

**GILDAN®**  
**MMICC 2018 CASE**



MMICC  
2018



**GILDAN**  
Ultra Cotton

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## Relaunching an American Icon

Gildan Activewear Inc (Gildan), one of the world's largest manufacturers of clothing and socks, is seeking to relaunch the American Apparel® brand with consumers globally. On February 10th 2017, Gildan acquired the American Apparel brand for \$88M<sup>1</sup> (reference: all currencies in USD) along with some inventory and manufacturing equipment as part of American Apparel LLC's bankruptcy auction process.

Relaunching American Apparel, a consumer brand with a long history, presents many challenges and creates many opportunities. Gildan is looking to maximize their return on investment and ensure a strategic alignment within the overall Gildan brand portfolio and business model.

### Industry Overview

The global apparel market, valued just under \$1.4T in 2017, is typically broken into categories such as menswear, womenswear, intimate apparel and sportswear. In recent years, the industry has undergone significant change and been under increasing social and environmental scrutiny. Tragic events such as the 2013 Rana Plaza collapse in Bangladesh and the growing environmental concerns surrounding the production and disposal of apparel products have heightened public attention on the apparel industry, recently referred to by some as the 2nd largest polluter industry after the petroleum industry. In combination with these factors, the rapid shift of consumers to online platforms and the expanding use of mobile for engaging with consumers are contributing to rapidly changing consumer trends and driving industry participants to develop new technologies and innovation across their entire value chains.

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<sup>1</sup>All currencies in USD

Since the Company's founding, Gildan has developed a low- cost vertically-integrated manufacturing model, owning and operating large scale, state-of-the-art facilities across the full spectrum of textile and apparel production. This vertical integration is somewhat of an outlier within the industry, Gildan generated close to 90% of all its revenues from products manufactured within its own factories and controls almost every stage of production from cotton to finished products. Unparalleled within the industry globally, Gildan has invested more than \$1.0B in Capex since 2012 on capacity expansion, innovative technologies, sustainable solutions and cost saving initiatives.

Today's apparel brands are faced with many challenges including fast-changing consumer purchasing habits and trends, uncertainty in the global economy and continuously evolving global trade agreements. Companies are also constantly facing new demands for consumers, investors and other stakeholders related to environmental stewardship, social responsibility and overall transparency in reporting and operations. Gildan's overall business is segregated into two principal segments, namely Printwear and Retail. The manufacturing process for the garments themselves are essentially the same for both segments.

### Printwear

The global printwear industry involves the sale of garments, usually more basic styles, that are decorated with promotional designs, company logos, brand messages and sold for a variety of promotional purposes. The end uses of these decorated products includes event merchandising (concert t-shirts), fundraising, brand promotions, tourism and souvenir markets, school and team uniforms and various other end uses.

In developed markets (North America, Europe, Australia) there are clearly defined channels of wholesale distributors, garment decorators and promotional products distributors who successfully serve almost every level of demand for decorated apparel in these markets. In lesser developed markets (Asia, Latin America, Africa) much of this demand is serviced ad-hoc through garment manufacturers and importers.

Gildan's model in this segment is similar to inverted funnel model where the Company sells blank apparel in bulk to hundreds of wholesale distributors who sell to over 100,000 garment decorators and resellers globally who service millions of programs.

Key success factors in the global printwear markets are:

- Highly efficient low-cost manufacturing
- Access to efficient distribution networks
- Financial stability and access to capital to finance manufacturing operations and large inventories

Overall customers within this segment of the industry demand good quality, consistent product availability and increasingly more fashionable and trendy styling. Specific orders in this business can range from small orders for 12 t-shirts for a family picnic to global brand launches that demand millions of units be delivered on a specific date.

In North America, Gildan's largest competitors are actual manufacturers of the products, with varying degrees of vertical integration in place, while in Europe and developing markets most brands source products from contract manufacturers globally.

## Retail

The retail industry is defined as the industry which globally sells products to individual consumers. This includes wholesale sales to retailers, direct sales to consumers in company-owned stores and all varieties of online direct sales initiatives targeting individual consumers. This industry has undergone radical change in the last 10 years with shifting consumer habits towards online shopping, excessive industry consolidation and increasing pressures from consumers, investors, NGO's and various other stakeholders looking for better transparency into their supply chains. Disruptive new entrants like Ebay, Amazon and Alibaba have changed the manner in which consumers purchase products and have heightened the growing need for brands to proactively engage with their consumers across a wider variety of mediums. Globally, retailing has shifted as well from the stability and strength of traditional retail channels such as mass merchandisers and department stores, which sold multiple brands of products, towards models where fashion brands have established networks of stores where only their brands are sold (i.e. H&M, Zara, Primark, Forever 21). Invariably, globalization and developments in technology and information flows have resulted in most retail brands becoming marketing and design companies, with very few actually manufacturing the products they sell. Additionally, the endless number of apparel offerings available highlights the ease of launching new products.

Sourcing structures have become highly efficient, allowing retailers to focus their resources on design and marketing efforts while distancing themselves from the actual manufacturing operations and the capital requirements of manufacturing their products. These same highly optimized sourcing structures and hyper-efficient supply chains have changed the seasonality of apparel retailing. Long gone are the traditional 3 or 4 seasons (Spring, Summer, Fall Winter) in an annual retailer's calendar. Fast Fashion retailers boast of turning their inventories every 4-6 weeks to keep up with fast-changing consumer demands.

All these advances have greatly reduced the barriers to entry for new brands into the apparel markets, resulting in an oversaturation of brands and products in most developed markets. In the U.S. alone, the industry has struggled with too many malls, too many store locations, dwindling store traffic and a long line of high-profile bankruptcies.



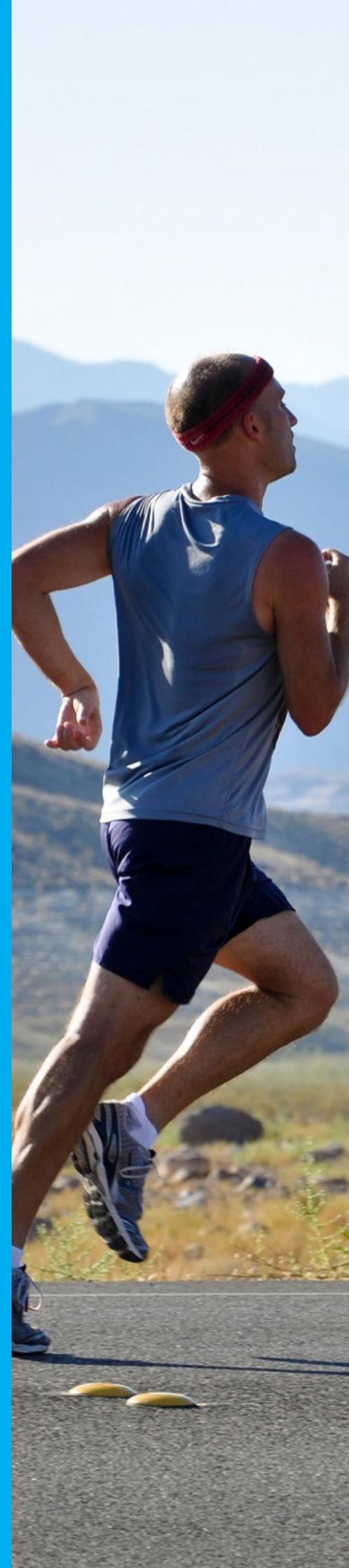
Consumers are increasingly technology driven and the “see-now, buy-now” mindset of the millennial generation has created further disruption for many retailers. At the financial end of the industry there has been a tremendous amount of consolidation, largely driven by investments of venture capital, which have created heavy debt burdens on operations as a result.

### **In the Eyes of the Consumer**

There are misconceptions regarding the apparel industry, and more specifically about sustainability initiatives, according to Garry Bell, VP Corporate Marketing and Communications at Gildan Activewear Inc. A lot of this has to do with the complexity of the supply chains of these products and consumers’ knowledge of the actual social and environmental impacts of the industry. For example, one of the strongest consumer beliefs is purchasing organic clothing has more socially and environmentally friendly outcomes than traditionally grown cotton clothing. But when viewed through a life cycle approach that assesses total life cycle requirements and impacts, the choice is not so clear. According to Bell, consumers’ misconceptions are understandable, due to the breadth of the issues involved, the complexity of the supply chains and consumers limited time to fully research the facts. Fully communicating a multi-faceted CSR program to consumers is complicated and remains a challenge in comparison to putting a simple organic label on a garment.

## **Gildan - Company Overview**

Gildan’s origins can be traced back to 1946 in Montreal, Canada and Joseph Chamandy, who founded a cut and sew manufacturer of children’s apparel called Harley Inc. Over time the business expanded into owning licenses for entertainment and sports properties and was one of Canada’s largest garment printers. In 1982 his grandsons entered the business and determined they wanted to start manufacturing the fabrics they were using to make the clothes instead of buying them on the open market. This was the beginning of Gildan and the first demonstration of a core belief that owning the factories was simply the best way to make cost effective quality products and deliver them to markets on time. The company changed its name to Gildan Activewear as it entered the printwear industry, initially in the US and Canada, manufacturing high quality, low-priced basic blank apparel. Thirty years later, Gildan’s key strength remains its commitment to this vertically integrated model, retaining full operational control over their manufacturing process, which allows Gildan to optimize costs and quality and pursue continuous improvements across the full spectrum of their operations.



Gildan operates a very efficient management structure, with a strong connection to their ‘small company’ origins of thirty years ago. This is demonstrated in the Company’s Core Values:

- Act like entrepreneurs – the Company encourages leadership, passion, commitment to excellence and a shared sense of accountability among their employees.
- Operate responsibly – the Company aims to integrate sustainable solutions into their business
- Believe in our people – Gildan recognizes that its people are the most important resource and invests to empower them to share in the Company’s

Currently, Gildan sells their products in over 60 markets internationally, and has established the following Strategic Growth drivers:

- Leverage leadership position within the global printwear industry to continue to expand product categories and further increase market share penetration domestically and internationally
- Continue to drive manufacturing efficiencies and harness the scale and investments made in this area to further drive cost savings, product quality enhancements and innovation
- Continue to increase market share penetration in retail markets leveraging the strength of our brand portfolio, investing in direct-to-consumer capabilities and strategically spending on marketing initiatives to elevate our brands profiles globally
- Effectively manage our capital, returning value to shareholders while generating strong returns and ensuring the Company is well positioned to execute strategic acquisitions.

## Corporate Social Responsibility at Gildan

As a vertically integrated manufacturer, with more than 50,000 direct employees, Gildan has developed one of the industry’s strongest Corporate Social Responsibility programs, named Genuine Responsibility®. These programs cover the full range of the company’s operations, product design, labor compliance and environmental stewardship activities, as well as guide the Company’s community engagement initiatives. Gildan’s operations and products are all governed under this program, which includes a strictly enforced Environmental Code of Practices (ECP), Banned Substance List (BSL) and Global Code of Conduct (Code), all of which are diligently enforced everywhere the Company’s products are made..





## Products Offered by Gildan

Gildan complete portfolio of brands includes everyday family apparel across a full range of products including t-shirts, sweatshirts, underwear, legwear and socks. Through acquisitions Gildan has been able to successfully expand their product offering making them a more diverse company, while leveraging their low-cost manufacturing operations and global reach.

### Manufacturing

The process starts with the purchase of cotton from US farmers, which is shipped to Gildan's yarn spinning facilities in North Carolina and Georgia. Once the yarn is spun, it is then transported to their textile factories to be knit into fabric, dyed and cut into parts, which are shipped to the Company's sewing facilities. Finished products are transported to distribution centers to be sold to customers around the world. By controlling and operating their entire manufacturing process, Gildan is able to ensure that they are reducing their environmental impact, reducing waste, controlling quality and ensuring that all facilities are operated responsibly and ethically.

The firm owns and operates vertically-integrated, large-scale manufacturing facilities, primarily located in Central America, the Caribbean Basin, North America, and Bangladesh. These manufacturing facilities were strategically located in order to efficiently service customer's demand while minimizing duties and transportation costs to market. Gildan employs over 50,000 employees and provides employees with progressive compensation and benefits packages that deliver multiple benefits such as onsite free health care, subsidized meals and transportation and training and development programs.



Gildan is an industry leader in the areas of corporate, social and environmental responsibility, a key factor of their corporate strategy and a recognized driver of their success and future growth. The Company has innovated several sustainable solutions including their Biotop wastewater treatment system wherein bacteria, sunlight and gravity are harnessed to naturally eliminate dyes and chemicals from the effluent, which has resulted in a sustainable ecosystem for local wildlife and agricultural industries.

### Acquisitions

Gildan has been quite successful growing revenues and earnings through opportunistic and strategic acquisitions. The Company's strong balance sheet and low debt levels position them extremely well to capitalize on good opportunities that fit their criteria which include: strategic fit within one of the Company's established markets, positive returns accessible by leveraging Gildan's vertically-integrated manufacturing model, leadership position within a category or market and opportunity to be leveraged across both business segments and expanded internationally.

## The Acquisition of American Apparel

In November of 2016 American Apparel LLC filed for bankruptcy for the second time in 13 months. Gildan®, looking to further enhance its brand portfolio, submitted a “stalking horse bid” to acquire American Apparel LLC's intellectual property and selected assets as part of a 363 Bankruptcy proceeding. In early 2017, after executing their due diligence, Gildan® took part in a live auction process and was the successful bidder at \$88M, a transaction which closed in early February 2017. Through this transaction, the Company acquired the American Apparel® brand and intellectual property and some selected manufacturing assets, while also purchasing inventory for an incremental \$20M.

Gildan's interest in American Apparel® largely reflects the brand's position as a premium product in the fashion basic market, rounding out Gildan's portfolio, which already included the Gildan®, Anvil®, Comfort Colors® and Alstyle® brands. American Apparel® was sold in a very similar structure to Gildan, namely within the Printwear and Retail markets. Gildan believes the acquisition represents a tremendous opportunity through leveraging the Company's existing printwear distribution network (over 60 countries) to expand the reach of the brand and through leveraging Gildan's world-class manufacturing operations to

achieve lower costs and better margins. American Apparel® was positioned at the higher end of the fashion basics category in printwear markets in the U.S., Canada and Europe. American Apparel also operated a direct-to-consumer business, selling a wider array of products to consumers through company-owned stores and online in several global markets, operating approximately 130 stores at the time of the bankruptcy filings in November 2016.

## The History of American Apparel LLC

American Apparel LLC was established in 1989 when the iconic founder started selling T-shirts from his dorm room at Tufts University. Looking to build a new paradigm in fashion apparel, largely built upon challenging the established norms of fashion products sourced from foreign operations. The company's sales grew and they eventually moved to Los Angeles in 1997. The brand was positioned as Sweatshop Free and championed the rights of apparel workers to fair wages and safe work environments globally.

Although the brand operated exclusively in the printwear segment of the industry, selling products to distributors and directly to decorators, the founder decided to expand into consumer retail, initially opening stores in Los Angeles and New York and quickly expanded to international markets. The company boasted at one point of being the fastest growing international retailer in fashion. At its peak, they operated 273 stores globally in high profile markets like Tokyo, Milan, Paris, Barcelona, Hong Kong, London and Miami. The expansion was rapid and aggressive - From 2003 to 2005 they opened 68 stores around the globe.

American Apparel customers are young metropolitan adults between the ages of 18-34 years old who are culturally sophisticated, creative and independent-minded. They are well educated, tech savvy and interested in current world events and are fashion conscious, shop online and prefer companies with good corporate cultures.

In order to better control their operations, American Apparel operated textile and garment assembly manufacturing processes in the U.S.A which further assured customers of their sweatshop-free promise. The Company also effectively connected the Los Angeles lifestyle to the brand in terms of product design and creative marketing.

### Innovation & Forward-Thinking Merchandising

Initially, American Apparel was considered innovative concerning their fabrics and fashionable styling, positioning themselves as “cutting edge” with their innovative silhouettes and very stylish designs.

### Connectivity and Inclusivity

The American Apparel brand had always been marketed with an authentic feel, preferring to showcase products on amateur models, often employees and customers, to create a connection of authenticity with their customers. During photoshoots, hair and makeup were very minimalistic to further highlight this idea of relatable women and the brand has also represented itself as strong supporters of various groups, including the LGBTQA and other minority groups. These combined efforts have allowed the brand to develop a strong following with their loyal fans, generating more than 80% of social media content through users (They currently have an excess of 5.2 million followers on Instagram, Twitter, LinkedIn, Facebook and other social media platforms).

## Advertising

Since its founding, American Apparel® has always had a distinct look and feel to its advertising, leveraging bold imagery, natural lighting and urban settings to showcase the real-world nature of the brand. These marketing efforts, initially positioning the brand as a sexy, fun-loving brand, evolved over the years towards a more provocative and suggestive stance, which did have the effect of alienating some of its brand fans and receiving criticism within media outlets.

## Key Competitors

The overall global market for apparel contains thousands of brands, the vast majority of which leverage sourcing networks to supply their products from contract manufacturers globally. There are a few competitors who operate similar manufacturing models to Gildan's but few are as vertically-integrated from cotton field to finished products.

In the printwear industry, many of the US competitors are actual manufacturers such as Hanes, Fruit of the Loom and Russel corporation. Internationally the same competitors are joined by several brands who outsource their manufacturing to third-party contractors. Gildan has identified that their total accessible market in printwear globally was approximately USD \$9B. American Apparel® remains the leading premium brand within the fashion basics segment of the industry, notably the fastest growing segment of the North American printwear market.

The consumer or retail apparel landscape is quite competitive and undergoing tremendous change with the increasing movement of consumers to online platforms and mobile technologies. In 2016, the overall market was ~\$200B. The consumer apparel market includes many internationally-renowned brands such as H&M, ZARA, Primark, Gap, American Eagle Outfitters and many more. Additionally the consumer market for apparel is largely serviced by brick and mortar retailers, like Walmart, Target and other big box retailers and a growing plethora of online retailers such as Amazon, Asos and others.

Consumer spending and purchasing habits are evolving quickly and creating challenges and opportunities for all industry participants. The overwhelming digitization of commerce and the rapidly changing social behavior of the two largest consumer segments, namely Millennials and Gen Z'ers, has accelerated the movement of commerce to online platforms and created the need for brands to develop omni-channel solutions for an increasingly converged world. These same factors have also reduced barriers of entry to new brands, making consumers more accessible to a larger competitive set than ever before. In the former world of selling apparel, the physical limitations of brick and mortar stores made traditional retailers the gatekeepers for brands. In this new era of unlimited space in e-stores the consumer has regained more control over the entire process.

## Post Acquisition

Upon completion of the acquisition in February 2017, Gildan quickly integrated American Apparel's printwear business into Gildan's own global printwear infrastructure. They moved the inventories purchased into Gildan distribution centers, integrated customer service, sales, marketing and all accounting functions into their existing printwear business, within Gildan Activewear SRL, based in Barbados. The company established a new Los Angeles based office to manage merchandising and marketing to maintain that connection to Los Angeles style and fashion.

The acquisition included provisions that allowed the trustees executing the American Apparel LLC bankruptcy to operate the stores and the online stores in the U.S. for a period of 120 days to allow the creditors of the bankruptcy to derive the most from the liquidation of all assets not purchased by Gildan and some other purchasers during the auction process.

Gildan officially took back over the e-commerce site at the end of May, choosing to leave the site dormant until early August at which time a reduced product offering was fully ready and available for sale. In the interim period the Company continued to engage with brand loyalists on social media, running promotions and campaigns focused on maintaining interest in the brand while the liquidation process unfolded.

As a vertically integrated manufacturer, Gildan has also been able to successfully integrate most of the American Apparel's largest styles into their own manufacturing operations. This has delivered immediate margin gains to those products as a result of Gildan's lower manufacturing costs. They also secured contract manufacturing for key styles to remain available in a 'Made in the USA' version, sold at a slight premium to the Global collection. A small but important part of the collections (Jeans, disco pants, and intimate apparel) are sourced from outside contractors, similar to before the acquisition, because of limitations in manufacturing capabilities within Gildan's operations.

Since the relaunch of the brand in both segments, the brand's marketing efforts have toned back the sexuality angle of their marketing, while maintaining the authentic, real-girl feel to their efforts. User generated content on all social media feeds is very high, in excess of 80%, demonstrating the loyal following for the brand amongst younger consumers.



# LOOKING AHEAD

Gildan is seeking your input on how to best return this brand to consumer markets globally. Keeping in mind the Company's defined strategic growth strategies (see supplemental information) we ask that you develop a go-to-market strategy for American Apparel to best leverage the strengths of Gildan and in the face of a rapidly changing consumer apparel market, maximize the returns on Gildan's investment and grow the American Apparel brand globally. This acquisition is very important to the leadership of the company and they are committed to its success.

When developing this strategy, points to consider include:

- Differentiation between global markets and if necessary identify specific strategies for North America, Europe, Asia and Latin America regions
- Changing consumer habits and the evolving landscape of apparel retailing
- Brand marketing and positioning statements that will resonate with targeted consumers
- Implications of a manufacturing supply chain that is moving from "Made in the USA" to "Globally-sourced, ethically-made".
- Increased scrutiny across several consumer segments to the environmental and social impacts of fast fashion.

What immediate steps should Gildan be taking to maximize their return on investment from the American Apparel acquisition? Explain why your proposal is the best strategic option as Gildan relaunches this American icon to consumers globally.

## **Supplemental Information**

### **Exhibit A: Gildan's Portfolio of Acquired Brands**

#### Anvil

In 2012 Gildan acquired 100% of Anvil Holding Ltd.'s common shares for approximately \$88million USD specialises in. Anvil specialises in affordable high-quality basic t-shirts and sweaters for the print wear market. Their product line provides clothing for both men and women, as well as children.

#### Comfort Colors

In 2015 Gildan acquired all the assets of Comfort Colors for approximately \$100million USD. Comfort Colors, commonly known as the brand purchased at college bookstores and resort shops, is the leading supplier of undecorated garment-dyed fashion basics for men, women and children

#### Alstyle

In 2016 Gildan acquired 100% of the equity interest of Alstyle Apparel LLC for \$110million USD. Alstyle specialises in affordable apparel and active-wear such as t-shirts and fleece. They sell their products largely to screen-printers and embellishers in the U.S, Canada and Mexico.

#### Gold Toe

In 2011 Gildan acquired 100% of Gold Toe Moretz Holdings Corp.'s common shares for approximately \$350million USD. Gold Toe is the leading supplier of high quality socks with styles ranging from casual classic to bright and colorful. They sell mainly to mass-market retailers, national chains, price clubs, department stores and specialty sporting goods stores in the U.S. They are known for their superior quality, outstanding fit and long-lasting durability.

#### Peds

In 2016 Gildan acquired 100% of the equity interest of Peds Legwear Inc. for \$55million USD. Peds is a footwear brand that specialises in high quality foot apparel and legwear for men women and children of all ages. Their product line includes lady's no-show liners, socks and therapeutic hosiery.

#### Doris

In 2014 Gildan acquired all the assets of Doris Inc. for \$101.4million USD with \$9.2million USD contingency contingent on the growth in sales revenue. Doris is a leading manufacturer of sheer hosiery, legwear and shapewear products in Canada and the United States, selling

primarily to retailers. They have multiple company-owned brands including Secret, Silks and Kushyfoot. Secret is a growing shapewear brand in Canada known primarily for their sheer pantyhose. Silks, another women’s legwear brand also a full range of hosiery styles that are both comforting and shaping. Kushyfoot, also a women’s legwear brand, however focuses more on providing solutions to help relieve foot pain for everyday activities.

For your information, it is broken down as this:

<b>Menswear</b>	<b>Womenswear</b>	<b>Children’s wear</b>
<b>Sweats</b> (sweatshirt & sweatpants)	<b>Sweats</b> (sweatshirt & sweatpants)	<b>Sweats</b> (sweatshirt & sweatpants)
<b>T-Shirt</b> (Long-sleeve, short-sleeve, tank top)	<b>T-Shirt</b> (Long-sleeve & short-sleeve)	<b>T-Shirt</b> (short-sleeve)
<b>Underwear</b>	<b>Underwear</b>	--
<b>Socks</b>	--	--

**Exhibit B: History of American Apparel**

Important Media Highlights (2014 - Present)

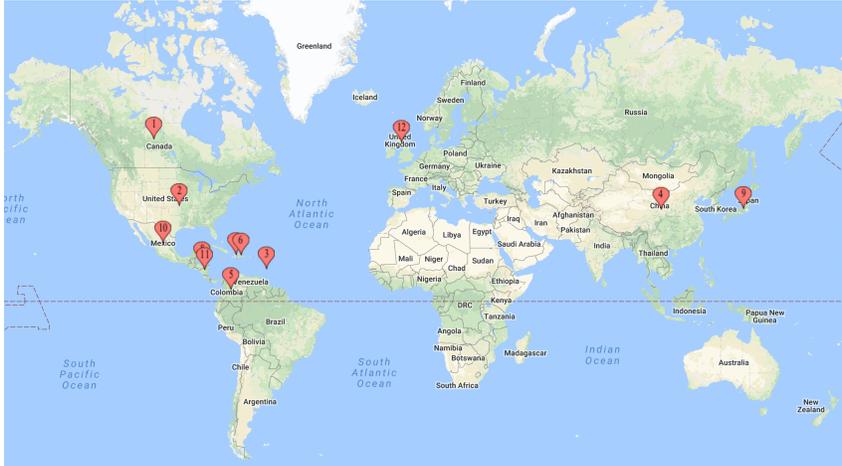
- 2014 - Much of the media attention was on Dov Charney’s legal battles as well as the company’s provocative ads
- 2015 - Firing of Dov Charney as the first file for bankruptcy
- 2016 - AA’s bankruptcy as well as Dov Charney’s sexual harassment legal battles dominated media attention

**Exhibit C: 4-point growth strategy that Gildan has:**

- Continue to pursue additional printwear market penetration and opportunities
- Continue penetration of retail market as full-line supplier of branded family apparel
- Continue to increase capacity to support our planned sales growth and generate manufacturing and distribution cost reductions
- Utilize free cash flow and balance sheet strength to enhance sales and earnings growth and shareholder returns

### **Exhibit D: Gildan Country Locations**

Gildan sells in over 60 markets internationally, however they are directly located in 12 countries including: Canada, USA, Barbados, China, Colombia, Dominican Republic, Haiti, Honduras, Japan, Mexico, Nicaragua, United Kingdom.



<http://www.gildancorp.com/en/list-of-countries>

Map created with: Mapcustomizer.com

### **Exhibit E: American Apparel LLC Country Locations**

As of August 2010, American Apparel had locations in 19 countries around the globe including: United States (168), Canada (30), Mexico (1), South Korea (5), Japan (3), China (2), Hong Kong (2), Israel (1), United Kingdom (1), France (12), Germany (7), Netherlands (2), Italy (2), Sweden (2), Switzerland (2), Austria (1), Belgium (1), Ireland (1), Spain (1).



[https://en.wikipedia.org/wiki/American\\_Apparel](https://en.wikipedia.org/wiki/American_Apparel)

Map created with: Mapcustomizer.com

## **Exhibit F: American Apparel Campaigns**

### *Media Coverage Summary*

“Make America Gay Again” <https://www.flickr.com/photos/28034287@N02/2614665916/>



“Legalize LA” <https://www.hrc.org/blog/hrc-partners-with-american-apparel-to-make-america-gay-again>



## **Exhibit G: American Apparel Media Mentions**

Wall Street Journal: “American Apparel Ordered Ordered to Pay over \$3M in Arbitration”  
<https://www.wsj.com/articles/american-apparel-ordered-to-pay-over-3-million-in-arbitration-1433891690>

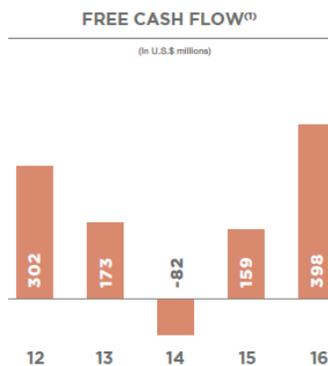
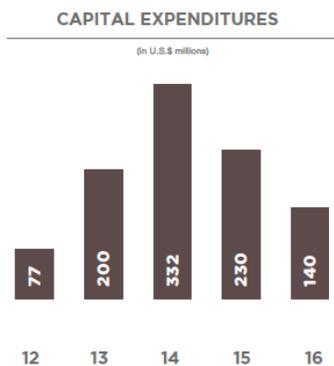
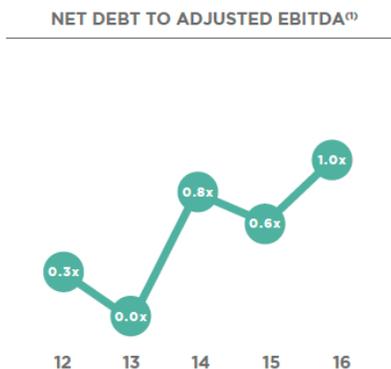
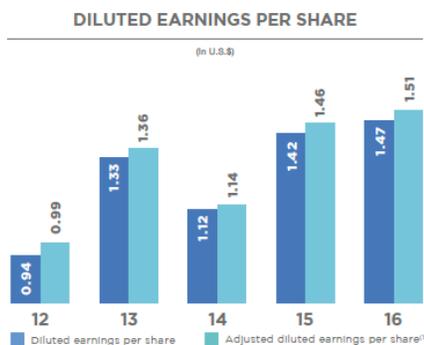
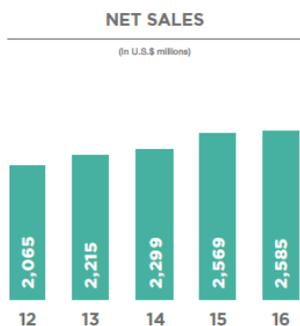
New York Times: “A Grope and A Shrug” <https://www.nytimes.com/2014/07/01/opinion/frank-bruni-dov-charney-american-apparel-and-sexual-harassment.html>

Los Angeles Times: “History of American Apparel” <http://timelines.latimes.com/history-american-apparel/>

Financial Times: “Dov Charney’s history of controversy at American Apparel”  
<https://www.ft.com/content/f5a60c82-f7a2-11e3-b2cf-00144feabdc0>

**Exhibit H: Financial Highlights**

# Financial Highlights



<sup>(1)</sup> Adjusted EBITDA, adjusted diluted earnings per share, free cash flow and net debt to adjusted EBITDA are non-GAAP financial measures. See "Definition and reconciliation of non-GAAP financial measures" in the 2016 Management's Discussion and Analysis.

Certain minor rounding variances exist between the consolidated financial statements and this summary.

## Exhibit I: Financial Statements

Results shown on a calendar year basis

(In U.S.\$ millions, except per share data and ratios)

	2016	2015	2014	2013	2012
<b>STATEMENT OF EARNINGS</b>					
Net sales	2,585.1	2,568.6	2,299.2	2,214.9	2,065.2
Adjusted EBITDA <sup>(1)</sup>	523.8	503.8	388.4	449.4	353.0
Operating Income	371.5	367.5	284.8	349.2	237.7
Adjusted operating income <sup>(1)</sup>	383.2	378.9	289.6	354.7	257.8
Net earnings	346.6	346.1	276.6	326.6	229.8
Diluted earnings per share	1.47	1.42	1.12	1.33	0.94
Adjusted net earnings <sup>(1)</sup>	356.3	355.4	281.0	334.5	242.1
Adjusted diluted earnings per share <sup>(1)</sup>	1.51	1.46	1.14	1.36	0.99
<b>CASH FLOW</b>					
Cash flows from operating activities	537.9	384.4	244.6	370.5	377.4
Capital expenditures	(140.2)	(229.6)	(331.9)	(199.8)	(77.2)
Free cash flow <sup>(1)</sup>	398.4	158.9	(81.9)	173.2	302.1
<b>FINANCIAL POSITION</b>					
Total assets	2,990.1	2,834.3	2,648.3	2,124.1	1,921.7
Net indebtedness (cash in excess of total indebtedness) <sup>(1)</sup>	561.8	324.3	313.9	(15.1)	95.0
Shareholders' equity	2,119.6	2,188.4	1,882.2	1,742.9	1,449.5
<b>FINANCIAL RATIOS</b>					
Adjusted EBITDA margin <sup>(2)</sup>	20.3%	19.6%	16.9%	20.3%	17.1%
Adjusted operating margin <sup>(3)</sup>	14.8%	14.8%	12.6%	16.0%	12.5%
Adjusted net earnings margin <sup>(4)</sup>	13.8%	13.8%	12.2%	15.1%	11.7%
Return on shareholders' equity <sup>(5)</sup>	16.5%	17.5%	15.5%	21.0%	17.9%
Net debt to adjusted EBITDA <sup>(1)</sup>	1.0x	0.6x	0.8x	n.a.	0.3x

(1) Adjusted EBITDA, adjusted operating income, adjusted net earnings, adjusted diluted earnings per share, free cash flow, net indebtedness (cash in excess of total indebtedness), and net debt to adjusted EBITDA are non-GAAP financial measures. See "Definition and reconciliation of non-GAAP financial measures" in the 2016 Management's Discussion and Analysis.

(2) Adjusted EBITDA divided by net sales

(3) Adjusted operating income divided by net sales

(4) Adjusted net earnings divided by net sales

(5) Adjusted net earnings divided by average shareholders' equity for the period

n.a. not applicable

Certain minor rounding variances exist between the consolidated financial statements and this summary.

### **Exhibit 3: Links**

<https://www.gq.com/story/american-apparel-relaunch-globally-made>  
<http://www.gildancorp.com/documents/2017-First-Quarter-Shareholder-Report/2017.first.quarter.shareholder.report.pdf>  
[http://www1.gildan.com/corporate/downloads/2015\\_AR\\_FINAL\\_ENG.pdf](http://www1.gildan.com/corporate/downloads/2015_AR_FINAL_ENG.pdf)  
<http://appcompanyresearchreport.weebly.com/competitors-and-market-share.html>  
[http://www.americanapparel.com/en/sweatshop-free-stories\\_cat3110004](http://www.americanapparel.com/en/sweatshop-free-stories_cat3110004)  
<https://www.wsj.com/articles/american-apparel-ordered-to-pay-over-3-million-in-arbitration-1433891690>  
<https://www.theatlantic.com/business/archive/2017/01/american-apparel-gildan/513128/>  
<https://www.cNBC.com/2017/07/10/heres-how-the-amazon-effect-is-hitting-the-apparel-industry.html>  
<http://appcompanyresearchreport.weebly.com/competitors-and-market-share.html>  
<https://www.forbes.com/sites/jamesconca/2015/12/03/making-climate-change-fashionable-the-garment-industry-takes-on-global-warming/#62af438879e4>  
<https://www.mckinsey.com/industries/retail/our-insights/the-state-of-fashion>  
<http://www.nytimes.com/2009/09/30/us/30factory.html>  
<https://www.nytimes.com/2014/07/01/opinion/frank-bruni-dov-charney-american-apparel-and-sexual-harassment.html>  
<http://www.esquire.com/style/mens-fashion/g2442/american-apparel-ads/>  
<https://smallbusinessforum.co/my-statement-regarding-the-american-apparel-bankruptcy-ruling-21eee706c523>  
<http://www.thefashionlaw.com/home/the-rise-and-fall-of-american-apparel>  
<https://www.statista.com/statistics/286927/number-of-american-apparel-stores-worldwide-by-region/>  
<https://www.highsnobiety.com/2016/02/17/american-apparel-history/>

