

# Annual Report

HANES *Brands Inc*

Form 10-K for the Fiscal Year Ended  
December 31, 2022



**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-K**

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

For the fiscal year ended December 31, 2022

or

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number: 001-32891

**Hanesbrands Inc.**

(Exact name of registrant as specified in its charter)

**Maryland**

(State of incorporation)

**20-3552316**

(I.R.S. employer identification no.)

**1000 East Hanes Mill Road**

**Winston-Salem, North Carolina**

(Address of principal executive office)

**27105**

(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 if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes  No

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.

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 has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements.

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b).

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

As of July 1, 2022, the aggregate market value of the registrant's common stock held by non-affiliates was approximately \$3,566,558,174 (based on the closing price of the common stock on that date, as reported on the New York Stock Exchange and, for purposes of this computation only, the assumption that all of the registrant's directors and executive officers are affiliates and that beneficial holders of 5% or more of the outstanding common stock are not affiliates).

As of February 3, 2023, there were 349,361,517 shares of the registrant's common stock outstanding.

**DOCUMENTS INCORPORATED BY REFERENCE**

Part III of this Form 10-K incorporates by reference to portions of the registrant's proxy statement for its 2023 annual meeting of stockholders.

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**FORWARD-LOOKING STATEMENTS**

This Annual Report on Form 10-K 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. These risks and uncertainties include, but are not limited to, those described under “Risk Factors” and elsewhere in this report and those described from time to time in our future reports filed with the Securities and Exchange Commission (“SEC”).

**PART I****Item 1. Business****Company Overview**

Hanesbrands Inc. (collectively with its subsidiaries, “Hanesbrands,” “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 under some of the world’s strongest apparel brands, including *Hanes*, *Champion*, *Bonds*, *Maidenform*, *Bali*, *Bras N Things*, *Playtex*, *JMS/Just My Size*, *Gear for Sports*, *Wonderbra*, *Berlei*, *Comfortwash* and *Alternative*. Our products are marketed to consumers shopping in mass merchants, mid-tier and department stores, specialty stores, e-commerce sites, as well as our own retail locations and websites.

We operate in the global innerwear and global activewear apparel categories. We believe 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. Our multi-year growth strategy (“Full Potential plan”) focuses on four pillars to drive growth and enhance long-term profitability and identifies the 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, build e-commerce excellence across channels 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 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 reached the decision to exit our European Innerwear business as part of our strategy to streamline our portfolio under our Full Potential plan and determined that this business met held-for-sale and discontinued operations accounting criteria. Accordingly, we began to separately report the results of our European Innerwear business as discontinued operations. On November 4, 2021, we announced that we reached an agreement to sell this business to an affiliate of Regent, L.P. and completed the sale on March 5, 2022. Unless otherwise noted, all discussion within this Annual Report on Form 10-K, including amounts and percentages for all periods, reflect the results of our continuing operations. See Note “Assets and Liabilities Held for Sale” to our consolidated financial statements included in this Annual Report on Form 10-K for additional information.

In addition, in the fourth quarter of 2021, we reached the decision to divest our U.S. Sheer Hosiery business, including the *L’eggs* brand, as part of our strategy to streamline our portfolio under our Full Potential plan and determined that this business met held-for-sale accounting criteria. We are currently exploring potential purchasers for this business and expect to complete the sale within the next 12 months. See Note “Assets and Liabilities Held for Sale” to our consolidated financial statements included in this Annual Report on Form 10-K for additional information.

In June of 2022, we purchased the *Champion* trademark for footwear in the United States, Puerto Rico and Canada from Keds, LLC (“KEDS”) for \$103 million. The trademark was recorded in “Trademarks and other identifiable intangibles, net” line in the Consolidated Balance Sheets and has an indefinite life. We previously licensed the *Champion* trademark for footwear in these locations. The purchase of the trademark was part of an agreement with KEDS settling litigation between the two parties and is another step forward in our Full Potential plan of growing the global *Champion* brand.

In November 2022 and in February 2023, given economic conditions and the associated impact on earnings, we amended the credit agreement governing our Senior Secured Credit Facility to modify the financial covenants in order to avoid a potential covenant violation and to provide operating flexibility as described in Note “Debt” to our consolidated financial statements and “Liquidity and Capital Resources” within Part II, Item 7 “Management’s Discussion and Analysis of Financial Condition and Results of Operations” included in this Annual Report on Form 10-K. 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, however economic conditions or the occurrence of events discussed under “Risk Factors” in this Annual Report on Form 10-K or other SEC filings could impact our ability to maintain compliance or require us to seek additional amendments to the credit agreement.

Unlike most apparel companies, Hanesbrands primarily operates its own manufacturing facilities. Over 60% of the apparel units that we sell are manufactured in our own plants or those of dedicated contractors. Owning the majority of our supply chain benefits cost, scale and flexibility, as well as improves our ability to adhere to best-in-class management and environmental practices.

We take great pride in our strong reputation for ethical business practices and the success of our corporate responsibility program for community and environmental improvement. Hanesbrands earned a leadership level A- score in both the 2022 CDP Climate Change Report and the 2022 CDP Water Security Report, placing us in the top 11% and top 12%, respectively, out of the nearly 15,000 companies rated. We have received either the U.S. Environmental Protection Agency Energy Star Sustained Excellence Award or Partner of the Year Award for 13 consecutive years. We are also a recognized leader for our community-building, philanthropy and workplace practices.

In late 2020, we announced our commitment to making the world a more comfortable, livable and inclusive place by establishing new wide-ranging 2025/2030 global sustainability goals and launching a new sustainability website, [www.HBISustains.com](http://www.HBISustains.com). This website is designed to increase our transparency and reporting on key metrics and is being updated yearly to track our progress against these long-term goals. We made excellent progress in 2021 and continued to do so in 2022.

We approach sustainability from a broad, holistic perspective across our three pillars of People, Planet and Product. Our efforts are also focused in areas addressed by the United Nations’ Sustainable Development Goals, such as: good health and well-being; quality education; gender equality; climate action; clean water and sanitation; affordable and clean energy; economic growth; reduced inequalities; and responsible consumption and production.

Our fiscal year ends on the Saturday closest to December 31. All references to “2022”, “2021” and “2020” relate to the 52-week fiscal year ended on December 31, 2022 and January 1, 2022, and the 53-week fiscal year ended on January 2, 2021, respectively.

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

## Our Brands

Our portfolio of leading brands is designed to address the needs and wants of various consumer segments across a broad range of basic apparel products. Our brands have strong consumer positioning that helps distinguish them from competitors and guides their advertising and product development. We discuss some of our most important brands in more detail below.

*Hanes* is the largest and most widely recognized brand in our portfolio. *Hanes* is the number one selling apparel brand in the United States and is found in nine out of ten U.S. households. The *Hanes* brand covers all of our product categories, including men’s underwear, women’s panties, children’s underwear, bras, socks, T-shirts, fleece and shapewear. *Hanes* stands for outstanding comfort, style and value. *Hanes* is one of the most widely distributed brands in apparel, with a presence across mass merchandise retailers, e-commerce sites, discount stores and department stores. Through collaborations with third parties, the brand has also gained distribution with specialty retailers and high-end retail establishments. Following the successful launch of Hanes Total Support Pouch underwear platform in 2021, this year *Hanes* launched the Hanes Originals line of innovative products with more modern silhouettes aimed at younger consumers. Our Hanes Originals launch at select retailers in November and December in Canada and the U.S., respectively, was the first multi-category, multi-geography product introduction under our new global innovation process.

*Champion* is our second-largest brand. Founded in Rochester, New York in 1919, *Champion* has always been known for authentic American style and performance and helped pioneer some of the most important innovations in athleticwear, including reverse weave sweatshirts, mesh practice uniforms and sports bras. *Champion* athleticwear can be found in sporting goods retailers, e-commerce sites, department stores, college bookstores and specialty retailers, as well as in our own retail locations and our [Champion.com](http://Champion.com) website. In addition, *Champion* has collaborated with designers and other iconic brands

around the world, including Hasbro Gaming, General Mills, Muhammad Ali, Sesame Street, Todd Snyder, Cobra Kai, the Beastie Boys, Disney and Stranger Things. We believe the *Champion* brand continues to be a powerful global growth platform for Hanesbrands.

Our global portfolio includes another megabrand with strong heritage and deep household penetration in its respective market. The *Bonds* brand is over a century old and is Australia's largest and most well-known innerwear brand, holding the number one position in men's underwear, women's panties, children's underwear, socks, and the baby clothing category. The portfolio also extends to casual apparel, activewear, sleepwear and bras. With a market penetration above 90%, there are over 12 items of *Bonds* in every Australian household. Historically a wholesale only brand, *Bonds* now boasts a retail store network of over 140 stores, a thriving e-commerce business and growing omnichannel services making it easier for consumers to interact across multiple direct to consumer formats.

Our portfolio also includes a number of iconic intimate apparel brands. *Maidenform* is America's number one shapewear brand and has been trusted for stylish, modern bras, panties and shapewear since 1922. *Bali* offers a range of bras, panties and shapewear sold in the department store channel and is the number one bra brand in U.S. department stores. *Playtex*, an iconic American brand, offers a range of full-figure wirefree support bras and is sold everywhere from mass merchandise retailers to department stores.

In addition, we offer a variety of products under the following well-known brands: *Bras N Things*, *JMS/Just My Size*, *Gear for Sports*, *Wonderbra*, *Berlei*, *Comfortwash* and *Alternative*.

These brands complement our primary product offerings, allowing us to give consumers a variety of options to meet their diverse needs.

## Our Segments

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.

The following table summarizes our operating segments by product category:

<u>Segment</u>	<u>Primary Products</u>	<u>Primary Brands</u>
Innerwear	Basics, including men's underwear, women's panties, children's underwear and socks and intimate apparel, such as bras and shapewear	<i>Hanes</i> , <i>Maidenform</i> , <i>Bali</i> , <i>Champion</i> , <i>Playtex</i> , <i>JMS/Just My Size</i> , <i>Bras N Things</i> , Polo Ralph Lauren*
Activewear	T-shirts, fleece, sport shirts, performance T-shirts and shorts, sports bras, thermals and teamwear	<i>Champion</i> , <i>Hanes</i> , <i>Gear for Sports</i> , <i>Comfortwash</i> , <i>Alternative</i> , <i>JMS/Just My Size</i> , <i>Hanes Beefy-T</i>
International	Activewear, men's underwear, women's panties, children's underwear, intimate apparel, socks and home goods	<i>Champion</i> , <i>Bonds</i> , <i>Sheridan</i> , <i>Bras N Things</i> , <i>Hanes</i> , <i>Wonderbra</i> , <i>Berlei</i> , <i>Playtex</i> , <i>Zorba</i> , <i>Sol y Oro</i> , <i>Rinbros</i> , Polo Ralph Lauren*

\* Brand used under a license agreement.

### *Innerwear*

Our Innerwear segment includes core apparel products, such as men's underwear, women's panties, children's underwear, socks and intimate apparel which includes bras and shapewear, sold in the United States, under well-known brands that are trusted by consumers. We are an intimate apparel category leader in the United States with our *Hanes*, *Maidenform*, *Bali*, *Champion*, *Playtex* and *JMS/Just My Size* brands, and we are also the leading manufacturer and marketer of men's underwear and children's underwear in the United States under the *Hanes*, *Champion* and Polo Ralph Lauren brands. During 2022, net sales from our Innerwear segment were \$2.4 billion, representing approximately 39% of total net sales.

### *Activewear*

Our Activewear segment includes activewear products, such as T-shirts, fleece, performance apparel, sport shirts and thermals, sold in the United States. We are a leader in the activewear market through our *Champion*, *Hanes*, *Gear for Sports*, *Comfortwash*, *Alternative* and *JMS/Just My Size* brands, where we sell products such as T-shirts and fleece to both retailers and wholesalers. We license our *Champion* name for footwear and sports accessories. We also sell licensed logo apparel primarily

in the mass retail channel and in collegiate bookstores. During 2022, net sales from our Activewear segment were \$1.6 billion, representing approximately 25% of total net sales.

### ***International***

Our International segment includes innerwear, activewear and home goods products, sold outside of the United States, that are primarily marketed under the *Champion, Bonds, Sheridan, Bras N Things, Hanes, Wonderbra, Berlei, Playtex, Zorba, Sol y Oro, Rinbros* and Polo Ralph Lauren brands. Our Innerwear brands are market leaders across Australia and certain markets in Latin America. In Australia, we hold the number one market share in intimate apparel, and we are also the category leader in men's underwear. During 2022, net sales from our International segment were \$1.9 billion, representing approximately 31% of total net sales. Our largest international markets are Australia, Europe, Japan, Canada, China, Mexico and Latin America.

The following table summarizes our brands and product categories sold within each international region:

<b><u>International Country/Region</u></b>	<b><u>Primary Products</u></b>	<b><u>Primary Brands</u></b>
Australia	Basics, including men's underwear, women's panties, children's underwear and socks and intimate apparel, such as bras and shapewear Activewear Home goods	<i>Bonds, Bras N Things, Berlei</i>  <i>Champion</i> <i>Sheridan</i>
Europe	Activewear	<i>Champion</i>
Asia	Basics, including men's underwear, women's panties, children's underwear and socks and intimate apparel, such as bras and shapewear Activewear	<i>Hanes, Wonderbra, Playtex, Champion, Polo Ralph Lauren*</i>  <i>Champion</i>
Americas (excluding the United States)	Basics, including men's underwear, women's panties, children's underwear and socks and intimate apparel, such as bras and shapewear Activewear	<i>Hanes, Wonderbra, Rinbros, Zorba, Sol y Oro</i>  <i>Champion</i>

\* Brand used under a license agreement.

### **Customers and Distribution Channels**

Our products are primarily distributed through our wholesale customers' stores and websites, as well as through our own stores and websites. In 2022, approximately 69% of our total net sales were in the United States and approximately 31% were outside the United States. Our largest customer is Walmart Inc. ("Walmart"), accounting for 16% of our total net sales in 2022. As is common in the basic apparel industry, we generally do not have purchase agreements that obligate our customers to purchase our products. However, the majority of our key customer relationships have been in place for 10 years or more. Walmart is our only customer with sales that exceeded 10% of our total net sales in 2022, with substantially all Walmart sales reported within our Innerwear and Activewear segments.

Sales to mass merchants in the United States accounted for approximately 19% of our total net sales in 2022 and included all of our product categories under our *Hanes, Playtex, Maidenform* and *JMS/Just My Size* brands, as well as licensed logo apparel. Mass merchants feature high-volume, low-cost sales of basic apparel items along with a diverse variety of consumer goods products, such as grocery and drug products and other hard lines. Our largest mass merchant customer is Walmart.

Sales to mid-tier and department stores in the United States accounted for approximately 8% of our total net sales in 2022. Mid-tier stores target a higher-income consumer than mass merchants, focus more on sales of apparel items rather than other consumer goods such as grocery and drug products. We sell all of our product categories in mid-tier stores. Traditional department stores target higher-income consumers and carry more high-end, fashion conscious products than mid-tier stores or mass merchants and tend to operate in higher-income areas and commercial centers. We sell products in our intimate apparel, underwear, socks and activewear categories through department stores.

Consumer-directed sales in the United States accounted for approximately 17% of our total net sales in 2022. We sell products that span across the Innerwear and Activewear product categories in the e-commerce environment through our owned e-commerce websites and through pure play e-commerce sites. We also sell a range of our products through our retail and value-based outlet stores, as well as through the e-commerce sites of our brick-and-mortar retail customers.

Sales to other customers in the United States represented approximately 25% of our total net sales in 2022. We sell T-shirts, golf and sport shirts and fleece sweatshirts to wholesalers and third-party embellishers primarily under our *Hanes*, *Champion* and *Hanes Beefy-T* brands. We also sell a significant range of our underwear, activewear and socks products under the *Champion* brand to wholesale clubs and sporting goods stores. We sell primarily underwear products under the *Hanes* brands to food, drug and variety stores. We also sell licensed logo apparel in collegiate bookstores. We sell products that span across our Innerwear and Activewear segments to the United States military for sale to servicemen and servicewomen and through discount retailers.

Internationally, approximately 56% of our net sales were wholesale sales to retailers and 44% of our net sales were consumer-directed sales through our owned retail stores and e-commerce sites. For more information about our sales on a geographic basis, see Note “Geographic Area Information” to our consolidated financial statements included in this Annual Report on Form 10-K.

## **Manufacturing, Sourcing and Distribution**

During 2022, over 60% of the apparel units we sold were from finished goods manufactured through a combination of facilities we own and operate, and facilities owned and operated by dedicated third-party contractors who perform some of the steps in the manufacturing process for us, such as dyeing, cutting and/or sewing. We sourced the remainder of our finished goods from third-party manufacturers who supply us with finished products based on our designs. In making decisions about the location of manufacturing operations and third-party sources of supply, we consider a number of factors, including labor, local operating costs, geopolitical factors, product quality, regional infrastructure, applicable quotas and duties and freight costs. We believe that our balanced approach to product supply, which relies on a combination of owned, contracted and sourced manufacturing located across different geographic regions, increases the efficiency of our operations, reduces product costs, diversifies risk and offers customers a reliable source of supply.

### ***Finished Goods That Are Manufactured by Hanesbrands***

The manufacturing process for the finished goods that we manufacture begins with raw materials we obtain from suppliers. The principal raw materials in our product categories are cotton and synthetics. Cotton and synthetic materials are typically spun into yarn by our suppliers, which is then knitted into cotton, synthetic and blended fabrics. We source all of our yarn requirements from large-scale domestic and international suppliers. To a lesser extent, we purchase fabric from several domestic and international suppliers in conjunction with our scheduled production. In addition to cotton yarn and cotton-based textiles, we use thread, narrow elastic and trim for product identification, buttons, zippers, snaps and lace. These fabrics are cut and sewn into finished products, either by us or by third-party contractors. We currently operate 30 manufacturing facilities. Most of our cutting and sewing operations are strategically located in Asia, Central America and the Caribbean Basin. Alternate sources of these materials and services are readily available.

### ***Finished Goods That Are Manufactured by Third Parties***

In addition to our own manufacturing capabilities, we also source finished goods from third-party manufacturers, also referred to as “turnkey products.” Many of these turnkey products are sourced from international suppliers by our strategic sourcing hubs in Asia.

All contracted and sourced manufacturing must meet our high-quality standards. Further, all contractors and third-party manufacturers must be pre-audited and adhere to our strict supplier and business practices guidelines. These requirements provide strict standards that, among other things, cover hours of work, age of workers, health and safety conditions, freedom of association and conformity with local laws (including wage and hour laws) and Hanesbrands’ standards. Each new supplier must be inspected and agree to comprehensive compliance terms prior to commencing any production on our behalf. We audit compliance with these standards against our 265-question, scored audit protocol using both internal and external audit teams. We are also a fully accredited participating company in the Fair Labor Association. For more information, visit [www.HBISustains.com](http://www.HBISustains.com).

### ***Distribution***

As of December 31, 2022, we distributed our products from 45 distribution centers. These facilities include 16 facilities located in the United States and 29 facilities located outside the United States, primarily in regions where we sell our products. We internally manage and operate 24 of these facilities, and we use third-party logistics providers who operate the other 21 facilities on our behalf.



## Inventory

We believe effective inventory management is key to our success. Because our customers generally do not purchase our products under long-term supply contracts, but rather on a purchase order basis, effective inventory management requires close coordination with the customer base. We seek to ensure that products are available to meet customer demands while effectively managing inventory levels. We employ various types of inventory management techniques that include collaborative forecasting and planning, supplier-managed inventory, key event management and various forms of replenishment management processes. Our supplier-managed inventory initiative is intended to shift raw material ownership and management to our suppliers until consumption, freeing up cash and improving response time. We have demand management planners in our customer management group who work closely with customers to develop demand forecasts that are passed to the supply chain. We also have professionals within the customer management group who coordinate daily with our larger customers to help ensure that our customers' planned inventory levels are in fact available at their individual retail outlets. Additionally, within our supply chain organization we have dedicated professionals who translate the demand forecast into our inventory strategy and specific production plans. These individuals work closely with our customer management team to balance inventory investment/exposure with customer service targets.

## Seasonality and Other Factors

Absent the effects of the COVID-19 pandemic, our operating results are 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. Our diverse range of product offerings, however, provides some mitigation to the impact of seasonal changes in demand for certain items. Sales levels in any period are also impacted by customer 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.

Inflation can have a long-term impact on us because increasing costs of materials and labor may impact our ability to maintain satisfactory margins. For example, the cost of the materials that are used in our manufacturing process, such as oil-related commodities and other raw materials, including cotton, dyes and chemicals, and other costs, such as fuel, energy and utility costs, can fluctuate as a result of inflation and other factors. Disruptions to the global supply chain due to factory closures, port congestion, transportation delays as well as labor and container shortages may negatively impact product availability, revenue growth and gross margins. We will work to mitigate the impact of the global supply chain disruptions through a combination of cost savings and operating efficiencies, as well as pricing actions, which could have an adverse impact on demand.

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 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.

## Product Innovation and Marketing

A significant component of our business strategy is our strong product research and development and innovation capabilities, including the development of new and improved products, including our Tagless apparel platform, Comfort Flex Fit apparel platform, ComfortBlend fabric platform, temperature-control X-Temp fabric platform, FreshIQ advanced odor protection technology fabric platform, SmoothTec fabric technology, Cool Comfort fabric technology, DreamWire underwire technology and Reverse Weave StormShell Fleece fabric technology. More recently, we launched Comfort Flex Fit Total Support Pouch boxer briefs, offering a proprietary pouch construction, including unique breathable mesh inserts to help men feel secure, separated and supported. The Total Support Pouch platform is the subject of a number of patent registrations and pending applications. In 2022, we launched a new and improved line of the Total Support Pouch platform that incorporates our X-Temp fabric technology, and we expect the patented pouch construction will continue to play a significant role in our innovation pipeline. As noted above, we also launched an innovative line of underwear we are calling Hanes Originals – the first multi-category, multi-geography product introduction under our new global innovation process. Finally, our product research and development teams have done remarkable work to develop a proprietary absorbent layering platform, which we believe has significant opportunity for platform expansion.

Driving innovation platforms across brands and categories is a major element of our business strategy as it is designed to meet key consumer needs and leverage advertising dollars. During 2022 and 2021, our advertising and promotion expense was approximately \$209 million in both years, representing 3.4% of our total net sales in 2022 compared to 3.1% of net sales in 2021. We advertise in consumer and trade publications, television and through digital initiatives including social media, online video and mobile platforms on the Internet. We also participate in cooperative advertising on a shared cost basis with major retailers in print and digital media and television.

## Competition

The basic apparel market is highly competitive and rapidly evolving. Competition generally is based upon brand, comfort, fit, style and price. Our businesses face competition today from other large domestic and foreign corporations and manufacturers. In the United States, across our Innerwear and Activewear segments, we compete with Fruit of the Loom, Inc., a subsidiary of Berkshire Hathaway Inc., through its own offerings and those of its Russell Corporation and Vanity Fair Intimates offerings. Other competitors in our Innerwear segment include Victoria's Secret & Co., Jockey International, Inc. and retailers' private label offerings. Other competitors in our Activewear segment that we compete with both in the United States and internationally include Gap Inc., Nike, Puma, Adidas and Under Armour. We also compete with many small manufacturers across all of our business segments, including our International segment. Additionally, mass merchant retailers, department stores and other retailers, including many of our customers, market and sell basic apparel products under private labels and controlled brands that compete directly with our brands. Our competitive strengths include our strong brands with leading market positions, our industry-leading innovation, our high-volume, core products focus, our significant scale of operations, our global supply chain and our strong customer relationships. We continually strive to improve in each of these areas.

## Intellectual Property

We market our products under hundreds of our own trademarks in the United States and other countries around the world, the most widely recognized of which are *Hanes*, *Champion*, *Bonds*, *Maidenform*, *Bali*, *Sheridan*, *Playtex*, *Bras N Things*, *JMS/Just My Size*, *Gear for Sports*, *Wonderbra*, *Berlei*, *Comfortwash* and *Alternative*. Some of our products are sold under trademarks that have been licensed from third parties, such as Polo Ralph Lauren men's underwear, and licensed apparel for a number of colleges and universities, including the University of Georgia, the University of North Carolina at Chapel Hill, the University of Texas, The Ohio State University and Wake Forest University.

Some of our trademarks are licensed to third parties, such as *Champion* for athletic-oriented accessories. In the United States and Canada, the *Playtex* trademark is owned by Playtex Marketing Corporation, of which we own a 50% interest and which grants to us a perpetual royalty-free license to the *Playtex* trademark on and in connection with the sale of apparel in the United States and Canada. In Europe, we license the *Playtex* and *Wonderbra* trademarks to the DIM Brands International Group for the sale of innerwear products in the European Union, the United Kingdom and a number of European countries. The DIM Brands International Group also has the right to distribute *Maidenform*-branded innerwear products in the European Union, the United Kingdom, and several other European countries. Outside the United States and Canada, we own the *Playtex* trademark and perpetually license such trademark to an unaffiliated third party for non-apparel products. We own the *Berlei* trademark in Australia, New Zealand, South Africa and a limited number of smaller jurisdictions. Apart from these jurisdictions, the *Berlei* trademark is owned by an unaffiliated third party in most major markets, including Japan, China, the United States and the European Union. Our trademarks are important to our marketing efforts and have substantial value.

We aggressively protect these trademarks from infringement and dilution through appropriate measures, including court actions and administrative proceedings. Although the laws vary by jurisdiction, trademarks generally remain valid as long as

they are in use and/or their registrations are properly maintained. Most of the trademarks in our portfolio, including our core brands, are covered by trademark registrations in the countries of the world in which we do business, in addition to many other jurisdictions around the world, with a registration period of 10 years in most countries. Generally, trademark registrations can be renewed indefinitely as long as the trademarks are in use. We have an active program designed to ensure that our trademarks are registered, renewed, protected and maintained. We plan to continue to use all of our core trademarks and plan to renew the registrations for such trademarks as needed.

We also own a number of copyrights. Most of our copyrights are unregistered, although we have a sizable portfolio of copyrighted lace designs that are the subject of a number of registrations at the United States Copyright Office.

We place high importance on product innovation and design, and a number of these innovations and designs are the subject of patents. When appropriate, we take the necessary steps to enforce our patent rights against infringement. However, we do not regard any segment of our business as being dependent upon any single patent or group of related patents. In addition, we own proprietary trade secrets, technology and know-how that we have not patented.

## **Governmental Regulation and Environmental Matters**

We are subject to federal, state and local laws and regulations in the United States that could affect our business, including those promulgated under the Occupational Safety and Health Act, the Consumer Product Safety Act, the Flammable Fabrics Act, the Textile Fiber Product Identification Act, the rules and regulations of the Consumer Products Safety Commission and various environmental laws and regulations. Some of our international businesses are subject to similar laws and regulations in the countries in which they operate. Certain of our products are required to be manufactured in compliance with applicable governmental standards. Our operations also are subject to various international trade agreements and regulations. While we believe that we are in compliance in all material respects with all applicable governmental regulations, current governmental regulations may change or become more stringent or unforeseen events may occur, any of which could have a material adverse effect on our financial position or results of operations.

We are also subject to various domestic and international laws and regulations relating to generating emissions, water discharges, waste, product and packaging content and workplace safety. Noncompliance with these laws and regulations may result in substantial monetary penalties and criminal sanctions. We are aware of hazardous substances or petroleum releases at certain of our facilities and are working with the relevant environmental authorities to investigate and address such releases. We also have been identified as a “potentially responsible party” at certain waste disposal sites in the United States undergoing investigation and cleanup under the federal Comprehensive Environmental Response, Compensation and Liability Act (commonly known as Superfund) or state Superfund equivalent programs. Where we have determined that a liability has been incurred and the amount of the loss can reasonably be estimated, we have accrued amounts on our balance sheet for losses related to these sites. Compliance with environmental laws and regulations and our remedial environmental obligations historically have not had a material impact on our operations, and we are not aware of any proposed regulations or remedial obligations that could trigger significant costs or capital expenditures in connection with such compliance.

Compliance with government regulations, including environmental regulations, has not had, and based on current information and the applicable laws and regulations currently in effect, is not expected to have a material effect on our capital expenditures (including expenditures for environmental control facilities), earnings or competitive position. However, laws and regulations may be changed, accelerated or adopted that impose significant operational restrictions and compliance requirements upon our Company and which could negatively impact our operating results. See Item 1A - “Risk Factors.”

## **Sustainability**

Unlike most apparel companies, we primarily self-manufacture our own products in facilities that we own and operate or those of our dedicated third-party contractors. Owning the majority of our supply chain not only impacts cost, scale and flexibility, but also allows us to adhere to best-in-class management and environmental practices. We are protective of our strong reputation for corporate citizenship and social responsibility and proud of our significant achievements in the areas of environmental stewardship, workplace quality and community building.

Issues such as climate change, water stress and unethical labor or human rights practices within supply chains pose risks to our business and our ability to produce our products in an ethical and sustainable manner. We assess and evaluate these risks annually as part of our Enterprise Risk Management process, which is overseen by the Audit Committee of our Board of Directors. We also have a dedicated team responsible for managing our global sustainability program. Our Chief Executive Officer is responsible for setting overall business strategy, including our commitment to sustainability. He directly oversees our Sustainability Executive Steering Committee which has ultimate management oversight of our global sustainability program and meets quarterly to assess the program’s effectiveness. To drive the program across our entire organization on a global basis, we have also put in place a Global Sustainability Consortium made up of over 45 associates from multiple countries and functional areas who are responsible for executing our global sustainability initiatives and goals.

We approach sustainability from a broad, holistic perspective and focus our efforts in areas addressed by the United Nations' Sustainable Development Goals, such as: good health and well-being; quality education; gender equality; climate action; clean water and sanitation; affordable and clean energy; economic growth; reduced inequalities; and responsible consumption and production. In late 2020, we continued our commitment to making the world a more comfortable, livable and inclusive place by establishing new, wide-ranging 2025/2030 global sustainability goals and launching a new sustainability website [www.HBISustains.com](http://www.HBISustains.com). This website is designed to increase our transparency and reporting on key metrics and will be updated yearly to track progress against our long-term goals. Key highlights of our 2030 global sustainability goals include:

- **People:** By 2030, improve the lives of at least 10 million people through health and wellness programs, diversity and inclusion initiatives, improved workplace quality, and philanthropic efforts that improve local communities.
- **Planet:** By 2030, significantly reduce greenhouse gas emissions to align with science-based targets, reduce water use by 25%, use 100% renewable electricity in company-owned operations, and bring landfill waste to zero.
- **Product:** At an even quicker pace, eliminate all single-use plastics (or ensure that those not eliminated are commonly recyclable or compostable) and reduce packaging weight by 25%, while also moving to 100% recycled or degradable polyester and sustainably sourced cotton.

We have made excellent progress against these goals, and these efforts build upon our long-standing commitment to sustainability. Hanesbrands earned a peer-leading A- score in both the 2022 CDP Climate Change Report and the 2022 CDP Water Security Report, placing us in the top 11% and top 12%, respectively, out of the nearly 15,000 companies rated. We have received either the U.S. Environmental Protection Agency Energy Star Sustained Excellence Award or Partner of the Year Award for 13 consecutive years. In late 2021, we submitted new science-based greenhouse gas goals to the Science-Based Targets Initiative which call for an additional 50% reduction in direct emissions and 30% reduction in indirect emissions by 2030. We are also members of the Fair Labor Association, and the Sustainable Apparel Coalition and we have been recognized for our socially responsible business practices by such organizations as social compliance rating group, Baptist World Aid, the United Way, Codespa, Corporate Responsibility magazine and others.

## Human Capital Management

### *Employees and Labor Relations*

As of December 31, 2022, we had approximately 51,000 employees, over 88% of whom (approximately 45,000 employees) are located outside the United States. Over 80% of our employees (approximately 41,000 employees) are employed in our large-scale supply chain facilities located primarily in Central America, the Caribbean Basin and Asia. Approximately 98% of our employees (approximately 50,000 employees) consist of full-time employees. As of December 31, 2022, five employees in the United States were covered by collective bargaining agreements. A significant portion of our employees based in foreign countries are represented by works councils or unions or are subject to trade-sponsored or governmental agreements. We believe our relationships with our employees are good.

### *Health and Safety*

We prioritize the health and safety of our employees. We have created and implemented processes and training programs to maintain safe and healthy work environments in our offices, manufacturing facilities, distribution centers and retail stores, and we review and monitor our performance closely. During the year ended December 31, 2022, our Occupational Safety and Health Administration ("OSHA") recordable rate was 0.27, a decrease of 10% compared to the prior year. In response to the COVID-19 global pandemic, we continued our enhanced health and safety operating procedures by, among other things:

- Providing additional sanitation and enhanced ventilation;
- Requiring mandatory mask and face shield usage for certain roles and responsibilities;
- Maintaining social distancing measures;
- Utilizing protective barriers, such as sneeze guards;
- Limiting building occupancy and staggering work schedules;
- Zoning employees to segregate work teams;
- Requiring daily digital health self-assessments; and
- Rigorous contact tracing, testing and quarantining of employees when needed.

In addition, we provided enhanced employee benefits to our global workforce to ensure access to care, including onsite wellness clinics, free COVID-19 testing and mental health resources.

### *Diversity and Inclusion*

As a global company operating in 32 countries on six continents, our employees represent different backgrounds, ethnicities, cultures, religions, genders, sexual orientations and ages. We believe these different perspectives strengthen our business and we strive to build an inclusive culture. As of December 31, 2022, our global workforce was approximately 32% male and 68% female, and of our domestic workforce, our employees were approximately 55% white, approximately 22% Black or African American, approximately 16% Hispanic, approximately 4% Asian, approximately 1% American Indian or Alaskan Native and approximately 2% two or more races or other. We believe we have made significant progress in diversity and inclusion, but we are committed to doing more. In 2021, we launched aggressive diversity goals which we strive to attain by 2025, including i) aiming for at least 25% representation of people of color, and ii) maintaining 50% women, at each case at the senior manager and above levels within our U.S. workforce. As of December 31, 2022, our representation of people of color at the senior manager and above levels within our U.S. workforce was approximately 19% (as compared to 16% in 2021), and representation of women at the senior manager and above levels within our U.S. workforce was approximately 50% (as compared to 49% in 2021).

### *Talent Development*

Our talent strategy is focused on attracting the best talent, recognizing and rewarding their performance, and continually developing, engaging and retaining them. We regularly review succession plans and conduct annual assessments to identify talent needs, assess how we are positioned from a talent perspective, and prioritize actions to identify and develop talent. We also cultivate a learning environment that drives individual and business results by developing employees to reach their full potential. HBI University, our global learning platform, provides employees with access to thousands of e-learning courses, as well as instructor-led and virtual courses to strengthen technical skills, leadership, productivity, business acumen and soft skills. During 2022, over 80,000 micro-learning and other online courses were completed globally and over 1,000 people attended in-person or virtual learning sessions in the United States. In addition, world-class management and leadership development programs in our large manufacturing hubs in Central America, the Caribbean Basin and Asia provide the foundational skills required for key talent and rising managers in our global supply chain and develop capacities for current and future leaders of the organization.

### *Culture and Engagement*

In order to achieve our human capital objectives, we regularly conduct employee surveys to understand the effectiveness of our employee and compensation programs and where we can improve across our company. Our latest survey completed in 2020 had a participation rate of 59% of the 9,500 employees surveyed (which is nearly double the benchmark participation rate). The survey results indicated that we excel in areas including: overall engagement, clear expectations and a link between individuals' work and Hanesbrands' goals and objectives, and understanding strategic goals of the organization. We are launching our 2023 employee survey shortly and look forward to the results of that survey.

## **Item 1A. Risk Factors**

This section describes circumstances or events that could have a negative effect on our financial results or operations or that could change, for the worse, existing trends in our businesses. The occurrence of one or more of the circumstances or events described below could have a material adverse effect on our financial condition, results of operations and cash flows or on the trading price of our common stock. The risks and uncertainties described in this Annual Report on Form 10-K are not the only ones facing us. Additional risks and uncertainties that currently are not known to us or that we currently believe are immaterial also may adversely affect our businesses and operations.

### **Strategic Risks**

***Our future success depends in part on our ability to successfully implement our strategic plan and achieve our global business strategies, including our Full Potential plan.***

We are implementing a significant number of strategic initiatives focused on building a consumer-centric company, accelerating growth across business segments, enhancing our capabilities and strengthening the foundation of our company. There can be no assurance that these or other future strategic initiatives will be successful to the extent we expect, or at all. Furthermore, we are investing significant resources in these initiatives and the costs of the initiatives may outweigh their benefits. We cannot assure you that our management will be able to manage these initiatives effectively or implement them successfully. If we miscalculate the resources or time we need to complete these strategic initiatives or fail to implement them effectively, our business and operating results could be adversely affected.

***We operate in a highly competitive and rapidly evolving market, and our market share and results of operations could be adversely affected if we fail to compete effectively in the future.***

The basic apparel market is highly competitive and rapidly evolving. Competition generally is based upon brand, comfort, fit, style and price. Our businesses face competition today from other large domestic and foreign corporations and manufacturers, as well as mass merchant retailers, department stores and other retailers, including many of our customers, that market and sell basic apparel products under private labels that compete directly with our brands. Also, online retail shopping is rapidly evolving, and we expect competition in the e-commerce market to intensify in the future as the Internet facilitates competitive entry and comparison shopping. If we do not successfully develop and maintain a relevant omni-channel experience for our customers, our businesses and results of operations could be adversely impacted. Increased competition may result in a loss of or a reduction in shelf space and promotional support and reduced prices, in each case decreasing our cash flows, operating margins and profitability. Our ability to identify and capitalize on retail trends, including technology, e-commerce and other process efficiencies to gain market share and better service our customer base will, in large part, determine our future success. If we fail to compete successfully, our market share, results of operations and financial condition will be materially and adversely affected.

***The rapidly changing retail environment could result in the loss of or material reduction in sales to certain of our customers, which could have a material adverse effect on our business, results of operations, financial condition and cash flows.***

The retail environment is highly competitive as consumers are increasingly embracing shopping online and through mobile commerce applications. As a result, a greater portion of total consumer expenditures with retailers is occurring online and through mobile commerce applications. If our brick-and-mortar retail customers fail to maintain or grow their overall market position through the integration of physical retail presence and digital retail, these customers may experience financial difficulties including store closures, bankruptcies or liquidations. This could, in turn, create difficulty in moving our products to market, which would increase inventories or backlog, substantially reduce our revenues, increase our credit risk and ultimately have a material adverse effect on our results of operations, financial condition and cash flows.

***If our advertising, marketing and promotional programs are unsuccessful, or if our competitors are more effective with their programs than we are, our sales could be negatively affected.***

Ineffective marketing, advertising and promotional programs could inhibit our ability to maintain brand relevance and could ultimately decrease sales. While we use social media, websites, mobile applications, email, print and television to promote our products and attract customers, some of our competitors may expend more for their programs than we do, or use different approaches than we do that prove more successful, any of which may provide them with a competitive advantage. If our programs are not effective or require increased expenditures that are not offset by increased sales, our revenue and results of operations could be negatively impacted.

***Our customers may require products on an exclusive basis, forms of economic support and other changes that could be harmful to our business.***

Customers increasingly may require us to provide them with some of our products on an exclusive basis, which could cause an increase in the number of stock keeping units, or “SKUs,” we must carry and, consequently, increase our inventory levels and working capital requirements. Moreover, our customers may increasingly seek markdown allowances, incentives and other forms of economic support, which reduce our gross margins and affect our profitability. Our financial performance is negatively affected by these pricing pressures when we are forced to reduce our prices without being able to correspondingly reduce our production costs.

## **Operational Risks**

***Any inadequacy, interruption, integration failure or security breach with respect to our information technology could harm our ability to effectively operate our business and have a material adverse effect on our business, results of operations, financial condition and cash flows.***

Our ability to effectively manage and operate our business depends significantly on information technology systems. The failure of these systems to operate effectively and support global growth and expansion, problems with integrating various data sources, challenges in transitioning to upgraded or replacement systems, difficulty in integrating new systems or systems of acquired businesses, or a breach in security of these systems could adversely impact the operations of our business.

Despite our policies, procedures and programs designed to ensure the integrity of our information technology systems, we may not be effective in identifying and mitigating every risk to which we are exposed. Furthermore, from time to time we rely on information technology systems which may be managed, hosted, provided and/or accessed by third parties or their vendors

to assist in conducting our business. Such relationships and access may create difficulties in anticipating and implementing adequate preventative measures or fully mitigating harms after a breach.

Hackers and data thieves are increasingly sophisticated and operate large-scale and complex attacks that may include computer viruses or other malicious codes, ransomware, unauthorized access attempts, denial of service attacks and large-scale automated attacks, phishing, social engineering, hacking and other cyber-attacks. Breaches of our network or databases, or those of our third-party providers, may result in the loss of valuable business data, misappropriation of our consumers' or employees' personal information, or a disruption of our business, which could give rise to unwanted media attention, impair our ability to order materials, make and ship orders, and process payments, materially damage our customer relationships and reputation, and result in lost sales, fines or lawsuits.

Moreover, there are numerous laws and regulations regarding privacy and the storage, sharing, use, processing, transfer, disclosure and protection of personal data, the scope of which is changing, subject to differing interpretations, and may be inconsistent between states within a country or between countries. Globally, new and emerging laws, such as the General Data Protection Regulation ("GDPR") and the Network and Information Systems Directive ("NISD") in Europe, the United Kingdom General Data Protection Regulation ("UK-GDPR") in the United Kingdom, state laws in the U.S. on privacy, data and related technologies, such as the California Consumer Privacy Act and amendments from the California Privacy Rights Act (together, "CPRA") create new compliance obligations and expand the scope of potential liability, either jointly or severally with our customers and suppliers. Non-compliance with these laws could result in penalties or significant legal liability. Although we take reasonable efforts to comply with all applicable laws and regulations, there can be no assurance that we will not be subject to regulatory action, including fines, in the event of a data security incident or allegations of a privacy or data protection violation. We or our third-party service providers could be adversely affected if legislation or regulations are expanded to require changes in our or our third-party service providers' business practices or if governing jurisdictions interpret or implement their legislation or regulations in ways that negatively affect our or our third-party service providers' business, results of operations or financial condition. Misuse of or failure to secure personal information could also result in violation of data privacy laws and regulations, proceedings, and potentially significant monetary penalties, against us by governmental entities or others, damage to our reputation and credibility, and could have a negative impact on revenues and profits.

***We must successfully implement our new global enterprise resource planning system and maintain and upgrade our IT systems, and our failure to do so could have a material adverse effect on our business, financial condition and results of operations.***

From time to time, we expand and improve our IT systems to support our business going forward. Consequently, we are in the process of implementing, and will continue to invest in and implement, modifications and upgrades to our IT systems and procedures, including making changes to legacy systems or acquiring new systems with new functionality, and building new policies, procedures, training programs and monitoring tools.

We are engaged in the implementation of a new global enterprise resource planning system ("ERP"), which requires significant investment of human and financial resources. The ERP is designed to efficiently maintain our financial records and provide information important to the operation of our business to our management team. In implementing the ERP, we may experience significant increases to inherent costs and risks associated with changing and acquiring these systems, policies, procedures and monitoring tools, including capital expenditures, additional operating expenses, demands on management time and other risks and costs of delays or difficulties in transitioning to or integrating new systems policies, procedures or monitoring tools into our current systems. Any significant disruption or deficiency in the design and implementation of the ERP may adversely affect our ability to process orders, ship product, send invoices and track payments, fulfill contractual obligations, maintain effective disclosure controls and internal control over financial reporting or otherwise operate our business. These implementations, modifications and upgrades may not result in productivity improvements at a level that outweighs the costs of implementation, or at all. In addition, difficulties with implementing new technology systems, such as ERP, delays in our timeline for planned improvements, significant system failures or our inability to successfully modify our IT systems, policies, procedures or monitoring tools to respond to changes in our business needs in the past have caused and in the future may cause disruptions in our business operations, increase data security risks, and may have a material adverse effect on our business, financial condition and results of operations.

***Our inability to successfully recover should we experience a disaster or other business continuity problem could cause material financial loss, loss of human capital, regulatory actions, reputational harm, or legal liability.***

We have a complex global supply chain and distribution network that supports our ability to consistently provide our products to our customers. Should we experience a local or regional disaster or other business continuity problem, such as an earthquake, tsunami, terrorist attack, pandemic or other natural or man-made disaster, our continued success will depend, in part, on the safety and availability of our personnel, our office facilities, and the proper functioning of our computer, telecommunication and other systems and operations. Climate change serves as a risk multiplier increasing both the frequency

and severity of natural disasters that may affect our worldwide business operations. Therefore, forecasting disruptive events and building additional resiliency into our operations accordingly will become an increasing business imperative.

We may experience operational challenges in the event of a disaster, in particular depending upon how a local or regional event may affect our human capital across our operations or with regard to particular aspects of our operations, such as key executive officers or personnel in our technology group. If we cannot respond to disruptions in our operations, for example, by finding alternative suppliers or replacing capacity at key manufacturing or distribution locations, or cannot quickly repair damage to our information, production or supply systems, we may be late in delivering, or be unable to deliver, products to our customers. These events could result in, among other negative impacts, reputational damage, lost sales, cancellation charges or excessive markdowns.

***Infectious disease outbreaks, such as the COVID-19 pandemic, could have a material adverse effect on our business.***

Our business could be adversely affected by infectious disease outbreaks, such as the novel strain of coronavirus commonly referred to as COVID-19. COVID-19, which emerged beginning in the fourth quarter of Fiscal 2019, has spread rapidly across the globe, including throughout all major geographies in which we operate, resulting in adverse economic conditions and business disruptions, as well as significant volatility in global financial markets. Governments worldwide, and most recently in China, have periodically imposed varying degrees of preventative and protective actions, such as temporary travel bans, stay-at-home orders, and forced business closures or other operational restrictions, including reduced capacity limits and operating hours, all in an effort to reduce the spread of the virus. Such factors, among others, have resulted in a significant decline in retail traffic, tourism, and consumer spending on discretionary items.

As a result of the COVID-19 pandemic, we have experienced varying degrees of business disruptions and periods of closure of our stores, distribution centers, and corporate facilities, as have our wholesale customers, licensing partners, suppliers, and vendors. Collectively, these disruptions have had a material adverse impact on our business throughout the pandemic, particularly during Fiscal 2020. Despite the introduction of COVID-19 vaccines, the pandemic remains highly volatile and continues to evolve, including the emergence of variants of the virus, such as the Delta and Omicron variants, which has and could continue to adversely affect consumer sentiment and confidence. Accordingly, we cannot predict for how long and to what extent this crisis will continue to impact our business operations or the overall global economy. Potential impacts to our business include, but are not limited to:

- our ability to successfully execute our long-term growth strategy;
- potential declines in the level of consumer purchases of discretionary items caused by higher unemployment and lower disposable income levels, inflationary pressures, travel and social gathering restrictions, work-from-home arrangements, or other factors beyond our control;
- the potential build-up of excess inventory as a result of store closures and/or lower consumer demand;
- temporary closures or other operational restrictions of our distribution centers;
- supply chain disruptions resulting from closed factories, reduced workforces, scarcity of raw materials, shipping and loading capacity constraints, and scrutiny or embargoing of goods produced in infected areas, including any related cost increases;
- our ability to attract, retain, and manage employees in the current environment, which include remote working arrangements;
- additional costs to protect the health and safety of our employees, customers, and communities, such as more frequent and thorough cleanings of our facilities and supplying personal protection equipment;
- increased vulnerability to data security or privacy breaches as a result of a substantial portion of our corporate employees continuing to work remotely;
- our ability to access capital markets and maintain compliance with covenants associated with our existing debt instruments, as well as the ability of our key customers, suppliers, and vendors to do the same with regard to their own obligations; and
- our ability to generate sufficient cash flows to support our operations, including repayment of our debt obligations as they become due, as well as to return value to our shareholders in the form of dividend payments and repurchases of our common stock.

Additional discussion related to the various risks and uncertainties described above is included elsewhere within this "Risk Factors" section of this Annual Report on Form 10-K.



***The risks associated with climate change and other environmental impacts and increased focus by stakeholders on corporate responsibility issues, including those associated with climate change, could negatively affect our business and operations.***

Our business is susceptible to risks associated with climate change, including through disruption to our supply chain and the productivity of our contract manufacturing, potentially impacting the production and distribution of our products and availability and pricing of raw materials. Large portions of our supply chain are located in Central America and the Caribbean, where there has been a steady surge of hurricanes in recent years. Increased frequency and intensity of weather events (such as storms and floods) due to climate change could also lead to more frequent store closures and/or lost sales as customers prioritize basic needs.

In many countries, governmental bodies are enacting new or additional legislation and regulations to reduce or mitigate the potential impacts of climate change. If we, our suppliers, or our contract manufacturers are required to comply with these laws and regulations, or if we choose to take voluntary steps to reduce or mitigate our impact on climate change, we may experience increased costs for energy, production, transportation, and raw materials, increased capital expenditures, or increased insurance premiums and deductibles, which could adversely impact our operations. Inconsistency of legislation and regulations among jurisdictions may also affect the costs of compliance with such laws and regulations. Any assessment of the potential impact of future climate change legislation, regulations or industry standards, as well as any international treaties and accords, is uncertain given the wide scope of potential regulatory change in the countries in which we operate.

There is also increased focus from our stakeholders, including consumers, employees and investors, on corporate responsibility matters. Although we have announced our corporate sustainability strategy and 2025/2030 sustainability goals on our sustainability website, [www.HBISustains.com](http://www.HBISustains.com), there can be no assurance that our stakeholders will agree with our strategy or that we will be successful in achieving our goals. Failure to implement our strategy or achieve our goals could damage our reputation, causing our investors or consumers to lose confidence in our company and brands, and negatively impact our operations. Even if we are able to achieve our 2025/2030 sustainability goals, our business will continue to remain subject to risks associated with climate change.

***The loss of one or more of our suppliers of finished goods or raw materials may interrupt our supplies and materially harm our business.***

We purchase all of the raw materials used in our self-manufactured products and our sourced finished goods from a limited number of third-party suppliers and manufacturers. Our ability to meet our customers' needs depends on our ability to maintain an uninterrupted supply of raw materials and finished products from our third-party suppliers and manufacturers. Our business, financial condition or results of operations could be adversely affected if any of our principal third-party suppliers or manufacturers experience financial difficulties that they are not able to overcome resulting from worldwide economic conditions, production problems, difficulties in sourcing raw materials, lack of capacity or transportation disruptions, or if for these or other reasons they raise the prices of the raw materials or finished products we purchase from them. The magnitude of this risk depends upon the timing of any interruptions, the materials or products that the third-party manufacturers provide and the volume of production.

Our dependence on third parties for raw materials and finished products subjects us to the risk of supplier failure and customer dissatisfaction with the quality of our products. Quality failures by our third-party manufacturers or changes in their financial or business condition that affect their production could disrupt our ability to supply quality products to our customers and thereby materially harm our business.

***We rely on a relatively small number of customers for a significant portion of our sales, and the loss of or material reduction in sales to any of our top customers could have a material adverse effect on our business, results of operations, financial condition and cash flows.***

In 2022, our top 10 customers accounted for approximately 45% of our total net sales. Our top customer, Walmart, accounted for 16% of our total net sales in 2022. We expect that these customers will continue to represent a significant portion of our net sales in the future. Moreover, our top customers are the largest market participants in our primary distribution channels across all of our product lines. We generally do not enter into purchase agreements that obligate our customers to purchase our products, and as a result, most of our sales are made on a purchase order basis. A decision by any of our top customers to significantly decrease the volume of products purchased from us could substantially reduce revenues and may have a material adverse effect on our business, results of operations, financial condition and cash flows. In addition, if any of our customers devote less selling space to apparel products in general or our products specifically, our sales to those customers could be reduced even if we maintain our share of their apparel business.

***Our results of operations could be materially harmed if we are unable to manage our inventory effectively and accurately forecast demand for our products.***

We are faced with the constant challenge of balancing our inventory levels with our ability to meet marketplace needs. Factors that could affect our ability to accurately forecast demand for our products include our ability to anticipate and respond effectively to evolving consumer preferences and trends and to translate these preferences and trends into marketable product offerings, as well as unanticipated changes in general economic conditions or other factors, which result in cancellations of orders or a reduction or increase in the rate of reorders placed by retailers.

Inventory reserves can result from the complexity of our supply chain, a long manufacturing process and the seasonal nature of certain products. We sell a large number of our products to a small number of customers, and these customers generally are not required by contract to purchase our goods. As a result, we often schedule internal production and place orders for products with third-party manufacturers before our customers' orders are firm. If we fail to accurately forecast consumer demand, we may experience excess inventory levels or a shortage of product required to meet the demand. Inventory levels in excess of consumer demand may result in inventory write-downs and the sale of excess inventory at discounted prices, which could have an adverse effect on the image and reputation of our brands and negatively impact profitability. On the other hand, if we underestimate demand for our products, our manufacturing facilities or third-party manufacturers may not be able to produce products to meet consumer requirements, and this could result in delays in the shipment of products and lost revenues, as well as damage to our reputation and relationships. These risks could have a material adverse effect on our brand image as well as our results of operations and financial condition.

Additionally, sudden decreases in the costs for materials may result in the cost of inventory exceeding the cost of new production; if this occurs, it could have a material adverse effect on our business, results of operations, financial condition or cash flows, particularly if we hold a large amount of excess inventory. Excess inventory charges can reduce gross margins or result in operating losses, lowered plant and equipment utilization and lowered fixed operating cost absorption, all of which could have a material adverse effect on our business, results of operations, financial condition or cash flows.

***Our business depends on our senior management team and other key personnel.***

Our success depends upon the continued contributions of our senior management team and other key personnel, some of whom have unique talents and experience that would be difficult to replace. The loss or interruption of the services of a member of our senior management team or other key personnel could have a material adverse effect on our business during the transitional period that would be required for a successor to assume the responsibilities of the position. Our future success will also depend on our ability to develop and/or recruit employees with the core competencies needed to support our growth in global markets and in new products or services. We may not be able to attract or retain these employees, which could adversely affect our business.

***We had approximately 51,000 employees worldwide as of December 31, 2022, and our business operations and financial performance could be adversely affected by changes in our relationship with our employees or changes to United States or foreign employment regulations.***

We had approximately 51,000 employees worldwide as of December 31, 2022, approximately 45,000 of whom were outside of the United States. This means we have a significant exposure to changes in domestic and foreign laws governing our relationships with our employees, including wage and hour laws and regulations, fair labor standards, minimum wage requirements, overtime pay, unemployment tax rates, workers' compensation rates, citizenship requirements and payroll taxes, which likely would have a direct impact on our operating costs. A significant increase in minimum wage or overtime rates in countries where we have employees could have a significant impact on our operating costs and may require that we relocate those operations or take other steps to mitigate such increases, all of which may cause us to incur additional costs, expend resources responding to such increases and lower our margins.

In addition, a significant number of our international employees are represented by works councils or unions or are subject to trade sponsored or governmental agreements. If there were a significant increase in the number of our employees who are members of labor organizations or become parties to collective bargaining agreements, we would become vulnerable to a strike, work stoppage or other labor action by these employees that could have an adverse effect on our business.

## Financial Risks

***Significant fluctuations and volatility in the price of various input costs, such as cotton and oil-related materials, utilities, freight and wages, may have a material adverse effect on our business, results of operations, financial condition and cash flows.***

Inflation can have a long-term impact on us because increasing costs of materials and labor may impact our ability to maintain satisfactory margins. For example, we have recently experienced significant inflation in labor, materials and shipping costs. The cost of the materials that are used in our manufacturing process, such as oil-related commodities and other raw materials, including cotton, dyes and chemicals, and other costs, such as fuel, energy and utility costs, can fluctuate as a result of inflation and other factors. Similarly, a significant portion of our products are manufactured in other countries and declines in the value of the U.S. dollar may result in higher manufacturing costs. In addition, sudden decreases in the costs for materials may result in the cost of inventory exceeding the cost of new production, which could result in lower profitability, particularly if these decreases result in downward price pressure. If, in the future we incur volatility in the costs for materials and labor that we are unable to offset through price adjustments or improved efficiencies, or if our competitors' unwillingness to follow our price changes results in downward price pressure, our business, results of operations, financial condition and cash flows may be adversely affected.

***Our business depends on consumer purchases of discretionary items, which can be negatively impacted during an economic downturn or periods of inflation. This could materially impact our sales, profitability and financial condition.***

Many of our products may be considered discretionary items for consumers. Many factors impact discretionary spending, including general economic conditions, unemployment, the availability of consumer credit and inflationary pressures and consumer confidence in future economic conditions. Global economic conditions may continue to be uncertain, particularly in light of the impacts of COVID-19, the ongoing military conflict in Ukraine, and other economic uncertainty, and the potential impacts of increasing inflation in the United States (our largest market) remain unknown, making trends in consumer discretionary spending unpredictable. Historically, consumer purchases of discretionary items tend to decline during recessionary periods when disposable income is lower or during other periods of economic instability or uncertainty, which may lead to declines in sales and slow our long-term growth expectations. Any near or long-term economic disruptions in markets where we sell our products, particularly in the United States, Asia Pacific or other key markets, may negatively impact and materially harm our sales, profitability and financial condition and our prospects for growth. In addition, we are unable to predict whether consumer preferences for discretionary items will shift and the level of consumer spending within our industry will be negatively impacted for a period of time as a result of any ongoing impacts of COVID-19, the ongoing military conflict in Ukraine and other economic uncertainty. If this were to occur, our sales and prospects for growth may be negatively impacted.

***We are subject to certain risks as a result of our indebtedness.***

Our indebtedness primarily includes (i) our senior secured credit facility (the "Senior Secured Credit Facility"), which includes a \$1 billion revolving loan facility (the "Revolving Loan Facility"), a portion of which is available to be borrowed in Euros or Australian dollars, and a \$1 billion term loan facility (the "Term Loan Facility"), (ii) our \$900 million 4.625% Senior Notes due 2024 (the "4.625% Senior Notes"), (iii) our \$900 million 4.875% Senior Notes due 2026 (the "4.875% Senior Notes"), (iv) our €500 million 3.5% Senior Notes due 2024 (the "3.5% Senior Notes", and together with the 4.625% Senior Notes and the 4.875% Senior Notes, the "Senior Notes") and (v) our accounts receivable securitization facility (the "ARS Facility"), which permits borrowings up to \$225 million.

The Senior Secured Credit Facility contains restrictions that affect, and in some cases significantly limit or prohibit, among other things, our ability to borrow funds, pay dividends or make other distributions, make investments, engage in transactions with affiliates, or create liens on our assets. Covenants in the Senior Secured Credit Facility and the ARS Facility require us to maintain a minimum interest coverage ratio and a maximum total debt to EBITDA (earnings before interest, income taxes, depreciation expense and amortization), or leverage ratio. At our option, we may add one or more tranches of term loans or increase the commitments under the Revolving Loan Facility so long as certain conditions are satisfied, including, among others, that no default or event of default is in existence, we are in pro forma compliance with the financial covenants set forth in the Senior Secured Credit Facility and (with respect to ratio-based incremental amount) our senior secured leverage ratio is not greater than 3.50 to 1.00 on a pro forma basis after giving effect to the incurrence of such indebtedness. In addition, in November 2022 and in February 2023, the Company entered into amendments to the Senior Secured Credit Facility that effect changes to certain provisions and covenants under the Senior Secured Credit Facility during the period beginning with the fiscal quarter ended December 31, 2022 and continuing through the fiscal quarter ending March 30, 2024, or such earlier date as we may elect (such period of time, the "Covenant Relief Period"), including: (a) an increase in the maximum consolidated net total leverage ratio to 5.25 to 1.00 for the quarter ended December 31, 2022, 6.75 to 1.00 for the quarter ending April 1, 2023, 7.25 to 1.00 for the quarter ending July 1, 2023, 6.75 to 1.00 for the quarter ending September 30, 2023, 5.25 to

1.00 for the quarter ending December 30, 2023, and 5.00 to 1.00 for the quarter ending March 30, 2024, and reverting back to 4.50 to 1.00 for each quarter after the Covenant Relief Period has ended; (b) a reduction of the minimum interest coverage ratio from 3.00 to 1.00 to 2.60 to 1.00 for the quarter ended December 31, 2022 and the quarter ending April 1, 2023, 2.00 to 1.00 for the quarters ending July 1, 2023, September 30, 2023 and December 30, 2023, and 2.50 to 1.00 for the quarter ending March 30, 2024, with an increase to 2.75 to 1.00 for each quarter after the Covenant Relief Period has ended; (c) suspension of restricted payments in connection with share repurchases; (d) suspension of restricted payments pursuant to the Company's leverage ratio-based and "Available Amount" restricted payments baskets, (e) a cap on annual dividend payments of \$75 million, which will revert back to the greater of (x) \$350 million and (y) 8.0% of Total Tangible Assets after the Covenant Relief Period has ended; (f) suspension of the Company's "Available Amount" basket for investments in foreign subsidiaries and other investments; (g) suspension of the 0.50 to 1.00 increase in the maximum permitted consolidated net total leverage ratio resulting from a material permitted acquisition; and (h) the addition of two new tiers to the top of the pricing grid if the maximum consolidated net total leverage ratio exceeds 5.00 to 1.00 and 5.50 to 1.00. In conjunction with the Second Amendment, we transitioned the Senior Secured Credit Facility from the London Interbank Offered Rate to the Secured Overnight Financing Rate ("SOFR") with a 10 basis points credit spread adjustment already included in the Senior Secured Credit Facility. In addition, the Third Amendment limits the Company's ability to incur incremental secured indebtedness during the Covenant Relief Period to \$1.75 billion, subject to compliance with the financial covenants.

The indentures governing the Senior Notes also restrict our ability to incur additional secured indebtedness in an amount that exceeds the greater of (a) \$3.0 billion or (b) the amount that would cause our consolidated secured net debt ratio to exceed 3.25 to 1.00, as well as certain other customary covenants and restrictions.

These restrictions and covenants could limit our ability to obtain additional capital in the future to fund capital expenditures or acquisitions, meet our debt payment obligations and capital commitments, fund any operating losses or future development of our business affiliates, obtain lower borrowing costs that are available from secured lenders or engage in advantageous transactions that monetize our assets or conduct other necessary or prudent corporate activities. Any failure to comply with these covenants and restrictions could result in an event of default that accelerates the maturity of our indebtedness and increases the interest rate on the outstanding principal amount under such facilities, resulting in an adverse effect on our business.

The lenders under the Senior Secured Credit Facility have received a pledge of substantially all of our existing and future direct and indirect U.S. subsidiaries and certain foreign subsidiaries, with certain customary or agreed-upon exceptions for certain subsidiaries. Additionally, these lenders generally have a lien on substantially all of our assets and the assets of our U.S. subsidiaries and certain other foreign subsidiaries, with certain exceptions. The financial institutions that are party to the ARS Facility have a lien on certain of our domestic accounts receivable. As a result of these pledges and liens, if we fail to meet our payment or other obligations under the Senior Secured Credit Facility, the lenders under that facility will be entitled to foreclose on substantially all of our assets and, at their option, liquidate these assets, and if we fail to meet our repayment or other obligations under the ARS Facility, the secured parties under that facility will be entitled to take control of our accounts receivable pledged to them and all collections on those receivables, and direct our obligors to make payment on such receivables directly to the secured parties, which in each case would adversely impact the operations of our business.

Borrowings under our Senior Secured Credit Facility bear interest at a variable rate based on, at our option, either the SOFR or an alternative base rate (both as defined in the Senior Secured Credit Facility), or the appropriate benchmark for non-U.S. dollar borrowings, plus, in each case, an applicable margin.

***Inability to access sufficient capital at reasonable rates or commercially reasonable terms or maintain sufficient liquidity in the amounts and at the times needed could adversely impact our business.***

We rely on our cash flows generated from operations and the borrowing capacity under our Revolving Loan Facility and other external debt financings to meet the cash requirements of our business. We have significant capital requirements and will need continued access to debt capital from outside sources in order to efficiently fund the cash flow needs of our business and pursue strategic acquisitions.

Although we currently have available credit facilities to fund our current operating needs, we cannot be certain that we will be able to replace our existing credit facilities or refinance our existing or future debt at a reasonable cost when necessary. The ability to have continued access to reasonably priced credit is dependent upon our current and future capital structure, financial performance, our credit ratings and general economic conditions. If we are unable to access the capital markets at a reasonable economic cost, it could have an adverse effect on our results of operations or financial condition.

***Due to the extensive nature of our foreign operations, fluctuations in foreign currency exchange rates could negatively impact our results of operations.***

A significant percentage of our total revenues (approximately 31% in 2022) is derived from markets outside the United States. We sell a majority of our products in transactions denominated in U.S. dollars; however, we purchase many of our raw materials, pay a portion of our wages and make other payments to participants in our supply chain in foreign currencies. As a result, when the U.S. dollar weakens against any of these currencies, our cost of sales could increase substantially. Outside the United States, we may pay for materials or finished products in U.S. dollars, and in some cases a strengthening of the U.S. dollar could effectively increase our costs where we use foreign currency to purchase the U.S. dollars we need to make such payments. Changes in foreign currency exchange rates could have an adverse impact on our financial condition, results of operations and cash flows. We are also exposed to gains and losses resulting from the effect that fluctuations in foreign currency exchange rates have on the reported results in our consolidated financial statements due to the translation of operating results and financial position of our foreign subsidiaries.

We use forward foreign exchange contracts, cross-currency swap contracts and nonderivative financial instruments to hedge material exposure to adverse changes in foreign currency exchange rates. However, no hedging strategy can completely insulate us from foreign exchange risk.

***Our balance sheet includes a significant amount of intangible assets and goodwill. A decline in the estimated fair value of an intangible asset or of a business unit could result in an asset impairment charge, which would be recorded as a noncash expense in our Consolidated Statements of Income.***

Goodwill, trademarks and other identifiable intangible assets must be tested for impairment at least annually. The fair value of the goodwill assigned to a business unit could decline if projected revenues or cash flows were to be lower in the future due to effects of the global economy or other causes. If the carrying value of intangible assets or of goodwill were to exceed its estimated fair value, the asset would be written down to its fair value, with the impairment loss recognized as a noncash charge in the Consolidated Statements of Income.

As of December 31, 2022, we had approximately \$1.1 billion of goodwill and \$1.3 billion of trademarks and other identifiable intangible assets on our balance sheet, which together represent 36% of our total assets. No impairment was identified in 2022. Changes in the future outlook of a business unit could result in an impairment loss, which could have a material adverse effect on our results of operations and financial condition.

***Market returns could have a negative impact on the return on plan assets for our pension, which may require significant funding.***

The plan assets of our pension plans, which had a loss of approximately 10% during 2022 and a return of approximately 8% during 2021, are invested mainly in domestic and international equities, bonds, hedge funds and real estate. We are unable to predict the variations in asset values or the severity or duration of any disruptions in the financial markets or adverse economic conditions in the United States, Europe and Asia. The funded status of these plans, and the related cost reflected in our consolidated financial statements, are affected by various factors that are subject to an inherent degree of uncertainty, particularly in the current economic environment. Under the Pension Protection Act of 2006 (the "Pension Protection Act"), losses of asset values may necessitate increased funding of the plans in the future to meet minimum federal government requirements. Under the Pension Protection Act funding rules, our U.S. qualified pension plans are approximately 96% funded as of December 1, 2022. Any downward pressure on the asset values of these plans may require us to fund obligations earlier than we had originally planned, which would increase our pension expense and have a negative impact on cash flows from operations.

***Our profitability may decline or our growth may be negatively impacted as a result of increasing pressure on pricing.***

Our industry is subject to significant pricing pressure caused by many factors, including intense competition, consolidation in the retail industry, pressure from retailers to reduce the costs of products and changes in consumer demand. These factors may cause us to reduce our prices to retailers and consumers or engage in more promotional activity than we anticipate, which could negatively impact our margins and cause our profitability to decline if we are unable to offset price reductions with comparable reductions in our operating costs. Ongoing and sustained promotional activities could negatively impact our brand image. On the other hand, if we are unwilling to engage in promotional activity on a scale similar to that of our competitors, for instance, to protect our premium brand positioning, and unable to simultaneously offset declining promotional activity with increased sales at premium price points, our ability to achieve short-term growth targets may be negatively impacted, which could have a material adverse effect on our results of operations, financial condition and the price of our stock.

*We may be adversely impacted by the failure to successfully execute acquisitions and divestitures and integrate acquired operations.*

From time to time, and as permitted by the requirements of the agreements governing our indebtedness, we may engage in or seek to engage in strategic transactions such as acquisitions or divestitures. The success of any acquisition or divestiture depends on the Company's ability to identify opportunities that help the Company meet its strategic objectives, consummate a transaction on favorable contractual terms, and achieve expected returns and other financial or operational benefits.

Acquisitions require us to integrate efficiently the acquired business or businesses, which involves a significant degree of difficulty and risk, including the following:

- integrating the operations and business cultures of the acquired businesses while carrying on the ongoing operations of the businesses we operated prior to the acquisitions;
- managing a larger company than before consummation of the acquisitions;
- the possibility of faulty assumptions underlying our expectations regarding the prospects of the acquired businesses;
- coordinating a greater number of diverse businesses and businesses located in a greater number of geographic locations;
- attracting and retaining the necessary personnel associated with the acquisitions;
- creating uniform standards, controls, procedures, policies and information systems and controlling the costs associated with such matters; and
- expectations about the performance of acquired trademarks and brands and the fair value of such trademarks and brands.

Divestitures present unique financial and operational risks, including diverting management attention from the existing core business, separating personnel and financial data and other systems, impairments, and adversely affecting existing business relationships with suppliers and customers.

In addition, the process of completing any acquisitions or divestitures may be time-consuming and involve significant costs and expenses, which may be significantly higher than what we anticipate and may not yield a benefit if the transactions are not completed successfully, and executing these transactions may require significant time and attention from our senior management and employees. In situations where acquisitions or divestitures are not successfully implemented or completed, or the expected benefits of such acquisitions or divestitures are not otherwise realized, the Company's business or financial results could be negatively impacted.

## **Legal, Tax, Compliance, Reputational and Other Risks**

*Our operations in international markets, and our earnings in those markets, may be affected by legal, regulatory, political and economic risks.*

During 2022, net sales from our International segment were \$1.9 billion, representing approximately 31% of total net sales. In addition, a significant amount of our manufacturing and production operations are located, or our products are sourced from, outside the United States. As a result, our business is subject to risks associated with international operations. These risks include the burdens of complying with foreign laws and regulations, unexpected changes in tariffs, taxes or regulatory requirements, and political unrest and corruption.

Regulatory changes could limit the countries in which we sell, produce or source our products or significantly increase the cost of operating in or obtaining materials originating from certain countries. Restrictions imposed by such changes can have a particular impact on our business when, after we have moved our operations to a particular location, new unfavorable regulations are enacted in that area or favorable regulations currently in effect are changed.

Countries in which our products are manufactured or sold may from time to time impose additional new regulations, or modify existing regulations, including:

- changes in duties, taxes, tariffs and other charges on imports;
- limitations on the quantity of goods which may be imported into the United States from a particular country;
- requirements as to where products and/or inputs are manufactured or sourced;
- creation of export licensing requirements, imposition of restrictions on export quantities or specification of minimum export pricing and/or export prices or duties;

- limitations on foreign owned businesses; or
- government actions to cancel contracts, re-denominate the official currency, renounce or default on obligations, renegotiate terms unilaterally or expropriate assets.

In addition, political and economic changes or volatility, geopolitical regional conflicts, terrorist activity, political unrest, civil strife, acts of war, public corruption and other economic or political uncertainties could interrupt and negatively affect our business operations. All of these factors could result in increased costs or decreased revenues and could materially and adversely affect our product sales, financial condition and results of operations.

We are also subject to the United States Foreign Corrupt Practices Act, in addition to the anti-corruption laws of the foreign countries in which we operate. Although we implement policies and procedures designed to promote compliance with these laws, our employees, contractors and agents, as well as those companies to which we outsource certain of our business operations, may take actions in violation of our policies. Any such violation could result in sanctions or other penalties and have an adverse effect on our business, reputation and operating results.

The recent imposition of tariffs and/or increase in tariffs on various products by the United States and other countries have introduced greater uncertainty with respect to trade policies and government regulations affecting trade between the United States and other countries. Furthermore, it is possible that other forms of trade restriction, including tariffs, quotas and customs restrictions, will be put into place in the United States or in countries from which we source our materials or finished products. We cannot predict whether any of the countries in which our merchandise currently is manufactured or may be manufactured in the future will be subject to additional trade restrictions imposed by the United States or other foreign governments, including the likelihood, type, or effect of any such restrictions. Any of these actions, if ultimately enacted, could adversely affect our results of operations or profitability. Further, any emerging nationalist trends in specific countries could alter the trade environment and consumer purchasing behavior which, in turn, could have a material effect on our financial condition and results of operations.

***We have a complex multinational tax structure, and changes in effective tax rates or adverse outcomes resulting from examination of our income tax returns could impact our capital deployment strategy and adversely affect our results.***

We have a complex multinational tax structure with multiple types of intercompany transactions, and our allocation of profits and losses among us and our subsidiaries through our intercompany transfer pricing agreements is subject to review by the Internal Revenue Service and other tax authorities. Our future effective tax rates could be adversely affected by earnings being lower than anticipated in countries where we have lower statutory rates and higher than anticipated in countries where we have higher statutory rates, by changes in the valuation of our deferred tax assets and liabilities, or by changes in tax laws, regulations, accounting principles or interpretations thereof. We are continuously evaluating our capital allocation strategies in an effort to maximize shareholder value, which includes maintaining appropriate debt to earnings ratios, and as a result there may be times where we need to reevaluate our plans to permanently reinvest certain unremitted foreign earnings which may increase or decrease our income tax expense during periods of change. In addition, we are also subject to the continuous examination of our income tax returns and related transfer pricing documentation by various tax authorities. We regularly assess the likelihood of adverse outcomes resulting from these examinations to determine the adequacy of our provision for income taxes. There can be no assurance that the outcomes from these examinations will not have an adverse effect on our operating results and financial condition. Additionally, changes in tax laws, regulations, future jurisdictional profitability of us and our subsidiaries, and related regulatory interpretations in the countries in which we operate may impact the taxes we pay or tax provision we record, as well as our capital deployment strategy, which could adversely affect our results of operations.

Our effective tax rate could be volatile and materially change as a result of the adoption of new tax legislation and other factors including mix of earnings in countries with lower or higher effective tax rates.

A change in tax laws is one of many factors that impact our effective tax rate. The U.S. Congress and other government agencies in jurisdictions where we do business have had an extended focus on issues related to the taxation of multinational corporations. As a result, the tax laws in the U.S. and other countries in which we do business could change, and any such changes could adversely impact our effective tax rate, financial condition and results of operations.

The Organization for Economic Co-operation and Development (the “OECD”), an international association of 38 countries including the United States, has proposed changes to numerous long-standing tax principles, including a global minimum tax initiative. On December 12, 2022 the European Union member states agreed to implement the OECD’s Pillar 2 global corporate minimum tax rate of 15% on companies with revenues of at least \$790 million, which would go into effect in 2024. Other countries including the United Kingdom, Switzerland, Canada and Australia are also actively considering changes to their tax laws to adopt certain parts of the OECD’s proposals. The company will continue to monitor the developing laws.

In August 2022, the U.S. enacted the Inflation Reduction Act of 2022 (“IR Act”), which, among other things, introduces a 15% minimum tax based on adjusted financial statement income of certain large corporations with a three year average adjusted

financial statement income in excess of \$1 billion, a 1% excise tax on the fair market stock repurchases by covered corporations and several tax incentives to promote clean energy. The Company is continuing to evaluate the IR Act and its potential impact on future periods, and at this time the Company does not expect the IR Act to have a material impact on its consolidated financial statements.

***Our balance sheet includes a significant amount of deferred taxes. Changes in our effective tax rate or tax liability may adversely affect our operating results.***

Significant gross deferred tax assets exist on our books and have been reduced by a valuation allowance. Deferred tax assets relate to temporary differences (differences between the assets and liabilities in the consolidated financial statements and the assets and liabilities in the calculation of taxable income) including net operating losses. The recognition of deferred tax assets is reduced by a valuation allowance if it is more likely than not that the tax benefits associated with the deferred tax assets will not be realized. Changes in existing valuation allowances and changes in effective tax rates and the assumptions and estimates we have made in jurisdictions with no valuation allowance, as well as our ability to generate sufficient future taxable income in certain jurisdictions, could materially affect our tax obligations or effective tax rate, which could negatively affect our financial condition and results of operations. See Note "Income Taxes" to our consolidated financial statements included in this Annual Report on Form 10-K regarding deferred tax assets and associated valuation allowances recorded in 2022.

***Our reputation, ability to do business and results of operations could be impaired by improper conduct by any of our employees, agents or business partners.***

Our business is subject to federal, state, local and international laws, rules and regulations, such as state and local wage and hour laws, the U.S. Foreign Corrupt Practices Act, the U.K. Bribery Act, the False Claims Act, the U.S. Employee Retirement Income Security Act, the Global Data Protection Regulation, securities laws, import and export laws (including customs regulations), unclaimed property laws and many others. We cannot provide assurance our internal controls will always protect us from the improper conduct of our employees, agents and business partners. Any violations of law or improper conduct could damage our reputation and, depending on the circumstances, subject us to, among other things, civil and criminal penalties, material fines, equitable remedies (including profit disgorgement and injunctions on future conduct), securities litigation and a general loss of investor confidence, any one of which could have a material adverse impact on our business prospects, financial condition, results of operations, cash flows, and the market value of our stock.

***The success of our business is tied to the strength and reputation of our brands. If the reputation of one or more of our brands erodes significantly, it could have a material impact on our financial results.***

Many of our brands have worldwide recognition, and our financial success is directly dependent on the success of our brands. The success of a brand can suffer if our marketing plans or product initiatives do not have the desired impact on a brand's image or its ability to attract consumers. Our results could also be negatively impacted if one of our brands suffers substantial harm to its reputation due to a significant product recall, product-related litigation or the sale of counterfeit products. For example, biotechnology-derived substances, such as bisphenol A ("BPA") is listed as a hazardous chemical under California's Safe Water and Toxic Environment Act and we have recently been named in a lawsuit concerning the presence of BPA in certain of our products. To that end, any additional actual or threatened legal actions against us or other companies in our industry regarding the alleged presence of BPA or other similar substances in our products, whether or not justified, could contribute to a perceived safety risk about our products and adversely impact sales or otherwise disrupt our business. Brand value could diminish significantly due to a number of factors, including changing consumer attitudes regarding social issues and consumer perception that we have acted in an irresponsible manner. The growing use of social and digital media by consumers increases the speed and extent that information and opinions can be shared. Negative or inaccurate postings or comments on social media or networking websites about our company, its practices or one of its brands could generate adverse publicity that could damage the reputation of our brands.

We also license some of our important trademarks to third parties. For example, we license *Champion* to third parties for athletic-oriented accessories. Although we make concerted efforts to protect our brands through quality control mechanisms and contractual obligations imposed on our licensees, there is a risk that some licensees may not be in full compliance with those mechanisms and obligations. If the reputation of one or more of our brands is significantly eroded, it could adversely affect our sales, results of operations, cash flows and financial condition.



***We design, manufacture, source and sell products under trademarks that are licensed from third parties. If any licensor takes actions related to their trademarks that would cause their brands or our company reputational harm, our business may be adversely affected.***

We design, manufacture, source and sell a number of our products under trademarks that are licensed from third parties, such as our Polo Ralph Lauren men's underwear. Because we do not control the brands licensed to us, our licensors could make changes to their brands or business models that could result in a significant downturn in a brand's business, adversely affecting our sales and results of operations. If any licensor engages in behavior with respect to the licensed marks that would cause us reputational harm, or if any of the brands licensed to us violates the trademark rights of another or are deemed to be invalid or unenforceable, we could experience a significant downturn in that brand's business, adversely affecting our sales and results of operations, and we may be required to expend significant amounts on public relations, advertising and, possibly, legal fees.

***If we are unable to protect our intellectual property rights, our business may be adversely affected.***

Our trademarks are important to our marketing efforts and have substantial value. We aggressively protect these trademarks from infringement and dilution through appropriate measures, including court actions and administrative proceedings. We are susceptible to others imitating our products and infringing our intellectual property rights. Infringement or counterfeiting of our products could diminish the value of our brands or otherwise adversely affect our business. Actions we have taken to establish and protect our intellectual property rights may not be adequate to prevent imitation of our products by others or to prevent others from seeking to invalidate our trademarks or block sales of our products as a violation of the trademarks and intellectual property rights of others. In addition, unilateral actions in the United States or other countries, such as changes to or the repeal of laws recognizing trademark or other intellectual property rights, could have an impact on our ability to enforce those rights.

The value of our intellectual property could diminish if others assert rights in, or ownership of, our trademarks and other intellectual property rights. We may be unable to successfully resolve these types of conflicts to our satisfaction. In some cases, there may be trademark owners who have prior rights to our trademarks because the laws of certain foreign countries may not protect intellectual property rights to the same extent as do the laws of the United States. In other cases, there may be holders who have prior rights to similar trademarks. We are from time to time involved in opposition and cancellation proceedings with respect to some items of our intellectual property.

***We may suffer negative publicity if we or our third-party manufacturers violate labor laws or engage in practices that are viewed as unethical or illegal, which could cause a loss of business.***

We cannot fully control the business and labor practices of our third-party manufacturers, the majority of whom are located in Asia, Central America and the Caribbean Basin. If one of our own manufacturing operations or one of our third-party manufacturers violates or is accused of violating local or international labor laws or other applicable regulations, or engages in labor or other practices that would be viewed in any market in which our products are sold as unethical, we could suffer negative publicity, which could tarnish our brands' image or result in a loss of sales. In addition, if such negative publicity affected one of our customers, it could result in a loss of business for us.

***Anti-takeover provisions of our charter and bylaws, as well as Maryland law, may reduce the likelihood of any potential change of control or unsolicited acquisition proposal that you might consider favorable.***

Our charter permits our Board of Directors, with the approval of a majority of the entire Board and without stockholder approval, to amend our charter from time to time to increase or decrease the aggregate number of shares of stock or the number of shares of stock of any class or series that we have the authority to issue. In addition, our Board of Directors may classify or reclassify any unissued shares of common stock or preferred stock and may set the preferences, conversion or other rights, voting powers, restrictions, limitations as to dividends or other distributions, qualifications and other terms and conditions of the classified or reclassified shares. Our Board of Directors could establish a series of preferred stock that could have the effect of delaying, deferring or preventing a transaction or a change in control that might involve a premium price for our common stock or otherwise be in the best interest of our stockholders. Our charter also provides that a director may be removed at any time, but only for cause, as defined in our charter, and then only by the affirmative vote of at least two thirds of the votes entitled to be cast generally in the election of directors. We have also elected to be subject to certain provisions of Maryland law that provide that any and all vacancies on our Board of Directors may only be filled by the affirmative vote of a majority of our remaining directors in office, even if they do not constitute a quorum, and that any director elected to fill a vacancy shall serve for the remainder of the full term of the directorship in which the vacancy occurred. Under Maryland law, our Board of Directors also is permitted, without stockholder approval, to implement a classified board structure at any time.

Our bylaws provide that nominations of persons for election to our Board of Directors and the proposal of business to be considered at a stockholders meeting may be made only in the notice of the meeting, by or at the direction of our Board of

Directors or by a stockholder who was a stockholder of record both at the time of giving notice by the stockholder in accordance with the advance notice procedures of our bylaws and at the time of the annual meeting, who is entitled to vote at the meeting and has complied with the advance notice procedures of our bylaws. Also, under Maryland law, business combinations between us and an interested stockholder or an affiliate of an interested stockholder, including mergers, consolidations, share exchanges or, in circumstances specified in the statute, asset transfers or issuances or reclassifications of equity securities, are prohibited for five years after the most recent date on which the interested stockholder becomes an interested stockholder. An interested stockholder includes any person who beneficially owns 10% or more of the then-outstanding voting power of our stock or any affiliate or associate of ours who, at any time within the two-year period prior to the date in question, was the beneficial owner of 10% or more of the then-outstanding voting power of our stock. A person is not an interested stockholder under the statute if our Board of Directors approved in advance the transaction by which he otherwise would have become an interested stockholder. However, in approving a transaction, our Board of Directors may provide that its approval is subject to compliance, at or after the time of approval, with any terms and conditions determined by our Board. After the five-year prohibition, any business combination between us and an interested stockholder generally must be recommended by our Board of Directors and approved by two supermajority votes or our common stockholders must receive a minimum price, as defined under Maryland law, for their shares. The statute permits various other exemptions from its provisions.

These and other provisions of Maryland law or our charter and bylaws could have the effect of delaying, deferring or preventing a transaction or a change in control that might involve a premium price for our common stock or otherwise be considered favorably by our stockholders.

***Our bylaws designate the Circuit Court for Baltimore City, Maryland as the sole and exclusive forum for certain actions, including derivative actions, which could limit a stockholder's ability to bring a claim in a judicial forum that it finds favorable for disputes with the Company and its directors, officers, other employees, or the Company's stockholders and may discourage lawsuits with respect to such claims.***

Unless we consent in writing to the selection of an alternative forum, our bylaws provide that the sole and exclusive forum for (a) any derivative action or proceeding brought on behalf of the Company, (b) any action asserting a claim of breach of any duty owed by any current or former director, officer, employee, stockholder or agent of the Company to the Company or to the stockholders of the Company, (c) any action asserting a claim against the Company or any of its current or former directors, officers, employees, stockholders or agents arising pursuant to any provision of the Maryland General Corporate Law or the Company's Charter or Bylaws, or (d) any action asserting a claim against the Company or any of its current or former directors, officers, employees, stockholders or agents that is governed by the internal affairs doctrine, shall, to the fullest extent permitted by law, be the Circuit Court for Baltimore City, Maryland (or, if that Court does not have jurisdiction, the United States District court for the District of Maryland, Northern Division). However, Section 27 of the Exchange Act creates exclusive federal jurisdiction over all suits brought to enforce any duty or liability created by the Exchange Act or the rules and regulations thereunder, and as such, the exclusive jurisdiction clauses set forth above would not apply to such suits. Furthermore, Section 22 of the Securities Act provides for concurrent jurisdiction for federal and state courts over all suits brought to enforce any duty or liability created by the Securities Act or the rules and regulations thereunder, and as such, the exclusive jurisdiction clauses set forth above would not apply to such suits.

Although we believe the exclusive forum provision benefits us by providing increased consistency in the application of Maryland law for the specified types of actions and proceedings, this provision may limit a stockholder's ability to bring a claim in a judicial forum that it finds favorable for disputes with the Company and its directors, officers, or other employees and may discourage lawsuits with respect to such claims.

## **General Risk Factors**

***There can be no assurance that we will choose to declare or be able to declare cash dividends in the future.***

Our Board of Directors has recently eliminated its prior dividend policy pursuant to which we have historically paid a cash dividend on our common stock on a quarterly basis in order to direct free cash flow toward reducing our debt. The declaration and payment of any dividend in the future will be subject to the approval of our Board of Directors and our dividend may thereafter be discontinued or reduced at any time. Our Board of Directors regularly evaluates our capital allocation strategy and dividend policy, and any future determination to continue to pay dividends, and the amount of such dividends, will be at the discretion of our Board of Directors. Our ability to pay cash dividends is also limited by restrictions or limitations on our ability to obtain sufficient funds through dividends from subsidiaries, as well as by contractual restrictions, including the requirements of the agreements governing our indebtedness. There can be no assurance that we will declare cash dividends in the future in any particular amounts, or at all.

***Economic conditions may adversely impact demand for our products, reduce access to credit and cause our customers, suppliers and other business partners to suffer financial hardship, all of which could adversely impact our business, results of operations, financial condition and cash flows.***

Although the majority of our products are replenishment in nature and tend to be purchased by consumers on a planned, rather than on an impulse, basis, our sales are impacted by discretionary spending by consumers. Discretionary spending is affected by many factors that are outside of 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. Reduced sales at our wholesale customers may lead to lower retail inventory levels, reduced orders to us or order cancellations. These lower sales volumes, along with the possibility of restrictions on access to the credit markets, may result in our customers experiencing financial difficulties including store closures, bankruptcies or liquidations. This may result in higher credit risk relating to receivables from our customers who are experiencing these financial difficulties. Any of these occurrences could have a material adverse effect on our business, results of operations, financial condition and cash flows.

In addition, economic conditions, including decreased access to credit, may result in financial difficulties leading to restructurings, bankruptcies, liquidations and other unfavorable events for our suppliers of raw materials and finished goods, logistics and other service providers and financial institutions which are counterparties to our credit facilities and derivatives transactions. In addition, the inability of these third parties to overcome these difficulties may increase. If third parties on which we rely for raw materials, finished goods or services are unable to overcome financial difficulties and provide us with the materials and services we need, or if counterparties to our credit facilities or derivatives transactions do not perform their obligations, our business, results of operations, financial condition and cash flows could be adversely affected.

***We may be adversely affected by unseasonal or severe weather conditions.***

Our business may be adversely affected by unseasonable or severe weather conditions. Periods of unseasonably warm weather in the fall or winter, or periods of unseasonably cool and wet weather in the spring or summer, can negatively impact retail traffic and consumer spending. In addition, severe weather events such as snowstorms or hurricanes typically lead to temporarily reduced retail traffic. Any of these conditions could result in negative point-of-sale trends for our merchandise and reduced replenishment shipments to our wholesale customers.

#### **Item 1B. *Unresolved Staff Comments***

Not applicable.

#### **Item 1C. *Information About Our Executive Officers***

The chart below lists our executive officers and is followed by biographical information about them. Each of our executive officers is elected annually by the Board of Directors to serve until his or her successor is elected and qualifies or until his or her death, resignation or removal. No family relationship exists between any of our directors or executive officers.

<b>Name</b>	<b>Age</b>	<b>Positions</b>
Stephen B. Bratspies	55	Chief Executive Officer
Michael P. Dastugue <sup>(1)</sup>	58	Chief Financial Officer
M. Scott Lewis	52	SVP, Chief Accounting Officer and Controller
Joseph W. Cavaliere	60	President, Innerwear - Global
Vanessa LeFebvre	45	President, Activewear - Global
Michael E. Faircloth	57	EVP, Supply Chain - Global
Tracy M. Preston	56	EVP, Chief Legal and Compliance Officer & Corporate Secretary
Kristin L. Oliver	50	EVP, Chief Human Resources Officer
Scott A. Pleiman	52	EVP, Chief Strategy and Transformation Officer

(1) As previously disclosed, Mr. Dastugue will resign as Chief Financial Officer of the Company effective February 28, 2023. Mr. Lewis has been appointed as Interim Chief Financial Officer and principal financial officer of the Company effective March 1, 2023. Mr. Lewis will also continue to serve as Chief Accounting Officer and Controller and principal accounting officer of the Company.

*Stephen B. Bratspies* has served as our Chief Executive Officer since August 2020. Immediately prior to joining the Company, Mr. Bratspies served as Chief Merchandising Officer since 2015 for Walmart, a publicly traded multinational retail company that operates a chain of supercenters, discount stores, grocery stores and warehouse clubs. He served in various

capacities at Walmart since 2005, including as Executive Vice President, Food from 2014 to 2015 and as Executive Vice President, General Merchandise from 2013 to 2014.

*Michael P. Dastugue* has served as our Chief Financial Officer since May 2021. Prior to joining the Company, Mr. Dastugue served as Executive Vice President and Chief Financial Officer of the Walmart U.S. segment of Walmart from 2015 to 2021. Prior to that role and since 2013, he served as Executive Vice President and Chief Financial Officer of Walmart's Sam's Club segment. Mr. Dastugue also served as Executive Vice President and Chief Financial Officer of U.S. department store chain J.C. Penney Company from 2011 to 2012.

*M. Scott Lewis* has served as our SVP, Chief Accounting Officer and Controller since 2015 and served as our Interim Chief Financial Officer from January 2020 to May 2021. Mr. Lewis joined the Company in 2006 as Director, External Reporting and was promoted in 2011 to Vice President, External Reporting, promoted in 2013 to Vice President, Financial Reporting and Accounting, and promoted in December 2013 to Vice President, Tax. Prior to joining the Company, Mr. Lewis served as senior manager with the accounting, audit and tax consulting firm KPMG.

*Joseph W. Cavaliere* has served as our President, Innerwear - Global since February 2021. Mr. Cavaliere joined the Company from C&S Wholesale Grocers, a wholesale grocery supply company, where he was President and General Manager of the company's retail chain division during 2020 and Chief Commercial Officer from 2018 to 2020. Prior to C&S Wholesale Grocers, he served as President and Transformation Lead at Newell Brands Inc., a global consumer products company, from 2017 to 2018 and as President and Chief Customer Officer from 2012 to 2017. Before that, Mr. Cavaliere was Executive Vice President of Customer Development at Unilever PLC, a multinational consumer goods company from 2008 to 2012 and was Senior Vice President from 2005 to 2008. He also served as Executive Vice President of Sales at Kraft Foods from 2002 to 2005, and held a number of other leadership positions in more than 20 years with the company.

*Vanessa LeFebvre* has served as our President, Activewear - Global since August 2022. Prior to joining the Company, she served as the Senior Vice President, commercial, North America at Adidas, a multinational sporting goods and apparel company. In 2019, Ms. LeFebvre was the President of Lord and Taylor department stores. Before that, Ms. LeFebvre was Vice President of Women's Buying at Stitch Fix from 2017 to 2019. Earlier in her career Ms. LeFebvre held senior leadership roles at Macy's, including being the founder of Macy's Backstage, from 2012 to 2017, Daffy's from 2011 to 2012 and T.J. Maxx from 2009 to 2011, in addition to various roles at Lord and Taylor from 1999 to 2009.

*Michael E. Faircloth* has served as our EVP, Supply Chain - Global since 2019. He has served in a variety of roles with the Company, including as our Group President, Global Operations, American Casualwear and E-Commerce from 2019 to 2020, as our Group President, Global Supply Chain, Information Technology and E-Commerce from 2018 to 2019, as our President, Chief Global Supply Chain and Information Technology Officer from 2014 to 2017 and as our Chief Global Operations Officer (a position previously known as President, Chief Global Supply Chain Officer) from 2010 to 2014. Prior to his appointment as Chief Global Operations Officer, Mr. Faircloth served as our Senior Vice President, Supply Chain Support from 2009 to 2010, as our Vice President, Supply Chain Support from March 2009 to September 2009 and as our Vice President of Engineering & Quality from 2006 to 2009. Prior to the completion of the Company's spin off from Sara Lee Corporation ("Sara Lee"), Mr. Faircloth served as Vice President, Industrialization of Sara Lee.

*Tracy M. Preston* has served as our EVP, Chief Legal and Compliance Officer & Corporate Secretary since March 2021. Ms. Preston joined the Company from The Neiman Marcus Group, where she was Executive Vice President, Chief Legal Officer, Corporate Secretary and Chief Compliance Officer. Prior to joining Neiman Marcus in 2013, Preston worked for Levi Strauss & Co., where she held a number of senior legal positions, including Chief Counsel, Global Supply Chain; Chief Compliance Officer; and Chief Counsel, Global Human Resources and Litigation. Earlier in her career, Ms. Preston was a partner at Orrick Herrington and Sutcliffe, an international law firm founded in San Francisco.

*Kristin L. Oliver* has served as our EVP, Chief Human Resources Officer since September 2020. From 2018 to 2020, Ms. Oliver served as Senior Vice President and Chief Human Resources Officer at Walgreens, a retail pharmacy leader and a division of Walgreens Boots Alliance, Inc. From 2016 to 2018, she served as Executive Vice President and Chief Human Resources Officer at Chico's FAS, Inc., a publicly traded women's clothing and accessories retailer. Previously in her career, Ms. Oliver served in various roles at Walmart, including as Executive Vice President, Walmart US, People division from 2013 to 2015, Senior Vice President and head of Human Resources, International Division from 2010 to 2012, Vice President and Division General Counsel, Employment from 2008 to 2010 and Associate General Counsel from 2004 to 2009.

*Scott A. Pleiman* has served as our EVP, Chief Strategy and Transformation Officer since January 2023. Mr. Pleiman joined the Company from Boston Consulting Group, where he was a senior advisor regarding strategy and transformation, specializing in retail and consumer products industries. Prior to joining Boston Consulting Group, Mr. Pleiman held a number of senior leadership positions at Walmart Stores, Inc., including Executive Vice President, Merchandising Operations from 2017 to 2021, Senior Vice President, Merchandising – Pricing, Planning & Modular Development from 2015 to 2017, Senior Vice President, Finance & Strategy from 2009 to 2015, Vice President, Merchandising Finance and Business Strategy Walmart U.S. from 2007 to 2009, and Vice President, Business Strategy Walmart U.S. from 2005 to 2007. Earlier in his career, Mr.

Pleiman held strategic consulting roles with Cap Gemini (formerly Ernst & Young Consulting Services), and accounting roles at Ernst & Young Audit and Advisory Business Services.

## Item 2. *Properties*

We own and lease properties supporting our administrative, manufacturing, distribution and direct retail activities. As of December 31, 2022, we owned and leased properties in 28 countries, including 30 manufacturing facilities and 45 distribution centers, as well as office facilities. The leases for these properties expire between 2023 and 2057, with the exception of some seasonal warehouses that we lease on a month-by-month basis. As of December 31, 2022, we also operated 195 retail and direct outlet stores in the United States and the Commonwealth of Puerto Rico and 637 retail and outlet stores internationally, most of which are leased. We believe that our facilities, as well as equipment, are in good condition and meet our current business needs.

We own our approximately 470,000 square-foot headquarters located in Winston-Salem, North Carolina, which houses our various sales, marketing and corporate business functions. Research and development as well as certain product-design functions also are located in Winston-Salem, while other design functions are located in a mix of leased and owned facilities in New York City, Atlanta and Lenexa, Kansas, as well as several international cities.

Our products are manufactured through a combination of facilities we own and operate and facilities owned and operated by third-party contractors who perform some of the steps in the manufacturing process for us, such as cutting and/or sewing. We source the remainder of our finished goods from third-party manufacturers who supply us with finished products based on our designs. Our largest manufacturing facilities include an approximately 1.1 million square-foot owned facility located in San Juan Opico, El Salvador and an approximately 600,000 square-foot owned facility located in Bona, Dominican Republic. We distribute our products from 45 distribution centers. These distribution centers include 16 facilities located in the United States and 29 facilities located outside the United States in regions where we manufacture and sell our products. Our largest distribution facilities include an approximately 1.3 million square-foot leased facility located in Perris, California, an approximately 900,000 square-foot leased facility located in Rural Hall, North Carolina and an approximately 700,000 square-foot owned facility located in Martinsville, Virginia.

The following table summarizes the properties primarily used by our segments as of December 31, 2022:

	Owned Square Feet	Leased Square Feet	Total
<b>Properties by Segment<sup>(1)</sup></b>			
Innerwear	2,091,704	5,319,520	7,411,224
Activewear	2,458,519	3,563,252	6,021,771
International	284,756	3,724,377	4,009,133
Other	303,445	947,240	1,250,685
Totals	<u>5,138,424</u>	<u>13,554,389</u>	<u>18,692,813</u>

- (1) Excludes vacant land, facilities under construction, facilities not yet in operation or leases not yet commenced, facilities no longer in operation intended for disposal, apartments/residences, sourcing offices not associated with a particular segment, and office buildings housing corporate functions.

**Item 3. Legal Proceedings**

We are named in two pending lawsuits in connection with our previously disclosed ransomware incident. On October 7, 2022, a putative class action was filed against “Hanes Brands [sic], Inc.” alleging, among other things, negligence, negligence per se, breach of implied contract, unjust enrichment, breach of implied covenant of good faith and fair dealing, unfair business practices under the California Business and Professions Code, and violations of the California Confidentiality of Medical Information Act in connection with the ransomware incident. The litigation is entitled, Roman v. Hanes Brands [sic], Inc., and is pending in the United States District Court for the Central District of California. Plaintiff Roman also subsequently filed a second putative class action with regard to the ransomware incident in the United States District Court for the Middle District of North Carolina on January 16, 2023, entitled Roman v. Hanesbrands,[sic] Inc., which was voluntarily dismissed without prejudice on January 20, 2023. On October 13, 2022, another putative class action was filed against HanesBrands Inc. alleging, among other things, negligence, negligence per se, breach of implied contract, invasion of privacy, and unjust enrichment in connection with the ransomware incident. The litigation is entitled, Toussaint v. HanesBrands,[sic] Inc. and is pending in the United States District Court for the Middle District of North Carolina. The pending lawsuits seek, among other things, monetary and injunctive relief. We are vigorously defending these matters and believe the cases are without merit. We do not expect any of these claims, individually or in the aggregate, to have a material adverse effect on our consolidated financial position or results of operations. However, at this early stage in the proceedings, we are not able to determine the probability of the outcome of these matters or a range of reasonably expected losses, if any. We maintain insurance, including coverage for cyber-attacks, subject to certain deductibles and policy limitations, in an amount that we believes appropriate.

We are also subject to various claims and legal actions that occur from time to time in the ordinary course of our business. However, we are not party to any pending legal proceedings, including the pending lawsuits in connection with the previously disclosed ransomware incident described above, that we believe could have a material adverse effect on our business, results of operations, financial condition or cash flows.

**Item 4. Mine Safety Disclosures**

Not applicable.

### **Item 5. *Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities***

#### **Market for our Common Stock**

Our common stock currently is traded on the New York Stock Exchange, or the “NYSE,” under the symbol “HBI.” We have not made any unregistered sales of our equity securities.

#### **Holders of Record**

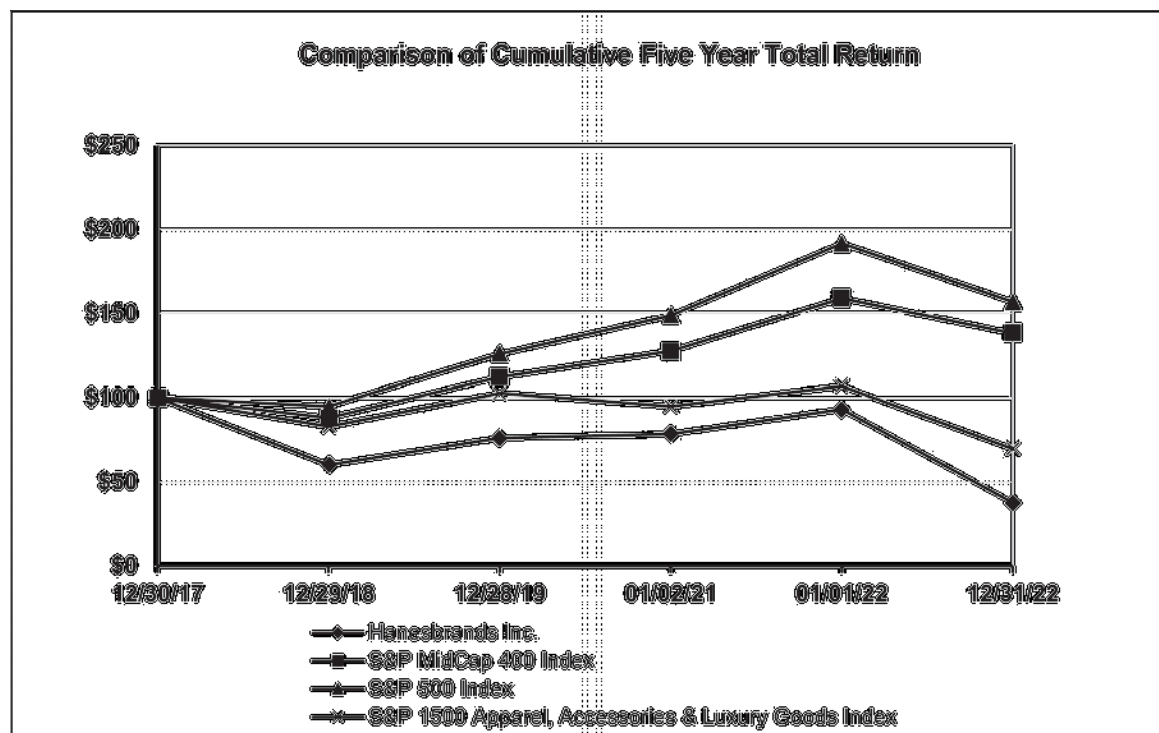
On February 3, 2023, there were 13,118 holders of record of our common stock.

#### **Issuer Repurchases of Equity Securities**

On February 2, 2022, the Company’s Board of Directors approved a new share repurchase program for up to \$600 million of shares to be repurchased in open market transactions or privately negotiated transactions, subject to market conditions, legal requirements and other factors. The new program replaced the Company’s previous share repurchase program for up to 40 million shares that was originally approved on February 6, 2020. During the year ended December 31, 2022, we entered into transactions to repurchase 2 million shares under the new share repurchase program at a weighted average repurchase price of \$15.84 per share for a total cost of \$25 million (none of which were purchased in the fourth quarter of 2022). At December 31, 2022, the remaining repurchase authorization under the current share repurchase program totaled \$575 million.

## Performance Graph

The following graph compares the cumulative total stockholder return on our common stock with the comparable cumulative return of the S&P 500 Index, S&P MidCap 400 Index, and the S&P 1500 Apparel, Accessories & Luxury Goods Index. The graph assumes that \$100 was invested in our common stock and each index on December 30, 2017. In December 2021, the Company was moved from the S&P 500 to the S&P MidCap 400, as a result of which, the broad equity market index used in the Stock Performance Graph going forward is expected to be the S&P MidCap 400. The stock price performance on the following graph is not necessarily indicative of future stock price performance.



## Equity Compensation Plan Information

The following table provides information about our equity compensation plans as of December 31, 2022:

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights	Weighted Average Exercise Price of Outstanding Options, Warrants and Rights <sup>(2)</sup>	Number of Securities Remaining Available for Future Issuance under Equity Compensation Plans <sup>(1)</sup>
Equity compensation plans approved by security holders	4,753	\$ 0.90	20,057
Equity compensation plans not approved by security holders	—	—	—
<b>Total</b>	<b>4,753</b>	<b>\$ 0.90</b>	<b>20,057</b>

(amounts in thousands, except per share data)

- (1) The amount appearing under “Number of securities remaining available for future issuance under equity compensation plans” includes 14,033 shares available under the Hanesbrands Inc. Omnibus Incentive Plan (As Amended and Restated) and 6,024 shares available under the Hanesbrands Inc. Employee Stock Purchase Plan of 2006.
- (2) As of December 31, 2022, we had 250 outstanding options, warrants and rights that could be exercised for no consideration. The weighted average exercise price of outstanding options, warrants and rights excluding those that can be exercised for no consideration is \$17.18.

Item 6. [Reserved]



### Item 7. *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" and "Risk Factors" in this Annual Report on Form 10-K 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 Annual Report on Form 10-K. 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 listed in Part I, Item 1A. "Risk Factors" in this Annual Report on Form 10-K and included elsewhere in this Annual Report on Form 10-K.

This MD&A is a supplement to our consolidated financial statements and notes thereto included elsewhere in this Annual Report on Form 10-K and is provided to enhance your understanding of our results of operations and financial condition. It generally discusses 2022 and 2021 items and year-to-year comparisons between 2022 and 2021. Discussions of 2020 items and year-to-year comparisons between 2021 and 2020 that are not included in this MD&A can be found in "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Part II, Item 7 of the Company's Annual Report on Form 10-K for the fiscal year ended January 1, 2022. Our MD&A is organized as follows:

- *Overview.* This section provides a general description of our Company and operating segments, business and industry trends, our key business strategies and background information on other matters discussed in this MD&A.
- *2022 Key Financial Results.* This section discusses some of the key financial results of our performance and activities during 2022.
- *Consolidated Results of Operations and Operating Results by Business Segment.* These sections provide our analysis and outlook for the significant line items in our Consolidated Statements of Income, as well as other information that we deem meaningful to an understanding of our results of operations on both a consolidated basis and a business segment basis.
- *Liquidity and Capital Resources.* This section provides an analysis of trends and uncertainties affecting liquidity, cash requirements for our business, sources and uses of our cash and our financing arrangements.
- *Critical Accounting Policies and Estimates.* This section discusses the accounting policies that we consider important to the evaluation and reporting of our financial condition and results of operations, and whose application requires significant judgments or a complex estimation process.
- *Recently Issued Accounting Pronouncements.* This section provides a summary of the most recent authoritative accounting pronouncements that were adopted during 2022 and that we will be required to adopt in a future period.

#### Overview

##### *Our Company*

Hanesbrands Inc. is a socially responsible leading marketer of everyday basic innerwear and activewear apparel in the Americas, Australia, Europe and Asia under some of the world's strongest apparel brands, including *Hanes, Champion, Bonds, Maidenform, Bali, Playtex, Bras N Things, JMS/Just My Size, Gear for Sports, Wonderbra, Berlei, Comfortwash and Alternative*. We design, manufacture, source and sell a broad range of basic apparel such as T-shirts, bras, panties, shapewear, underwear, socks and activewear produced in our low-cost global supply chain. 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 Segments*

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, U.S. Sheer Hosiery business and certain sales from our supply chain to the European Innerwear business. In the fourth quarter of 2021, we reached the decision to divest our U.S. Sheer Hosiery business, including the *L'eggs* brand, as part of our strategy to streamline our portfolio under our Full Potential plan. See Note "Assets and Liabilities Held for Sale" to our consolidated financial statements included in this Annual Report on Form 10-K for additional information.

The reportable segments 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. Innerwear also includes sales in the United States of personal protective equipment (“PPE”) including products such as cloth face coverings and gowns in 2020.
- Activewear includes sales in the United States of branded products that are primarily seasonal in nature to both retailers and wholesalers, as well as licensed sports apparel and licensed logo apparel.
- International primarily includes sales of our innerwear and activewear products, including PPE in 2020, outside the United States, primarily in Australia, Europe, Asia, Latin America and Canada.

### ***Impact of COVID-19 and Supply Chain Disruptions on Our Business***

The COVID-19 pandemic has impacted our business operations and financial results, as described in more detail under “Consolidated Results of Operations - Year Ended December 31, 2022 (“2022”) Compared with Year Ended January 1, 2022 (“2021”)” and “Consolidated Results of Operations - Year Ended January 1, 2022 (“2021”) Compared with Year Ended January 2, 2021 (“2020”)” below, primarily through reduced traffic and closures of Company-operated and third-party retail locations in certain markets, global supply chain disruptions and higher levels of inflation due to factory disruptions, port congestion, transportation delays as well as labor and container shortages, which resulted in higher operating costs causing pressure on our gross and operating profit in 2022. At the height of the global supply chain disruptions in 2022, we experienced delayed inventory orders which, in turn, resulted in the inability to fulfill certain customer orders and decreased product availability in our Company-owned stores and e-commerce sites which negatively impacted our net revenues and increased net inventory levels. We took aggressive measures in 2022 to focus on reducing inventory units, including manufacturing time-out costs. While total net inventory levels remain above 2021, inventory units decreased by 6% at the end of 2022 compared to 2021. We expect gross and operating margin pressure to continue in the first half of fiscal 2023 as we sell through the remainder of our higher-cost inventory. We expect gross and operating margin pressure to ease in the second half of 2023 as lower cost inventory currently being produced is sold and we anniversary the manufacturing time-out costs related to our inventory reduction initiatives in 2022. The future impact of the COVID-19 pandemic, supply chain disruptions and inflation remain highly uncertain, and our business and results of operations, including our net revenues, earnings and cash flows, could continue to be adversely impacted. See related risk factors in Part I, Item 1A. “Risk Factors” in this Annual Report on Form 10-K.

### ***Outlook for 2023***

We estimate our 2023 guidance as follows:

- Net sales of approximately \$6.05 billion to \$6.20 billion, net of approximately \$42 million of unfavorable foreign exchange impact;
- Operating profit of approximately \$446 million to \$496 million, net of approximately \$6 million of unfavorable foreign exchange impact;
- Restructuring and other action-related charges totaling \$60 million including Full Potential plan-related charges of approximately \$54 million included in operating profit and refinancing charges of \$6 million included in other expenses;
- Interest expense and other expenses of approximately \$306 million combined;
- Tax expense from continuing operations of approximately \$90 million to \$100 million;
- Diluted earnings per share from continuing operations of approximately \$0.14 to \$0.25;
- Cash flow from operating activities of approximately \$500 million; and
- Capital investments of approximately \$150 million, including capital expenditures of \$70 million within investing cash flow activities and cloud computing assets of \$80 million within operating cash flow activities.

### ***Business and Industry Trends***

#### ***Inflation and Changing Prices***

Cotton is the primary raw material used in manufacturing many of our products. While we do not own yarn operations, we are still exposed to fluctuations in the cost of cotton. Increases in the cost of cotton can result in higher costs in the price we pay for yarn from our large-scale yarn suppliers and may result in the need to implement future price increases in order to maintain

our margins. Decreases in cotton prices can lead to lower margins for inventory and products produced from cotton we have already purchased, particularly if there is downward price pressure as a result of consumer demand, competition or other factors.

Our costs for cotton yarn, cotton-based textiles and cotton-based products sourced from third-party suppliers vary based upon the fluctuating cost of cotton, which is affected by, among other factors, weather, the impacts of climate change, consumer demand, speculation on the commodities market, the relative valuations and fluctuations of the currencies of producer versus consumer countries and other factors that are generally unpredictable and beyond our control. We are able to lock in the cost of cotton reflected in the price we pay for yarn from our primary yarn suppliers in an attempt to protect our business from the volatility of the market price of cotton. Under our agreements with these suppliers, we have the ability to periodically fix the cotton cost component of our yarn purchases. When we elect to fix the cotton cost component under these agreements, interim fluctuations in the price of cotton do not impact the price we pay for the specified volume of yarn. The yarn suppliers bear the risk of cotton fluctuations for the yarn volume specified and it is their responsibility to procure the cotton at the agreed upon pricing through arrangements they make with their cotton suppliers. However, our business can be affected by dramatic movements in cotton prices. The cost of cotton used in our products, which includes the cost of cotton used in goods manufactured by us, as well as the cotton content in yarn, textiles and turnkey products we purchase from third-party suppliers, as a percentage of our cost of sales was in the high single digits in 2022. Costs incurred today for materials and labor, including cotton, typically do not impact our results until the inventory is sold approximately six to nine months later.

Inflation can have a long-term impact on us because increasing costs of materials and labor may impact our ability to maintain satisfactory margins. For example, the cost of the materials that are used in our manufacturing process, such as oil-related commodity prices and other raw materials, including cotton, dyes and chemicals, and other costs, such as fuel, energy and utility costs, can fluctuate as a result of inflation and other factors. Disruptions to the global supply chain due to factory closures, port congestion, container shortages, trucking capacity shortages, transportation delays and labor shortages may negatively impact product availability, revenue growth and gross margins. We would work to mitigate the impact of the global supply chain disruptions through a combination of cost savings and operating efficiencies, as well as pricing actions, which could have an adverse impact on demand. Costs incurred for materials and labor are capitalized into inventory and impact our results as the inventory is sold. In addition, a significant portion of our products are manufactured in countries other than the United States and declines in the value of the U.S. dollar may result in higher manufacturing costs. Increases in inflation may not be matched by growth in consumer income, which also could have a negative impact on spending.

#### *Other Business and Industry Trends*

The basic apparel market is highly competitive and rapidly evolving. Competition generally is based upon brand, comfort, fit, style, innovation and price. The majority of our core styles continue from year to year, with variations only in color, fabric or design details. Some products, however, such as intimate apparel and activewear, do have more of an emphasis on style. Our businesses face competition today from other large domestic and foreign corporations and manufacturers, as well as smaller companies, department stores, specialty stores and other retailers that market and sell basic apparel products under private labels that compete directly with our brands.

In 2022, our top 10 customers accounted for approximately 45% of our total net sales. Our top customer, Walmart, accounted for 16% of our total net sales in 2022. The increasing bargaining power of retailers can create pricing pressures as our customers grow larger and seek greater concessions in their purchase of our products, while also demanding exclusivity with respect to some of our products. To counteract these effects, it has become increasingly important to leverage our national brands through investment in our largest and strongest brands as our customers strive to maximize their performance especially in today's challenging retail economic environment. Brands are important in our core categories to drive traffic and project the quality and value our customers demand.

Consumers are increasingly embracing shopping online through e-commerce platforms. As a result, an increasing portion of our revenue across all channels is being generated online through e-commerce platforms. We are continuing to develop and expand our omnichannel capabilities to allow a consumer to use more than one channel when making a purchase, including in-store, at one of our retail or outlet stores or those of our retail partners, online or with a mobile device, through one of our branded websites, the website of one of our retail partners, or an online retailer. In addition to broadening our assortment of product offerings across all online channels, we are also increasing the proportion of our media budget dedicated to digital marketing.

#### *Foreign Exchange Rates*

Changes in exchange rates between the U.S. dollar and other currencies can impact our financial results in two ways; a translation impact and a transaction impact. The translation impact refers to the impact that changes in exchange rates can have on our published financial results. Similar to many multi-national corporations that publish financial results in U.S. dollars, our revenue and profit earned in local foreign currencies is translated back into U.S. dollars using an average exchange rate over the

representative period. A period of strengthening in the U.S. dollar has a negative impact to our published financial results (because it would take more units of a local currency to convert into a dollar). The opposite is true during a period of weakening in the U.S. dollar. Our biggest foreign currency exposures are the Australian dollar and the Euro. We use cross-currency swap contracts and nonderivative financial instruments to minimize material foreign currency translation exposures.

The transaction impact on financial results is common for apparel companies that source goods because these goods are purchased in U.S. dollars. The transaction impact from a strengthening U.S. dollar would have a negative impact to our financial results (because the U.S. dollar-based costs would convert into a higher amount of local currency units, which means a higher local-currency cost of goods, and in turn, a lower local-currency gross profit). The transaction impact from exchange rates is typically recovered over time with price increases. However, during periods of rapid change in exchange rates, pricing is unable to change quickly enough; therefore, we use forward foreign exchange contracts to hedge against our sourcing costs to minimize our exposure to fluctuating exchange rates.

### ***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. Our multi-year growth strategy (“Full Potential plan”) focuses on four pillars to drive growth and enhance long-term profitability and identifies the 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, build e-commerce excellence across channels 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 we reached the decision to exit our European Innerwear business as part of our strategy to streamline our portfolio under our Full Potential plan and determined that this business met held-for-sale and discontinued operations accounting criteria. Accordingly, we began to separately report the results of our European Innerwear business as discontinued operations in our Consolidated Statements of Income, and to present the related assets and liabilities as held for sale in the Consolidated Balance Sheets. See Note “Assets and Liabilities Held for Sale” to our consolidated financial statements included in this Annual Report on Form 10-K for additional information. On November 4, 2021, we announced that we reached an agreement to sell this business to an affiliate of Regent, L.P., and completed the sale on March 5, 2022. Under the agreement, the purchaser received all the assets and operating liabilities of the European Innerwear business. See Note “Assets and Liabilities Held for Sale” to our consolidated financial statements included in this Annual Report on Form 10-K for additional information.

In addition, in the fourth quarter of 2021, we reached the decision to divest our U.S. Sheer Hosiery business, including the *L’eggs* brand, as part of our strategy to streamline our portfolio under our Full Potential plan and determined that this business met held-for-sale accounting criteria. The related assets and liabilities are presented as held for sale in the Consolidated Balance Sheets at December 31, 2022 and January 1, 2022. The operations of our U.S. Sheer Hosiery business are reported in “Other” for all periods presented in Note “Business Segment Information” to our consolidated financial statements included in this Annual Report on Form 10-K. We are currently exploring potential purchasers for this business and expect to complete the sale within the next 12 months. See Note “Assets and Liabilities Held for Sale” to our consolidated financial statements included in this Annual Report on Form 10-K for additional information.

In June of 2022, we purchased the *Champion* trademark for footwear in the United States, Puerto Rico and Canada from Keds, LLC (“KEDS”) for \$103 million. The trademark was recorded in “Trademarks and other identifiable intangibles, net” line in the Consolidated Balance Sheets and has an indefinite life. We previously licensed the *Champion* trademark for footwear in these locations. The purchase of the trademark was part of an agreement with KEDS settling litigation between the two parties and is another step forward in our Full Potential plan of growing the global *Champion* brand.

We seek to generate strong cash flow through effectively optimizing our capital structure and managing working capital levels. We recently shifted our capital allocation strategy to focus the use of all our free cash flow (cash from operations less capital expenditures) on reducing debt and bringing our leverage back to a range that is no greater than two to three times on a net debt-to-adjusted EBITDA basis. Adjusted EBITDA is defined as earnings before interest, taxes, depreciation and amortization excluding restructuring and other action-related costs and stock compensation expense. Net debt is defined as total debt less cash and cash equivalents.

### ***Ransomware Attack***

As previously disclosed, on May 24, 2022, we identified that we had become subject to a ransomware attack and activated our incident response and business continuity plans designed to contain the incident. As part of our forensic investigation and assessment of the impact, we determined that certain of our information technology systems were affected by the ransomware attack.

Upon discovering the incident, we took a series of measures to further safeguard the integrity of our information technology systems, including working with cybersecurity experts to contain the incident and implementing business continuity plans to restore and support continued operations. These measures also included resecuring data, remediation of the malware across infected machines, rebuilding critical systems, global password reset and enhanced security monitoring. We notified appropriate law enforcement authorities as well as certain data protection regulators, and in addition to our public announcements of the incident, we provided breach notifications and regulatory filings as required by applicable law starting in August 2022. At this time, we believe the incident has been contained, we have restored our critical information technology systems, and manufacturing, retail and other internal operations continue. There is no ongoing operational impact on our ability to provide our products and services. We maintain insurance, including coverage for cyber-attacks, subject to certain deductibles and policy limitations, in an amount that we believe appropriate.

We are named in two pending lawsuits in connection with our previously disclosed ransomware incident. On October 7, 2022, a putative class action was filed against “Hanes Brands [sic], Inc.” alleging, among other things, negligence, negligence per se, breach of implied contract, unjust enrichment, breach of implied covenant of good faith and fair dealing, unfair business practices under the California Business and Professions Code, and violations of the California Confidentiality of Medical Information Act in connection with the ransomware incident. The litigation is entitled, Roman v. Hanes Brands [sic], Inc., and is pending in the United States District Court for the Central District of California. Plaintiff Roman also subsequently filed a second putative class action with regard to the ransomware incident in the United States District Court for the Middle District of North Carolina on January 16, 2023, entitled Roman v. Hanesbrands,[sic] Inc., which was voluntarily dismissed without prejudice on January 20, 2023. On October 13, 2022, another putative class action was filed against HanesBrands Inc. alleging, among other things, negligence, negligence per se, breach of implied contract, invasion of privacy, and unjust enrichment in connection with the ransomware incident. The litigation is entitled, Toussaint v. HanesBrands,[sic] Inc. and is pending in the United States District Court for the Middle District of North Carolina. The pending lawsuits seek, among other things, monetary and injunctive relief. We are vigorously defending these matters and believe the cases are without merit. We do not expect any of these claims, individually or in the aggregate, to have a material adverse effect on our consolidated financial position or results of operations. However, at this early stage in the proceedings, we are not able to determine the probability of the outcome of these matters or a range of reasonably expected losses, if any. We maintain insurance, including coverage for cyber-attacks, subject to certain deductibles and policy limitations, in an amount that we believe appropriate.

During the year ended December 31, 2022, we incurred costs of approximately \$15 million, net of expected insurance recoveries, related to the ransomware attack. The costs incurred during the year ended December 31, 2022 included \$14 million related primarily to supply chain disruptions, which are reflected in the “Cost of sales” line of the Consolidated Statements of Income and \$1 million, net of expected insurance recoveries, related primarily to legal, information technology and consulting fees, which are reflected in the “Selling, general and administrative expenses” line of the Consolidated Statements of Income. The ransomware attack also negatively impacted our ability to order materials, make and ship orders, and process payments during the second quarter ended July 2, 2022, resulting in estimated lost sales of approximately \$100 million. We continue to assess the security event and cannot determine, at this time, the full extent of the impact from such event on our business, results of operations or financial condition or whether such impact will ultimately have a material adverse effect.

### ***Financing Arrangements***

In November 2022 and in February 2023, given the economic conditions and the associated impact on earnings, we amended the credit agreement governing our Senior Secured Credit Facility to modify the financial covenants in order to avoid a potential covenant violation and to provide operating flexibility as described in Note “Debt” to our consolidated financial statements and “Liquidity and Capital Resources” included in this Annual Report on Form 10-K. We expect to maintain compliance with our covenants, as amended in February 2023, for at least one year from the issuance of these financial statements based on our current expectations and forecasts, however economic conditions or the occurrence of events discussed under “Risk Factors” in this Annual Report on Form 10-K or other SEC filings could impact our ability to maintain compliance or require us to seek additional amendments to the credit agreement.

We intend to refinance certain of our indebtedness with upcoming maturities, including an aggregate of approximately \$1.4 billion of our 4.625% Senior Notes due in May 2024 and our 3.5% Senior Notes due in June 2024 in the first quarter of 2023. Any such refinancings will depend on market conditions and other relevant factors and there can be no assurance such refinancings will be pursued or completed.

### ***Tax Expense***

For the year ended December 31, 2022, our effective tax rate was impacted as a result of a valuation allowance recorded in 2022 against U.S. federal and state deferred tax assets. Additionally, the Company's effective tax rate was impacted by tax impairments in Switzerland which generated deferred tax liabilities.

We maintain intercompany transfer pricing agreements governing sales within our self-owned supply chain, which can impact the amount of pre-tax income we recognize in foreign jurisdictions. In compliance with applicable tax laws, we regularly review the terms of these agreements utilizing independent third-party transfer pricing studies to ensure that intercompany pricing is consistent with what a seller would charge an independent, arm's length customer, or what a buyer would pay an independent, arm's length supplier. Therefore, changes in intercompany pricing are often driven by market conditions, which are also difficult to predict.

Future acquisitions or divestitures may affect the proportion of our pre-tax income from foreign jurisdictions, both due to external sales and also increased volume in our self-owned supply chain. We follow a disciplined acquisition strategy focused on acquisitions that meet strict criteria for strong likely returns with relatively low risk. It is difficult to predict whether or when such acquisitions or divestitures will occur and whether the acquisition targets or divested operations will be foreign or domestic. Therefore, it is also difficult to predict the effect of acquisitions or divestitures on the future distribution of our pre-tax income.

As of December 31, 2022, we have continued to evaluate our global capital allocation strategy and assertions made with respect to the accumulated earnings of our foreign subsidiaries. As a result of our overall and continuous evaluation, we have not changed our assertion from prior year and we will continue to permanently reinvest a portion of our unremitted foreign earnings. The portion of our unremitted foreign earnings as of December 31, 2022 that we intend to remit to the United States totals approximately \$269 million. We intend to use these earnings to fund capital investments and reduce debt held in the United States. The remaining portion of our unremitted foreign earnings will continue to be permanently reinvested to fund working capital requirements and operations abroad. As of December 31, 2022, we have accrued for income taxes of \$26 million in connection with the \$269 million of unremitted foreign earnings we intend to remit in the future. These income tax effects include United States federal, state, foreign and withholding tax implications in accordance with the planned remittance of such foreign earnings.

We regularly assess any significant exposure associated with increases in effective tax rates and adjustments are made as events occur that warrant adjustment to our income tax provisions. See *"We have a complex multinational tax structure, and changes in effective tax rates or adverse outcomes resulting from examination of our income tax returns could impact our capital deployment strategy and adversely affect our results."* in Part I, Item 1A. "Risk Factors" in this Annual Report on Form 10-K.

### **2022 Key Financial Results**

Key financial results are as follows:

- Total net sales in 2022 were \$6.2 billion, compared with \$6.8 billion in 2021, representing an 8% decrease.
- Operating profit was \$520 million in 2022 compared with \$798 million in 2021, representing a 35% decrease. As a percentage of sales, operating profit was 8.3% in 2022 compared to 11.7% in 2021. Included within operating profit in 2022 and 2021 were charges of \$60 million and \$132 million, respectively, related to the implementation of our Full Potential plan.
- Diluted loss per share from continuing operations was \$0.37 in 2022 compared with diluted earnings per share from continuing operations of \$1.48 in 2021.

## Consolidated Results of Operations — Year Ended December 31, 2022 (“2022”) Compared with Year Ended January 1, 2022 (“2021”)

	Years Ended		Higher (Lower)	Percent Change
	December 31, 2022	January 1, 2022		
	(dollars in thousands)			
Net sales	\$ 6,233,650	\$ 6,801,240	\$ (567,590)	(8.3)%
Cost of sales	4,012,542	4,149,541	(136,999)	(3.3)
Gross profit	2,221,108	2,651,699	(430,591)	(16.2)
Selling, general and administrative expenses	1,701,563	1,853,971	(152,408)	(8.2)
Operating profit	519,545	797,728	(278,183)	(34.9)
Other expenses	9,734	53,586	(43,852)	(81.8)
Interest expense, net	157,073	163,067	(5,994)	(3.7)
Income from continuing operations before income tax expense	352,738	581,075	(228,337)	(39.3)
Income tax expense	483,907	60,107	423,800	705.1
Income (loss) from continuing operations	(131,169)	520,968	(652,137)	(125.2)
Income (loss) from discontinued operations, net of tax	3,965	(443,744)	447,709	(100.9)
Net income (loss)	\$ (127,204)	\$ 77,224	\$ (204,428)	(264.7)%

### Net Sales

Net sales decreased 8% during 2022 primarily due to the following:

- Softer point-of-sale trends and higher retailer inventory levels as a result of the macroeconomic pressures;
- The impact of the ransomware attack to the business;
- Global supply chain disruptions resulting in product delays;
- Ongoing COVID-related pressures on consumer traffic in certain markets in Asia; and
- The unfavorable impact from foreign currency exchange rates in our International business of approximately \$182 million.

Partially offset by:

- Pricing actions taken throughout 2022.

### Operating Profit

Operating profit as a percentage of net sales was 8.3% in 2022, representing a decrease from 11.7% in the prior year. Operating margin decreased as a result of lower sales volume, input cost inflation, impact from the ransomware attack, costs associated with our manufacturing time-out inventory reduction actions, deleverage from a higher proportion of transportation and distribution costs, unfavorable impact from foreign currency exchange rates and increased Full Potential plan-related investments in brand marketing and technology partially offset by pricing actions and cost reduction actions. Included in operating profit in 2022 and 2021 were charges of \$60 million and \$132 million, respectively, related to the implementation of our Full Potential plan.

### Other Highlights

**Other Expenses** – Other expenses decreased in 2022 compared to prior year primarily as a result of the refinancing of our Senior Secured Credit Facility and the redemption of our 5.375% Senior Notes in November 2021. Redemption of our 5.375% Senior Notes in 2021 required payment of a make-whole premium of \$35 million. Additionally, the redemption of our 5.375% Senior Notes and the refinancing of our Senior Secured Credit Facility in 2021 resulted in a charge of \$11 million for the write-off of unamortized debt issuance costs and fees incurred. See Note “Debt” to our consolidated financial statements included in this Annual Report on Form 10-K. Other expenses also included higher funding fees for sales of accounts receivable to financial institutions which were partially offset by lower pension expense in 2022.

**Interest Expense** – Interest expense was lower by \$6 million in 2022 compared to the same period in 2021, primarily due to a lower weighted average interest rate on our borrowings partially offset by higher weighted average outstanding debt balances during 2022. Our weighted average interest rate on our outstanding debt was 3.79% for 2022, compared to 4.06% for 2021.

*Income Tax Expense* – Our effective income tax rate was 137.2% and 10.3% for 2022 and 2021, respectively. The higher effective tax rate for 2022 was primarily due to non-cash discrete tax charges of \$423 million for valuation allowances established against U.S. deferred tax assets and tax impairments in Switzerland which generated deferred tax liabilities during 2022.

*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. On March 5, 2022, we completed the sale of the European Innerwear business. See Note “Assets and Liabilities Held for Sale” to our consolidated financial statements included in this Annual Report on Form 10-K for additional information.

## Operating Results by Business Segment — Year Ended December 31, 2022 (“2022”) Compared with Year Ended January 1, 2022 (“2021”)

	Net Sales			
	Years Ended		Higher (Lower)	Percent Change
	December 31, 2022	January 1, 2022		
	(dollars in thousands)			
Innerwear	\$ 2,429,966	\$ 2,719,788	\$ (289,822)	(10.7)%
Activewear	1,555,062	1,679,639	(124,577)	(7.4)
International	1,914,268	2,066,249	(151,981)	(7.4)
Other	334,354	335,564	(1,210)	(0.4)
Total	\$ 6,233,650	\$ 6,801,240	\$ (567,590)	(8.3)%

	Operating Profit and Margin					
	Years Ended		Higher (Lower)	Percent Change		
	December 31, 2022	January 1, 2022				
	(dollars in thousands)					
Innerwear	\$ 388,586	16.0 %	\$ 573,852	21.1 %	\$ (185,266)	(32.3)%
Activewear	153,710	9.9	236,400	14.1	(82,690)	(35.0)
International	283,036	14.8	339,317	16.4	(56,281)	(16.6)
Other	17,019	5.1	30,922	9.2	(13,903)	(45.0)
Corporate	(322,806)	NM	(382,763)	NM	59,957	(15.7)
Total	\$ 519,545	8.3 %	\$ 797,728	11.7 %	\$ (278,183)	(34.9)%

### Innerwear

Innerwear net sales decreased 11% compared to prior year primarily due to softer point-of-sale trends, impacts to replenishment orders from retailers’ decisions to reduce broader inventory positions, business disruption as a result of the ransomware attack in the second quarter of 2022 and the overlap of last year’s sales benefits from retailer restocking and government-stimulus spending partially offset by pricing actions taken and retail space gains in the first quarter of 2022.

Innerwear operating margin was 16.0%, a decrease from 21.1% in the same period a year ago. The operating margin decline resulted from input cost inflation, lower sales volume, unfavorable product and channel mix, manufacturing time-out costs associated with our inventory reduction actions and deleverage from a higher proportion of distribution costs partially offset by pricing actions and cost reduction actions.

### Activewear

Activewear net sales decreased 7% compared to prior year primarily due to softer point-of-sale trends primarily related to the *Champion* brand, retailer inventory levels and business disruption as a result of the ransomware attack in the second quarter of 2022. The net sales decrease was partially offset by growth in the collegiate and printwear channels and pricing actions primarily taken in the third quarter of 2022.

Activewear operating margin was 9.9%, a decrease from 14.1% in the same period a year ago. The operating margin decline resulted from higher levels of inflation, lower sales volume, deleverage from a higher proportion of distribution costs, manufacturing time-out costs associated with our inventory reduction actions and unfavorable product mix and partially offset by pricing actions and cost reduction actions.



### ***International***

Net sales in the International segment decreased 7% compared to prior year due to unfavorable foreign currency exchange rates. The unfavorable impact of foreign currency exchange rates decreased net sales approximately \$182 million in 2022. International net sales on a constant currency basis, defined as net sales excluding the impact of foreign currency, increased 1%. The impact of foreign currency exchange rates is calculated by applying prior period exchange rates to the current year financial results. Net sales on a constant currency basis increased as a result of *Champion* growth in Europe as well as innerwear growth in Australia and the Americas. The increase in net sales was partially offset by *Champion* declines in certain Asian markets.

International operating margin was 14.8%, a decrease from 16.4% in the same period a year ago. The decrease in operating margin primarily resulted from input cost inflation, which was partially offset by disciplined expense management during 2022.

### ***Other***

Other net sales decreased primarily as a result of lower sales at our retail outlets during 2022 compared to prior year partially offset by increased sales from our supply chain to the European Innerwear business. We have continued certain sales from our supply chain to this business on a transitional basis after the sale in the first quarter of 2022. These sales and the related profit are included in Other in all periods presented and have not been eliminated as intercompany transactions in consolidation for the period when this business was owned by us. See Note “Assets and Liabilities Held for Sale” to our consolidated financial statements included in this Annual Report on Form 10-K for additional information. Operating margin decreased due to the decrease in sales volume primarily in our retail outlets.

### ***Corporate***

Corporate expenses were lower in 2022 compared to the prior year primarily due to lower restructuring and other action-related charges and lower variable compensation costs partially offset by increased information technology costs coupled with expenses, net of expected insurance recoveries, related to the ransomware attack which occurred during the second quarter of 2022. During 2022, we incurred costs of approximately \$15 million, net of expected insurance recoveries, related to the ransomware attack which included \$14 million related primarily to supply chain disruptions, which are reflected in the “Cost of sales” line of the Consolidated Statements of Income and \$1 million, net of expected insurance recoveries, related primarily to legal, information technology and consulting fees, which are reflected in the “Selling, general and administrative expenses” line of the Consolidated Statements of Income. Included in restructuring and other action-related charges within operating profit in 2022 and 2021 were \$60 million and \$132 million, respectively, of charges related to the implementation of our Full Potential plan. Full Potential plan charges in 2022 included charges related to supply chain segmentation of \$18 million to position our manufacturing network to align with revenue growth opportunities of our Full Potential plan demand trends, \$10 million related to corporate headcount reductions and a non-cash gain of \$4 million to adjust the valuation allowance related to the U.S. Sheer Hosiery business resulting from a decrease in carrying value due to changes in working capital. Full Potential plan charges in 2021 included a charge of \$16 million for an action to resize our U.S. corporate office workforce through a voluntary retirement program and 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 was not marketed for sale.

The components of restructuring and other action-related charges were as follows:

	Years Ended	
	December 31, 2022	January 1, 2022
	(dollars in thousands)	
<b>Restructuring and other action-related charges:</b>		
Full Potential plan:		
Professional services	\$ 23,994	\$ 44,617
Supply chain segmentation	17,982	5,419
Technology	11,922	4,617
Operating model	8,221	23,191
Impairment of intangible assets	—	7,302
(Gain) loss on sale of business and classification of assets held for sale	(3,535)	38,364
Other	1,274	8,200
Total included in operating profit	59,858	131,710
Early extinguishment and refinancing of debt included in other expenses	—	45,699
Total included in income (loss) from continuing operations before income tax expense	59,858	177,409
Discrete tax (expense) benefit	(422,918)	27,147
Tax effect on actions	9,152	26,518
Total included in income tax (expense) benefit	(413,766)	53,665
Total restructuring and other action-related charges	<u>\$ 473,624</u>	<u>\$ 123,744</u>

## 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. We recently shifted our capital allocation strategy to utilize our cash from operations for payments to our employees and vendors in the normal course of business and to reinvest in our business through capital expenditures. We then plan to utilize our free cash flow (cash from operations less capital expenditures) to pay down debt to bring our leverage back to a range that is no greater than two to three times on a net debt-to-adjusted EBITDA basis.

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.

In November 2022 and in February 2023, given the economic conditions and the associated impact on earnings, we amended the credit agreement governing our Senior Secured Credit Facility to modify the financial covenants in order to avoid a potential covenant violation and to provide operating flexibility. The amendments effect changes to certain provisions and covenants under the Senior Secured Credit Facility during the period beginning with the fiscal quarter ended December 31, 2022 and continuing through the fiscal quarter ending March 30, 2024, or such earlier date as we may elect (such period of time, the "Covenant Relief Period"), including: (a) an increase in the maximum consolidated net total leverage ratio 5.25 to 1.00 for the quarter ended December 31, 2022, 6.75 to 1.00 for the quarter ending April 1, 2023, 7.25 to 1.00 for the quarter ending July 1, 2023, 6.75 to 1.00 for the quarter ending September 30, 2023, 5.25 to 1.00 for the quarter ending December 30, 2023, and 5.00 to 1.00 for the quarter ending March 30, 2024, and reverting back to 4.50 to 1.00 for each quarter after the Covenant Relief Period has ended; (b) a reduction of the minimum interest coverage ratio from 3.00 to 1.00 to 2.60 to 1.00 for the quarter ended December 31, 2022 and the quarter ending April 1, 2023, 2.00 to 1.00 for the quarters ending July 1, 2023, September 30, 2023 and December 30, 2023, and 2.50 to 1.00 for the quarter ending March 30, 2024, with an increase to 2.75 to 1.00 for each quarter after the Covenant Relief Period has ended; (c) suspension of restricted payments in connection with share repurchases; (d) suspension of restricted payments pursuant to the Company's leverage ratio-based and "Available Amount" restricted payments baskets, (e) a cap on annual dividend payments of \$75 million, which will revert back to the greater of (x) \$350 million and (y) 8.0% of Total Tangible Assets after the Covenant Relief Period has ended; (f) suspension of the Company's "Available Amount" basket for investments in foreign subsidiaries and other investments; (g) suspension of the 0.50 to 1.00 increase in the maximum permitted consolidated net total leverage ratio resulting from a material permitted acquisition; and (h) the addition of two new tiers to the top of the pricing grid if the maximum consolidated net total leverage ratio exceeds 5.00 to 1.00 and 5.50 to 1.00. In conjunction with the Second Amendment, we transitioned the Senior Secured Credit Facility from the London Interbank Offered Rate to the Secured Overnight Financing Rate with a 10 basis points credit spread adjustment already included in the Senior Secured Credit Facility. In addition, the Third Amendment limits the

Company's ability to incur incremental secured indebtedness during the Covenant Relief Period to \$1.75 billion, subject to compliance with the financial covenants.

We expect to maintain compliance with our covenants, as amended in February 2023, for at least one year from the issuance of these financial statements based on our current expectations and forecasts. If economic conditions worsen and our earnings and operating cash flows do not start to recover as currently estimated by management, this could impact our ability to maintain compliance with our amended 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.

We intend to refinance certain of our indebtedness with upcoming maturities, including an aggregate of approximately \$1.4 billion of our 4.625% Senior Notes due in May 2024 and our 3.5% Senior Notes due in June 2024 in the first quarter of 2023. Any such refinancings will depend on market conditions and other relevant factors and there can be no assurance such refinancings will be pursued or completed.

Our primary sources of liquidity are cash generated from global operations and cash available under our Revolving Loan Facility, our accounts receivable securitization facility (the "ARS Facility") and our other international credit facilities.

We had the following borrowing capacity and available liquidity under our credit facilities as of December 31, 2022:

	As of December 31, 2022	
	Borrowing Capacity	Available Liquidity
	(dollars in thousands)	
Senior Secured Credit Facility:		
Revolving Loan Facility <sup>(1)</sup>	\$ 1,000,000	\$ 642,546
ARS Facility <sup>(2)</sup>	222,693	13,193
Other international credit facilities	65,964	32,266
Total liquidity from credit facilities	<u>\$ 1,288,657</u>	<u>\$ 688,005</u>
Cash and cash equivalents		238,413
Total liquidity		<u>\$ 926,418</u>

(1) A portion of the Revolving Loan Facility is available to be borrowed in Euros or Australian dollars.

(2) Borrowing availability under the ARS Facility is subject to a quarterly fluctuating facility limit, not to exceed \$225 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:

- We intend to refinance certain of our indebtedness with upcoming maturities, including an aggregate of approximately \$1.4 billion of our 4.625% Senior Notes due 2024 and our 3.5% Senior Notes due 2024 in the first quarter of 2023. Any such refinancings will depend on market conditions and other relevant factors and there can be no assurance such refinancings will be pursued or completed.
- We have principal and interest obligations under our debt and ongoing financial covenants under those debt facilities.
- The COVID-19 pandemic which resulted in supply chain disruptions and inflationary pressures has had, and may continue to have, a negative impact on our business.
- During 2022, we entered into transactions to repurchase approximately 1.6 million shares of our common stock at a total cost of \$25 million including broker's commissions. At December 31, 2022, the remaining repurchase authorization under our current share repurchase program announced on February 2, 2022 totaled approximately \$575 million.
- Although we have historically paid a regular quarterly dividend, the Hanesbrands Board of Directors eliminated our quarterly cash dividend as we recently shifted our capital allocation strategy to pay down debt to bring our leverage back to a range that is no greater than two to three times on a net debt-to-adjusted EBITDA basis. 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 invested in efforts to accelerate worldwide omnichannel and global growth initiatives, as well as marketing and brand building.

- We have launched a multi-year cost savings program intended to self-fund the investments necessary to achieve our Full Potential plan's objectives.
- We expect capital expenditures of approximately \$150 million in 2023, including capital expenditures of \$70 million within investing cash flow activities and cloud computing assets of \$80 million within operating cash flow activities.
- In the future, we may pursue strategic business acquisitions or divestitures.
- We made no cash contribution to our U.S. pension plans in 2022 and we expect to have no required cash contributions to our U.S. pension plans in 2023 based on a preliminary calculation by our actuary. We may also elect to make additional voluntary contributions. Our U.S. qualified pension plans were approximately 96% and 97% funded as of December 1, 2022 and 2021, respectively, under the Pension Protection Act funding rules.
- 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. We have not changed our reinvestment strategy from the prior year with regards to our unremitted foreign earnings and intend to remit foreign earnings totaling \$269 million.

#### *Future Contractual Obligations and Commitments*

The following table contains information on our material contractual obligations and commitments at December 31, 2022, and their expected timing on future cash flows and liquidity.

	At December 31, 2022	Payments Due by Period			
		Fiscal 2023	Fiscal 2024-2025	Fiscal 2026-2027	Fiscal 2028 and Thereafter
(dollars in thousands)					
Operating activities:					
Interest on debt obligations <sup>(1)</sup>	\$ 524,261	\$ 188,119	\$ 258,896	\$ 77,246	\$ —
Inventory purchase obligations	416,375	403,316	13,059	—	—
Operating lease obligations <sup>(2)</sup>	499,583	127,996	183,172	119,381	69,034
Defined benefit plan minimum contributions <sup>(3)</sup>	—	—	—	—	—
Tax obligations <sup>(4)</sup>	90,934	37,527	49,714	3,693	—
Other obligations <sup>(5)</sup>	370,209	136,895	127,040	55,419	50,855
Investing activities:					
Capital expenditures	59,365	57,501	1,864	—	—
Financing activities:					
Debt	3,872,275	247,000	1,547,775	2,077,500	—
Total	\$ 5,833,002	\$ 1,198,354	\$ 2,181,520	\$ 2,333,239	\$ 119,889

- (1) Interest obligations on floating rate debt instruments are calculated for future periods using interest rates in effect at December 31, 2022.
- (2) As of December 31, 2022, our operating lease obligations exclude \$55 million of additional operating lease commitments that have not yet commenced. These operating lease liabilities will be paid over a period of 10 years.
- (3) Represents only the required minimum pension contributions to our U.S. qualified pension plan in the current year. We expect to have no required cash contributions to our U.S. pension plan in 2023 based on a preliminary calculation by our actuary although we may elect to make voluntary contributions to maintain certain funded levels. For a discussion of our pension plan obligations, see Note "Defined Benefit Pension Plans" to our consolidated financial statements included in this Annual Report on Form 10-K.
- (4) Represents current tax liabilities, uncertain tax positions and transition tax liabilities resulting from the Tax Act.
- (5) Primarily represents the projected payments for liabilities recorded on the Consolidated Balance Sheets for royalty-bearing license agreements, information technology services, certain employee benefit claims, deferred compensation, and marketing and advertising obligations.

### Sources and Uses of Our Cash

The information presented below regarding the sources and uses of our cash flows for the years ended December 31, 2022 and January 1, 2022 was derived from our consolidated financial statements.

	Years Ended	
	December 31, 2022	January 1, 2022
	(dollars in thousands)	
Operating activities	\$ (358,802)	\$ 623,409
Investing activities	(216,428)	(52,455)
Financing activities	295,829	(888,020)
Effect of changes in foreign exchange rates on cash	(42,815)	(32,908)
Change in cash, cash equivalents and restricted cash	(322,216)	(349,974)
Cash and cash equivalents at beginning of year	560,629	910,603
Cash and cash equivalents at end of year	<u>\$ 238,413</u>	<u>\$ 560,629</u>

#### 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. As compared to the prior year, higher net cash used by operating activities was due to changes in working capital primarily accounts payable, accruals, inventory due to inflationary increases, softer point-of-sale trends and supply chain disruptions, and increased capital investments in our cloud computing assets partially offset by improvement in accounts receivable and lower pension plan contributions in 2022. Net cash from operating activities includes a \$40 million contribution to our U.S. pension plan made in the first quarter of 2021.

#### Investing Activities

The increase in cash used by investing activities in 2022 compared to 2021 was primarily the result of the purchase of the *Champion* trademark for footwear in the United States, Puerto Rico and Canada from Keds, LLC for \$103 million, the sale of the European Innerwear business which resulted in an \$11 million cash outflow and an increase in capital investments into our business.

#### Financing Activities

Net cash from financing activities increased in 2022 primarily as a result of increased borrowings on our ARS Facility and our Revolving Loan Facility coupled with the repayment of the outstanding balance of Term Loan B in 2021, which consisted of a required excess cash flow prepayment of \$239 million and a voluntary prepayment of \$61 million, the amendment and restatement of our Senior Secured Credit Facility which resulted in payment of \$8 million for debt issuance costs in 2021, and the redemption of our \$700 million 5.375% Senior Notes which required payment of a make-whole premium of \$35 million in 2021. Net cash from financing activities in 2022 also included shares repurchased at a total cost of \$25 million and Term Loan A scheduled payments of \$25 million.

#### Financing Arrangements

In June 2022, we amended the ARS Facility. This amendment primarily increased the fluctuating facility limit to \$225 million (previously \$175 million) and extended the maturity date to June 2023. Additionally, the amendment changed our interest rate option as defined in the ARS Facility from the rate announced from time to time by PNC Bank, N.A. as its prime rate or the London Interbank Offered Rate to the rate announced from time to time by PNC Bank, N.A. as its prime rate or the Secured Overnight Financing Rate and increased 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 December 31, 2022, we were in compliance with all financial covenants under our credit facilities and other outstanding indebtedness. Under the terms of our Senior Secured Credit Facility, among other financial and non-financial covenants, we are required to maintain a minimum interest coverage ratio and a maximum total debt to EBITDA (earnings before interest, income taxes, depreciation expense and amortization, as computed pursuant to the Senior Secured Credit Facility), or leverage ratio, each of which is defined in the Senior Secured Credit Facility. The method of calculating all of the components used in the covenants is included in the Senior Secured Credit Facility. In November 2022 and in February 2023, given the uncertain economic environment and the associated impact on future earnings, we amended the credit agreement governing our Senior Secured Credit Facility prior to any potential covenant violation in order to modify the financial covenants and to provide operating flexibility as described in Note "Debt" to our consolidated financial statements included in this Annual Report on Form 10-K. We expect to maintain compliance with our covenants, as amended in February 2023, for at least one year from the issuance of these financial statements based on our current expectations and forecasts, however economic conditions or the

occurrence of events discussed under Part I, Item 1A. “Risk Factors” in this Annual Report on Form 10-K or other SEC filings could impact our ability to maintain compliance or require us to seek additional amendments to the credit agreement.

We intend to refinance certain of our indebtedness with upcoming maturities, including an aggregate of approximately \$1.4 billion of our 4.625% Senior Notes due in May 2024 and our 3.5% Senior Notes due in June 2024 in the first quarter of 2023. Any such refinancings will depend on market conditions and other relevant factors and there can be no assurance such refinancings will be pursued or completed.

For further details regarding our liquidity from our available cash balances and credit facilities see “Cash Requirements and Trends and Uncertainties Affecting Liquidity” above.

### **Critical Accounting Policies and Estimates**

We have chosen accounting policies that we believe are appropriate to 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 consolidated financial statements included in this Annual Report on Form 10-K.

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 consolidated financial statements, or are the most sensitive to change from outside factors, are described below:

#### ***Sales Recognition and Incentives***

We recognize revenue 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 we expect to receive in exchange for transferring goods, which includes estimates for variable consideration. We record provisions for any uncollectible amounts based upon our historical collection statistics and current customer information. Our management reviews these estimates each quarter and makes adjustments based upon actual experience.

Note “Summary of Significant Accounting Policies — (d) Sales Recognition and Incentives” to our consolidated financial statements included in this Annual Report on Form 10-K describes a variety of sales incentives that we offer to resellers and consumers of our products. Measuring the cost of these incentives requires, in many cases, estimating future customer utilization and redemption rates. We use historical data for similar transactions to estimate the cost of current incentive programs. Our management reviews these estimates each quarter and makes adjustments based upon actual experience and other available information. We classify the costs associated with cooperative advertising as a reduction in the “Net sales” line in our Consolidated Statements of Income.

#### ***Accounts Receivable Valuation***

Accounts receivable consist primarily of amounts due from customers. We carry our accounts receivable at their net realizable value. In determining the appropriate allowance for doubtful accounts, we evaluate our receivables on a collection (pool) basis which are aggregated based on similar risk characteristics and consider a combination of factors, such as historical losses, the aging of trade receivables, industry trends, and our customers’ financial strength, credit standing and payment and default history. Changes in the characteristics of our accounts receivables and the aforementioned factors, among others, are reviewed quarterly and may lead to adjustments in our allowance for doubtful accounts. The calculation of the required allowance involves judgment by our management as to the impact of these and other factors on the ultimate realization of our trade receivables. Charges to the allowance for doubtful accounts are reflected in the “Selling, general and administrative expenses” line and charges to the allowance for customer chargebacks and other customer deductions are primarily reflected as a reduction in the “Net sales” line in our Consolidated Statements of Income. Because we cannot predict future changes in the financial stability of our customers, actual future losses from uncollectible accounts may differ from our estimates. If the financial condition of our customers were to deteriorate, resulting in their inability to make payments, a large reserve might be required. The amount of actual historical losses has not varied materially from our estimates for bad debts.

#### ***Inventory Valuation***

We carry inventory on our balance sheet at the estimated lower of cost or market. Cost is determined by the first-in, first-out, or “FIFO,” method for our inventories. We carry obsolete, damaged and excess inventory at the net realizable value, which

we determine by assessing historical recovery rates, current market conditions and our future marketing and sales plans. Because our assessment of net realizable value is made at a point in time, there are inherent uncertainties related to our value determination. Market factors and other conditions underlying the net realizable value may change, resulting in further reserve requirements. A reduction in the carrying amount of an inventory item from cost to market value creates a new cost basis for the item that cannot be reversed at a later period. While we believe that adequate write-downs for inventory obsolescence have been provided in the consolidated financial statements, consumer tastes and preferences will continue to change and we could experience additional inventory write-downs in the future.

Rebates, discounts and other cash consideration received from a vendor related to inventory purchases are reflected as reductions in the cost of the related inventory item, and are therefore reflected in the “Cost of Sales” line in our Consolidated Statements of Income when the related inventory item is sold.

### ***Income Taxes***

Deferred tax assets and liabilities are established for temporary differences between the financial reporting basis and the income tax basis of our assets and liabilities, as well as for realizable operating loss and tax credit carryforwards, at tax rates in effect for the years in which the differences are expected to reverse. Realization of deferred tax assets is dependent on future taxable income in specific jurisdictions, the amount and timing of which are uncertain, and on possible changes in tax laws and tax planning strategies. If in our judgment it appears that it is more likely than not that all or some portion of the asset will not be realized, valuation allowances are established against our deferred tax assets, which increase income tax expense in the period when such determination is made.

We recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the consolidated financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate resolution. These assessments of uncertain tax positions contain judgments related to the interpretation of tax regulations in the jurisdictions in which we transact business. The judgments and estimates made at a point in time may change based on the outcome of tax audits, expiration of statutes of limitations, as well as changes to, or further interpretations of tax laws and regulations. Income tax expense is adjusted in our Consolidated Statements of Income in the period in which these events occur.

### ***Assets and Liabilities Acquired in Business Combinations***

We account for business combinations using the purchase method, which requires us to allocate the cost of an acquired business to the acquired assets and assumed liabilities based on their estimated fair values at the acquisition date. We recognize the excess of an acquired business’ cost over the fair value of acquired assets and assumed liabilities as goodwill. We use a variety of information sources to determine the fair value of acquired assets and assumed liabilities. We generally use third-party appraisers to assist management in determination of the fair value and lives of property and identifiable intangibles, consulting actuaries to assist management in determining the fair value of obligations associated with defined benefit pension plans and legal counsel to assist management in assessing obligations associated with legal and environmental claims.

### ***Trademarks and Other Identifiable Intangibles***

Trademarks, license agreements, customer and distributor relationships and computer software are our primary identifiable intangible assets. We amortize identifiable intangibles determined to have finite lives over their estimated useful lives, and we do not amortize identifiable intangibles with indefinite lives. As of December 31, 2022, the net book value of trademarks and other identifiable intangible assets was \$1.3 billion, of which we are amortizing a balance of \$111 million. We anticipate that our amortization expense for 2023 will be approximately \$30 million.

We evaluate identifiable intangible assets subject to amortization for impairment at least annually and as triggering events occur, such as significant adverse changes in business climate, several periods of operating or cash flow losses, forecasted continued losses or a current expectation that an intangible asset’s value will be eliminated prior to the end of its useful life. We estimate an intangible asset’s useful life based on historical experience, the level of maintenance expenditures required to obtain future cash flows, future business plans and the period over which the asset will be economically useful to us. Our policies require that we periodically review our assets’ remaining depreciable lives based upon actual experience and expected future utilization. A change in the depreciable life is treated as a change in accounting estimate and the accelerated amortization is accounted for in the period of change and future periods.

We assess identifiable intangible assets not subject to amortization for impairment at least annually, as of the first day of the third fiscal quarter, and more often as triggering events occur. In order to determine the impairment of identifiable intangible assets, we compare the fair value of the intangible asset to its carrying amount. Fair values of intangible assets are

primarily based on future cash flows projected to be generated from that asset. We recognize an impairment loss for the amount by which an identifiable intangible asset's carrying value exceeds its fair value.

In connection with our annual impairment testing performed in the third quarter of 2022, we performed a quantitative assessment, utilizing an income approach to estimate the fair value of each indefinite-lived intangible asset. The most significant assumptions include the weighted average cost of capital, revenue growth rate, terminal growth rate and operating profit margin, all of which are used to estimate the fair value of the indefinite-lived intangible assets. The tests indicated the indefinite-lived intangible assets had fair values that exceeded their carrying values and no impairment of trademarks or other identifiable intangible assets was identified as a result of our annual testing conducted in 2022.

### ***Goodwill***

As of December 31, 2022, we had \$1.1 billion of goodwill. We do not amortize goodwill, but we assess for impairment at least annually and more often as triggering events occur. The timing of our annual goodwill impairment testing is the first day of the third fiscal quarter. In evaluating the recoverability of goodwill in 2022, we estimated the fair value of our reporting units. We relied on a number of factors to determine the fair value of our reporting units and evaluated various factors to discount anticipated future cash flows, including operating results, business plans and present value techniques. As discussed above under "Trademarks and Other Identifiable Intangibles," there are inherent uncertainties related to these factors, and our judgment in applying them and the assumptions underlying the impairment analysis may change in such a manner that impairment in value may occur in the future. Such impairment will be recognized in the period in which it becomes known.

In connection with our annual goodwill impairment testing performed during the third quarter of 2022, we performed a quantitative assessment utilizing an income approach to estimate the fair value of each reporting unit. The most significant assumptions include the weighted average cost of capital, revenue growth rate, terminal growth rate and operating profit margin, all of which are used to estimate the fair value of the reporting units. The tests indicated the reporting units had fair values that exceeded their carrying values, and no impairment of goodwill was identified as a result of our annual testing conducted in 2022.

### ***Defined Benefit Pension Plans***

For a discussion of our defined benefit pension plans and the related net periodic benefit cost, plan obligations, plan assets and how we measure the amount of these costs, see Note "Defined Benefit Pension Plans" to our consolidated financial statements included in this Annual Report on Form 10-K. The funded status of our defined benefit pension plans are recognized on our balance sheet. Differences between actual results in a given year and the actuarially determined assumed results for that year are deferred as unrecognized actuarial gains or losses in comprehensive income. We measure the funded status of our plans as of the date of our fiscal year end.

The net periodic benefit cost of the pension plans is determined using projections and actuarial assumptions, the most significant of which are the discount rate and the long-term rate of asset return. The net periodic pension income or expense is recognized in the year incurred. Gains and losses, which occur when actual experience differs from actuarial assumptions, are amortized over the average future expected life of participants. As benefits under the Hanesbrands Inc. Pension Plan are frozen, year over year fluctuations in our pension expense are not expected to have a material impact on our Consolidated Statements of Income.

Our policies regarding the establishment of pension assumptions are as follows:

- Discount rate assumptions are generally based on yield curves applicable to each country and the expected cash flows for each plan. For our U.S. defined benefit plans, we use the full series of spot rates along the Aon AA-Only Above Median Yield Curve and expected plan cash flows to determine liabilities and expense. Single equivalent discount rates are shown for disclosure purposes.
- Salary increase assumptions, where applicable, are generally based on historical experience and management expectations. This assumption is not applicable to the U.S., Italy or Canada SERP as benefits under these plans are either frozen or not tied to pay. The benefits under the Hanesbrands Inc. Legacy Pension Plan and the Hanesbrands Inc. Pension Plan were frozen as of December 31, 2005.
- Long-term rate of return on plan assets assumptions, where applicable, are generally based on each plan's investment mix and forward-looking capital market assumptions applicable to each country. Expected returns also reflect an incremental premium for actively managed investments and a reduction for trust-paid expenses. This assumption is not applicable to unfunded plans.
- Retirement and turnover assumptions are generally based on actual plan experience while standard actuarial mortality tables applicable to each country are used to estimate life expectancy. For our U.S. defined benefit plans,



the 2022 mortality tables are from the Society of Actuaries' Private Plan study published in 2019 (Pri-2012) projected generationally with Scale MP-2021 and reflecting Aon's Endemic scale adjustment, which increases the standard mortality rates in the near term due to the impact of the pandemic in the U.S., scaling down each year to a permanent slight increase to the standard mortality rates.

The sensitivity of changes in actuarial assumptions on our annual pension expense and on our plans' benefit obligations, all other factors being equal, is illustrated by the following:

	Increase (Decrease) in	
	Pension Expense	Benefit Obligation
	(in millions)	
1% decrease in discount rate	\$ (1)	\$ 95
1% increase in discount rate	0	(80)
1% decrease in expected investment return	8	N/A
1% increase in expected investment return	(8)	N/A

### Recently Issued Accounting Pronouncements

For a summary of recently issued accounting pronouncements, see Note "Summary of Significant Accounting Policies" to our consolidated financial statements included in this Annual Report on Form 10-K.

#### Item 7A. *Quantitative and Qualitative Disclosures about Market Risk*

We are exposed to market risk from changes in foreign exchange rates, interest rates and commodity prices. Our risk management control system uses analytical techniques including market value, sensitivity analysis and value at risk estimations.

#### Foreign Exchange Rates

We sell the majority of our products in transactions denominated in U.S. dollars; however, we purchase some raw materials, pay a portion of our wages and make other payments in our supply chain in foreign currencies. With our international commercial presence, we also have foreign entities that purchase raw materials and finished goods in U.S. dollars. We are also exposed to foreign exchange gains and losses resulting from the effect that fluctuations in foreign exchange rates have on the reported results in our consolidated financial statements due to the translation of operating results and financial position of our foreign subsidiaries. Our exposure to foreign exchange rates exists primarily with respect to the Australian dollar, Euro, Canadian dollar and Mexican peso against the U.S. dollar. We use forward foreign exchange contracts, cross-currency swap contracts and nonderivative financial instruments to hedge material exposure to adverse changes in foreign exchange rates. A sensitivity analysis technique has been used to evaluate the effect that changes in the market value of foreign exchange currencies will have on our forward foreign exchange and cross-currency swap derivative contracts. At December 31, 2022, assuming a 10% adverse change in the underlying currency price, the potential change in fair value of foreign currency derivative instruments would be unfavorable by approximately \$28 million.

#### Interest Rates

Our debt under the Revolving Loan Facility, the Term Loan A and the ARS Facility bears interest at variable rates. As a result, we are exposed to changes in market interest rates that could impact the cost of servicing our debt. Approximately 60% of our total debt outstanding at December 31, 2022 is at a fixed rate. A 25-basis point movement in the annual interest rate charged on the outstanding debt balances as of December 31, 2022 would result in a change in annual interest expense of approximately \$4 million.

#### Commodity Prices

We are exposed to commodity price fluctuations primarily as a result of the cost of materials that are used in our manufacturing process. Cotton is the primary raw material used in manufacturing many of our products. Under our current agreements with our primary yarn suppliers, we have the ability to periodically fix the cotton cost component of our yarn purchases so that the suppliers bear the risk of cotton price fluctuation for the specified yarn volume and interim fluctuations in the price of cotton do not impact our costs. However, our business can be affected by sustained dramatic movements in cotton prices.

In addition, fluctuations in crude oil or petroleum prices may influence the prices of other raw materials we use to manufacture our products, such as chemicals, dyestuffs, polyester yarn and foam, as well as affect our transportation and utility costs. We generally purchase raw materials at market prices.

**Item 8. *Financial Statements and Supplementary Data***

Our consolidated financial statements required by this item are contained on pages F-1 through F-57 of this Annual Report on Form 10-K. See Item 15(a)(1) for a listing of consolidated financial statements provided.

**Item 9. *Changes in and Disagreements with Accountants on Accounting and Financial Disclosure***

None.

**Item 9A. *Controls and Procedures***

**Disclosure Controls and Procedures**

As required by Rule 13a-15(b) under the Exchange Act, our management, including our Chief Executive Officer and Chief Financial Officer, conducted an evaluation of the effectiveness of our disclosure controls and procedures, as defined in Exchange Act Rule 13a-15(e), as of the end of the period covered by this report. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company's management, including its Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure. Based on their evaluation of our disclosure controls and procedures as of December 31, 2022, our Chief Executive Officer and Chief Financial Officer concluded that, as of such date, our disclosure controls and procedures were effective.

**Internal Control over Financial Reporting**

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Exchange Act Rule 13a-15(f). Management's annual report on internal control over financial reporting and the report of independent registered public accounting firm are incorporated by reference to pages F-2 and F-3 of this Annual Report on Form 10-K.

**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 Financial Officer, concluded that no changes in our internal control over financial reporting occurred during the quarter ended December 31, 2022 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

**Item 9B. *Other Information***

None.

#### **Item 10. *Directors, Executive Officers and Corporate Governance***

The material under the heading “Proposal 1 - Election of Directors: Nominees for Election as Directors for a One-Year Term Expiring in 2023,” “Proposal 1 - Election of Directors: Other Governance Information - Code of Ethics,” “Proposal 1 - Election of Directors: Board Structure and Processes - Committees of the Board of Directors” and “Proposal 1 - Election of Directors: How We Select our Directors - Director Independence,” each as included and to be filed in the Company’s definitive Proxy Statement for the 2023 Annual Meeting of Stockholders (the “2023 Proxy Statement”), is incorporated by reference herein in response to this Item. Certain information concerning the Company’s executive officers is included in Item 1C of this Annual Report on Form 10-K.

#### **Item 11. *Executive Compensation***

The material under the heading “Proposal 3 - Advisory Vote to Approve Named Executive Officer Compensation: Compensation Discussion and Analysis,” “Proposal 3 - Advisory Vote to Approve Named Executive Officer Compensation: Executive Compensation,” “Proposal 1 - Election of Directors: Board Structure and Processes - Committees of the Board of Directors - Compensation Committee Interlocks and Insider Participation,” and “Proposal 3 - Advisory Vote to Approve Named Executive Officer Compensation: Compensation Committee Report,” each as included and to be filed in the 2023 Proxy Statement, is incorporated by reference herein in response to this Item.

#### **Item 12. *Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters***

The material under the heading “Equity Compensation Plan Information” as included in Item 5 of this Annual Report on Form 10-K and the material under the heading “Ownership of Our Stock: Share Ownership of Major Stockholders, Management and Directors” as included and to be filed in the 2023 Proxy Statement is incorporated by reference herein in response to this Item.

#### **Item 13. *Certain Relationships and Related Transactions, and Director Independence***

The material under the heading “Proposal 1 - Election of Directors: Other Governance Information - Related Person Transactions” and “Proposal 1 - Election of Directors: How We Select our Directors - Director Independence,” each as included and to be filed in the 2023 Proxy Statement, is incorporated by reference herein in response to this Item.

#### **Item 14. *Principal Accountant Fees and Services***

The material under the heading “Proposal 2 - Ratification of Appointment of Independent Registered Public Accounting Firm: Relationship with Independent Registered Public Accounting Firm” as included and to be filed in the 2023 Proxy Statement is incorporated by reference herein in response to this Item.

**Item 15. Exhibits and Financial Statement Schedules****(a)(1) Financial Statements**

The financial statements listed in the accompanying Index to Consolidated Financial Statements on page F-1 are filed as part of this Annual Report on Form 10-K.

**(a)(3) Exhibits**

<u>Exhibit Number</u>	<u>Description</u>
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. as amended on September 29, 2022 (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 30, 2022).
4.1	Description of Securities (incorporated by reference from Exhibit 4.1 to the Registrant's Annual Report on Form 10-K filed with the Securities and Exchange Commission on February 12, 2021).
4.2	Indenture, dated May 6, 2016, among Hanesbrands Inc., the subsidiary guarantors named therein and U.S. Bank National Association (incorporated by reference from Exhibit 4.1 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on May 6, 2016).
4.3	Indenture, dated June 3, 2016, among Hanesbrands Finance Luxembourg S.C.A., Hanesbrands Inc., the other guarantors named therein, U.S. Bank Trustees Limited, as Trustee, Elavon Financial Services Limited, UK Branch, as Paying Agent and Transfer Agent, and Elavon Financial Services Limited, as Registrar (incorporated by reference from Exhibit 4.1 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on June 3, 2016).
10.1	Hanesbrands Inc. Omnibus Incentive Plan (As Amended and Restated) (incorporated by reference from Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on April 4, 2013).*
10.2	First Amendment of Hanesbrands Inc. Omnibus Incentive Plan (As Amended and Restated) (incorporated by reference from Exhibit 10.2 to the Registrant's Annual Report on Form 10-K filed with the Securities and Exchange Commission on February 11, 2019).*

<u>Exhibit Number</u>	<u>Description</u>
10.3	Second Amendment of Hanesbrands Inc. Omnibus Incentive Plan (As Amended and Restated) (incorporated by reference from Exhibit 10.3 to the Registrant's Annual Report on Form 10-K filed with the Securities and Exchange Commission on February 11, 2019).*
10.4	Form of Calendar Year Grant Restricted Stock Unit Grant Notice and Agreement under the Hanesbrands Inc. Omnibus Incentive Plan (As Amended and Restated) (incorporated by reference from Exhibit 10.6 to the Registrant's Annual Report on Form 10-K filed with the Securities and Exchange Commission on February 11, 2020).*
10.5	Form of Discretionary Grant Restricted Stock Unit Grant Notice and Agreement under the Hanesbrands Inc. Omnibus Incentive Plan (As Amended and Restated) (incorporated by reference from Exhibit 10.8 to the Registrant's Annual Report on Form 10-K filed with the Securities and Exchange Commission on February 11, 2020).*
10.6	Form of Performance Stock Award Grant Notice and Agreement under the Hanesbrands Inc. Omnibus Incentive Plan (As Amended and Restated) (incorporated by reference from Exhibit 10.10 to the Registrant's Annual Report on Form 10-K filed with the Securities and Exchange Commission on February 11, 2020).*
10.7	Form of Non-Employee Director Restricted Stock Unit Grant Notice and Agreement under the Hanesbrands Inc. Omnibus Incentive Plan (As Amended and Restated) (incorporated by reference from Exhibit 10.7 to the Registrant's Annual Report on Form 10-K filed with the Securities and Exchange Commission on February 6, 2014).*
10.8	Hanesbrands Inc. 2020 Omnibus Incentive Plan (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed with the Securities Exchange Commission on April 29, 2020).*
10.9	Form of Calendar Year Grant Restricted Stock Unit Grant Notice and Agreement under the Hanesbrands Inc. 2020 Omnibus Incentive Plan (incorporated by reference from Exhibit 10.9 to the Registrant's Annual Report on Form 10-K filed with the Securities and Exchange Commission on February 16, 2022).*
10.10	Form of Discretionary Grant Restricted Stock Unit Grant Notice and Agreement under the Hanesbrands Inc. 2020 Omnibus Incentive Plan (incorporated by reference from Exhibit 10.10 to the Registrant's Annual Report on Form 10-K filed with the Securities and Exchange Commission on February 16, 2022).*
10.11	Form of Performance Stock Award Grant Notice and Agreement under the Hanesbrands Inc. 2020 Omnibus Incentive Plan (incorporated by reference from Exhibit 10.11 to the Registrant's Annual Report on Form 10-K filed with the Securities and Exchange Commission on February 16, 2022).*
10.12	Form of Non-Employee Director Restricted Stock Unit Grant Notice and Agreement under the Hanesbrands Inc. 2020 Omnibus Incentive Plan (incorporated by reference from Exhibit 10.15 to the Registrant's Annual Report on Form 10-K filed with the Securities and Exchange Commission on February 12, 2021).*
10.13	Inducement Restricted Stock Unit Grant Notice and Agreement with Stephen B. Bratspies (incorporated by reference to Exhibit 4.6 to the Registrant's Registration Statement on Form S-8 (Commission file number 333-240312) filed with the Securities and Exchange Commission on August 3, 2020).*
10.14	Inducement Performance Stock Unit Grant Notice and Agreement with Stephen B. Bratspies (incorporated by reference to Exhibit 4.7 to the Registrant's Registration Statement on Form S-8 (Commission file number 333-240312) filed with the Securities and Exchange Commission on August 3, 2020).*
10.15	Inducement Stock Option Grant Notice and Agreement with Stephen B. Bratspies (incorporated by reference to Exhibit 4.8 to the Registrant's Registration Statement on Form S-8 (Commission file number 333-240312) filed with the Securities and Exchange Commission on August 3, 2020).*
10.16	Inducement Sign-On Restricted Stock Unit Grant Notice and Agreement with Kristin Oliver (incorporated by reference to Exhibit 4.6 to the Registrant's Registration Statement on Form S-8 (Commission file number 333-248667) filed with the Securities and Exchange Commission on September 8, 2020).*

<u>Exhibit Number</u>	<u>Description</u>
10.17	Inducement Long-Term Incentive Plan Restricted Stock Unit Grant Notice and Agreement with Kristin Oliver (incorporated by reference to Exhibit 4.7 to the Registrant's Registration Statement on Form S-8 (Commission file number 333-248667) filed with the Securities and Exchange Commission on September 8, 2020).*
10.18	Inducement Long-Term Incentive Plan Performance Stock Unit Grant Notice and Agreement with Kristin Oliver (incorporated by reference to Exhibit 4.8 to the Registrant's Registration Statement on Form S-8 (Commission file number 333-248667) filed with the Securities and Exchange Commission on September 8, 2020).*
10.19	Hanesbrands Inc. Supplemental Employee Retirement Plan (incorporated by reference from Exhibit 10.8 to the Registrant's Annual Report on Form 10-K filed with the Securities and Exchange Commission on February 9, 2010).*
10.20	Hanesbrands Inc. Annual Incentive Plan for Section 16 Officers (incorporated by reference from Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on January 30, 2020).*
10.21	Hanesbrands Inc. Executive Deferred Compensation Plan, as amended (incorporated by reference from Exhibit 10.11 to the Registrant's Annual Report on Form 10-K filed with the Securities and Exchange Commission on February 6, 2014).*
10.22	First Amendment to Hanesbrands Inc. Executive Deferred Compensation Plan, as amended (incorporated by reference from Exhibit 10.16 to the Registrant's Annual Report on Form 10-K filed with the Securities and Exchange Commission on February 11, 2019).*
10.23	Second Amendment to Hanesbrands Inc. Executive Deferred Compensation Plan, as amended (incorporated by reference from Exhibit 10.17 to the Registrant's Annual Report on Form 10-K filed with the Securities and Exchange Commission on February 11, 2019).*
10.24	Hanesbrands Inc. Executive Life Insurance Plan (incorporated by reference from Exhibit 10.10 to the Registrant's Annual Report on Form 10-K filed with the Securities and Exchange Commission on February 11, 2009).*
10.25	Hanesbrands Inc. Executive Long-Term Disability Plan (incorporated by reference from Exhibit 10.11 to the Registrant's Annual Report on Form 10-K filed with the Securities and Exchange Commission on February 11, 2009).*
10.26	Hanesbrands Inc. Employee Stock Purchase Plan of 2006, as amended (incorporated by reference from Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on April 29, 2010).*
10.27	Hanesbrands Inc. Non-Employee Director Deferred Compensation Plan (incorporated by reference from Exhibit 10.13 to the Registrant's Annual Report on Form 10-K filed with the Securities and Exchange Commission on February 11, 2009).*
10.28	First Amendment to Hanesbrands Inc. Non-Employee Director Deferred Compensation Plan (incorporated by reference from Exhibit 99.3 to the Registrant's Registration Statement on Form S-8 filed with the Securities and Exchange Commission on November 4, 2016).*
10.29	Second Amendment to Hanesbrands Inc. Non-Employee Director Deferred Compensation Plan (incorporated by reference from Exhibit 10.23 to the Registrant's Annual Report on Form 10-K filed with the Securities and Exchange Commission on February 11, 2019).*
10.30	Form of Severance/Change in Control Agreement entered into by and between Hanesbrands Inc. and certain of its executive officers and schedule of all such agreements with current executive officers.*
10.31	Severance/Change in Control Agreement dated August 3, 2020 between Hanesbrands Inc. and Stephen B. Bratspies (incorporated by reference from Exhibit 10.38 to the Registrant's Annual Report on Form 10-K filed with the Securities and Exchange Commission on February 12, 2021).*

<u>Exhibit Number</u>	<u>Description</u>
10.32	Fifth Amended and Restated Credit Agreement (the “Fifth Amended Credit Agreement”) by and among Hanesbrands Inc., MFB International Holdings S.à r.l., HBI Holdings Australasia Pty Ltd (f/k/a HBI Australia Acquisition Co. Pty Ltd.) and the various financial institutions from time to time party to the Fifth Amended Credit Agreement as lenders, Bank of America, N.A., Barclays Bank PLC, HSBC Bank USA, N.A., PNC Bank, National Association, Truist Bank, N.A. and Wells Fargo Bank, N.A., as the co-syndication agents, Fifth Third Bank, National Association, The Bank of Nova Scotia, MUFG Securities Americas Inc. and Goldman Sachs Bank USA, as the co-documentation agents, JPMorgan Chase Bank, N.A., as the administrative agent and the collateral agent, and JPMorgan Chase Bank, N.A., BOFA Securities, Inc., Barclays Bank PLC, HSBC Securities (USA) Inc., PNC Capital Markets LLC, Truist Securities Inc., and Wells Fargo Securities, LLC, as the joint lead arrangers and joint bookrunners (incorporated by reference to Exhibit 10.1 to the Registrant’s Current Report on Form 8-K filed with the Securities and Exchange Commission on November 23, 2021).
10.33	First Amendment, dated October 31, 2022, to the Fifth Amended and Restated Credit Agreement among Hanesbrands Inc., MFB International Holdings S.à r.l., HBI Australia Acquisition Co. Pty Ltd, the lenders party thereto from time to time and JPMorgan Chase Bank N.A., as the administrative agent and the collateral agent (incorporated by reference from Exhibit 10.1 to the Registrant’s Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on November 9, 2022).
10.34	Second Amendment, dated November 4, 2022, to the Fifth Amended and Restated Credit Agreement among Hanesbrands Inc., MFB International Holdings S.à r.l., HBI Australia Acquisition Co. Pty Ltd, the lenders party thereto from time to time and JPMorgan Chase Bank N.A., as the administrative agent and the collateral agent (incorporated by reference from Exhibit 10.2 to the Registrant’s Quarterly report on Form 10-Q filed with the Securities and Exchange Commission on November 9, 2022).
10.35	Third Amendment to Hanesbrands Inc. Non-Employee Director Deferred Compensation Plan.*
10.36	Fourth Amendment to Hanesbrands Inc. Non-Employee Director Deferred Compensation Plan.*
10.37	Hanesbrands Inc. Legacy Pension Plan.*
10.38	Master Receivables Purchase Agreement, dated as of December 11, 2019, by and among Hanesbrands Inc., Knights Apparel LLC, GFSI LLC, CC Products LLC, Alternative Apparel, Inc., the other sellers and servicers from time to time party thereto, and MUFG Bank, LTD., as Buyer.
10.39	Amendment No. 1, dated as of June 19, 2020, to Master Receivables Purchase Agreement, by and among Hanesbrands Inc., Knights Apparel LLC, GFSI LLC, CC Products LLC, Alternative Apparel, Inc. and MUFG Bank, LTD.
10.40	Amendment No. 2, dated as of December 2, 2022, to Master Receivables Purchase Agreement, by and among Hanesbrands Inc., Knights Apparel LLC, GFSI LLC, CC Products LLC, Alternative Apparel, Inc. and MUFG Bank, LTD.

<u>Exhibit Number</u>	<u>Description</u>
10.41	Retention Award Agreement with M. Scott Lewis.*
21.1	Subsidiaries of the Registrant.
23.1	Consent of PricewaterhouseCoopers LLP.
24.1	Powers of Attorney (included on the signature pages hereto).
31.1	Certification of Stephen B. Bratspies, Chief Executive Officer.
31.2	Certification of Michael P. Dastugue, Chief Financial Officer.
32.1	Section 1350 Certification of Stephen B. Bratspies, Chief Executive Officer.
32.2	Section 1350 Certification of Michael P. Dastugue, Chief 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 (embedded within the Inline XBRL document and contained in Exhibit 101)

\* Management contract or compensatory plans or arrangements.

**Item 16. Form 10-K Summary**

Not applicable.



**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this Form 10-K to be signed on its behalf by the undersigned, thereunto duly authorized, on February 7, 2023.

HANESBRANDS INC.

/s/ Stephen B. Bratspies

\_\_\_\_\_  
Stephen B. Bratspies

Chief Executive Officer

## POWER OF ATTORNEY

KNOW BY ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints jointly and severally, Stephen B. Bratspies, Michael P. Dastugue and Tracy M. Preston, and each one of them, his or her attorneys-in-fact, each with the power of substitution, for him or her in any and all capacities, to sign any and all amendments to this Annual Report on Form 10-K and to file the same, with exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, hereby ratifying and confirming all that each said attorneys-in-fact, or his or her substitute or substitutes, may do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this Annual Report on Form 10-K has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated:

<u>Signature</u>	<u>Capacity</u>	<u>Date</u>
<u>/s/ Stephen B. Bratspies</u> Stephen B. Bratspies	Chief Executive Officer (principal executive officer)	February 7, 2023
<u>/s/ Michael P. Dastugue</u> Michael P. Dastugue	Chief Financial Officer (principal financial officer)	February 7, 2023
<u>/s/ M. Scott Lewis</u> M. Scott Lewis	Chief Accounting Officer and Controller (principal accounting officer)	February 7, 2023
<u>/s/ Cheryl K. Beebe</u> Cheryl K. Beebe	Director	February 7, 2023
<u>/s/ Geralyn R. Breig</u> Geralyn R. Breig	Director	February 7, 2023
<u>/s/ Bobby J. Griffin</u> Bobby J. Griffin	Director	February 7, 2023
<u>/s/ James C. Johnson</u> James C. Johnson	Director	February 7, 2023
<u>/s/ Franck J. Moison</u> Franck J. Moison	Director	February 7, 2023
<u>/s/ Robert F. Moran</u> Robert F. Moran	Director	February 7, 2023
<u>/s/ Ronald L. Nelson</u> Ronald L. Nelson	Director	February 7, 2023
<u>/s/ William S. Simon</u> William S. Simon	Director	February 7, 2023
<u>/s/ Ann E. Ziegler</u> Ann E. Ziegler	Director	February 7, 2023

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# Index to Consolidated Financial Statements Hanesbrands Inc.

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**Hanesbrands Inc.****Management's Report on Internal Control Over Financial Reporting**

Management of Hanesbrands Inc. ("Hanesbrands") is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rule 13a-15(f) under the Exchange Act. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted. Hanesbrands' internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of Hanesbrands; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States, and that receipts and expenditures of Hanesbrands are being made only in accordance with authorizations of management and directors of Hanesbrands; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of Hanesbrands' assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate. Management has evaluated the effectiveness of Hanesbrands' internal control over financial reporting as of December 31, 2022, based upon criteria for effective internal control over financial reporting described in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Based on this evaluation, management concluded that Hanesbrands' internal control over financial reporting was effective as of December 31, 2022.

The effectiveness of our internal control over financial reporting as of December 31, 2022 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report, which is included on the following pages.

## Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of Hanesbrands Inc.

### *Opinions on the Financial Statements and Internal Control over Financial Reporting*

We have audited the accompanying consolidated balance sheets of Hanesbrands Inc. and its subsidiaries (the “Company”) as of December 31, 2022 and January 1, 2022, and the related consolidated statements of income, of comprehensive income, of stockholders’ equity and of cash flows for each of the three years in the period ended December 31, 2022, including the related notes (collectively referred to as the “consolidated financial statements”). We also have audited the Company’s internal control over financial reporting as of December 31, 2022, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and January 1, 2022, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2022 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2022, based on criteria established in Internal Control - Integrated Framework (2013) issued by the COSO.

### *Basis for Opinions*

The Company’s management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management’s Report on Internal Control over Financial Reporting. Our responsibility is to express opinions on the Company’s consolidated financial statements and on the Company’s internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

### *Emphasis of Matter*

As discussed in Note 12 to the consolidated financial statements, *Debt*, the Company has approximately \$1.4 billion of outstanding debt that is due in the second quarter of 2024.

### *Definition and Limitations of Internal Control over Financial Reporting*

A company’s internal control over financial reporting is a process designed 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. A company’s internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

### ***Critical Audit Matters***

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that (i) relates to accounts or disclosures that are material to the consolidated financial statements and (ii) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

#### *Impairment Assessments – Goodwill of Certain Reporting Units and Indefinite-Lived Trademarks*

As described in Notes 2 and 11 to the consolidated financial statements, the Company's goodwill and indefinite-lived trademarks balances were \$1,109 million and \$1,143 million, respectively, as of December 31, 2022. These assets are assessed for impairment at least annually, as of the first day of the Company's third fiscal quarter, and as triggering events occur. The impairment test consists of comparing the fair value of the reporting unit or intangible asset, which is determined using the income approach, to its carrying value. If the carrying value exceeds the fair value of the asset, an impairment loss is recognized in an amount equal to such excess. Fair values of reporting units and intangible assets are primarily based on future cash flows projected to be generated from that asset. In performing the discounted cash flow analysis, management makes various judgments, estimates and assumptions, the most significant of which are the assumptions related to revenue growth rates, operating profit margin rates, terminal growth rates, and discount rates. Rates used to discount cash flows are dependent upon interest rates and the cost of capital at a point in time.

The principal considerations for our determination that performing procedures relating to the impairment assessments for goodwill of certain reporting units and indefinite-lived trademarks is a critical audit matter are (i) the significant judgment by management when developing the fair value measurement of certain reporting units and indefinite-lived trademarks; (ii) a high degree of auditor judgment, subjectivity and effort in performing procedures and evaluating management's significant assumptions related to the revenue growth rates, operating profit margin rates, and discount rates; and (iii) the audit effort involved the use of professionals with specialized skill and knowledge.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to management's goodwill and indefinite-lived trademarks impairment assessments, including controls over the valuation of the Company's reporting units and indefinite-lived trademarks. These procedures also included, among others (i) testing management's process for developing the fair value estimate of certain reporting units and indefinite-lived trademarks; (ii) evaluating the appropriateness of the discounted cash flow analysis; (iii) testing the completeness and accuracy of underlying data used in the analysis; and (iv) evaluating the significant assumptions used by management related to the revenue growth rates, operating profit margin rates, and discount rates. Evaluating management's assumptions related to revenue growth rates and operating profit margin rates involved evaluating whether the assumptions were reasonable considering (i) the current and past performance of the reporting units and branded products associated with the trademarks; (ii) the consistency with external market and industry data; and (iii) whether these assumptions were consistent with evidence obtained in other areas of the audit. Professionals with specialized skill and knowledge were used to assist in the evaluation of the discount rates assumption.

/s/ PricewaterhouseCoopers LLP  
Greensboro, North Carolina  
February 7, 2023

We have served as the Company's auditor since 2006.

## HANESBRANDS INC.

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

	Years Ended		
	December 31, 2022	January 1, 2022	January 2, 2021
Net sales	\$ 6,233,650	\$ 6,801,240	\$ 6,127,161
Cost of sales	4,012,542	4,149,541	4,524,461
Gross profit	2,221,108	2,651,699	1,602,700
Selling, general and administrative expenses	1,701,563	1,853,971	1,560,034
Operating profit	519,545	797,728	42,666
Other expenses	9,734	53,586	20,655
Interest expense, net	157,073	163,067	164,238
Income (loss) from continuing operations before income tax expense	352,738	581,075	(142,227)
Income tax expense (benefit)	483,907	60,107	(109,940)
Income (loss) from continuing operations	(131,169)	520,968	(32,287)
Income (loss) from discontinued operations, net of tax	3,965	(443,744)	(43,292)
Net income (loss)	\$ (127,204)	\$ 77,224	\$ (75,579)
Earnings (loss) per share - basic:			
Continuing operations	\$ (0.37)	\$ 1.48	\$ (0.09)
Discontinued operations	0.01	(1.26)	(0.12)
Net income (loss)	\$ (0.36)	\$ 0.22	\$ (0.21)
Earnings (loss) per share - diluted:			
Continuing operations	\$ (0.37)	\$ 1.48	\$ (0.09)
Discontinued operations	0.01	(1.26)	(0.12)
Net income (loss)	\$ (0.36)	\$ 0.22	\$ (0.21)

See accompanying notes to Consolidated Financial Statements.

## HANESBRANDS INC.

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

	Years Ended		
	December 31, 2022	January 1, 2022	January 2, 2021
Net income (loss)	\$ (127,204)	\$ 77,224	\$ (75,579)
Other comprehensive income (loss):			
Translation adjustments	(94,802)	(81,181)	104,318
Unrealized gain (loss) on qualifying cash flow hedges, net of tax of \$(226), \$(9,170), and \$6,870, respectively	3,239	22,612	(24,454)
Unrecognized income (loss) from pension and postretirement plans, net of tax of \$(650), \$(25,644), and \$10,195, respectively	131,158	73,925	(29,175)
Total other comprehensive income (loss)	39,595	15,356	50,689
Comprehensive income (loss)	<u>\$ (87,609)</u>	<u>\$ 92,580</u>	<u>\$ (24,890)</u>

See accompanying notes to Consolidated Financial Statements.



## HANESBRANDS INC.

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

	December 31, 2022	January 1, 2022
<b>Assets</b>		
Cash and cash equivalents	\$ 238,413	\$ 536,277
Trade accounts receivable, net	721,396	894,151
Inventories	1,979,672	1,584,015
Other current assets	178,946	186,503
Current assets held for sale	13,327	327,157
Total current assets	<u>3,131,754</u>	<u>3,528,103</u>
Property, net	442,404	441,401
Right-of-use assets	414,894	363,854
Trademarks and other identifiable intangibles, net	1,255,693	1,220,170
Goodwill	1,108,907	1,133,095
Deferred tax assets	20,162	327,804
Other noncurrent assets	130,062	57,009
Total assets	<u>\$ 6,503,876</u>	<u>\$ 7,071,436</u>
<b>Liabilities and Stockholders' Equity</b>		
Accounts payable	\$ 917,481	\$ 1,214,847
Accrued liabilities and other:		
Payroll and employee benefits	85,392	155,859
Advertising and promotion	168,717	241,555
Other	243,919	263,364
Lease liabilities	114,794	109,526
Accounts Receivable Securitization Facility	209,500	—
Current portion of long-term debt	37,500	25,000
Current liabilities held for sale	13,327	316,902
Total current liabilities	<u>1,790,630</u>	<u>2,327,053</u>
Long-term debt	3,612,077	3,326,091
Lease liabilities - noncurrent	326,644	281,852
Pension and postretirement benefits	116,167	248,518
Other noncurrent liabilities	260,094	185,429
Total liabilities	<u>6,105,612</u>	<u>6,368,943</u>
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 — 349,009,147 and 349,903,253, respectively	3,490	3,499
Additional paid-in capital	334,676	315,337
Retained earnings	572,106	935,260
Accumulated other comprehensive loss	(512,008)	(551,603)
Total stockholders' equity	<u>398,264</u>	<u>702,493</u>
Total liabilities and stockholders' equity	<u>\$ 6,503,876</u>	<u>\$ 7,071,436</u>

See accompanying notes to Consolidated Financial Statements.

## HANESBRANDS INC.

**Consolidated Statements of Stockholders' Equity**  
(in thousands, except per share data)

	Common Stock		Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total
	Shares	Amount				
<b>Balances at December 28, 2019</b>	<b>362,449</b>	<b>\$ 3,624</b>	<b>\$ 304,395</b>	<b>\$ 1,546,224</b>	<b>\$ (617,648)</b>	<b>\$ 1,236,595</b>
Net loss	—	—	—	(75,579)	—	(75,579)
Dividends (\$0.60 per common share)	—	—	—	(213,230)	—	(213,230)
Other comprehensive income	—	—	—	—	50,689	50,689
Stock-based compensation	—	—	18,664	—	—	18,664
Net exercise of stock options, vesting of restricted stock units and other	817	9	(2,921)	—	—	(2,912)
Share repurchases	(14,464)	(145)	(12,255)	(187,869)	—	(200,269)
<b>Balances at January 2, 2021</b>	<b>348,802</b>	<b>\$ 3,488</b>	<b>\$ 307,883</b>	<b>\$ 1,069,546</b>	<b>\$ (566,959)</b>	<b>\$ 813,958</b>
Net income	—	—	—	77,224	—	77,224
Dividends (\$0.60 per common share)	—	—	—	(211,510)	—	(211,510)
Other comprehensive income	—	—	—	—	15,356	15,356
Stock-based compensation	—	—	16,290	—	—	16,290
Net exercise of stock options, vesting of restricted stock units and other	1,101	11	(8,836)	—	—	(8,825)
<b>Balances at January 1, 2022</b>	<b>349,903</b>	<b>\$ 3,499</b>	<b>\$ 315,337</b>	<b>\$ 935,260</b>	<b>\$ (551,603)</b>	<b>\$ 702,493</b>
Net loss	—	—	—	(127,204)	—	(127,204)
Dividends (\$0.60 per common share)	—	—	—	(212,375)	—	(212,375)
Other comprehensive income	—	—	—	—	39,595	39,595
Stock-based compensation	—	—	23,157	—	—	23,157
Net exercise of stock options, vesting of restricted stock units and other	683	7	(2,391)	—	—	(2,384)
Share repurchases	(1,577)	(16)	(1,427)	(23,575)	—	(25,018)
<b>Balances at December 31, 2022</b>	<b>349,009</b>	<b>\$ 3,490</b>	<b>\$ 334,676</b>	<b>\$ 572,106</b>	<b>\$ (512,008)</b>	<b>\$ 398,264</b>

See accompanying notes to Consolidated Financial Statements.

## HANESBRANDS INC.

Consolidated Statements of Cash Flows  
(in thousands)

	Years Ended		
	December 31, 2022 <sup>(1)</sup>	January 1, 2022 <sup>(1)</sup>	January 2, 2021 <sup>(1)</sup>
<b>Operating activities:</b>			
Net income (loss)	\$ (127,204)	\$ 77,224	\$ (75,579)
Adjustments to reconcile net income (loss) to net cash from operating activities:			
Depreciation	76,294	81,669	95,759
Amortization of acquisition intangibles	18,204	20,390	24,718
Other amortization	11,769	12,139	11,969
Inventory write-down charges	—	—	584,671
Impairment of intangible assets and goodwill	—	163,047	45,492
(Gain) loss on sale of business and classification of assets held for sale	(3,162)	312,359	—
Loss on extinguishment of debt	—	43,739	—
Amortization of debt issuance costs	7,300	12,305	11,565
Stock compensation expense	23,457	16,630	18,969
Deferred taxes	388,607	3,934	(161,215)
Other	7,511	(2,084)	8,501
Changes in assets and liabilities:			
Accounts receivable	154,145	(181,173)	(6,945)
Inventories	(437,641)	(293,455)	(136,057)
Other assets	(107,742)	(40,636)	(1,144)
Accounts payable	(241,557)	368,753	(32,641)
Accrued pension and postretirement benefits	(2,023)	(40,768)	(18,832)
Accrued liabilities and other	(126,760)	69,336	79,238
Net cash from operating activities	(358,802)	623,409	448,469
<b>Investing activities:</b>			
Capital expenditures	(112,122)	(69,272)	(53,735)
Purchase of trademarks	(103,000)	—	—
Proceeds from sales of assets	157	2,809	671
Other	(1,463)	14,008	11,982
Net cash from investing activities	(216,428)	(52,455)	(41,082)
<b>Financing activities:</b>			
Borrowings on Term Loan Facilities	—	1,000,000	—
Repayments on Term Loan Facilities	(25,000)	(925,000)	—
Borrowings on Accounts Receivable Securitization Facility	1,840,389	—	227,061
Repayments on Accounts Receivable Securitization Facility	(1,630,889)	—	(227,061)
Borrowings on Revolving Loan Facilities	1,792,000	—	1,638,000
Repayments on Revolving Loan Facilities	(1,439,500)	—	(1,756,189)
Borrowings on Senior Notes	—	—	700,000
Repayments on Senior Notes	—	(700,000)	—
Borrowings on International Debt	—	—	31,222
Repayments on International Debt	—	—	(36,383)
Borrowings on notes payable	21,454	149,287	234,682
Repayments on notes payable	(21,713)	(149,739)	(239,008)
Share repurchases	(25,018)	—	(200,269)
Cash dividends paid	(209,312)	(209,484)	(210,385)
Payments to amend and refinance credit facilities	(3,159)	(43,186)	(15,018)
Other	(3,423)	(9,898)	(4,483)
Net cash from financing activities	295,829	(888,020)	142,169
Effect of changes in foreign exchange rates on cash	(42,815)	(32,908)	31,124
Change in cash, cash equivalents and restricted cash	(322,216)	(349,974)	580,680
Cash, cash equivalents and restricted cash at beginning of year	560,629	910,603	329,923
Cash, cash equivalents and restricted cash at end of year	238,413	560,629	910,603
Less restricted cash at end of year	—	—	1,166
Cash and cash equivalents at end of year	\$ 238,413	\$ 560,629	\$ 909,437
<b>Balances included in the Consolidated Balance Sheets:</b>			
Cash and cash equivalents	\$ 238,413	\$ 536,277	\$ 900,615
Cash and cash equivalents included in current assets held for sale	—	24,352	8,822
Cash and cash equivalents at end of year	\$ 238,413	\$ 560,629	\$ 909,437

- (1) The cash flows related to discontinued operations have not been segregated and remain included in the major classes of assets and liabilities in the periods prior to the sale of the European Innerwear business on March 5, 2022. Accordingly, the Consolidated Statements of Cash Flows include the results of continuing and discontinued operations.

See accompanying notes to Consolidated Financial Statements.

## HANESBRANDS INC.

**Notes to Consolidated Financial Statements**  
**Years ended December 31, 2022, January 1, 2022 and January 2, 2021**  
**(amounts in thousands, except per share data)**

**(1) Basis of Presentation**

Hanesbrands Inc., a Maryland corporation (the “Company”), is a consumer goods company with a portfolio of leading apparel brands, including *Hanes*, *Champion*, *Bonds*, *Maidenform*, *Bali*, *Playtex*, *Bras N Things*, *JMS/Just My Size*, *Gear for Sports*, *Wonderbra*, *Berlei*, *Comfortwash*, and *Alternative*. The Company designs, manufactures, sources and sells a broad range of basic apparel such as T-shirts, bras, panties, shapewear, underwear, socks and activewear.

The Company’s fiscal year ends on the Saturday closest to December 31. All references to “2022”, “2021” and “2020” relate to the 52-week fiscal year ended on December 31, 2022 and January 1, 2022, and the 53-week fiscal year ended on January 2, 2021, respectively. Two subsidiaries of the Company close one day after the Company’s consolidated year end. The difference in reporting of financial information for these subsidiaries did not have a material impact on the Company’s financial condition, results of operations or cash flows.

***Business Strategy***

In late 2020, the Company undertook a comprehensive global business review focused on building consumer-centric growth. The review resulted in the Company’s Full Potential plan, which is its multi-year growth strategy that focuses on four pillars to drive growth and enhance long-term profitability and identifies the initiatives to unlock growth. The Company’s 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 its global portfolio.

In the fourth quarter of 2020, the Company began the implementation of its Full Potential plan and as part of its strategy to streamline its portfolio, the Company determined that its personal protective equipment (“PPE”) business was no longer a growth opportunity and recorded a charge of \$362,913 to write down its entire PPE inventory balance to its estimated net realizable value and a charge of \$26,400 to accrue for vendor commitments for PPE materials that were paid in 2021. Additionally, the Company commenced an initiative to reduce 20% of its SKUs in inventory in order to streamline product offerings while also implementing a formal lifecycle management process. As a result, the Company recorded a charge of \$192,704 to write down inventory to its estimated net realizable value taking into account these initiatives. These initiatives will position the Company for long-term growth by driving higher margin sales, lowering costs and improving service to customers.

In the first quarter of 2021, the Company announced that it reached the decision to exit its European Innerwear business as part of its strategy to streamline its portfolio under its Full Potential plan and determined that this business met held-for-sale and discontinued operations accounting criteria. Accordingly, the Company began to separately report the results of its European Innerwear business as discontinued operations in its Consolidated Statements of Income, and to present the related assets and liabilities as held for sale in the Consolidated Balance Sheets. On November 4, 2021, the Company announced that it reached an agreement to sell its European Innerwear business to an affiliate of Regent, L.P. and completed the sale on March 5, 2022. Unless otherwise noted, discussion within these notes to the consolidated financial statements relates to continuing operations. See Note “Assets and Liabilities Held for Sale” for additional information.

In addition, in the fourth quarter of 2021, the Company reached the decision to divest its U.S. Sheer Hosiery business, including the *L’eggs* brand, as part of its strategy to streamline its portfolio under its Full Potential plan and determined that this business met held-for-sale accounting criteria. The related assets and liabilities are presented as held for sale in the Consolidated Balance Sheets at December 31, 2022 and January 1, 2022. The operations of the U.S. Sheer Hosiery business are reported in “Other” for all periods presented in Note “Business Segment Information”. The Company is currently exploring potential purchasers for this business and expects to complete the sale within the next 12 months. See Note “Assets and Liabilities Held for Sale” for additional information.

***Ransomware Attack***

As previously disclosed, on May 24, 2022, the Company identified that it had become subject to a ransomware attack and activated its incident response and business continuity plans designed to contain the incident. As part of the Company’s forensic investigation and assessment of the impact, the Company determined that certain of its information technology systems were affected by the ransomware attack.

## HANESBRANDS INC.

**Notes to Consolidated Financial Statements — (Continued)**  
**Years ended December 31, 2022, January 1, 2022 and January 2, 2021**  
**(amounts in thousands, except per share data)**

Upon discovering the incident, the Company took a series of measures to further safeguard the integrity of its information technology systems, including working with cybersecurity experts to contain the incident and implementing business continuity plans to restore and support continued operations. These measures also included resecuring data, remediation of the malware across infected machines, rebuilding critical systems, global password reset and enhanced security monitoring. The Company notified appropriate law enforcement authorities as well as certain data protection regulators, and in addition to the Company's public announcements of the incident, the Company provided breach notifications and regulatory filings as required by applicable law starting in August 2022. At this time, the Company believes the incident has been contained, the Company has restored its critical information technology systems, and manufacturing, retail and other internal operations continue. There is no ongoing operational impact on the Company's ability to provide its products and services. The Company maintains insurance, including coverage for cyber-attacks, subject to certain deductibles and policy limitations, in an amount that the Company believes appropriate.

The Company is named in two pending lawsuits in connection with its previously disclosed ransomware incident. On October 7, 2022, a putative class action was filed against "Hanes Brands [sic], Inc." alleging, among other things, negligence, negligence per se, breach of implied contract, unjust enrichment, breach of implied covenant of good faith and fair dealing, unfair business practices under the California Business and Professions Code, and violations of the California Confidentiality of Medical Information Act in connection with the ransomware incident. The litigation is entitled, Roman v. Hanes Brands [sic], Inc., and is pending in the United States District Court for the Central District of California. Plaintiff Roman also subsequently filed a second putative class action with regard to the ransomware incident in the United States District Court for the Middle District of North Carolina on January 16, 2023, entitled Roman v. Hanesbrands,[sic] Inc., which was voluntarily dismissed without prejudice on January 20, 2023. On October 13, 2022, another putative class action was filed against HanesBrands Inc. alleging, among other things, negligence, negligence per se, breach of implied contract, invasion of privacy, and unjust enrichment in connection with the ransomware incident. The litigation is entitled, Toussaint v. HanesBrands,[sic] Inc. and is pending in the United States District Court for the Middle District of North Carolina. The pending lawsuits seek, among other things, monetary and injunctive relief. The Company is vigorously defending these matters and believes the cases are without merit. The Company does not expect any of these claims, individually or in the aggregate, to have a material adverse effect on its consolidated financial position or results of operations. However, at this early stage in the proceedings, the Company is not able to determine the probability of the outcome of these matters or a range of reasonably expected losses, if any. The Company maintains insurance, including coverage for cyber-attacks, subject to certain deductibles and policy limitations, in an amount that the Company believes appropriate.

During the year ended December 31, 2022, the Company incurred costs of \$15,427, net of expected insurance recoveries, related to the ransomware attack. The costs for the year ended December 31, 2022 included \$14,168 related primarily to supply chain disruptions, which are reflected in the "Cost of sales" line of the Consolidated Statements of Income and \$1,259, net of expected insurance recoveries, related primarily to legal, information technology and consulting fees, which are reflected in the "Selling, general and administrative expenses" line of the Consolidated Statements of Income. The Company continues to assess the security event and cannot determine, at this time, the full extent of the impact from such event on its business, results of operations or financial condition or whether such impact will ultimately have a material adverse effect.

### ***Financing Arrangements***

In November 2022 and in February 2023, given the economic conditions and the associated impact on earnings, the Company amended the credit agreement governing its Senior Secured Credit Facility to modify the financial covenants in order to avoid a potential covenant violation and to provide operating flexibility as described in Note "Debt".

## **(2) Summary of Significant Accounting Policies**

### ***(a) Consolidation***

The accompanying consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All intercompany balances and transactions have been eliminated in consolidation, except for certain intercompany sales and related profit and receivables from the Company's supply chain to the European Innerwear business, which is classified as discontinued operations in the consolidated financial statements and was sold on March 5, 2022. See Note "Assets and Liabilities Held for Sale" for additional information.

## HANESBRANDS INC.

**Notes to Consolidated Financial Statements — (Continued)**  
**Years ended December 31, 2022, January 1, 2022 and January 2, 2021**  
**(amounts in thousands, except per share data)**

***(b) Use of Estimates***

The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles (“GAAP”) requires management to make use of estimates and assumptions that affect the reported amount of assets and liabilities, certain financial statement disclosures at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results may vary from these estimates.

***(c) Foreign Currency Translation***

Foreign currency-denominated assets and liabilities are translated into U.S. dollars at exchange rates existing at the respective balance sheet dates. Translation adjustments resulting from fluctuations in exchange rates are recorded as a separate component of accumulated other comprehensive loss (“AOCI”) within stockholders’ equity. The Company translates the results of operations of its foreign operations at the average exchange rates during the respective periods. Gains and losses resulting from foreign currency transactions are included in both the “Cost of sales” and “Selling, general and administrative expenses” lines in the Consolidated Statements of Income.

***(d) Sales Recognition and Incentives***

The Company recognizes revenue 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. The Company records a sales reduction for returns and allowances based upon historical return experience. The Company earns royalty revenues 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 licensee. The Company offers a variety of sales incentives to resellers and consumers of its products, and the policies regarding the recognition and display of these incentives within the Consolidated Statements of Income are as follows:

***Discounts, Coupons, and Rebates***

The Company provides customers with discounts and rebates that are explicitly stated in the Company’s contracts and are recorded as a reduction of revenue in the period the product revenue is recognized. The cost of these incentives is estimated using a number of factors, including historical utilization and redemption rates. The Company includes incentives offered in the form of free products in the determination of cost of sales.

For all variable consideration, where appropriate, the Company estimates the amount using the expected value, which takes into consideration historical experience, current contractual requirements, specific known market events and forecasted customer buying and payment patterns. Overall, these reserves reflect the Company’s best estimates of the amount of consideration to which the customer is entitled based on the terms of the contracts.

***Volume-Based Incentives***

Volume-based incentives involve rebates or refunds of cash that are redeemable only if the customer completes a specified number of sales transactions. Under these incentive programs, the Company estimates the anticipated rebate to be paid and allocates a portion of the estimated cost of the rebate to each underlying sales transaction with the customer. The Company records volume-based incentives as a reduction of revenue.

***Cooperative Advertising***

Under cooperative advertising arrangements, the Company agrees to reimburse the retailer for a portion of the costs incurred by the retailer to advertise and promote certain of the Company’s products. The Company recognizes the cost of cooperative advertising programs in the period in which the advertising and promotional activity takes place as a reduction of revenue.

***Fixtures and Racks***

Store fixtures and racks are periodically used by resellers to display Company products. The Company expenses the cost of these fixtures and racks in the period in which they are delivered to the resellers. The Company includes the costs of fixtures

## HANESBRANDS INC.

**Notes to Consolidated Financial Statements — (Continued)**  
**Years ended December 31, 2022, January 1, 2022 and January 2, 2021**  
**(amounts in thousands, except per share data)**

and racks incurred by resellers and charged back to the Company in the determination of net sales. Fixtures and racks purchased by the Company and provided to resellers are included in the “Selling, general and administrative expenses” line in the Consolidated Statements of Income.

*Product Returns*

The Company generally offers customers a limited right of return for a purchased product. The Company estimates the amount of its product sales that may be returned by its customers and records this as a reduction of revenue in the period the related product revenue is recognized.

*(e) Advertising Expense*

Advertising represents one of several brand building methods used by the Company. Advertising costs, which include the development and production of advertising materials and the communication of these materials through various forms of media, are expensed in the period the advertising first takes place. The Company recognized advertising expense in the “Selling, general and administrative expenses” line in the Consolidated Statements of Income of \$208,881, \$208,998 and \$113,586 in 2022, 2021 and 2020, respectively.

*(f) Shipping and Handling Costs*

Revenue received for shipping and handling costs is included in net sales and was \$13,578, \$19,461 and \$18,943 in 2022, 2021 and 2020, respectively. Shipping costs, which comprise payments to third-party shippers, and handling costs, which consist of warehousing costs in the Company’s various distribution facilities, were \$415,989, \$447,131 and \$389,252 in 2022, 2021 and 2020, respectively. The Company recognizes shipping, handling and distribution costs in the “Selling, general and administrative expenses” line in the Consolidated Statements of Income.

*(g) Research and Development*

Research and development costs are expensed as incurred and are included in the “Selling, general and administrative expenses” line in the Consolidated Statements of Income. Research and development includes expenditures for new product, technological improvements for existing products and process innovation, which primarily consist of salaries, consulting and supplies attributable to time spent on research and development activities. Additional costs include depreciation and maintenance for research and development equipment and facilities. Research and development expense was \$38,911, \$39,320 and \$37,367 in 2022, 2021 and 2020, respectively.

*(h) Defined Contribution Benefit Plans*

The Company sponsors 401(k) plans as well as other defined contribution benefit plans. Expense for these plans was \$26,296, \$37,979 and \$34,720 in 2022, 2021 and 2020, respectively.

*(i) Cash and Cash Equivalents*

All highly liquid investments with an original maturity of three months or less at the time of purchase are considered to be cash equivalents. Cash that is subject to legal restrictions or is unavailable for general operating purposes is classified as restricted cash and is included within “Other current assets” in the Consolidated Balance Sheets.

As of January 2, 2021, an indemnification escrow balance of A\$1,517 (U.S. \$1,166) related to the Company’s 2018 acquisition of BNT Holdco Pty Limited was held in one of the Company’s bank accounts and classified as restricted cash in the “Other current assets” line in the Consolidated Balance Sheets. This balance was paid to the sellers in the second quarter of 2021. The Company had no restricted cash as of December 31, 2022 and January 1, 2022.

*(j) Accounts Receivable Valuation*

Accounts receivable are stated at their net realizable value. The allowance for doubtful accounts reflects the Company’s best estimate of probable losses inherent in the accounts receivable portfolio. Trade receivables are evaluated on a collection (pool) basis and aggregated on the basis of similar risk characteristics which are determined on the basis of historical losses, the aging of trade receivables, industry trends, and its customers’ financial strength, credit standing and payment and default history.

## HANESBRANDS INC.

**Notes to Consolidated Financial Statements — (Continued)**  
**Years ended December 31, 2022, January 1, 2022 and January 2, 2021**  
**(amounts in thousands, except per share data)**

***(k) Inventory Valuation***

Inventories are stated at the estimated lower of cost or net realizable value. Cost is determined by the first-in, first-out, or “FIFO”, method for inventories. Obsolete, damaged, and excess inventory is carried at the net realizable value, which is determined by assessing historical recovery rates, current market conditions and future marketing and sales plans. Rebates, discounts and other cash consideration received from a vendor related to inventory purchases are reflected as reductions in the cost of the related inventory item and are therefore reflected in cost of sales when the related inventory item is sold.

***(l) Property***

Property is stated at historical cost and depreciation expense is computed using the straight-line method over the estimated useful lives of the assets. Machinery and equipment is depreciated over periods ranging from one to 15 years and buildings and building improvements over periods of up to 40 years. A change in the depreciable life is treated as a change in accounting estimate and the accelerated depreciation is accounted for in the period of change and future periods. Additions and improvements that substantially extend the useful life of a particular asset and interest costs incurred during the construction period of major properties are capitalized. Repairs and maintenance costs are expensed as incurred. Upon sale or disposition of an asset, the cost and related accumulated depreciation are removed from the accounts.

Property is tested for recoverability whenever events or changes in circumstances indicate that its carrying value may not be recoverable. Such events include significant adverse changes in the business climate, several periods of operating or cash flow losses, forecasted continuing losses or a current expectation that an asset or an asset group will be disposed of before the end of its useful life. Recoverability of property is evaluated by a comparison of the carrying amount of an asset or asset group to future net undiscounted cash flows expected to be generated by the asset or asset group. If these comparisons indicate that an asset is not recoverable, the impairment loss recognized is the amount by which the carrying amount of the asset exceeds the estimated fair value. When an impairment loss is recognized for assets to be held and used, the adjusted carrying amount of those assets is depreciated over its remaining useful life. Restoration of a previously recognized impairment loss is not permitted under GAAP.

***(m) Leases***

The Company accounts for leases under the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2016-02, “Leases (Topic 842)”. The Company determines whether an arrangement is a lease at inception. At inception, a right of use asset and lease liability is recorded. The Company has operating leases for real estate (primarily retail stores and operating facilities) and certain equipment. The Company’s finance leases are not material. Leases with a term of 12 months or less are not recorded on the balance sheet; the Company recognizes lease expense for these leases on a straight-line basis over the lease term.

The exercise of lease renewal options is at the Company’s sole discretion. In general, for leased retail real estate, the Company will not include renewal options in the underlying lease term. However, if a situation arises where the lessor has control over the option periods, then the Company will include these periods within the lease term. The depreciable life of assets and leasehold improvements are limited by the expected lease term.

Certain of the Company’s lease agreements include rental payments based on a percentage of retail sales over contractual levels and others include rental payments adjusted periodically for inflation. The Company’s lease agreements do not contain any material residual value guarantees or material restrictive covenants.

As most of the Company’s leases do not provide an implicit rate, the Company uses its incremental borrowing rate based on the information available at the lease commencement date in determining the present value of lease payments.

In light of temporary store closures related to the COVID-19 pandemic, the Company took actions in 2020, 2021 and 2022 with respect to certain of its existing leases, including withholding rent payments and engaging with landlords to obtain rent deferrals and other rent concessions. Consistent with updated guidance from the FASB in April 2020, the Company elected to treat agreed-upon payment deferrals that resulted in the total payments required by the modified contract being substantially the same as total payments required by the contract as if there were no modifications to the lease contract. The Company elected to treat other agreed-upon rent concessions, which resulted in reduced minimum lease payments, as variable lease payments. For any agreed-upon rent concessions, which change the payment terms from minimum rental amounts to amounts



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based on a percentage of sales volume, the Company elected to treat such changes as lease modifications under the current lease guidance.

***(n) Trademarks and Other Identifiable Intangible Assets***

The primary identifiable intangible assets of the Company are trademarks, licensing agreements, customer and distributor relationships and computer software. Identifiable intangible assets with finite lives are amortized and those with indefinite lives are not amortized. The estimated useful life of a finite-lived intangible asset is based upon a number of factors, including the effects of demand, competition, expected changes in distribution channels and the level of maintenance expenditures required to obtain future cash flows. Trademarks determined to have finite lives are generally amortized over periods ranging from 10 to 20 years, license agreements are generally amortized over periods ranging from three to 15 years, customer and distributor relationships are generally amortized over periods ranging up to 15 years and computer software and other intangibles are generally amortized over periods ranging from one to 13 years.

Identifiable intangible assets that are subject to amortization are evaluated for impairment using a process similar to that used in evaluating elements of property. Identifiable intangible assets not subject to amortization are assessed for impairment at least annually, as of the first day of the third fiscal quarter, and as triggering events occur. The impairment test for identifiable intangible assets not subject to amortization consists of comparing the fair value of the intangible asset, which is determined using the income approach, to its carrying value. If the carrying value exceeds the fair value of the asset, an impairment loss is recognized in an amount equal to such excess. Fair values of intangible assets are primarily based on future cash flows projected to be generated from that asset. In performing the discounted cash flow analysis, management makes various judgments, estimates and assumptions, the most significant of which are the assumptions related to revenue growth rates, operating profit margin rates, terminal growth rates, and discount rates. Rates used to discount cash flows are dependent upon interest rates and the cost of capital at a point in time. There are inherent uncertainties related to these factors and management's judgment in applying them to the analysis of intangible asset impairment.

The Company capitalizes internal software development costs incurred during the application development stage, which include the actual costs to purchase software from vendors and generally include personnel and related costs for employees who were directly associated with the enhancement and implementation of purchased computer software. Additions to computer software are included in the "Capital expenditures" line in the Consolidated Statements of Cash Flows.

***(o) Goodwill***

Goodwill is the amount by which the purchase price exceeds the fair value of the assets acquired and liabilities assumed in a business combination. When a business combination is completed, the assets acquired and liabilities assumed are assigned to the reporting unit or units of the Company given responsibility for managing, controlling and generating returns on these assets and liabilities. In many instances, all of the acquired assets and assumed liabilities are assigned to a single reporting unit and in these cases, all of the goodwill is assigned to the same reporting unit. In those situations in which the acquired assets and liabilities are allocated to more than one reporting unit, the goodwill to be assigned to each reporting unit is determined in a manner similar to how the amount of goodwill recognized in a business combination is determined.

Goodwill is not amortized; however, it is assessed for impairment at least annually, as of the first day of the third quarter, and as triggering events occur. In evaluating the recoverability of goodwill, the Company estimates the fair value of its reporting units, which is determined using the income approach, and compares it to the carrying value. If the carrying value of the reporting unit exceeds its fair value, an impairment loss is recognized in an amount equal to such excess. Fair values of reporting units are primarily based on future cash flows projected to be generated from that business. In performing the discounted cash flow analysis, management makes various judgments, estimates and assumptions, the most significant of which are the assumptions related to revenue growth rates, operating profit margin rates, terminal growth rates, and discount rates. Rates used to discount cash flows are dependent upon interest rates and the cost of capital at a point in time. There are inherent uncertainties related to these factors and management's judgment in applying them to the analysis of goodwill impairment.

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***(p) Cloud Computing Arrangements***

The Company's cloud computing arrangements ("CCA") include software licenses purchased from external vendors. Software license costs, implementation costs incurred during the application development stage and other costs meeting certain criteria are capitalized while all other costs are expensed as incurred. These assets are included in computer software in the "Trademarks and other identifiable intangibles, net" line in the Consolidated Balance Sheets and amortize on a straight-line basis over their assessed useful lives. See Note "Intangible Assets and Goodwill" for additional information.

If a CCA does not include the purchase of a software license, the arrangement is accounted for as a service contract and the fees associated with the hosting service are expensed as incurred. These costs are included in prepaid assets in the "Other current assets" line in the Consolidated Balance Sheets. Implementation costs incurred during the application development stage as well as costs meeting certain criteria are capitalized and expensed on a straight-line basis over the term of the hosting contract. These assets are included in the "Other noncurrent assets" line in the Consolidated Balance Sheets. As of December 31, 2022, net capitalized CCA assets were \$53,637. Changes in these assets are included in the "Other assets" line within operating activities in the Consolidated Statements of Cash Flows.

***(q) Insurance Reserves***

The Company is self-insured for property, workers' compensation, medical and other casualty programs up to certain stop-loss limits. Undiscounted liabilities for self-insured exposures are accrued at the present value of the expected aggregate losses below those limits and are based on a number of assumptions, including historical trends, actuarial assumptions and economic conditions.

***(r) Stock-Based Compensation***

The Company established the Hanesbrands Inc. Omnibus Incentive Plan (As Amended and Restated), (the "Omnibus Incentive Plan") to award stock options, stock appreciation rights, restricted stock, restricted stock units, deferred stock units, performance shares and cash to its employees, non-employee directors and employees of its subsidiaries to promote the interests of the Company, incent performance and retain employees. Stock-based compensation is estimated at the grant date based on the award's fair value and is recognized as expense over the requisite service period. The Company estimates forfeitures for stock-based awards granted that are not expected to vest.

***(s) Income Taxes***

Deferred taxes are recognized for the future tax effects of temporary differences between financial and income tax reporting using tax rates in effect for the years in which the differences are expected to reverse. Given continuing losses in certain jurisdictions in which the Company operates on a separate return basis, a valuation allowance has been established for the deferred tax assets in these specific locations. The Company periodically estimates the probable tax obligations using historical experience in tax jurisdictions and informed judgment. There are inherent uncertainties related to the interpretation of tax regulations in the jurisdictions in which the Company transacts business. The judgments and estimates made at a point in time may change based on the outcome of tax audits, as well as changes to, or further interpretations of, regulations. Income tax expense is adjusted in the period in which these events occur, and these adjustments are included in the Company's Consolidated Statements of Income. If such changes take place, there is a risk that the Company's effective tax rate may increase or decrease in any period. A company must recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than fifty percent likelihood of being realized upon ultimate resolution.

The Company continues to use a portfolio approach to release the income tax effects in accumulated other comprehensive loss related to pension and postretirement benefits. Under this approach, the income tax effects are released from accumulated other comprehensive loss based on the pre-tax adjustments to pension liabilities or assets recognized within other comprehensive income. Any tax effects remaining in accumulated other comprehensive loss are released only when the entire portfolio of the pension and postretirement benefits is liquidated, sold or extinguished.

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*(t) Financial Instruments*

The Company uses forward foreign exchange contracts and cross-currency swap contracts to manage its exposures to movements in foreign exchange rates. 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. The use of these derivative and nonderivative financial instruments modifies the Company's exposure to these risks with the goal of reducing the risk or cost to the Company. The Company does not use derivatives for trading purposes and is not a party to leveraged derivative contracts.

Depending on the nature of the underlying risk being hedged, these derivative and nonderivative financial instruments are accounted for either as cash flow, net investment or mark to market hedges against changes in the value of the hedged item. Derivatives are recorded in the Consolidated Balance Sheets at fair value. The fair value is based upon either market quotes for actively traded instruments or independent bids for nonexchange traded instruments. The accounting for changes in fair value of a derivative instrument depends on whether the instrument has been designated and qualifies as part of a hedging relationship. The Company determines whether a derivative instrument meets the criteria for cash flow or net investment hedge accounting treatment on the date the derivative is executed. Derivatives accounted for as mark to market hedges are not designated as hedges for accounting purposes.

The Company formally documents its hedge relationships, including identifying the hedging instruments and the hedged items, as well as its risk management objectives and strategies for undertaking the hedge transaction. This process includes linking financial instruments to the hedged assets, liabilities, firm commitments, forecasted transactions or net investments.

The Company may be exposed to credit losses in the event of nonperformance by individual counterparties or the entire group of counterparties to the Company's derivative contracts. Risk of nonperformance by counterparties is mitigated by dealing with highly rated counterparties and by diversifying across counterparties.

*Cash Flow Hedges*

For a cash flow hedge, the Company formally assesses, both at inception and on at least a quarterly basis thereafter, whether the designated derivative instrument is highly effective in offsetting changes in cash flows of the hedged item. The change in the fair value of a derivative instrument that is designated and highly effective as a cash flow hedge is recorded as a deferred gain or loss in the "Accumulated other comprehensive loss" line in the Consolidated Balance Sheets. When the hedged item affects the income statement, the deferred gain or loss on the derivative instrument is reclassified from AOCI and recorded on the same line in the Consolidated Statements of Income as the hedged item. 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. If it is determined that a designated derivative instrument ceases to be a highly effective cash flow hedge, or if the anticipated transaction is no longer likely to occur, the Company discontinues hedge accounting, and any deferred gain or loss is reclassified from AOCI and recorded on the same line in the Consolidated Statements of Income as the hedged item.

Cash flows from derivatives designated as cash flow hedges are classified in the same category as the item being hedged in the Consolidated Statements of Cash Flows.

*Net Investment Hedges*

For a net investment hedge, the Company formally assesses, both at inception and on a quarterly basis thereafter, whether the designated financial instrument is highly effective as an economic hedge of foreign exchange risk associated with the hedged net investment. The change in the fair value of a derivative instrument or the change in the carrying value of a nonderivative financial instrument that is designated and highly effective as a net investment hedge is recorded as a deferred gain or loss in the cumulative translation adjustment component of AOCI, offsetting the translation gain or loss for the net investment being hedged.

The Company assesses net investment hedge effectiveness and measures net investment hedge results for both derivative and nonderivative hedging instruments on an after-tax basis. The interest component of a cross-currency swap derivative contract designated in a highly effective net investment hedge is excluded from the assessment of hedge effectiveness and is initially recorded in the cumulative translation adjustment component of AOCI. This excluded component is amortized in earnings using a systematic and rational method over the term of the cross-currency swap derivative contract and recorded in the "Interest expense, net" line in the Consolidated Statements of Income.

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If a net investment hedging relationship ceases to be highly effective, the Company discontinues hedge accounting, and any future change in the fair value of the derivative hedging instrument or future change in the carrying value of the nonderivative hedging instrument is recorded in the “Other expenses” line in the Consolidated Statements of Income, which is where the gain or loss on the sale or substantial liquidation of the underlying net investment would be recorded. However, any deferred gain or loss previously recorded in the cumulative translation adjustment component of AOCI will remain in AOCI until the hedged net investment is sold or substantially liquidated, at which time the cumulative deferred gain or loss is reclassified from AOCI and recorded in the “Other expenses” line in the Consolidated Statements of Income.

Cash flows from the periodic and final settlements of the cross-currency swap contracts are reported as cash flows from investing activities in the Consolidated Statements of Cash Flows because the hedged item is a net investment in foreign subsidiaries, and the cash paid or received from acquiring or selling the subsidiaries would typically be classified as investing.

*Mark to Market Hedges*

A derivative instrument whose change in fair value is used to hedge against changes in the value of a hedged item, but which is not designated as a hedge under the accounting standards, is accounted for as a mark to market hedge. These derivatives are recorded at fair value in the Consolidated Balance Sheets when the hedged item is recorded as an asset or liability and then are revalued each accounting period. Changes in the fair value of derivatives accounted for as mark to market hedges are reported in the “Cost of sales” and “Selling, general and administrative expenses” lines in the Consolidated Statements of Income.

Cash flows from derivatives not designated as hedges are classified as cash flows from operating activities in the Consolidated Statements of Cash Flows.

***(u) Assets and Liabilities Acquired in Business Combinations***

Business combinations are accounted for using the purchase method, which requires the Company to allocate the cost of an acquired business to the acquired assets and assumed liabilities based on their estimated fair values at the acquisition date. The Company recognizes the excess of an acquired business’ cost over the fair value of acquired assets and assumed liabilities as goodwill. Fair values are determined using the income approach based on market participant assumptions focusing on future cash flow projections and accepted industry standards.

***(v) Recently Issued Accounting Pronouncements***

***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. In December 2022, the FASB deferred the expiration date of Topic 848 with the issuance of ASU 2022-06, “Reference Rate Reform: Deferral of the Sunset Date of Topic 848.” The new accounting rules extend the relief in Topic 848 beyond the cessation date of USD LIBOR. The new accounting rules must be adopted by the fourth quarter of 2024. 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.

***Business Combinations***

In October 2021, the FASB issued ASU 2021-08, “Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers.” The new accounting rules require entities to apply “Revenue from Contracts with Customers (Topic 606)” to recognize and measure contract assets and contract liabilities in a business combination. The new accounting rules will be effective for the Company in the first quarter of 2023, including interim periods. The adoption impact of the new accounting rules will depend on the magnitude of future acquisitions.

***Derivatives and Hedging***

In March 2022, the FASB issued ASU 2022-01, “Derivatives and Hedging (Topic 815): Fair Value Hedging - Portfolio Layer Method.” The new accounting rules allow entities to expand the use of the portfolio layer method to all financial assets

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and designate multiple hedged layers within a single closed portfolio. The new accounting rules also clarify guidance related to hedge basis adjustments and the related disclosures for these adjustments. The new accounting rules will be effective for the Company in the first quarter of 2023, including interim periods. The Company does not currently have any fair value hedging programs that leverage the portfolio layer method, therefore, the Company does not expect the new accounting rules to have an impact on our near term financial condition, results of operations, cash flows or disclosures.

***Supplier Finance Program Obligations***

In September 2022, the FASB issued ASU 2022-04, “Liabilities - Supplier Finance Programs (Subtopic 405-50): Disclosure of Supplier Finance Program Obligations.” The new accounting rules create certain disclosure requirements for a buyer in a supplier finance program. The new accounting rules require qualitative and quantitative disclosures including key terms of the program, balance sheet presentation of related amounts, and the obligation amount the buyer has confirmed as valid to the finance provider, including a rollforward of the obligation. Only the amount of the obligation outstanding is required to be disclosed in interim periods. The accounting rules do not impact the recognition, measurement, or financial statement presentation of supplier finance program obligations. The new accounting rules will be effective for the Company in the first quarter of 2023, including interim periods. While the new accounting rules will not have an impact on our financial condition, results of operations or cash flows, the Company is currently evaluating the impact the new accounting rules will have on the disclosures included in the notes to the consolidated financial statements beginning with the first quarter of 2023.

**(3) Assets and Liabilities Held for Sale**

Assets and liabilities classified as held for sale in the Consolidated Balance Sheets as of December 31, 2022 and January 1, 2022 consist of the following:

	December 31, 2022	January 1, 2022
U.S. Sheer Hosiery business - continuing operations	\$ 13,327	\$ 5,426
European Innerwear business - discontinued operations	—	321,731
Total current assets held for sale	<u>\$ 13,327</u>	<u>\$ 327,157</u>
U.S. Sheer Hosiery business - continuing operations	\$ 13,327	\$ 5,426
European Innerwear business - discontinued operations	—	311,476
Total current liabilities held for sale	<u>\$ 13,327</u>	<u>\$ 316,902</u>

***U.S. Sheer Hosiery Business - Continuing Operations***

In 2020, the Company determined that there was a triggering event associated with its U.S. Sheer Hosiery reporting unit due to a significant decline in performance below management’s expectations and loss of a future wholesale sheer hosiery program. As a result, the Company recorded impairment charges for the full amount of goodwill related to the U.S. Sheer Hosiery reporting unit of \$25,173, which are reflected in the “Selling, general and administrative expenses” line in the Consolidated Statements of Income in 2020. In the fourth quarter of 2021, the Company reached the decision to divest its U.S. Sheer Hosiery business, including the *L’eggs* brand, as part of its strategy to streamline its portfolio under its Full Potential plan and determined that this business met held-for-sale accounting criteria. The related assets and liabilities are presented as held for sale in the Consolidated Balance Sheets at December 31, 2022 and January 1, 2022. The Company recorded a non-cash charge of \$38,364 in the fourth quarter of 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. In 2022, the Company recognized a non-cash gain of \$3,535 to adjust the valuation allowance resulting from a decrease in carrying value due to changes in working capital. These valuation allowance adjustments are reflected in the “Selling, general and administrative expenses” line in the Consolidated Statements of Income. The operations of the U.S. Sheer Hosiery business are reported in “Other” for all periods presented in Note “Business Segment Information”. The Company is currently exploring potential purchasers for this business and expects to complete the sale within the next 12 months.

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***European Innerwear Business - Discontinued Operations***

In the first quarter of 2021, the Company announced that it reached the decision to exit its European Innerwear business as part of its strategy to streamline its portfolio under its Full Potential plan and determined that this business met held-for-sale and discontinued operations accounting criteria. Accordingly, the Company began to separately report the results of its European Innerwear business as discontinued operations in its Consolidated Statements of Income, and to present the related assets and liabilities as held for sale in the Consolidated Balance Sheets. On November 4, 2021, the Company announced that it had reached an agreement to sell its European Innerwear business to an affiliate of Regent, L.P. and completed the sale on March 5, 2022. Under the agreement, the purchaser received all the assets and operating liabilities of the European Innerwear business. The operations of the European Innerwear business were previously reported primarily in the International segment.

Upon meeting the criteria for held-for-sale classification in the first quarter of 2021, 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, forecasts were revised 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 of certain indefinite-lived trademarks and license agreements as well as the full goodwill balance attributable to the European Innerwear business. As a result of this impairment analysis, a non-cash charge of \$155,745 was recorded as "Impairment of intangible assets and goodwill" in the summarized discontinued operations financial information in 2021. In addition, the Company recorded 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, resulting in non-cash charges of \$7,253 and \$273,995 for the quarter and year ended January 1, 2022, respectively, as "Loss on sale of business and classification of assets held for sale" in the summarized discontinued operations financial information. The non-cash charge recorded in the quarter ended January 1, 2022 primarily resulted from changes in working capital balances and foreign exchange rates. In the year ended December 31, 2022, the Company recorded the final loss on the sale of the European Innerwear business of \$373 primarily resulting from changes in working capital balances and foreign exchange rates.

Additionally, the Company recorded an impairment charge of \$7,302 in continuing operations on an indefinite-lived trademark in 2021 which is reflected in the "Selling, general and administrative expenses" line in the Consolidated Statements 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 was not marketed for sale.

During the second quarter of 2020, the Company completed a quantitative impairment analysis for certain indefinite-lived intangible assets as a result of the significant impact of the COVID-19 pandemic on their performance. Based on this analysis, the Company recorded impairment charges of \$20,319 on certain indefinite-lived trademarks and other intangible assets within the European Innerwear business which are reflected in the "Impairment of intangible assets and goodwill" line in the summarized discontinued operations financial information in 2020.

The Company has continued certain sales from its supply chain to the European Innerwear business on a transitional basis after the sale of the business. Under the terms of the Manufacturing and Supply Agreement that was signed as part of closing the transaction, the Company will provide these services for periods up to 34 months from the closing date of the transaction. Additionally, the Company entered into a Transitional Services Agreement pursuant to which the Company will provide transitional services including information technology, human resources, facilities management, and limited finance and accounting services for periods up to 12 months from the closing date of the transaction. The sales and the related profit are included in continuing operations in the Consolidated Statements of Income and in "Other" in Note "Business Segment Information" in all periods presented and have not been eliminated as intercompany transactions in consolidation for the period when the European Innerwear business was owned by the Company. The related receivables from the European Innerwear business are included in "Trade accounts receivable, net" in the Consolidated Balance Sheets for all periods presented.

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The operating results of the discontinued operations only reflect revenues and expenses that are directly attributable to the European Innerwear business. Discontinued operations does not include any allocation of corporate overhead expense or interest expense. The key components from discontinued operations related to the European Innerwear business are as follows:

	Years Ended		
	December 31, 2022	January 1, 2022	January 2, 2021
Net sales	\$ 101,314	\$ 546,558	\$ 598,322
Cost of sales	60,415	294,383	352,758
Gross profit	40,899	252,175	245,564
Selling, general and administrative expenses	54,689	274,408	261,410
Impairment of intangible assets and goodwill	—	155,745	20,319
Loss on sale of business and classification of assets held for sale	373	273,995	—
Operating loss	(14,163)	(451,973)	(36,165)
Other expenses	283	2,178	2,477
Interest expense, net	10	613	2,253
Loss from discontinued operations before income tax expense (benefit)	(14,456)	(454,764)	(40,895)
Income tax expense (benefit)	(18,421)	(11,020)	2,397
Net income (loss) from discontinued operations, net of tax	<u>\$ 3,965</u>	<u>\$ (443,744)</u>	<u>\$ (43,292)</u>

Assets and liabilities of discontinued operations classified as held for sale in the Consolidated Balance Sheets as of December 31, 2022 and January 1, 2022 consist of the following:

	December 31, 2022	January 1, 2022
Cash and cash equivalents	\$ —	\$ 24,352
Trade accounts receivable, net	—	87,353
Inventories	—	141,653
Other current assets	—	21,926
Property, net	—	62,659
Right-of-use assets	—	32,603
Trademarks and other identifiable intangibles, net <sup>(1)</sup>	—	205,204
Deferred tax assets	—	4,174
Other noncurrent assets	—	4,127
Allowance to adjust assets to estimated fair value, less costs of disposal	—	(262,320)
Total assets of discontinued operations	<u>\$ —</u>	<u>\$ 321,731</u>
Accounts payable	\$ —	\$ 84,327
Accrued liabilities	—	122,620
Lease liabilities	—	6,562
Notes payable	—	329
Lease liabilities - noncurrent	—	27,426
Pension and postretirement benefits	—	38,325
Other noncurrent liabilities	—	31,887
Total liabilities of discontinued operations	<u>\$ —</u>	<u>\$ 311,476</u>

(1) The “Trademarks and other identifiable intangibles, net” line in the table above includes \$161,693 of indefinite-lived trademarks as of January 1, 2022.

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

	Years Ended		
	December 31, 2022	January 1, 2022	January 2, 2021
Depreciation	\$ —	\$ 2,608	\$ 11,650
Amortization	\$ —	\$ 1,460	\$ 5,829
Capital expenditures	\$ 715	\$ 8,462	\$ 4,160
Impairment of intangible assets and goodwill	\$ —	\$ 155,745	\$ 20,319
Loss on sale of business and classification of assets held for sale	\$ 373	\$ 273,995	\$ —
Capital expenditures included in accounts payable at end of period	\$ —	\$ 1,079	\$ 3,767
Right-of-use assets obtained in exchange for lease obligations	\$ —	\$ 8,672	\$ 3,738

**(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:

	Years Ended		
	December 31, 2022	January 1, 2022	January 2, 2021
Third-party brick-and-mortar wholesale	\$ 4,348,424	\$ 4,777,623	\$ 4,334,088
Consumer-directed	1,885,226	2,023,617	1,793,073
Total net sales	<u>\$ 6,233,650</u>	<u>\$ 6,801,240</u>	<u>\$ 6,127,161</u>

**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. Additionally, third-party brick-and-mortar wholesale revenue for the year ended January 2, 2021 includes \$518,309 of revenue from contracts with governments generated from the sale of both cloth face coverings and gowns for use to help mitigate the spread of the virus during the COVID-19 pandemic.

*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) Earnings Per Share**

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.



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

	Years Ended		
	December 31, 2022	January 1, 2022	January 2, 2021
Basic weighted average shares outstanding	349,970	351,028	352,766
Effect of potentially dilutive securities:			
Stock options	—	16	—
Restricted stock units	—	1,031	—
Employee stock purchase plan and other	—	3	—
Diluted weighted average shares outstanding	<u>349,970</u>	<u>352,078</u>	<u>352,766</u>

The following securities were excluded from the diluted earnings per share calculation because their effect would be anti-dilutive:

	Years Ended		
	December 31, 2022	January 1, 2022	January 2, 2021
Stock options	252	167	219
Restricted stock units	1,907	32	621
Employee stock purchase plan and other	8	—	5

In 2022 and 2020, all potentially dilutive securities were excluded from the diluted earnings per share calculation because the Company incurred a net loss for these years and their inclusion would be anti-dilutive.

## (6) Stock-Based Compensation

The Company established the Omnibus Incentive Plan to award stock options, stock appreciation rights, restricted stock, restricted stock units, deferred stock units, performance shares and cash to its employees, non-employee directors and employees of its subsidiaries to promote the interests of the Company, incent performance and retain employees. In April 2020, the stockholders of the Company approved the Hanesbrands Inc. 2020 Omnibus Incentive Plan (the “2020 Omnibus Plan”). The Company satisfies the requirement for common shares for share-based payments to employees pursuant to the 2020 Omnibus Plan by issuing newly authorized shares. The 2020 Omnibus Plan authorized a total of 11,000 shares of common stock of the Company for awards granted under the 2020 Omnibus Plan, plus the number of shares of common stock of the Company available for grant under the predecessor Hanesbrands Inc. Omnibus Incentive Plan (the “Prior Plan”) that had not yet been made subject to awards under the Prior Plan as of the effective date of the 2020 Omnibus Plan. The 2020 Omnibus Plan authorized 74,220 shares for awards of stock options and restricted stock units, of which 14,033 shares were available for future grants as of December 31, 2022.

In addition, during 2020, the Company granted stock awards to two newly hired executive officers outside of the 2020 Omnibus Plan in reliance on the employment inducement exemption under the New York Stock Exchange’s Listed Company Manual Rule 303A.08.

### *Stock Options*

Under the Omnibus Incentive Plan, the exercise price of each stock option equals the closing market price of the Company’s stock on the date of grant. Options granted vest ratably over three years and can be exercised over a term of 10 years. The fair value of each option grant was estimated on the date of grant using the Black-Scholes option-pricing model. There were no options granted during 2022, 2021 or 2020 under the Omnibus Incentive Plan.

During 2020, the Company granted 250 stock options to a newly hired executive officer outside of the 2020 Omnibus Plan in reliance on the employment inducement exemption under the New York Stock Exchange’s Listed Company Manual Rule 303A.08. The exercise price of each stock option equals either the closing market price of the Company’s stock on the date of grant or the closing market price of the Company’s stock on the date of grant multiplied by a specified exercise premium factor applicable to each option. Options granted vest ratably over three years and can be exercised over a term of 10 years. The fair value of each option grant was estimated on the date of grant using the Black-Scholes option-pricing model. The

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following table includes the assumptions for the Black-Scholes option-pricing model used in determining the fair value of these options granted during 2020.

	Year Ended January 2, 2021
Dividend yield	5.00 %
Risk-free interest rate	0.31 %
Volatility	39.97 %
Expected term (years)	6

The dividend yield assumption is based on the Company's historical dividend payments. The risk-free rate of interest is based on the yield of a zero-coupon U.S. Treasury bond on the date the award is granted having a maturity approximately equal to the expected term of the award. The expected volatility, expected term and forfeitures are estimated based on the historical experience of the Company's stock price, exercise experience and employee turnover data, respectively.

A summary of the changes in stock options outstanding to the Company's employees is presented below:

	Shares	Weighted- Average Exercise Price	Aggregate Intrinsic Value	Weighted- Average Remaining Contractual Term (Years)
Options outstanding at December 28, 2019	471	\$ 6.79	\$ 3,786	0.94
Granted	250	17.18		
Exercised	(471)	6.79		
Options outstanding at January 2, 2021	250	\$ 17.18	\$ 22	9.59
Granted	—	—		
Exercised	—	—		
Options outstanding at January 1, 2022	250	\$ 17.18	\$ 200	8.59
Granted	—	—		
Exercised	—	—		
Options outstanding at December 31, 2022	250	\$ 17.18	\$ —	7.59
Options exercisable at December 31, 2022	167	\$ 15.75	\$ —	7.59

There were no stock option exercises during 2022 or 2021. The total intrinsic value of options that were exercised during 2020 was \$3,299.

### ***Stock Unit Awards***

Under the Omnibus Incentive Plan, restricted stock units ("RSUs") of the Company's stock are granted to certain Company non-employee directors and employees to incent performance and retention over periods of one to three years. Upon vesting, the RSUs are converted into shares of the Company's common stock on a one-for-one basis and issued to the grantees. Some RSUs which have been granted under the Omnibus Incentive Plan vest upon continued future service to the Company, while others also have a performance-based vesting feature. The cost of these awards is determined using the fair value of the shares on the date of grant, and compensation expense is recognized over the period during which the grantees provide the requisite service to the Company.

During 2020, the Company granted 225 RSUs to two newly hired executive officers outside of the 2020 Omnibus Plan in reliance on the employment inducement exemption under the New York Stock Exchange's Listed Company Manual Rule 303A.08. These grants included 119 non-performance based awards which vest upon continued future service to the Company and 106 performance-based awards which have a performance-based vesting feature. These RSUs are granted to induce employment and incent performance and retention over periods of two to three years. Upon vesting, the RSUs are converted into shares of the Company's common stock on a one-for-one basis and issued to the grantees. The cost of these awards is determined using the fair value of the shares on the date of grant, and compensation expense is recognized over the period during which the grantees provide the requisite service to the Company.

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A summary of the changes in the restricted stock unit awards outstanding is presented below:

	Shares	Weighted-Average Grant Date Fair Value	Aggregate Intrinsic Value	Weighted-Average Remaining Contractual Term (Years)
Nonvested share units outstanding at December 28, 2019	1,867	\$ 16.93	\$ 27,692	1.50
Granted — non-performanced based	1,006	14.26		
Granted — performanced based	1,124	14.40		
Vested	(803)	19.08		
Forfeited	(83)	15.53		
Nonvested share units outstanding at January 2, 2021	3,111	\$ 14.64	\$ 45,361	1.32
Granted — non-performanced based	970	16.11		
Granted — performanced based	(149)	16.22		
Vested	(1,694)	14.87		
Forfeited	(117)	15.36		
Nonvested share units outstanding at January 1, 2022	2,121	\$ 16.53	\$ 35,455	1.18
Granted — non-performanced based	1,178	15.39		
Granted — performanced based	1,624	16.98		
Vested	(829)	15.92		
Forfeited	(435)	16.84		
Nonvested share units outstanding at December 31, 2022	3,659	\$ 16.46	\$ 23,268	1.24

The total fair value of shares vested during 2022, 2021 and 2020 was \$13,199, \$25,201 and \$15,325, respectively. Certain participants elected to defer receipt of shares earned upon vesting.

In addition to granting RSUs that vest solely upon continued future service to the Company, the Company also grants performanced-based RSUs where the number of shares of the Company's common stock that will be received upon vesting range from 0% to 200% of the number of units granted based on the Company's achievement of certain performance metrics. These performanced-based stock awards, which are included in the table above, represent awards that are earned based on future performance and service. As reported in the above table, the number of performanced-based RSUs granted each year represents the initial units granted on the date of grant plus or minus any adjustment for units that were earned based on the final achievement of the respective performance thresholds.

For all share-based payments under the Omnibus Incentive Plan and outside the Omnibus Incentive Plan in 2020, the Company recognized compensation expense and deferred tax benefits as follows:

	Years Ended		
	December 31, 2022	January 1, 2022	January 2, 2021
Compensation expense included in continuing operations	\$ 23,357	\$ 16,065	\$ 18,202
Compensation expense included in discontinued operations	(200)	225	462
Total compensation expense	\$ 23,157	\$ 16,290	\$ 18,664
Deferred tax benefit recognized in continuing operations	\$ —	\$ 2,499	\$ 1,808

At December 31, 2022, there was \$23,329 of total unrecognized compensation cost related to non-vested stock-based compensation arrangements, of which \$16,349, \$6,097, and \$883 is expected to be recognized in continuing operations in 2023, 2024, and 2025, respectively.

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**(7) Trade Accounts Receivable***Allowances for Trade Accounts Receivable*

The changes in the Company's allowance for doubtful accounts and allowance for chargebacks and other deductions are as follows:

	Allowance for Doubtful Accounts	Allowance for Chargebacks and Other Deductions	Total
Balance at December 28, 2019	\$ 16,277	\$ 10,213	\$ 26,490
Charged to expenses	31,661	14,631	46,292
Deductions, write-offs and adjustments	(14,986)	(9,864)	(24,850)
Currency translation	651	162	813
Balance at January 2, 2021	\$ 33,603	\$ 15,142	\$ 48,745
Charged to expenses	2,279	24,501	26,780
Deductions, write-offs and adjustments	2,663	(15,245)	(12,582)
Currency translation	(707)	(288)	(995)
Balance at January 1, 2022	\$ 37,838	\$ 24,110	\$ 61,948
Charged to expenses	6,721	20,432	27,153
Deductions, write-offs and adjustments	(19,753)	(16,180)	(35,933)
Currency translation	(658)	(487)	(1,145)
Balance at December 31, 2022	\$ 24,148	\$ 27,875	\$ 52,023

Charges to the allowance for doubtful accounts are reflected in the "Selling, general and administrative expenses" line and charges to the allowance for customer chargebacks and other customer deductions are primarily reflected as a reduction in the "Net sales" line in the Consolidated Statements of Income. Deductions and write-offs, which do not increase or decrease income, represent write-offs of previously reserved accounts receivable and allowed customer chargebacks and deductions against gross accounts receivable.

*Sales of Accounts Receivable*

The Company has entered into agreements to sell selected trade accounts receivable to financial institutions based on programs offered by certain of the Company's largest customers as well as programs sponsored by the Company. As a result of the strong credit worthiness of these customers, the discount taken on most of these programs is less than the marginal borrowing rate on the Company's variable rate credit facilities. In all agreements, after the sale, the Company does not retain any beneficial interests in the receivables. The applicable financial institution services and collects the accounts receivable directly from the customer for programs offered by the Company's customers. For programs sponsored by the Company, the Company maintains continued involvement as the servicer to collect the accounts receivable from the customer and remit payment to the financial institution. Net proceeds of these accounts receivable sale programs are recognized in the Consolidated Statements of Cash Flows as part of operating cash flows.

The Company recognized total funding fees of \$8,823, \$3,312 and \$4,932 in 2022, 2021 and 2020, respectively, for sales of accounts receivable to financial institutions in the "Other expenses" line in the Consolidated Statements of Income.

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**(8) Inventories**

Inventories consisted of the following:

	December 31, 2022	January 1, 2022
Raw materials	\$ 69,279	\$ 68,683
Work in process	107,904	110,246
Finished goods	1,802,489	1,405,086
	<u>\$ 1,979,672</u>	<u>\$ 1,584,015</u>

**(9) Property, Net**

Property is summarized as follows:

	December 31, 2022	January 1, 2022
Land	\$ 26,209	\$ 26,368
Buildings and improvements	430,043	430,235
Machinery and equipment	994,829	998,891
Construction in progress	50,895	42,375
	<u>1,501,976</u>	<u>1,497,869</u>
Less accumulated depreciation	1,059,572	1,056,468
Property, net	<u>\$ 442,404</u>	<u>\$ 441,401</u>

Capital expenditures included in accounts payable at December 31, 2022, January 1, 2022 and January 2, 2021 were \$10,549, \$23,085 and \$14,164, respectively.

**(10) Leases**

The Company has operating leases for real estate (primarily retail stores and operating facilities) and certain equipment. The Company does not have any finance leases. The Company's leases have remaining lease terms of one month to 35 years, some of which include options to extend the leases for up to 15 years, and some of which include options to terminate the leases within one year.

Total operating lease costs, which includes short-term leases and variable cost, were \$239,854, \$236,139 and \$218,506 for 2022, 2021 and 2020, respectively. For 2022, 2021 and 2020, variable costs of \$82,165, \$77,496 and \$69,210, respectively, were included in total operating lease costs. Short-term lease costs were immaterial for 2022, 2021 and 2020.

The following table presents supplemental cash flow and non-cash information related to leases:

	Years Ended		
	December 31, 2022	January 1, 2022	January 2, 2021
Cash paid for amounts included in the measurement of lease liabilities - operating cash flows from leases	\$ 146,439	\$ 157,138	\$ 179,591
Right-of-use assets obtained in exchange for lease obligations - non-cash activity	\$ 81,571	\$ 59,864	\$ 47,349

The following table presents supplemental information related to lease terms and discount rates:

	Years Ended		
	December 31, 2022	January 1, 2022	January 2, 2021
Weighted average remaining lease term	5.0 years	4.7 years	5.0 years
Weighted average discount rate	4.77 %	4.55 %	4.65 %

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The following table presents maturities of operating lease liabilities as of December 31, 2022:

2023	\$ 127,996
2024	108,165
2025	75,007
2026	71,011
2027	48,370
Thereafter	69,034
Total lease payments	<u>499,583</u>
Less interest	58,145
	<u>\$ 441,438</u>

As of December 31, 2022, the Company's operating lease liabilities exclude \$55,240 of additional operating lease commitments that have not yet commenced. These operating lease liabilities will be paid over a period of 10 years.

**(11) Intangible Assets and Goodwill****(a) Intangible Assets**

The primary components of the Company's intangible assets and the related accumulated amortization are as follows:

	<u>Gross</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>
<b>Year ended December 31, 2022:</b>			
Intangible assets subject to amortization:			
Trademarks and brand names	\$ 40,128	\$ 28,633	\$ 11,495
Licensing agreements	89,523	68,205	21,318
Customer and distributor relationships	122,283	81,099	41,184
Computer software	109,209	72,626	36,583
Other intangibles	5,160	5,043	117
	<u>\$ 366,303</u>	<u>\$ 255,606</u>	<u>110,697</u>
Intangible assets not subject to amortization:			
Trademarks			1,142,746
Perpetual licensing agreements and other			2,250
Net book value of intangible assets			<u>\$ 1,255,693</u>
<b>Year ended January 1, 2022:</b>			
Intangible assets subject to amortization:			
Trademarks and brand names	\$ 43,187	\$ 29,678	\$ 13,509
Licensing agreements	92,370	65,828	26,542
Customer and distributor relationships	132,971	78,647	54,324
Computer software	97,464	62,064	35,400
Other intangibles	3,984	3,720	264
	<u>\$ 369,976</u>	<u>\$ 239,937</u>	<u>130,039</u>
Intangible assets not subject to amortization:			
Trademarks			1,087,881
Perpetual licensing agreements and other			2,250
Net book value of intangible assets			<u>\$ 1,220,170</u>

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In June of 2022, the Company purchased the *Champion* trademark for footwear in the United States, Puerto Rico and Canada from Keds, LLC (“KEDS”) for \$102,500. The trademark was recorded in “Trademarks and other identifiable intangibles, net” line in the Consolidated Balance Sheets and has an indefinite life. The Company previously licensed the *Champion* trademark for footwear in these locations. The purchase of the trademark was part of an agreement with KEDS settling litigation between the two parties and is another step forward in the Company’s Full Potential plan of growing the global *Champion* brand.

In connection with the annual impairment testing performed in the third quarter of 2022, the Company performed a quantitative assessment, utilizing an income approach to estimate the fair value of each indefinite-lived intangible asset. The most significant assumptions include the weighted average cost of capital, revenue growth rate, terminal growth rate and operating profit margin, all of which are used to estimate the fair value of the indefinite-lived intangible assets. The tests indicated the indefinite-lived intangible assets had fair values that exceeded their carrying values, and no impairment of trademarks or other identifiable intangible assets was identified as a result of the annual testing conducted in 2022.

In the first quarter of 2021, the Company recorded an impairment charge of \$7,302 to fully impair an indefinite-lived trademark related to a specific brand within the European Innerwear business that was excluded from the disposal group as it was not marketed for sale. This impairment charge is reflected in the “Selling, general and administrative expenses” line in the Consolidated Statements of Income for the year ended January 1, 2022.

The amortization expense in continuing operations for intangible assets subject to amortization was \$29,973, \$31,069 and \$30,858 for 2022, 2021 and 2020, respectively. The estimated amortization expense for the next five years, assuming no change in the estimated useful lives of identifiable intangible assets or changes in foreign exchange rates is as follows: \$29,728 in 2023, \$25,338 in 2024, \$21,602 in 2025, \$12,234 in 2026 and \$5,261 in 2027.

**(b) Goodwill**

Goodwill and the changes in those amounts during the period are as follows:

	Innerwear	Activewear	International	Other	Total
Net book value at January 2, 2021	\$ 406,853	\$ 316,384	\$ 433,201	\$ 2,500	\$ 1,158,938
Currency translation	—	—	(25,843)	—	(25,843)
Net book value at January 1, 2022	\$ 406,853	\$ 316,384	\$ 407,358	\$ 2,500	\$ 1,133,095
Currency translation	—	—	(24,188)	—	(24,188)
Net book value at December 31, 2022	\$ 406,853	\$ 316,384	\$ 383,170	\$ 2,500	\$ 1,108,907

In connection with the annual goodwill impairment testing performed during the third quarter of 2022, the Company performed a quantitative assessment utilizing an income approach to estimate the fair value of each reporting unit. The most significant assumptions include the weighted average cost of capital, revenue growth rate, terminal growth rate and operating profit margin, all of which are used to estimate the fair value of the reporting units. The tests indicated the reporting units had fair values that exceeded their carrying values, and no impairment of goodwill was identified as a result of the annual testing conducted in 2022.

In 2020, the Company determined that there was a triggering event associated with its U.S. Sheer Hosiery reporting unit due to a significant decline in performance below management’s expectations and loss of a future wholesale sheer hosiery program. As a result, the Company recorded impairment charges for the full amount of goodwill related to the U.S. Sheer Hosiery reporting unit of \$25,173, which are reflected in the “Selling, general and administrative expenses” line in the Consolidated Statements of Income in 2020. In the fourth quarter of 2021, the Company reached the decision to divest its U.S. Sheer Hosiery business, including the *L’eggs* brand, as part of its strategy to streamline its portfolio under its Full Potential plan. See Note “Assets and Liabilities Held for Sale” for additional information.

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**(12) Debt**

A summary of the Company's debt is presented below:

	Interest Rate as of December 31, 2022	Principal Amount		Maturity Date
		December 31, 2022	January 1, 2022	
<b>Senior Secured Credit Facility:</b>				
Revolving Loan Facility	5.83%	\$ 352,500	\$ —	November 2026
Term Loan A	5.92%	975,000	1,000,000	November 2026
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%	535,275	568,634	June 2024
Accounts Receivable Securitization Facility	5.09%	209,500	—	June 2023
		3,872,275	3,368,634	
Less long-term debt issuance costs		13,198	17,543	
Less current maturities		247,000	25,000	
		\$ 3,612,077	\$ 3,326,091	

As of December 31, 2022 the Company's primary financing arrangements were the senior secured credit facility (the "Senior Secured Credit Facility"), 4.875% senior notes (the "4.875% Senior Notes"), 4.625% senior notes (the "4.625% Senior Notes"), 3.5% senior notes (the "3.5% Senior Notes") and the accounts receivable securitization facility (the "ARS Facility"). The outstanding balances at December 31, 2022 and January 1, 2022 are reported in the "Accounts Receivable Securitization Facility", "Current portion of long-term debt" and "Long-term debt" lines in the Consolidated Balance Sheets.

The Company intends to refinance certain of its indebtedness with upcoming maturities, including an aggregate of approximately \$1,435,275 of its 4.625% Senior Notes due in May 2024 and its 3.5% Senior Notes due in June 2024 in the first quarter of 2023. Any such refinancings will depend on market conditions and other relevant factors and there can be no assurance such refinancings will be pursued or completed.

**Senior Secured Credit Facility**

In March 2021, the Company repaid the outstanding balance of the Term Loan B which consisted of a required excess cash flow prepayment of \$238,936 and a voluntary prepayment of \$61,064.

In November 2021, the Company amended and restated its Senior Secured Credit Facility to provide for potential committed aggregate borrowings of up to \$2,000,000, consisting of a \$1,000,000 Revolving Loan Facility and a \$1,000,000 Term Loan Facility, to extend the maturity date of the Senior Secured Credit Facility from December 2022 to November 2026 and to refinance the Australian Revolving Loan Facility that was originally entered into in July 2016 under the Company's Syndicated Facility as a joinder to the Senior Secured Credit Facility. The Australian Revolving Loan Facility, which was previously amended in July 2021 to extend the maturity date to July 2022, was incorporated into the \$1,000,000 Revolving Loan Facility on the date the amendment to the Senior Secured Credit Facility became effective.

The \$1,000,000 Revolving Loan Facility, a portion of which is available to be borrowed in Euros or Australian dollars, is used for general corporate purposes and working capital needs. All borrowings under the Revolving Loan Facility may be repaid and reborrowed from time to time without penalty but must be repaid in full upon maturity.

The proceeds of the \$1,000,000 Term Loan Facility were used to refinance the Term Loan A, which resulted in an increase in term loan borrowings of \$390,625 in November 2021 when the amendment became effective, and to redeem, together with cash on hand, the 5.375% Senior Notes. Outstanding borrowings under the Term Loan A are repayable in equal quarterly installments of the following amounts per annum, calculated as a percentage of the original principal amount: 2.5% in years one and two, 5.0% in years three and four and 7.5% in year five, with the remainder to be repaid at maturity. The Company is required to prepay any outstanding amounts in connection with (i) the incurrence of certain indebtedness and (ii) non-ordinary course asset sales or other dispositions (including as a result of casualty or condemnation) that exceed certain thresholds in any period of twelve-consecutive months, with customary reinvestment provisions.

In 2021, redemption of the 5.375% Senior Notes required payment of a make-whole premium of \$34,840 and the



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redemption of the 5.375% Senior Notes and the refinancing of the Senior Secured Credit Facility resulted in a non-cash charge of \$8,899 for the write-off of unamortized debt issuance costs. Additionally, in 2021, the Company incurred fees of \$9,729 related to the refinancing, of which \$1,960 was charged to expense and \$7,769 was capitalized as debt issuance costs that are being amortized to interest expense over the remaining term of the Senior Secured Credit Facility. The make-whole premium payment, debt issuance costs write-off and fees charged to expense resulted in a one-time charge of \$45,699, which is reported in the “Other expenses” line in the Consolidated Statements of Income in 2021. The cash payments for the make-whole premium and fees capitalized as debt issuance costs are reported in “Net cash from financing activities” in the Consolidated Statements of Cash Flows in 2021.

Prior to the amendments of the Senior Secured Credit Facility in November 2022 and in February 2023 described below, borrowings under the Senior Secured Credit Facility bear interest at a variable rate based on, at the Company’s option, either LIBOR or an alternative base rate (both as defined in the Senior Secured Credit Facility), or the appropriate LIBOR benchmark for non-U.S. dollar borrowings, plus, in each case, an applicable margin. The applicable margin is based on the Company’s leverage ratio (as defined in the Senior Secured Credit Facility), ranging from a maximum of 1.75% in the case of LIBOR-based loans and 0.75% in the case of base rate loans if the Company’s leverage ratio is greater than or equal to 4.50 to 1.00, and steps down in varying increments to a minimum of 1.00% in the case of LIBOR-based loans and 0.00% in the case of base rate loans if the Company’s leverage ratio is less than 2.25 to 1.00. The Senior Secured Credit Facility provides a mechanism for determining an alternative rate of interest in the event that the LIBOR or LIBOR benchmark rates cease to be provided or are no longer representative of the underlying market and economic reality they are intended to measure and, in conjunction with the November 2022 amendment described below, the Company transitioned the Senior Secured Credit Facility from the London Interbank Offered Rate (“LIBOR”) to the Secured Overnight Financing Rate (“SOFR”). The applicable margin for SOFR-based loans are the same as LIBOR-based loans prior to the amendment of the Senior Secured Credit Facility in November 2022. The amendments of the Senior Secured Credit Facility in November 2022 and in February 2023 added two new tiers to the top of the pricing grid for the leverage ratio which resulted in an increase in the maximum applicable margin to 2.25% in the case of SOFR-based loans and 1.25% in the case of base rate loans if the Company’s leverage ratio is greater than or equal to 5.50 to 1.00 during the covenant relief period and will revert back to the original ranges subsequent to the covenant relief period. The applicable margin was 1.50% plus a 10 basis points credit spread adjustment for SOFR-based loans and 0.50% for base rate loans as of December 31, 2022. Interest is payable quarterly for base rate loans, but the Company has the option to pay interest on a more frequent, or less frequent, basis for LIBOR-based loans.

The commitment fee for the unused portion of the Revolving Loan Facility is based on the Company’s leverage ratio, prior to the amendments of the Senior Secured Credit Facility in November 2022 and in February 2023 described below, (as defined in the Senior Secured Credit Facility), ranging from a maximum of 0.25% when the leverage ratio is greater than or equal to 4.50 to 1.00, and will step down in varying increments to a minimum of 0.15% when the leverage ratio is less than 2.25 to 1.00. The amendments of the Senior Secured Credit Facility in November 2022 and in February 2023 as described below added two new tiers to the top of the pricing grid for the leverage ratio which resulted in an increase in the maximum commitment fee to 0.35% if the Company’s leverage ratio is greater than or equal to 5.50 to 1.00 during the covenant relief period and will revert back to the original ranges subsequent to the covenant relief period. The commitment fee was 0.25% as of December 31, 2022.

A portion of the Revolving Loan Facility is available for the issuances of letters of credit and the making of swingline loans, and any such issuance of letters of credit or making of a swingline loan will reduce the amount available under the Revolving Loan Facility. As of December 31, 2022, the Company had \$642,546 of borrowing availability under the Revolving Loan Facility after taking into account \$352,500 of USD revolver loans and \$4,954 of standby and trade letters of credit issued and outstanding under this facility.

At the Company’s option, it may add one or more tranches of term loans or increase the commitments under the Revolving Loan Facility so long as certain conditions are satisfied, including, among others, that no default or event of default is in existence, the Company is in pro forma compliance with the financial covenants set forth in the Senior Secured Credit Facility and the Company’s senior secured leverage ratio is not greater than 3.50 to 1.00 on a pro forma basis after giving effect to the incurrence of such indebtedness.

The Senior Secured Credit Facility is guaranteed by substantially all of the Company’s existing and future direct and indirect U.S. subsidiaries and certain foreign subsidiaries, with certain customary or agreed-upon exceptions for certain subsidiaries. The Senior Secured Credit Facility is secured by the equity interests of substantially all of the Company’s direct

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and indirect U.S. subsidiaries and 65% of the voting securities of certain first tier foreign subsidiaries and substantially all present and future property and assets of the Company and each guarantor, except for certain enumerated interests.

The Senior Secured Credit Facility requires the Company to comply with customary affirmative, negative and financial covenants. The financial covenants include a minimum interest coverage ratio and a maximum total debt to EBITDA (earnings before interest, income taxes, depreciation expense and amortization, as computed pursuant to the Senior Secured Credit Facility), or leverage ratio, each of which is defined in the Senior Secured Credit Facility. The method of calculating all of the components used in the covenants, is included in the Senior Secured Credit Facility.

In November 2022 and in February 2023, given the economic conditions and the associated impact on earnings, the Company amended the credit agreement governing its Senior Secured Credit Facility to modify the financial covenants in order to avoid a potential covenant violation and to provide operating flexibility. The amendments effect changes to certain provisions and covenants under the Senior Secured Credit Facility during the period beginning with the fiscal quarter ended December 31, 2022 and continuing through the fiscal quarter ending March 30, 2024 or such earlier date as we may elect (such period of time, the "Covenant Relief Period"), including: (a) an increase in the maximum consolidated net total leverage ratio to 5.25 to 1.00 for the quarter ended December 31, 2022, 6.75 to 1.00 for the quarter ending April 1, 2023, 7.25 to 1.00 for the quarter ending July 1, 2023, 6.75 to 1.00 for the quarter ending September 30, 2023, 5.25 to 1.00 for the quarter ending December 30, 2023, and 5.00 to 1.00 for the quarter ending March 30, 2024, and reverting back to 4.50 to 1.00 for each quarter after the Covenant Relief Period has ended; (b) a reduction of the minimum interest coverage ratio from 3.00 to 1.00 to 2.60 to 1.00 for the quarter ended December 31, 2022 and the quarter ending April 1, 2023, 2.00 to 1.00 for the quarters ending July 1, 2023, September 30, 2023 and December 30, 2023, and 2.50 to 1.00 for the quarter ending March 30, 2024, with an increase to 2.75 to 1.00 for each quarter after the Covenant Relief Period has ended; (c) suspension of restricted payments in connection with share repurchases; (d) suspension of restricted payments pursuant to the Company's leverage ratio-based and "Available Amount" restricted payments baskets, (e) a cap on annual dividend payments of \$75,000, which will revert back to the greater of (x) \$350,000 and (y) 8.0% of Total Tangible Assets after the Covenant Relief Period has ended; (f) suspension of the Company's "Available Amount" basket for investments in foreign subsidiaries and other investments; (g) suspension of the 0.50 to 1.00 increase in the maximum permitted consolidated net total leverage ratio resulting from a material permitted acquisition; and (h) the addition of two new tiers to the top of the pricing grid if the maximum consolidated net total leverage ratio exceeds 5.00 to 1.00 and 5.50 to 1.00. In conjunction with the Second Amendment, we transitioned the Senior Secured Credit Facility from the London Interbank Offered Rate to the Secured Overnight Financing Rate with a 10 basis points credit spread adjustment already included in the Senior Secured Credit Facility. In addition, the Third Amendment limits the Company's ability to incur incremental secured indebtedness during the Covenant Relief Period to \$1,750,000, subject to compliance with the financial covenants.

The Senior Secured Credit Facility contains customary events of default, including nonpayment of principal when due; nonpayment of interest, fees or other amounts after stated grace period; material inaccuracy of representations and warranties; violations of covenants; certain bankruptcies and liquidations; any cross-default to material indebtedness; certain material judgments; certain events related to the ERISA, actual or asserted invalidity of any guarantee, security document or subordination provision or non-perfection of security interest, and a change in control (as defined in the Senior Secured Credit Facility).

As of December 31, 2022, the Company was in compliance with all financial covenants related to the Senior Secured Credit Facility. The Company expects to maintain compliance with its financial covenants, as amended in February 2023, for at least one year from the issuance of these financial statements based on its current expectations and forecasts. If economic conditions worsen and the Company's earnings and operating cash flows do not start to recover as currently estimated by management, this could impact the Company's ability to maintain compliance with its amended 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.

### **5.375% Senior Notes**

In May 2020, the Company issued \$700,000 aggregate principal amount of 5.375% Senior Notes, with interest payable on May 15 and November 15 of each year. The 5.375% Senior Notes, which were scheduled to mature in May 2025, were redeemed in full in November 2021 in connection with the refinancing of the Senior Secured Credit Facility.

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**4.875% Senior Notes and 4.625% Senior Notes**

In May 2016, the Company issued \$900,000 aggregate principal amount of 4.875% Senior Notes and \$900,000 aggregate principal amount of 4.625% Senior Notes (collectively, the “USD Senior Notes”), with interest payable on May 15 and November 15 of each year. The 4.875% Senior Notes will mature in May 2026 and the 4.625% Senior Notes will mature in May 2024. The issuance of the USD Senior Notes resulted in net proceeds of approximately \$1,773,000, which were used to redeem in full the Company’s 6.375% Senior Notes and reduce the outstanding borrowings under the Revolving Loan Facility.

On or after February 15, 2026, in the case of the 4.875% Senior Notes, and February 15, 2024, in the case of the 4.625% Senior Notes, the Company may redeem all or a portion of such notes at a price equal to 100% of the principal amount, plus any accrued and unpaid interest.

The USD Senior Notes are senior unsecured obligations of the Company and are fully and unconditionally guaranteed, subject to certain exceptions, by substantially all of the Company’s current domestic subsidiaries. The indenture governing the USD Senior Notes limits the ability of the Company and its subsidiaries to incur liens, enter into certain sale and leaseback transactions and consolidate, merge or sell all or substantially all of their assets. The indenture also contains customary events of default which include (subject in certain cases to customary grace and cure periods), among others, nonpayment of principal or interest; breach of other agreements in such indenture; failure to pay certain other indebtedness; failure to pay certain final judgments; failure of certain guarantees to be enforceable; and certain events of bankruptcy or insolvency.

The USD Senior Notes were issued in a transaction exempt from registration under the Securities Act and do not require disclosure of separate financial information for the guarantor subsidiaries.

**3.5% Senior Notes**

In June 2016, the Company issued €500,000 aggregate principal amount of 3.5% Senior Notes, with interest payable on June 15 and December 15 of each year. The 3.5% Senior Notes will mature in June 2024. The issuance of the 3.5% Senior Notes resulted in net proceeds of approximately €492,500, which were used to fund a portion of the acquisition of Champion Europe and Hanes Australasia.

On or after March 15, 2024, the Company may redeem all or a portion of the 3.5% Senior Notes at a price equal to 100% of the principal amount, plus any accrued and unpaid interest. The Company may also redeem all, but not less than all, of the 3.5% Senior Notes upon the occurrence of certain changes in applicable tax law.

The 3.5% Senior Notes are senior unsecured obligations of the Company and are fully and unconditionally guaranteed, subject to certain exceptions, by the Company and certain of its subsidiaries under the Company’s Senior Secured Credit Facility. The indenture governing the 3.5% Senior Notes limits the ability of the Company and other guarantors to incur certain liens, enter into certain sale and leaseback transactions and consolidate, merge or sell all or substantially all of their assets. The indenture also contains customary events of default which include (subject in certain cases to customary grace and cure periods), among others, nonpayment of principal or interest; breach of other agreements in the indenture; failure to pay certain other indebtedness; certain events of bankruptcy, insolvency or reorganization; failure to pay certain final judgments; and failure of certain guarantees to be enforceable.

The 3.5% Senior Notes were issued in a transaction exempt from registration under the Securities Act and do not require disclosure of separate financial information for the guarantor subsidiaries.

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**ARS Facility**

Borrowings under the ARS Facility, which was entered into in November 2007, are permitted only to the extent that the face value of the receivables in the collateral pool, net of applicable concentrations, reserves and other deductions, exceeds the outstanding loans and are also subject to a quarterly fluctuating facility limit, which is not to exceed \$225,000 (previously \$175,000) resulting from the Company's amendment of the facility in June 2022, which also extended the maturity date to June 2023. Additionally, the amendment changed the Company's interest rate option as defined in the ARS Facility from the rate announced from time to time by PNC Bank, N.A. as its prime rate or the LIBOR to the rate announced from time to time by PNC Bank, N.A. as its prime rate or the SOFR and increased certain receivables to the pledged collateral pool for the facility. The Company's maximum borrowing capacity under the ARS Facility was \$222,693 as of December 31, 2022. The Company had \$13,193 of borrowing availability under the ARS Facility at December 31, 2022.

Under the terms of the ARS Facility, the Company and certain of its subsidiaries sell or otherwise assign, on an ongoing basis, certain domestic trade receivables to HBI Receivables LLC ("Receivables LLC"), a wholly owned bankruptcy-remote subsidiary that in turn pledges the trade receivables to secure the borrowings, which are funded through conduits and financial institutions that are not affiliated with the Company. Funding under the ARS Facility is received either from conduits party to the ARS Facility through the issuance of commercial paper in the short-term market or through committed bank purchasers. The assets and liabilities of Receivables LLC are fully reflected on the Consolidated Balance Sheets, and the securitization is treated as a secured borrowing by Receivables LLC from the third-party conduits and financial institutions party thereto for accounting purposes, but the assets of Receivables LLC will be used solely to satisfy the creditors of Receivables LLC, not the Company's other creditors. The borrowings under the ARS Facility remain outstanding throughout the term of the agreement subject to Receivables LLC maintaining sufficient eligible receivables, by continuing to acquire trade receivables from the Company and certain of its subsidiaries, unless an event of default occurs.

Availability of funding under the ARS Facility depends primarily upon the eligible outstanding receivables balance. The outstanding balance under the ARS Facility is reported on the Consolidated Balance Sheets in the line "Accounts Receivable Securitization Facility." In the case of any creditors party to the ARS Facility that are conduits, the yield on the commercial paper, which is the conduits' cost to issue the commercial paper plus certain dealer fees, is considered a financing cost and is included in the "Interest expense, net" line in the Consolidated Statements of Income. In the case of any creditors party to the ARS Facility that are committed bank purchasers, the interest rate would be payable at the Company's option at the rate announced from time to time by PNC Bank, N.A. as its prime rate or at the SOFR (as defined in the ARS Facility) plus the applicable margin in effect from time to time. If the SOFR (as defined in the ARS Facility) is unavailable or otherwise does not accurately reflect the costs to these creditors related to the borrowings, the interest rate would generally default to the prime rate. These amounts are also considered financing costs and are included in the "Interest expense, net" line in the Consolidated Statements of Income. In addition, Receivables LLC is required to make certain indemnity and other payments to a conduit purchaser, a committed purchaser, or certain entities that provide funding to or are affiliated with them, including in the event that assets and liabilities of a conduit purchaser subject to the ARS Facility are consolidated for financial and/or regulatory accounting purposes with certain other entities.

The ARS Facility contains customary events of default and requires the Company to maintain the same interest coverage ratio and leverage ratio contained from time to time in the Senior Secured Credit Facility, provided that any changes to such covenants will only be applicable for purposes of the ARS Facility if approved by the managing agents or their affiliates. As of December 31, 2022, the Company was in compliance with all financial covenants.

**Other**

The Company had \$32,266 of borrowing availability under other international credit facilities after taking into account outstanding borrowings and letters of credit outstanding under the applicable facilities at December 31, 2022.

**Future Principal Payments**

Future principal payments for all of the facilities described above are as follows: \$247,000 due in 2023, \$1,485,275 due in 2024, \$62,500 due in 2025, and \$2,077,500 due in 2026.

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**Notes to Consolidated Financial Statements — (Continued)**  
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**Cash Paid for Interest**

Total cash paid for interest related to debt in 2022, 2021 and 2020 was \$150,452, \$161,202 and \$157,094, respectively.

**Debt Issuance Costs**

During 2022, 2021 and 2020, the Company paid \$3,159, \$8,346 and \$15,010, respectively, in capitalized debt issuance costs related to the Company's financing arrangements within continuing operations. Debt issuance costs are amortized to interest expense over the respective lives of the debt instruments, which range from one to 10 years. As of December 31, 2022, the net carrying value of unamortized debt issuance costs for the revolving loan facilities, which is included in "Other noncurrent assets" in the Consolidated Balance Sheets, was \$6,831 and the net carrying value of unamortized debt issuance costs for the remainder of the Company's debt, which is included in "Long-term debt" in the Consolidated Balance Sheets was \$13,198. The Company's debt issuance cost amortization in continuing operations was \$7,300, \$12,305 and \$11,349 in 2022, 2021 and 2020, respectively.

**(13) Defined Benefit Pension Plans**

At December 31, 2022, the Company's pension plans consisted of the U.S. pension plans, which includes the Hanesbrands Inc. Legacy Pension Plan and the Hanesbrands Inc. Pension Plan (together, the "U.S. Pension Plans"), various nonqualified retirement plans and international plans, which include certain defined benefit plans acquired in connection with the purchases of Champion Europe and Hanes Australasia. Benefits under the U.S. Pension Plans were frozen effective December 31, 2005. Effective December 1, 2022, the Company spun-off the majority of participants in the Hanesbrands Inc. Pension Plan into a new, separate plan, the Hanesbrands Inc. Legacy Pension Plan. A small number of participants remained in the Hanesbrands Inc. Pension Plan, representing approximately 1% of the total participants and 1% of the total projected benefit obligation.

The components of net periodic benefit cost and other amounts recognized in other comprehensive income (loss) of the Company's noncontributory defined benefit pension plans were as follows:

	Years Ended		
	December 31, 2022	January 1, 2022	January 2, 2021
Service cost	\$ 1,345	\$ 1,488	\$ 1,406
Interest cost	27,669	23,812	33,552
Expected return on assets	(49,189)	(45,923)	(42,278)
Settlement cost	(6)	861	121
Amortization of:			
Prior service cost	(6)	(6)	(6)
Net actuarial loss	20,972	24,440	22,277
Net periodic benefit cost	\$ 785	\$ 4,672	\$ 15,072
<b>Other Changes in Plan Assets and Benefit Obligations Recognized in Other Comprehensive Income (Loss)</b>			
Net (gain) loss	\$ (130,000)	\$ (96,334)	\$ 38,484
Prior service credit	6	6	6
Total (gain) loss recognized in other comprehensive income (loss)	(129,994)	(96,328)	38,490
Total recognized in net periodic benefit cost and other comprehensive income (loss)	\$ (129,209)	\$ (91,656)	\$ 53,562

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**Notes to Consolidated Financial Statements — (Continued)**  
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The funded status of the Company's defined benefit pension plans at the respective year ends was as follows:

	December 31, 2022	January 1, 2022
<b>Benefit obligation:</b>		
Beginning of year	\$ 1,216,161	\$ 1,299,943
Service cost	1,345	1,488
Interest cost	27,669	23,812
Benefits paid	(64,786)	(62,525)
Settlements	(125)	(2,072)
Impact of exchange rate change	(2,603)	(1,128)
Actuarial gain	(251,426)	(43,325)
Other	(36)	(32)
End of year	<u>926,199</u>	<u>1,216,161</u>
<b>Fair value of plan assets:</b>		
Beginning of year	973,598	920,316
Actual return on plan assets	(93,497)	73,567
Employer contributions	2,831	44,658
Benefits paid	(64,786)	(62,525)
Settlements	(125)	(2,072)
Impact of exchange rate change	(1,741)	(314)
Other	(36)	(32)
End of year	<u>816,244</u>	<u>973,598</u>
<b>Funded status</b>	<u>\$ (109,955)</u>	<u>\$ (242,563)</u>

The actuarial gain in 2022 and 2021 included in benefit obligations was primarily driven by increases in the U.S. discount rate assumptions.

As most of the Company's pension plans are frozen, the accumulated benefit obligation ("ABO") approximates the benefit obligation. The total benefit obligation and the benefit obligation and fair value of plan assets for the Company's pension plans with benefit obligations in excess of plan assets are as follows:

	December 31, 2022	January 1, 2022
Benefit obligation	\$ 926,199	\$ 1,216,161
Plans with benefit obligation in excess of plan assets:		
Benefit obligation	905,749	1,188,558
Fair value of plan assets	790,641	942,733

Amounts recognized in the Company's Consolidated Balance Sheets consist of:

	December 31, 2022	January 1, 2022
Other noncurrent assets	\$ 5,153	\$ 3,262
Accrued liabilities and other: Payroll and employee benefits	(2,388)	(2,225)
Pension and postretirement benefits	(112,720)	(243,600)
Accumulated other comprehensive loss	(440,529)	(570,523)

Amounts recognized in accumulated other comprehensive loss consist of:

	December 31, 2022	January 1, 2022
Prior service cost	\$ (133)	\$ (139)
Actuarial loss	440,662	570,662
Accumulated other comprehensive loss	<u>\$ 440,529</u>	<u>\$ 570,523</u>

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**Notes to Consolidated Financial Statements — (Continued)**  
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**(a) Measurement Date and Assumptions**

A December 31 measurement date is used to value plan assets and obligations for the pension plans. In determining the discount rate, the Company utilizes a full yield curve approach in the calculation of the plan obligation and interest cost and service cost components of net periodic benefit cost. The specific spot rates along the yield curve are applied to the relevant projected cash flows, and single equivalent discount rates are shown for disclosure purposes. The expected long-term rate of return on plan assets was based on the Company's investment policy target allocation of the asset portfolio among various asset classes and the expected real returns of each asset class over various periods of time. The weighted average actuarial assumptions used in measuring the net periodic benefit cost and plan obligations for the periods presented were as follows:

	December 31, 2022	January 1, 2022	January 2, 2021
<b>Net periodic benefit cost:</b>			
Discount rate	2.88 %	2.55 %	3.25 %
Long-term rate of return on plan assets	5.24	4.95	4.97
Rate of compensation increase <sup>(1)</sup>	3.09	3.10	3.07
Interest crediting rate	5.50	5.50	5.50
<b>Plan obligations:</b>			
Discount rate	5.15 %	2.88 %	2.55 %
Rate of compensation increase <sup>(1)</sup>	3.08	3.09	3.10
Interest crediting rate	5.50	5.50	5.50

(1) For December 31, 2022, January 1, 2022 and January 2, 2021, the compensation assumption only applies to certain international plans as the benefits of the U.S. pension plans are now all frozen.

**(b) Plan Assets, Expected Benefit Payments, and Funding**

The allocation of pension plan assets as of the respective period end measurement dates is as follows:

	December 31, 2022	January 1, 2022
<b>Asset category:</b>		
Hedge fund of funds	39 %	37 %
Foreign equity securities	21	22
U.S. equity securities	19	21
Debt securities	10	11
Real estate	8	6
Commodities	2	3
Cash and other	1	0

The Company's asset strategy and primary investment objective are to maximize the principal value of the plan assets to meet current and future benefit obligations to plan participants and their beneficiaries. To accomplish this goal, the assets of the plan are broadly diversified to protect against large investment losses and to reduce the likelihood of excessive volatility of returns. Diversification of assets is achieved through strategic allocations to various asset classes, as well as various investment styles within these asset classes, and by retaining multiple, third-party investment management firms with complementary investment styles and philosophies to implement these allocations. The Company has established a target asset allocation based upon analysis of risk/return trade-offs and correlations of asset mixes given long-term historical data, prospective capital market returns and forecasted liabilities of the plans. The target asset allocation approximates the actual asset allocation as of December 31, 2022. In addition to volatility protection, diversification enables the assets of the plan the best opportunity to provide adequate returns in order to meet the Company's investment return objectives. These objectives include, over a rolling five-year period, to achieve a total return that exceeds the required actuarial rate of return for the plan and to outperform a passive portfolio, consisting of a similar asset allocation.

The Company utilizes market data or assumptions that market participants would use in pricing the pension plan assets. The Level 1 assets consisted primarily of certain U.S. equity securities, certain foreign equity securities, certain debt securities

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and cash and cash equivalents. Certain foreign equity securities, debt securities, insurance contracts and commodity investments measured at their net asset value, which is determined based on inputs readily available in public markets, and investments in hedge funds of funds and real estate investments that are based on unobservable inputs about which little or no market data exists and are measured at a net asset value per share shall not be categorized within the fair value hierarchy. Refer to Note “Fair Value of Assets and Liabilities” for the Company’s complete disclosure of the fair value of pension plan assets.

Expected benefit payments are as follows: \$66,272 in 2023, \$66,619 in 2024, \$67,295 in 2025, \$68,302 in 2026, \$69,553 in 2027 and \$340,853 in 2028 through 2032.

The Company has no required cash contribution to its U.S. Pension Plans in 2023 based on a preliminary calculation by its actuary. The Company made no cash contributions to its U.S. Pension Plans in 2022. Prior to the plan spin-off described above, on January 4, 2021, the Company made a contribution of \$40,000 to the U.S. Pension Plans.

***(c) Nonretirement Postemployment Benefit Plans***

Certain of the international plans, specifically those acquired in connection with the purchase of Champion Europe, are in substance nonretirement postemployment benefit plans, which are future liabilities funded through future operational results of the Company. However, for purposes of consolidation, the Company is including these plans within the defined benefit reporting. At December 31, 2022 and January 1, 2022, the total amounts accrued for these plans were \$871 and \$1,171, respectively and the total expense was \$9, \$8 and \$16 for 2022, 2021 and 2020, respectively.



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**(14) Income Taxes**

The Company generated income (loss) from continuing operations before income tax expense of \$352,738, \$581,075, and \$(142,227) for the years 2022, 2021 and 2020, respectively. The provision for income tax expense (benefit) computed by applying the U.S. statutory rate to income (loss) from continuing operations before income tax expense as reconciled to the actual provisions were:

	Years Ended		
	December 31, 2022	January 1, 2022	January 2, 2021
Income (loss) from continuing operations before income tax expense:			
Domestic	(45.0)%	(3.3)%	445.1 %
Foreign	145.0	103.3	(345.1)
	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
Tax expense at U.S. statutory rate	21.0 %	21.0 %	21.0 %
State income tax	(1.6)	(0.7)	17.0
Tax on actual and planned remittances of foreign earnings	(1.6)	1.5	5.4
Tax on foreign earnings due to U.S. tax reform including measurement period adjustments <sup>(1)</sup>	—	(0.3)	26.9
Tax on foreign earnings (U.S. tax reform - GILTI and FDII)	3.8	1.7	(2.3)
Foreign taxes less than U.S. statutory rate	(14.0)	(12.3)	39.0
Statutory stock deduction and other foreign adjustments <sup>(2)</sup>	22.5	—	(34.5)
Employee benefits	1.0	0.3	(2.2)
Changes in valuation allowance	101.1	1.9	(14.2)
Release of unrecognized tax benefit reserves	(1.1)	(0.9)	13.2
State tax rate change	3.1	1.0	0.3
Tax provision adjustments and revisions to prior years' returns	3.6	(1.6)	(1.0)
Nondeductible expenses and tax exempt income, net	(1.2)	(0.4)	10.2
Nondeductible impairment charges	—	—	(3.7)
Domestic income tax credits	(0.7)	(0.4)	2.3
Other, net	1.3	(0.5)	(0.1)
Taxes at effective worldwide tax rates	<u>137.2 %</u>	<u>10.3 %</u>	<u>77.3 %</u>

- (1) In 2020, the Company continued to analyze the impacts of the Tax Cuts and Jobs Act (the “Tax Act”) and recently issued regulations that have been published to help taxpayers interpret and apply the legislation. As a result of its analysis, the Company changed its estimate of the tax liability due in connection with the one-time mandatory transition tax and recognized a \$4,668 income tax benefit in 2021 and a \$38,315 income tax benefit in 2020.
- (2) During the year ending January 2, 2021, the Company recorded \$49,082 of tax expense due to recapture of previous net operating losses created by statutory impairment. This amount is offset in the change in valuation allowance section of the rate reconciliation. During the year ending December 31, 2022, the Company recorded a deferred tax liability related to tax impairments of subsidiary stock in Switzerland which created a net operating loss carryforward. Pursuant to Swiss tax law, the loss created is subject to recapture for which a deferred tax liability was recorded in excess of the deferred tax asset.

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**Notes to Consolidated Financial Statements — (Continued)**  
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Current and deferred tax provisions (benefits) were:

	Current	Deferred	Total
<b>Year ended December 31, 2022</b>			
Domestic .....	\$ 15,188	\$ 201,112	\$ 216,300
Foreign .....	83,607	95,558	179,165
State .....	(2,712)	91,154	88,442
	<u>\$ 96,083</u>	<u>\$ 387,824</u>	<u>\$ 483,907</u>
<b>Year ended January 1, 2022</b>			
Domestic .....	\$ (15,176)	\$ 6,934	\$ (8,242)
Foreign .....	66,844	1,421	68,265
State .....	(2,948)	3,032	84
	<u>\$ 48,720</u>	<u>\$ 11,387</u>	<u>\$ 60,107</u>
<b>Year ended January 2, 2021</b>			
Domestic .....	\$ (7,770)	\$ (136,221)	\$ (143,991)
Foreign .....	46,701	34,066	80,767
State .....	6,256	(52,972)	(46,716)
	<u>\$ 45,187</u>	<u>\$ (155,127)</u>	<u>\$ (109,940)</u>
	<b>Years Ended</b>		
	<b>December 31, 2022</b>	<b>January 1, 2022</b>	<b>January 2, 2021</b>
Cash payments for income taxes .....	\$ 95,331	\$ 95,011	\$ 107,577

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The deferred tax assets and liabilities at the respective year-ends were as follows:

	December 31, 2022	January 1, 2022
Deferred tax assets:		
Inventories	\$ 92,347	\$ 64,425
Bad debt allowance	15,854	15,605
Accrued expenses	15,492	20,863
Employee benefits	55,687	104,845
Tax credits	10,859	4,804
Net operating loss and other tax carryforwards	562,326	410,921
Leasing	112,619	112,423
Property and equipment	6,094	4,707
Section 163(j)	50,695	46,729
Capitalized research costs	17,501	5,873
Other	1,029	—
Gross deferred tax assets	940,503	791,195
Less valuation allowances	(626,540)	(306,221)
Deferred tax assets	313,963	484,974
Deferred tax liabilities:		
Derivatives	13,781	10,303
Section 481(a) liability	—	23,881
Leasing	101,558	99,470
Accrued tax on unremitted foreign earnings	26,128	38,812
Intangibles	41,331	43,917
Other	—	392
Statutory impairment	247,360	—
Prepays	877	434
Deferred tax liabilities	431,035	217,209
Net deferred tax assets (liabilities)	\$ (117,072)	\$ 267,765

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. Based upon the level of historical taxable income and projections for future taxable income over the periods which the deferred tax assets are deductible, the Company believes it is more likely than not it will realize the benefits of these deductible differences, net of the existing valuation allowances.

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The changes in the Company's valuation allowance for deferred tax assets are as follows:

December 28, 2019	\$ 188,554
Charged to income tax expense	14,959
Charged to other accounts <sup>(1)</sup>	1,341
January 2, 2021	<u>\$ 204,854</u>
Charged to income tax expense	4,343
Charged to other accounts <sup>(1)</sup>	97,024
January 1, 2022	<u>\$ 306,221</u>
Charged to income tax expense	356,740
Charged to other accounts <sup>(1)</sup>	(36,421)
December 31, 2022	<u><u>\$ 626,540</u></u>

(1) Charges to other accounts include the effects of foreign currency translation, purchase accounting adjustments and changes to valuation allowances as a result of intraperiod tax allocations.

As of December 31, 2022, the valuation allowance for deferred tax assets was \$626,540, made up of \$306,743 for foreign loss carryforwards, \$21,232 for other foreign deferred tax assets, \$63,619 for federal and state operating loss carryforwards, and \$234,946 for other federal and state deferred tax assets. The net change in the total valuation allowance for 2022 was \$320,319, which relates to an increase of \$24,172 for foreign loss carryforwards, an increase of \$9,166 for other foreign deferred tax assets, an increase of \$52,035 for federal and state operating loss carryforwards and an increase of \$234,946 for other federal and state deferred tax assets.

The domestic net increase reflects a full valuation allowance recorded against federal and state deferred tax assets in 2022. As of December 31, 2022, the Company concluded that, based on its evaluation of all available positive and negative evidence, its U.S. federal and state deferred tax assets were no longer more likely than not realizable. In making this determination, the Company evaluated positive evidence, including its projections of future taxable income which demonstrate a long-term return to profitability in the U.S., and negative evidence, including recent tax losses incurred and expected near term tax losses in connection with its domestic operations and the lack of sufficient taxable temporary differences expected to reverse in future periods, and determined that the negative evidence outweighed the positive.

At December 31, 2022, the Company had gross foreign net operating loss carryforwards of approximately \$1,912,611 (on a tax return basis) which are subject to expiration as follows:

<b>Fiscal Year:</b>	
2023	\$ 6,055
2024	3,921
2025	6,076
2026	2,320
2027	4,168
Thereafter	1,890,071

At December 31, 2022, the Company had domestic tax credit carryforwards totaling \$10,859, which expire beginning after 2022.

At December 31, 2022, the Company had gross federal and state interest carryforwards of approximately \$209,536 and \$151,718 (on a tax return basis), respectively, which carry forward indefinitely.

At December 31, 2022, the Company had gross federal and state net operating loss carryforwards of approximately \$173,305 and \$1,018,011 (on a tax return basis), respectively, which expire beginning after 2022.

During 2022, the Company recorded \$696,028 of additional foreign net operating losses due to tax-deductible impairments in Switzerland and Luxembourg. These losses are subject to recapture in Switzerland and Luxembourg such that they will be taxable in a future year, therefore deferred tax liabilities were recorded. The Company believes it is reasonably possible that the deferred tax liability in Switzerland will reverse within the next twelve months due to expected actions by the Company in 2023.

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The Company has determined that a portion of the Company's unremitted foreign earnings as of December 31, 2022, totaling approximately \$269,019, are not permanently reinvested. The remainder of the Company's foreign earnings will continue to be permanently reinvested to fund working capital requirements and operations abroad. As of December 31, 2022, the Company has accrued \$26,128 of income taxes with respect to the \$269,019 of foreign earnings the Company intends to remit in the future. These income tax effects include U.S. federal, state, foreign and withholding tax implications in accordance with the planned remittance of such foreign earnings. An estimate of income tax costs that may be incurred if the permanently reinvested portion of unremitted foreign earnings were in fact remitted is impractical to calculate.

In 2022, 2021, and 2020, the Company recognized reductions of unrecognized tax benefits for tax positions of prior years of \$311, \$12,599, and \$18,385, respectively. In 2022, 2021, and 2020, income tax benefits recognized in connection with the expiration of statutes of limitations were \$7,191, \$147, and \$16,655, respectively. The Company believes it is reasonably possible that the amount of unrecognized tax benefits may decrease by \$3,267 within the next 12 months due to expirations in statutes of limitations.

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

Balance at December 28, 2019 (gross balance of \$78,789)	\$ 74,385
Additions based on tax positions related to the current year	3,675
Additions based on tax positions of prior years	2,666
Settlements	—
Lapse of statute of limitations	(16,655)
Reductions for tax positions of prior years	(18,385)
Balance at January 2, 2021 (gross balance of \$46,645)	<u>\$ 45,686</u>
Additions based on tax positions related to the current year	3,231
Additions based on tax positions of prior years	3,401
Settlements	—
Lapse of statute of limitations	(147)
Reductions for tax positions of prior years	(12,599)
Balance at January 1, 2022 (gross balance of \$40,706)	<u>\$ 39,572</u>
Adjustments related to prior year ending balance	1,138
Additions based on tax positions related to the current year	2,857
Additions based on tax positions of prior years	798
Settlements	—
Lapse of statute of limitations	(7,191)
Reductions for tax positions of prior years	(311)
Balance at December 31, 2022 (gross balance of \$37,818)	<u><u>\$ 36,863</u></u>

At December 31, 2022, the balance of the Company's unrecognized tax benefits, which would, if recognized, affect the Company's annual effective tax rate was \$28,444. The Company's policy is to recognize interest and/or penalties related to income tax matters in income tax expense. The Company recognized \$81, \$933 and \$(5,206) in 2022, 2021 and 2020, respectively, for interest and penalties classified as income tax expense (benefit) in the Consolidated Statements of Income. At December 31, 2022 and January 1, 2022, the Company had a total of \$6,303 and \$5,865, respectively, of interest and penalties accrued related to unrecognized tax benefits.

The Company files U.S. federal income tax returns, as well as separate and combined income tax returns in numerous state and foreign jurisdictions. The Company remains subject to U.S. Federal tax examinations for tax years 2017 through 2022. The Company is also subject to examination by various state and international tax authorities. The tax years subject to examination vary by jurisdiction. The Company regularly assesses the outcomes of both ongoing and future examinations for the current or prior years to ensure the Company's provision for income taxes is sufficient. The Company recognizes liabilities based on estimates of whether additional taxes will be due and believes its reserves are adequate in relation to any potential assessments. The outcome of any one examination, some of which may conclude during the next 12 months, is not expected to have a material impact on the Company's financial position or results of operations.

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**Notes to Consolidated Financial Statements — (Continued)**  
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**(15) Commitments and Contingencies**

The Company is a party to various pending legal proceedings, claims and environmental actions by government agencies. In accordance with the accounting rules for contingencies, the Company records a provision with respect to a claim, suit, investigation or proceeding when it is probable that a liability has been incurred and the amount of the loss can reasonably be estimated. Any provisions are reviewed at least quarterly and are adjusted to reflect the impact and status of settlements, rulings, advice of counsel and other information pertinent to the particular matter. The recorded liabilities for these items were not material to the consolidated financial statements of the Company in any of the years presented. Although the outcome of such items cannot be determined with certainty, the Company's legal counsel and management are of the opinion that the final outcome of these matters will not have a material adverse impact on the consolidated financial position, results of operations or liquidity.

***Purchase Commitments***

In the ordinary course of business, the Company has entered into purchase commitments for raw materials, production and finished goods. These agreements, typically with terms ending within a year, require total payments of \$403,316 in 2023, \$6,219 in 2024 and \$6,840 in 2025.

***License Agreements***

The Company is party to several royalty-bearing license agreements for the use of third-party trademarks in certain of its products. The license agreements typically require a minimum guarantee to be paid either at the commencement of the agreement, by a designated date during the term of the agreement or by the end of the agreement period. When payments are made in advance of when they are due, the Company records a prepayment and amortizes the expense in the "Cost of sales" line in the Consolidated Statements of Income uniformly over the guaranteed period. For guarantees required to be paid at the completion of the agreement, royalties are expensed through the "Cost of sales" line in the Consolidated Statements of Income as the related sales are made. The Company has reviewed all license agreements and has concluded that there are no liabilities recorded at inception of the agreements.

During 2022, 2021 and 2020, the Company incurred royalty expense of approximately \$103,204, \$100,281 and \$72,775, respectively.

Minimum amounts due under the license agreements are approximately \$66,215 in 2023, \$49,117 in 2024, \$29,190 in 2025, \$26,190 in 2026, \$18,379 in 2027 and \$44,498 thereafter.

**(16) Stockholders' Equity**

The Company is authorized to issue up to 2,000,000 shares of common stock, par value \$0.01 per share, and up to 50,000 shares of preferred stock, par value \$0.01 per share, and the Company's Board of Directors may, without stockholder approval, increase or decrease the aggregate number of shares of stock or the number of shares of stock of any class or series that the Company is authorized to issue. At December 31, 2022 and January 1, 2022, 349,009 and 349,903 shares, respectively, of common stock were issued and outstanding and no shares of preferred stock were issued or outstanding.

On February 2, 2022, the Company's Board of Directors approved a new share repurchase program for up to \$600,000 of shares to be repurchased in open market transactions or privately negotiated transactions, subject to market conditions, legal requirements and other factors. Additionally, management has been granted authority to establish a trading plan 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. The new program replaced the Company's previous share repurchase program for up to 40,000 shares that was originally approved on February 6, 2020. Unless terminated earlier by the Company's Board of Directors, the new program will expire on December 28, 2024. Under the February 6, 2020 share repurchase program, the Company entered into transactions to repurchase 14,464 shares at a weighted average repurchase price of \$13.83 per share for the year ended January 2, 2021. These shares were repurchased at a total cost of \$200,269. The Company did not purchase any shares of the Company's common stock under the February 6, 2020 share repurchase program during 2021. Under the new program, the Company entered into transactions to repurchase 1,577 shares at a weighted average repurchase price of \$15.84 per share for the year ended December 31, 2022. The shares were repurchased at

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**Notes to Consolidated Financial Statements — (Continued)**  
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a total cost of \$25,018 including broker's commissions of \$31. The Company did not repurchase any shares under the previous share repurchase program during 2022 through the expiration of the program on February 2, 2022. At December 31, 2022, the remaining repurchase authorization under the current share repurchase program totaled \$575,013.

**Dividends**

In 2020 and 2021, the Company's Board of Directors declared regular quarterly cash dividends of \$0.15 per share of the Company's outstanding common stock, which were paid in 2020 and 2021, respectively.

During 2022, the Company's Board of Directors declared regular quarterly cash dividends of \$0.15 per share of the Company's outstanding common stock, which were paid on March 8, 2022, May 31, 2022, September 14, 2022 and December 13, 2022.

The Company's Board of Directors eliminated the Company's quarterly cash dividend as the Company recently shifted its capital allocation strategy to focus the use of all its free cash flow (cash from operations less capital expenditures) on reducing debt and bringing its leverage back to a range that is no greater than two to three times on a net debt-to-adjusted EBITDA basis.

**(17) Accumulated Other Comprehensive Loss**

The components of AOCI are as follows:

	Cumulative Translation Adjustment <sup>(1)</sup>	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	—	34,554	25,011	(15,179)	44,386
Current-period other comprehensive income (loss) activity	(81,181)	(2,772)	74,558	(19,635)	(29,030)
Total other comprehensive income (loss)	(81,181)	31,782	99,569	(34,814)	15,356
Balance at January 1, 2022	\$ (134,001)	\$ 5,244	\$ (569,161)	\$ 146,315	\$ (551,603)
Amounts reclassified from accumulated other comprehensive loss	(13,473)	14,927	21,224	3,319	25,997
Current-period other comprehensive income (loss) activity	(81,329)	(11,462)	110,584	(4,195)	13,598
Total other comprehensive income (loss)	(94,802)	3,465	131,808	(876)	39,595
Balance at December 31, 2022	\$ (228,803)	\$ 8,709	\$ (437,353)	\$ 145,439	\$ (512,008)

(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.

The Company uses a portfolio approach to release the income tax effects in accumulated other comprehensive loss related to pension and postretirement benefits. Under this approach, the income tax effects are released from accumulated other comprehensive loss based on the pre-tax adjustments to pension liabilities or assets recognized within other comprehensive income. Any tax effects remaining in accumulated other comprehensive loss are released only when the entire portfolio of the pension and postretirement benefits is liquidated, sold or extinguished.

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The Company had the following reclassifications out of AOCI:

Component of AOCI	Location of Reclassification into Income	Amount of Reclassification from AOCI		
		Years Ended		
		December 31, 2022	January 1, 2022	January 2, 2021
Write-off of cumulative translation associated with sale of business	Income (loss) from discontinued operations, net of tax	\$ 13,473	\$ —	\$ —
Gain (loss) on forward foreign exchange contracts designated as cash flow hedges	Cost of sales	\$ 11,336	\$ (15,301)	\$ 10,069
	Income tax	(3,401)	4,105	(2,851)
	Income (loss) from discontinued operations, net of tax	(232)	(2,890)	4,314
	Net of tax	7,703	(14,086)	11,532
Gain (loss) on cross-currency swap contracts designated as cash flow hedges	Selling, general and administrative expenses	(20,016)	(12,155)	—
	Interest expense, net	(5,940)	(3,556)	—
	Income tax	—	4,061	—
	Net of tax	(25,956)	(11,650)	—
Amortization of deferred actuarial loss and prior service cost	Other expenses	(20,809)	(25,671)	(22,261)
	Income tax	52	6,461	5,753
	Income (loss) from discontinued operations, net of tax	—	560	(698)
	Income (loss) from discontinued operations, net of tax	(460)	—	—
Pension activity associated with sale of business	Net of tax	(21,217)	(18,650)	(17,206)
Total reclassifications		\$ (25,997)	\$ (44,386)	\$ (5,674)

**(18) 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	December 31, 2022	January 1, 2022
U.S. dollar equivalent notional amount of derivative instruments:			
Forward foreign exchange contracts	Cash Flow and Mark to Market	\$ 397,908	\$ 308,071
Cross-currency swap contracts	Cash Flow	\$ 352,920	\$ 352,920
Cross-currency swap contracts	Net Investment	\$ 335,940	\$ 335,940



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***Fair Values of Derivative Instruments***

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

	Balance Sheet Location	Fair Value	
		December 31, 2022	January 1, 2022
Derivatives designated as hedging instruments:			
Forward foreign exchange contracts	Other current assets	\$ 1,892	\$ 2,898
Cross-currency swap contracts	Other current assets	1,033	974
Forward foreign exchange contracts	Other noncurrent assets	110	83
Cross-currency swap contracts	Other noncurrent assets	16,477	1,979
Derivatives not designated as hedging instruments:			
Forward foreign exchange contracts	Other current assets	5,402	5,439
Total derivative assets		24,914	11,373
Derivatives designated as hedging instruments:			
Forward foreign exchange contracts	Accrued liabilities and other: Other	(1,263)	(349)
Cross-currency swap contracts	Accrued liabilities and other: Other	(252)	(222)
Forward foreign exchange contracts	Other noncurrent liabilities	(178)	(14)
Cross-currency swap contracts	Other noncurrent liabilities	(27,753)	(11,387)
Derivatives not designated as hedging instruments:			
Forward foreign exchange contracts	Accrued liabilities and other: Other	(4,841)	(331)
Total derivative liabilities		(34,287)	(12,303)
Net derivative liability		<u>\$ (9,373)</u>	<u>\$ (930)</u>

***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 December 31, 2022. 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 \$1,457. The Company is hedging exposure to the variability in future foreign currency-denominated cash flows for forecasted transactions over the next 14 months and for long-term debt over the next 18 months.

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

		Amount of Gain (Loss) Recognized in AOCI on Derivative Instruments		
		Years Ended		
		December 31, 2022	January 1, 2022	January 2, 2021
Forward foreign exchange contracts		\$ 10,843	\$ 12,170	\$ (15,643)
Cross-currency swap contracts		(22,305)	(14,942)	—
<b>Total</b>		<b>\$ (11,462)</b>	<b>\$ (2,772)</b>	<b>\$ (15,643)</b>

		Amount of Gain (Loss) Reclassified from AOCI into Income		
		Years Ended		
		December 31, 2022	January 1, 2022	January 2, 2021
	Location of Gain (Loss) Reclassified from AOCI into Income			
Forward foreign exchange contracts <sup>(1)</sup>	Cost of sales	\$ 11,336	\$ (15,301)	\$ 10,069
Forward foreign exchange contracts <sup>(1)</sup>	Income (loss) from discontinued operations, net of tax	(307)	(3,542)	5,612
Cross-currency swap contracts <sup>(1)</sup>	Selling, general and administrative expenses	(20,016)	(12,155)	—
Cross-currency swap contracts <sup>(1)</sup>	Interest expense, net	(5,940)	(3,556)	—
<b>Total</b>		<b>\$ (14,927)</b>	<b>\$ (34,554)</b>	<b>\$ 15,681</b>

(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.

The following table presents the amounts in the Consolidated Statements of Income in which the effects of cash flow hedges are recorded:

	Years Ended		
	December 31, 2022	January 1, 2022	January 2, 2021
Cost of sales	\$ 4,012,542	\$ 4,149,541	\$ 4,524,461
Selling, general and administrative expenses	\$ 1,701,563	\$ 1,853,971	\$ 1,560,034
Interest expense, net	\$ 157,073	\$ 163,067	\$ 164,238
Income (loss) from discontinued operations, net of tax	\$ 3,965	\$ (443,744)	\$ (43,292)

### **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 December 31, 2022 and January 1, 2022, the U.S. dollar equivalent carrying value of Euro-denominated long-term debt designated as a partial European net investment hedge was \$214,110 and \$227,454, respectively.

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The amount of after-tax gains (losses) included in AOCI in the Consolidated Balance Sheets related to derivative instruments and nonderivative financial instruments designated as net investment hedges are as follows:

	Amount of Gain (Loss) Recognized in AOCI		
	Years Ended		
	December 31, 2022	January 1, 2022	January 2, 2021
Euro-denominated long-term debt	\$ 9,716	\$ 24,928	\$ (36,609)
Cross-currency swap contracts	14,497	13,670	(14,404)
<b>Total</b>	<b>\$ 24,213</b>	<b>\$ 38,598</b>	<b>\$ (51,013)</b>

The effect of derivative and non-derivative instruments designated as net investment hedges on the Consolidated Statements of Income are as follows:

	Location of Gain (Loss) Reclassified from AOCI into Income	Amount of Gain (Loss) Reclassified from AOCI into Income		
		Years Ended		
		December 31, 2022	January 1, 2022	January 2, 2021
Euro-denominated long-term debt	Income (loss) from discontinued operations, net of tax	\$ (13,348)	\$ —	\$ —
Cross-currency swap contracts	Income (loss) from discontinued operations, net of tax	(2,505)	—	—
Cross-currency swap contracts (amounts excluded from effectiveness testing)	Interest expense, net	8,368	7,389	7,637
<b>Total</b>		<b>\$ (7,485)</b>	<b>\$ 7,389</b>	<b>\$ 7,637</b>

The following table presents the amounts in the Consolidated Statements of Income in which the amounts excluded from effectiveness testing for net investment hedges are recorded:

	Years Ended		
	December 31, 2022	January 1, 2022	January 2, 2021
Income (loss) from discontinued operations, net of tax	\$ 3,965	\$ (443,744)	\$ (43,292)
Interest expense, net	\$ 157,073	\$ 163,067	\$ 164,238

### ***Mark to Market Hedges***

Derivatives used in mark to market hedges are not designated as hedges under the accounting standards. 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. 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.

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

	Location of Gain (Loss) Recognized in Income on Derivatives	Amount of Gain (Loss) Recognized in Income		
		Years Ended		
		December 31, 2022	January 1, 2022	January 2, 2021
Forward foreign exchange contracts	Cost of sales	\$ (16,557)	\$ 24,087	\$ (16,163)
Forward foreign exchange contracts	Selling, general and administrative expenses	(290)	2,784	(2,029)
Forward foreign exchange contracts	Income (loss) from discontinued operations, net of tax	—	4,706	(3,707)
Total		<u>\$ (16,847)</u>	<u>\$ 31,577</u>	<u>\$ (21,899)</u>

### (19) Fair Value of Assets and Liabilities

Fair value is an exit price, representing the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Company utilizes market data or assumptions that market participants would use in pricing the asset or liability. A three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value, is utilized for disclosing the fair value of the Company's assets and liabilities. These tiers include: Level 1, defined as observable inputs such as quoted prices in active markets; Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs about which little or no market data exists, therefore requiring an entity to develop its own assumptions.

Assets and liabilities measured at fair value are based on one or more of the following three valuation techniques:

- Market approach — prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities.
- Cost approach — amount that would be required to replace the service capacity of an asset or replacement cost.
- Income approach — techniques to convert future amounts to a single present amount based on market expectations, including present value techniques, option-pricing and other models.

The Company primarily applies the market approach for commodity derivatives and for all defined benefit plan investment assets and the income approach for interest rate and foreign currency derivatives for recurring fair value measurements and attempts to utilize valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The determination of fair values incorporates various factors that include not only the credit standing of the counterparties involved and the impact of credit enhancements, but also the impact of the Company's nonperformance risk on its liabilities. The Company's assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the valuation of fair value assets and liabilities and their placement within the fair value hierarchy levels.

As of December 31, 2022 and January 1, 2022, 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, defined benefit pension plan investment assets 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 plan liabilities is based on readily available current market data and is categorized as Level 2. The fair values of defined benefit pension plan investment assets include: certain U.S. equity securities, certain foreign equity securities, cash and cash equivalents and debt securities that are determined based on quoted prices in public markets categorized as Level 1; insurance contracts that are determined based on inputs readily available in public markets or can be derived from information available in publicly quoted

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**Notes to Consolidated Financial Statements — (Continued)**  
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markets categorized as Level 2; certain foreign equity securities, debt securities and commodity investments measured at their net asset value, which is determined based on inputs readily available in public markets; and investments in hedge fund of funds and real estate investments that are based on unobservable inputs about which little or no market data exists and are measured at a net asset value. Assets valued utilizing a net asset value are not required to be classified within the fair value hierarchy.

There were no changes during 2022 to the Company's valuation techniques used to measure asset and liability fair values on a recurring basis. As of and for the year ended December 31, 2022, the Company did not have any non-financial assets or liabilities that were required to be measured at fair value on a recurring basis 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 December 31, 2022			
	Total	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Defined benefit pension plan investment assets:</b>				
U.S. equity securities	\$ 158,305	\$ 158,305	\$ —	\$ —
Foreign equity securities	33,713	33,713	—	—
Debt securities	81,812	81,812	—	—
Cash and other	11,045	11,045	—	—
<b>Total plan assets in the fair value hierarchy</b>	<b>284,875</b>	<b>284,875</b>	<b>—</b>	<b>—</b>
<b>Plan assets measured at net asset value:<sup>(1)</sup></b>				
Hedge fund of funds	313,521			
Foreign equity securities	135,076			
Debt securities	670			
Real estate	65,364			
Commodities	16,738			
<b>Total plan assets measured at net asset value</b>	<b>531,369</b>			
<b>Total plan assets</b>	<b>816,244</b>			
<b>Derivative contracts:</b>				
Forward foreign exchange contracts - assets	7,404	—	7,404	—
Cross-currency swap contracts - assets	17,510	—	17,510	—
Forward foreign exchange contracts - liabilities	(6,282)	—	(6,282)	—
Cross-currency swap contracts - liabilities	(28,005)	—	(28,005)	—
<b>Total derivative contracts</b>	<b>(9,373)</b>	<b>—</b>	<b>(9,373)</b>	<b>—</b>
Deferred compensation plan liability	(16,096)	—	(16,096)	—
<b>Total</b>	<b>\$ 790,775</b>	<b>\$ 284,875</b>	<b>\$ (25,469)</b>	<b>\$ —</b>

- (1) Certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been categorized in the fair value hierarchy. The fair value amounts presented in the tables above are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the Consolidated Balance Sheets.

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	Assets (Liabilities) at Fair Value as of January 1, 2022			
	Total	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Defined benefit pension plan investment assets:</b>				
U.S. equity securities	\$ 201,111	\$ 201,111	\$ —	\$ —
Foreign equity securities	47,099	47,099	—	—
Debt securities	24,125	24,125	—	—
Cash and other	1,597	1,597	—	—
<b>Total plan assets in the fair value hierarchy</b>	<b>273,932</b>	<b>273,932</b>	<b>—</b>	<b>—</b>
<b>Plan assets measured at net asset value:<sup>(1)</sup></b>				
Hedge fund of funds	356,289			
Foreign equity securities	170,741			
Debt securities	87,284			
Real estate	57,479			
Commodities	27,873			
<b>Total plan assets measured at net asset value</b>	<b>699,666</b>			
<b>Total plan assets</b>	<b>973,598</b>			
<b>Derivative contracts:</b>				
Forward foreign exchange contracts - assets	8,420	—	8,420	—
Cross-currency swap contracts - assets	2,953	—	2,953	—
Forward foreign exchange contracts - liabilities	(694)	—	(694)	—
Cross-currency swap contracts - liabilities	(11,609)	—	(11,609)	—
<b>Total derivative contracts</b>	<b>(930)</b>	<b>—</b>	<b>(930)</b>	<b>—</b>
Deferred compensation plan liability	(20,916)	—	(20,916)	—
<b>Total</b>	<b>\$ 951,752</b>	<b>\$ 273,932</b>	<b>\$ (21,846)</b>	<b>\$ —</b>

(1) Certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been categorized in the fair value hierarchy. The fair value amounts presented in the tables above are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the Consolidated Balance Sheets.

### ***Fair Value of Financial Instruments***

The carrying amounts of cash and cash equivalents, trade accounts receivable and accounts payable approximated fair value as of December 31, 2022 and January 1, 2022. The fair value of debt, which is classified as a Level 2 liability, was \$3,697,856 and \$3,504,412 as of December 31, 2022 and January 1, 2022, respectively. Debt had a carrying value of \$3,872,275 and \$3,368,634 as of December 31, 2022 and January 1, 2022, 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.

### **(20) 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, U.S. Sheer Hosiery business and certain sales from its supply chain to the European Innerwear business. In the fourth quarter of 2021, the Company reached the decision to divest its U.S. Sheer Hosiery business, including the *L'eggs* brand, as part of its strategy to streamline its portfolio under its Full Potential plan. See Note "Assets and Liabilities Held for Sale" for additional information.

The Company considers its chief executive officer to be the Company's chief operating decision maker. The Company's chief operating decision maker manages business operations, evaluates performance and allocates resources based on the

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**Notes to Consolidated Financial Statements — (Continued)**  
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segments' net revenues and operating income. The Company reports inventories by segment as that information is used by the chief operating decision maker in assessing segment performance. The Company does not report its other assets by segment as that information is not used by the chief operating decision maker in assessing segment performance.

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. Innerwear also includes sales of PPE including products such as cloth face coverings and gowns in 2020.
- Activewear includes sales in the United States of branded products that are primarily seasonal in nature to both retailers and wholesalers, as well as licensed sports apparel and licensed logo apparel.
- International primarily includes sales of our innerwear and activewear products, including PPE in 2020, outside the United States, primarily in Australia, Europe, Asia, Latin America and Canada.

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."

	Years Ended		
	December 31, 2022	January 1, 2022	January 2, 2021
<b>Net sales:</b>			
Innerwear	\$ 2,429,966	\$ 2,719,788	\$ 2,978,009
Activewear	1,555,062	1,679,639	1,184,413
International	1,914,268	2,066,249	1,711,432
Other	334,354	335,564	253,307
Total net sales	<u>\$ 6,233,650</u>	<u>\$ 6,801,240</u>	<u>\$ 6,127,161</u>
	Years Ended		
	December 31, 2022	January 1, 2022	January 2, 2021
<b>Segment operating profit:</b>			
Innerwear	\$ 388,586	\$ 573,852	\$ 718,923
Activewear	153,710	236,400	67,643
International	283,036	339,317	249,718
Other	17,019	30,922	(10,140)
Total segment operating profit	<u>842,351</u>	<u>1,180,491</u>	<u>1,026,144</u>
Items not included in segment operating profit:			
General corporate expenses	(232,975)	(219,984)	(218,424)
Restructuring and other action-related charges	(59,858)	(131,710)	(734,196)
Amortization of intangibles	(29,973)	(31,069)	(30,858)
Total operating profit	<u>519,545</u>	<u>797,728</u>	<u>42,666</u>
Other expenses	(9,734)	(53,586)	(20,655)
Interest expense, net	(157,073)	(163,067)	(164,238)
Income (loss) from continuing operations before income tax expense	<u>\$ 352,738</u>	<u>\$ 581,075</u>	<u>\$ (142,227)</u>

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The Company incurred restructuring and other action-related charges that were reported in the following lines in the Consolidated Statements of Income:

	Years Ended		
	December 31, 2022	January 1, 2022	January 2, 2021
Cost of sales	\$ 17,025	\$ 10,098	\$ 670,618
Selling, general and administrative expenses	42,833	121,612	63,578
Total included in operating profit	59,858	131,710	734,196
Other expenses	—	45,699	—
Total included in income (loss) from continuing operations before income tax expense	59,858	177,409	734,196
Income tax (expense) benefit	(413,766)	53,665	205,342
Total restructuring and other action-related charges	<u>\$ 473,624</u>	<u>\$ 123,744</u>	<u>\$ 528,854</u>

The components of restructuring and other action-related charges were as follows:

	Years Ended		
	December 31, 2022	January 1, 2022	January 2, 2021
Full Potential plan:			
Professional services	\$ 23,994	\$ 44,617	\$ —
Supply chain segmentation	17,982	5,419	—
Technology	11,922	4,617	—
Operating model	8,221	23,191	—
Impairment of intangible assets	—	7,302	—
(Gain) loss on sale of business and classification of assets held for sale	(3,535)	38,364	—
Other	1,274	8,200	—
Inventory SKU rationalization	—	—	192,704
PPE inventory write-off	—	—	362,913
PPE vendor commitments	—	—	26,400
Supply chain actions	—	—	19,636
Program exit costs	—	—	9,854
Other restructuring costs	—	—	7,763
COVID-19 related charges:			
Supply chain re-startup	—	—	48,608
Bad debt	—	—	9,418
Inventory	—	—	14,869
Goodwill	—	—	25,173
Write-off of acquisition tax asset	—	—	16,858
Total included in operating profit	59,858	131,710	734,196
Early extinguishment and refinancing of debt included in other expenses	—	45,699	—
Total included in income (loss) from continuing operations before income tax expense	59,858	177,409	734,196
Discrete tax (expense) benefit	(422,918)	27,147	69,628
Tax effect on actions	9,152	26,518	135,714
Total included in income tax (expense) benefit	(413,766)	53,665	205,342
Total restructuring and other action-related charges	<u>\$ 473,624</u>	<u>\$ 123,744</u>	<u>\$ 528,854</u>

Restructuring and other action-related charges within operating profit included \$59,858 and \$131,710 of charges related to the implementation of the Company's Full Potential plan in the year ended December 31, 2022 and January 1, 2022, respectively. Full Potential plan charges in the year ended December 31, 2022 included charges related to supply chain



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**Notes to Consolidated Financial Statements — (Continued)**  
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segmentation of \$17,982 to position the Company's manufacturing network to align with revenue growth opportunities of its Full Potential plan demand trends which is reflected in the "Cost of sales" line of the Consolidated Statements of Income.

In the fourth quarter of 2021, the Company determined that its U.S. Sheer Hosiery business met held-for-sale accounting criteria and recorded a non-cash charge related to the Full Potential plan of \$38,364 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. In the year ended December 31, 2022, the Company recorded a non-cash gain of \$3,535, to adjust the valuation allowance related to the U.S. Sheer Hosiery business resulting from a decrease in carrying value due to changes in working capital. These valuation allowance adjustments are reflected in the "Selling, general and administrative expenses" line in the Consolidated Statements of Income. Additionally, Full Potential plan charges in the year ended January 1, 2022 included impairment charges of \$7,302, which are reflected in the "Selling, general and administrative expenses" line of the Consolidated Statements of Income, 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 was not marketed for sale.

In the third quarter of 2021, the Company recorded a Full Potential plan charge of \$16,000 for an action to resize its U.S. corporate office workforce through a voluntary retirement program which was reflected in the "Selling, general and administrative expenses" line of the Consolidated Statements of Income and in the "Operating model" line of the restructuring and other action-related charges table above. At January 1, 2022, the accrual for employee termination and other benefits related to the Company's 2021 voluntary retirement program was \$15,688. During the year ended December 31, 2022, the Company approved actions to position the Company's manufacturing network to align with revenue growth opportunities of its Full Potential plan demand trends and to reduce corporate headcount which resulted in charges of \$16,770 for employee termination and other benefits for employees affected by the actions. Of these charges, \$7,170 is reflected in the "Cost of sales" line in the Consolidated Statements of Income and in the Supply chain segmentation line in the restructuring and other action-related charges table above and \$9,600 related to corporate headcount reductions is reflected in the "Selling, general and administrative expenses" line of the Consolidated Statements of Income and in the "Operating model" line in the restructuring and other action-related table. During the year ended December 31, 2022, benefit payments and other adjustments of \$16,288, have been made, resulting in an ending accrual for the actions noted above of \$16,170 which is included in the "Accrued liabilities" line of the Consolidated Balance Sheets at December 31, 2022.

In the fourth quarter of 2022, the Company recorded a non-cash discrete tax charge of \$422,918 to reflect a full valuation allowance against the Company's U.S. federal and state deferred tax assets. As of December 31, 2022, the Company concluded that, based on its evaluation of all available positive and negative evidence, its U.S. federal and state deferred tax assets were no longer more likely than not realizable. In making this determination, the Company evaluated positive evidence, including its projections of future taxable income which demonstrate a long-term return to profitability in the U.S., and negative evidence, including recent tax losses incurred and expected near term tax losses in connection with its domestic operations and the lack of sufficient taxable temporary differences expected to reverse in future periods, and determined that the negative evidence outweighed the positive.

In the fourth quarter of 2021, the Company also recorded a charge of \$45,699 in restructuring and other action-related charges related to the refinancing of its Senior Secured Credit Facility and the redemption of the 5.375% Senior Notes. The charge, which is reported in the "Other expenses" line in the Consolidated Statements of Income, included a payment of \$34,840 for a make-whole premium in connection with the redemption of the 5.375% Senior Notes, a non-cash charge of \$8,899 for the write-off of unamortized debt issuance costs related to the redemption of the 5.375% Senior Notes and the refinancing of the Senior Secured Credit Facility and \$1,960 in fees related to the refinancing. See Note "Debt".

In the fourth quarter of 2020, the Company began the implementation of its Full Potential plan which included a number of actions to simplify its business including streamlining its portfolio and SKU rationalization. Specifically, the Company no longer viewed PPE as a future growth opportunity for the Company. Therefore, the Company recorded a charge of \$362,913 to write down its entire PPE inventory balance to its estimated net realizable value and a charge of \$26,400 to accrue for vendor commitments for PPE materials that were paid in 2021. Additionally, the Company commenced an initiative to reduce 20% of its SKUs in inventory in order to streamline product offerings while also implementing a formal lifecycle management process. As a result, the Company recorded a charge of \$192,704 to write down inventory to its estimated net realizable value taking

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into account these initiatives. In the fourth quarter of 2020, the Company also recorded a charge to write off an acquisition tax asset.

Additionally, in 2020, restructuring and other action-related charges included \$48,608 of supply chain re-start up charges primarily related to incremental costs incurred, such as freight and sourcing premiums, to expedite product to meet customer demand following the extended shut-down of parts of the Company's manufacturing network as a result of the COVID-19 pandemic and \$49,460 of asset write-down charges recorded as a result of the ongoing effects of the COVID-19 pandemic. Restructuring and other action-related charges in 2020 also included charges for supply chain actions to reduce overhead costs principally within the Western Hemisphere network and charges associated with exiting the *C9 Champion* mass program and the DKNY intimate apparel license in 2019.

December 31, 2022						
	Innerwear	Activewear	International	Other	Unallocated	Total Assets
<b>Assets:</b>						
Inventories	\$ 918,104	\$ 665,500	\$ 364,231	\$ 31,837	\$ —	\$ 1,979,672
Assets held for sale	—	—	—	—	13,327	13,327
All other assets	—	—	—	—	4,510,877	4,510,877
Total assets						<u>\$ 6,503,876</u>

January 1, 2022						
	Innerwear	Activewear	International	Other	Unallocated	Total Assets
<b>Assets:</b>						
Inventories	\$ 829,093	\$ 447,297	\$ 279,379	\$ 28,246	\$ —	\$ 1,584,015
Assets held for sale	—	—	—	—	327,157	327,157
All other assets	—	—	—	—	5,160,264	5,160,264
Total assets						<u>\$ 7,071,436</u>

	Years Ended		
	December 31, 2022	January 1, 2022	January 2, 2021
<b>Depreciation and amortization expense:</b>			
Innerwear	\$ 26,518	\$ 25,816	\$ 27,407
Activewear	24,200	23,562	23,621
International	19,670	22,476	24,307
Other	3,341	4,578	5,520
	73,729	76,432	80,855
Corporate	32,538	33,698	34,112
Total depreciation and amortization expense	<u>\$ 106,267</u>	<u>\$ 110,130</u>	<u>\$ 114,967</u>

Sales to Walmart were substantially in the Innerwear and Activewear segments. Sales to Walmart represented 16%, 17% and 16% of total net sales in 2022, 2021 and 2020, respectively.

Worldwide sales by product category for Innerwear and Activewear were \$3,749,168 and \$2,484,482, respectively, in 2022. Worldwide sales by product category for Innerwear and Activewear were \$4,077,016 and \$2,724,224, respectively, in 2021. Worldwide sales by product category for Innerwear and Activewear were \$4,061,372 and \$2,065,789, respectively, in 2020.

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**(21) Geographic Area Information**

	Years Ended or at					
	December 31, 2022		January 1, 2022		January 2, 2021	
	Sales	Property, Net	Sales	Property, Net	Sales	Property, Net
Americas	\$ 4,532,595	\$ 325,957	\$ 4,995,230	\$ 325,188	\$ 4,544,651	\$ 351,841
Asia Pacific	1,149,954	85,966	1,257,037	85,538	1,085,822	92,582
Europe	534,892	30,481	530,440	30,675	482,630	33,398
Other	16,209	—	18,533	—	14,058	—
	<u>\$ 6,233,650</u>	<u>\$ 442,404</u>	<u>\$ 6,801,240</u>	<u>\$ 441,401</u>	<u>\$ 6,127,161</u>	<u>\$ 477,821</u>

The net sales by geographic region are attributed by customer location. The property by geographic region includes assets held and used, which are recognized within the “Property, net” line in the Consolidated Balance Sheets.

**(22) Quarterly Financial Data (Unaudited)**

The following table presents the summarized unaudited quarterly financial data of the Company for the fourth quarter ended December 31, 2022 and January 1, 2022. See the Company’s Condensed Consolidated Statements of Income in its Quarterly Reports on Form 10-Q for the quarters ended April 2, 2022, July 2, 2022 and October 1, 2022 for additional quarterly information related to 2022 and 2021.

	Quarters Ended	
	December 31, 2022	January 1, 2022
Net sales	\$ 1,473,286	\$ 1,752,349
Cost of sales	971,309	1,084,621
Gross profit	501,977	667,728
Selling, general and administrative expenses	441,642	512,162
Operating profit	60,335	155,566
Other expenses	3,646	47,359
Interest expense, net	49,665	35,307
Income from continuing operations before income tax expense	7,024	72,900
Income tax expense	425,132	4,946
Income (loss) from continuing operations	(418,108)	67,954
Loss from discontinued operations, net of tax	—	(7,921)
Net income (loss)	<u>\$ (418,108)</u>	<u>\$ 60,033</u>
Earnings (loss) per share - basic:		
Continuing operations	\$ (1.19)	\$ 0.19
Discontinued operations	—	(0.02)
Net income (loss)	<u>\$ (1.19)</u>	<u>\$ 0.17</u>
Earnings (loss) per share - diluted:		
Continuing operations	\$ (1.19)	\$ 0.19
Discontinued operations	—	(0.02)
Net income (loss)	<u>\$ (1.19)</u>	<u>\$ 0.17</u>