# 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 April 3, 2021**
**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)*

**Securities registered pursuant to Section 12(b) of the Act:**

| Title of each class | Trading Symbol | Name of each exchange on which registered |
|---|---|---|
| Common Stock, Par Value $0.01 | HBI | New York Stock Exchange |

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 every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

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

| | | | | | |
|---|---|---|---|---|---|
| Large accelerated filer | ☒ | Accelerated filer | ☐ | | |
| Non-accelerated filer | ☐ | Smaller reporting company | ☐ | Emerging growth company | ☐ |

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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 May 7, 2021, there were 349,115,441 shares of the registrant's common stock outstanding.

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## FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains information that may constitute "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 (the "Exchange Act"). 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. However, the absence of these words or similar expressions does not mean that a statement is not forward-looking. All statements regarding our intent, belief and current expectations about our strategic direction, prospects and future results are forward-looking statements. Management believes that these forward-looking statements are reasonable as and when made. However, caution should be taken not to place undue reliance on any such forward-looking statements because such statements speak only as of the date when made. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law. In addition, forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from our historical experience and our present expectations or projections. In particular, statements with respect to trends associated with our business, our Full Potential plan, our future financial performance and the potential effects of the ongoing global COVID-19 coronavirus pandemic included in this Quarterly Report on Form 10-Q specifically appearing under "Management's Discussion and Analysis of Financial Condition and Results of Operations" include forward-looking statements.

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, 2021, under the caption "Risk Factors," and available on the "Investors" section of our corporate website, *www.Hanes.com/investors*. The contents of our corporate website are not incorporated by reference in this Quarterly Report on Form 10-Q.

## PART I

**Item 1.** ***Financial Statements***

### HANESBRANDS INC.

**Condensed Consolidated Statements of Income**
**(in thousands, except per share data)**
**(unaudited)**

| | Quarters Ended | |
|---|---|---|
| | April 3, 2021 | March 28, 2020 |
| Net sales | $ 1,508,029 | $ 1,203,070 |
| Cost of sales | 905,348 | 784,902 |
| Gross profit | 602,681 | 418,168 |
| Selling, general and administrative expenses | 412,559 | 370,215 |
| Operating profit | 190,122 | 47,953 |
| Other expenses | 2,561 | 6,101 |
| Interest expense, net | 44,460 | 36,027 |
| Income from continuing operations before income tax expense | 143,101 | 5,825 |
| Income tax expense | 14,697 | 707 |
| Income from continuing operations | 128,404 | 5,118 |
| Loss from discontinued operations, net of tax | (391,666) | (12,992) |
| Net loss | $ (263,262) | $ (7,874) |
| Earnings (loss) per share - basic: | | |
| Continuing operations | $ 0.37 | $ 0.01 |
| Discontinued operations | (1.12) | (0.04) |
| Net loss | $ (0.75) | $ (0.02) |
| Earnings (loss) per share - diluted: | | |
| Continuing operations | $ 0.37 | $ 0.01 |
| Discontinued operations | (1.11) | (0.04) |
| Net loss | $ (0.75) | $ (0.02) |

See accompanying notes to Condensed Consolidated Financial Statements.

**HANESBRANDS INC.**

**Condensed Consolidated Statements of Comprehensive Income**
**(in thousands)**
**(unaudited)**

| | Quarters Ended | |
|---|---|---|
| | April 3, 2021 | March 28, 2020 |
| Net loss | $ (263,262) | $ (7,874) |
| Other comprehensive income (loss): | | |
| Translation adjustments | (25,201) | (117,154) |
| Unrealized gain on qualifying cash flow hedges, net of tax of $(5,176) and $(7,280), respectively | 8,540 | 7,783 |
| Unrecognized income from pension and postretirement plans, net of tax of $(2,049) and $(1,272), respectively | 6,735 | 3,594 |
| Total other comprehensive loss | (9,926) | (105,777) |
| Comprehensive loss | $ (273,188) | $ (113,651) |

See accompanying notes to Condensed Consolidated Financial Statements.

**HANESBRANDS INC.**

**Condensed Consolidated Balance Sheets**
**(in thousands, except share and per share data)**
**(unaudited)**

| | April 3, 2021 | January 2, 2021 | March 28, 2020 |
|---|---|---|---|
| **Assets** | | | |
| Cash and cash equivalents | $ 530,403 | $ 900,615 | $ 1,069,490 |
| Trade accounts receivable, net | 807,738 | 768,221 | 666,603 |
| Inventories | 1,489,565 | 1,367,758 | 1,787,660 |
| Other current assets | 153,358 | 158,700 | 155,074 |
| Current assets of discontinued operations | 303,045 | 234,086 | 296,889 |
| Total current assets | 3,284,109 | 3,429,380 | 3,975,716 |
| Property, net | 458,434 | 477,821 | 502,167 |
| Right-of-use assets | 416,136 | 432,631 | 434,225 |
| Trademarks and other identifiable intangibles, net | 1,269,932 | 1,293,847 | 1,161,350 |
| Goodwill | 1,150,138 | 1,158,938 | 1,119,646 |
| Deferred tax assets | 355,826 | 367,976 | 181,807 |
| Other noncurrent assets | 54,678 | 64,773 | 113,263 |
| Noncurrent assets of discontinued operations | — | 494,501 | 479,927 |
| Total assets | $ 6,989,253 | $ 7,719,867 | $ 7,968,101 |
| **Liabilities and Stockholders' Equity** | | | |
| Accounts payable | $ 976,887 | $ 891,868 | $ 876,394 |
| Accrued liabilities | 571,410 | 609,864 | 357,514 |
| Lease liabilities | 132,127 | 136,510 | 138,298 |
| Notes payable | — | — | 1,660 |
| Accounts Receivable Securitization Facility | — | — | 152,153 |
| Current portion of long-term debt | 34,375 | 263,936 | 2,533 |
| Current liabilities of discontinued operations | 288,936 | 222,183 | 285,359 |
| Total current liabilities | 2,003,735 | 2,124,361 | 1,813,911 |
| Long-term debt | 3,649,631 | 3,739,434 | 4,236,955 |
| Lease liabilities - noncurrent | 315,382 | 331,577 | 327,745 |
| Pension and postretirement benefits | 333,460 | 381,457 | 331,205 |
| Other noncurrent liabilities | 202,564 | 216,091 | 272,780 |
| Noncurrent liabilities of discontinued operations | — | 112,989 | 111,934 |
| Total liabilities | 6,504,772 | 6,905,909 | 7,094,530 |
| 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 — 349,090,472, 348,802,220 and 348,035,310, respectively | 3,491 | 3,488 | 3,480 |
| Additional paid-in capital | 304,090 | 307,883 | 297,456 |
| Retained earnings | 753,785 | 1,069,546 | 1,296,060 |
| Accumulated other comprehensive loss | (576,885) | (566,959) | (723,425) |
| Total stockholders' equity | 484,481 | 813,958 | 873,571 |
| Total liabilities and stockholders' equity | $ 6,989,253 | $ 7,719,867 | $ 7,968,101 |

See accompanying notes to Condensed Consolidated Financial Statements.

## HANESBRANDS INC.

### Condensed Consolidated Statements of Stockholders' Equity
### (in thousands, except per share data)
### (unaudited)

| | Common Stock | | | | | |
|---|---|---|---|---|---|---|
| | **Shares** | **Amount** | **Additional Paid-In Capital** | **Retained Earnings** | **Accumulated Other Comprehensive Loss** | **Total** |
| **Balances at January 2, 2021** | **348,802** | **$ 3,488** | **$ 307,883** | **$ 1,069,546** | **$ (566,959)** | **$ 813,958** |
| Net loss | — | — | — | (263,262) | — | (263,262) |
| Dividends ($0.15 per common share) | — | — | — | (52,499) | — | (52,499) |
| Other comprehensive loss | — | — | — | — | (9,926) | (9,926) |
| Stock-based compensation | — | — | (1,534) | — | — | (1,534) |
| Net exercise of stock options, vesting of restricted stock units and other | 288 | 3 | (2,259) | — | — | (2,256) |
| **Balances at April 3, 2021** | **349,090** | **$ 3,491** | **$ 304,090** | **$ 753,785** | **$ (576,885)** | **$ 484,481** |

| | Common Stock | | | | | |
|---|---|---|---|---|---|---|
| | **Shares** | **Amount** | **Additional Paid-In Capital** | **Retained Earnings** | **Accumulated Other Comprehensive Loss** | **Total** |
| **Balances at December 28, 2019** | **362,449** | **$ 3,624** | **$ 304,395** | **$ 1,546,224** | **$ (617,648)** | **$ 1,236,595** |
| Net loss | — | — | — | (7,874) | — | (7,874) |
| Dividends ($0.15 per common share) | — | — | — | (54,421) | — | (54,421) |
| Other comprehensive loss | — | — | — | — | (105,777) | (105,777) |
| Stock-based compensation | — | — | 4,641 | — | — | 4,641 |
| Net exercise of stock options, vesting of restricted stock units and other | 50 | 1 | 675 | — | — | 676 |
| Share repurchases | (14,464) | (145) | (12,255) | (187,869) | — | (200,269) |
| **Balances at March 28, 2020** | **348,035** | **$ 3,480** | **$ 297,456** | **$ 1,296,060** | **$ (723,425)** | **$ 873,571** |

See accompanying notes to Condensed Consolidated Financial Statements.

**HANESBRANDS INC.**

**Condensed Consolidated Statements of Cash Flows**
**(in thousands)**
**(unaudited)**

| | Quarters Ended | |
|---|---|---|
| | April 3, 2021[1] | March 28, 2020[1] |
| Operating activities: | | |
| Net loss | $ (263,262) | $ (7,874) |
| Adjustments to reconcile net loss to net cash from operating activities: | | |
| Depreciation | 24,142 | 22,781 |
| Amortization of acquisition intangibles | 6,179 | 6,113 |
| Other amortization | 3,020 | 2,477 |
| Impairment of intangible assets and goodwill | 163,047 | — |
| Loss on classification of assets held for sale | 226,352 | — |
| Amortization of debt issuance costs | 4,580 | 2,123 |
| Other | (5,835) | (5,258) |
| Changes in assets and liabilities: | | |
| Accounts receivable | (63,955) | 73,694 |
| Inventories | (122,781) | (86,785) |
| Other assets | 9,606 | 26,790 |
| Accounts payable | 109,197 | (13,605) |
| Accrued pension and postretirement benefits | (38,757) | (21,481) |
| Accrued liabilities and other | (34,587) | (82,191) |
| Net cash from operating activities | 16,946 | (83,216) |
| Investing activities: | | |
| Capital expenditures | (17,804) | (25,759) |
| Proceeds from sales of assets | 2,406 | 66 |
| Other | 1,794 | 1,216 |
| Net cash from investing activities | (13,604) | (24,477) |
| Financing activities: | | |
| Repayments on Term Loan Facilities | (300,000) | — |
| Borrowings on Accounts Receivable Securitization Facility | — | 227,061 |
| Repayments on Accounts Receivable Securitization Facility | — | (74,909) |
| Borrowings on Revolving Loan Facilities | — | 1,638,000 |
| Repayments on Revolving Loan Facilities | — | (688,000) |
| Borrowings on International Debt | — | 31,222 |
| Borrowings on notes payable | 21,106 | 62,312 |
| Repayments on notes payable | (20,276) | (64,352) |
| Share repurchases | — | (200,269) |
| Cash dividends paid | (52,351) | (53,683) |
| Payments of debt issuance costs | | |
| Other | (2,902) | 132 |
| Net cash from financing activities | (354,423) | 877,514 |
| Effect of changes in foreign exchange rates on cash | (17,662) | (15,061) |
| Change in cash, cash equivalents and restricted cash | (368,743) | 754,760 |
| Cash, cash equivalents and restricted cash at beginning of year | 910,603 | 329,923 |
| Cash, cash equivalents and restricted cash at end of period | 541,860 | 1,084,683 |
| Less restricted cash at end of period | 1,153 | 903 |
| Cash and cash equivalents at end of period | $ 540,707 | $ 1,083,780 |
| Balances included in the Condensed Consolidated Balance Sheets: | | |
| Cash and cash equivalents | $ 530,403 | $ 1,069,490 |
| Cash and cash equivalents included in current assets of discontinued operations | 10,304 | 14,290 |
| Cash and cash equivalents at end of period | $ 540,707 | $ 1,083,780 |

(1) The cash flows related to discontinued operations have not been segregated and remain included in the major classes of assets and liabilities. Accordingly, the Condensed Consolidated Statements of Cash Flows include the results of continuing and discontinued operations.

Capital expenditures included in accounts payable at April 3, 2021 and January 2, 2021 were $4,670 and $17,931, respectively. For the quarters ended April 3, 2021 and March 28, 2020, right-of-use assets obtained in exchange for lease obligations were $4,755 and $17,551, respectively.

See accompanying notes to Condensed Consolidated Financial Statements.

**HANESBRANDS INC.**

**Notes to Condensed Consolidated Financial Statements**
**(amounts 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. 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 interim 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.

These condensed consolidated interim financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended January 2, 2021. The year-end condensed balance sheet data was derived from audited financial statements, but does not include all disclosures required by GAAP. The results of operations for any interim period are not necessarily indicative of the results of operations to be expected for the full year.

In the first quarter of 2021, the Company announced that as part of its strategic plan, it was exploring alternatives for its European Innerwear business and subsequently reached the decision to exit this business. The Company determined that its European Innerwear business met held-for-sale and discontinued operations accounting criteria at the end of the first quarter of 2021. Accordingly, the Company began to separately report the results of its European Innerwear business as discontinued operations in its Condensed Consolidated Statements of Income, and to present the related assets and liabilities as held for sale in the Condensed Consolidated Balance Sheets. These changes have been applied to all periods presented. Unless otherwise noted, discussion within these notes to the condensed consolidated interim financial statements relates to continuing operations. See note "Discontinued Operations" for additional information on discontinued operations.

## (2) Recent Accounting Pronouncements

### *Income Taxes*

In December 2019, the FASB issued ASU 2019-12, "Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes." The new accounting rules reduce complexity by removing specific exceptions to general principles related to intraperiod tax allocations, ownership changes in foreign investments, and interim period income tax accounting for year-to-date losses that exceed anticipated losses. The new accounting rules also simplify accounting for franchise taxes that are partially based on income, transactions with a government that result in a step up in the tax basis of goodwill, separate financial statements of legal entities that are not subject to tax, and enacted changes in tax laws in interim periods. The new accounting rules were effective for the Company in the first quarter of 2021. The adoption of the new accounting rules did not have a material impact on the Company's financial condition, results of operations, cash flows or disclosures.

### *Reference Rate Reform*

In March 2020, the FASB issued ASU 2020-04, "Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting." In January 2021, the FASB clarified the scope of that guidance with the issuance of ASU 2021-01, "Reference Rate Reform: Scope." The new accounting rules provide optional expedients and exceptions for applying GAAP to contracts, hedging relationships, and other transactions affected by reference rate reform. The amendments in this standard can be adopted any time before the fourth quarter of 2022. 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, cash flows and disclosures.

***Codification Improvements***

In October 2020, the FASB issued ASU 2020-10, “Codification Improvements.” The new accounting rules improve the consistency of the Codification by including all disclosure guidance in the appropriate Disclosure Section (Section 50) that had only been included in the Other Presentation Matters Section (Section 45) of the Codification. Additionally, the new rules also clarify guidance across various topics including defined benefit plans, foreign currency transactions, and interest expense. The new accounting rules were effective for the Company in the first quarter of 2021. The adoption of the new accounting rules did not have a material impact on the Company’s financial condition, results of operations, cash flows or disclosures.

## (3) Discontinued Operations

In the first quarter of 2021, the Company announced that as part of its strategic plan, it was exploring alternatives for its European Innerwear business and subsequently reached the decision to exit this business. The Company determined that its European Innerwear business met held-for-sale and discontinued operations accounting criteria at the end of the first quarter of 2021. Accordingly, the Company began to separately report the results of its European Innerwear business as discontinued operations in its Condensed Consolidated Statements of Income, and to present the related assets and liabilities as held for sale in the Condensed Consolidated Balance Sheets. These changes have been applied to all periods presented. The Company is actively marketing the business to prospective buyers and expects to complete the sale of this business within one year.

The operations of the European Innerwear business were previously reported primarily in the International segment. Certain expenses related to its operations were included in general corporate expenses, restructuring and other action-related charges and amortization of intangibles which were previously excluded from segment operating profit and have been reclassified to discontinued operations beginning in the first quarter of 2021 and for all periods presented. Discontinued operations does not include any allocation of corporate overhead expense or interest expense.

Upon meeting the criteria for held for sale classification which qualified as a triggering event, the Company performed a full impairment analysis of the disposal group's indefinite-lived intangible assets and goodwill. As a result of the strategic decision to exit the European Innerwear business, a strategic review was completed in the first quarter of 2021 with revised forecasts to include updated market conditions and the removal of strategic operating decisions that would no longer occur under the Company's ownership. The revised forecasts indicated impairment charges of certain indefinite-lived trademarks and license agreements as well as the full goodwill balance. A non-cash charge of $155,745 was recorded as "Impairment of intangible assets and goodwill" in the summarized discontinued operations financial information for the quarter ended April 3, 2021. In addition, the Company recorded a non-cash charge of $226,352 as "Loss on classification of assets held for sale" in the summarized discontinued operations financial information for the quarter ended April 3, 2021 to record a valuation allowance against the net assets held for sale to write down the carrying value of the disposal group to the estimated fair value less costs of disposal. Additionally, the Company recorded an impairment charge of $7,302 in continuing operations on an indefinite-lived trademark which is reflected in the “Selling, general and administrative expenses” line in the Condensed Consolidated Statement of Income. This charge relates to the full impairment of an indefinite-lived trademark related to a specific brand within the European Innerwear business that was excluded from the disposal group as it is not being marketed for sale. The Company intends to exit this brand subsequent to the sale of the European Innerwear business.

The Company expects to continue certain sales from its supply chain to the European Innerwear business after the sale of the business. Those sales and the related profit are included in continuing operations in the Condensed Consolidated Statements of Income in all periods presented and have not been eliminated as intercompany transactions in consolidation. The related receivables from the European Innerwear business have been reclassified to “Trade accounts receivable, net” in the Condensed Consolidated Balance Sheets for all periods presented.

**HANESBRANDS INC.**

**Notes to Condensed Consolidated Financial Statements — (Continued)**
**(amounts in thousands, except per share data)**
**(unaudited)**

The operating results of the discontinued operations only reflect revenues and expenses that are directly attributable to the European Innerwear business that will be eliminated from continuing operations. The key components from discontinued operations related to the European Innerwear business are as follows:

| | Quarters Ended | |
|---|---|---|
| | April 3, 2021 | March 28, 2020 |
| Net sales | $ 135,845 | $ 127,671 |
| Cost of sales | 75,523 | 72,107 |
| Gross profit | 60,322 | 55,564 |
| Selling, general and administrative expenses | 83,392 | 69,387 |
| Impairment of intangible assets and goodwill | 155,745 | — |
| Loss on classification of assets held for sale | 226,352 | — |
| Operating loss | (405,167) | (13,823) |
| Interest expense, net | 90 | 822 |
| Other expenses | 334 | 389 |
| Loss from discontinued operations before income tax expense | (405,591) | (15,034) |
| Income tax benefit | (13,925) | (2,042) |
| Net loss from discontinued operations, net of tax | $ (391,666) | $ (12,992) |

Assets and liabilities of discontinued operations classified as held for sale in the Condensed Consolidated Balance Sheets as of April 3, 2021, January 2, 2021 and March 28, 2020 consist of the following:

| | April 3, 2021 | January 2, 2021[(1)] | March 28, 2020[(1)] |
|---|---|---|---|
| Cash and cash equivalents | $ 10,304 | $ 8,822 | $ 14,290 |
| Trade accounts receivable, net | 80,458 | 84,632 | 83,331 |
| Inventories | 106,192 | 123,337 | 176,097 |
| Other current assets | 11,190 | 17,295 | 23,171 |
| Property, net | 61,763 | 67,950 | 68,838 |
| Right-of-use assets | 34,779 | 34,637 | 39,711 |
| Trademarks and other identifiable intangibles, net | 208,601 | 284,170 | 274,006 |
| Goodwill | — | 96,692 | 85,549 |
| Deferred tax assets | 8,505 | 5,438 | 6,197 |
| Other noncurrent assets | 4,860 | 5,614 | 5,626 |
| Allowance to adjust assets to estimated fair value, less costs of disposal | (223,607) | — | — |
| Total assets of discontinued operations | $ 303,045 | $ 728,587 | $ 776,816 |
| | | | |
| Accounts payable | 62,199 | 77,636 | 73,866 |
| Accrued liabilities | 120,475 | 133,431 | 89,887 |
| Lease liabilities | 9,159 | 10,332 | 12,270 |
| Notes payable | 1,574 | 784 | 510 |
| Current portion of long-term debt | — | — | 108,826 |
| Lease liabilities - noncurrent | 27,038 | 28,775 | 31,103 |
| Pension and postretirement benefits | 44,428 | 46,569 | 44,306 |
| Other noncurrent liabilities | 24,063 | 37,645 | 36,525 |
| Total liabilities of discontinued operations | $ 288,936 | $ 335,172 | $ 397,293 |

(1) Amounts at January 2, 2021 and March 28, 2020 have been classified as current and long-term in the Condensed Consolidated Balance Sheets.

HANESBRANDS INC.

**Notes to Condensed Consolidated Financial Statements — (Continued)**
**(amounts in thousands, except per share data)**
**(unaudited)**

The cash flows related to discontinued operations have not been segregated and are included in the Condensed Consolidated Statements of Cash Flows. The following table presents cash flow and non-cash information related to discontinued operations:

| | Quarters Ended | |
|---|---|---|
| | April 3, 2021 | March 28, 2020 |
| Depreciation | $ 2,608 | $ 2,665 |
| Amortization | 1,460 | 1,282 |
| Capital expenditures | 3,335 | 3,538 |
| Impairment of intangible assets and goodwill | 155,745 | — |
| Loss on classification of assets held for sale | 226,352 | — |
| Other investing activities | 1,794 | 1,216 |
| Capital expenditures included in accounts payable | 52 | 1,033 |

## (4) Revenue Recognition

Revenue is recognized when obligations under the terms of a contract with a customer are satisfied, which occurs at a point in time, upon either shipment or delivery to the customer. Revenue is measured as the amount of consideration the Company expects to receive in exchange for transferring goods, which includes estimates for variable consideration. Variable consideration includes trade discounts, rebates, volume-based incentives, cooperative advertising and product returns, which are offered within contracts between the Company and its customers, employing the practical expedient for contract costs. Incidental items that are immaterial to the context of the contract are recognized as expense at the transaction date.

The following table presents the Company's revenues disaggregated by the customer's method of purchase:

| | Quarters Ended | |
|---|---|---|
| | April 3, 2021 | March 28, 2020 |
| Third-party brick-and-mortar wholesale | $ 1,024,739 | $ 886,535 |
| Consumer-directed | 483,290 | 316,535 |
| Total net sales | $ 1,508,029 | $ 1,203,070 |

***Revenue Sources***

*Third-Party Brick-and-Mortar Wholesale Revenue*

Third-party brick-and-mortar wholesale revenue is primarily generated by sales of the Company's products to retailers to support their brick-and-mortar operations. Also included within third-party brick-and-mortar wholesale revenue is royalty revenue from licensing agreements. The Company earns royalties through license agreements with manufacturers of other consumer products that incorporate certain of the Company's brands. The Company accrues revenue earned under these contracts based upon reported sales from the licensees.

*Consumer-Directed Revenue*

Consumer-directed revenue is primarily generated through sales driven directly by the consumer through company-operated stores and e-commerce platforms, which include both owned sites and the sites of the Company's retail customers.

## (5) Stockholders' Equity

Basic earnings per share ("EPS") was computed by dividing net income (loss) by the number of weighted average shares of common stock outstanding during the period. Diluted EPS was calculated to give effect to all potentially issuable dilutive shares of common stock using the treasury stock method.

(amounts in thousands, except per share data)

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

| | Quarters Ended | |
|---|---|---|
| | April 3, 2021 | March 28, 2020 |
| Basic weighted average shares outstanding | 351,003 | 359,017 |
| Effect of potentially dilutive securities: | | |
| Stock options | 9 | 220 |
| Restricted stock units | 671 | 188 |
| Employee stock purchase plan and other | 3 | 11 |
| Diluted weighted average shares outstanding | 351,686 | 359,436 |

For the quarter ended April 3, 2021, there were 592 restricted stock units and 167 stock options to purchase shares of common stock excluded from the diluted earnings per share calculation because their effect would be anti-dilutive. For the quarter ended March 28, 2020, there were 1,080 restricted stock units and no stock options to purchase shares of common stock excluded from the diluted earnings per share calculation because their effect would be anti-dilutive.

On May 11, 2021, the Company's Board of Directors declared a regular quarterly cash dividend of $0.15 per share on outstanding shares of common stock to be paid on June 1, 2021 to stockholders of record at the close of business on May 21, 2021.

On February 6, 2020, the Company's Board of Directors approved a new share repurchase program for up to 40,000 shares to be repurchased in open market transactions, subject to market conditions, legal requirements and other factors. Additionally, management has been granted authority to establish one or more trading plans under Rule 10b5-1 of the Exchange Act in connection with share repurchases, which will allow the Company to repurchase shares in the open market during periods in which the stock trading window is otherwise closed for the Company and certain of the Company's officers and employees pursuant to the Company's insider trading policy. Unless terminated earlier by the Company's Board of Directors, the new program will expire when the Company has repurchased all shares authorized for repurchase under the new program. The new program replaced the Company's previous share repurchase program for up to 40,000 shares that was originally approved in 2016. For the quarter ended April 3, 2021, the Company did not enter into any transactions to repurchase shares under the new program. For the quarter ended March 28, 2020, the Company entered into transactions to repurchase 14,464 shares at a weighted average repurchase price of $13.83 per share under the new program. The shares were repurchased at a total cost of $200,269. At April 3, 2021, the remaining repurchase authorization under the current share repurchase program totaled 25,536 shares. The primary objective of the share repurchase program is to utilize excess cash to generate shareholder value. Share repurchases are currently prohibited under the Senior Secured Credit Facility as a result of the amendment signed in April 2020. See Note "Debt" for additional information on the Company's debt facilities.

## (6) Inventories

Inventories consisted of the following:

| | April 3, 2021 | January 2, 2021 | March 28, 2020 |
|---|---|---|---|
| Raw materials | $ 74,123 | $ 67,111 | $ 73,450 |
| Work in process | 99,619 | 108,844 | 115,129 |
| Finished goods | 1,315,823 | 1,191,803 | 1,599,081 |
| | $ 1,489,565 | $ 1,367,758 | $ 1,787,660 |

(amounts in thousands, except per share data)

## (7) Debt

Debt consisted of the following:

| | Interest Rate as of April 3, 2021 | Principal Amount | | Maturity Date |
|---|---|---|---|---|
| | | April 3, 2021 | January 2, 2021 | |
| Senior Secured Credit Facility: | | | | |
| Revolving Loan Facility | — | $ — | $ — | December 2022 |
| Term Loan A | 2.11% | 625,000 | 625,000 | December 2022 |
| Term Loan B | — | — | 300,000 | December 2024 |
| Australian Revolving Loan Facility | — | — | — | July 2021 |
| 5.375% Senior Notes | 5.38% | 700,000 | 700,000 | May 2025 |
| 4.875% Senior Notes | 4.88% | 900,000 | 900,000 | May 2026 |
| 4.625% Senior Notes | 4.63% | 900,000 | 900,000 | May 2024 |
| 3.5% Senior Notes | 3.50% | 587,959 | 610,724 | June 2024 |
| Accounts Receivable Securitization Facility | — | — | — | June 2022 |
| Total debt | | 3,712,959 | 4,035,724 | |
| Less long-term debt issuance costs | | 28,953 | 32,354 | |
| Less current maturities | | 34,375 | 263,936 | |
| Total long-term debt | | $ 3,649,631 | $ 3,739,434 | |

As of April 3, 2021, the Company had $995,824 of borrowing availability under the $1,000,000 Revolving Loan Facility after taking into account $4,176 of standby and trade letters of credit issued and outstanding under this facility. In March 2021, the Company repaid the outstanding balance of Term Loan B which consisted of a required excess cash flow prepayment of $238,936 and a voluntary prepayment of $61,064.

The Company's accounts receivable securitization facility (the "Accounts Receivable Securitization Facility") entered into in November 2007 was amended in March 2021. The latest amendment decreased the fluctuating facility limit to $175,000 (previously $225,000) and extended the maturity date to June 2022. Additionally, the amendment changed certain ratios and borrowing base calculations, raised pricing and added certain receivables to the pledged collateral pool for the facility. Borrowings under the Accounts Receivable Securitization Facility are permitted only to the extent that the face of the receivables in the collateral pool, net of applicable reserves and other deductions, exceeds the outstanding loans and also subject to a fluctuating facility limit, not to exceed $175,000. The Company's maximum borrowing capacity under the Accounts Receivable Securitization Facility was $150,000 as of April 3, 2021. The Company had $87,403 of borrowing availability under the Accounts Receivable Securitization Facility at April 3, 2021.

The Company had $45,572 of borrowing availability under the Australian Revolving Loan Facility and $85,245 of borrowing availability under other international credit facilities after taking into account outstanding borrowings and letters of credit outstanding under the applicable facilities at April 3, 2021.

In April 2020, given the rapidly changing business environment and level of uncertainty being created by the COVID-19 pandemic and the associated impact on future earnings, the Company amended its Senior Secured Credit Facility prior to any potential covenant violation in order to modify the financial covenants and to provide operating flexibility during the COVID-19 crisis. The amendment changed certain provisions and covenants under the Senior Secured Credit Facility through the fiscal quarter ending July 3, 2021, after which the covenants revert to their original, pre-amendment levels.

As of April 3, 2021, the Company was in compliance with all financial covenants under its credit facilities and other outstanding indebtedness. Under the terms of its Senior Secured Credit Facility, among other financial and non-financial covenants, the Company is required to maintain a minimum interest coverage ratio and a maximum leverage ratio. The interest coverage ratio covenant is the ratio of the Company's EBITDA for the preceding four fiscal quarters to its consolidated total interest expense and the maximum leverage ratio covenant is the ratio of the Company's net debt to EBITDA for the preceding four fiscal quarters. EBITDA is defined as earnings before interest, income taxes, depreciation expense and amortization, as computed pursuant to the Senior Secured Credit Facility.

The Company expects to maintain compliance with its covenants for at least one year from the date of these financial statements based on its current expectations and forecasts. If economic conditions caused by the COVID-19 pandemic worsen and the Company's earnings and operating cash flows do not recover as currently estimated by management, this could impact the Company's ability to maintain compliance with its financial covenants and require the Company to seek additional amendments to its Senior Secured Credit Facility. If the Company is not able to obtain such necessary additional amendments, this would lead to an event of default and, if not cured timely, its lenders could require the Company to repay its outstanding debt. In that situation, the Company may not be able to raise sufficient debt or equity capital, or divest assets, to refinance or repay the lenders.

(amounts in thousands, except per share data)

## (8) Accumulated Other Comprehensive Loss

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

| | Cumulative Translation Adjustment(1) | Cash Flow Hedges | Defined Benefit Plans | Income Taxes | Accumulated Other Comprehensive Loss |
|---|---|---|---|---|---|
| Balance at January 2, 2021 | $ (52,820) | $ (26,538) | $ (668,730) | $ 181,129 | $ (566,959) |
| Amounts reclassified from accumulated other comprehensive loss | — | 5,242 | 7,085 | (3,004) | 9,323 |
| Current-period other comprehensive income (loss) activity | (25,201) | 8,474 | 1,699 | (4,221) | (19,249) |
| Total other comprehensive income (loss) | (25,201) | 13,716 | 8,784 | (7,225) | (9,926) |
| Balance at April 3, 2021 | $ (78,021) | $ (12,822) | $ (659,946) | $ 173,904 | $ (576,885) |

| | Cumulative Translation Adjustment(1) | Cash Flow Hedges | Defined Benefit Plans | Income Taxes | Accumulated Other Comprehensive Loss |
|---|---|---|---|---|---|
| Balance at December 28, 2019 | $ (157,138) | $ 4,786 | $ (629,360) | $ 164,064 | $ (617,648) |
| Amounts reclassified from accumulated other comprehensive loss | — | (5,017) | 4,866 | — | (151) |
| Current-period other comprehensive income (loss) activity | (117,154) | 20,080 | — | (8,552) | (105,626) |
| Total other comprehensive income (loss) | (117,154) | 15,063 | 4,866 | (8,552) | (105,777) |
| Balance at March 28, 2020 | $ (274,292) | $ 19,849 | $ (624,494) | $ 155,512 | $ (723,425) |

(1) Cumulative Translation Adjustment includes translation adjustments and net investment hedges. See Note, "Financial Instruments and Risk Management" for additional disclosures about net investment hedges.

HANESBRANDS INC.

**Notes to Condensed Consolidated Financial Statements — (Continued)**
**(amounts in thousands, except per share data)**
**(unaudited)**

The Company had the following reclassifications out of AOCI:

| Component of AOCI | Location of Reclassification into Income | Amount of Reclassification from AOCI Quarters Ended April 3, 2021 | Amount of Reclassification from AOCI Quarters Ended March 28, 2020 |
|---|---|---|---|
| Gain (loss) on forward foreign exchange contracts designated as cash flow hedges | Cost of sales | $ (4,377) | $ 2,869 |
| | Income tax | 1,208 | (762) |
| | Loss from discontinued operations, net of tax | (244) | 1,638 |
| | Net of tax | (3,413) | 3,745 |
| Loss on cross-currency swap contracts designated as cash flow hedges | Selling, general and administrative expenses | (557) | — |
| | Income tax | 89 | — |
| | Net of tax | (468) | — |
| Amortization of deferred actuarial loss and prior service cost | Other expenses | (7,707) | (2,762) |
| | Income tax | 1,746 | 1,233 |
| | Loss from discontinued operations, net of tax | 519 | (2,065) |
| | Net of tax | (5,442) | (3,594) |
| Total reclassifications | | $ (9,323) | $ 151 |

## (9) Financial Instruments and Risk Management

The Company uses forward foreign exchange contracts and cross-currency swap contracts to manage its exposures to movements in foreign exchange rates primarily related to the Euro, Australian dollar, Canadian dollar and Mexican peso. The Company also uses a combination of cross-currency swap contracts and long-term debt to manage its exposure to foreign currency risk associated with the Company's net investment in certain European subsidiaries.

| | Hedge Type | April 3, 2021 | January 2, 2021 |
|---|---|---|---|
| U.S. dollar equivalent notional amount of derivative instruments: | | | |
| Forward foreign exchange contracts | Cash Flow and Mark to Market | $ 426,204 | $ 617,912 |
| Cross-currency swap contracts | Cash Flow | $ 352,920 | $ — |
| Cross-currency swap contracts | Net Investment | $ 335,940 | $ 335,940 |

(amounts in thousands, except per share data)

***Fair Values of Derivative Instruments***

The fair values of derivative financial instruments related to forward foreign exchange contracts and cross-currency swap contracts recognized in the Condensed Consolidated Balance Sheets of the Company were as follows:

| | | Fair Value | |
|---|---|---|---|
| | **Balance Sheet Location** | **April 3, 2021** | **January 2, 2021** |
| Derivatives designated as hedging instruments: | | | |
| Forward foreign exchange contracts | Other current assets | $ 1,676 | $ 1 |
| Cross-currency swap contracts | Other current assets | 2,817 | 918 |
| Forward foreign exchange contracts | Current assets of discontinued operations | 226 | 40 |
| Forward foreign exchange contracts | Other noncurrent assets | 488 | — |
| Derivatives not designated as hedging instruments: | | | |
| Forward foreign exchange contracts | Other current assets | 1,564 | 2,459 |
| Forward foreign exchange contracts | Current assets of discontinued operations | 64 | 198 |
| Total derivative assets | | 6,835 | 3,616 |
| Derivatives designated as hedging instruments: | | | |
| Forward foreign exchange contracts | Accrued liabilities | (6,152) | (12,898) |
| Forward foreign exchange contracts | Current liabilities of discontinued operations | (656) | (4,747) |
| Forward foreign exchange contracts | Other noncurrent liabilities | — | (2,190) |
| Cross-currency swap contracts | Other noncurrent liabilities | (6,530) | (16,526) |
| Derivatives not designated as hedging instruments: | | | |
| Forward foreign exchange contracts | Accrued liabilities | (5,327) | (16,488) |
| Forward foreign exchange contracts | Current liabilities of discontinued operations | (850) | (2,195) |
| Total derivative liabilities | | (19,515) | (55,044) |
| Net derivative liability | | $ (12,680) | $ (51,428) |

***Cash Flow Hedges***

The Company uses forward foreign exchange contracts and cross-currency swap contracts to reduce the effect of fluctuating foreign currencies on 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.

On April 1, 2021, in connection with a reduction in the amount of the 3.5% Senior Notes designated in the European net investment hedge discussed below, the Company entered into three pay-fixed rate, receive-fixed rate cross-currency swap contracts with a total notional amount of €300,000. The Company designated these cross-currency swap contracts to hedge the undesignated portion of the foreign currency cash flow exposure related to the Company's 3.5% Senior Notes, which had a carrying amount of €500,000 as of April 3, 2021. These cross-currency swap contracts, which mature on June 15, 2024, swap Euro-denominated interest payments for U.S. dollar-denominated interest payments, thereby economically converting €300,000 of the Company's €500,000 fixed-rate 3.5% Senior Notes to a fixed-rate 4.7945% USD-denominated obligation.

The Company expects to reclassify into earnings during the next 12 months a net loss from AOCI of approximately $18,182. The Company is hedging exposure to the variability in future foreign currency-denominated cash flows for forecasted transactions over the next 16 months and for long-term debt over the next 39 months.

(amounts in thousands, except per share data)

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

| | Amount of Gain (Loss) Recognized in AOCI on Derivative Instruments | |
|---|---|---|
| | Quarters Ended | |
| | April 3, 2021 | March 28, 2020 |
| Forward foreign exchange contracts | $ 8,486 | $ 20,080 |
| Cross-currency swap contracts | (12) | — |
| Total | $ 8,474 | $ 20,080 |

| | Location of Gain (Loss) Reclassified from AOCI into Income | Amount of Gain (Loss) Reclassified from AOCI into Income | |
|---|---|---|---|
| | | Quarters Ended | |
| | | April 3, 2021 | March 28, 2020 |
| Forward foreign exchange contracts[(1)] | Cost of sales | $ (4,377) | $ 2,869 |
| Forward foreign exchange contracts[(1)] | Loss from discontinued operations, net of tax | (308) | 2,148 |
| Cross-currency swap contracts[(1)] | Selling, general and administrative expenses | (557) | — |
| Total | | $ (5,242) | $ 5,017 |

(1) The Company does not exclude amounts from effectiveness testing for cash flow hedges that would require recognition into earnings based on changes in fair value.

| | Quarters Ended | |
|---|---|---|
| | April 3, 2021 | March 28, 2020 |
| Total cost of sales in which the effects of cash flow hedges are recorded | $ 905,348 | $ 784,902 |
| Total selling, general and administrative expenses in which the effects of cash flow hedges are recorded | $ 412,559 | $ 370,215 |
| Total loss from discontinued operations, net of tax in which the effects of cash flow hedges are recorded | $ (391,666) | $ (12,992) |

***Net Investment Hedges***

In July 2019, the Company entered into two pay-fixed rate, receive-fixed rate cross-currency swap contracts with a total notional amount of €300,000 that were designated as hedges of a portion of the beginning balance of the Company's net investment in certain European subsidiaries. These cross-currency swap contracts, which mature on May 15, 2024, swap U.S. dollar-denominated interest payments for Euro-denominated interest payments, thereby economically converting a portion of the Company's fixed-rate 4.625% Senior Notes to a fixed-rate 2.3215% Euro-denominated obligation.

In July 2019, the Company also designated the full amount of its 3.5% Senior Notes with a carrying value of €500,000, which is a nonderivative financial instrument, as a hedge of a portion of the beginning balance of the Company's European net investment. As of April 1, 2021, the Company reduced the amount of its 3.5% Senior Notes designated in the European net investment hedge from €500,000 to €200,000. As of April 3, 2021 and January 2, 2021, the U.S. dollar equivalent carrying value of Euro-denominated long-term debt designated as a partial European net investment hedge was $235,183 and $610,724, respectively.

HANESBRANDS INC.

**Notes to Condensed Consolidated Financial Statements — (Continued)**
**(amounts in thousands, except per share data)**
**(unaudited)**

The amount of after-tax gains (losses) included in AOCI in the Condensed Consolidated Balance Sheets related to derivative instruments and nonderivative financial instruments designated as net investment hedges and the amount of gains included in the "Interest expense, net" line in the Condensed Consolidated Statements of Income related to amounts excluded from the assessment of hedge effectiveness for derivative instruments designated as net investment hedges are as follows:

| | Amount of Gain Recognized in AOCI | |
|---|---|---|
| | Quarters Ended | |
| | April 3, 2021 | March 28, 2020 |
| Euro-denominated long-term debt | $ 19,300 | $ 2,658 |
| Cross-currency swap contracts | 7,373 | 11,732 |
| Total | $ 26,673 | $ 14,390 |

| | | Amount of Gain Recognized in Income (Amount Excluded from Effectiveness Testing) | |
|---|---|---|---|
| | | Quarters Ended | |
| | Location of Gain Recognized in Income | April 3, 2021 | March 28, 2020 |
| Cross-currency swap contracts | Interest expense, net | $ 1,899 | $ 1,947 |

| | Quarters Ended | |
|---|---|---|
| | April 3, 2021 | March 28, 2020 |
| Total interest expense, net in which the amounts excluded from effectiveness testing for net investment hedges are recorded | $ 44,460 | $ 36,027 |

***Mark to Market Hedges***

A derivative used as a hedging instrument whose change in fair value is recognized to act as a hedge against changes in the values of the hedged item is designated as a mark to market hedge. The Company uses forward foreign exchange derivative contracts as hedges against the impact of foreign exchange fluctuations on existing accounts receivable and payable balances and intercompany lending transactions denominated in foreign currencies. Forward foreign exchange derivative contracts are recorded as mark to market hedges when the hedged item is a recorded asset or liability that is revalued in each accounting period. These contracts are not designated as hedges under the accounting standards and are recorded at fair value in the Condensed Consolidated Balance Sheets. 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:

| | | Amount of Gain (Loss) Recognized in Income | |
|---|---|---|---|
| | | Quarters Ended | |
| | Location of Gain (Loss) Recognized in Income on Derivatives | April 3, 2021 | March 28, 2020 |
| Forward foreign exchange contracts | Cost of sales | $ 12,995 | $ 6,549 |
| Forward foreign exchange contracts | Selling, general and administrative expenses | 2,211 | (1,034) |
| Forward foreign exchange contracts | Loss from discontinued operations, net of tax | 2,639 | (425) |
| Total | | $ 17,845 | $ 5,090 |

(amounts in thousands, except per share data)

## (10) Fair Value of Assets and Liabilities

As of April 3, 2021, 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 forward foreign exchange derivative contracts, cross-currency swap derivative contracts and deferred compensation plan liabilities. The fair values of forward foreign exchange derivative contracts are determined using the cash flows of the forward contracts, discount rates to account for the passage of time and current foreign exchange market data which are all based on inputs readily available in public markets and are categorized as Level 2. The fair values of cross-currency swap derivative contracts are determined using the cash flows of the swap contracts, discount rates to account for the passage of time, current foreign exchange and interest rate market data and credit risk, which are all based on inputs readily available in public markets 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 quarterly recurring basis.

There were no changes during the quarter ended April 3, 2021 to the Company's valuation techniques used to measure asset and liability fair values on a recurring basis. As of and during the quarter ended April 3, 2021, 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 within continuing operations accounted for at fair value on a recurring basis.

| | Assets (Liabilities) at Fair Value as of April 3, 2021 | | | |
|---|---|---|---|---|
| | Total | Quoted Prices In Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Forward foreign exchange contracts - assets | $ 3,728 | $ — | $ 3,728 | $ — |
| Cross-currency swap contracts - assets | 2,817 | — | 2,817 | — |
| Forward foreign exchange contracts - liabilities | (11,479) | — | (11,479) | — |
| Cross-currency swap contracts - liabilities | (6,530) | — | (6,530) | — |
| | (11,464) | — | (11,464) | — |
| Deferred compensation plan liability | (18,809) | — | (18,809) | — |
| Total | $ (30,273) | $ — | $ (30,273) | $ — |

| | Assets (Liabilities) at Fair Value as of January 2, 2021 | | | |
|---|---|---|---|---|
| | Total | Quoted Prices In Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Forward foreign exchange contracts - assets | $ 2,460 | $ — | $ 2,460 | $ — |
| Cross-currency swap contracts - assets | 918 | — | 918 | — |
| Forward foreign exchange contracts - liabilities | (31,576) | — | (31,576) | — |
| Cross-currency swap contracts - liabilities | (16,526) | — | (16,526) | — |
| | (44,724) | — | (44,724) | — |
| Deferred compensation plan liability | (21,878) | — | (21,878) | — |
| Total | $ (66,602) | $ — | $ (66,602) | $ — |

***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 3, 2021 and January 2, 2021. The carrying amount of trade accounts receivable included allowance for doubtful accounts, chargebacks and other deductions of $55,543 and $48,745 as of April 3, 2021 and January 2, 2021, respectively. The fair value of debt, which is classified as a Level 2 liability, was $3,912,331 and $4,230,985 as of April 3, 2021 and January 2, 2021, respectively. Debt had a carrying value of $3,712,959 and $4,035,724 as of April 3, 2021 and January 2, 2021, 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 amount of the Company's notes payable, which is classified as a Level 2 liability, approximated fair value primarily due to the short-term nature of these instruments.

**(11) Income Taxes**

The Company's effective income tax rate was 10.3% and 12.1% for the quarters ended April 3, 2021 and March 28, 2020, respectively. The lower effective tax rate for the quarter ended April 3, 2021 was primarily due to a discrete benefit for the release of reserves for unrecognized tax benefits of $7,034, partially offset by a discrete charge for changes in valuation allowances of $3,672.

The Company is subject to examinations in the U.S., various state and foreign jurisdictions and believes that it maintains appropriate accruals for unrecognized tax benefits related to uncertain tax positions, which are evaluated each quarter. During the quarter ended April 3, 2021, the Company's liability for unrecognized tax benefits, including interest and penalties, decreased by $8,414, of which $7,034 was a discrete reduction of the effective income tax rate. The decrease was related to expirations of statutes of limitations and approvals of certain filings with income tax authorities.

**(12) Business Segment Information**

The Company's operations are managed and reported in three operating segments, each of which is a reportable segment for financial reporting purposes: Innerwear, Activewear and International. These segments are organized principally by product category and geographic location. Each segment has its own management team that is responsible for the operations of the segment's businesses, but the segments share a common supply chain and media and marketing platforms. Other consists of the Company's U.S.-based outlet stores and U.S. hosiery business.

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

- Innerwear includes sales in the United States of basic branded apparel products that are replenishment in nature under the product categories of men's underwear, women's panties, children's underwear and socks, and intimate apparel, which includes bras and shapewear.
- Activewear includes sales in the United States of basic branded products that are primarily seasonal in nature to both retailers and wholesalers, as well as licensed sports apparel and licensed logo apparel in collegiate bookstores, mass retailers and other channels.
- International includes sales of products in all of the Company's categories outside the United States, primarily in Australasia, Europe, Asia, Canada and Latin America.

**HANESBRANDS INC.**

**Notes to Condensed Consolidated Financial Statements — (Continued)**
**(amounts in thousands, except per share data)**
**(unaudited)**

The Company evaluates the operating performance of its segments based upon segment operating profit, which is defined as operating profit before general corporate expenses, restructuring and other action-related charges and amortization of intangibles. The accounting policies of the segments are consistent with those described in Note, "Summary of Significant Accounting Policies" to the Company's consolidated financial statements included in its Annual Report on Form 10-K for the year ended January 2, 2021.

| | Quarters Ended | |
|---|---|---|
| | April 3, 2021 | March 28, 2020 |
| **Net sales:** | | |
| Innerwear | $ 570,435 | $ 422,402 |
| Activewear | 364,003 | 288,000 |
| International | 506,261 | 428,230 |
| Other | 67,330 | 64,438 |
| Total net sales | $ 1,508,029 | $ 1,203,070 |

| | Quarters Ended | |
|---|---|---|
| | April 3, 2021 | March 28, 2020 |
| **Segment operating profit:** | | |
| Innerwear | $ 127,417 | $ 81,551 |
| Activewear | 60,594 | 8,108 |
| International | 87,180 | 50,745 |
| Other | 1,886 | (3,393) |
| Total segment operating profit | 277,077 | 137,011 |
| Items not included in segment operating profit: | | |
| General corporate expenses | (59,823) | (57,426) |
| Restructuring and other action-related charges | (19,393) | (24,324) |
| Amortization of intangibles | (7,739) | (7,308) |
| Total operating profit | 190,122 | 47,953 |
| Other expenses | (2,561) | (6,101) |
| Interest expense, net | (44,460) | (36,027) |
| Income from continuing operations before income tax expense | $ 143,101 | $ 5,825 |

For the quarter ended April 3, 2021, the Company incurred pre-tax restructuring and other action-related charges of $19,393, of which $2,807 is reported in the "Cost of sales" line and $16,586 is reported in the "Selling, general and administrative expenses" line in the Condensed Consolidated Statement of Income. For the quarter ended March 28, 2020, the Company incurred pre-tax restructuring and other action-related charges of $24,324, of which $21,811 is reported in the "Cost of sales" line and $2,513 is reported in the "Selling, general and administrative expenses" line in the Condensed Consolidated Statement of Income.

### *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 interim 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, 2021, 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, 2021. In particular, statements with respect to trends associated with our business, our Full Potential plan, our future financial performance and the potential effects of the global novel coronavirus ("COVID-19") pandemic included in this MD&A include forward-looking statements.

## Overview

Hanesbrands Inc. (collectively with its subsidiaries, "we," "us," "our," or the "Company") is a socially responsible leading marketer of everyday basic innerwear and activewear apparel in the Americas, Australia, Europe and Asia/Pacific under some of the world's strongest apparel brands, including *Hanes, Champion, Bonds, Bali, Maidenform, Playtex, Bras N Things, JMS/Just My Size, Wonderbra, Alternative, Berlei, L'eggs* and *Gear for Sports.* We sell T-shirts, bras, panties, shapewear, underwear, socks, hosiery and activewear produced in our low-cost global supply chain. Our products are marketed to consumers shopping in mass merchants, mid-tier and department stores, specialty stores and the consumer-directed channel, which includes our owned retail locations, as well as e-commerce sites. Our brands hold either the number one or number two market position by units sold in many of the product categories and geographies in which we compete.

Our operations are managed and reported in three operating segments, each of which is a reportable segment for financial reporting purposes: Innerwear, Activewear and International. These segments are organized principally by product category and geographic location. Each segment has its own management team that is responsible for the operations of the segment's businesses, but the segments share a common supply chain and media and marketing platforms. Other consists of our U.S.-based outlet stores and U.S. hosiery business.

### *Our Key Business Strategies*

Our business strategy integrates our brand superiority, industry-leading innovation and low-cost global supply chain to provide higher value products while lowering production costs. We operate in the global innerwear and global activewear apparel categories. These are stable, heavily branded categories where we have a strong consumer franchise based on a global portfolio of industry-leading brands that we have built over multiple decades, through hundreds of millions of direct interactions with consumers. In 2020, we undertook a comprehensive global business review focused on building consumer-centric growth. The review resulted in our Full Potential plan, which is our multi-year growth strategy that focuses on four pillars to drive growth and enhance long-term profitability and identifies initiatives to unlock growth. Our four pillars of growth are to grow the *Champion* brand globally, drive growth in Innerwear with brands and products that appeal to younger consumers, drive consumer-centricity by delivering innovative products and improving awareness through investments in brand marketing and digital capabilities, and streamline our global portfolio. In order to deliver this growth and create a more efficient and productive business model, we have launched a multi-year cost savings program intended to self-fund the investments necessary to achieve the Full Potential plan's objectives. We remain highly confident that our strong brand portfolio, world-class supply chain and diverse category and geographic footprint will help us unlock our full potential, deliver long-term growth and create stockholder value.

In the first quarter of 2021, we announced that as part of our strategic plan, we were exploring alternatives for our European Innerwear business and subsequently reached the decision to exit this business. We determined that our European Innerwear business met held-for-sale and discontinued operations accounting criteria during the first quarter of 2021. Accordingly, we began to separately report the results of our European Innerwear business as discontinued operations in our Condensed Consolidated Statements of Income, and to present the related assets and liabilities as held for sale in the Condensed Consolidated Balance Sheets. See note "Discontinued Operations" to our condensed consolidated interim financial statements included in this Quarterly Report on Form 10-Q for additional information on discontinued operations.

***Impact of COVID-19 on Our Business***

The COVID-19 pandemic impacted our business operations and financial results for the first quarter of 2021 and 2020 as described in more detail under "Condensed Consolidated Results of Operations - First Quarter Ended April 3, 2021 Compared with First Quarter Ended March 28, 2020" below, primarily through reduced traffic and closures of company-operated and third-party retail locations for portions of each of the quarters in certain markets. While many retail stores have reopened and some government restrictions have been partially or fully removed, the future impact of the COVID-19 pandemic remains highly uncertain, and our business and results of operations, including our net revenues, earnings and cash flows, could continue to be adversely impacted.

***Outlook for 2021***

We estimate our 2021 guidance as follows:

- Net sales of $6.2 billion to $6.3 billion;
- Operating profit of $730 million to $760 million;
- Full Potential plan-related charges of approximately $85 million reflected in operating profit;
- Interest expense and other expenses of approximately $185 million combined;
- An annual effective tax rate from continuing operations of approximately 14%;
- Diluted earnings per share from continuing operations from $1.33 to $1.41;
- Cash flow from operating activities of $500 million to $550 million; and
- Capital expenditures of approximately $140 million, which includes approximately $50 million related to our Full Potential plan.

***Seasonality and Other Factors***

Absent the effects of the COVID-19 pandemic, our operating results are typically subject to some variability due to seasonality and other factors. For instance, we have historically generated 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 our customers' decisions to increase or decrease their inventory levels in response to anticipated consumer demand. Our customers may cancel orders, change delivery schedules 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 consumer spending trends. Discretionary spending is affected by many factors that are outside our control, including, among others, general business conditions, interest rates, inflation, consumer debt levels, the availability of consumer credit, currency exchange rates, taxation, energy prices, unemployment trends and other matters that influence consumer confidence and spending. 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. As a result, consumers may choose to purchase fewer of our products, 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 seasonal and replenishable 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 consumers' preferences and discretionary spending.

**Condensed Consolidated Results of Operations — First Quarter Ended April 3, 2021 Compared with First Quarter Ended March 28, 2020**

| | Quarters Ended | | | |
|---|---|---|---|---|
| | April 3, 2021 | March 28, 2020 | Higher (Lower) | Percent Change |
| | (dollars in thousands) | | | |
| Net sales | $ 1,508,029 | $ 1,203,070 | $ 304,959 | 25.3 % |
| Cost of sales | 905,348 | 784,902 | 120,446 | 15.3 |
| Gross profit | 602,681 | 418,168 | 184,513 | 44.1 |
| Selling, general and administrative expenses | 412,559 | 370,215 | 42,344 | 11.4 |
| Operating profit | 190,122 | 47,953 | 142,169 | 296.5 |
| Other expenses | 2,561 | 6,101 | (3,540) | (58.0) |
| Interest expense, net | 44,460 | 36,027 | 8,433 | 23.4 |
| Income from continuing operations before income tax expense | 143,101 | 5,825 | 137,276 | 2,356.7 |
| Income tax expense | 14,697 | 707 | 13,990 | 1,978.8 |
| Income from continuing operations | 128,404 | 5,118 | 123,286 | 2,408.9 |
| Loss from discontinued operations, net of tax | (391,666) | (12,992) | (378,674) | (2,914.7) |
| Net loss | $ (263,262) | $ (7,874) | $ (255,388) | (3,243.4)% |

***Net Sales***

Net sales increased 25% during the first quarter of 2021 primarily due to the following:

- The overlap of the initial COVID-19 pandemic shutdown in the first quarter of 2020;
- Retailers continuing to replenish inventory levels as stores reopened after temporary closures due to the COVID-19 pandemic in 2020 and incremental sales partially as a result of U.S. government stimulus spending; and
- The favorable impact from foreign exchange rates in our International business of approximately $43 million.

Partially offset by:

- The disruption of certain of our International businesses related to the negative effects of the COVID-19 pandemic. Net sales in Asia, Europe and the Americas continue to be impacted by COVID-19 related lockdowns.

***Operating Profit***

Operating profit as a percentage of net sales was 12.6%, representing an increase from 4.0% in the prior year. Increased operating profit was the result of higher sales, favorable product mix and the favorable impact from foreign exchange rates which more than offset higher freight costs and sourcing premiums to service demand. Included in operating profit in the first quarter of 2021 were charges of $19 million related to the implementation of our Full Potential plan. Included in operating profit in the first quarter of 2020 were charges of $24 million related to supply chain, program exit and other restructuring actions.

***Other Highlights***

*Other Expenses* – Other expenses decreased $4 million in the first quarter of 2021 compared to the first quarter of 2020 due to lower pension expense and lower funding fees for sales of accounts receivable to financial institutions in 2021.

*Interest Expense* – Interest expense was higher by $8 million in the first quarter of 2021 compared to the first quarter of 2020 driven by a higher weighted average interest rate on our borrowings during the quarter. Our weighted average interest rate on our outstanding debt was 4.07% for the first quarter of 2021, compared to 3.92% for the first quarter of 2020.

*Income Tax Expense* – Our effective income tax rate was 10.3% and 12.1% for the first quarters of 2021 and 2020, respectively. The lower effective tax rate for the quarter ended April 3, 2021 was primarily due to a discrete benefit for the release of reserves for unrecognized tax benefits of $7 million, partially offset by a discrete charge for changes in valuation allowances of $4 million.

*Discontinued Operations* – The results of our discontinued operations include the operations of our European Innerwear business which we reached the decision to exit at the end of the first quarter of 2021 in connection with our Full Potential plan. See note “Discontinued Operations” to our condensed consolidated interim financial statements included in this Quarterly Report on Form 10-Q for a discussion of non-cash asset impairment charges and a non-cash charge to record a valuation allowance against the net assets held for sale to write down the carrying value to the estimated fair value less costs of disposal.

**Operating Results by Business Segment — First Quarter Ended April 3, 2021 Compared with First Quarter Ended March 28, 2020**

| | Net Sales | | | |
|---|---|---|---|---|
| | Quarters Ended | | | |
| | April 3, 2021 | March 28, 2020 | Higher (Lower) | Percent Change |
| | (dollars in thousands) | | | |
| Innerwear | $ 570,435 | $ 422,402 | $ 148,033 | 35.0 % |
| Activewear | 364,003 | 288,000 | 76,003 | 26.4 |
| International | 506,261 | 428,230 | 78,031 | 18.2 |
| Other | 67,330 | 64,438 | 2,892 | 4.5 |
| Total | $ 1,508,029 | $ 1,203,070 | $ 304,959 | 25.3 % |

| | Operating Profit and Margin | | | | | |
|---|---|---|---|---|---|---|
| | Quarters Ended | | | | | |
| | April 3, 2021 | | March 28, 2020 | | Higher (Lower) | Percent Change |
| | (dollars in thousands) | | | | | |
| Innerwear | $ 127,417 | *22.3 %* | $ 81,551 | *19.3 %* | $ 45,866 | 56.2 % |
| Activewear | 60,594 | *16.6* | 8,108 | *2.8* | 52,486 | 647.3 |
| International | 87,180 | *17.2* | 50,745 | *11.8* | 36,435 | 71.8 |
| Other | 1,886 | *2.8* | (3,393) | *(5.3)* | 5,279 | NM |
| Corporate | (86,955) | *NM* | (89,058) | *NM* | 2,103 | (2.4) |
| Total | $ 190,122 | *12.6 %* | $ 47,953 | *4.0 %* | $ 142,169 | 296.5 % |

***Innerwear***

Innerwear net sales increased 35% compared to the first quarter of 2020 driven by a 39% and a 27% increase in net sales in our basics and intimate apparel businesses, respectively, primarily as a result of the overlap of the initial COVID-19 pandemic shutdown in the first quarter of 2020, retailers continuing to replenish inventory levels as stores reopened after temporary closures due to the COVID-19 pandemic in 2020 and incremental sales partially as a result of U.S. government stimulus spending. In our basics business, we experienced growth in each product category. In our intimate apparel business, the increase in bra sales more than offset the decline in shapewear sales, which is a category that continues to be negatively impacted by the COVID-19 pandemic.

Innerwear operating margin was 22.3%, an increase from 19.3% in the same period a year ago. Operating margin enhancement resulted primarily from fixed cost leverage from higher sales and favorable product mix partially offset by higher costs to service demand, such as air freight and sourcing premiums.

***Activewear***

Activewear net sales increased 26% compared to the first quarter last year driven by growth in the online and brick-and-mortar channels, the overlap of the initial COVID-19 pandemic shutdown in the first quarter of 2020 and incremental sales partially as a result of U.S. government stimulus spending. We experienced growth in all product categories except our sports apparel business which continues to be negatively impacted by the COVID-19 pandemic.

Activewear operating margin was 16.6%, an increase from 2.8% in the same period a year ago. Operating margin enhancement resulted primarily from fixed cost leverage from higher sales and favorable product mix.

***International***

Net sales in the International segment increased 18% as a result of the negative impact of the COVID-19 pandemic in the first quarter of 2020 and the favorable impact of foreign currency exchange rates of approximately $43 million. International net sales on a constant currency basis, defined as net sales excluding the impact of foreign currency, increased 8.2%. The impact of foreign exchange rates is calculated by applying prior period exchange rates to the current year financial results. Net sales in our international markets continue to be negatively impacted by COVID-19 related lockdowns.

International operating margin was 17.2%, an increase from 11.8% in the same period a year ago. Operating margin enhancement resulted primarily from fixed cost leverage from higher sales.

***Other***

Other net sales increased as a result of increased sales at our retail outlets during the first quarter of 2021 as a result of stores reopening after temporary store closures during the first quarter of 2020 due to the COVID-19 pandemic partially offset by continued declines in hosiery sales in the United States. Operating margin increased due to the increase in sales volume.

***Corporate***

Corporate expenses in the first quarter of 2021 included incremental recurring COVID-19 related costs such as cleaning and health-related supplies to protect our employees and customers, as well as higher variable compensation expense compared to the first quarter of 2020. Corporate expenses in the first quarter of 2020 included $11 million of bad debt expense related to charges for anticipated bankruptcies. Corporate expenses were lower in the first quarter of 2021 compared to the first quarter of 2020 due to lower restructuring and other action-related charges. Included in restructuring and other action-related charges in the first quarter of 2021 were $19 million of charges related to the implementation of our Full Potential plan. We recorded impairment charges of $7 million related to the full impairment of an indefinite-lived trademark related to a specific brand within the European Innerwear business that was excluded from the disposal group as it is not being marketed for sale. Supply chain actions include actions to reduce overhead costs. Program exit charges are costs associated with exiting our *C9 Champion* mass program and the DKNY intimate apparel license at the end of 2019. Other restructuring costs include action-related costs such as corporate workforce reductions.

| | Quarters Ended | |
|---|---|---|
| | April 3, 2021 | March 28, 2020 |
| | (dollars in thousands) | |
| Restructuring and other action-related charges included in operating profit: | | |
| Full Potential Plan: | | |
| Professional services | $ 11,706 | $ — |
| Impairment of intangible assets | 7,302 | — |
| Other restructuring costs | 385 | — |
| 2020 actions: | | |
| Supply chain actions | — | 14,065 |
| Program exit costs | — | 8,213 |
| Other restructuring costs | — | 2,046 |
| Total restructuring and other action-related charges included in operating profit | $ 19,393 | $ 24,324 |

**Liquidity and Capital Resources**

***Cash Requirements and Trends and Uncertainties Affecting Liquidity***

We rely on our cash flows generated from operations and the borrowing capacity under our credit facilities to meet the cash requirements of our business. Our primary uses of cash are payments to our employees and vendors in the normal course of business, capital expenditures, maturities of debt and related interest payments, contributions to our pension plans, regular quarterly dividend payments and income tax payments.

In April 2020, given the rapidly changing business environment and level of uncertainty created by the COVID-19 pandemic and the associated impact on future earnings, we amended our Senior Secured Credit Facility prior to any potential covenant violation in order to modify the financial covenants and to provide operating flexibility during the COVID-19 crisis. The amendment changed certain provisions and covenants under the Senior Secured Credit Facility through the fiscal quarter ending July 3, 2021, after which our covenants revert to their original, pre-amendment levels.

We expect to maintain compliance with our covenants for at least one year from the issuance of these financial statements based on our current expectations and forecasts. If economic conditions caused by the COVID-19 pandemic worsen, our earnings and operating cash flows could be negatively impacted which could impact our ability to maintain compliance with our financial covenants and require us to seek additional amendments to our Senior Secured Credit Facility. If we are not able to obtain such necessary additional amendments, this would lead to an event of default and, if not cured timely, our lenders could require us to repay our outstanding debt. In that situation, we may not be able to raise sufficient debt or equity capital, or divest assets, to refinance or repay the lenders.

Based on our current estimate of future earnings and cash flows, we believe we have sufficient cash and available borrowings for at least one year from the issuance of these financial statements based on our current expectations and forecasts.

Our primary sources of liquidity are cash generated from global operations and cash available under our Revolving Loan Facility, our Australian Revolving Loan Facility, our Accounts Receivable Securitization Facility and our international credit facilities.

We had the following borrowing capacity and available liquidity under our credit facilities as of April 3, 2021:

| | As of April 3, 2021 | |
|---|---|---|
| | Borrowing Capacity | Available Liquidity |
| | (dollars in thousands) | |
| Senior Secured Credit Facility: | | |
| Revolving Loan Facility | $ 1,000,000 | $ 995,824 |
| Australian Revolving Loan Facility | 45,572 | 45,572 |
| Accounts Receivable Securitization Facility[(1)] | 87,403 | 87,403 |
| Other international credit facilities | 116,734 | 85,245 |
| Total liquidity from credit facilities | $ 1,249,709 | $ 1,214,044 |
| Cash and cash equivalents | | 530,403 |
| Total liquidity | | $ 1,744,447 |

(1) Borrowing availability under the Accounts Receivable Securitization Facility is subject to a quarterly fluctuating facility limit, not to exceed $175 million, and permitted only to the extent that the face of the receivables in the collateral pool, net of applicable reserves and other deductions, exceeds the outstanding loans.

The following have impacted or may impact our liquidity:

- The negative impact of the COVID-19 pandemic on our business.
- We have historically paid a regular quarterly dividend. The declaration of any future dividends and, if declared, the amount of any such dividends, will be subject to our actual future earnings, capital requirements, regulatory restrictions, debt covenants, other contractual restrictions and to the discretion of our Board of Directors.
- We have principal and interest obligations under our debt and ongoing financial covenants under those debt facilities, even after taking into account recent amendments. In March 2021, we repaid the outstanding balance of Term Loan B which consisted of a required excess cash flow prepayment of $239 million and a voluntary prepayment of $61 million.
- We have invested in efforts to accelerate worldwide omnichannel and global growth initiatives, as well as marketing and brand building.
- As part of our Full Potential plan, we have launched a multi-year cost savings program intended to self-fund the investments necessary to achieve the Full Potential plan's objectives.
- Although currently prohibited under our Senior Secured Credit Facility, in the future, we may pursue strategic business acquisitions.
- We made a contribution of $40 million to our U.S. pension plan in the quarter ended April 3, 2021. We may also elect to make additional voluntary contributions.
- 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 impact our effective income tax rate. Consistent with our investment strategy as it pertains to our historical foreign earnings as of January 2, 2021, we intend to remit foreign earnings totaling $668 million.
- We are obligated to make installment payments over an eight-year period related to our transition tax liability resulting from the implementation of the Tax Cuts and Jobs Act, which began in 2018, in addition to any estimated income taxes due based on current year taxable income. In the quarter ended April 3, 2021, we made no installment payments on our transition tax liability. On April 13, 2021, we made an installment payment of $10 million on our transition tax liability. We currently have a remaining balance due of approximately $42 million to be paid in installment payments through 2025.

***Sources and Uses of Our Cash***

The information presented below regarding the sources and uses of our cash flows for the quarters ended April 3, 2021 and March 28, 2020 was derived from our condensed consolidated interim financial statements.

| | Quarters Ended | |
|---|---|---|
| | April 3, 2021 | March 28, 2020 |
| | (dollars in thousands) | |
| Operating activities | $ 16,946 | $ (83,216) |
| Investing activities | (13,604) | (24,477) |
| Financing activities | (354,423) | 877,514 |
| Effect of changes in foreign exchange rates on cash | (17,662) | (15,061) |
| Change in cash, cash equivalents and restricted cash | (368,743) | 754,760 |
| Cash, cash equivalents and restricted cash at beginning of year | 910,603 | 329,923 |
| Cash, cash equivalents and restricted cash at end of period | 541,860 | 1,084,683 |
| Less restricted cash at end of period | 1,153 | 903 |
| Cash and cash equivalents at end of period | $ 540,707 | $ 1,083,780 |
| Balances included in the Condensed Consolidated Balance Sheets: | | |
| Cash and cash equivalents | $ 530,403 | $ 1,069,490 |
| Cash and cash equivalents included in current assets of discontinued operations | 10,304 | 14,290 |
| Cash and cash equivalents at end of period | $ 540,707 | $ 1,083,780 |

*Operating Activities*

Our overall liquidity has historically been driven by our cash flow provided by operating activities, which is dependent on net income and 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 the prior year, the higher net cash provided by operating activities was primarily due to higher income from continuing operations partially offset by changes in working capital. Cash used by operating activities includes a $40 million and a $25 million contribution to our U.S. pension plan made in the first quarter of 2021 and 2020, respectively.

*Investing Activities*

Investing activities in the first quarter of 2021 and 2020 primarily include capital investments into our business. The decrease in cash used by investing activities in first quarter of 2021 compared to 2020 was primarily the result of a decrease in capital investments into our business as we manage our spending on our focused strategic goals.

*Financing Activities*

Net cash from financing activities decreased primarily as a result of lower borrowings as compared to the same period of 2020. We increased our borrowings in the first quarter of 2020 primarily to strengthen our cash position and to provide us with additional financial flexibility to manage our business with a safety-first emphasis during the unknown duration and impact of the COVID-19 pandemic. Additionally, in the first quarter of 2021, we repaid the outstanding balance of Term Loan B which consisted of a required excess cash flow prepayment of $239 million and a voluntary prepayment of $61 million. We also repurchased shares at a total cost of $200 million in the first quarter of 2020.

***Financing Arrangements***

In March 2021, we amended the Accounts Receivable Securitization Facility. This amendment primarily decreased the fluctuating facility limit to $175 million (previously $225 million) and extended the maturity date to June 2022. Additionally, the amendment changed certain ratios and borrowing base calculations, raised pricing and added certain receivables to the pledged collateral pool for the facility.

We believe our financing structure provides a secure base to support our operations and key business strategies. As of April 3, 2021, we were in compliance with all financial covenants under our credit facilities and other outstanding indebtedness. We continue to monitor our covenant compliance carefully. Under the terms of our Senior Secured Credit Facility, we are required to maintain a minimum interest coverage ratio and a maximum leverage ratio. The interest coverage ratio covenant is the ratio of our EBITDA for the preceding four fiscal quarters to our consolidated total interest expense and the leverage ratio covenant is the ratio of our net debt to EBITDA for the preceding four fiscal quarters. EBITDA is defined as earnings before interest, income taxes, depreciation expense and amortization, as computed pursuant to the Senior Secured Credit Facility. In April 2020, given the rapidly changing business environment and level of uncertainty being created by the COVID-19 pandemic and the associated impact on future earnings, we amended our Senior Secured Credit Facility prior to any potential covenant violation in order to modify the financial covenants and to provide operating flexibility during the COVID-19 crisis. We expect to maintain compliance with our covenants for at least one year from the date of these financial statements based on our current expectations and forecasts, 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, 2021 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 accounting principles generally accepted in the United States. We apply these accounting policies in a consistent manner. Our significant accounting policies are discussed in Note, “Summary of Significant Accounting Policies,” to our financial statements included in our Annual Report on Form 10-K for the year ended January 2, 2021.

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, 2021. 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, 2021.

### Recently Issued Accounting Pronouncements

For a summary of recently issued accounting pronouncements, see Note, “Recent Accounting Pronouncements” to our condensed consolidated interim financial statements included in this Quarterly Report on Form 10-Q.

## 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, 2021.

## Item 4. *Controls and Procedures*

### Disclosure Controls and Procedures

As required by Exchange Act Rule 13a-15(b), our management, including our Chief Executive Officer and Chief Accounting Officer (who is currently serving as our Principal 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 Quarterly Report on Form 10-Q. Based on that evaluation, our Chief Executive Officer and Chief Accounting Officer concluded that our disclosure controls and procedures were effective as of April 3, 2021.

### Changes in Internal Control over Financial Reporting

In connection with the evaluation required by Exchange Act Rule 13a-15(d), our management, including our Chief Executive Officer and Chief Accounting Officer (who is currently serving as our Principal 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.

# 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, 2021.

**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***

None.

**Item 6.** ***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 | 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 3.1 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on January 26, 2017). |
| 4.1 | Supplemental Indenture No. 10 (to Indenture dated June 3, 2016), dated as of April 12, 2021, among Hanesbrands Finance Luxembourg S.C.A., HBI Holdings Switzerland GmbH and U.S. Bank Trustees Limited. |
| 10.1 | Letter Agreement with Tracy M. Preston dated February 12, 2021.* |
| 31.1 | Certification of Stephen B. Bratspies, Chief Executive Officer. |
| 31.2 | Certification of M. Scott Lewis, Chief Accounting Officer and Principal Financial Officer. |
| 32.1 | Section 1350 Certification of Stephen B. Bratspies, Chief Executive Officer. |
| 32.2 | Section 1350 Certification of M. Scott Lewis, Chief Accounting Officer and Principal Financial Officer. |
| 101.INS XBRL | Instance Document - The instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL 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 |
| 104 | Cover Page Interactive Data File (the cover page XBRL tags are embedded within the Inline XBRL document) |

* Management contract or compensatory plans or arrangements.

## 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/ M. Scott Lewis

M. Scott Lewis
Chief Accounting Officer and Principal Financial Officer
(Duly authorized officer and principal financial officer)

Date: May 12, 2021

**Exhibit 4.1**

# SUPPLEMENTAL INDENTURE

SUPPLEMENTAL INDENTURE No. 10 (this "*Supplemental Indenture*"), dated as of April 12, 2021, between Hanesbrands Finance Luxembourg S.C.A., a corporate partnership limited by shares (*société en commandite par actions*) incorporated under the laws of the Grand Duchy of Luxembourg having its registered office at 33-39, Rue du Puits Romain, L-8070 Betrange, Grand Duchy of Luxembourg, and registered with the Luxembourg register of commerce and companies under the number B 206.211, as the issuer (such company, and its successors and assigns under the Indenture hereinafter referred to, being herein called the "*Issuer*"), HBI Holdings Switzerland GmbH, incorporated under the laws of Switzerland ("*HBI Holdings Switzerland*" or the "*Additional Guarantor*") and U.S. Bank Trustees Limited, as trustee (the "*Trustee*").

W I T N E S S E T H

WHEREAS, the Issuer has heretofore executed and delivered to the Trustee an indenture, dated as of June 3, 2016 (the "*Indenture*") providing for the issuance of the Issuer's euro denominated 3.5% Senior Notes due 2024 (the "*Senior Notes*");

WHEREAS, the Indenture provides that under certain circumstances the Additional Guarantor may execute and deliver to the Trustee a supplemental indenture pursuant to which such entity shall fully and unconditionally guarantee all of the Issuer's obligations under the Senior Notes and the Indenture on the terms and conditions set forth herein and under the Indenture (each an "*Additional Notes Guarantee*" and together the "*Additional Notes Guarantees*");

WHEREAS, it has been proposed to reorganize the Issuer's European holding company structure and in particular for Hanes Global Holdings Switzerland GmbH, a Guarantor of the Senior Notes under the Indenture, to contribute certain of its assets and liabilities to HBI Holdings Switzerland;

WHEREAS, the Issuer has heretofore executed and delivered to the Trustee nine supplemental indentures, dated as of June 23, 2016, November 9, 2016, November 9, 2016, March 28,
2017, February 20, 2018, August 24, 2018, October 1, 2018, November 30, 2018 and April 14, 2020, respectively, pursuant to which certain of the Issuer's subsidiaries provided Additional Notes Guarantees; and

WHEREAS, pursuant to Section 9.01 of the Indenture, the Issuer, the Additional Guarantor and the Trustee are authorized to execute and deliver this tenth Supplemental Indenture without the consent of the holders of the Senior Notes.

NOW, THEREFORE, in consideration of the foregoing and for other good and valuable consideration, the receipt of which is hereby acknowledged, the Issuer, the Additional Guarantor and the Trustee mutually covenant and agree for the equal and ratable benefit of the Holders as follows:

1. CAPITALIZED TERMS. Capitalized terms used herein without definition shall have the meanings assigned to them in the Indenture.

2. AGREEMENT TO GUARANTEE. The Additional Guarantor hereby agrees to provide an unconditional Additional Notes Guarantee on the terms and subject to the conditions set forth in this Supplemental Indenture and the Indenture including but not limited to Article X thereof (and including the guarantee limitations set out therein).

3. LIMITATIONS.

(a) Notwithstanding the foregoing, if and to the extent that (i) HBI Holdings Switzerland becomes liable under the Indenture for obligations of any

Affiliate (other than those of its direct or indirect wholly owned subsidiaries) or is otherwise obliged under the Indenture, the Notes or any of the security documents (together the "*Notes Documents*") to grant economic benefits to its Affiliates (other than to direct or indirect wholly owned subsidiaries), including, for the avoidance of doubt, any indemnity and/or joint liability undertaking, any restrictions of HBI Holdings Switzerland's rights of set-off and/or subrogation or its duties to subordinate or waive claims and (ii) complying with such liability or other obligation would constitute a repayment of capital (*Einlagerückgewähr*), a violation of the legally protected reserves (*gesetzlich geschützte Reserven*) or the payment of a (constructive) dividend (*Gewinnausschüttung*) by HBI Holdings Switzerland or would otherwise be restricted under Swiss law then applicable (the "*Restricted Obligations*"), the aggregate amount of such liability or other obligation of HBI Holdings Switzerland under any Notes Document with respect to Restricted Obligations shall be limited to the maximum amount of the HBI Holdings Switzerland's freely distributional equity available for distribution as dividends to the shareholders of HBI Holdings Switzerland at the time of payment or enforcement, as applicable (the "*Maximum Amount*"), provided that this is a requirement under applicable Swiss law at that time and further provided that such limitation shall not free HBI Holdings Switzerland from its obligations in excess of the Maximum Amount, but merely postpone the enforcement date therefore until such times as enforcement is again permitted notwithstanding such limitation.

(b) In respect of any payment with respect to Restricted Obligations, HBI Holdings Switzerland shall:

(i) if and to the extent required by applicable law in force at the relevant time, use its commercially reasonable efforts to mitigate (and cause its parent company and other relevant Affiliates to fully cooperate in any such mitigation efforts) to the extent possible any tax imposed based on the Swiss Federal Act on Withholding Tax of October 13, 1965 (*Bundesgesetz über die Verrechnungssteuer*), (the "*Swiss Withholding Tax Act*" and the "*Swiss Withholding Tax*") to be levied on payments with respect to Restricted Obligations, in particular through the notification procedure pursuant to applicable law, and promptly notify the Trustee thereof or, if such a notification procedure is not applicable:

(1) subject to any applicable double taxation treaty, deduct Swiss Withholding Tax at the rate of 35% (or such other rate as in force from time to time) from any payments with respect to Restricted Obligations;

(2) pay any such deduction to the Swiss Federal Tax Administration; and

(3) notify the Trustee or the Collateral Trustee that such a deduction has been made and provide the Trustee with evidence that such a deduction has been paid to the Swiss Federal Tax Administration;

(ii) if and to the extent such a deduction is made, not be obliged to either gross-up payments and/or indemnify the holders of the Notes in accordance with the relevant provisions of any Notes Document in relation to any such payment made by it in respect of Restricted Obligations, unless grossing-up and/or indemnifying is permitted under this Section 3 and the laws of Switzerland then in force (it being understood that this shall not in any way limit any legally permitted obligations of any other party under any Notes Document to indemnify the holders of the Notes in respect of the deduction of the Swiss Withholding Tax); and

(iii) use its commercially reasonable efforts to ensure that any person which is, as a result of a deduction of Swiss Withholding Tax, entitled to a full or partial refund of the Swiss Withholding Tax, shall, as soon as possible after the deduction of the Swiss Withholding Tax:

(1) request a refund of the Swiss Withholding Tax under any applicable law (including double tax treaties); and

(2) promptly upon receipt, pay to the Trustee, to the extent legally permitted, any amount so refunded for application as further payments with respect to Restricted Obligations.

(c) To the extent HBI Holdings Switzerland is required to deduct Swiss Withholding Tax and if the Maximum Amount is not fully utilized, additional amounts may be enforced in respect of Restricted Obligations until the payments equate an amount so that after making any required deduction of Swiss Withholding Tax, the aggregate amount paid net of Swiss Withholding Tax is equal to the amount which would have resulted if no deduction of Swiss Withholding Tax had been required, provided that such aggregate amount (including the increased amount) shall in any event be limited to the Maximum Amount at the relevant time.

(d) If and to the extent requested by the Trustee, acting at the direction of the requisite holders of the Notes, and if and to the extent this is from time to time required under Swiss law (restricting profit distributions), in order to allow the holders of the Notes to obtain a maximum benefit in respect of Restricted Obligations, HBI Holdings Switzerland shall promptly implement all such measures and/or promptly procure the fulfilment of all prerequisites allowing it to make the (requested) payment(s) (or to perform such other Restricted Obligations under the Notes Documents) from time to time, including the following;

(i) preparation of an up-to-date balance sheet of HBI Holdings Switzerland;

(ii) confirmation of the auditors of HBI Holdings Switzerland as to the Maximum Amount;

(iii) to the extent permitted by mandatory Swiss law, conversion of restricted reserves into profits and reserves freely available for the distribution as dividends;

(iv) to the extent permitted by mandatory Swiss law, revaluation and/or realization of any of its assets that are shown on its balance sheet with a book value that is significantly lower than the market value of such assets, in case of realization, however, only if such assets are not necessary for HBI Holdings Switzerland's business (*betriebsnotwendig*);

(v) approval by a shareholders' meeting of HBI Holdings Switzerland of the (resulting) equity distribution; and

(vi) all such other measures necessary or useful to allow for payments in respect of Restricted Obligations with a minimum of limitations.

4. NO RECOURSE AGAINST OTHERS. No past, present or future director, officer, manager, employee, incorporator or stockholder of the Additional Guarantor, as such, shall have any liability for any obligations of the Issuer or the Additional Guarantor under the Indenture, the Senior Notes, the Additional Notes Guarantees or this Supplemental Indenture or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each Holder by accepting a Senior Note waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Senior Notes.

5. THE INTERNAL LAW OF THE STATE OF NEW YORK SHALL GOVERN AND BE USED TO CONSTRUE THIS SUPPLEMENTAL INDENTURE, THE SENIOR NOTES AND THE ADDITIONAL NOTES GUARANTEES, WITHOUT GIVING EFFECT TO APPLICABLE PRINCIPLES OF CONFLICTS OF LAW TO THE EXTENT THAT THE APPLICATION OF THE LAWS OF ANOTHER JURISDICTION WOULD BE REQUIRED THEREBY.

6. New York Law to Govern. Each of the parties hereto irrevocably agrees that any suit, action or proceeding arising out of, related to, or in connection with the Indenture, this Supplemental Indenture, the Senior Notes and the Additional Notes Guarantees or the transactions contemplated hereby, and any action arising under U.S. federal or state securities laws, may be instituted in any U.S. federal or state court located in the State and City of New York, Borough of Manhattan; irrevocably waives, to the fullest extent it may effectively do so, any objection which it may now or hereafter have to the laying of venue of any such proceeding; and irrevocably submits to the jurisdiction of such courts in any such suit, action or proceeding. Each of the Issuer and the Additional Guarantor expressly consents to the jurisdiction of any such court in respect of any such action and waives any other requirements of or objections to personal jurisdiction with respect thereto and waives any right to trial by jury.

7. COUNTERPARTS. The parties may sign any number of copies of this Supplemental Indenture. Each signed copy shall be an original, but all of them together represent the same agreement.

8. EFFECT OF HEADINGS. The Section headings herein are for convenience only and shall not affect the construction hereof.

9. THE TRUSTEE. The Trustee shall not be responsible in any manner whatsoever for or in respect of the validity or sufficiency of this Supplemental Indenture, the Additional Notes Guarantees of the Additional Guarantor or for or in respect of the recitals contained herein, all of which recitals are made solely by the Additional Guarantor and the Issuer. All of the provisions contained in the Indenture in respect of the rights, privileges, immunities, powers and duties of the Trustee shall be applicable in respect of this Supplemental Indenture as fully and with like force and effect as though fully set forth in full herein.

(*Signature Pages Follows*)

N WITNESS WHEREOF, the parties hereto have caused this Supplemental Indenture to be duly executed and attested, all as of the date first above written.

**HANESBRANDS FINANCE LUXEMBOURG S.C.A.**, as the Issuer

By Hanesbrands GP Luxembourg S.à.r.l., its general partner

By: /s/ Donald F.Cook
Name: Donald F. Cook
Title: Class A Manager

By: /s/ Katalin Oroszki
Name: Katalin Oroszki
Title: Class B Manager

*(Signature Page to Supplemental Indenture)*

**HBI HOLDINGS SWITZERLAND GMBH**, as Additional Guarantor

By: /s/ Donald Fleming Cook
Name: Donald Fleming Cook
Title: Chairman of the board of directors

*(Signature Page to Supplemental Indenture)*

**U.S. BANK TRUSTEES LIMITED**, as Trustee

By: /s/ Laurence Griffiths
Name: Laurence Griffiths
Title: Authorized Signatory

By: /s/ Michael Leong
Name: Michael Leong
Title: Authorized Signatory

*(Signature Page to Supplemental Indenture)*

1000 East Hanes Mill Road
Winston-Salem, NC 27105
336 519 8080 tel
HANES Brands Inc

PERSONAL & CONFIDENTIAL

February 12, 2021

Tracy Preston
Dallas, Texas

Dear Tracy,

Congratulations! This letter is to confirm the details of the offer we discussed. We are excited with the prospect of you joining the HanesBrands team as Chief Legal Officer reporting to me.

Your employment start date is anticipated to be March 29, 2021 or such other date as mutually agreed upon.
Following are the specific details of the offer.

**Base Salary:**

Your annual gross base salary will be $630,000 which is $52,500 monthly, paid in arrears at the end of each month.

**Annual Bonus:**

You will be eligible for participation in the Annual Incentive Plan with a target bonus opportunity of 75% (maximum bonus potential of 150%) of your annual actual base salary, based upon achievement of financial and key performance indicators approved by the Compensation Committee of the Board each year, and subject to the provisions of the Company's Annual Incentive Plan. The plan year for the Company's incentive plan is the fiscal year with an expected payment distribution in February/March following the plan year.

Your 2021 bonus will be prorated based on your date of hire.

**Retention Replacement Cash:**

We will provide you with a cash award of $300,000, less applicable taxes, to be paid in your July 2021 payroll.

If you leave our employment within one (1) year of this payment, you would be required to reimburse HanesBrands $300,000, less applicable taxes. If you leave our employment within two (2) years of the payment, you will be required to reimburse HanesBrands $150,000, less applicable taxes.

**Long-Term Incentive Plan (LTIP):**

You will be eligible to participate in the Company's Long-Term Incentive Program, subject to Compensation Committee discretion from year to year. Equity grants are currently delivered as 50% time-based RSUs and 50% performance-based PSUs. The performance-based award is granted at target with a potential maximum of two (2) times target based on achievement of applicable Company performance metrics. You will initially qualify for awards with an equivalent value of $900,000. Annual Awards are currently being granted in January of each year. If your start date is after March 30, 2021, your 2021 LTIP awards will be prorated from your date of hire.

The time-based award (RSUs) will vest ratably over a three (3) year timeframe, one-third on the first, second and third anniversary of the grant date. The performance-based award (PSUs) will cliff vest on the third anniversary of the grant date, following a one-year performance period. Both types of grants are subject to the terms of the program.

**Benefit Plans:**

Effective with your date of employment, you will be eligible for Company provided benefits package at the same level as other similarly situated executives. An Executive Benefits Summary is enclosed for your review.

**Relocation/Housing:**

You will be eligible for relocation benefits, as outlined in the enclosed Employee Relocation Summary, including

- Home sale assistance, if currently a home owner.
- Transportation of household goods.
- A one-time cash lump sum payment to cover expenses associated with house finding trips, temporary living, return trips and car rental during the temporary living period, payable after starting employment and receipt of an executed Repayment Agreement. The lump sum payment for employees who are homeowners and who are married with dependents will be net $9,000.
- A miscellaneous relocation lump sum payment of $6,000 for current homeowners or $3,000 for renters, less applicable taxes, for incidental expenses associated with relocating you and your family, payable after starting employment and receipt of an executed Repayment Agreement.
- Home finding assistance and closing costs, if currently a home owner.

It is the Company's expectation that your employment location and residence will be in the same city as the Company's global headquarters.

**Retirement Savings Plan:**

You are eligible to participate in the Retirement Savings Plan or 401(k). You will be automatically enrolled in the RSP at a 4% pre-tax contribution level. You have the option to change your contribution at any time. You may contribute 1% - 50% of pay on a pre-tax basis. Our current Plan provides a match of dollar for dollar up to the first 4% of eligible pay, which is fully vested after two years of employment, and also provides a discretionary annual Company contribution of up to 4% of eligible pay, which vests ratably 20% annually and is fully vested after five years of employment.

**Vacation:**

You will be eligible for five (5) weeks of vacation on a calendar year basis. Your vacation will be prorated from your date of hire.

**Reimbursement of Business Expenses:**

You will be provided a Company expense card through Mastercard for Company related business and travel related expenses.

**Severance/Change in Control:**

I will also send you a copy of HanesBrands' Severance/Change in Control Agreement. This agreement is used with executive officers and provides various protections to you for termination from employment and a change in control of the Company.

**Contingency:**

This offer is contingent upon the successful completion of the pre-employment drug screen and a background check, which will include the consideration of employment references.
We are very excited to have you join the HanesBrands organization.

If you have any questions on this offer, please call Kristin Oliver, Chief Human Resources Officer, at XXXXXXXXXX.

Sincerely,

/s/ Stephen B. Bratspies

Stephen B. Bratspies
Chief Executive Officer
HanesBrands Inc.

I accept this offer: __X_ Yes ___No

Signature:

s/ Tracy M. Preston ___ __2/13/2021___ ___3/29/2021_

Tracy Preston Date Start Date

**Exhibit 31.1**

**CERTIFICATION PURSUANT TO
SECTION 302 OF THE
SARBANES-OXLEY ACT OF 2002**

I, Stephen B. Bratspies, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Hanesbrands Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Stephen B. Bratspies

Stephen B. Bratspies
Chief Executive Officer

Date: May 12, 2021

**Exhibit 31.2**

**CERTIFICATION PURSUANT TO
SECTION 302 OF THE
SARBANES-OXLEY ACT OF 2002**

I, M. Scott Lewis, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Hanesbrands Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ M. Scott Lewis

M. Scott Lewis
Chief Accounting Officer and Principal Financial Officer

Date: May 12, 2021

**Exhibit 32.1**

**CERTIFICATION PURSUANT TO**
**18 U.S.C. SECTION 1350,**
**AS ADOPTED PURSUANT TO**
**SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Hanesbrands Inc. (“Hanesbrands”) on Form 10-Q for the fiscal quarter ended April 3, 2021 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Stephen B. Bratspies, Chief Executive Officer of Hanesbrands, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Hanesbrands.

/s/ Stephen B. Bratspies

Stephen B. Bratspies
Chief Executive Officer

Date: May 12, 2021

The foregoing certification is being furnished to accompany Hanesbrands Inc.’s Quarterly Report on Form 10-Q for the fiscal quarter ended April 3, 2021 (the “Report”) solely pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not be deemed filed as part of the Report or as a separate disclosure document and shall not be deemed incorporated by reference into any other filing of Hanesbrands Inc. that incorporates the Report by reference. A signed original of this written certification required by Section 906 has been provided to Hanesbrands Inc. and will be retained by Hanesbrands Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

**Exhibit 32.2**

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Hanesbrands Inc. (“Hanesbrands”) on Form 10-Q for the fiscal quarter ended April 3, 2021 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, M. Scott Lewis, Chief Accounting Officer and Principal Financial Officer of Hanesbrands, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Hanesbrands.

/s/ M. Scott Lewis
M. Scott Lewis
Chief Accounting Officer and Principal Financial Officer

Date: May 12, 2021

The foregoing certification is being furnished to accompany Hanesbrands Inc.’s Quarterly Report on Form 10-Q for the fiscal quarter ended April 3, 2021 (the “Report”) solely pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not be deemed filed as part of the Report or as a separate disclosure document and shall not be deemed incorporated by reference into any other filing of Hanesbrands Inc. that incorporates the Report by reference. A signed original of this written certification required by Section 906 has been provided to Hanesbrands Inc. and will be retained by Hanesbrands Inc. and furnished to the Securities and Exchange Commission or its staff upon request.