Hanesbrands Inc.
Form 10-Q
April 26, 2016
Table of Contents

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

FORM 10-Q

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended April 2, 2016
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 | 20-3552316 |
| (State of incorporation) | (I.R.S. employer identification no.) |

| | |
|---|---|
| 1000 East Hanes Mill Road<br>Winston-Salem, North Carolina | 27105 |
| (Address of principal executive office) | (Zip code) |

(336) 519-8080
(Registrant's telephone number including area 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 x 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 x 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 x | 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 x
As of April 22, 2016, there were 377,517,432 shares of the registrant's common stock outstanding.

Table of Contents

TABLE OF CONTENTS

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 expressio 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 2, 2016, 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 2, 2016, 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)

| | Quarter Ended | |
|---|---|---|
| | April 2, 2016 | April 4, 2015 |
| Net sales | $1,219,140 | $1,208,921 |
| Cost of sales | 761,884 | 762,690 |
| Gross profit | 457,256 | 446,231 |
| Selling, general and administrative expenses | 334,851 | 356,300 |
| Operating profit | 122,405 | 89,931 |
| Other expenses | 649 | 382 |
| Interest expense, net | 31,566 | 26,887 |
| Income before income tax expense | 90,190 | 62,662 |
| Income tax expense | 9,921 | 10,026 |
| Net income | $80,269 | $52,636 |
| | | |
| Earnings per share: | | |
| Basic | $0.21 | $0.13 |
| Diluted | $0.21 | $0.13 |

See accompanying notes to Condensed Consolidated Financial Statements.

Table of Contents

HANESBRANDS INC.
Condensed Consolidated Statements of Comprehensive Income
(in thousands)
(unaudited)

| | Quarter Ended | |
|---|---|---|
| | April 2, 2016 | April 4, 2015 |
| Net income | $80,269 | $52,636 |
| Other comprehensive income, net of tax of $1,439 and $3,840, respectively | 10,216 | 4,843 |
| Comprehensive income | $90,485 | $57,479 |

See accompanying notes to Condensed Consolidated Financial Statements.

Table of Contents

HANESBRANDS INC.
Condensed Consolidated Balance Sheets
(in thousands, except share and per share amounts)
(unaudited)

| | April 2, 2016 | January 2, 2016 |
|---|---|---|
| Assets | | |
| Cash and cash equivalents | $332,422 | $319,169 |
| Trade accounts receivable, net | 722,103 | 680,417 |
| Inventories | 1,969,872 | 1,814,602 |
| Other current assets | 93,283 | 103,679 |
| Total current assets | 3,117,680 | 2,917,867 |
| | | |
| Property, net | 652,126 | 650,462 |
| Trademarks and other identifiable intangibles, net | 711,950 | 700,515 |
| Goodwill | 838,984 | 834,315 |
| Deferred tax assets | 452,709 | 445,179 |
| Other noncurrent assets | 48,612 | 49,252 |
| Total assets | $5,822,061 | $5,597,590 |
| | | |
| Liabilities and Stockholders' Equity | | |
| Accounts payable | $530,436 | $672,972 |
| Accrued liabilities | 460,514 | 460,333 |
| Notes payable | 115,237 | 117,785 |
| Accounts Receivable Securitization Facility | 200,000 | 195,163 |
| Current portion of long-term debt | 62,325 | 57,656 |
| Total current liabilities | 1,368,512 | 1,503,909 |
| Long-term debt | 2,963,424 | 2,232,712 |
| Pension and postretirement benefits | 322,586 | 362,266 |
| Other noncurrent liabilities | 215,498 | 222,812 |
| Total liabilities | 4,870,020 | 4,321,699 |
| | | |
| 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 — 377,513,184 and 391,652,810, respectively | 3,775 | 3,917 |
| Additional paid-in capital | 275,937 | 277,569 |
| Retained earnings | 1,057,046 | 1,389,338 |
| Accumulated other comprehensive loss | (384,717) | (394,933) |
| Total stockholders' equity | 952,041 | 1,275,891 |
| Total liabilities and stockholders' equity | $5,822,061 | $5,597,590 |

See accompanying notes to Condensed Consolidated Financial Statements.

4

Table of Contents

HANESBRANDS INC.
Condensed Consolidated Statements of Cash Flows
(in thousands)
(unaudited)

| | Quarter ended April 2, 2016 | Quarter ended April 4, 2015 |
|---|---|---|
| Operating activities: | | |
| Net income | $80,269 | $52,636 |
| Adjustments to reconcile net income to net cash from operating activities: | | |
| Depreciation and amortization of long-lived assets | 22,820 | 24,573 |
| Amortization of debt issuance costs | 1,790 | 1,690 |
| Stock compensation expense | 7,508 | 4,152 |
| Deferred taxes and other | (8,372) | 1,446 |
| Changes in assets and liabilities, net of acquisition of business: | | |
| Accounts receivable | (34,927) | (58,024) |
| Inventories | (140,393) | (180,352) |
| Other assets | 3,030 | (6,166) |
| Accounts payable | (141,341) | 10,534 |
| Accrued pension and postretirement | (37,793) | (98,366) |
| Accrued liabilities and other | (37,397) | (11,468) |
| Net cash from operating activities | (284,806) | (259,345) |
| Investing activities: | | |
| Purchases of property, plant and equipment | (27,859) | (36,368) |
| Proceeds from sales of assets | 15,286 | 4,735 |
| Acquisition of business, net of cash acquired | (7,062) | — |
| Net cash from investing activities | (19,635) | (31,633) |
| Financing activities: | | |
| Borrowings on notes payable | 368,778 | 43,828 |
| Repayments on notes payable | (367,016) | (61,137) |
| Borrowings on Accounts Receivable Securitization Facility | 53,261 | 79,039 |
| Repayments on Accounts Receivable Securitization Facility | (48,424) | (90,393) |
| Borrowings on Revolving Loan Facility | 1,471,500 | 1,327,500 |
| Repayments on Revolving Loan Facility | (732,500) | (921,000) |
| Repayments on Euro Term Loan Facility | — | (974) |
| Repayments on Term Loan A Facility | (9,063) | — |
| Repayments on Term Loan B Facility | (1,063) | — |
| Borrowings on International Debt | 2,895 | 3,352 |
| Repayments on International Debt | (1,728) | (1,913) |
| Share repurchases | (379,901) | — |
| Cash dividends paid | (42,683) | (40,083) |
| Taxes paid related to net shares settlement of equity awards | (837) | (17,982) |
| Excess tax benefit from stock-based compensation | 924 | 12,833 |
| Debt issuance costs and other | 541 | 684 |
| Net cash from financing activities | 314,684 | 333,754 |
| Effect of changes in foreign exchange rates on cash | 3,010 | (5,564) |

| | | |
|---|---|---|
| Change in cash and cash equivalents | 13,253 | 37,212 |
| Cash and cash equivalents at beginning of year | 319,169 | 239,855 |
| Cash and cash equivalents at end of period | $332,422 | $277,067 |

See accompanying notes to Condensed Consolidated Financial Statements.

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.

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 year-end condensed balance sheet data was derived from audited financial statements, but does not include all disclosures required by accounting principles generally accepted in the United States of America. 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

Consolidation

In February 2015, the Financial Accounting Standards Board (the "FASB") issued an update to their existing consolidation model, which changes the analysis a reporting entity must perform to determine whether it should consolidate certain types of legal entities. The new rules were effective for the Company in the first quarter of 2016. The adoption of the new accounting rules did not have an 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 were effective for the Company in the first quarter of 2016. The adoption of the new accounting rules did not have a material impact on the Company's financial condition, results of operations or cash flows.

Cloud Computing

In April 2015, the FASB issued new accounting rules, related to a customer's accounting for fees paid in a cloud computing arrangement. The guidance provides clarification on whether a cloud computing arrangement includes a software license. If a software license is included, the customer should account for the license consistent with its accounting for other software licenses. If a software license is not included, the arrangement should be accounted for as a service contract. The new rules were effective for the Company in the first quarter of 2016. The adoption of the new accounting rules did not have a material impact on the Company's financial condition, results of operations or cash flows.

Fair Value Measurement

In May 2015, the FASB issued an update to their accounting guidance related to fair value measurements. The guidance removes the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share practical expedient, and requires separate disclosure of those investments instead. These disclosures were effective for the Company in the first quarter of 2016. The adoption of the new accounting rules did not have a material impact on the Company’s financial condition, results of operations or cash flows.

Table of Contents
HANESBRANDS INC.
Notes to Condensed Consolidated Financial Statements — (Continued)
(dollars and shares in thousands, except per share data)
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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, was effective for the Company in the first quarter of 2016. The adoption of the new accounting rules did not have a material impact on the Company’s financial condition, results of operations or cash flows.

Stock Compensation

In March 2016, the FASB issued new accounting rules related to accounting for stock compensation. The new guidance requires all excess tax benefits and deficiencies to be recognized in income as they occur. The new guidance also changes the cash flow presentation of excess tax benefits, classifying them as operating inflows or outflows. The new standard, which can be applied retrospectively or prospectively, is 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 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.

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. In March 2016, the FASB issued an update to the accounting rules regarding revenue from contracts with customers, which clarifies revenue recognition when an agent, along with the entity, is involved in providing a good or service to a customer. In April 2016, the FASB issued an additional update, which clarifies the principle for determining whether a good or service is “separately identifiable” and, therefore, should be accounted for separately. 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.

Hedge Accounting

In March 2016, the FASB issued new accounting rules related to hedge accounting, which clarifies that a change in the counterparty to a derivative contract, in and of itself, does not require the dedesignation of a hedging relationship. The new standard, which can be adopted prospectively or on a modified retrospective basis, is effective for the Company in the first quarter of 2018. 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 and cash flows.

Lease Accounting

In February 2016, the FASB issued new accounting rules related to lease accounting, which will require lessees to recognize a right-of-use asset and a lease liability for all leases that are not short-term in nature. The new rules will be effective for the Company in the first quarter of 2019. 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.

Table of Contents
HANESBRANDS INC.
Notes to Condensed Consolidated Financial Statements — (Continued)
(dollars and shares in thousands, except per share data)
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(3) Acquisitions
Knights Apparel
In April 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 $192,888 on an enterprise value basis. The Company funded the acquisition with cash on hand and short-term borrowings under its Revolving Loan Facility.
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 2, 2016, goodwill decreased by $3,551 as a result of measurement period adjustments to the acquired income tax balances. The purchase price allocation was finalized in the first quarter of 2016.
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 | 5,741 |
| Trademarks and other identifiable intangibles | 59,950 |
| Total assets acquired | 103,449 |
| Accounts payable, accrued liabilities and other | 6,807 |
| Deferred tax liabilities and other noncurrent liabilities | 18,142 |
| Total liabilities assumed | 24,949 |
| Net assets acquired | 78,500 |
| Goodwill | 114,388 |
| Purchase price | $192,888 |

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

| | Quarter Ended | |
|---|---|---|
| | April 2, 2016 | April 4, 2015 |
| Basic weighted average shares outstanding | 386,598 | 403,578 |
| Effect of potentially dilutive securities: | | |
| Stock options | 1,400 | 3,166 |
| Restricted stock units | 1,040 | 1,498 |
| Employee stock purchase plan and other | 5 | 18 |
| Diluted weighted average shares outstanding | 389,043 | 408,260 |

For the quarters ended April 2, 2016 and April 4, 2015, 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 April 2, 2016 and April 4, 2015, the Company declared cash dividends of $0.11 and $0.10 per share, respectively.

8

Table of Contents
HANESBRANDS INC.
Notes to Condensed Consolidated Financial Statements — (Continued)
(dollars and shares in thousands, except per share data)
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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 April 2, 2016, the Company entered into transactions to repurchase 14,243 shares at a weighted average repurchase price of $26.65 per share. The shares were repurchased at a total cost of $379,901. At April 2, 2016, the remaining repurchase authorization totaled 2,261 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.

(5) Inventories

Inventories consisted of the following:

| | April 2, 2016 | January 2, 2016 |
|---|---|---|
| Raw materials | $162,016 | $173,336 |
| Work in process | 219,833 | 200,836 |
| Finished goods | 1,588,023 | 1,440,430 |
| | $1,969,872 | $1,814,602 |

(6) Debt

Debt consisted of the following:

| | Interest Rate as of April 2, 2016 | Principal Amount April 2, 2016 | Principal Amount January 2, 2016 | Maturity Date |
|---|---|---|---|---|
| Senior Secured Credit Facility: | | | | |
| Revolving Loan Facility | 1.99% | $802,500 | $63,500 | April 2020 |
| Euro Term Loan | 3.50% | 117,304 | 113,098 | August 2021 |
| Term Loan A | 1.90% | 696,250 | 705,313 | April 2020 |
| Term Loan B | 3.25% | 420,750 | 421,813 | April 2022 |
| 6.375% Senior Notes | 6.38% | 1,000,000 | 1,000,000 | December 2020 |
| Accounts Receivable Securitization Facility | 1.33% | 200,000 | 195,163 | March 2017 |
| Other International Debt | Various | 9,582 | 8,094 | Various |
| | | 3,246,386 | 2,506,981 | |
| Less long-term debt issuance cost | | 20,637 | 21,450 | |
| Less current maturities | | 262,325 | 252,819 | |
| | | $2,963,424 | $2,232,712 | |

As of April 2, 2016, the Company had $182,005 of borrowing availability under the $1,000,000 Revolving Loan Facility after taking into account outstanding borrowings and $15,495 of standby and trade letters of credit issued and outstanding under this facility.

In March 2016, 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 2017 and changed the borrowing capacity from a fixed capacity to a varying limit throughout the year, in order to minimize fees for the Company's unused portion of the facility.

As of April 2, 2016, the Company was in compliance with all financial covenants under its credit facilities.

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

(7) Accumulated Other Comprehensive Loss

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

| | Cumulative Translation Adjustment | Hedges | Defined Benefit Plans | Income Taxes | Accumulated Other Comprehensive Loss |
|---|---|---|---|---|---|
| Balance at January 2, 2016 | $ (57,675) | $ 6,743 | $ (563,759) | $ 219,758 | $ (394,933) |
| Amounts reclassified from accumulated other comprehensive loss | — | (2,324) | 4,205 | (732) | 1,149 |
| Current-period other comprehensive income (loss) activity | 12,474 | (5,578) | — | 2,171 | 9,067 |
| Balance at April 2, 2016 | $ (45,201) | $ (1,159) | $ (559,554) | $ 221,197 | $ (384,717) |

The Company had the following reclassifications out of AOCI:

| Component of AOCI | Location of Reclassification into Income | Amount of Reclassification from AOCI Quarter Ended April 2, 2016 | April 4, 2015 |
|---|---|---|---|
| Gain (loss) on foreign exchange contracts | Cost of sales | $ 2,324 | $ 835 |
| | Income tax | (904) | (507) |
| | Net of tax | 1,420 | 328 |
| Amortization of deferred actuarial loss and prior service cost | Selling, general and administrative expenses | (4,205) | (2,770) |
| | Income tax | 1,636 | 1,200 |
| | Net of tax | (2,569) | (1,570) |
| Total reclassifications | | $ (1,149) | $ (1,242) |

(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 April 2, 2016, the notional U.S. dollar equivalent of commitments to sell and purchase foreign currencies within the Company's derivative portfolio was $229,472 and $2,614, respectively, primarily consisting of contracts hedging exposures to the Euro, Canadian dollar, Mexican peso, Australian dollar, Japanese yen and Brazilian real.

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 April 2, 2016 | January 2, 2016 |
|---|---|---|---|
| Hedges | Other current assets | $ 131 | $ 3,700 |
| Non-hedges | Other current assets | 339 | 1,514 |
| Total derivative assets | | 470 | 5,214 |
| Hedges | Accrued liabilities | (3,728) | (330) |

| | | | |
|---|---|---|---|
| Non-hedges | Accrued liabilities | (1,297 ) | (775 ) |
| Total derivative liabilities | | (5,025 ) | (1,105 ) |
| Net derivative asset (liability) | | $(4,555) | $ 4,109 |

Cash Flow Hedges

10

Table of Contents
HANESBRANDS INC.
Notes to Condensed Consolidated Financial Statements — (Continued)
(dollars and shares in thousands, except per share data)
(unaudited)

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 $65.
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 AOCI and Income is as follows:

| | Amount of Gain (Loss) Recognized in AOCI (Effective Portion) | |
|---|---|---|
| | Quarter Ended | |
| | April 2, 2016 | April 4, 2015 |
| Foreign exchange contracts | $(5,578) | $11,185 |

| | Location of Gain (Loss) Reclassified from AOCI into Income (Effective Portion) | Amount of Gain Reclassified from AOCI into Income (Effective Portion) | |
|---|---|---|---|
| | | Quarter Ended | |
| | | April 2, 2016 | April 4, 2015 |
| Foreign exchange contracts | Cost of sales | $ 2,324 | $ 835 |

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 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 |
|---|---|---|

| | | Quarter Ended | |
|---|---|---|---|
| | | April 2, 2016 | April 4, 2015 |
| Foreign exchange contracts | Selling, general and administrative expenses | $(2,408) | $3,470 |

(9) Fair Value of Assets and Liabilities

As of April 2, 2016, 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

Table of Contents
HANESBRANDS INC.
Notes to Condensed Consolidated Financial Statements — (Continued)
(dollars and shares in thousands, except per share data)
(unaudited)

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 April 2, 2016 to the Company's valuation techniques used to measure asset and liability fair values on a recurring basis. There were no transfers into or out of Level 1, Level 2 or Level 3 during the quarter ended April 2, 2016. As of and during the quarter ended April 2, 2016, 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 April 2, 2016 | | |
|---|---|---|---|
| | Quoted Prices In Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Foreign exchange derivative contracts | $ — | $ 470 | $ — |
| Foreign exchange derivative contracts | — | (5,025) | — |
| | — | (4,555) | — |
| Deferred compensation plan liability | — | (36,015) | — |
| Total | $ — | $ (40,570) | $ — |

| | Assets (Liabilities) at Fair Value as of January 2, 2016 | | |
|---|---|---|---|
| | Quoted Prices In Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Foreign exchange derivative contracts | $ — | $ 5,214 | $ — |
| Foreign exchange derivative contracts | — | (1,105) | — |
| | — | 4,109 | — |
| Deferred compensation plan liability | — | (36,257) | — |
| Total | $ — | $ (32,148) | $ — |

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 April 2, 2016 and January 2, 2016. The carrying amount of trade accounts receivable included allowance for doubtful accounts, chargebacks and other deductions of $14,696 and $13,100 as of April 2, 2016 and January 2, 2016, respectively. The fair value of debt, which is classified as a Level 2 liability, was $3,285,216 and $2,537,640 as of April 2, 2016 and January 2, 2016, respectively. Debt had a carrying value of $3,246,386 and $2,506,981 as of April 2, 2016 and January 2, 2016, respectively. In the first quarter of 2016, the Company adopted new accounting rules, which require debt issuance costs to be presented in the balance sheet as a direct deduction from the associated debt liability. Hence, the carrying value of debt reflected on the face of the balance sheet reflects the adoption of the new accounting rules. However, the carrying value of debt reflected in this footnote disclosure reflects the gross amount owed to creditors. 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 April 2, 2016 and January 2, 2016, primarily due to the short-term nature of these instruments.

Table of Contents
HANESBRANDS INC.
Notes to Condensed Consolidated Financial Statements — (Continued)
(dollars and shares in thousands, except per share data)
(unaudited)

(10) Income Taxes
The Company's effective income tax rate was 11% and 16% for the quarters ended April 2, 2016 and April 4, 2015, respectively. The lower effective income tax rate for the quarter ended April 2, 2016 compared to the quarter ended April 4, 2015 was primarily due to a lower proportion of earnings attributed to domestic subsidiaries, which are taxed at rates higher than foreign subsidiaries.
(11) Subsequent Event
The Company announced on April 7, 2016 that it had entered into a definitive agreement to acquire Champion Europe S.p.A ("Champion Europe"), which owns the trademark for the Champion brand in Europe, the Middle East and Africa. The purchase price will be 10 times actual calendar year 2016 earnings before interest, taxes, depreciation and amortization ("EBITDA"), subject to adjustment for cash, debt and working capital. Champion Europe expects calendar year 2016 EBITDA of approximately €20,000. The acquisition, which is subject to certain closing conditions, is expected to close midyear 2016.
(12) 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. As a result of a shift in management responsibilities, the Company decided in the first quarter of 2016 to move its wholesale e-commerce business from its Direct to Consumer segment into the respective Innerwear and Activewear segments. Prior year segment sales and operating profit results have been revised to conform to the current year presentation.
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, panties, children's underwear, socks, hosiery and intimate apparel, 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 retail 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.
- 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 Company decided in the first quarter of 2016 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 current year presentation. 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 2, 2016.

| | Quarter Ended | |
|---|---|---|
| | April 2, 2016 | April 4, 2015 |
| Net sales: | | |
| Innerwear | $560,726 | $553,604 |
| Activewear | 309,525 | 301,010 |
| Direct to Consumer | 69,802 | 71,157 |

| | | |
|---|---|---|
| International | 279,087 | 283,150 |
| Total net sales | $1,219,140 | $1,208,921 |

Table of Contents

HANESBRANDS INC.

Notes to Condensed Consolidated Financial Statements — (Continued)

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

(unaudited)

| | Quarter Ended | |
|---|---|---|
| | April 2, 2016 | April 4, 2015 |
| Segment operating profit: | | |
| Innerwear | $117,972 | $116,063 |
| Activewear | 32,569 | 31,170 |
| Direct to Consumer | (3,022) | (4,530) |
| International | 24,719 | 21,495 |
| Total segment operating profit | 172,238 | 164,198 |
| Items not included in segment operating profit: | | |
| General corporate expenses | (21,435) | (26,244) |
| Acquisition, integration and other action related charges | (24,669) | (43,228) |
| Amortization of intangibles | (3,729) | (4,795) |
| Total operating profit | 122,405 | 89,931 |
| Other expenses | (649) | (382) |
| Interest expense, net | (31,566) | (26,887) |
| Income before income tax expense | $90,190 | $62,662 |

For the quarter ended April 2, 2016, the Company incurred acquisition, integration and other action related charges of $24,669, of which $4,869 is reported in the “Cost of sales” line and $19,800 is reported in the “Selling, general and administrative expenses” line in the Condensed Consolidated Statement of Income. For the quarter ended April 4, 2015, the Company incurred acquisition, integration and other action related charges of $43,228, of which $14,068 is reported in the “Cost of sales” line and $29,160 is reported in the “Selling, general and administrative expenses” line in the Condensed Consolidated Statement of Income.

As part of the Hanes Europe Innerwear acquisition strategy, the Company has identified management and administrative positions that are considered non-essential and/or duplicative that will be eliminated. As of April 2, 2016, the Company has accrued approximately $50,269 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 April 2, 2016, approximately $3,731 of benefit payments had been made. $30,596 and $19,673, respectively, is included in the “Accrued liabilities” and “Other noncurrent liabilities” line of the Consolidated Balance Sheet.

(13) 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

Table of Contents
HANESBRANDS INC.
Notes to Condensed Consolidated Financial Statements — (Continued)
(dollars and shares in thousands, except per share data)
(unaudited)

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 April 2, 2016

| | Parent Company | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Consolidating Entries and Eliminations | Consolidated |
|---|---|---|---|---|---|
| Net sales | $876,884 | $ 178,588 | $ 865,234 | $ (701,566 ) | $ 1,219,140 |
| Cost of sales | 649,945 | 92,022 | 638,057 | (618,140 ) | 761,884 |
| Gross profit | 226,939 | 86,566 | 227,177 | (83,426 ) | 457,256 |
| Selling, general and administrative expenses | 189,432 | 44,619 | 103,279 | (2,479 ) | 334,851 |
| Operating profit | 37,507 | 41,947 | 123,898 | (80,947 ) | 122,405 |
| Equity in earnings of subsidiaries | 96,432 | 101,331 | — | (197,763 ) | — |
| Other expenses | 649 | — | — | — | 649 |
| Interest expense, net | 27,088 | 1 | 4,527 | (50 ) | 31,566 |
| Income before income tax expense | 106,202 | 143,277 | 119,371 | (278,660 ) | 90,190 |
| Income tax expense | 25,933 | (24,465 ) | 8,453 | — | 9,921 |
| Net income | $80,269 | $ 167,742 | $ 110,918 | $ (278,660 ) | $ 80,269 |
| Comprehensive income | $90,485 | $ 167,742 | $ 118,621 | $ (286,363 ) | $ 90,485 |

Condensed Consolidating Statement of Comprehensive Income
Quarter Ended April 4, 2015

| | Parent Company | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Consolidating Entries and Eliminations | Consolidated |
|---|---|---|---|---|---|
| Net sales | $951,090 | $ 153,174 | $ 792,012 | $ (687,355 ) | $ 1,208,921 |
| Cost of sales | 772,889 | 74,310 | 600,410 | (684,919 ) | 762,690 |
| Gross profit | 178,201 | 78,864 | 191,602 | (2,436 ) | 446,231 |
| Selling, general and administrative expenses | 224,682 | 52,864 | 80,454 | (1,700 ) | 356,300 |
| Operating profit | (46,481 ) | 26,000 | 111,148 | (736 ) | 89,931 |
| Equity in earnings of subsidiaries | 131,166 | 108,170 | — | (239,336 ) | — |
| Other expenses | 382 | — | — | — | 382 |
| Interest expense, net | 19,123 | (4 ) | 7,782 | (14 ) | 26,887 |
| Income before income tax expense | 65,180 | 134,174 | 103,366 | (240,058 ) | 62,662 |
| Income tax expense | 12,544 | (11,090 ) | 8,572 | — | 10,026 |
| Net income | $52,636 | $ 145,264 | $ 94,794 | $ (240,058 ) | $ 52,636 |
| Comprehensive income | $57,479 | $ 145,264 | $ 90,404 | $ (235,668 ) | $ 57,479 |

HANESBRANDS INC.
Notes to Condensed Consolidated Financial Statements — (Continued)
(dollars and shares in thousands, except per share data)
(unaudited)

Condensed Consolidating Balance Sheet
April 2, 2016

| | Parent Company | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Consolidating Entries and Eliminations | Consolidated |
|---|---|---|---|---|---|
| Assets | | | | | |
| Cash and cash equivalents | $20,955 | $5,826 | $ 305,641 | $— | $ 332,422 |
| Trade accounts receivable, net | 95,789 | 67,911 | 559,680 | (1,277) | 722,103 |
| Inventories | 1,302,946 | 167,467 | 692,236 | (192,777) | 1,969,872 |
| Other current assets | 35,966 | 9,933 | 47,384 | — | 93,283 |
| Total current assets | 1,455,656 | 251,137 | 1,604,941 | (194,054) | 3,117,680 |
| Property, net | 96,408 | 42,950 | 512,768 | — | 652,126 |
| Trademarks and other identifiable intangibles, net | 6,132 | 130,161 | 575,657 | — | 711,950 |
| Goodwill | 232,882 | 238,635 | 367,467 | — | 838,984 |
| Investments in subsidiaries | 4,681,675 | 2,335,565 | — | (7,017,240) | — |
| Deferred tax assets | 365,965 | 75,999 | 10,745 | — | 452,709 |
| Receivables from related entities | 5,497,304 | 5,251,814 | 2,536,205 | (13,285,323) | — |
| Other noncurrent assets | 38,569 | 317 | 9,726 | — | 48,612 |
| Total assets | $12,374,591 | $8,326,578 | $ 5,617,509 | $(20,496,617) | $ 5,822,061 |
| Liabilities and Stockholders' Equity | | | | | |
| Accounts payable | $189,512 | $25,815 | $ 315,109 | $— | $ 530,436 |
| Accrued liabilities | 169,252 | 24,978 | 266,546 | (262) | 460,514 |
| Notes payable | — | — | 115,237 | — | 115,237 |
| Accounts Receivable Securitization Facility | — | — | 200,000 | — | 200,000 |
| Current portion of long-term debt | 58,625 | — | 3,700 | — | 62,325 |
| Total current liabilities | 417,389 | 50,793 | 900,592 | (262) | 1,368,512 |
| Long-term debt | 2,841,461 | — | 121,963 | — | 2,963,424 |
| Pension and postretirement benefits | 265,495 | — | 57,091 | — | 322,586 |
| Payables to related entities | 7,803,803 | 3,822,944 | 1,658,576 | (13,285,323) | — |
| Other noncurrent liabilities | 94,402 | 11,777 | 109,319 | — | 215,498 |
| Total liabilities | 11,422,550 | 3,885,514 | 2,847,541 | (13,285,585) | 4,870,020 |
| Stockholders' equity | 952,041 | 4,441,064 | 2,769,968 | (7,211,032) | 952,041 |
| Total liabilities and stockholders' equity | $12,374,591 | $8,326,578 | $ 5,617,509 | $(20,496,617) | $ 5,822,061 |

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 2, 2016

| | Parent Company | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Consolidating Entries and Eliminations | Consolidated |
|---|---|---|---|---|---|
| Assets | | | | | |
| Cash and cash equivalents | $6,348 | $7,683 | $ 305,138 | $— | $319,169 |
| Trade accounts receivable, net | 92,287 | 68,710 | 520,697 | (1,277) | 680,417 |
| Inventories | 1,123,320 | 145,533 | 656,714 | (110,965) | 1,814,602 |
| Other current assets | 32,793 | 10,775 | 57,331 | 2,780 | 103,679 |
| Total current assets | 1,254,748 | 232,701 | 1,539,880 | (109,462) | 2,917,867 |
| Property, net | 96,223 | 42,619 | 511,620 | — | 650,462 |
| Trademarks and other identifiable intangibles, net | 4,166 | 130,296 | 566,053 | — | 700,515 |
| Goodwill | 232,882 | 242,186 | 359,247 | — | 834,315 |
| Investments in subsidiaries | 4,595,424 | 2,229,254 | — | (6,824,678) | — |
| Deferred tax assets | 362,414 | 72,448 | 10,317 | — | 445,179 |
| Receivables from related entities | 5,145,108 | 5,099,420 | 2,366,888 | (12,611,416) | — |
| Other noncurrent assets | 38,938 | 319 | 9,995 | — | 49,252 |
| Total assets | $11,729,903 | $8,049,243 | $ 5,364,000 | $(19,545,556) | $5,597,590 |
| Liabilities and Stockholders' Equity | | | | | |
| Accounts payable | $248,114 | $21,733 | $ 403,125 | $— | $672,972 |
| Accrued liabilities | 168,440 | 51,766 | 240,528 | (401) | 460,333 |
| Notes payable | — | — | 117,785 | — | 117,785 |
| Accounts Receivable Securitization Facility | — | — | 195,163 | — | 195,163 |
| Current portion of long-term debt | 54,094 | — | 3,562 | — | 57,656 |
| Total current liabilities | 470,648 | 73,499 | 960,163 | (401) | 1,503,909 |
| Long-term debt | 2,115,081 | — | 117,631 | — | 2,232,712 |
| Pension and postretirement benefits | 307,738 | — | 54,528 | — | 362,266 |
| Payables to related entities | 7,462,706 | 3,691,969 | 1,456,741 | (12,611,416) | — |
| Other noncurrent liabilities | 97,839 | 11,659 | 113,314 | — | 222,812 |
| Total liabilities | 10,454,012 | 3,777,127 | 2,702,377 | (12,611,817) | 4,321,699 |
| Stockholders' equity | 1,275,891 | 4,272,116 | 2,661,623 | (6,933,739) | 1,275,891 |
| Total liabilities and stockholders' equity | $11,729,903 | $8,049,243 | $ 5,364,000 | $(19,545,556) | $5,597,590 |

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 Three Months Ended April 2, 2016 | | | | |
|---|---|---|---|---|---|
| | Parent Company | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Consolidating Entries and Eliminations | Consolidated |
| Net cash from operating activities | $(173,346) | $107,704 | $(26,118) | $(193,046) | $(284,806) |
| Investing activities: | | | | | |
| Purchases of property, plant and equipment | (9,008) | (4,446) | (14,405) | — | (27,859) |
| Proceeds from sales of assets | 15,338 | — | (52) | — | 15,286 |
| Acquisition of business, net of cash acquired | — | — | (7,062) | — | (7,062) |
| Net cash from investing activities | 6,330 | (4,446) | (21,519) | — | (19,635) |
| Financing activities: | | | | | |
| Borrowings on notes payable | — | — | 368,778 | — | 368,778 |
| Repayments on notes payable | — | — | (367,016) | — | (367,016) |
| Borrowings on Accounts Receivable Securitization Facility | — | — | 53,261 | — | 53,261 |
| Repayments on Accounts Receivable Securitization Facility | — | — | (48,424) | — | (48,424) |
| Borrowings on Revolving Loan Facility | 1,471,500 | — | — | — | 1,471,500 |
| Repayments on Revolving Loan Facility | (732,500) | — | — | — | (732,500) |
| Repayments on Term Loan A Facility | (9,063) | — | — | — | (9,063) |
| Repayments on Term Loan B Facility | (1,063) | — | — | — | (1,063) |
| Borrowings on International Debt | — | — | 2,895 | — | 2,895 |
| Repayments on International Debt | — | — | (1,728) | — | (1,728) |
| Cash dividends paid | (42,683) | — | — | — | (42,683) |
| Share repurchases | (379,901) | — | — | — | (379,901) |
| Taxes paid related to net shares settlement of equity awards | (837) | — | — | — | (837) |
| Excess tax benefit from stock-based compensation | 924 | — | — | — | 924 |
| Debt issuance costs and other | 980 | — | (439) | — | 541 |
| Net transactions with related entities | (125,734) | (105,115) | 37,803 | 193,046 | — |
| Net cash from financing activities | 181,623 | (105,115) | 45,130 | 193,046 | 314,684 |
| Effect of changes in foreign exchange rates on cash | — | — | 3,010 | — | 3,010 |
| Change in cash and cash equivalents | 14,607 | (1,857) | 503 | — | 13,253 |
| Cash and cash equivalents at beginning of year | 6,348 | 7,683 | 305,138 | — | 319,169 |
| Cash and cash equivalents at end of period | $20,955 | $5,826 | $305,641 | $— | $332,422 |

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
Three Months Ended April 4, 2015

| | Parent Company | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Consolidating Entries and Eliminations | Consolidated |
|---|---|---|---|---|---|
| Net cash from operating activities | $(115,241) | $ 68,660 | $ (391,119) | $ 178,355 | $ (259,345) |
| Investing activities: | | | | | |
| Purchases of property, plant and equipment | (8,864) | (3,796) | (23,708) | — | (36,368) |
| Proceeds from sales of assets | — | 4,322 | 413 | — | 4,735 |
| Net cash from investing activities | (8,864) | 526 | (23,295) | — | (31,633) |
| Financing activities: | | | | | |
| Borrowings on notes payable | — | — | 43,828 | — | 43,828 |
| Repayments on notes payable | — | — | (61,137) | — | (61,137) |
| Borrowings on Accounts Receivable Securitization Facility | — | — | 79,039 | — | 79,039 |
| Repayments on Accounts Receivable Securitization Facility | — | — | (90,393) | — | (90,393) |
| Borrowings on Revolving Loan Facility | 1,327,500 | — | — | — | 1,327,500 |
| Repayments on Revolving Loan Facility | (921,000) | — | — | — | (921,000) |
| Cash dividends paid | (40,083) | — | — | — | (40,083) |
| Repayments on Euro Term Loan Facility | — | — | (974) | — | (974) |
| Borrowings on International Debt | — | — | 3,352 | — | 3,352 |
| Repayments on International Debt | — | — | (1,913) | — | (1,913) |
| Taxes paid related to net shares settlement of equity awards | (17,982) | — | — | — | (17,982) |
| Excess tax benefit from stock-based compensation | 12,833 | — | — | — | 12,833 |
| Other | 1,183 | — | (493) | (6) | 684 |
| Net transactions with related entities | (245,013) | (67,871) | 491,233 | (178,349) | — |
| Net cash from financing activities | 117,438 | (67,871) | 462,542 | (178,355) | 333,754 |
| Effect of changes in foreign exchange rates on cash | — | — | (5,564) | — | (5,564) |
| Change in cash and cash equivalents | (6,667) | 1,315 | 42,564 | — | 37,212 |
| Cash and cash equivalents at beginning of year | 10,910 | 10,796 | 218,149 | — | 239,855 |
| Cash and cash equivalents at end of period | $4,243 | $ 12,111 | $ 260,713 | $ — | $ 277,067 |

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 2, 2016, 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 2, 2016.

Overview

We are a consumer goods company with a portfolio of leading apparel brands, including Hanes, Champion, Maidenform, DIM, Playtex, Bali, JMS/Just My Size, Nur Die/Nur Der, L'eggs, Lovable, Wonderbra, Flexees, Lilyette, Gear for Sports, Shock Absorber, Abanderado, Rinbros 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. As a result of a shift in management responsibilities, we decided in the first quarter of 2016 to move our wholesale e-commerce business from our Direct to Consumer segment to the respective Innerwear and Activewear segments. In addition, we decided in the first quarter of 2016 to revise the manner in which we allocate certain selling, general and administrative expenses. Prior year segment sales and operating profit results have been revised to conform to the current year presentation.

Highlights from the Quarter Ended April 2, 2016

Key financial highlights are as follows:

- Total net sales in the first quarter of 2016 were $1.22 billion, compared with $1.21 billion in the same period of 2015, representing a 1% increase.
- Operating profit increased 36% to $122 million in the first quarter of 2016, compared with $90 million in the same period of 2015. As a percentage of sales, operating profit was 10.0% in the first quarter of 2016 compared to 7.4% in the same period of 2015. Included within operating profit for the first quarter of 2016 and 2015 were acquisition, integration and other action related charges of $25 million and $43 million, respectively.
- Diluted earnings per share increased 62% to $0.21 in the first quarter of 2016, compared with diluted earnings per share of $0.13 in the same period of 2015.
- We purchased approximately 14.2 million shares of our stock for approximately $380 million at a weighted average cost per share of $26.65.
- Subsequent to quarter end, on April 7, 2016, we announced that we had entered into a definitive agreement to acquire Champion Europe. The purchase price will be 10 times actual calendar year 2016 earnings before interest, taxes, depreciation and amortization ("EBITDA"), subject to adjustment for cash, debt and working capital. Champion Europe expects calendar year 2016 EBITDA of approximately €20 million. The acquisition, which is subject to certain closing conditions, is expected to close midyear 2016.

Outlook

We expect our 2016 full year net sales to be approximately $5.8 to $5.9 billion.

Interest expense and other expenses are expected to be approximately $115 million to $120 million.

We estimate our full year effective income tax rate to be approximately 10% to 11%.

We expect net cash flow from operations to be in the range of $750 million to $850 million. Net capital expenditures are expected to be approximately $70 million. Pretax acquisition and integration related charges are expected to be approximately $85 million.

Table of Contents

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.

Condensed Consolidated Results of Operations — First Quarter Ended April 2, 2016 Compared with First Quarter Ended April 4, 2015

| | Quarter Ended | | | |
|---|---|---|---|---|
| | April 2, 2016 | April 4, 2015 | Higher (Lower) | Percent Change |
| | (dollars in thousands) | | | |
| Net sales | $1,219,140 | $1,208,921 | $10,219 | 0.8 % |
| Cost of sales | 761,884 | 762,690 | (806) | (0.1) |
| Gross profit | 457,256 | 446,231 | 11,025 | 2.5 |
| Selling, general and administrative expenses | 334,851 | 356,300 | (21,449) | (6.0) |
| Operating profit | 122,405 | 89,931 | 32,474 | 36.1 |
| Other expenses | 649 | 382 | 267 | 69.9 |
| Interest expense, net | 31,566 | 26,887 | 4,679 | 17.4 |
| Income before income tax expense | 90,190 | 62,662 | 27,528 | 43.9 |
| Income tax expense | 9,921 | 10,026 | (105) | (1.0) |
| Net income | $80,269 | $52,636 | $27,633 | 52.5 % |

Net Sales

Net sales increased 1% during the first quarter of 2016 primarily due to the following:

- Acquisition of Knights Apparel in April 2015, which added an incremental $21 million of net sales in 2016;
- Higher net sales in our Innerwear segment primarily driven by sales of basic apparel in the mass merchant channel; and

- Continued growth in the Activewear segment within the licensed sports apparel business.

Offset by:

- Lower sales in the mid-tier and department store channel;

- Lower sales in our Direct to Consumer segment due to lower comparable store sales and the planned reduction of our catalog distribution; and
- Unfavorable foreign currency exchange rates. Excluding the impact of foreign currency reductions, consolidated net sales and International segment net sales increased 2% and increased 3%, respectively.

Gross Profit

The increase in gross profit was attributable to a sales shift to higher margin products, reduced acquisition, integration and other action related costs, supply chain efficiencies and benefits from 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. Included in gross profit in the first quarters of 2016 and 2015 are charges of approximately $5 million and $14 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 27.5% for the first quarter of 2016 compared to 29.5% in the same period of 2015. Included in selling, general and administrative expenses were charges of $20 million and $29 million of acquisition, integration and other action related costs for the first quarters of 2016 and 2015, respectively. Exclusive of acquisition, integration and other action related costs and the purchase of Knights Apparel, selling, general and administrative expenses were lower due to synergy benefits from the integration of acquisitions, planned reduction of our catalog distribution and continued cost control.

Other Highlights

Interest Expense – higher by $5 million in the first quarter of 2016 compared to the first quarter of 2015 primarily due to higher debt balances to fund share repurchases and working capital needs. Our weighted average interest rate on our outstanding debt was 3.59% during the first quarter of 2016, compared to 4.04% in the first quarter of 2015.

Income Tax Expense – our effective income tax rate was 11% and 16% for the first quarter of 2016 and 2015, respectively. The lower tax rate in 2016 compared to the same period in 2015 is primarily due to a lower proportion of earnings attributed to domestic subsidiaries, which are taxed at rates higher than foreign subsidiaries.

Operating Results by Business Segment — First Quarter Ended April 2, 2016 Compared with First Quarter Ended April 4, 2015

| | Net Sales Quarter Ended | | Operating Profit Quarter Ended | |
|---|---|---|---|---|
| | April 2, 2016 | April 4, 2015 | April 2, 2016 | April 4, 2015 |
| | (dollars in thousands) | | | |
| Innerwear | $560,726 | $553,604 | $117,972 | $116,063 |
| Activewear | 309,525 | 301,010 | 32,569 | 31,170 |
| Direct to Consumer | 69,802 | 71,157 | (3,022) | (4,530) |
| International | 279,087 | 283,150 | 24,719 | 21,495 |
| Corporate | — | — | (49,833) | (74,267) |
| Total | $1,219,140 | $1,208,921 | $122,405 | $89,931 |

Innerwear

| | Quarter Ended | | | |
|---|---|---|---|---|
| | April 2, 2016 | April 4, 2015 | Higher (Lower) | Percent Change |
| | (dollars in thousands) | | | |
| Net sales | $560,726 | $553,604 | $7,122 | 1.3 % |
| Segment operating profit | 117,972 | 116,063 | 1,909 | 1.6 % |

The higher net sales in our Innerwear segment primarily resulted from stronger net sales within the mass merchant channel, offset by softness in the mid-tier and department store channel.

Increased operating profit was driven largely by increased sales and continued cost control offset by costs associated with our inventory reduction related efforts.

Table of Contents

Activewear

| | Quarter Ended | | | |
|---|---|---|---|---|
| | April 2, 2016 | April 4, 2015 | Higher (Lower) | Percent Change |
| | (dollars in thousands) | | | |
| Net sales | $309,525 | $301,010 | $ 8,515 | 2.8 % |
| Segment operating profit | 32,569 | 31,170 | 1,399 | 4.5 |

Activewear net sales increased due to the following:

- The acquisition of Knights Apparel in April 2015, which added an incremental $21 million of net sales in 2016; and
- Continued growth in our licensed sports apparel business.

Partially offset by:

- A bankruptcy of a large sporting goods retailer; and
- Space shifts within our seasonal activewear business.

Operating profit within the Activewear segment increased primarily as a result of higher sales volume.

Direct to Consumer

| | Quarter Ended | | | |
|---|---|---|---|---|
| | April 2, 2016 | April 4, 2015 | Higher (Lower) | Percent Change |
| | (dollars in thousands) | | | |
| Net sales | $69,802 | $71,157 | $(1,355) | (1.9 )% |
| Segment operating profit | (3,022 ) | (4,530 ) | 1,508 | 33.3 |

Direct to Consumer segment net sales were lower as a result of increased online sales, offset by reduced comparable store sales and reduced catalog sales.

Operating margins increased due to cost savings related to our catalog distribution, offset by lower sales.

International

| | Quarter Ended | | | |
|---|---|---|---|---|
| | April 2, 2016 | April 4, 2015 | Higher (Lower) | Percent Change |
| | (dollars in thousands) | | | |
| Net sales | $279,087 | $283,150 | $(4,063) | (1.4 )% |
| Segment operating profit | 24,719 | 21,495 | 3,224 | 15.0 |

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

- $12 million unfavorable impact of foreign currency exchange rates; and
- The planned exit of small, low performing brands in Hanes Europe Innerwear.

Offset by:

- Continued space gains in Asia within our Activewear product category.

Operating profit increased primarily due to higher sales volume in Asia and cost synergies in our Hanes Europe Innerwear business, 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 $25 million in the first quarter of 2016 as compared to $43 million for the first quarter of 2015. 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. Other costs relate to other items not included in the aforementioned categories such as charges

Table of Contents

incurred related to the Target exit from Canada in the first quarter of 2015 and its related bankruptcy and other international realignment and configuration activities. Maidenform acquisition and integration costs and foundational costs were completed in 2015.

| | Quarter Ended | |
|---|---|---|
| | April 2, 2016 | April 4, 2015 |
| | (dollars in thousands) | |
| Acquisition and integration costs: | | |
| Hanes Europe Innerwear | $19,034 | $23,005 |
| Knights Apparel | 3,910 | 1,102 |
| Maidenform | — | 4,267 |
| Champion Japan licensee transaction | 1,725 | — |
| Total acquisition and integration costs | 24,669 | 28,374 |
| Foundational costs | — | 6,727 |
| Other costs | — | 8,127 |
| | $24,669 | $43,228 |

## 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 April 2, 2016, we had $182 million of borrowing availability under our Revolving Loan Facility (after taking into account outstanding letters of credit), $101 million of borrowing availability under our international loan facilities, $332 million in cash and cash equivalents and no 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.

The following have impacted or are expected to impact our liquidity:

- we have principal and interest obligations under out debt;
- we acquired Knights Apparel in April 2015 and have announced our intent to acquire Champion Europe mid-year 2016 and we may pursue additional strategic business acquisitions in the future;
- we expect to continue to invest in efforts to improve operating efficiencies and lower costs;
- we made a $100 million contribution to our pension plans in January 2015 and a $40 million contribution in January 2016;
- we may increase or decrease the portion of the current-year income of our foreign subsidiaries that we remit to the United States, which could significantly impact our effective income tax rate;
- our Board of Directors has authorized a regular quarterly dividend; and
- our Board of Directors has authorized share repurchases under our previously authorized share repurchase program.

### Dividends

As part of our cash deployment strategy, in January 2016, our Board of Directors declared a regular quarterly dividend of $0.11 per share, which was paid in March 2016.

### Share Repurchase Program

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 million 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 April 2, 2016, we entered into transactions to repurchase 14 million shares at a weighted average repurchase price of

Table of Contents

$26.65 per share. The shares were repurchased at a total cost of $380 million. Since inception of the program, we have purchased 37.7 million shares, leaving 2.3 million shares authorized for repurchase under the program. 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 2, 2016.

Sources and Uses of Our Cash

The information presented below regarding the sources and uses of our cash flows for the three months ended April 2, 2016 and April 4, 2015 was derived from our condensed consolidated financial statements.

| | Quarter ended | |
|---|---|---|
| | April 2, 2016 | April 4, 2015 |
| | (dollars in thousands) | |
| Operating activities | $(284,806) | $(259,345) |
| Investing activities | (19,635) | (31,633) |
| Financing activities | 314,684 | 333,754 |
| Effect of changes in foreign currency exchange rates on cash | 3,010 | (5,564) |
| Change in cash and cash equivalents | 13,253 | 37,212 |
| Cash and cash equivalents at beginning of year | 319,169 | 239,855 |
| Cash and cash equivalents at end of period | $332,422 | $277,067 |

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 accounts payable and accrued liabilities, partially offset by a smaller voluntary pension contribution in the first quarter of 2016 of $40 million compared to $100 million in the same period of 2015. The increase in inventory in the first quarter is in line with our normal seasonal build as we typically build inventory unit levels to support the back-to-school shopping season. We have initiated inventory reduction efforts in the first quarter of 2016 that will continue through the second quarter and expected to generate cash flow in the second half of 2016.

Investing Activities

The lower net cash used in investing activities is the result of lower capital spending and increased cash proceeds from sale of assets in 2016 compared to the same period in 2015. Offsetting, in part, the aforementioned favorable investing cash flow activity was the investment to re-acquire the remainder of the rights to Champion in Japan from Goldwin, Inc.

Financing Activities

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

Financing Arrangements

In March 2016, 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 2017 and changed the borrowing capacity from a fixed to a varying limit throughout the year, in order to minimize fees for our unused portion of the facility.

Table of Contents

As of April 2, 2016, 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 2, 2016 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 2, 2016.

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 2, 2016. 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 2, 2016.

Recently Issued Accounting Pronouncements

For a summary of recently issued accounting pronouncements, see Note, "Recent Accounting Pronouncements" to our financial statements.

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 2, 2016.

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.

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

The risk factors that affect our business and financial results are discussed in Part I, Item 1A, of our Annual Report on Form 10-K for the fiscal year ended January 2, 2016. There are no material changes to the risk factors previously disclosed, nor have we identified any previously undisclosed risks that could materially adversely affect our business and financial results.

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

Issuer Repurchases of Equity Securities

The following table sets forth information in connection with purchases made by, or on behalf of, the Company or any affiliate purchaser of the Company, of shares of the Company's common stock during the year ended January 2, 2016.

| | Total Number of Shares Purchased (1) | Average Price Paid Per Share (2) | Total Number of Shares Purchased as Part of Publicly Announced Program | Maximum Number of Shares that May Yet Be Purchased under the Program |
|---|---|---|---|---|
| January 3, 2016 to February 6, 2016 | — | — | — | 16,503,527 |
| February 7, 2016 to March 5, 2016 | 14,242,829 | 26.65 | 14,242,829 | 2,260,698 |
| March 6, 2016 to April 2, 2016 | — | — | — | 2,260,698 |
| Total | 14,242,829 | | 14,242,829 | |

(1) On February 1, 2007, the Company announced that the Board of Directors granted authority for the repurchase of up to 40 million shares of the Company's common stock. Since inception of the program, the Company has purchased 37.7 million shares, leaving 2.3 million shares that may yet be purchased under the program.

(2) Average price paid per share for shares purchased as part of our publicly-announced plan.

We net settle our employee stock option exercises and restricted stock unit and performance stock unit vestings, which result in the withholding of shares to cover the option exercise price and the minimum statutory withholding tax obligations that we are required to pay in cash to the applicable taxing authorities on behalf of our employees. We do not consider these transactions to be common stock repurchases.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

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.

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: April 26, 2016

29

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 From 8-K filed with the Securities and Exchange Commission on January 28, 2015). |
| 3.4 | Articles Supplementary (Reclassifying Junior Participating Preferred Stock, Series A) (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 November 2, 2015). |
| 3.5 | Amended and Restated Bylaws of Hanesbrands Inc. (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 November 2, 2015). |
| 4.1 | Sixteenth Supplemental Indenture (to the 2008 Indenture) dated March 11, 2016 among Hanesbrands Inc., certain subsidiaries of Hanesbrands Inc. and Branch Banking and Trust Company (incorporated by reference from Exhibit 4.22 to the Registrant's Post-Effective Amendment No. l to Registration Statement on Form S-3 (Commission file number 333-192932) filed with the Securities and Exchange Commission on April 15, 2016). |
| 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 |

E-1