

Hanesbrands Inc.
Form 10-Q
October 29, 2015
Table of Contents

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

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended October 3, 2015

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number: 001-32891

Hanesbrands Inc.
(Exact name of registrant as specified in its charter)

Maryland
(State of incorporation)

20-3552316
(I.R.S. employer identification no.)

1000 East Hanes Mill Road
Winston-Salem, North Carolina
(Address of principal executive office)
(336) 519-8080
(Registrant’s telephone number including area code)

27105
(Zip code)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 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 during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of October 23, 2015, there were 391,821,577 shares of the registrant’s common stock outstanding.

Table of Contents

TABLE OF CONTENTS

	Page
<u>Forward-Looking Statements</u>	<u>1</u>
<u>Where You Can Find More Information</u>	<u>1</u>
PART I	
Item 1. <u>Financial Statements (unaudited):</u>	
<u>Condensed Consolidated Statements of Income for the quarters and nine months ended October 3, 2015 and September 27, 2014</u>	<u>2</u>
<u>Condensed Consolidated Statements of Comprehensive Income for the quarters and nine months ended October 3, 2015 and September 27, 2014</u>	<u>3</u>
<u>Condensed Consolidated Balance Sheets at October 3, 2015 and January 3, 2015</u>	<u>4</u>
<u>Condensed Consolidated Statements of Cash Flows for the nine months ended October 3, 2015 and September 27, 2014</u>	<u>5</u>
<u>Notes to Condensed Consolidated Financial Statements</u>	<u>6</u>
Item 2. <u>Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>23</u>
Item 3. <u>Quantitative and Qualitative Disclosures about Market Risk</u>	<u>33</u>
Item 4. <u>Controls and Procedures</u>	<u>33</u>
PART II	
Item 1. <u>Legal Proceedings</u>	<u>35</u>
Item 1A. <u>Risk Factors</u>	<u>35</u>
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>35</u>
Item 3. <u>Defaults Upon Senior Securities</u>	<u>35</u>
Item 4. <u>Mine Safety Disclosures</u>	<u>35</u>
Item 5. <u>Other Information</u>	<u>35</u>
Item 6. <u>Exhibits</u>	<u>36</u>
<u>Signatures</u>	<u>37</u>
<u>Index to Exhibits</u>	<u>E-1</u>

Table of Contents

FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements include all statements that do not relate solely to historical or current facts, and can generally be identified by the use of words such as “may,” “believe,” “will,” “expect,” “project,” “estimate,” “intend,” “anticipate,” “plan,” “continue” or similar expressions. In particular, statements under the heading “Outlook” and other information appearing under “Management’s Discussion and Analysis of Financial Condition and Results of Operations” include forward-looking statements. Forward-looking statements inherently involve many risks and uncertainties that could cause actual results to differ materially from those projected in these statements.

Where, in any forward-looking statement, we express an expectation or belief as to future results or events, such expectation or belief is based on the current plans and expectations of our management, expressed in good faith and believed to have a reasonable basis. However, there can be no assurance that the expectation or belief will result or will be achieved or accomplished. More information on factors that could cause actual results or events to differ materially from those anticipated is included from time to time in our reports filed with the Securities and Exchange Commission (the “SEC”), including this Quarterly Report on Form 10-Q and our Annual Report on Form 10-K for the year ended January 3, 2015, under the caption “Risk Factors,” and available on the “Investors” section of our corporate website, www.Hanes.com/investors.

All forward-looking statements speak only as of the date of this Quarterly Report on Form 10-Q and are expressly qualified in their entirety by the cautionary statements included in this Quarterly Report on Form 10-Q or our Annual Report on Form 10-K for the year ended January 3, 2015, particularly under the caption “Risk Factors.” We undertake no obligation to update or revise forward-looking statements that may be made to reflect events or circumstances that arise after the date made or to reflect the occurrence of unanticipated events, other than as required by law.

WHERE YOU CAN FIND MORE INFORMATION

We file annual, quarterly and current reports, proxy statements and other information with the SEC. You can read our SEC filings over the Internet at the SEC’s website at www.sec.gov. To receive copies of public records not posted to the SEC’s web site at prescribed rates, you may complete an online form at www.sec.gov, send a fax to (202) 772-9337 or submit a written request to the SEC, Office of FOIA/PA Operations, 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information.

We make available free of charge at www.Hanes.com/investors (in the “Investors” section) copies of materials we file with, or furnish to, the SEC. By referring to our corporate website, www.Hanes.com/corporate, or any of our other websites, we do not incorporate any such website or its contents into this Quarterly Report on Form 10-Q.

Table of Contents

PART I

Item 1. Financial Statements

HANESBRANDS INC.

Condensed Consolidated Statements of Income

(in thousands, except per share amounts)

(unaudited)

	Quarters Ended		Nine Months Ended	
	October 3, 2015	September 27, 2014	October 3, 2015	September 27, 2014
Net sales	\$1,591,038	\$1,400,728	\$4,321,992	\$3,802,150
Cost of sales	1,010,288	903,013	2,726,786	2,443,304
Gross profit	580,750	497,715	1,595,206	1,358,846
Selling, general and administrative expenses	372,422	343,823	1,158,014	926,042
Operating profit	208,328	153,892	437,192	432,804
Other expenses	718	795	1,930	1,890
Interest expense, net	31,356	23,528	87,263	66,465
Income before income tax expense	176,254	129,569	347,999	364,449
Income tax expense	14,100	10,625	38,307	49,367
Net income	\$162,154	\$118,944	\$309,692	\$315,082
Earnings per share:				
Basic	\$0.41	\$0.30	\$0.77	\$0.78
Diluted	\$0.40	\$0.29	\$0.76	\$0.77

See accompanying notes to Condensed Consolidated Financial Statements.

2

Table of Contents

HANESBRANDS INC.

Condensed Consolidated Statements of Comprehensive Income

(in thousands)

(unaudited)

	Quarters Ended		Nine Months Ended	
	October 3, 2015	September 27, 2014	October 3, 2015	September 27, 2014
Net income	\$ 162,154	\$ 118,944	\$ 309,692	\$ 315,082
Other comprehensive income (loss), net of tax of (\$1,589), (\$1,382), (\$5,323) and (\$2,670), respectively	(15,130	) (1,684	) (10,793	) 1,503
Comprehensive income	\$ 147,024	\$ 117,260	\$ 298,899	\$ 316,585

See accompanying notes to Condensed Consolidated Financial Statements.

3

Table of Contents

HANESBRANDS INC.

Condensed Consolidated Balance Sheets

(in thousands, except share and per share amounts)

(unaudited)

	October 3, 2015	January 3, 2015
Assets		
Cash and cash equivalents	\$284,595	\$239,855
Trade accounts receivable, net	850,334	672,048
Inventories	1,813,510	1,537,200
Deferred tax assets	215,413	215,065
Other current assets	101,602	101,064
Total current assets	3,265,454	2,765,232
Property, net	652,391	674,379
Trademarks and other identifiable intangibles, net	711,217	691,201
Goodwill	837,975	723,120
Deferred tax assets	278,968	294,347
Other noncurrent assets	73,395	73,502
Total assets	\$5,819,400	\$5,221,781
Liabilities and Stockholders' Equity		
Accounts payable	\$637,788	\$621,220
Accrued liabilities	516,595	495,627
Notes payable	120,083	144,438
Accounts Receivable Securitization Facility	258,264	210,963
Current portion of long-term debt	39,407	14,354
Total current liabilities	1,572,137	1,486,602
Long-term debt	2,361,607	1,613,997
Pension and postretirement benefits	362,545	472,003
Other noncurrent liabilities	272,812	262,407
Total liabilities	4,569,101	3,835,009
Stockholders' equity:		
Preferred stock (50,000,000 authorized shares; \$.01 par value)		
Issued and outstanding — None	—	—
Common stock (2,000,000,000 authorized shares; \$.01 par value)		
Issued and outstanding — 392,334,805 and 400,789,120, respectively	3,923	4,008
Additional paid-in capital	280,699	290,926
Retained earnings	1,349,059	1,464,427
Accumulated other comprehensive loss	(383,382)	(372,589)
Total stockholders' equity	1,250,299	1,386,772
Total liabilities and stockholders' equity	\$5,819,400	\$5,221,781

See accompanying notes to Condensed Consolidated Financial Statements.

Table of Contents

HANESBRANDS INC.

Condensed Consolidated Statements of Cash Flows

(in thousands)

(unaudited)

	Nine Months Ended	
	October 3, 2015	September 27, 2014
Operating activities:		
Net income	\$309,692	\$315,082
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation and amortization of long-lived assets	75,750	69,540
Amortization of debt issuance costs	5,222	4,344
Stock compensation expense	9,831	11,998
Deferred taxes and other	(4,316	) (2,571
Changes in assets and liabilities, net of acquisition of business:		
Accounts receivable	(185,159	) (169,053
Inventories	(280,970	) (149,376
Other assets	32,661	(6,022
Accounts payable	35,716	131,280
Accrued liabilities and other	(85,581	) 10,099
Net cash from operating activities	(87,154	) 215,321
Investing activities:		
Purchases of property, plant and equipment	(73,771	) (46,562
Proceeds from sales of assets	15,250	5,015
Acquisition of business, net of cash acquired	(192,829	) (352,986
Other	—	(8,779
Net cash from investing activities	(251,350	) (403,312
Financing activities:		
Borrowings on notes payable	817,141	109,313
Repayments on notes payable	(833,822	) (101,994
Borrowings on Accounts Receivable Securitization Facility	209,041	115,609
Repayments on Accounts Receivable Securitization Facility	(161,740	) (72,399
Borrowings on Revolving Loan Facility	4,056,000	2,639,000
Repayments on Revolving Loan Facility	(4,079,500	) (2,662,000
Incurrence of debt under the Euro Term Loan Facility	—	476,566
Repayments on Euro Term Loan Facility	(3,022) —
Borrowings on Term Loan A Facility	425,000	—
Repayments on Term Loan A Facility	(10,625) —
Borrowings on Term Loan B Facility	425,000	—
Repayments on Term Loan B Facility	(2,125) —
Repayments of assumed debt related to acquisition of business	—	(111,193
Share repurchases	(306,094) —
Cash dividends paid	(121,713	) (89,638
Taxes paid related to net shares settlement of equity awards	(53,108	) (32,294
Excess tax benefit from stock-based compensation	38,298	26,162
Debt issuance costs and other	(12,327	) (4,431

Edgar Filing: Hanesbrands Inc. - Form 10-Q

Net cash from financing activities	386,404	292,701
Effect of changes in foreign exchange rates on cash	(3,160	) (4,741
Change in cash and cash equivalents	44,740	99,969
Cash and cash equivalents at beginning of year	239,855	115,863
Cash and cash equivalents at end of period	\$284,595	\$215,832

See accompanying notes to Condensed Consolidated Financial Statements.

5

Table of Contents

HANESBRANDS INC.

Notes to Condensed Consolidated Financial Statements

(dollars and shares in thousands, except per share data)

(unaudited)

(1) Basis of Presentation

These statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (the “SEC”) and, in accordance with those rules and regulations, do not include all information and footnote disclosures normally included in annual financial statements prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”). Management believes that the disclosures made are adequate for a fair statement of the results of operations, financial condition and cash flows of Hanesbrands Inc., a Maryland corporation, and its consolidated subsidiaries (the “Company” or “Hanesbrands”). In the opinion of management, the condensed consolidated interim financial statements reflect all adjustments, which consist only of normal recurring adjustments, necessary to state fairly the results of operations, financial condition and cash flows for the interim periods presented herein. The preparation of condensed consolidated financial statements in conformity with GAAP requires management to make use of estimates and assumptions that affect the reported amounts and disclosures. Actual results may vary from these estimates. A subsidiary of the Company closes one week earlier than the Company’s consolidated quarter end. The difference in reporting one week of financial information for this subsidiary did not have a material impact on the Company’s financial condition, results of operations or cash flows. Certain prior year amounts in the notes to condensed consolidated financial statements, none of which are material, have been reclassified to conform with the current year presentation. These reclassifications had no impact on the Company’s results of operations.

These condensed consolidated interim financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company’s most recent Annual Report on Form 10-K. The results of operations for any interim period are not necessarily indicative of the results of operations to be expected for the full year.

(2) Recent Accounting Pronouncements

Measurement Period Adjustments

In September 2015, the FASB issued new accounting rules, which simplify the accounting for measurement period adjustments by eliminating the requirements to restate prior period financial statements for these adjustments. The new guidance requires that the cumulative impact of a measurement period adjustment (including the impact on prior periods) be recognized in the reporting period in which the adjustment is identified. The new standard, which should be applied prospectively to measurement period adjustments that occur after the effective date, is effective for the Company in the first quarter of 2016. The Company does not expect the adoption of the new accounting rules to have a material impact on the Company’s financial condition, results of operations or cash flows.

Revenue from Contracts with Customers

In July 2015, the FASB decided to delay effective dates for the new accounting rules related to revenue recognition for contracts with customers by one year. The new standard will be effective for the Company in the first quarter of 2018 with retrospective application required. The Company is currently in the process of evaluating the impact of adoption of the new rules on the Company’s financial condition, results of operations and cash flows.

Inventory

In July 2015, the FASB issued new accounting rules, which require inventory to be recorded at the lower of cost or net realizable value. The new standard will be effective for the Company in the first quarter of 2017. The Company does not expect the adoption of the new accounting rules to have a material impact on the Company’s financial condition, results of operations or cash flows.

Debt Issuance Costs

In April 2015, the FASB issued new accounting rules, which require debt issuance costs to be presented in the balance sheet as a direct deduction from the associated debt liability. The new rules will be effective for the Company in the

first quarter of 2016. The Company does not expect the adoption of the new accounting rules to have a material impact on the Company's financial condition, results of operations or cash flows.

6

Table of Contents

HANESBRANDS INC.

Notes to Condensed Consolidated Financial Statements — (Continued)

(dollars and shares in thousands, except per share data)

(unaudited)

(3) Acquisitions

Knights Apparel

On April 6, 2015, the Company completed the acquisition of Knights Holdco, Inc. (“Knights Apparel”), a leading seller of licensed collegiate logo apparel in the mass retail channel, from Merit Capital Partners in an all cash transaction valued at approximately \$193,520 on an enterprise value basis. The Company funded the acquisition with cash on hand and short-term borrowings under its Revolving Loan Facility.

The Knights Apparel and Pro Edge trademarks and brand names, which management believes to have indefinite lives, have been valued at \$12,000. Amortizable intangible assets have been assigned values of \$31,200 for license agreements, \$14,500 for distribution networks, and \$2,250 for non-compete agreements. License agreements are being amortized over 14 years. Distributor relationships are being amortized over 12 years. Non-compete agreements are being amortized over one year.

Knights Apparel contributed net revenues of approximately \$121,000 and \$21,000 of pretax earnings since the date of acquisition. The results of Knights Apparel have been included in the Company’s consolidated financial statements since the date of acquisition and are reported as part of the Activewear segment.

Factors that contribute to the amount of goodwill recognized for the acquisition include the value of the existing work force and cost savings by utilizing the Company’s low-cost supply chain and expected synergies with existing Company functions. Goodwill associated with the acquisition is not tax deductible.

The allocation of purchase price is preliminary and subject to change. The primary areas of the purchase price that are not yet finalized are related to certain income taxes and residual goodwill. Accordingly, adjustments will be made to the values of the assets acquired and liabilities assumed as additional information is obtained about the facts and circumstances, which existed at the valuation date. The acquired assets and assumed liabilities at the date of acquisition (April 6, 2015) include the following:

Cash and cash equivalents	\$59
Trade accounts receivable	14,879
Inventories	22,820
Deferred tax assets and other	2,190
Trademarks and other identifiable intangibles	59,950
Total assets acquired	99,898
Accounts payable	3,742
Accrued liabilities and other	3,065
Deferred tax liabilities and other noncurrent liabilities	19,964
Total liabilities assumed	26,771
Net assets acquired	73,127
Goodwill	120,393
Purchase price	\$193,520

Unaudited pro forma results of operations for the Company are presented below for quarter-to-date and year-to-date assuming that the 2015 acquisition of Knights Apparel had occurred on December 29, 2013.

	Quarters Ended		Nine Months Ended	
	October 3, 2015	September 27, 2014	October 3, 2015	September 27, 2014
Net sales	\$1,591,038	\$1,473,026	\$4,344,149	\$3,922,118
Net income	163,327	127,256	313,919	314,256
Earnings per share:				
Basic	\$0.41	\$0.32	\$0.78	\$0.78
Diluted	0.41	0.31	0.77	0.77

Table of Contents

HANESBRANDS INC.

Notes to Condensed Consolidated Financial Statements — (Continued)

(dollars and shares in thousands, except per share data)

(unaudited)

DBApparel Acquisition

In August 2014, MFB International Holdings S.à r.l. (“MF Lux”), a wholly owned subsidiary of the Company, acquired DBA Lux Holding S.A. (“Hanes Europe”) from SLB Brands Holdings, Ltd and certain individual Hanes Europe shareholders in an all-cash transaction equal to €400,000 enterprise value less net debt and working capital adjustments as defined in the purchase agreement. Total purchase price was €297,031 (approximately \$391,861 based on acquisition date exchange rates). The acquisition was financed through a combination of cash on hand and third-party borrowings.

Hanes Europe is a leading marketer of intimate apparel, hosiery and underwear in Europe with a portfolio of strong brands including DIM, Nur Die/Nur Der and Lovable. The Company believes the acquisition will create growth and cost savings opportunities and increased scale to serve retailers. Hanes Europe utilizes a mix of self-owned manufacturing and third-party manufacturers. Factors that contribute to the amount of goodwill recognized for the acquisition include the value of the existing work force and cost savings by utilizing the Company’s low-cost supply chain and expected synergies with existing Company functions. Goodwill associated with the acquisition is not tax deductible.

Since January 3, 2015, goodwill increased by \$2,807 as a result of measurement period adjustments to the acquired income tax balances. The purchase price allocation was finalized in the third quarter 2015.

(4) Stockholders’ Equity

Basic earnings per share (“EPS”) was computed by dividing net income by the number of weighted average shares of common stock outstanding. Diluted EPS was calculated to give effect to all potentially dilutive shares of common stock using the treasury stock method. On March 3, 2015, the Company implemented a four-for-one stock split on the Company’s common stock in the form of a 300% stock dividend. All references to the number of shares outstanding, per share amounts and share options data of the Company’s common shares have been restated to reflect the effect of the split for all periods presented.

The reconciliation of basic to diluted weighted average shares outstanding is as follows:

	Quarters Ended		Nine Months Ended	
	October 3, 2015	September 27, 2014	October 3, 2015	September 27, 2014
Basic weighted average shares outstanding	399,445	402,392	402,011	401,968
Effect of potentially dilutive securities:				
Stock options	1,943	4,228	3,035	4,392
Restricted stock units	1,587	1,904	1,298	1,696
Employee stock purchase plan and other	4	—	19	—
Diluted weighted average shares outstanding	402,979	408,524	406,363	408,056

For the quarters and nine months ended October 3, 2015 and September 27, 2014, there were no options or restricted stock units excluded from the diluted earnings per share calculation because their effect would be anti-dilutive.

For the quarters ended October 3, 2015 and September 27, 2014, the Company declared and paid cash dividends of \$0.10 and \$0.075 per share, respectively. For the nine months ended October 3, 2015 and September 27, 2014, the Company declared and paid cash dividends of \$0.30 and \$0.225 per share, respectively.

The Company resumed repurchasing Company common stock in the open market during the third quarter of 2015 under a program previously announced in 2007. The Company’s Board of Directors authorized up to 40,000 shares to be repurchased in open-market transactions, and such repurchases are subject to market conditions, legal requirements and other factors. During the quarter ended October 3, 2015, the Company entered into transactions to repurchase 10,665 shares at a weighted average repurchase price of \$29.15 per share. The shares were repurchased at a total cost of \$311,103, of which \$5,009 settled in the fourth quarter of 2015. At October 3, 2015, the remaining repurchase authorization totaled 17,986 shares. The program does not obligate the Company to acquire any particular amount of

common stock and may be suspended or discontinued at any time at the Company's discretion.

8

Table of Contents

HANESBRANDS INC.

Notes to Condensed Consolidated Financial Statements — (Continued)

(dollars and shares in thousands, except per share data)

(unaudited)

(5) Inventories

Inventories consisted of the following:

	October 3, 2015	January 3, 2015
Raw materials	\$172,921	\$122,873
Work in process	202,026	196,886
Finished goods	1,438,563	1,217,441
	\$1,813,510	\$1,537,200

(6) Debt

Debt consisted of the following:

	Interest Rate as of October 3, 2015	Principal Amount		Maturity Date
		October 3, 2015	January 3, 2015	
Senior Secured Credit Facility:				
Revolving Loan Facility	1.83%	\$153,000	\$176,500	April 2020
Euro Term Loan	3.50%	400,651	436,953	August 2021
Term Loan A	1.66%	414,375	—	April 2020
Term Loan B	3.25%	422,875	—	April 2022
6.375% Senior Notes	6.38%	1,000,000	1,000,000	December 2020
Accounts Receivable Securitization Facility	1.10%	258,264	210,963	March 2016
Other International Debt	Various	10,112	14,898	Various
		2,659,277	1,839,314	
Less current maturities		297,670	225,317	
		\$2,361,607	\$1,613,997	

On April 29, 2015, the Company refinanced its senior secured credit facility (the “Senior Secured Credit Facility”) to extend the maturity date of the revolving loan facility (the “Revolving Loan Facility”) to April 2020 and reduce the maximum borrowing capacity from \$1,100,000 to \$1,000,000, re-price the Revolving Loan Facility at favorable rates, and add an additional \$850,000 in term loan borrowings (\$425,000 for a new term loan a facility, the “Term Loan A Facility”, and \$425,000 for a new term loan b facility, the “Term Loan B Facility”). The Company incurred \$10,900 in fees related to this refinancing.

The Revolving Loan Facility, the Term Loan A Facility and the Term Loan B Facility are guaranteed by substantially all of the Company’s existing and future direct and indirect U.S. subsidiaries, with certain customary or agreed-upon exceptions for certain subsidiaries. The Company and each of the guarantors under the Revolving Loan Facility, the Term Loan A Facility and the Term Loan B Facility have granted the lenders under the Senior Secured Credit Facility a valid and perfected first priority (subject to certain customary exceptions) lien and security interest in (i) the equity interests of substantially all of the Company’s direct and indirect U.S. subsidiaries and 65% of the voting securities of certain first tier foreign subsidiaries; and (ii) substantially all present and future property and assets, real and personal, tangible and intangible, of the Company and each guarantor, except for certain enumerated interests, and all proceeds and products of such property and assets.

All borrowings under the Revolving Loan Facility must be repaid in full upon maturity. Outstanding borrowings under the Revolving Loan Facility may be reborrowed and repaid without penalty.

Outstanding borrowings under the Term Loan A Facility are repayable in equal quarterly installments in the following annual percentages, with the remainder of the outstanding principal to be repaid at maturity: year one, 5.0%; year two, 7.5%; years three and four, 10.0%; and year five, 15.0%.

Edgar Filing: Hanesbrands Inc. - Form 10-Q

Outstanding borrowings under the Term Loan B Facility are repayable in 0.25% quarterly installments, with the remainder of the outstanding principal to be repaid at maturity. If the Term Loan B Facility is repriced or refinanced on or prior to the

9

Table of Contents

HANESBRANDS INC.

Notes to Condensed Consolidated Financial Statements — (Continued)

(dollars and shares in thousands, except per share data)

(unaudited)

twelve month anniversary of its funding and as a result of such repricing or refinancing the effective interest rate of the Term Loan B Facility decreases, the Company shall be required to pay a prepayment fee equal to 1.0% of the aggregate principal amount of the Term Loan B Facility subject to such repricing or refinancing.

The Term Loan A Facility, the Term Loan B Facility and the Company’s euro term loan facility (the “Euro Term Loan Facility” and together with the Term Loan A Facility and the Term Loan B Facility, the “Term Loan Facility”) require the Company and its subsidiary Maidenform Luxembourg (“MF Lux”), as applicable, to prepay any outstanding Term Loans in connection with (i) the incurrence of certain indebtedness and (ii) non-ordinary course asset sales or other dispositions (including as a result of casualty or condemnation) that exceed certain thresholds in any period of twelve-consecutive months, with customary reinvestment provisions. The Term Loan B Facility and the Euro Term Loan Facility also require the Company and MF Lux, as applicable, to prepay any outstanding Term Loans under the Term Loan B Facility and the Euro Term Loan Facility in connection with excess cash flow, which percentage will be based upon the Company’s leverage ratio during the relevant fiscal period. All such prepayments will be made on a pro rata basis under each of the applicable Term Loan Facilities that are subject to such prepayments.

At the Company’s option, borrowings under the Revolving Loan Facility, the Term Loan A Facility and the Term Loan B Facility may be maintained from time to time as (i) “Base Rate” loans, which bear interest at the highest of (a) 1/2 of 1% in excess of the federal funds rate, (b) the rate publicly announced by JPMorgan Chase Bank as its “prime rate” at its principal office in New York City, in effect from time to time and (c) the “LIBO Rate” (as defined in the Senior Secured Credit Facility and adjusted for maximum reserves) for LIBOR-based loans with a one-month interest period plus 1.0%, in effect from time to time, in each case plus the applicable margin, or (ii) LIBOR-based loans, which bear interest at the LIBO Rate, as determined by reference to the rate for deposits in dollars appearing on the Reuters Screen LIBOR01 or LIBOR02 Page for the respective interest period or other commercially available source designated by the Administrative Agent, in each case plus the applicable margin. The applicable margin for the Revolving Loan Facility and the Term Loan A Facility is based on the Company’s leverage ratio. When the leverage ratio is greater than or equal to 4.00 to 1.00, the applicable margin for LIBO Rate loans is 2.00% and the applicable margin for Base Rate loans is 1.00%. When the leverage ratio is less than 4.00 to 1.00 but greater than or equal to 3.25 to 1.00, the applicable margin for LIBO Rate loans is 1.75% and the applicable margin for Base Rate loans is 0.75%. When the leverage ratio is less than 3.25 to 1.00 but greater than or equal to 2.50 to 1.00, the applicable margin for LIBO Rate loans is 1.50% and the applicable margin for Base Rate loans is 0.50%. When the leverage ratio is less than 2.50 to 1.00, the applicable margin for LIBO Rate loans is 1.25% and the applicable margin for Base Rate loans is 0.25%. The applicable margin under the Term Loan B Facility is 2.50% for LIBO Rate loans and 1.50% for Base Rate loans. Borrowings under the Euro Term Loan Facility bear interest at the “EURIBOR Rate” (as defined in the Senior Secured Credit Facility) plus 2.75%.

The Senior Secured Credit Facility requires that the Company maintain a minimum interest coverage ratio and a maximum total debt to EBITDA (earnings before income taxes, depreciation expense and amortization), or leverage ratio. The interest coverage ratio covenant requires that the ratio of the Company’s EBITDA for the preceding four fiscal quarters to its consolidated total interest expense for such period shall not be less than 3.00 to 1.00 for any fiscal quarter. The leverage ratio covenant requires that the ratio of the Company’s total debt to its EBITDA for the preceding four fiscal quarters will not be more than 4.00 to 1.00; provided that, following a permitted acquisition in which the consideration is at least \$200 million, such maximum leverage ratio covenant shall be increased to 4.50:1.00 for each fiscal quarter ending in the succeeding 12-month period following such permitted acquisition. The method of calculating all of the components used in the covenants is included in the Senior Secured Credit Facility. The Senior Secured Credit Facility contains customary events of default, including nonpayment of principal when due; nonpayment of interest after stated grace period, fees or other amounts after stated grace period; material inaccuracy of representations and warranties; violations of covenants; certain bankruptcies and liquidations; any cross-default to material indebtedness; certain material judgments; certain events related to the Employee Retirement

Income Security Act of 1974, as amended, or "ERISA," actual or asserted invalidity of any guarantee, security document or subordination provision or non-perfection of security interest, and a change in control (as defined in the Senior Secured Credit Facility).

As of October 3, 2015, the Company had \$830,252 of borrowing availability under the \$1,000,000 Revolving Loan Facility after taking into account outstanding borrowings and \$16,748 of standby and trade letters of credit issued and outstanding under this facility.

Table of Contents

HANESBRANDS INC.

Notes to Condensed Consolidated Financial Statements — (Continued)

(dollars and shares in thousands, except per share data)

(unaudited)

The Other International Debt outstanding as of October 3, 2015 consists of mortgage loans and term loans collateralized by fixed assets. These loans have maturity dates ranging from December 2015 to May 2018, and bear interest primarily based on EURIBOR rates.

In March 2015, the Company amended the accounts receivable securitization facility that it entered into in November 2007 (the "Accounts Receivable Securitization Facility"). This amendment primarily extended the termination date to March 2016.

As of October 3, 2015, the Company was in compliance with all financial covenants under its credit facilities.

On October 23, 2015, the Company increased its borrowing capacity on the Term Loan A Facility by \$300,000 at similar terms to those previously in place.

(7) Accumulated Other Comprehensive Loss

The components of Accumulated other comprehensive loss ("AOCI") are as follows:

	Cumulative Translation Adjustment	Foreign Exchange Contracts	Defined Benefit Plans	Income Taxes	Accumulated Other Comprehensive Loss
Balance at January 3, 2015	\$(34,099)	\$4,834	\$(564,831)	\$221,507	\$(372,589)
Amounts reclassified from accumulated other comprehensive loss	—	(8,614)	9,987	(1,214)	159
Current-period other comprehensive income (loss) activity	(17,115)	13,454	(3,182)	(4,109)	(10,952)
Balance at October 3, 2015	\$(51,214)	\$9,674	\$(558,026)	\$216,184	\$(383,382)

The Company had the following reclassifications out of AOCI:

Component of AOCI	Location of Reclassification into Income	Amount of Reclassification from AOCI		Amount of Reclassification from AOCI	
		Quarters Ended October 3, 2015	September 27, 2014	Nine Months Ended October 3, 2015	September 27, 2014
Gain on foreign exchange contracts	Cost of sales	\$3,956	\$368	\$8,614	\$1,398
	Income tax	(1,780)	(146)	(3,434)	(557)
	Net of tax	2,176	222	5,180	841
Amortization of deferred actuarial loss and prior service cost	Selling, general and administrative expenses	(5,101)	(2,606)	(9,987)	(7,809)
	Income tax	1,852	1,024	4,648	3,064
	Net of tax	(3,249)	(1,582)	(5,339)	(4,745)
Total reclassifications		\$(1,073)	\$(1,360)	\$(159)	\$(3,904)

(8) Financial Instruments and Risk Management

The Company uses forward foreign exchange contracts to manage its exposures to movements in foreign exchange rates. As of October 3, 2015, the notional U.S. dollar equivalent of commitments to sell and purchase foreign currencies within the Company's derivative portfolio was \$261,048 and \$622, respectively, primarily consisting of

contracts hedging exposures to the Euro, Canadian dollar, Mexican peso and Australian dollar.

Table of Contents

HANESBRANDS INC.

Notes to Condensed Consolidated Financial Statements — (Continued)

(dollars and shares in thousands, except per share data)

(unaudited)

Fair Values of Derivative Instruments

The fair values of derivative financial instruments recognized in the Condensed Consolidated Balance Sheets of the Company were as follows:

	Balance Sheet Location	Fair Value	
		October 3, 2015	January 3, 2015
Hedges	Other current assets	\$3,024	\$3,447
Non-hedges	Other current assets	3,154	2,960
Total derivative assets		6,178	6,407
Hedges	Accrued liabilities	(578)) —
Non-hedges	Accrued liabilities	(85)	) (109)
Total derivative liabilities		(663)	) (109)
Net derivative asset		\$5,515	\$6,298

Cash Flow Hedges

The Company uses forward foreign exchange contracts to reduce the effect of fluctuating foreign currencies on short-term foreign currency-denominated transactions, foreign currency-denominated investments and other known foreign currency exposures. Gains and losses on these contracts are intended to offset losses and gains on the hedged transaction in an effort to reduce the earnings volatility resulting from fluctuating foreign currency exchange rates. The Company expects to reclassify into earnings during the next 12 months a net gain from AOCI of approximately \$7,119.

The changes in fair value of derivatives excluded from the Company's effectiveness assessments and the ineffective portion of the changes in the fair value of derivatives used as cash flow hedges are reported in the "Selling, general and administrative expenses" line in the Condensed Consolidated Statements of Income.

The effect of cash flow hedge derivative instruments on the Condensed Consolidated Statements of Income and AOCI is as follows:

	Amount of Gain Recognized in AOCI (Effective Portion)		Amount of Gain Recognized in AOCI (Effective Portion)	
	Quarters Ended		Nine Months Ended	
	October 3, 2015	September 27, 2014	October 3, 2015	September 27, 2014
Foreign exchange contracts	\$1,801	\$1,908	\$13,454	\$1,053

	Location of Gain (Loss) Reclassified from AOCI into Income (Effective Portion)	Amount of Gain Reclassified from AOCI into Income (Effective Portion)		Amount of Gain Reclassified from AOCI into Income (Effective Portion)	
		Quarters Ended		Nine Months Ended	
		October 3, 2015	September 27, 2014	October 3, 2015	September 27, 2014
Foreign exchange contracts	Cost of sales	\$3,956	\$368	\$8,614	\$1,398

Derivative Contracts Not Designated As Hedges

The Company uses foreign exchange derivative contracts as economic hedges against the impact of foreign exchange fluctuations on existing accounts receivable and payable balances and intercompany lending transactions denominated in foreign currencies. These contracts are not designated as hedges under the accounting standards and are recorded at fair value in the Condensed Consolidated Balance Sheet. Any gains or losses resulting from changes in fair value are recognized directly

12

Table of Contents

HANESBRANDS INC.

Notes to Condensed Consolidated Financial Statements — (Continued)

(dollars and shares in thousands, except per share data)

(unaudited)

into earnings. Gains or losses on these contracts largely offset the net remeasurement gains or losses on the related assets and liabilities.

The effect of derivative contracts not designated as hedges on the Condensed Consolidated Statements of Income is as follows:

	Location of Gain (Loss) Recognized in Income on Derivative	Amount of Gain (Loss) Recognized in Income Quarters Ended		Amount of Gain (Loss) Recognized in Income Nine Months Ended	
		October 3, 2015	September 27, 2014	October 3, 2015	September 27, 2014
Foreign exchange contracts	Selling, general and administrative expenses	\$(3,901	) \$(198	) \$(5,477	) \$(570

(9) Fair Value of Assets and Liabilities

As of October 3, 2015, the Company held certain financial assets and liabilities that are required to be measured at fair value on a recurring basis. These consisted of the Company's derivative instruments related to foreign exchange rates and deferred compensation plan liabilities. The fair values of foreign currency derivatives are determined using the cash flows of the foreign exchange contract, discount rates to account for the passage of time and current foreign exchange market data and are categorized as Level 2. The fair value of deferred compensation plans is based on readily available current market data and is categorized as Level 2. The Company's defined benefit pension plan investments are not required to be measured at fair value on a recurring basis.

There were no changes during the quarter ended October 3, 2015 to the Company's valuation techniques used to measure asset and liability fair values on a recurring basis. There were no transfers between the three level categories and there were no Level 3 assets or liabilities measured on a quarterly basis during the quarter ended October 3, 2015.

As of and during the quarter ended October 3, 2015, the Company did not have any non-financial assets or liabilities that were required to be measured at fair value on a recurring or non-recurring basis.

The following tables set forth, by level within the fair value hierarchy, the Company's financial assets and liabilities accounted for at fair value on a recurring basis.

	Assets (Liabilities) at Fair Value as of October 3, 2015		
	Quoted Prices for Identical Assets (Level 1)	Insignificant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Foreign exchange derivative contracts	\$—	\$6,178	\$—
Foreign exchange derivative contracts	—	(663) —
	—	5,515	—
Deferred compensation plan liability	—	(29,931) —
Total	\$—	\$(24,416) \$—

Table of Contents

HANESBRANDS INC.

Notes to Condensed Consolidated Financial Statements — (Continued)

(dollars and shares in thousands, except per share data)

(unaudited)

	Assets (Liabilities) at Fair Value as of		
	January 3, 2015		
	Quoted Prices In	Significant	Significant
	Active Markets	Other	Unobservable
	for Identical	Observable	Inputs
	Assets	Inputs	Inputs
	(Level 1)	(Level 2)	(Level 3)
Foreign exchange derivative contracts	\$—	\$6,407	\$—
Foreign exchange derivative contracts	—	(109) —
	—	6,298	—
Deferred compensation plan liability	—	(28,289) —
Total	\$—	\$(21,991) \$—

Fair Value of Financial Instruments

The carrying amounts of cash and cash equivalents, trade accounts receivable, notes receivable and accounts payable approximated fair value as of October 3, 2015 and January 3, 2015. The carrying amount of trade accounts receivable included allowance for doubtful accounts, chargebacks and other deductions of \$23,394 and \$16,856 as of October 3, 2015 and January 3, 2015, respectively. The fair value of debt, which is classified as a Level 2 liability, was \$2,757,559 and \$1,893,514 as of October 3, 2015 and January 3, 2015, respectively. Debt had a carrying value of \$2,659,277 and \$1,839,314 as of October 3, 2015 and January 3, 2015, respectively. The fair values were estimated using quoted market prices as provided in secondary markets, which consider the Company's credit risk and market related conditions. The carrying amounts of the Company's notes payable, which is classified as a Level 2 liability, approximated fair value as of October 3, 2015 and January 3, 2015, primarily due to the short-term nature of these instruments.

(10) Income Taxes

The Company's effective income tax rate was 8% for the quarters ended October 3, 2015 and September 27, 2014. The Company's effective income tax rate was 11% and 14% for the nine months ended October 3, 2015 and September 27, 2014, respectively. The quarter and nine months ended October 3, 2015 included net income tax benefits of approximately \$56,000 resulting from the completion of the Internal Revenue Service audit examination of the 2011 and 2012 tax years and the remeasurement of certain unrecognized tax benefits. Offsetting these tax benefits, we have also elected to repatriate approximately \$200,000 of current year foreign earnings. The quarter and nine months ended September 27, 2014 included net discrete tax benefits of approximately \$9,000 primarily related to the realization of unrecognized tax benefits resulting from the lapsing of domestic and foreign statutes of limitations.

(11) Business Segment Information

The Company's operations are managed and reported in four operating segments, each of which is a reportable segment for financial reporting purposes: Innerwear, Activewear, Direct to Consumer and International. These segments are organized principally by product category, geographic location and distribution channel. Each segment has its own management that is responsible for the operations of the segment's businesses, but the segments share a common supply chain and media and marketing platforms.

The types of products and services from which each reportable segment derives its revenues are as follows:

• Innerwear sells basic branded products that are replenishment in nature under the product categories of men's underwear, children's underwear, socks, panties, hosiery and intimates, which includes bras and shapewear.

• Activewear sells basic branded products that are primarily seasonal in nature under the product categories of branded printwear and retail activewear, as well as licensed logo apparel in collegiate bookstores, mass merchant and other

channels.

Direct to Consumer includes the Company's value-based ("outlet") stores and Internet operations that sell products from the Company's portfolio of leading brands. The Company's Internet operations are supported by its catalogs.

14

Table of Contents

HANESBRANDS INC.

Notes to Condensed Consolidated Financial Statements — (Continued)

(dollars and shares in thousands, except per share data)

(unaudited)

International primarily relates to the Europe, Asia, Latin America, Canada and Australia geographic locations that sell products that span across the Innerwear and Activewear reportable segments.

The Company evaluates the operating performance of its segments based upon segment operating profit, which is defined as operating profit before general corporate expenses and amortization of intangibles. The accounting policies of the segments are consistent with those described in Note 2 to the Company's consolidated financial statements included in its Annual Report on Form 10-K for the year ended January 3, 2015. The Company decided in the first quarter of 2015 to revise the manner in which the Company allocates certain selling, general and administrative expenses. Certain prior-year segment operating profit disclosures have been revised to conform to the current-year presentation.

	Quarters Ended		Nine Months Ended	
	October 3, 2015	September 27, 2014	October 3, 2015	September 27, 2014
Net sales:				
Innerwear	\$667,192	\$648,310	\$1,990,979	\$2,007,794
Activewear	516,804	424,745	1,193,057	1,037,063
Direct to Consumer	106,642	112,663	289,674	300,729
International	300,400	215,010	848,282	456,564
Total net sales	\$1,591,038	\$1,400,728	\$4,321,992	\$3,802,150

	Quarters Ended		Nine Months Ended	
	October 3, 2015	September 27, 2014	October 3, 2015	September 27, 2014
Segment operating profit:				
Innerwear	\$136,777	\$130,592	\$443,589	\$412,515
Activewear	97,240	69,974	191,476	151,178
Direct to Consumer	11,756	16,629	21,432	26,526
International	34,821	28,826	77,941	52,946
Total segment operating profit	280,594	246,021	734,438	643,165
Items not included in segment operating profit:				
General corporate expenses	(24,248)	) (24,274)	) (69,841)	) (67,705)
Acquisition, integration and other action related charges	(42,787)	) (63,135)	) (211,981)	) (129,817)
Amortization of intangibles	(5,231)	) (4,720)	) (15,424)	) (12,839)
Total operating profit	208,328	153,892	437,192	432,804
Other expenses	(718)	) (795)	) (1,930)	) (1,890)
Interest expense, net	(31,356)	) (23,528)	) (87,263)	) (66,465)
Income before income tax expense	\$176,254	\$129,569	\$347,999	\$364,449

For the quarter ended October 3, 2015, the Company incurred acquisition, integration and other action related charges of \$42,787, of which \$7,720 is reported in the "Cost of sales" line and \$35,067 is reported in the "Selling, general and administrative expenses" line in the Condensed Consolidated Statement of Income. For the quarter ended September 27, 2014, the Company incurred acquisition, integration and other action related charges of \$63,135, of which \$22,565 is reported in the "Cost of sales" line and \$40,570 is reported in the "Selling, general and administrative expenses" line in the Condensed Consolidated Statement of Income.

For the nine months ended October 3, 2015, the Company incurred acquisition, integration and other action related charges of \$211,981, of which \$47,939 is reported in the "Cost of sales" line and \$164,042 is reported in the "Selling,

general and administrative expenses” line in the Condensed Consolidated Statement of Income. For the nine months ended September 27, 2014, the Company incurred acquisition, integration and other action related charges of \$129,817, of which \$41,227 is reported in the “Cost of sales” line and \$88,590 is reported in the “Selling, general and administrative expenses” line in the Condensed Consolidated Statement of Income.

As part of the Hanes Europe acquisition strategy, the Company has identified management and administrative positions that are considered non-essential and/or duplicative that will be eliminated. As of October 3, 2015, the Company has accrued

Table of Contents

HANESBRANDS INC.

Notes to Condensed Consolidated Financial Statements — (Continued)

(dollars and shares in thousands, except per share data)

(unaudited)

approximately \$55,000 for employee termination and other benefits recognized in accordance with expected benefit payments for affected employees. The charges are reflected in the “Cost of sales” and “Selling, general and administrative expenses” lines of the Consolidated Statements of Income. As of October 3, 2015, no significant benefit payments had been made. \$17,200 and \$37,800, respectively, is included in the “Accrued liabilities” and “Other noncurrent liabilities” line of the Consolidated Balance Sheet.

(12) Consolidating Financial Information

In accordance with the indenture governing the Company’s \$1,000,000 6.375% Senior Notes issued on November 9, 2010, as supplemented from time to time, certain of the Company’s subsidiaries have guaranteed the Company’s obligations under the 6.375% Senior Notes. The following presents the condensed consolidating financial information separately for:

- (i) Parent Company, the issuer of the guaranteed obligations. Parent Company includes Hanesbrands Inc. and its 100% owned operating divisions, which are not legal entities, and excludes its subsidiaries, which are legal entities;
- (ii) Guarantor subsidiaries, on a combined basis, as specified in the Indentures;
- (iii) Non-guarantor subsidiaries, on a combined basis;
- (iv) Consolidating entries and eliminations representing adjustments to (a) eliminate intercompany transactions between or among Parent Company, the guarantor subsidiaries and the non-guarantor subsidiaries, (b) eliminate intercompany profit in inventory, (c) eliminate the investments in the Company’s subsidiaries and (d) record consolidating entries; and
- (v) The Company, on a consolidated basis.

The 6.375% Senior Notes are fully and unconditionally guaranteed on a joint and several basis by each guarantor subsidiary, each of which is 100% owned, directly or indirectly, by Hanesbrands Inc. A guarantor subsidiary’s guarantee can be released in certain customary circumstances. Each entity in the consolidating financial information follows the same accounting policies as described in the consolidated financial statements, except for the use by the Parent Company and guarantor subsidiaries of the equity method of accounting to reflect ownership interests in subsidiaries that are eliminated upon consolidation.

Condensed Consolidating Statement of Comprehensive Income
Quarter Ended October 3, 2015

	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Entries and Eliminations	Consolidated
Net sales	\$ 1,133,652	\$ 316,403	\$ 916,747	\$(775,764)	\$ 1,591,038
Cost of sales	967,456	181,680	682,314	(821,162)	1,010,288
Gross profit	166,196	134,723	234,433	45,398	580,750
Selling, general and administrative expenses	207,848	62,970	101,860	(256)	372,422
Operating profit	(41,652)	71,753	132,573	45,654	208,328
Equity in earnings of subsidiaries	232,445	134,138	—	(366,583)	—
Other expenses	718	—	—	—	718
Interest expense, net	24,304	—	6,770	282	31,356
Income before income tax expense	165,771	205,891	125,803	(321,211)	176,254
Income tax expense	3,617	—	10,483	—	14,100
Net income	\$ 162,154	\$ 205,891	\$ 115,320	\$(321,211)	\$ 162,154
Comprehensive income	\$ 147,024	\$ 205,891	\$ 97,820	\$(303,711)	\$ 147,024

Table of Contents

HANESBRANDS INC.

Notes to Condensed Consolidated Financial Statements — (Continued)

(dollars and shares in thousands, except per share data)

(unaudited)

Condensed Consolidating Statement of Comprehensive Income
Quarter Ended September 27, 2014

	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Entries and Eliminations	Consolidated
Net sales	\$ 1,107,886	\$ 234,995	\$ 755,136	\$(697,289)	\$ 1,400,728
Cost of sales	870,321	117,351	581,667	(666,326)	903,013
Gross profit	237,565	117,644	173,469	(30,963)	497,715
Selling, general and administrative expenses	248,132	54,329	32,742	8,620	343,823
Operating profit	(10,567)	63,315	140,727	(39,583)	153,892
Equity in earnings of subsidiaries	147,709	117,451	—	(265,160)	—
Other expenses	795	—	—	—	795
Interest expense, net	19,042	278	4,860	(652)	23,528
Income before income tax expense	117,305	180,488	135,867	(304,091)	129,569
Income tax expense	(1,639)	8,267	3,997	—	10,625
Net income	\$ 118,944	\$ 172,221	\$ 131,870	\$(304,091)	\$ 118,944
Comprehensive income	\$ 117,260	\$ 172,221	\$ 128,702	\$(300,923)	\$ 117,260

Condensed Consolidating Statement of Comprehensive Income
Nine Months Ended October 3, 2015

	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Entries and Eliminations	Consolidated
Net sales	\$ 3,290,292	\$ 712,103	\$ 2,464,999	\$(2,145,402)	\$ 4,321,992
Cost of sales	2,672,806	385,190	1,833,148	(2,164,358)	2,726,786
Gross profit	617,486	326,913	631,851	18,956	1,595,206
Selling, general and administrative expenses	676,126	168,606	315,742	(2,460)	1,158,014
Operating profit	(58,640)	158,307	316,109	21,416	437,192
Equity in earnings of subsidiaries	453,666	309,250	—	(762,916)	—
Other expenses	1,930	—	—	—	1,930
Interest expense, net	65,005	(4)	22,186	76	87,263
Income before income tax expense	328,091	467,561	293,923	(741,576)	347,999
Income tax expense	18,399	207	19,701	—	38,307
Net income	\$ 309,692	\$ 467,354	\$ 274,222	\$(741,576)	\$ 309,692
Comprehensive income	\$ 298,899	\$ 467,354	\$ 258,235	\$(725,589)	\$ 298,899

Table of Contents

HANESBRANDS INC.

Notes to Condensed Consolidated Financial Statements — (Continued)

(dollars and shares in thousands, except per share data)

(unaudited)

Condensed Consolidating Statement of Comprehensive Income
Nine Months Ended September 27, 2014

	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Entries and Eliminations	Consolidated
Net sales	\$3,186,705	\$645,891	\$1,923,295	\$(1,953,741)	\$3,802,150
Cost of sales	2,488,843	341,010	1,470,885	(1,857,434)	2,443,304
Gross profit	697,862	304,881	452,410	(96,307)	1,358,846
Selling, general and administrative expenses	654,311	178,274	88,840	4,617	926,042
Operating profit	43,551	126,607	363,570	(100,924)	432,804
Equity in earnings of subsidiaries	353,096	285,924	—	(639,020)	—
Other expenses	1,890	—	—	—	1,890
Interest expense, net	55,984	2,176	8,895	(590)	66,465
Income before income tax expense	338,773	410,355	354,675	(739,354)	364,449
Income tax expense	23,691	14,023	11,653	—	49,367
Net income	\$315,082	\$396,332	\$343,022	\$(739,354)	\$315,082
Comprehensive income	\$316,585	\$396,332	\$340,073	\$(736,405)	\$316,585

Table of Contents

HANESBRANDS INC.

Notes to Condensed Consolidated Financial Statements — (Continued)

(dollars and shares in thousands, except per share data)

(unaudited)

	Condensed Consolidating Balance Sheet October 3, 2015				
	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Entries and Eliminations	Consolidated
Assets					
Cash and cash equivalents	\$7,528	\$11,892	\$ 265,175	\$—	\$284,595
Trade accounts receivable, net	50,360	130,109	670,868	(1,003)	850,334
Inventories	1,117,978	175,507	645,250	(125,225)	1,813,510
Deferred tax assets	199,258	4,194	11,961	—	215,413
Other current assets	35,738	11,369	54,495	—	101,602
Total current assets	1,410,862	333,071	1,647,749	(126,228)	3,265,454
Property, net	94,560	39,372	518,459	—	652,391
Trademarks and other identifiable intangibles, net	3,573	132,878	574,766	—	711,217
Goodwill	232,882	244,008	361,085	—	837,975
Investments in subsidiaries	4,365,430	2,109,640	—	(6,475,070)	—
Deferred tax assets	195,044	74,734	9,190	—	278,968
Receivables from related entities	4,992,102	4,882,314	2,401,294	(12,275,710)	—
Other noncurrent assets	60,139	375	12,881	—	73,395
Total assets	\$11,354,592	\$7,816,392	\$ 5,525,424	\$(18,877,008)	\$5,819,400
Liabilities and Stockholders'					
Equity					
Accounts payable	\$253,912	\$28,966	\$ 354,910	\$—	\$637,788
Accrued liabilities	205,555	55,007	256,752	(719)	516,595
Notes payable	—	—	120,083	—	120,083
Accounts Receivable Securitization Facility	—	—	258,264	—	258,264
Current portion of long-term debt	30,813	—	8,594	—	39,407
Total current liabilities	490,280	83,973	998,603	(719)	1,572,137
Long-term debt	1,959,438	—	402,169	—	2,361,607
Pension and postretirement benefits	297,205	—	65,340	—	362,545
Payables to related entities	7,268,908	3,604,534	1,391,740	(12,265,182)	—
Other noncurrent liabilities	88,462	31,054	153,296	—	272,812
Total liabilities	10,104,293	3,719,561	3,011,148	(12,265,901)	4,569,101
Stockholders' equity	1,250,299	4,096,831	2,514,276	(6,611,107)	1,250,299
Total liabilities and stockholders' equity	\$11,354,592	\$7,816,392	\$ 5,525,424	\$(18,877,008)	\$5,819,400

Table of Contents

HANESBRANDS INC.

Notes to Condensed Consolidated Financial Statements — (Continued)

(dollars and shares in thousands, except per share data)

(unaudited)

Condensed Consolidating Balance Sheet

January 3, 2015

	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Entries and Eliminations	Consolidated
Assets					
Cash and cash equivalents	\$10,910	\$10,796	\$218,149	\$—	\$239,855
Trade accounts receivable, net	73,794	37,511	561,514	(771)	672,048
Inventories	958,376	120,341	607,356	(148,873)	1,537,200
Deferred tax assets	200,050	3,515	11,500	—	215,065
Other current assets	38,446	11,224	51,394	—	101,064
Total current assets	1,281,576	183,387	1,449,913	(149,644)	2,765,232
Property, net	88,599	46,221	539,559	—	674,379
Trademarks and other identifiable intangibles, net	4,102	79,393	607,706	—	691,201
Goodwill	232,881	124,247	365,992	—	723,120
Investments in subsidiaries	3,732,783	1,792,790	—	(5,525,573)	—
Deferred tax assets	202,910	74,735	16,702	—	294,347
Receivables from related entities	4,585,755	4,471,644	2,087,280	(11,144,679)	—
Other noncurrent assets	55,540	428	17,534	—	73,502
Total assets	\$10,184,146	\$6,772,845	\$5,084,686	\$(16,819,896)	\$5,221,781
Liabilities and Stockholders'					
Equity					
Accounts payable	\$353,799	\$11,925	\$255,496	\$—	\$621,220
Accrued liabilities	190,739	61,339	242,437	1,112	495,627
Notes payable	—	—	144,438	—	144,438
Accounts Receivable Securitization Facility	—	—	210,963	—	210,963
Current portion of long-term debt	—	—	14,354	—	14,354
Total current liabilities	544,538	73,264	867,688	1,112	1,486,602
Long-term debt	1,176,500	—	437,497	—	1,613,997
Pension and postretirement benefits	399,931	—	72,072	—	472,003
Payables to related entities	6,544,095	3,270,513	1,330,071	(11,144,679)	—
Other noncurrent liabilities	132,310	12,609	118,287	(799)	262,407
Total liabilities	8,797,374	3,356,386	2,825,615	(11,144,366)	3,835,009
Stockholders' equity	1,386,772	3,416,459	2,259,071	(5,675,530)	1,386,772
Total liabilities and stockholders' equity	\$10,184,146	\$6,772,845	\$5,084,686	\$(16,819,896)	\$5,221,781

Table of Contents

HANESBRANDS INC.

Notes to Condensed Consolidated Financial Statements — (Continued)

(dollars and shares in thousands, except per share data)

(unaudited)

	Condensed Consolidating Statement of Cash Flows				
	Nine Months Ended October 3, 2015				
	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Entries and Eliminations	Consolidated
Net cash from operating activities	\$ 199,797	\$ 303,127	\$ 174,243	\$(764,321)	\$(87,154)
Investing activities:					
Purchases of property, plant and equipment	(18,184)	(13,719)	(41,868)	—	(73,771)
Proceeds from sales of assets	822	4,337	10,091	—	15,250
Acquisition of business, net of cash acquired	—	(192,829)	—	—	(192,829)
Net cash from investing activities	(17,362)	(202,211)	(31,777)	—	(251,350)
Financing activities:					
Borrowings on notes payable	—	—	817,141	—	817,141
Repayments on notes payable	—	—	(833,822)	—	(833,822)
Borrowings on Accounts Receivable Securitization Facility	—	—	209,041	—	209,041
Repayments on Accounts Receivable Securitization Facility	—	—	(161,740)	—	(161,740)
Borrowings on Revolving Loan Facility	4,056,000	—	—	—	4,056,000
Repayments on Revolving Loan Facility	(4,079,500)	—	—	—	(4,079,500)
Repayments on Euro Term Loan Facility	—	—	(3,022)	—	(3,022)
Borrowings on Term Loan A Facility	425,000	—	—	—	425,000
Repayments on Term Loan A Facility	(10,625)	—	—	—	(10,625)
Borrowings on Term Loan B Facility	425,000	—	—	—	425,000
Repayments on Term Loan B Facility	(2,125)	—	—	—	(2,125)
Cash dividends paid	(121,713)	—	—	—	(121,713)
Share repurchases	(306,094)	—	—	—	(306,094)
Taxes paid related to net shares settlement of equity awards	(53,108)	—	—	—	(53,108)
Excess tax benefit from stock-based compensation	38,298	—	—	—	38,298
Debt issuance costs and other	2,155	—	(14,482)	—	(12,327)
Net transactions with related entities	(559,105)	(99,820)	(105,396)	764,321	—
Net cash from financing activities	(185,817)	(99,820)	(92,280)	764,321	386,404
Effect of changes in foreign exchange rates on cash	—	—	(3,160)	—	(3,160)
Change in cash and cash equivalents	(3,382)	1,096	47,026	—	44,740
Cash and cash equivalents at beginning of year	10,910	10,796	218,149	—	239,855
Cash and cash equivalents at end of period	\$ 7,528	\$ 11,892	\$ 265,175	\$—	\$284,595

Table of Contents

HANESBRANDS INC.

Notes to Condensed Consolidated Financial Statements — (Continued)

(dollars and shares in thousands, except per share data)

(unaudited)

	Condensed Consolidating Statement of Cash Flow				
	Nine Months Ended September 27, 2014				
	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Entries and Eliminations	Consolidated
Net cash from operating activities	\$425,011	\$273,268	\$ 147,250	\$(630,208)	\$215,321
Investing activities:					
Purchases of property, plant and equipment	(13,451)	(4,741)	(28,370)	—	(46,562)
Proceeds from sales of assets	—	47	4,968	—	5,015
Acquisition of business	—	—	(352,986)	—	(352,986)
Disposition of business	—	—	—	—	—
Other	—	—	(8,779)	—	(8,779)
Net cash from investing activities	(13,451)	(4,694)	(385,167)	—	(403,312)
Financing activities:					
Borrowings on notes payable	—	—	109,313	—	109,313
Repayments on notes payable	—	—	(101,994)	—	(101,994)
Borrowings on Accounts Receivable Securitization Facility	—	—	115,609	—	115,609
Repayments on Accounts Receivable Securitization Facility	—	—	(72,399)	—	(72,399)
Borrowings on Revolving Loan Facility	2,639,000	—	—	—	2,639,000
Repayments on Revolving Loan Facility	(2,662,000)	—	—	—	(2,662,000)
Redemption of Floating Rate Senior Notes	—	—	—	—	—
Cash dividends paid	(89,638)	—	—	—	(89,638)
Incurrence of debt under the Euro Term Loan Facility	—	—	476,566	—	476,566
Repayments of assumed debt related to acquisition of business	—	—	(111,193)	—	(111,193)
Taxes paid related to net shares settlement of equity awards	(32,294)	—	—	—	(32,294)
Excess tax benefit from stock-based compensation	26,162	—	—	—	26,162
Other	1,464	—	(5,895)	—	(4,431)
Net transactions with related entities	(293,850)	(266,916)	(69,442)	630,208	—
Net cash from financing activities	(411,156)	(266,916)	340,565	630,208	292,701
Effect of changes in foreign exchange rates on cash	—	—	(4,741)	—	(4,741)
Change in cash and cash equivalents	404	1,658	97,907	—	99,969
Cash and cash equivalents at beginning of year	5,695	7,811	102,357	—	115,863
Cash and cash equivalents at end of period	\$6,099	\$9,469	\$ 200,264	\$—	\$215,832

Table of Contents

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

This management's discussion and analysis of financial condition and results of operations, or MD&A, contains forward-looking statements that involve risks and uncertainties. Please see "Forward-Looking Statements" in this Quarterly Report on Form 10-Q for a discussion of the uncertainties, risks and assumptions associated with these statements. This discussion should be read in conjunction with our historical financial statements and related notes thereto and the other disclosures contained elsewhere in this Quarterly Report on Form 10-Q. The unaudited condensed consolidated financial statements and notes included herein should be read in conjunction with our audited consolidated financial statements and notes for the year ended January 3, 2015, which were included in our Annual Report on Form 10-K filed with the SEC. The results of operations for the periods reflected herein are not necessarily indicative of results that may be expected for future periods, and our actual results may differ materially from those discussed in the forward-looking statements as a result of various factors, including but not limited to those included elsewhere in this Quarterly Report on Form 10-Q and those included in the "Risk Factors" section and elsewhere in our Annual Report on Form 10-K for the year ended January 3, 2015.

Overview

We are a consumer goods company with a portfolio of leading apparel brands, including Hanes, Champion, Bali, Playtex, Maidenform, DIM, JMS/Just My Size, L'eggs, Nur Die/Nur Der, Flexees, Wonderbra, Gear for Sports, Lilyette, Lovable, Rinbros, Shock Absorber, Track N Field, Abanderado and Zorba. We design, manufacture, source and sell a broad range of basic apparel such as T-shirts, bras, panties, men's underwear, children's underwear, activewear, socks and hosiery.

Our operations are managed and reported in four operating segments, each of which is a reportable segment for financial reporting purposes: Innerwear, Activewear, Direct to Consumer and International. These segments are organized principally by product category, geographic location and distribution channel. Each segment has its own management that is responsible for the operations of the segment's businesses, but the segments share a common supply chain and media and marketing platforms. One of our subsidiaries closes one week earlier than the consolidated quarter end. The difference in reporting one week of financial information for this subsidiary did not have a material impact on our financial condition, results of operations or cash flows. In the first quarter of 2015, we revised the manner in which we allocate certain selling, general and administrative expenses. Certain prior-year segment operating profit disclosures have been revised to conform to the current-year presentation.

Highlights from the Third Quarter and Nine Months Ended October 3, 2015

Key financial highlights are as follows:

• Total net sales in the third quarter of 2015 were \$1.6 billion, compared with \$1.4 billion in the same period of 2014, representing a 14% increase.

• Operating profit increased 35% to \$208 million in the third quarter of 2015, compared with \$154 million in the same period of 2014. As a percentage of sales, operating profit was 13.1% in the third quarter of 2015 compared to 11.0% in the same period of 2014. Included within operating profit for the third quarter of 2015 and 2014 were acquisition, integration and other action related charges of \$43 million and \$63 million, respectively.

• On March 3, 2015, we effected a four-for-one stock split in the form of a stock dividend to stockholders of record as of the close of business on February 9, 2015. All references to the number of common shares outstanding, per share amounts and share options data have been restated to reflect the effect of the split for all periods presented.

• Diluted earnings per share increased 38% to \$0.40 in the third quarter of 2015, compared with diluted earnings per share of \$0.29 in the same period of 2014.

• We acquired Knights Holdco, Inc. ("Knights Apparel") on April 6, 2015. The total purchase price paid at closing was \$194 million. The acquisition was funded with cash on hand and short-term borrowings. We believe the acquisition, when combined with our Gear For Sports brand, will create a commercial business that will take advantage of combined expertise in brand building, marketing, graphic design, licensing relationships, supply chain and retailer relationships across channels. The operating results of Knights Apparel from the date of acquisition are included in the Activewear segment.

• We purchased approximately 10.7 million shares of our stock for approximately \$311 million at a weighted average cost per share of \$29.15.

Table of Contents

Outlook

We expect our 2015 full year net sales to be approximately \$5.85 billion.

Interest expense and other expenses are expected to be approximately \$115 million combined, including higher debt balances and debt refinancing associated with the Knights Apparel acquisition as well as increased working capital requirements.

We estimate our full year effective income tax rate to be approximately 12%.

We expect net cash flow from operations to be between \$450 million and \$500 million, which reflects approximately \$100 million in pension contributions. Net capital expenditures are expected to be approximately \$95 million and dividend payments are expected to be roughly \$160 million.

Our current estimate for pretax charges in 2015 for acquisition, integration and other actions is approximately \$240 million as a result of estimated integration costs associated with the Knights Apparel acquisition, the incurrence of DBA-related integration costs sooner than originally expected and our exit from the commercial organization in the China market. We concluded the integration of Maidenform during the third quarter of 2015 and expect no further Maidenform integration activities. Foundational charges are expected to be completed by the end of 2015.

Seasonality and Other Factors

Our operating results are subject to some variability due to seasonality and other factors. Generally, our diverse range of product offerings helps mitigate the impact of seasonal changes in demand for certain items. We generally have higher sales during the back-to-school and holiday shopping seasons and during periods of cooler weather, which benefits certain product categories such as fleece. Sales levels in any period are also impacted by customers' decisions to increase or decrease their inventory levels in response to anticipated consumer demand. Our customers may cancel or change delivery schedules, manage on-hand inventory levels, or change the mix of products ordered with minimal notice to us. Media, advertising and promotion expenses may vary from period to period during a fiscal year depending on the timing of our advertising campaigns for retail selling seasons and product introductions.

Although the majority of our products are replenishment in nature and tend to be purchased by consumers on a planned, rather than on an impulse basis, our sales are impacted by discretionary spending by consumers.

Discretionary spending is affected by many factors, including, among others, general business conditions, interest rates, inflation, consumer debt levels, the availability of consumer credit, taxation, gasoline prices, weather, unemployment trends and other matters that influence consumer confidence and spending. Many of these factors are outside of our control. Consumers' purchases of discretionary items, including our products, could decline during periods when disposable income is lower, when prices increase in response to rising costs, or in periods of actual or perceived unfavorable economic conditions. These consumers may choose to purchase fewer of our products or to purchase lower-priced products of our competitors in response to higher prices for our products, or may choose not to purchase our products at prices that reflect our price increases that become effective from time to time.

Changes in product sales mix can impact our gross profit as the percentage of our sales attributable to higher margin products, such as intimate apparel and men's underwear, and lower margin products, such as activewear, fluctuate from time to time. In addition, sales attributable to higher and lower margin products within the same product category fluctuate from time to time. Our customers may change the mix of products ordered with minimal notice to us, which makes trends in product sales mix difficult to predict. However, certain changes in product sales mix are seasonal in nature, as sales of socks, hosiery and fleece products generally have higher sales during the last two quarters (July to December) of each fiscal year as a result of cooler weather, back-to-school shopping and holidays, while other changes in product mix may be attributable to customers' preferences and discretionary spending.

Table of Contents

Condensed Consolidated Results of Operations — Third Quarter Ended October 3, 2015 Compared with Third Quarter Ended September 27, 2014

	Quarters Ended		Higher (Lower)	Percent Change	
	October 3, 2015	September 27, 2014			
	(dollars in thousands)				
Net sales	\$ 1,591,038	\$ 1,400,728	\$ 190,310	13.6	%
Cost of sales	1,010,288	903,013	107,275	11.9	
Gross profit	580,750	497,715	83,035	16.7	
Selling, general and administrative expenses	372,422	343,823	28,599	8.3	
Operating profit	208,328	153,892	54,436	35.4	
Other expenses	718	795	(77)	(9.7))
Interest expense, net	31,356	23,528	7,828	33.3	
Income before income tax expense	176,254	129,569	46,685	36.0	
Income tax expense	14,100	10,625	3,475	32.7	
Net income	\$ 162,154	\$ 118,944	\$ 43,210	36.3	%

Net Sales

Net sales increased 14% during the third quarter of 2015 primarily due to the following:

- Acquisition of Hanes Europe in August 2014, which added an incremental \$98 million of net sales in 2015;
- Acquisition of Knights Apparel in April 2015, which added an incremental \$84 million of net sales in 2015; and
- Higher net sales in our Innerwear segment of \$19 million.

Offset by:

- Lower sales in our Direct to Consumer segment due to lower store traffic combined with a slow retail environment; and
- Unfavorable foreign currency exchange rates. Excluding the impact of foreign currency reductions, consolidated net sales and International segment net sales increased 15% and 50%, respectively.

Gross Profit

Our gross profit was higher for the third quarter of 2015 as compared to the same period of 2014. The increase in gross profit was attributable to results obtained from our recent acquisitions of Hanes Europe and Knights Apparel combined with supply chain efficiencies and our Innovate-to-Elevate strategy, which combines our brand power, our innovation platforms and our low cost supply chain to drive margin expansion by increasing our price per unit and reducing our cost per unit. Additionally, input costs were lower in 2015 than they were in 2014. Included in gross profit in the third quarter of 2015 and the third quarter of 2014 are charges of approximately \$8 million and \$23 million, respectively, related to acquisition, integration and other action related costs.

Selling, General and Administrative Expenses

As a percentage of net sales, our selling, general and administrative expenses were 23.4% for the third quarter of 2015 compared to 24.5% in the same period of 2014. Included in selling, general and administrative expenses were charges of \$35 million and \$41 million of acquisition, integration and other action related costs for the third quarters of 2015 and 2014, respectively. Also included in selling, general and administrative costs are expenses of \$75 million and \$8 million related to Hanes Europe and Knights Apparel, respectively. Exclusive of acquisition, integration and other related costs and the purchases of Hanes Europe and Knights Apparel, selling, general and administrative expenses were lower due to cost control and synergy benefits from the integration of Maidenform.

Other Highlights

Interest Expense – higher by \$8 million in the third quarter of 2015 compared to the third quarter of 2014 primarily due to higher debt balances to fund working capital needs. Our weighted average interest rate on our outstanding debt was 3.69% during the third quarter of 2015, compared to 4.05% in the third quarter of 2014.

Income Tax Expense – our effective income tax rate was 8% for the third quarter of 2015 and 2014, respectively. The third quarter of 2015 included net income tax benefits of approximately \$56 million resulting from the completion of

the

25

Table of Contents

Internal Revenue Service audit examination of the 2011 and 2012 tax years and the remeasurement of certain unrecognized tax benefits. Offsetting these tax benefits, we have also elected to repatriate approximately \$200 million of current year foreign earnings. The third quarter of 2014 included net discrete tax benefits of approximately \$9 million primarily related to the realization of unrecognized tax benefits resulting from the lapsing of domestic and foreign statute limitations.

Operating Results by Business Segment — Third Quarter Ended October 3, 2015 Compared with Third Quarter Ended September 27, 2014

	Net Sales		Operating Profit	
	Quarters Ended		Quarters Ended	
	October 3, 2015	September 27, 2014	October 3, 2015	September 27, 2014
	(dollars in thousands)			
Innerwear	\$667,192	\$648,310	\$136,777	\$130,592
Activewear	516,804	424,745	97,240	69,974
Direct to Consumer	106,642	112,663	11,756	16,629
International	300,400	215,010	34,821	28,826
Corporate	—	—	(72,266	) (92,129
Total	\$1,591,038	\$1,400,728	\$208,328	\$153,892
Innerwear				

	Quarters Ended		Higher (Lower)	Percent Change	
	October 3, 2015	September 27, 2014			
	(dollars in thousands)				
Net sales	\$667,192	\$648,310	\$18,882	2.9	%
Segment operating profit	136,777	130,592	6,185	4.7	%

The higher net sales in our Innerwear segment primarily resulted from the following:

- Higher net sales of intimates products driven by strong bra sales that resulted from the launch of our Hanes Ultimate and Hanes Platinum lines in the retail channel;

- Increased sales of Maidenform and Bali products; and

- Increased sales of other basics products in spite of a retail inventory adjustment at a major retailer.

Increased operating profit margins for the third quarter of 2015 as compared to the third quarter of 2014 were driven largely by Maidenform synergies, lower input costs and cost control.

Activewear

	Quarters Ended		Higher (Lower)	Percent Change	
	October 3, 2015	September 27, 2014			
	(dollars in thousands)				
Net sales	\$516,804	\$424,745	\$92,059	21.7	%
Segment operating profit	97,240	69,974	27,266	39.0	

Activewear net sales increased due to the following:

- Higher sales for our Champion branded product due to space gains at retail and a favorable retail environment for athletic apparel; and

- The acquisition of Knights Apparel in April 2015.

Partially offset by:

- Lower sales of Champion mass channel products; and

- Soft sales of Hanes branded printwear products.

Operating profit within the Activewear segment increased as a result of the April 2015 acquisition of Knights Apparel, lower input costs and the continued benefits of the further development of our Innovate-to-Elevate strategy.

Table of Contents

Direct to Consumer

	Quarters Ended				
	October 3, 2015	September 27, 2014	Higher (Lower)	Percent Change	
	(dollars in thousands)				
Net sales	\$106,642	\$112,663	\$(6,021)	(5.3))%
Segment operating profit	11,756	16,629	(4,873)	(29.3))

Direct to Consumer segment net sales and operating margin were lower due to reduced customer traffic at outlet stores.

International

	Quarters Ended				
	October 3, 2015	September 27, 2014	Higher (Lower)	Percent Change	
	(dollars in thousands)				
Net sales	\$300,400	\$215,010	\$85,390	39.7	%
Segment operating profit	34,821	28,826	5,995	20.8	

Net sales in the International segment were higher as a result of the following:

• Incremental sales of Hanes Europe products following its acquisition in August 2014; and

• Sales increases in Asia due to space gains.

Offset by:

• \$23 million unfavorable impact of foreign currency exchange rates and

• The exit of a significant retailer in Canada.

Operating profit increased primarily due to higher Europe sales volume, partially offset by foreign currency exchange rates.

Corporate

Corporate expenses were comprised primarily of certain administrative costs and acquisition, integration and other action related charges totaling \$43 million in the third quarter of 2015 as compared to \$63 million for the third quarter of 2014. Acquisition and integration costs are expenses related directly to an acquisition and its integration into the organization. These costs include legal fees, consulting fees, bank fees, severance costs, certain purchase accounting items, facility closures, inventory write-offs, infrastructure (including information technology), and similar charges. Foundational costs are expenses associated with building infrastructure to support and integrate current and future acquisitions, primarily consisting of information technology spend.

	Quarters Ended	
	October 3, 2015	September 27, 2014
	(dollars in thousands)	
Acquisition and integration costs:		
Maidenform	\$13,318	\$26,074
Hanes Europe	13,725	33,165
Knights Apparel	4,185	—
Total acquisition and integration costs	31,228	59,239
Foundational costs	8,979	820
Other costs	2,580	3,076
	\$42,787	\$63,135

Table of Contents

Condensed Consolidated Results of Operations — Nine Months Ended October 3, 2015 Compared with Nine Months Ended September 27, 2014

	Nine Months Ended		Higher (Lower)	Percent Change	
	October 3, 2015	September 27, 2014			
	(dollars in thousands)				
Net sales	\$4,321,992	\$3,802,150	\$519,842	13.7	%
Cost of sales	2,726,786	2,443,304	283,482	11.6	
Gross profit	1,595,206	1,358,846	236,360	17.4	
Selling, general and administrative expenses	1,158,014	926,042	231,972	25.0	
Operating profit	437,192	432,804	4,388	1.0	
Other expenses	1,930	1,890	40	2.1	
Interest expense, net	87,263	66,465	20,798	31.3	
Income before income tax expense	347,999	364,449	(16,450)	(4.5))
Income tax expense	38,307	49,367	(11,060)	(22.4))
Net income	\$309,692	\$315,082	\$(5,390)	(1.7))%

Net Sales

Net sales increased 14% in the nine months of 2015 compared to the same period of 2014 as a result of the following:

- Acquisition of Hanes Europe in August 2014, which added an incremental \$431 million of net sales;
- Acquisition of Knights Apparel in April 2015, which added an incremental \$121 million of net sales; and
- Higher net sales of our Gear For Sports business, which is in our Activewear segment.

Offset by:

- Lower sales in our Innerwear segment due to lower sales of Intimates products driven by a short-term shipment reduction as we executed our brand consolidation strategy at retail earlier in the year; and
- Unfavorable foreign currency exchange rates. Excluding the impact of foreign currency reductions, consolidated net sales and International segment net sales increased 15% and 98%, respectively.

Gross Profit

Our gross profit was higher for the nine months of 2015 as compared to the same period in 2014 as we continue to integrate our recent acquisitions. Additionally, we continue to maintain strong profit margins in our core business because of our supply chain efficiencies coupled with lower input costs and our Innovate-to-Elevate strategy that allows us to combine our brand and supply chain strengths with product innovation. Higher distribution costs for the nine months of 2015 compared to 2014 partially offset gross margin growth driven by our acquisitions. Included with gross profit in the nine months of 2015 and 2014 are charges of \$48 million and \$41 million, respectively, related to acquisition, integration and other action related costs.

Selling, General and Administrative Expenses

As a percentage of net sales, our selling, general and administrative expenses were 26.8% for the nine months of 2015 compared to 24.4% in the same period of 2014. The higher selling, general and administrative expenses were primarily attributable to charges of \$164 million related to acquisition, integration and other action related costs in the nine months of 2015, whereas we incurred \$89 million of acquisition, integration and other action related costs in the nine months of 2014. Also included in 2015 were selling, general and administrative costs totaling \$217 million and \$13 million related to Hanes Europe and Knights Apparel, respectively. Exclusive of the impact of higher acquisition, integration and other action related costs and the purchases of Hanes Europe and Knights Apparel, selling, general and administrative expenses were lower due to improved expense management.

Other Highlights

Interest Expense – higher by \$21 million for the nine months of 2015 compared to the nine months of 2014 primarily due to higher debt balances related to the acquisition of Knights Apparel and our investment in working capital. Our weighted average interest rate on our outstanding debt was 3.80% during the nine months of 2015 whereas the similar rate for the nine months of 2014 was 4.06%.

Table of Contents

Income Tax Expense – our effective income tax rate was 11% and 13.5% for the nine months of 2015 and 2014, respectively. The third quarter of 2015 included net income tax benefits of approximately \$56 million resulting from the completion of the Internal Revenue Service audit examination of the 2011 and 2012 tax years and the remeasurement of certain unrecognized tax benefits. Offsetting these tax benefits, we have also elected to repatriate approximately \$200 million of current year foreign earnings. The third quarter of 2014 included net discrete tax benefits of approximately \$9 million primarily related to the realization of unrecognized tax benefits resulting from the lapsing of domestic and foreign statute limitations.

Operating Results by Business Segment — Nine Months Ended October 3, 2015 Compared with Nine Months Ended September 27, 2014

	Net Sales		Operating Profit	
	Nine Months Ended		Nine Months Ended	
	October 3, 2015	September 27, 2014	October 3, 2015	September 27, 2014
	(dollars in thousands)			
Innerwear	\$1,990,979	\$2,007,794	\$443,589	\$412,515
Activewear	1,193,057	1,037,063	191,476	151,178
Direct to Consumer	289,674	300,729	21,432	26,526
International	848,282	456,564	77,941	52,946
Corporate	—	—	(297,246)	(210,361)
Total net sales	\$4,321,992	\$3,802,150	\$437,192	\$432,804
Innerwear				
	Nine Months Ended		Higher (Lower)	Percent Change
	October 3, 2015	September 27, 2014		
	(dollars in thousands)			
Net sales	\$1,990,979	\$2,007,794	\$(16,815)	(0.8)%
Segment operating profit	443,589	412,515	31,074	7.5

The lower net sales in our Innerwear segment primarily resulted from the following:

- Lower net sales of intimates products due to a soft retail sales environment and the short-term pressures from our announced brand consolidation efforts primarily in the second quarter; and

- Lower net sales of hosiery products.

Offset by:

- Higher sales of basics products in spite of a retail inventory adjustment at a major retailer.

Efficiency gains from our supply chain, our Innovate-to-Elevate strategy and lower input costs continued to drive margin expansion in our Innerwear segment. Higher distribution expenses offset a portion of the margin improvement. Selling, general and administrative costs in the first nine months of 2015 were lower than the corresponding period in 2014 due to synergies gained from the Maidenform acquisition.

Activewear

	Nine Months Ended		Higher (Lower)	Percent Change
	October 3, 2015	September 27, 2014		
	(dollars in thousands)			
Net sales	\$1,193,057	\$1,037,063	\$155,994	15.0%
Segment operating profit	191,476	151,178	40,298	26.7

The higher net sales in our Activewear segment is attributable to the following:

- Higher net sales in Gear for Sports business due to net space gains and higher sales volume;

- Higher net sales of our Champion branded products at retail; and

The acquisition of Knights Apparel.

29

Table of Contents

Margin expansion was driven by higher sales volume and further development of our Innovate-to-Elevate strategy in our Activewear segment as we are able to increase our price per unit with product innovations and reduce our cost per unit.

Direct to Consumer

	Nine Months Ended		Higher (Lower)	Percent Change	
	October 3, 2015	September 27, 2014			
	(dollars in thousands)				
Net sales	\$289,674	\$300,729	\$(11,055)	(3.7))%
Segment operating profit	21,432	26,526	(5,094)	(19.2))

Direct to Consumer segment net sales and operating margin were lower due to reduced consumer traffic at outlet stores.

International

	Nine Months Ended		Higher (Lower)	Percent Change	
	October 3, 2015	September 27, 2014			
	(dollars in thousands)				
Net sales	\$848,282	\$456,564	\$391,718	85.8	%
Segment operating profit	77,941	52,946	24,995	47.2	

Net sales in the International segment were higher as a result of the following:

- Incremental sales of Hanes Europe products as a result of its acquisition in August 2014; and
- Higher sales volume in Asia due to net space gains.

Offset by:

- \$54 million unfavorable impact of foreign currency exchange rates; and
- The exit of a significant retailer in Canada.

Operating profit increased primarily due to higher sales volume, partially offset by foreign currency exchange rates.

Corporate

Corporate expenses were comprised primarily of certain administrative costs and acquisition, integration and other action related charges totaling \$212 million for the nine months ended October 3, 2015 as compared to \$130 million for the comparable period in 2014. Acquisition and integration costs are expenses related directly to an acquisition and its integration into the organization. These costs include legal fees, consulting fees, bank fees, severance costs, certain purchase accounting items, facility closures, inventory write-offs, infrastructure (including information technology), and similar charges. Foundational costs are expenses associated with building infrastructure to support and integrate current and future acquisitions; primarily consisting of information technology spend. A significant majority of Other costs are non-cash and relate to the exit of our commercial sales organization in the China market. The main factors that drove the decision to exit the China market were primarily related to the fragmented underwear market and business practices for innerwear and activewear in China that were not conducive to our wholesale business model. Exiting China is immaterial to our consolidated financial results and inconsequential to the International business.

	Nine Months Ended	
	October 3, 2015	September 27, 2014
	(dollars in thousands)	
Acquisition and integration costs:		
Maidenform	\$28,175	\$72,473
Hanes Europe	111,522	33,165
Knights Apparel	11,988	—
Total acquisition and integration costs	151,685	105,638
Foundational costs	28,616	3,430

Edgar Filing: Hanesbrands Inc. - Form 10-Q

Other costs	31,680	20,749
	\$211,981	\$129,817

30

Table of Contents

Liquidity and Capital Resources

Trends and Uncertainties Affecting Liquidity

Our primary sources of liquidity are cash generated by operations and availability under the \$1.0 billion revolving credit facility (the “Revolving Loan Facility”) under our senior secured credit facility (the “Senior Secured Credit Facility”), our accounts receivable securitization facility (the “Accounts Receivable Securitization Facility”) and our international loan facilities.

At October 3, 2015, we had \$830 million of borrowing availability under our Revolving Loan Facility (after taking into account outstanding letters of credit), \$188 million of borrowing availability under our international loan facilities, \$285 million in cash and cash equivalents and \$17 million of borrowing availability under our Accounts Receivable Securitization Facility. We currently believe that our existing cash balances and cash generated by operations, together with our available credit capacity, will enable us to comply with the terms of our indebtedness and meet foreseeable liquidity requirements.

On October 23, 2015, we increased the borrowing capacity on the Term Loan A Facility by \$300 million at similar terms to those previously in place.

We typically use cash during the first half of the year and generate most of our cash flow in the second half of the year. We expect our cash deployment strategy in the future will include a mix of dividends, acquisitions and share repurchases.

Dividends

As part of our cash deployment strategy, in January 2015, April 2015 and July 2015 our Board of Directors declared a regular quarterly dividend of \$0.10 per share, which were paid in March 2015, June 2015 and September 2015, respectively. On October 27, 2015, our Board of Directors authorized a regular quarterly dividend of \$0.10 per share to be paid December 8, 2015 to stockholders of record at the close of business on November 17, 2015.

In addition, on March 3, 2015, we implemented a four-for-one stock split on our common stock in the form of a 300% stock dividend to stockholders of record at the close of business on February 9, 2015.

Share Repurchase Program

On April 28, 2015, our Board of Directors amended our existing share repurchase program to reflect the effect of the four-for-one stock split on our common stock that occurred on March 3, 2015. We resumed repurchasing Company common stock in the open market during the third quarter of 2015 under a program previously announced in 2007. Our Board of Directors authorized up to 40,000 shares to be repurchased in open-market transactions, and such repurchases are subject to market conditions, legal requirements and other factors. During the quarter ended October 3, 2015, we entered into transactions to repurchase 10.7 million shares at a weighted average repurchase price of \$29.15 per share. The shares were repurchased at a total cost of \$311 million, of which \$5 million settled in the fourth quarter of 2015. At October 3, 2015, the remaining repurchase authorization totaled 18 million shares. The program does not obligate us to acquire any particular amount of common stock and may be suspended or discontinued at any time at our discretion.

Cash Requirements for Our Business

We rely on our cash flows generated from operations and the borrowing capacity under our Revolving Loan Facility, Accounts Receivable Securitization Facility and international loan facilities to meet the cash requirements of our business. The primary cash requirements of our business are payments to vendors in the normal course of business, capital expenditures, maturities of debt and related interest payments, contributions to our pension plans, repurchases of our stock and regular quarterly dividend payments. We believe we have sufficient cash and available borrowings for our foreseeable liquidity needs.

There have been no significant changes in the cash requirements for our business from those described in our Annual Report on Form 10-K for the year ended January 3, 2015.

Table of Contents

Sources and Uses of Our Cash

The information presented below regarding the sources and uses of our cash flows for the nine months ended October 3, 2015 and September 27, 2014 was derived from our condensed consolidated financial statements.

	Nine Months Ended	
	October 3, 2015	September 27, 2014
	(dollars in thousands)	
Operating activities	\$ (87,154)	\$ 215,321
Investing activities	(251,350)	(403,312)
Financing activities	386,404	292,701
Effect of changes in foreign currency exchange rates on cash	(3,160)	(4,741)
Change in cash and cash equivalents	44,740	99,969
Cash and cash equivalents at beginning of year	239,855	115,863
Cash and cash equivalents at end of period	\$ 284,595	\$ 215,832

Operating Activities

Our overall liquidity is primarily driven by our strong cash flow provided by operating activities, which is dependent on net income, as well as changes in our working capital. We typically use cash during the first half of the year and generate most of our cash flow in the second half of the year. As compared to prior year, the lower net cash from operating activities is due to changes in working capital, specifically related to inventory, accounts receivable, accounts payable and a \$100 million voluntary contribution to our pension plan.

Investing Activities

The lower net cash used in investing activities is the result of the Hanes Europe acquisition in August 2014 offset by the acquisition of Knights Apparel in April 2015.

Financing Activities

The higher net cash from financing activities was primarily the result of higher net borrowings on our loan facilities, specifically due to new borrowings under the Senior Secured Credit Facility.

Financing Arrangements

In March 2015, we amended the accounts receivable securitization facility that we entered into in November 2007 (the "Accounts Receivable Securitization Facility"). This amendment primarily extended the termination date to March 2016.

On April 29, 2015, we refinanced our Senior Secured Credit Facility to, among other things, extend the maturity date of the Revolving Loan Facility to April 2020, re-price the Revolving Loan Facility at favorable rates and add an additional \$850 million in term loan borrowings. After the refinancing, our domestic debt was comprised of a \$1 billion revolving credit facility, a \$425 million New Term Loan A and an additional \$425 million Term Loan B. We incurred \$10.9 million in fees related to this refinancing. A portion of the proceeds was used as financing for the Knights Apparel acquisition with the balance to be used for working capital and other corporate purposes.

As of October 3, 2015, we were in compliance with all financial covenants under our credit facilities. We expect to maintain compliance with these covenants for the foreseeable future, however economic conditions or the occurrence of events discussed under "Risk Factors" in our Annual Report on Form 10-K for the year ended January 3, 2015 or other SEC filings could cause noncompliance.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements within the meaning of Item 303(a)(4) of SEC Regulation S-K.

Critical Accounting Policies and Estimates

We have chosen accounting policies that we believe are appropriate to accurately and fairly report our operating results and financial condition in conformity with U.S. GAAP. We apply these accounting policies in a consistent manner. Our significant accounting policies are discussed in Note 2, "Summary of Significant Accounting Policies," to our financial statements included in our Annual Report on Form 10-K for the year ended January 3, 2015.

Table of Contents

The application of critical accounting policies requires that we make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and related disclosures. These estimates and assumptions are based on historical and other factors believed to be reasonable under the circumstances. We evaluate these estimates and assumptions on an ongoing basis and may retain outside consultants to assist in our evaluation. If actual results ultimately differ from previous estimates, the revisions are included in results of operations in the period in which the actual amounts become known. The critical accounting policies that involve the most significant management judgments and estimates used in preparation of our financial statements, or are the most sensitive to change from outside factors, are discussed in Management's Discussion and Analysis of Financial Condition and Results of Operations in our Annual Report on Form 10-K for the year ended January 3, 2015. There have been no material changes in these policies from those described in our Annual Report on Form 10-K for the year ended January 3, 2015.

Recently Issued Accounting Pronouncements

Measurement Period Adjustments

In September 2015, the FASB issued new accounting rules, which simplify the accounting for measurement period adjustments by eliminating the requirements to restate prior period financial statements for these adjustments. The new guidance requires that the cumulative impact of a measurement period adjustment (including the impact on prior periods) be recognized in the reporting period in which the adjustment is identified. The new standard, which should be applied prospectively to measurement period adjustments that occur after the effective date, is effective for us in the first quarter of 2016. We do not expect the adoption of the new accounting rules to have a material impact on our financial condition, results of operations or cash flows.

Revenue from Contracts with Customers

In July 2015, the FASB delayed effective dates for the new accounting rules related to revenue recognition for contracts with customers by one year. The new standard will be effective for us in the first quarter of 2018 with retrospective application required. We are currently in the process of evaluating the impact of adoption of the new rules on our financial condition, results of operations and cash flows.

Inventory

In July 2015, the FASB issued new accounting rules, which require inventory to be recorded at the lower of cost or net realizable value. The new standard will be effective for us in the first quarter of 2017. We do not expect the adoption of the new accounting rules to have a material impact on our financial condition, results of operations or cash flows.

Debt Issuance Costs

In April 2015, the FASB issued new accounting rules, which require debt issuance costs to be presented in the balance sheet as a direct deduction from the associated debt liability. The new rules will be effective for us in the first quarter of 2016. We do not expect the adoption of the new accounting rules to have a material impact on our financial condition, results of operations or cash flows.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

There have been no significant changes in our market risk exposures from those described in Item 7A of our Annual Report on Form 10-K for the year ended January 3, 2015.

Item 4. Controls and Procedures

As required by Exchange Act Rule 13a-15(b), our management, including our Chief Executive Officer and Chief Financial Officer, conducted an evaluation of the effectiveness of our disclosure controls and procedures, as defined in Exchange Act Rule 13a-15(e), as of the end of the period covered by this report. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective. In connection with the evaluation required by Exchange Act Rule 13a-15(d), our management, including our Chief Executive Officer and Chief Financial Officer, concluded that no changes in our internal control over financial reporting occurred during the period covered by this report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. We excluded our wholly owned subsidiary, Knights Apparel, from our assessment of

Table of Contents

internal control over financial reporting as of October 3, 2015 because our control over the operation was acquired in a purchase combination during 2015.

34

Table of Contents

PART II

Item 1. Legal Proceedings

Although we are subject to various claims and legal actions that occur from time to time in the ordinary course of our business, we are not party to any pending legal proceedings that we believe could have a material adverse effect on our business, results of operations, financial condition or cash flows.

Item 1A. Risk Factors

We review and, where applicable, update our risk factors each quarter. The risk factor set forth below is in addition to the risk factors previously disclosed in Part I, Item 1A, of our Annual Report on Form 10-K for the fiscal year ended January 3, 2015.

Work stoppages, union and works council campaigns and other labor disputes could adversely impact our productivity and results of operations.

As of January 3, 2015, we had approximately 59,500 employees, approximately 87% of whom were located outside the United States. Although only approximately 40 employees in the United States are covered by collective bargaining agreements, a significant portion of our employees based in foreign countries are represented by works councils or unions or subject to trade-sponsored or governmental agreements. Although we believe our relations with our employees are generally good and we have experienced no material strikes or work stoppages recently, we cannot assure you that any of our facilities will not experience a work stoppage or other labor disruption. Any work stoppage or other labor disruption involving our employees could have a material adverse effect on our business, financial condition or results of operations by disrupting our ability to manufacture and distribute our products.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

On September 9, 2015, Richard A. Noll, our Chairman and Chief Executive Officer, established a stock trading plan that is intended to comply with Rule 10b5-1 under the Securities Exchange Act of 1934, as amended, and our insider trading policy.

Under the terms of the plan, the brokerage firm overseeing the plan may sell a predetermined number of shares of common stock held by Mr. Noll, provided that certain price thresholds are met. The trading plan was adopted to enable Mr. Noll to dollar cost average his sales and gradually diversify his investment portfolio, spreading stock trades over an extended period of time and reducing market impact.

Any transactions effected under the plan will be disclosed publicly through Form 4 filings with the Securities and Exchange Commission.

Except as required by law, we do not undertake to report stock trading plans by other company officers or directors, nor to report modifications or termination of any publicly-announced plan, including Mr. Noll's plan.

Table of Contents

Item 6. Exhibits

The exhibits listed in the accompanying Exhibit Index are filed or furnished as part of this Quarterly Report on Form 10-Q.

36

Table of Contents

SIGNATURES

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

HANESBRANDS INC.

By: /s/ Richard D. Moss
Richard D. Moss
Chief Financial Officer
(Duly authorized officer and principal financial officer)

Date: October 29, 2015

37

Table of Contents

INDEX TO EXHIBITS

Exhibit Number	Description
3.1	Articles of Amendment and Restatement of Hanesbrands Inc. (incorporated by reference from Exhibit 3.1 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on September 5, 2006).
3.2	Articles Supplementary (Junior Participating Preferred Stock, Series A) (incorporated by reference from Exhibit 3.2 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on September 5, 2006).
3.3	Articles of Amendment to Articles of Amendment and Restatement of Hanesbrands Inc. (incorporated by reference from Exhibit 3.1 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on January 28, 2015).
3.4	Amended and Restated Bylaws of Hanesbrands Inc. (incorporated by reference from Exhibit 3.1 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on December 15, 2008).
10.1	Second Amendment and Joinder Agreement, dated as of October 23, 2015 to Third Amended and Restated Credit Agreement dated April 29, 2015.
31.1	Certification of Richard A. Noll, Chief Executive Officer.
31.2	Certification of Richard D. Moss, Chief Financial Officer.
32.1	Section 1350 Certification of Richard A. Noll, Chief Executive Officer.
32.2	Section 1350 Certification of Richard D. Moss, Chief Financial Officer.
101.INS XBRL	Instance Document
101.SCH XBRL	Taxonomy Extension Schema Document
101.CAL XBRL	Taxonomy Extension Calculation Linkbase Document
101.LAB XBRL	Taxonomy Extension Label Linkbase Document
101.PRE XBRL	Taxonomy Extension Presentation Linkbase Document
101.DEF XBRL	Taxonomy Extension Definition Linkbase Document