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GIL.TO - Gildan Activewear Inc Annual Shareholders Meeting

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CORPORATE PARTICIPANTS

Glenn J. Chamandy *Gildan Activewear Inc. - Founder, President, CEO & Non-Independent Director*

Lindsay Matthews *Gildan Activewear Inc. - VP, General Counsel & Corporate Secretary*

Rhodri J. Harries *Gildan Activewear Inc. - Executive VP and Chief Financial & Administrative Officer*

William David Anderson *Gildan Activewear Inc. - Chairman of the Board*

PRESENTATION

Operator

Good morning, everyone. It's 10 o'clock, and we would like to get started, if you wouldn't mind taking your seats. Thank you.

William David Anderson - *Gildan Activewear Inc. - Chairman of the Board*

Good morning. Welcome to the annual meeting of shareholders for Gildan Sports. I'm the Chair of the Board of Directors (technical difficulty) the meeting and I will ask Lindsay Matthews, the Corporate Secretary of the company to act as secretary of the meeting. The meeting is being webcast for the benefit of our shareholders across Canada, the U.S., and around the world. The business of the meeting will be conducted principally in English, however, facilities for simultaneous translation in French have been provided to you. We will begin the meeting by conducting the official business, and after the official business is completed, Glenn Chamandy, our President and CEO; and Rhod Harries, our Executive Vice President, Chief Financial and Administrative Officer will address shareholders concerning the company's results, business plans and outlook. There will then be an opportunity to ask questions and there will be a separate question period for the media after the meeting is completed.

I would now ask our Corporate Secretary, Lindsay Matthews to take us through certain procedures of the meeting.

Lindsay Matthews - *Gildan Activewear Inc. - VP, General Counsel & Corporate Secretary*

Thank you, Mr. Chairman. I'd like to draw your attention to the text that appears behind me, and advise everyone that certain of the comments you view in today's presentations are forward-looking statements that involve assumptions, risks and uncertainties that could cause actual results to differ materially from future results expressed or implied by such forward-looking statements. There are several routine matters to be dealt with at this meeting. To expedite the meeting, we have arranged for certain shareholders to move and second various motions. We would also like to advice that today's vote will be conducted by ballot on the election of Directors, the advisory resolution on the company's approach to executive compensations, and the appointment of auditors. Only registered shareholders or proxy voters are entitled to vote at this meeting. Each registered shareholder, who is not already considered a proxy and each proxy holder present at the meeting should receive the ballot before the beginning of the meeting. If there are any shareholders or proxy holders, who still need a ballot, please raise your hands so that the scrutineers may provide you with one.

William David Anderson - *Gildan Activewear Inc. - Chairman of the Board*

Thanks, Lindsay. And I now appoint (inaudible) with Computershare Investor Services to act as scrutineers. The scrutineers have already provided me with their report on attendance at the meeting, and it shows that a quorum has been reached, I therefore, declare that the meeting is regularly constituted for the transaction of such businesses, maybe properly right before.

I now present to the meeting the consolidated financial statements of the company for the fiscal year ended December 31, 2017, and the auditors report there on. Copies of such documents have been mailed to the shareholders and Glenn and Rhod will discuss the financial statements later in the meeting. We will now proceed to the election of Directors. Before I present the nominees, I would like to just take a moment to thank Sheila O'Brien, who is retiring from the Board today, after 13 years as the Director. I know I speak for the entire Board and for management, when I say how grateful we are to have benefited not only from Sheila's experience in human resources, but also from her commitment to workplace diversity and inclusion. I am very pleased also to introduce 4 new Board nominees, Maryse Bertrand, Marc Caira, Charles M. Herington, and Craig Leavitt, all of whom are with us today.

Maryse is an experienced Corporate Director and Advisor in corporate governance and risk management. Maryse has had a career in law and business that spans over 35 years in both the private practice and in-house counsel. Marc is Vice Chairman of the Board of Directors of Restaurant Brands International, a multinational quick service restaurant, I never heard quick service instead of fast foods, Marc that's brilliant. At quick service restaurant company, Marc has extensive experience in global brand marketing and franchising. Charles is Chief Operating Officer, Vice Chairman and President of Global Operations at Zumba Fitness LLC, and Charles has extensive international experience in marketing, manufacturing and distribution of consumer goods. And Craig is the retired Chief Executive Officer of Kate Spade & Company, Craig has had a career in business and a business leader in the apparel retail sector spanning over 30 years. Maryse, Marc, and Charles, and Craig, we welcome you and we know that you will bring outstanding experience to the Board, and we look forward to your valuable contributions.

Regarding the election of Directors, as described in the management proxy circular, the Board has determined that 12 persons should be elected as directors and has proposed 12 candidates who hold such office for the ensuing year. In addition to Glenn and myself, 10 independent and highly qualified individuals are being proposed for election as directors. Their biographies are included in the proxy circular that was sent to shareholders, each of the nominees has expressed a desire to serve as a director of your company. And I now like to introduce the directors and ask that each of them stand as I call their name, Donald C. Berg, Maryse Bertrand, Marc Caira, Shirley E. Cunningham, Russell Goodman, George Heller, Charles M. Herington, and Craig A. Leavitt, Anne Martin-Vachon and Gonzalo F. Valdes-Fauli. I'll ask [Audrey Dubois] to nominate the directors, please.

Unidentified Shareholder

Thank you, Mr. Chair. My name is [Audrey Dubois], and as a shareholder, I'm happy to present the nomination of William D. Anderson, Glenn J. Chamandy, Donald C. Berg, Maryse Bertrand, Marc Caira, Shirley E. Cunningham, Russell Goodman, George Heller, Charles M. Herington, Craig A. Leavitt, Anne Martin-Vachon and Gonzalo F. Valdes-Fauli to the election of the Board, so that they can take on this mandate until the next Annual Meeting of Shareholders or until their successor is duly elected or nominated.

William David Anderson - *Gildan Activewear Inc. - Chairman of the Board*

Do you [second the motion]?

Unidentified Shareholder

Mr. Chairman, my name is [Vincent Carfora], I'm a shareholder and I second the nominations.

William David Anderson - *Gildan Activewear Inc. - Chairman of the Board*

Thank you, Vince. Are there any further nominations?

I now direct that a vote by ballot be taken on the election of directors. The names of 12 management nominees for election of directors are set out on the ballot that you received before the beginning of the meeting. Please mark the ballot opposite the name of each of the person's for whom you wish to vote. We will proceed with the business of the meeting -- and the attendants will collect the ballots once all of the votes have been taken. The next item of businesses is the advisory vote on the company's approach to executive compensation is set forth in the management proxy circular. We are pleased to offer a say-on-pay vote to our shareholders as we are committed to maintaining an ongoing and active engagement process with you. We are confident that you will find that Gildan's executive compensation is based on pay-for-performance approach that is aligned with the long-term interest of our shareholders. The results of the vote will not be binding on the Board. However, the Board will take into account such results together with other comments that we receive from shareholders when considering the company's approach to executive compensation in the future.

I will now ask [Giuseppe Carestia] to move the resolution.

Unidentified Shareholder

Mr. Chairman, my name is [Giuseppe Carestia] I am a shareholder, and I [vote] that the resolution on the Advisory Board on executive compensation set forth in the management proxy circular be adopted.

William David Anderson - *Gildan Activewear Inc. - Chairman of the Board*

Thank you, [Giuseppe]. [Martin Kurtomosh], will you second the motion?

Unidentified Shareholder

Mr. Chair, I'm [Martin Kurtomosh] I am a shareholder, and I second the proposal.

William David Anderson - *Gildan Activewear Inc. - Chairman of the Board*

[Mr. Martin], I now direct that a vote by ballot be taken on the approval of the advisory resolution. Please fill out your ballot and again keep that until all the votes have been completed.

The next item of business is the appointment of KPMG LLP as the company's auditors, and to authorize the audit and finance committee of the Board of Directors to fix the remuneration of the auditors. And I ask [Daniel Desaneaux] to present the necessary motion.

Unidentified Shareholder

Mr. Chair, I'm [Daniel Desaneaux] I am a shareholder, and I propose that KPMG s.r.l./S. E.N. C.R. L., Professional Accountants be named as auditors of the corporation, so that they take on this mandate until the next Annual Meeting of Shareholders, (inaudible) remuneration at the audit committee will be able to establish and that the audit committee be authorized to establish this remuneration.

William David Anderson - *Gildan Activewear Inc. - Chairman of the Board*

[Darius Rigoli], will you please second the motion?

Unidentified Shareholder

Mr. Chairman, my name is [Darius Rigoli] I am a shareholder and I second the motion.

William David Anderson - *Gildan Activewear Inc. - Chairman of the Board*

Thank you, [Darius]. I now direct that a vote by ballot be taken on the appointment of KPMG LLP as the company's auditors. When your ballot is complete, that is the end of the -- list of final vote and if you can please hand it to the attendants.

I'm not sure that there are any ballots to be collected. Alright, that's terrific.

I will now instruct the scrutineers to tabulate all of the ballots and report back to me. And while the scrutineers are tabulating the ballots Glenn and Rhod will discuss our financial results and business plans.

Glenn J. Chamandy - *Gildan Activewear Inc. - Founder, President, CEO & Non-Independent Director*

Thank you, Bill. Good morning, everybody. Thank you for attending this morning. Well, this slide just illustrates Gildan's strong track record of performance in sales, earnings and cash flow. Over the last 5 years, we've seen sales growth in mid-single digits. EPS growth in double digits, and have had over $400 million of cash flow over the last 3 years. Our continued investments has reinforced our competitive advantage. In low-cost manufacturing, our value proposition, our strong brands, our global distribution, our leader in corporate and social responsibility and most importantly, our people.

This slide covers really the historic growth over the last -- and if we broke it down into 3 tranches really from 2009 to '13, where really we grew organically at the rate of 13%, an overall growth of 20%, and that was led by growth in our Printwear market, where we're able to capture about 80% of market share in the U.S. market. Our continued penetration in international markets and establishing our strong footprints in retail through hosiery and underwear products. During 2013 and '17, our organic growth slowed, but we complemented our organic growth with tuck-in acquisitions like Anvil, Comfort Colors, Alstyle and American Apparel. These acquisitions were quite strategic, because they set the foundation for us to continue to grow in the fashion basic segment, which you'll see us from '17 on as we go forward into the future. The continued growth drivers will be fashion basics, leveraging our branded position and increasing our earnings in branded, growing our international and continue tuck-in acquisitions as we go forward to support organic growth.

The landscape in retail and the overall markets are actually changing. And the way I look at it is that, one, it depends on what kind of shopper you are, I mean, different income shoppers shopped at different segments of the market. If you're a low-income shopper, you shop to the dollar chain, if you are a little higher-income shopper, you shop to the department store. Today, everybody goes online shops at Macy's. E-commerce is increasing, changing the world that we live in. It's changing even our wholesale market, because our wholesale reach is actually entering into the retail segment. The channels are converging, distribution capacity is becoming a competitive differentiator, and mass retailers are converging and developing private label.

So today, even though that we don't sell all of our brands online to companies like Amazon, you can find today Gildan, American Apparel, Comfort Colors, and these brands are being sold for our wholesale channel and being re-sold through re-sellers on the Amazon. One of our objective is to build the distribution capabilities to support this business ourselves and take advantage of the full brand and opportunity we have at e-commerce.

One of the big drivers of the Printwear market, which is traditionally been a B2B business is now becoming a B2C business. There's companies like Vistaprint's, CustomInk, so they never existed in the past and today all you have to do is take your cellphone, take a snapshot, send a picture of your daughter who is having her 14 birthday, email it to Vistaprint's and then 3 days later you're going to have a T-shirt basically printed and ready for your daughter's birthday. This has opened up a whole new market basically, and this is one of the big growth drivers that are big advantage within the Printwear segment that's driving sales in the segment. Another big growth driver is that brands are relevant. Brands are driving growth and the channels are converging, so what's happening is that the channels are expanding, so you'll see that these brands, which are traditionally been retail brands are now sold in the wholesale channel, but ultimately ending up to consumers through different vehicles, it's in fashion basics, it's in performance, it's in uniform, it's in workwear, and these are a lot of recognized brand, there's over a hundred brands being sold in the channel today.

Distribution is a key success factor, not just in B2C, but also in B2B. Prime basically delivers in 2 hours. Our distributors who service our products in the Printwear channel can deliver next day 96% of the people in the United States. So this is a key success factor, and this is one of the things that Gildan is going to be investing in to support our e-commerce as we go forward, not just for domestically, but as well as for international markets. 60% of apparel -- basic apparel sold to United States is sold to mass-market retailers. Again, e-commerce is affecting the market and what's happening is there's been a big push into mass-market retailers developing their own brands and their own private labels. So this is again a change, but change creates opportunity, and this is one of the things we think we can take advantage over the years to come.

This is my favorite slide, because it hasn't changed in 15 years. The long-term growth drivers of the company are intact and have not changed. We're going to continue to take our market share and drive market share in our Printwear market, but leveraging our fashion basics and undeveloped product categories. We're going to leverage our brands in retail, in all channels in geographical markets, e-commerce and maximize our products at retail. We're going to grow internationally. We're going to leverage our manufacturing footprint and build the distribution capabilities to support our business, and we're going to pursue acquisitions to complement our organic growth strategy. So, the Printwear market is roughly about [$6.5 billion], the market is growing and we believe at an estimated 6%. The reason why it's growing is because of all these new channels -- the B2B, e-commerce, I mean, our distributors historically have never sold products into these channels, and is actually -- and the brands -- this is all creating a new opportunity for us. So really, we think that this is a big growth profile. Historically, the company has been in dominated position in the basic segment, over the last 3 years, 4 years, we've invested heavily through acquisitions and build up the brand portfolio that service the fashion basics between our acquisition recently of American Apparel, our Comfort Colors, Anvil, and we launched a new brand this year called Hammer T.

And we're also looking to support potential workwear and other product categories as we go forward. So, leveraging and adding more products will continue to allow us to increase our sales and distribution within the channel. Early in the year, we announced and implemented a realignment of our business and we merged our 2 business segments together, our branded and Printwear, they merged. This is we think is going to create a lot of opportunity, and we're going to adopt one go-to-market strategy. The idea here is quite simple is that if you look at the earnings power that we had in our Printwear business with 24% operating margins. We never able to achieve those same operating margins in branded, and partly because of the amount of leverage and infrastructure and SG&A that we need -- require to support that piece of business. So by consolidating these 2 businesses, we're going to reduce our SG&A, we're going to reinvest our reduction of SG&A into areas like further distribution in e-commerce, but we're also going to consolidate our brand management, our product development and merchandising, our overlapping distribution and our back office functions.

So, as we go forward, our new go-to-market strategy really will support all of our brands, and all of our channels of distribution and all of our markets. We're going to have a 3-tier distribution strategy, which will be full-case sell to our wholesale customers, full-case sold to a big box retail customers, and shifted a piece distribution centers to support our e-commerce. We're also going to simplify our IT platform and consolidate our systems, and we're going to continue to focus on reductions in back office and finance.

So on the one hand this year our SG&A in the first half of the year is actually going up a little bit as we make our investments in distribution and e-commerce. We've opened up 2 new distribution centers to support this initiative, one in the West Coast and one in the East Coast in Jacksonville, Florida, but we're also in the process of consolidating the 7 distribution centers we have in the East Coast of United States. We've announced already 2 closures, and then we're going to continue to look at further opportunities consolidate [this] as we go forward.

Since we purchased American Apparel, that was really the start of our ability to build an e-commerce infrastructure. We've taken really American Apparel as and incubate it as -- and allowed it to build really the infrastructure we needed to support that brand, which we launched in July last year. And now what we're doing is we're going to take those capabilities just to support all of our brands as we go forward, like Gold Toe, Comfort Colors, et cetera. All the infrastructure is in place, our distribution now is in place, our digital marketing, our management and capability, so we're really going to be pushing the skill set as an opportunity, not just for the North American market, but as well as for international markets.

We're going to leverage -- this platform and also leverage all of our infrastructure in international markets. We're in over 60 countries today. We have over 14 distribution centers, and we're going to expand all of our brands and our products in all these geographical areas. And this is really going to be allow us to continue the growth rate of our international markets to continue the rate of double-digit growth in the next years to come. We're going to continue to expand our capacity, we have expansion plans to increase our capacity by about 30%. We're currently -- this one -- the big map on the left hand side shows you really our footprint in Honduras today. The bottom right is our footprint in Bangladesh, and we have our Mexican facility. We're actually building Rio Nance VI, you can see there, that's a brand new building, it's going to be starting production in Q2 this year. By footprint, it's one of our largest facilities, and it's going to be build quite different than the other facilities we have, because this building is going to be built specifically to handle our fashion basic segment and all of our performance products.

We're also expanding incrementally Rio Nance I, II and V, which will come at a very low cost basically, and give us additional capacity. Mexico has got a lot of room to continue growing, so we know we're going to continue to grow in Mexico. And we're looking to expand again a third phase in our Bangladesh facility to support our international growth. So with all this manufacturing capacity, we're going to continue to focus on all of our initiatives, but we also think that there is opportunity to leverage our manufacturing capacity for selective private label, particularly in mass-retail, where there is large programs, as long as we can get a good return on our investments, use our manufacturing capacity, limit our working capital, low risk in terms of SKUs, and make sure that we have a good relationship with our retail partners that allow us either to have brand opportunities in the future. So for us, this is an area where we have manufacturing capacity, there is a big shift into -- for our big mass retailers to move into private label in the categories and areas that we were never servicing before, so this is a new opportunity for Gildan to continue leveraging our infrastructure.

And then lastly, we're going to continue to focus on M&A, which has been, I think a key driver to the development of the company in organic growth strategy. We're going to focus our acquisition criteria more towards Printwear, where we can drive brands and product for a Printwear channel, but also leverage those brands into e-commerce and to retail like we did with Comfort Colors, American Apparel and Alstyle. So, we're always looking for different type of -- we're looking for strategic fit, which would be brands, products, categories, geographical markets, distribution channels, the right fit in size and obviously, good returns on capital and IRR. So, this has been a real -- we've done very well here, I mean, if you look at our history in terms of acquisitions, I mean, we're doing tuck-in acquisitions as it allowed us to use our capital and give us good returns to shareholders. And with that, I would like to pass the podium over to Rhod.

Rhodri J. Harries - *Gildan Activewear Inc. - Executive VP and Chief Financial & Administrative Officer*

Okay. Thank you, Glenn, and good morning, everybody. It's a pleasure to be able to talk to you at the annual meeting. So let me start the financial review, just giving outline of what I'm going to cover. I'm going to talk first about 2017, a recap of how we performed, and I would say we're very pleased with our results. I'll talk briefly about our outlook for 2018. I'll touch on capital spending, which is an area where we are in great shape as we go forward. I'm going to talk about return on net assets, which is a very important metric for Gildan. I'll touch on cash flow, which is very definitely one of our key strengths. Then, I will focus on capital allocation, which is key for any company. And then finally wrap up with how we are creating long-term value. So if we look at 2017 on the left hand side of this chart, you can see our consolidated net sales came in at $2.75 billion, $2.8 billion, up 6%. Our adjusted EPS came in at $1.72, up 14% versus 2016, and our free cash flow was $519 million. When we started the year, we expected free cash flow to be $400 million. So we are very pleased with the way that the business performed overall. I think more importantly, we're very pleased about, with the strong progress that we made and executing on our strategic value drivers. So, if you look at fashion basics, it is a big area of focus, we had double-digit growth. If you look at international markets, we also had double-digit growth. And we had double-digit growth in all markets, in Europe, in Asia and Latin America.

On the retail side, we gained market share in some key categories, and underwear is clearly an area where we're very pleased with our performance. If you look at our underwear market share growth in 2017, we were up 160 basis points, clearly a standout category for us, and that really comes on, I would say 2 years to 3 years of very strong growth in that category. And then finally, from an acquisition perspective, we completed 3 complementary acquisitions, probably the most important one with American Apparel, which we did in the first quarter, fantastic acquisition, but also we had acquisitions in other areas. So in the second quarter, we acquired Superior, which is a distributor in Australia, which is supporting our international growth. And then in the third quarter, we acquired Swift Spinning, which is building our ring-spun yarn capability, very important. And finally, we returned $413 million of capital to shareholders through dividends and share buybacks. So overall, I would say we were very pleased with performance in 2017.

Turning to our 2018 outlook. Today, we continue to expect very solid performance. If you look at our 2018 guidance, in sales growth, we've guided the low to mid-single digit growth, and what's important here is that's all organic growth. So if you look at our growth in 2017, it was a mixture of organic and acquisitive growth. But in 2018, our current outlook is all based on organic growth. If you look at operating margin, our forecasting continued progress there. From an EPS perspective, we're forecasting $1.80 to $1.90, which is up just over 7% at the midpoint. And then finally, we're forecasting another strong year of free cash flow of approximately $400 million at this juncture. So overall, a very solid outlook for 2018.

Return to the drivers of growth from a sales perspective, we'll see a continuation of the drivers that we saw in 2017. So fashion basics growth in North America, double-digit growth in international markets across all regions again. We'll see the benefit of our acquisitions, American Apparel coming through very nicely both in the imprintable side, in the Printwear side, but also from an e-commerce perspective. We'll also see growth in underwear at retail, both from a big box retailer perspective and online. So overall, we'll see our growth drivers are playing out -- playing through in 2018. We will see some headwind. We've talked about the fact that our retailers are moving heavily in opening price point categories in certain categories to private label, and we'll see the impact of that flowing through in 2018. We saw some impact in the later part of 2017, and the full impact will roll through in 2018, creating some headwind for us. But overall, I would say, it expected to be a strong year despite those headwinds, and again, based on organic growth.

So if we move now to operating margins, we expect continued improvement in 2018, following the expansion that we saw in 2017. And if you look at operating margins, we look at gross margins -- gross margins, we expect to be flat in 2018. So we will see the benefit of pricing coming through, we will see the benefit of mix as we drive fashion basics, but that to a certain extent will be offset by higher cotton prices and other input cost inflation. So from a gross margin perspective, we expect our margins to be flat at that level, but what will drive improvement in operating margin in 2018 will be our SG&A. And we've talked about the consolidation of the front-end of the business, the reorganization, which is really going to drive our capabilities, which allow us to manage our brands from a central platform, allow us to align product development, consolidate distribution and reduce redundancies in back office support. So we'll really drive our capabilities as we go forward. And that will drive savings, now initially that will be offset by our continued investment in distribution to service our direct to consumer business, to service our shift to the piece capabilities, we will be reinvesting in e-commerce, in IT, in the first half of the year. So good SG&A savings coming through, reinvest in the first half and then in the second half [you really] see those savings flow through and drop to the bottom line. And we expect to see 100 basis point to 200 basis point improvement in our SG&A in the back half of the year, and then that will roll through into 2019. So overall, we expect to see further operating margin expansion in 2018, on the back of expansion in 2017, and I think it will be set up again well for 2019.

So if we take our sales outlook and we combine that with our margin outlook, then we get our EPS outlook. And then before I talk about the outlook, I wanted to mention our taxes. From our tax perspective in 2017, we had a tax rate of around 4%, in 2018 we will continue with that tax rate in line with 2017, unaffected really by anything that's going on in tax reform. So, good sales outlook, good margin outlook, stable tax rate will give us EPS outlook of $1.80 to $1.90, up 7.5% at the midpoint.

So moving to capital investments. If you look over the last 3 years to 4 years, we've been investing heavily and building out our capacity and investing in our yarn spinning, really effectively building our capabilities for the long-term. From a yarn spinning perspective, we've been investing in ring-spun yarn, which is very key to be able to drive these important categories that are driving our business forward, being able to drive fashion basics for example. So we've been investing over the last 3 years to 4 years, and now we build out that infrastructure and we can leverage that infrastructure on a go-forward basis. So, if you look at our CapEx in 2017, our CapEx was about 3% of sales, and as we roll forward through 2018, we'll stay at that 3% to 4% level, $125 million of CapEx on a go-forward basis. And I think what's very exciting about this position that we're in is that we are in a position where we can drive the next, let's say $800 million, $900 million of revenue growth at the top line with very limited CapEx on a go-forward basis. So, I would say from an infrastructure perspective, we're in great shape, and this 3% to 4% of CapEx is what you should expect on a go-forward basis as we continue to invest in our business.

So, Glenn has a favorite slide and I have a favorite slide as the CFO, and my favorite slide is the return on net assets slide. And with our strong asset base and our focus on margins, we can really drive -- earning on net assets on a go-forward basis. So, if you look at our RONA in 2017, we were just under 15%, well above our cost of capital, but below where we think we can ultimately drive RONA in the long term. And this is really an area that we will be focusing on as we drive forward, as we drive our efficiencies, as we focus on margins, as we're very effective in our CapEx spending, we really believe we can drive return on net assets up. And when you take growth and you marry it together with strong RONA expansion, high return on net assets, you then deliver a very strong long-term shareholder value. So, I think we're very, very focused on this key metric along with growth to drive long-term value.

Okay. Turning to free cash flow. If you look on the left-hand side, you can see that we have been building our free cash flow over the last 3 years to 4 years, and in 2018, we're forecasting another strong year of $400 million. You look in the right-hand side of the chart, you can see our leverage on our balance sheet, and you can see our balance sheet is in very good shape. So in 2017, we finished the year at 1x leverage, and we expect to continue to run in the 1 to 2 range on a go-forward basis. So we've got strong cash flow, we've got a strong balance sheet, and we've got significant financial flexibility on a go-forward basis. So, if you have significant financial flexibility, you have to be really thoughtful about how you manage that flexibility, and capital allocation is very important. So, if you look at the left-hand side of the slide, you can see how we've been allocating capital over the last 4 years. And in 2018, we will continue to allocate capital in the same manner. So dividends, clearly an area of focus. We've been increasing our dividends over the last 6 years, and this year we've increased it again 20% for 2018. From an M&A perspective, we'll continue to focus on M&A, it's important priority for us from a capital allocation perspective, but we need to find M&A that meets the criteria that Glenn laid out, and M&A that we can acquire at attractive valuations.

And then finally, from a share repurchase perspective, we will continue to return capital to shareholders as we maintain our balance sheet leverage framework. In 2018, we've announced the 5% share buyback, and we're making good progress on that program thus far. Okay, let me quickly before wrapping up, just provide a quick update on the first quarter, we reported last night. And the headline here is that we are on track to achieve our full year outlook. So, our Q1 results were very much in line with what we expected with sales of $647 million, and adjusted EPS of $0.34. In the first quarter, we were -- the markets are strong, but we were bearing the impact of some production disruptions that we saw at the end of the fourth quarter of 2017. And that really to a certain extent limited our ability, limited our upside from a sales perspective. But ultimately where -- we'll be driving our production to recapture those sales as we move through the year, we moved through Q2 and then very definitely into the back half of Q3 and Q4.

We've also seen the impact of higher raw material prices and inflation on other input costs, which will be offset by pricing and by mix as we drive strong fashion basics through the year, and that will really play out as we move into the second half of the year. And so, our Q1 performance was very much in line with what we expected. We're very pleased with the performance. And again, what we're very pleased about was the continued momentum in the growth areas of our business. So in fashion basics, we saw double-digit growth, in international markets they were up 24%. From an underwear perspective, we are outpacing the market, our POS in the first quarter was 10%. Underwear market was flat. Our market share was up. So very good performance in all of those key drivers. And then from an organizational consolidation perspective, we're very pleased with the progress that we made in the first quarter on the reorganization. And we can see, we were reinvesting those savings in distribution and e-commerce, and we'll really see those cost reductions starting to flow through to the bottom line as we move into the second half. So overall, a very -- solid quarter to kick off the year.

So finally, let me finish with a slide that highlights how we are creating value overall, let's put it all together. On the left hand of the slide you can see that in activewear, we're driving fashion basics, we're driving international growth. In underwear and hosiery, we're driving market share or expanding margins or reducing our SG&A associated with supporting that side of the business. From a capital investment perspective, we're leveraging those investments that we've made. Our ability now that to effectively drive that growth. Our ability to drive high margin growth. From a strategic acquisition perspective, we'll continue to put emphasis on our Printwear business as we look at opportunities. But when we're looking opportunities, we're also looking at opportunities that we can leverage in retail, direct to consumer, and that's why American Apparel is a great example of that, that will be continue to be an area of focus.

From a balance sheet perspective, we'll maintain our financial flexibility to be able to take advantage of opportunities as they come available. We're never quite sure when they will be available, but we always want to be in a position to take advantage of them. And then finally, ongoing return to shareholders through dividends and NCIB. So that's basically the model, the business model that we're following, the growth drivers, how we're managing allocations, and how we're managing return of capital to shareholders.

And then on the right hand of the slide, what you can see what we're really trying to do to deliver growth, and in 2018, that's low to mid-single digit growth. On an ongoing basis, I would say, we're looking to drive mid-single digit growth, when you're looking at a combination of organic and M&A growth that should come through. We're looking to drive strong returns from an EPS perspective in 2018, and we're driving high-single digit growth. On our ongoing basis, we expect growth to be high-single digit to low-double digit in strong years. And then finally, overall, driving attractive total shareholder return double-digit return. So I would say, the model is very simple, overall. Good growth, good returns, high total shareholder returns.

So we're very excited about delivering these returns, this performance for our shareholders. Thank you.

William David Anderson - *Gildan Activewear Inc. - Chairman of the Board*

Thanks, Rhod and Glenn. And the 2017 was a good year, and as you've heard, there are challenges facing the business, but I would like to just be clear that the Board is very supportive of what Glenn, Rhod and the executive team is doing, and the strength in the businesses that you've heard about are being managed to deliver the kind of shareholder returns that we have come to expect from this great company. I would also note that we have 50,000 employees around the world, and I would also want to congratulate them on just what an outstanding job they do, and as the Board travels to different parts of the business, we had meetings in Barbados and Honduras last year, and the passion and the way that the dedicated people in this company are convinced that it is a great company, is very, very reassuring for us.

My script says that the scrutineers have given me the reports on the ballots, but they haven't. So I don't know what to do. Thank you.

So with respect to the election of directors, I am pleased to announce that William D. Anderson, Glenn J. Chamandy, Donald C. Berg, Maryse Bertrand, Marc Caira, Shirley E. Cunningham, Russell Goodman, George Heller, Charles M. Herington, Craig A. Leavitt, Anne Martin-Vachon and Gonzalo Valdes-Fauli have been duly elected as Directors of the company. I'm also pleased to report that the advisory resolution on the company's approach to executive compensation and the resolution on the appointment of KPMG as auditors have both been carried. And actually the detailed results of these will be available shortly on the Canadian and U.S. Commission's websites www.sedar.com and www.sec.gov. So they will be available in a couple of days.

That ends the business on the agenda for the meeting. Before concluding, we would be pleased to answer questions from any registered shareholder or proxy holder who wishes to address the meeting. If anyone does have a question, I would just ask that you state your name and whether you're a shareholder or a proxy holder. And of course, you're welcome to ask questions either in English or in French. We haven't had questions for a couple of years at these meetings. So is there anyone who would like to address the meeting?

Okay. You guys have done a great job again. So that concludes the meeting and I actually would just have [Stephanie van Dries] present a motion to terminate the meeting.

Unidentified Shareholder

Mr. Chairman, my name is [Stephanie van Dries] I'm a shareholder of the company, and I move that the meeting be terminated.

William David Anderson - *Gildan Activewear Inc. - Chairman of the Board*

Okay. Thanks, [Stephanie]. And [Arnaud Caffin], would you please second the emotion?

Unidentified Shareholder

Mr. President, I'm [Arnaud Caffin], I'm a shareholder and I second the proposal.

William David Anderson - *Gildan Activewear Inc. - Chairman of the Board*

Thanks a lot for coming today. Good meeting.
