

Gildan dives on profit on quality work force analysts keep faith

BY BERTRAND MAROTTE MONTREAL

Gildan Activewear Inc. executives are scrambling to rebuild investor confidence after the company's stock plummeted yesterday over a surprise drop in its profit forecast for the second quarter and full year.

The reduced guidance — due to production problems at Gildan's Dominican Republic facility, among other factors — came as investors and analysts accused the company of less execution.

Investors had viewed Gildan as a reliable stock, with growth showing in the second quarter.

The Montreal-based T-shirt maker topped analyst expectations yesterday with a profit of 35 cents (U.S.)

from previous quarters.

For the full year, its share profit is expected to be between \$1.45 and \$1.85.

Gildan shares fell 31 cents before a slight rebound in trading on the Toronto Stock Exchange.

But he added that the company believes the problems can be fixed by year-end. Five top managers have been transferred from Gildan's Honduras production hub to the Dominican Republic to address the difficulties, he said.

"We're confident the problems will be resolved around the end of the third quarter," said Sara O'Brien, analyst at BMO Nesbitt Burns Inc. in a research comment to clients yesterday that Gildan's activewear operations in the Dominican Republic have been hurt by management turnover, complications arising from the introduction of new cotton-

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spinning technology and some neglected machine maintenance.

Ms. O'Brien has reduced her 12-month stock-price target for Gildan to \$36 (Canadian) from \$46, but she said the company will continue to be a solid long-term growth story.

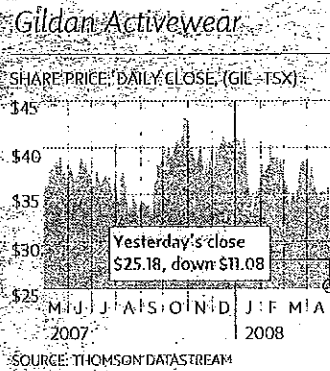
Analyst Claude Proulx of BMO Nesbitt Burns Inc. said in a research note that his target price of \$41.50 is under review.

"The significant production issue announcement comes as a complete surprise," he wrote.

But he added that he believes "these issues are temporary, and that Gildan will be able to overcome them."

"As a result, we believe that the stock price weakness could offer an attractive [buying] opportunity."

Gildan said yesterday that it plans to report its second-quarter results next Wednesday.



SOURCE: THOMSON DATASTREAM