highs in the first half of the year followed by an equally rapid and steep reversal in the second half of fiscal 2011, hurt overall profitability in the apparel industry in the first half of fiscal 2012. Activewear margins in the first half of fiscal 2012

for our Printwear segment were significantly negatively affected by the consumption of

inventory produced in fiscal 2011 with high-cost cotton. In addition, the Company's net loss reported in the first quarter of fiscal 2012 was impacted by significant inventory destocking by U.S. distributors in anticipation of selling price reductions from suppliers. In the first quarter of fiscal 2012, we reduced our selling prices in the U.S. distributor channel. We believe that lower selling prices helped stimulate the recovery in demand in the U.S. distributor channel in fiscal 2012 and reinforced our industry leading position in this channel. Similarly, in the first half of fiscal 2012, the Branded Apparel segment was also affected by the consumption of inventory produced with high-cost cotton.

- As of fiscal 2012, the Company began managing and reporting its business as two operating segments, Printwear and Branded Apparel, each of which is a reportable segment for financial reporting purposes. Each segment has its own management that is accountable and responsible for the segment's operations, results and financial performance. These segments are principally organized by the major customer markets they serve. A more detailed description of our operating segments is contained in section 3.1 4 of this Annual Information Form.
- On May 9, 2012, the Company acquired 100% of the common shares of Anvil Holdings, Inc. ("Anvil") for cash consideration of \$87.4 million, net of cash acquired. Anvil is a supplier of high-quality basic T-shirts and sport shirts. The acquisition of Anvil is expected to further enhance Gildan's leadership position in the U.S. printwear channel, and to position the Company with potential growth opportunities as a supply chain partner to leading global lifestyle and athletic consumer brands.
- During fiscal 2012, we began the ramp-up of our newest textile facility, Rio Nance 5. During the production ramp-up of Rio Nance 5, we suspended production temporarily at our most mature facility, Rio Nance 1, in order to modernize and refurbish the facility and improve its cost efficiency.
- On December 2, 2011, the TSX approved the renewal of Gildan's normal course issuer bid to purchase up to a maximum of 1,000,000 Common Shares, representing approximately 0.8% of its issued and outstanding Common Shares as at November 30, 2011. The Company did not make any purchases during the period of the bid and did not renew its normal course issuer bid when it expired on December 5, 2012.

3. DESCRIPTION OF THE BUSINESS

3.1 Business Overview

Gildan is a leading supplier of quality branded basic family apparel, including T-shirts, fleece, sport shirts, underwear, socks, hosiery, and shapewear. We sell our products under a diversified portfolio of company-owned brands, including the Gildan®, Gold Toe® and Anvil® brands and brand extensions, as well as the recently acquired Secret®, Silks® and Therapy Plus™ brands. The Company also has licensing arrangements for the Under Armour®, Mossy Oak® and New Balance® brands. We distribute our products in printwear markets in the U.S. and Canada, as well as in Europe, Asia-Pacific and Latin America. We also market our products to a broad spectrum of retailers primarily in the U.S. and Canada. The Company also manufactures for select leading global athletic and lifestyle consumer brands.

Gildan owns and operates vertically-integrated, large-scale manufacturing facilities which are primarily located in Central America and the Caribbean Basin and are strategically positioned to efficiently service the quick replenishment needs of its customers in the printwear and retail markets. Gildan has over 43,000 employees worldwide and is committed to industry-leading labour and environmental practices at all of its facilities.

Strategy and Objectives

Our growth strategy comprises the following four initiatives:

Continue to pursue additional printwear market penetration and opportunities

While we have achieved a leadership position in the U.S. and Canadian printwear channels, particularly within the basics category servicing wholesale distributors, we believe we can broaden our market opportunity by pursuing deeper penetration in the fashion basics and sports performance product categories in the North American printwear market, where our participation in these categories has not been as extensive as in the basics category. We intend to continue to leverage our vertical manufacturing platform, cost advantage and distributor reach to grow in all product categories, including basics, through product expansion and brand diversification. We also intend to continue to expand our presence in international printwear markets such as Europe, Asia-Pacific and Latin America which currently represent approximately 8% of the Company's total consolidated net sales, by expanding distribution and by leveraging our brands.

We are pursuing further market penetration in North America and internationally with our expanded portfolio of brands, each with a different brand positioning. In addition to our leading Gildan® brand, our printwear brand portfolio includes the Anvil® brand which has been repositioned to focus on contemporary ring-spun products featuring fashion fitted styles. In the sports performance category, we market our products under our Gildan Performance™ brand and the licensed New Balance® brand. Both performance brand offerings feature moisture management and anti-microbial properties to enhance long-lasting performance.

We are pursuing further sales growth through continued introduction of new products such as softer T-shirts, the expansion of our performance product lines, new styles tailored for women, enhanced sport shirts offerings and workwear assortments. New product introductions could also allow us to service certain niches of the printwear channel which we do not currently participate in.

Fiscal 2014 highlights

- We continued penetration into our targeted international markets. Sales in international markets grew by approximately 17%, with particularly strong growth in Europe and Asia-Pacific where sales in these markets increased close to 30%, and we entered new markets in Latin America.
- We significantly enhanced our Gildan® branded sport shirt product-line offering, to be launched at the start of 2015 with softer fabrics using higher-end yarns, such as combed ring-spun, dual blends and sports performance fabrics and styles. We believe the updated product-line significantly enhances our competitive positioning in the uniform, workwear and sports performance categories.
- At the start of fiscal 2014 we launched the new Anvil® line, targeting a younger, more fashion-conscious consumer, featuring fashion fitted styles with ring-spun yarn, to further complement the Gildan® product offering in the printwear market.
- The Anvil® product-line was further expanded to include tri-blend styles, including polyester, combed ring-spun cotton and rayon, a growing fabric trend in the apparel industry. The tri-blends will be launched as part of the Anvil® product-line in 2015.

Continue penetration of retail market as a full-line supplier of branded family apparel

We intend to continue to leverage our existing core competencies, successful business model and competitive strengths to grow our sales to U.S. retailers. As in the printwear channel, success factors in penetrating the retail channel include consistent quality, competitive pricing and fast and flexible replenishment, together with a

commitment to corporate social responsibility and environmental sustainability. We intend to leverage our current distribution with retailers, our manufacturing scale and expertise and our ongoing marketing investment to support the further development of company-owned and licensed brands to create additional sales growth opportunities in activewear, underwear, socks and sheer hosiery. The Company is making significant investments in advertising for the further development of its Gildan® and Gold Toe® portfolio of consumer brands.

Although we are primarily focused on further developing our company-owned brands, we are also focused on building our relationships and growing our sales as a supply chain partner to select global athletic and lifestyle brands that are increasingly looking to source from manufacturers that meet rigorous quality and social compliance criteria, with an efficient supply chain strategically located in the Western Hemisphere. Our manufacturing operations combined with our screenprinting and apparel decorating capabilities allow us to provide a more streamlined sourcing solution for these brands. We believe there is an opportunity to leverage these relationships to expand into other product categories, such as socks, performance products and underwear.

Fiscal 2014 highlights

- In just over one year of having obtained our first national Gildan® branded men's underwear program with a major mass-market retailer, the Gildan® brand was the number 3 men's underwear brand during the three-month period ended September 30, 2014 and achieved a market share of 7.5% in the month of September, according to the NPD Group's Retail Tracking Service.
- During fiscal 2014, we continued to expand shelf space with retailers and secure new program placements of Gildan®, Gold Toe® and related brand extensions for 2015 in all product categories and in various channels of retail distribution.
- Effective October 1, 2014, we extended our worldwide license for the Mossy Oak® brand for activewear, underwear and socks on an exclusive basis for a term of ten years. The previous initial license agreement was for a three-year term. We secured new programs for 2015 under the licensed Mossy Oak® brand in multiple product categories and in various channels of distribution in retail.
- During fiscal 2014, we increased our sales to global lifestyle brands and expanded into the socks category, and we secured new printed and performance activewear programs with major sportswear brands for 2015.
- We acquired Doris, a marketer and manufacturer of branded sheer hosiery, legwear and shapewear products to retailers in Canada and the United States. The acquisition provides an immediate platform for retail distribution in Canada to offer Gildan® and Gold Toe® products, and provides the opportunity to offer sheer hosiery, legwear and shapewear products to our existing U.S. customer base. In addition, the acquisition broadens the Company's retail distribution network in the United States due to Doris' strong presence in the food and drug channel. The Company believes this acquisition also represents a first step in building a ladies intimate apparel platform over time.

Continue to increase capacity to support our planned sales growth and generate manufacturing and distribution cost reductions

We plan to continue to increase capacity to support our planned sales growth. We are continuing to seek to optimize our cost structure by adding new low-cost capacity, investing in projects for cost-reduction and further vertical-integration, as well as for additional product quality enhancement.

Fiscal 2014 highlights

- The ramp-up of the Rio Nance 1 and Anvil textile facilities in Honduras were essentially completed by the end of the fiscal year. The facilities have been reconfigured and upgraded with new equipment in order to support the Company's planned growth in underwear and in more specialized performance and fashion basic products.
- We announced plans for further textile capacity expansion, including a new textile facility in Honduras and a new textile facility in Costa Rica.
- We also added new sock manufacturing equipment for higher-valued sock production.
- The Company essentially doubled its underwear sewing capacity.
- We completed the refurbishment and modernization of our yarn-spinning facilities in Clarkton, NC and Cedartown, GA. We started production at our first ring-spun yarn facility in Salisbury, NC in the second quarter of fiscal 2014 and the facility is ramping up as planned. We completed the construction of a second yarn-spinning facility in Salisbury for the production of open-end yarn, which is targeted to commence operations in the last calendar quarter of 2014. Construction of a third facility at Mocksville, NC is underway.
- The Company also continued to execute its plans to reduce its reliance on high-cost fossil fuels and further reduce its impact on the environment through the investment in biomass projects as an alternate source of natural renewable energy, and other initiatives to increase the efficiency of its energy-intensive equipment and processes, which reflect the Company's commitment to environmental sustainability.
- We essentially completed the construction of a new distribution centre in the Rio Nance complex in Honduras.

Pursue complementary acquisitions

In order to enhance our organic growth, we will continue to seek complementary strategic acquisition opportunities which meet our return on investment criteria, based on our risk-adjusted cost of capital.

Fiscal 2014 highlights

- On July 7, 2014, we acquired Doris, a marketer and manufacturer of branded sheer hosiery, legwear and shapewear products to retailers in Canada and the United States.

Our Operating Segments

The Company manages and reports its business under two operating segments, Printwear and Branded Apparel, each of which is a reportable segment for financial reporting purposes. Each segment has its own management that is accountable and responsible for the segment's operations, results and financial performance. These segments are principally organized by the major customer markets they serve. The following summary describes the operations of each of the Company's operating segments:

Printwear segment

The Printwear segment, headquartered in Christ Church, Barbados, designs, manufactures, sources, markets and distributes undecorated activewear products in large quantities primarily to wholesale distributors in printwear markets in over 30 countries across North America, Europe, Asia-Pacific and Latin America. Through our Printwear

segment, we sell mainly activewear products consisting of undecorated or “blank” T-shirts, fleece and sport shirts which are marketed primarily under our own brands, Gildan®, Gildan Performance™ and Anvil®.

Through a license arrangement we also sell performance activewear products under the New Balance® brand. Wholesale distributors sell our products to screenprinters and embroiderers, who decorate the products with designs and logos and sell the imprinted activewear to a highly diversified range of end-use markets, including educational institutions, athletic dealers, event merchandisers, promotional product distributors, charity organizations, entertainment promoters, travel and tourism venues and retailers. Our activewear products are used in a variety of daily activities by individuals, including work and school uniforms and athletic team wear, and for various other purposes to convey individual, group and team identity.

Branded Apparel segment

The Branded Apparel segment, headquartered in Charleston, South Carolina, designs, manufactures, sources, markets and distributes branded family apparel, which includes athletic, casual and dress socks, underwear and activewear products, primarily to U.S. retailers. More recently, with the acquisition of Doris, the Company's product-line has been expanded to include branded sheer hosiery, legwear and shapewear products which are sold to retailers in Canada and the United States. We market our products primarily under our company-owned and licensed brands, as well as select national retailers' brands. Although the main focus of the Company's growth strategy is the continued development of its company-owned brands, the Company is also pursuing the opportunity to grow its sales as a supply chain partner to select targeted global consumer brands, including major sportswear and family entertainment brands for which we manufacture and decorate products.

Competitive Environment

The markets for our products are highly competitive and are served by domestic and international manufacturers or suppliers. Competition is generally based upon price, with reliable quality and service also being critical requirements for success. Our competitive strengths include our expertise in building and operating large-scale, vertically-integrated, strategically-located manufacturing hubs. Our capital investments in manufacturing allow us to operate efficiently and reduce costs, offer competitive pricing, maintain consistent product quality, and a reliable supply chain, which efficiently services replenishment programs with short production/delivery cycle times. Continued investment and innovations in our manufacturing processes have also allowed us to deliver enhanced product features, further improving the value proposition of our product offering to our customers. Consumer brand recognition and appeal are also important factors in the retail market. The Company is focused on further developing its brands and is continuing to make significant investments in advertising to support the further enhancement of its Gildan® and Gold Toe® brands. Our commitment to leading environmental and social responsibility practices is also an area of investment for the Company and an important factor for our customers.

Printwear segment

Our primary competitors in North America include major apparel manufacturers such as Fruit of the Loom, Inc. ("Fruit of the Loom") and Russell Corporation ("Russell"), both subsidiaries of Berkshire Hathaway Inc. ("Berkshire"), as well as Hanesbrands Inc. ("Hanesbrands"). We also compete with smaller U.S.-based competitors, including Alstyle Apparel, a division of Ennis Corp., Delta Apparel Inc., American Apparel, Inc., Color Image Apparel, Inc., Next Level Apparel, as well as Central American and Mexican manufacturers. In addition, we compete with private label brands sold by some of our customers. Competitors in the European printwear market include Fruit of the Loom and Russell, as well as competitors that do not have integrated manufacturing operations and source products from suppliers in Asia.

Branded Apparel segment

In the retail channel, we compete primarily with Hanesbrands, Berkshire's subsidiaries Fruit of the Loom and Russell, Renfro Corporation, Jockey International, Inc., Kayser Roth Corporation and Spanx, Inc. In addition, we compete with brands of well-established U.S. fashion apparel and sportswear companies, as well as private label brands sold by our customers that source primarily from Asian manufacturers.

Manufacturing

The vast majority of our products are manufactured in facilities that we own and operate. Our vertically-integrated manufacturing operations include capital-intensive yarn-spinning, textile, sock, and sheer manufacturing facilities, as well as labour-intensive sewing plants. We satisfy the vast majority of our yarn requirements, which are mainly cotton-based, by sourcing from third-party U.S. yarn suppliers with which we have supply agreements, as well as from our own yarn-spinning operations in the U.S. A small portion of our yarn requirements is sourced outside of the U.S. At our yarn-spinning facilities, we convert cotton and other fibres into yarn. In our textile plants, we convert yarn into dyed and cut fabric which is subsequently transferred for assembly into activewear and underwear garments to sewing facilities we operate in owned or leased premises. Textiles produced in our facilities in Honduras are assembled at our sewing facilities in Honduras and Nicaragua. Textiles produced at our manufacturing facility in the Dominican Republic are sewn at our sewing facilities in the Dominican Republic and third-party contractor operations in Haiti. Our facility in Bangladesh comprises both textile and sewing production. In our integrated sock manufacturing facilities, we convert yarn into finished socks. The majority of our sock production does not require sewing as the equipment used in our facilities knit the entire sock with a seamless toe closing operation.

Our manufacturing operations are primarily based out of our largest manufacturing hub in Central America and a second large hub in the Caribbean Basin, which are strategically located to efficiently service the quick replenishment requirements of our markets. In addition, we also own a small vertically-integrated manufacturing facility in Bangladesh for the production of activewear, which mainly serves our international markets. We also have screenprinting and decorating capabilities in Central America and in the U.S. to support our sales to leading global athletic and lifestyle consumer brands. During fiscal 2014, in order to expand our retail brand and product offering in Canada and the U.S., we acquired sheer hosiery operations with knitting, dyeing and packaging capabilities in a facility in Montréal, Québec. While we internally produce the majority of the products we sell, we also have sourcing capabilities to complement our large scale, vertically-integrated manufacturing.

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The following table provides a summary of our manufacturing operations by geographic area:

	Canada	United States	Central America	Caribbean Basin	Asia
Yarn-spinning facilities		§ Clarkton, NC § Cedartown, GA Salisbury, NC (2 facilities) (1) § Mocksville, NC (under development)			
Textile facilities			§ Honduras - Rio Nance 1 - Rio Nance 2 - Rio Nance 5 - Anvil Knitwear Honduras (AKH)	§ Dominican Republic	§ Bangladesh
Sewing facilities(2)			§ Honduras (4 facilities) § Nicaragua (3 facilities)	§ Dominican Republic (3 facilities)	§ Bangladesh
Sock / Sheer manufacturing facilities	§ Montreal, QC(3)		§ Honduras - Rio Nance 3 - Rio Nance 4		

(1) One facility is a ring-spun yarn facility which is currently being ramped-up and we completed the construction of a second facility for the production of open-end yarn, which is targeted to commence operations in the last calendar quarter of 2014.

(2) We also use the services of third-party sewing contractors, primarily in Haiti, to support textile production from the Dominican Republic.

(3) Acquired as part of the acquisition of Doris, effective July 7, 2014.

Yarn-spinning capacity expansion

During fiscal 2013, we began to execute on a significant yarn-spinning manufacturing initiative in order to support our projected sales growth and planned capacity expansion, and to continue to pursue our business model of investing in global vertically-integrated low-cost manufacturing technology and in product technology, which we believe will provide consistent superior product quality. We acquired the remaining 50% interest of a joint venture in fiscal 2013, which included two yarn-spinning facilities located in Clarkton, NC and Cedartown, GA, which were subsequently refurbished and modernized during fiscal 2014. In addition, we started to invest in new greenfield yarn-spinning facilities. A new yarn-spinning facility in Salisbury, NC for the production of ring-spun yarn began production in the second quarter of fiscal 2014. The Company also constructed a second yarn-spinning facility in North Carolina, adjacent to the ring-spinning facility, which is expected to commence operations in the last calendar quarter of 2014. In addition, construction of a new yarn-spinning facility in Mocksville, NC is currently underway.

Textile manufacturing expansion

During fiscal 2013, we invested in the modernization and refurbishment of our Rio Nance 1 facility in order to improve the facility's capabilities and cost efficiency. Production at Rio Nance 1 restarted in the fourth quarter of fiscal 2013 and production ramp-up was essentially completed by the end of fiscal 2014. Over the last year, the Company

also invested in the reconfiguration and the upgrading of equipment at the former Anvil manufacturing facility in Honduras to support its growth in more specialized performance and fashion products. During fiscal 2014 the Company announced plans for further textile capacity expansion. The Company plans to construct a new textile facility, Rio Nance 6, which will be located at the Company's Rio Nance complex in

Honduras. The new Rio Nance facility is intended to support the introduction of more higher-valued products and optimize manufacturing efficiencies at the Company's other textile facilities. Development of the site for Rio Nance 6 is currently underway and the facility is expected to begin production in 2016. The Company also announced plans to construct its first facility in Costa Rica, which is strategically located for duty-free, quota-free access to the Company's major markets in the U.S. The facility will be located in the province of Guanacaste in north-western Costa Rica, close to the Company's sewing plants in Nicaragua and accessible to ports on both the eastern and western coasts of the country. The Costa Rica facility is expected to begin production in 2017.

Sales, marketing and distribution

Our sales and marketing offices are responsible for customer-related functions, including sales management, marketing, customer service, credit management, sales forecasting and production planning, as well as inventory control and logistics for each of their respective operating segments. Our two primary distribution centres out of which we service our printwear and retail markets are located in the U.S. In addition, during fiscal 2014, the Company essentially completed the construction of a new distribution centre in Honduras.

Printwear segment

Our sales and marketing office servicing our global printwear markets is located in Christ Church, Barbados. We distribute our activewear products for the printwear markets primarily out of our main distribution centre in Eden, NC. We also use third-party warehouses in the western United States, Canada, Mexico, Colombia, Europe and Asia to service our customers in these markets.

Branded Apparel segment

Our primary sales and marketing office for our Branded Apparel segment is located in Charleston, SC at the same location as our primary distribution centre servicing our retail customers. In addition, we service retail customers from smaller distribution centres in North Carolina, South Carolina and Canada. We also operate 51 retail stores located in outlet malls throughout the United States.

Customers

We sell our products to customers requiring an efficient supply chain and consistent product quality for high-volume quick replenishment programs in the North American and international printwear markets and we are becoming a growing supplier to U.S. retailers. In our printwear markets we sell our products in over 35 countries across North America, Europe and the Asia-Pacific region, and Latin America primarily to wholesale distributors and to a lesser extent to large screenprinters. Our products in the U.S. retail market are sold to a broad spectrum of retailers, including mass-market retailers, department stores, national and regional chains, sports specialty stores and price clubs. In fiscal 2014 our sales totalled \$2,360.0 million, of which \$1,559.6 million were derived from our Printwear customers and \$800.4 million from Branded Apparel customers. In fiscal 2014, we sold our products in the United States, Canada and Europe and other international markets, which accounted for 88.5%, 3.6% and 7.9% of total sales, respectively. For a breakdown of our total sales by geographic market for each of the last two financial years, reference is made to note 26 to the 2014 Financial Statements, which note is incorporated herein by reference.

Our total customer base is composed of a relatively small number of significant customers. In fiscal 2014, our largest customer accounted for 17.7% of our total sales, and our top ten customers accounted for 56.6% of our total sales in the retail and screenprint channels. Although we have long-term ongoing relationships with many of our customers, our contracts with our customers do not require them to purchase a minimum quantity of our

products. Instead, we assess their projected requirements and then plan our production and marketing strategy accordingly.

Raw Materials

Cotton and polyester fibres are the main raw materials used in the manufacturing of our products. Cotton is used in the manufacturing of both 100% cotton yarns and blended yarns, while polyester is used in the manufacturing of both blended yarns and 100% polyester yarns. The majority of the cotton fibre used in the manufacturing of yarn for Gildan is typically purchased on Gildan's behalf by our yarn suppliers for future delivery at pre-determined prices under contracts as deemed appropriate by management. Similarly, for the majority of the polyester fibers, pricing is negotiated directly with suppliers on an annual basis subject to the price variability of certain polyester components.

During fiscal 2014, most of our yarn requirements for the production of our product-lines were met by our long-term supply agreements with third-party suppliers, as well as by our own yarn-spinning facilities in Cedartown, GA, Clarkton, NC and Salisbury, NC. Please refer to the discussion of our yarn-spinning capacity expansion in section 3.1 under the heading "Yarn-Spinning Capacity Expansion" in this Annual Information Form for further information about the Company's initiatives and investments in yarn-spinning. The yarn requirements for our Bangladesh operations are supplied by local and regional spinners. We expect that most of our yarn requirements will continue to be met by these sources.

The primary sources of energy consumed in our manufacturing facilities are (i) biomass, bunker fuel and natural gas, which are used to generate steam required in the production process, and (ii) electricity, which is used to power production equipment and air-conditioning. The bunker fuel used in our operations is supplied by local third-party suppliers, and the pricing is highly dependent on international market prices for bunker fuel. Natural gas is used in our operations in the Dominican Republic and Bangladesh, and is obtained from local third-party suppliers. The electricity requirements at our two main production complexes, located in Honduras and the Dominican Republic, are provided by public utility companies. Electricity rates are variable and are, in part, related to underlying oil prices.

Biomass, derived both from dedicated plantations and agricultural waste, is sourced from private third-party suppliers, and now provides a major portion of the energy for our operations in both the Dominican Republic and Honduras. We anticipate that our biomass consumption needs will increase progressively over the next few years. During fiscal 2009, we began construction of a biomass steam generation system in the Dominican Republic, which began operating as of March 2010 and has contributed to the reduction of the energy costs associated with our textile production in the Dominican Republic. During fiscal 2010, we completed similar biomass steam generation projects for both of our sock manufacturing facilities in Honduras. The first biomass facility became operational at the end of fiscal 2010, and the second biomass facility became operational during the first quarter of fiscal 2011. In the third quarter of 2011, we began the construction of a third biomass steam generation facility to support our textile facilities in Honduras, which is now fully operational and provides the majority of the steam used in our textile operations in Honduras. The Company is planning to increase the proportion of steam generated by biomass by further expanding its biomass facilities.

We also purchase chemicals, dyestuffs and trims through a variety of suppliers. These products have historically been available in sufficient supply.

Management Information Systems

Our Enterprise Resource Planning ("ERP") system supports the majority of our operations in the areas of finance, manufacturing and customer service. This system is centralized and is accessed from all of our locations