UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended September 28, 2019

or

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

For the transition period from to

Commission file number: 001-32891

Hanesbrands Inc.

(Exact name of registrant as specified in its charter)

Maryland	**20-3552316**
(State of incorporation)	**(I.R.S. employer identification no.)**
1000 East Hanes Mill Road	
Winston-Salem, North Carolina	**27105**
(Address of principal executive office)	**(Zip code)**

(336) 519-8080

(Registrant's telephone number including area code)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

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

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

Large accelerated filer	Accelerated filer	
Non-accelerated filer	Smaller reporting company	Emerging growth company

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

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

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

As of October 25, 2019, there were 361,697,127 shares of the registrant's common stock outstanding.

TABLE OF CONTENTS

FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains information that may constitute “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934 (the “Exchange Act”). Forward-looking statements include all statements that do not relate solely to historical or current facts, and can generally be identified by the use of words such as “may,” “believe,” “will,” “expect,” “project,” “estimate,” “intend,” “anticipate,” “plan,” “continue” or similar expressions. However, the absence of these words or similar expressions does not mean that a statement is not forward-looking. All statements regarding our intent, belief and current expectations about our strategic direction, prospects and future results are forward-looking statements. Management believes that these forward-looking statements are reasonable as and when made. However, caution should be taken not to place undue reliance on any such forward-looking statements because such statements speak only as of the date when made. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law. In addition, forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from our historical experience and our present expectations or projections. In particular, statements under the heading “Outlook” and other information appearing under “Management’s Discussion and Analysis of Financial Condition and Results of Operations” include forward-looking statements.

More information on factors that could cause actual results or events to differ materially from those anticipated is included from time to time in our reports filed with the Securities and Exchange Commission (the “SEC”), including this Quarterly Report on Form 10-Q and our Annual Report on Form 10-K for the year ended December 29, 2018, under the caption “Risk Factors,” and available on the “Investors” section of our corporate website,*www.Hanes.com/investors*. The contents of our corporate website are not incorporated by reference in this Quarterly Report on Form 10-Q.

PART I

Item 1. ***Financial Statements***

HANESBRANDS INC.

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

	Quarter Ended		Nine Months Ended	
	September 28, 2019	**September 29, 2018**	**September 28, 2019**	**September 29, 2018**
Net sales	$ 1,866,967	$ 1,848,707	$ 5,215,918	$ 5,035,654
Cost of sales	1,154,629	1,136,040	3,208,025	3,084,110
Gross profit	712,338	712,667	2,007,893	1,951,544
Selling, general and administrative expenses	442,582	455,778	1,356,082	1,328,534
Operating profit	269,756	256,889	651,811	623,010
Other expenses	8,066	7,285	23,766	19,616
Interest expense, net	43,091	52,795	137,672	146,988
Income before income tax expense	218,599	196,809	490,373	456,406
Income tax expense	30,823	25,388	69,143	64,943
Net income	$ 187,776	$ 171,421	$ 421,230	$ 391,463
Earnings per share:				
Basic	$ 0.51	$ 0.47	$ 1.16	$ 1.08
Diluted	$ 0.51	$ 0.47	$ 1.15	$ 1.07

See accompanying notes to Condensed Consolidated Financial Statements.

HANESBRANDS INC.

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

	Quarter Ended		Nine Months Ended	
	September 28, 2019	September 29, 2018	September 28, 2019	September 29, 2018
Net income	$ 187,776	$ 171,421	$ 421,230	$ 391,463
Other comprehensive income (loss), net of tax:				
Translation adjustments	(44,997)	(19,887)	(33,738)	(82,664)
Net unrealized gain (loss) on qualifying cash flow hedges	2,059	2,402	(7,018)	26,060
Net unrecognized income from pension and postretirement plans	3,605	3,541	10,555	9,312
Total other comprehensive loss, net of tax of ($2,278), ($1,236), ($1,321) and ($12,315), respectively	(39,333)	(13,944)	(30,201)	(47,292)
Comprehensive income	$ 148,443	$ 157,477	$ 391,029	$ 344,171

See accompanying notes to Condensed Consolidated Financial Statements.

HANESBRANDS INC.

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

	September 28, 2019	December 29, 2018	September 29, 2018
Assets			
Cash and cash equivalents	$ 317,024	$ 433,022	$ 398,499
Trade accounts receivable, net	1,033,938	870,878	1,044,516
Inventories	2,108,281	2,054,458	2,139,281
Other current assets	166,727	159,231	154,909
Total current assets	3,625,970	3,517,589	3,737,205
Property, net	581,971	607,688	607,649
Right-of-use assets	475,037	—	—
Trademarks and other identifiable intangibles, net	1,493,969	1,555,381	1,586,148
Goodwill	1,223,216	1,241,727	1,252,524
Deferred tax assets	257,314	249,693	191,649
Other noncurrent assets	115,821	83,880	80,331
Total assets	$ 7,773,298	$ 7,255,958	$ 7,455,506
Liabilities and Stockholders' Equity			
Accounts payable	$ 997,069	$ 1,029,933	$ 975,138
Accrued liabilities	589,992	553,901	531,740
Lease liabilities	145,055	—	—
Notes payable	4,275	5,824	14,051
Accounts Receivable Securitization Facility	208,604	161,608	221,979
Current portion of long-term debt	151,909	278,976	284,220
Total current liabilities	2,096,904	2,030,242	2,027,128
Long-term debt	3,467,591	3,534,183	3,863,580
Lease liabilities - noncurrent	364,083	—	—
Pension and postretirement benefits	348,674	378,972	386,647
Other noncurrent liabilities	265,804	342,278	307,563
Total liabilities	6,543,056	6,285,675	6,584,918
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 — 361,612,383, 361,330,128 and 360,660,993, respectively	3,616	3,613	3,607
Additional paid-in capital	310,327	284,877	275,671
Retained earnings	1,528,258	1,184,735	1,077,808
Accumulated other comprehensive loss	(611,959)	(502,942)	(486,498)
Total stockholders' equity	1,230,242	970,283	870,588
Total liabilities and stockholders' equity	$ 7,773,298	$ 7,255,958	$ 7,455,506

See accompanying notes to Condensed Consolidated Financial Statements.

HANESBRANDS INC.

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

	Common Stock		Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total
	Shares	Amount				
Balances at June 29, 2019	**361,531**	**$ 3,615**	**$ 308,555**	**$ 1,395,306**	**$ (572,626)**	**$ 1,134,850**
Net income	—	—	—	187,776	—	187,776
Dividends ($0.15 per common share)	—	—	—	(54,824)	—	(54,824)
Other comprehensive loss	—	—	—	—	(39,333)	(39,333)
Stock-based compensation	—	—	1,467	—	—	1,467
Net exercise of stock options, vesting of restricted stock units and other	81	1	305	—	—	306
Balances at September 28, 2019	**361,612**	**$ 3,616**	**$ 310,327**	**$ 1,528,258**	**$ (611,959)**	**$ 1,230,242**

	Common Stock		Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total
	Shares	Amount				
Balances at December 29, 2018	**361,330**	**$ 3,613**	**$ 284,877**	**$ 1,184,735**	**$ (502,942)**	**$ 970,283**
Net income	—	—	—	421,230	—	421,230
Dividends ($0.45 per common share)	—	—	—	(164,500)	—	(164,500)
Other comprehensive loss	—	—	—	—	(30,201)	(30,201)
Stock-based compensation	—	—	8,506	—	—	8,506
Net exercise of stock options, vesting of restricted stock units and other	282	3	2,570	—	—	2,573
Modification of deferred compensation plans	—	—	14,374	—	—	14,374
Cumulative effect of change in adoption of leases standard	—	—	—	7,977	—	7,977
Stranded tax related to U.S. pension plan	—	—	—	78,816	(78,816)	—
Balances at September 28, 2019	**361,612**	**$ 3,616**	**$ 310,327**	**$ 1,528,258**	**$ (611,959)**	**$ 1,230,242**

See accompanying notes to Condensed Consolidated Financial Statements.

Table of Contents

HANESBRANDS INC.

Condensed Consolidated Statements of Stockholders' Equity — (Continued)
(dollars and shares in thousands, except per share data)
(unaudited)

	Common Stock		Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total
	Shares	Amount				
Balances at June 30, 2018	**360,504**	**$ 3,605**	**$ 275,120**	**$ 961,020**	**$ (472,554)**	**$ 767,191**
Net income	—	—	—	171,421	—	171,421
Dividends ($0.15 per common share)	—	—	—	(54,633)	—	(54,633)
Other comprehensive loss	—	—	—	—	(13,944)	(13,944)
Stock-based compensation	—	—	1,498	—	—	1,498
Net exercise of stock options, vesting of restricted stock units and other	157	2	(947)	—	—	(945)
Balances at September 29, 2018	**360,661**	**$ 3,607**	**$ 275,671**	**$ 1,077,808**	**$ (486,498)**	**$ 870,588**

	Common Stock		Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total
	Shares	Amount				
Balances at December 30, 2017	**360,126**	**$ 3,601**	**$ 271,462**	**$ 850,345**	**$ (439,206)**	**$ 686,202**
Net income	—	—	—	391,463	—	391,463
Dividends ($0.45 per common share)	—	—	—	(164,000)	—	(164,000)
Other comprehensive loss	—	—	—	—	(47,292)	(47,292)
Stock-based compensation	—	—	4,367	—	—	4,367
Net exercise of stock options, vesting of restricted stock units and other	535	6	(158)	—	—	(152)
Balances at September 29, 2018	**360,661**	**$ 3,607**	**$ 275,671**	**$ 1,077,808**	**$ (486,498)**	**$ 870,588**

See accompanying notes to Condensed Consolidated Financial Statements.

HANESBRANDS INC.

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

	Nine Months Ended	
	September 28, 2019	September 29, 2018
Operating activities:		
Net income	$ 421,230	$ 391,463
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation	71,612	70,910
Amortization of acquisition intangibles	18,709	20,544
Other amortization	7,521	7,860
Amortization of debt issuance costs	7,021	6,951
Stock compensation expense	8,794	4,621
Deferred taxes	(3,661)	(3,451)
Other	8,737	(719)
Changes in assets and liabilities, net of acquisition of business:		
Accounts receivable	(170,348)	(156,509)
Inventories	(72,096)	(278,962)
Other assets	(40,732)	42,122
Accounts payable	(11,969)	116,189
Accrued pension and postretirement benefits	(14,361)	(4,840)
Accrued liabilities and other	14,243	(74,890)
Net cash from operating activities	244,700	141,289
Investing activities:		
Capital expenditures	(79,950)	(63,472)
Proceeds from sales of assets	3,530	1,779
Acquisition of business, net of cash acquired	(21,360)	(334,916)
Net cash from investing activities	(97,780)	(396,609)
Financing activities:		
Borrowings on notes payable	250,712	217,709
Repayments on notes payable	(252,084)	(217,987)
Borrowings on Accounts Receivable Securitization Facility	207,105	191,896
Repayments on Accounts Receivable Securitization Facility	(160,110)	(95,126)
Borrowings on Revolving Loan Facilities	2,584,277	2,841,860
Repayments on Revolving Loan Facilities	(2,585,592)	(2,488,500)
Repayments on Term Loan Facilities	(152,248)	(22,500)
Borrowings on International Debt	27,680	—
Repayments on International Debt	(41,424)	(1,105)
Cash dividends paid	(162,689)	(162,200)
Payments to amend and refinance credit facilities	(1,098)	(633)
Payment of contingent consideration	—	(3,540)
Taxes paid related to net shares settlement of equity awards	(1,523)	(5,778)
Other	1,378	486
Net cash from financing activities	(285,616)	254,582
Effect of changes in foreign exchange rates on cash	1,008	879
Change in cash, cash equivalents and restricted cash	(137,688)	141
Cash, cash equivalents and restricted cash at beginning of year	455,732	421,566
Cash, cash equivalents and restricted cash at end of period	318,044	421,707
Less restricted cash at end of period	1,020	23,208
Cash and cash equivalents per balance sheet at end of period	$ 317,024	$ 398,499

Capital expenditures included in accounts payable atSeptember 28, 2019 and December 29, 2018, were$7,913 and $20,275, respectively.

See accompanying notes to Condensed Consolidated Financial Statements.

HANESBRANDS INC.

Notes to Condensed Consolidated Financial Statements
(dollars and shares in thousands, except per share data)
(unaudited)

(1) Basis of Presentation

These statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (the “SEC”) and, in accordance with those rules and regulations, do not include all information and footnote disclosures normally included in annual financial statements prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”). Management believes that the disclosures made are adequate for a fair statement of the results of operations, financial condition and cash flows of Hanesbrands Inc. and its consolidated subsidiaries (the “Company” or “Hanesbrands”). In the opinion of management, the condensed consolidated interim financial statements reflect all adjustments, which consist only of normal recurring adjustments, necessary to state fairly the results of operations, financial condition and cash flows for the interim periods presented herein. The preparation of condensed consolidated financial statements in conformity with GAAP requires management to make use of estimates and assumptions that affect the reported amounts and disclosures. Actual results may vary from these estimates. Two subsidiaries of the Company close one day after the Company’s consolidated quarter 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.

These condensed consolidated interim financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company’s 2018 Annual Report on Form 10-K. The year-end condensed balance sheet data was derived from audited financial statements, but does not include all disclosures required by GAAP. The results of operations for any interim period are not necessarily indicative of the results of operations to be expected for the full year.

(2) Recent Accounting Pronouncements

Lease Accounting

In February 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2016-02, “Leases (Topic 842),” which requires lessees to recognize a right-of-use asset and a lease liability for all leases that are not short-term in nature. The standard also resulted in enhanced quantitative and qualitative disclosures surrounding leases. The FASB subsequently issued updates to provide clarification on specific topics, including adoption guidance, practical expedients and interim transition disclosure requirements. The new rules were effective for the Company in the first quarter of 2019. The Company adopted the new rules utilizing the modified retrospective method and recognized a $7,977 cumulative effect adjustment in retained earnings at the beginning of the period of adoption. In addition, the Company elected the package of practical expedients permitted under the transition guidance within the new standard which among other things, allowed the Company to carry forward the historical lease classification. The Company did not elect the hindsight practical expedient to determine the lease term for existing leases. Adoption of the new standard resulted in the recording of lease assets and lease liabilities of $507,669 and $535,054, respectively as of December 30, 2018.

Derivatives and Hedging

In August 2017, the FASB issued ASU 2017-12, “Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities.” The new rules expand the hedging strategies that qualify for hedge accounting, including contractually-specified price components of a commodity purchase or sale, hedges of the benchmark rate component of the contractual coupon cash flows of fixed-rate assets and liabilities, hedges of the portion of a closed portfolio of prepayable assets and partial-term hedges of fixed-rate assets and liabilities. The new rules also allow additional time to complete hedge effectiveness testing and allow qualitative assessments subsequent to initial quantitative tests if there is a supportable expectation that the hedge will remain highly effective. The new standard was effective for the Company in the first quarter of 2019. The adoption of the new accounting rules did not have a material impact on the Company’s financial condition, results of operations or cash flows.

Comprehensive Income

In February 2018, the FASB issued ASU 2018-02, "Income Statement - Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income." The new rules allow a reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects resulting from the Tax Cuts and Jobs Act (the "Tax Act"). The new rules were effective for the Company in the first quarter of 2019. The Company reclassified $78,816 from accumulated other comprehensive loss to retained earnings for stranded tax effects related to the Company's U.S. pension plan.

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.

Codification Improvements

In July 2018, the FASB issued ASU 2018-09, "Codification Improvements." The new rules clarify guidance around several subtopics by adopting enhanced verbiage to the following subtopics: reporting comprehensive income, debt modifications and extinguishments, distinguishing liabilities from equity, stock compensation, business combinations, derivatives and hedging, fair value measurement and defined contribution pension plans. The standard was effective for the Company in the first quarter of 2019. The adoption of the new accounting rules did not have a material impact on the Company's financial condition, results of operations or cash flows.

Statements of Stockholders' Equity

In August 2018, the SEC amended Rule 3-04 of Regulation S-X to extend the annual disclosure requirement for changes in stockholders' equity and the amount of dividends per share for each class of shares to interim periods. The disclosures can be included either in a note to the financial statements or in a separate financial statement. The disclosures require both year to date information and subtotals for each interim period. The amendment was effective for the Company in the first quarter of 2019. The Company has elected to include condensed consolidated statements of stockholders' equity, which include disclosure of the dividends per share in each period, as a separate statement in its interim financial statements within all applicable SEC filings.

Financial Instruments - Credit Losses

In June 2016, the FASB issued ASU 2016-13, "Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments," which requires a financial asset measured at amortized cost basis to be presented at the net amount expected to be collected. The new rules eliminate the probable initial recognition threshold and, instead, reflect an entity's current estimate of all expected credit losses. The new rules will be effective for the Company in the first quarter of 2020. The Company expects the new rules to apply to its trade receivables, but does not expect the adoption of the new accounting rules to have a material impact on the Company's financial condition, results of operations or cash flows.

Goodwill Impairment

In January 2017, the FASB issued ASU 2017-04, "Intangibles - Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment." The new rules simplify how an entity is required to test goodwill for impairment by eliminating Step 2 from the goodwill impairment test. Step 2 measures a goodwill impairment loss by comparing the implied fair value of a reporting unit's goodwill with the carrying amount. The new rules will be effective for the Company in the first quarter of 2020. The Company does not expect the adoption of the new accounting rules to have a material impact on the Company's financial condition, results of operations or cash flows.

Fair Value

In August 2018, the FASB issued ASU 2018-13, "Fair Value Measurement (Topic 820)," which modifies the disclosure requirements on fair value measurements. The new rules will be effective for the Company in the first quarter of 2020. The Company does not expect the adoption of the new accounting rules to have a material impact on the Company's financial condition, results of operations or cash flows; however, its disclosures will be impacted.

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

Retirement Benefits

In August 2018, the FASB issued ASU 2018-14, "Compensation - Retirement Benefits - Defined Benefit Plans - General (Subtopic 715-20)." The new rule expands disclosure requirements for employer sponsored defined benefit pension and other retirement plans. The new rules will be effective for the Company in the first quarter of 2020. The Company does not expect the new accounting rules to have a material impact on the Company's financial condition, results of operations or cash flows; however, expanded disclosures will be required.

Internal-Use Software

In August 2018, the FASB issued ASU 2018-15, "Intangibles - Goodwill and Other - Internal-Use Software (Subtopic 340-40)," which aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software. The new rules will be effective for the Company in the first quarter of 2020. The Company does not expect the adoption of the new accounting rules to have a material impact on the Company's financial condition, results of operations or cash flows.

(3) 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:

	Quarter Ended		Nine Months Ended	
	September 28, 2019	September 29, 2018	September 28, 2019	September 29, 2018
Third-party brick-and-mortar wholesale	$ 1,436,935	$ 1,458,126	$ 4,029,352	$ 3,968,426
Consumer-directed	430,032	390,581	1,186,566	1,067,228
Total net sales	$ 1,866,967	$ 1,848,707	$ 5,215,918	$ 5,035,654

Revenue Sources

Third-Party Brick-and-Mortar Wholesale Revenue

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

Consumer-Directed Revenue

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

(4) Acquisitions

Bras N Things

On February 12, 2018, the Company acquired 100% of the outstanding equity of BNT Holdco Pty Limited ("Bras N Things") for a total purchase price of A$498,236 (U.S.$391,572). During 2018, due to the final working capital adjustment, the purchase consideration was reduced byA$3,012 (U.S.$2,367), ultimately resulting in a revised purchase price of A$495,224

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

(U.S.$389,205), which included a cash payment of A$428,956 (U.S.$337,123), an indemnification escrow of A$31,988 (U.S.$25,140) and debt assumed of A$34,280 (U.S.$26,942). U.S. dollar equivalents are based on acquisition date exchange rates.

The Company funded the acquisition with a combination of short-term borrowings under its existing revolving loan facility (the "Revolving Loan Facility") and cash on hand. During the third quarter of 2019, A$31,425 (U.S.$21,360) of the indemnification escrow, including interest earned, was paid to the sellers. The remaining indemnification escrow, held in one of the Company's bank accounts, is recognized and classified as restricted cash, with the balance as of September 28, 2019 included in the "Other current assets" line of the Condensed Consolidated Balance Sheet.

The acquired assets and liabilities as of the date of acquisition include the following:

Cash and cash equivalents	$	2,765
Accounts receivable, net		197
Inventories		9,610
Other current assets		1,637
Property, net		11,764
Trademarks and other identifiable intangibles		278,214
Deferred tax assets and other noncurrent assets		2,318
Total assets acquired		306,505
Accounts payable		4,929
Accrued liabilities and other		16,339
Deferred tax liabilities and other noncurrent liabilities		7,864
Total liabilities assumed		29,132
Net assets acquired		277,373
Goodwill		111,832
Total purchase price	$	389,205

Total purchase price of the Bras N Things acquisition consisted of the following components:

Cash consideration paid	$	337,123
Indemnification escrow asset		25,140
Debt assumed		26,942
Total purchase price	$	389,205

Since February 12, 2018, goodwill related to the Bras N Things acquisition decreased by $792 as a result of measurement period adjustments, primarily related to working capital adjustments. The purchase price allocation was finalized in the first quarter of 2019.

Unaudited pro forma results of operations for the Company are presented below for the quarter and nine months ended September 29, 2018, assuming that the acquisition of Bras N Things had occurred on January 1, 2017.

	Quarter Ended		Nine Months Ended	
	September 29, 2018		September 29, 2018	
Net sales	$	1,848,707	$	5,054,161
Net income		171,421		394,494
Earnings per share:				
Basic	$	0.47	$	1.09
Diluted		0.47		1.08

(5) Leases

The Company determines whether an arrangement is a lease at inception. 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. For lease agreements entered into after adoption of Topic 842, the Company combines lease and nonlease components as a single component for all asset classes.

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

The Company's leases have remaining lease terms of one to 38 years, some of which include options to extend the leases for up to15 years, and some of which include options to terminate the leases within one year. 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.

Total operating lease costs, which includes short-term leases and variable cost, were$53,023 and $168,784 for the quarter and nine months ended September 28, 2019, respectively. For the quarter and nine months endedSeptember 28, 2019, variable costs of $20,001 and $49,303 were included in total operating lease costs, respectively. Short-term lease costs were immaterial for the quarter and nine months ended September 28, 2019.

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

	Nine Months Ended September 28, 2019
Cash paid for amounts included in the measurement of lease liabilities - operating cash flows from leases	$ 114,805
Right-of-use assets obtained in exchange for lease obligations - non-cash activity	$ 54,524

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 commencement date in determining the present value of lease payments. For operating leases that commenced prior to December 30, 2018, the Company used the incremental borrowing rate on December 27, 2018.

The following table presents supplemental information related to leases atSeptember 28, 2019:

Weighted average remaining lease term	5.4 years
Weighted average discount rate	5.00%

The following table presents future minimum rental commitments under noncancelable operating leases as ofDecember 29, 2018:

2019	$ 148,218
2020	129,660
2021	110,185
2022	91,411
2023	66,753
Thereafter	115,941
	$ 662,168

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

The following table presents maturities of operating lease liabilities as of September 28, 2019:

2019	$ 36,069
2020	155,343
2021	115,620
2022	83,524
2023	67,292
Thereafter	124,689
Total lease payments	582,537
Less interest	73,399
	$ 509,138

As of September 28, 2019, the Company's additional operating lease contracts that have not yet commenced are immaterial.

(6) Stockholders' Equity

Basic earnings per share ("EPS") was computed by dividing net income 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.

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

	Quarter Ended		Nine Months Ended	
	September 28, 2019	September 29, 2018	September 28, 2019	September 29, 2018
Basic weighted average shares outstanding	364,743	363,510	364,650	363,338
Effect of potentially dilutive securities:				
Stock options	437	723	463	882
Restricted stock units	412	401	361	303
Employee stock purchase plan and other	5	4	4	4
Diluted weighted average shares outstanding	365,597	364,638	365,478	364,527

For the quarter ended September 28, 2019, there were no anti-dilutive restricted stock units. For the quarter ended September 29, 2018, there were 84 restricted stock units excluded from the diluted earnings per share calculation because their effect would be anti-dilutive. For the nine months ended September 28, 2019 and September 29, 2018, there were 5 and 84 restricted stock units excluded from the diluted earnings per share calculation, respectively, because their effect would be anti-dilutive. For the quarters and nine months ended September 28, 2019 and September 29, 2018, there were no anti-dilutive stock options to purchase shares of common stock.

On October 22, 2019, the Company's Board of Directors declared a regular quarterly cash dividend of $0.15 per share on outstanding shares of common stock to be paid on December 3, 2019 to stockholders of record at the close of business on November 12, 2019.

On April 27, 2016, the Company's Board of Directors approved the current share repurchase program for up to 40,000 shares to be repurchased in open market transactions, subject to market conditions, legal requirements and other factors. The Company did not repurchase any shares during the quarters and nine months ended September 28, 2019 and September 29, 2018. At September 28, 2019, the remaining repurchase authorization totaled 20,360 shares. The primary objective of the share repurchase program is to utilize excess cash to generate shareholder value.

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

(7) Inventories

Inventories consisted of the following:

	September 28, 2019	December 29, 2018	September 29, 2018
Raw materials	$ 98,373	$ 107,300	$ 134,684
Work in process	137,248	182,966	195,559
Finished goods	1,872,660	1,764,192	1,809,038
	$ 2,108,281	$ 2,054,458	$ 2,139,281

(8) Debt and Notes Payable

Debt and notes payable consisted of the following:

	Interest Rate as of September 28, 2019	Principal Amount		Maturity Date
		September 28, 2019	December 29, 2018	
Senior Secured Credit Facility:				
Revolving Loan Facility	—	$ —	$ —	December 2022
Term Loan A	3.48%	693,750	721,875	December 2022
Term Loan B	3.86%	492,500	496,250	December 2024
Australian Term A-1	—	—	122,968	—
Australian Revolving Loan Facility	2.07%	6,750	21,118	July 2021
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%	547,106	572,213	June 2024
European Revolving Loan Facility	1.50%	109,421	113,520	September 2020
Accounts Receivable Securitization Facility	2.81%	208,604	161,608	March 2020
Other International Debt	Various	—	1	Various
Total debt		3,858,131	4,009,553	
Notes payable		4,275	5,824	
Total debt and notes payable		3,862,406	4,015,377	
Less long-term debt issuance costs		30,015	34,774	
Less notes payable		4,275	5,824	
Less current maturities[(1)]		360,525	440,596	
Total long-term debt		$ 3,467,591	$ 3,534,183	

(1) Current maturities excludes $12 of short-term debt issuance costs at September 28, 2019 and December 29, 2018.

HANESBRANDS INC.

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

As of September 28, 2019, the Company had $995,565 of borrowing availability under the $1,000,000 Revolving Loan Facility after taking into account $4,435 of standby and trade letters of credit issued and outstanding under this facility.

The Company entered into an accounts receivable securitization facility (the “Accounts Receivable Securitization Facility”) in November 2007. The Company’s maximum borrowing capacity under the Accounts Receivable Securitization Facility was $300,000 as of September 28, 2019. Borrowings under the Accounts Receivable Securitization Facility are permitted only to the extent that the face of the receivables in the collateral pool, net of applicable reserves and other deductions, exceeds the outstanding loans and also subject to a fluctuating facility limit, not to exceed $300,000. The Company had $65,000 of borrowing availability under the Accounts Receivable Securitization Facility at September 28, 2019.

The Company had $33,749 of borrowing availability under the Australian Revolving Loan Facility, no borrowing availability under the European Revolving Loan Facility and $119,072 of borrowing availability under other international lines of credit after taking into account outstanding borrowings and letters of credit outstanding under the applicable facility at September 28, 2019.

In March 2019, the Company amended the Accounts Receivable Securitization Facility. This amendment primarily increased the fluctuating facility limit to $300,000 (previously $225,000) and extended the maturity date to March 2020.

In June 2019, the Company paid the outstanding balance and terminated the Australian Term A-1 loan which would have matured in July 2019.

In July 2019, the Company refinanced the European Revolving Loan Facility primarily to extend the maturity date to September 2020.

As of September 28, 2019, the Company was in compliance with all financial covenants under its credit facilities.

(9) Accumulated Other Comprehensive Loss

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

	Cumulative Translation Adjustment[1]	Cash Flow Hedges	Defined Benefit Plans	Income Taxes	Accumulated Other Comprehensive Loss
Balance at December 29, 2018	$ (157,060)	$ 21,814	$ (595,307)	$ 227,611	$ (502,942)
Amounts reclassified from accumulated other comprehensive loss	—	(21,355)	14,529	1,080	(5,746)
Current-period other comprehensive income activity	(33,738)	11,684	—	(2,401)	(24,455)
Total other comprehensive income (loss)	(33,738)	(9,671)	14,529	(1,321)	(30,201)
Reclassification of stranded tax related to U.S. pension plan to retained earnings	—	—	—	(78,816)	(78,816)
Balance at September 28, 2019	$ (190,798)	$ 12,143	$ (580,778)	$ 147,474	$ (611,959)

(1) Cumulative Translation Adjustment includes translation adjustments and net investment hedges. See Note 10, “Financial Instruments and Risk Management” for additional disclosures about net investment hedges.

HANESBRANDS INC.

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

The Company had the following reclassifications out of AOCI:

Component of AOCI	Location of Reclassification into Income	Amount of Reclassification from AOCI — Quarter Ended September 28, 2019	Quarter Ended September 29, 2018	Nine Months Ended September 28, 2019	Nine Months Ended September 29, 2018
Gain (loss) on foreign exchange contracts designated as cash flow hedges	Cost of sales	$ 6,991	$ (2,467)	$ 21,355	$ (9,686)
	Income tax	(1,646)	455	(5,054)	1,870
	Net of tax	5,345	(2,012)	16,301	(7,816)
Amortization of deferred actuarial loss and prior service cost	Selling, general, and administrative expenses	(4,963)	(4,919)	(14,529)	(12,934)
	Income tax	1,358	1,378	3,974	3,622
	Net of tax	(3,605)	(3,541)	(10,555)	(9,312)
Total reclassifications		$ 1,740	$ (5,553)	$ 5,746	$ (17,128)

(10) Financial Instruments and Risk Management

The Company uses forward foreign exchange contracts to manage its exposures to movements in foreign exchange rates. The Company also uses a combination of derivative instruments and long-term debt to manage its exposure to foreign currency risk associated with the Company's net investment in its European subsidiaries.

As of September 28, 2019, the notional U.S. dollar equivalent of the Company's derivative portfolio of forward foreign exchange contracts was$578,462, consisting of contracts hedging exposures primarily related to the Australian dollar, Euro, Canadian dollar and Mexican peso. As of September 28, 2019, the U.S. dollar equivalent carrying value of long-term debt designated as a partial European net investment hedge was $547,106. The notional U.S. dollar equivalent of the Company's cross-currency swap contracts, which are also designated as partial European net investment hedges, was $335,940 as of September 28, 2019.

Fair Values of Derivative Instruments

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

	Balance Sheet Location	Fair Value — September 28, 2019	Fair Value — December 29, 2018
Derivatives designated as hedging instruments:			
Forward foreign exchange contracts	Other current assets	$ 7,729	$ 18,381
Cross-currency swap contracts	Other current assets	1,672	—
Cross-currency swap contracts	Other noncurrent assets	8,699	—
Derivatives not designated as hedging instruments:			
Forward foreign exchange contracts	Other current assets	13,915	12,410
Total derivative assets		32,015	30,791
Derivatives designated as hedging instruments:			
Forward foreign exchange contracts	Accrued liabilities	(173)	(286)
Derivatives not designated as hedging instruments:			
Forward foreign exchange contracts	Accrued liabilities	(313)	(114)
Total derivative liabilities		(486)	(400)
Net derivative asset		$ 31,529	$ 30,391

HANESBRANDS INC.

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

Cash Flow Hedges

The Company uses forward foreign exchange contracts to reduce the effect of fluctuating foreign currencies on short-term foreign currency-denominated transactions, foreign currency-denominated investments and other known foreign currency exposures. Gains and losses on these contracts are intended to offset losses and gains on the hedged transaction in an effort to reduce the earnings volatility resulting from fluctuating foreign currency exchange rates.

The Company expects to reclassify into earnings during the next 12 months a net gain from AOCI of approximately $16,684. The Company is hedging exposure to the variability in future cash flows for forecasted transactions over the next 15 months.

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

	Amount of Gain (Loss) Recognized in AOCI on Derivative Instruments			
	Quarter Ended		Nine Months Ended	
	September 28, 2019	September 29, 2018	September 28, 2019	September 29, 2018
Foreign exchange contracts	$ 9,970	$ (207)	$ 11,684	$ 25,067

		Amount of Gain (Loss) Reclassified from AOCI into Income			
		Quarter Ended		Nine Months Ended	
	Location of Gain (Loss) Reclassified from AOCI into Income	September 28, 2019	September 29, 2018	September 28, 2019	September 29, 2018
Foreign exchange contracts[(1)]	Cost of sales	$ 6,991	$ (2,467)	$ 21,355	$ (9,686)

(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.

	Quarter Ended		Nine Months Ended	
	September 28, 2019	September 29, 2018	September 28, 2019	September 29, 2018
Total cost of sales in which the effects of cash flow hedges are recorded	$ 1,154,629	$ 1,136,040	$ 3,208,025	$ 3,084,110

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 its 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 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.

Changes in the fair value of derivative and nonderivative instruments designated as net investment hedges are recognized in the cumulative translation adjustment component of AOCI, offsetting the translation adjustment of the net investment being hedged. Net investment hedge effectiveness is being assessed and hedge results are being measured on an after-tax basis. The interest component of the cross-currency swap contracts 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 contracts and reported in the "Interest expense, net" line in the Condensed Consolidated Statements of Income. Cash flows from the periodic and final settlements of the cross-currency swap contracts will be reported as cash flows from investing activities in the Condensed Consolidated Statements of Cash Flows because the hedged item is a net investment in a foreign subsidiary, and the cash paid or received from acquiring or selling the subsidiary would typically be classified as investing.

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

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

	Amount of Gain (Loss) Recognized in AOCI			
	Quarter Ended		Nine Months Ended	
	September 28, 2019	September 29, 2018	September 28, 2019	September 29, 2018
Euro-denominated long-term debt	$ 9,845	$ —	$ 9,845	$ —
Cross-currency swap contracts	6,436	—	6,436	—
Total	$ 16,281	$ —	$ 16,281	$ —

		Amount of Gain (Loss) Recognized in Income (Amount Excluded from Effectiveness Testing)			
		Quarter Ended		Nine Months Ended	
	Location of Gain (Loss) Recognized in Income	September 28, 2019	September 29, 2018	September 28, 2019	September 29, 2018
Cross-currency swap contracts	Interest expense, net	$ 1,672	$ —	$ 1,672	$ —

	Quarter Ended		Nine Months Ended	
	September 28, 2019	September 29, 2018	September 28, 2019	September 29, 2018
Total interest expense, net in which the amounts excluded from effectiveness testing for net investment hedges are recorded	$ 43,091	$ 52,795	$ 137,672	$ 146,988

Mark to Market Hedges

A derivative used as a hedging instrument whose change in fair value is recognized to act as a hedge against changes in the values of the hedged item is designated as a mark to market hedge. The Company uses 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. Foreign exchange derivative contracts are recorded as mark to market hedges when the hedged item is a recorded asset or liability that is revalued in each accounting period. These contracts are not designated as hedges under the accounting standards and are recorded at fair value in the Condensed Consolidated Balance Sheets. Any gains or losses resulting from changes in fair value are recognized directly into earnings. Gains or losses on these contracts largely offset the net remeasurement gains or losses on the related assets and liabilities.

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

		Amount of Gain (Loss) Recognized in Income			
		Quarter Ended		Nine Months Ended	
	Location of Gain (Loss) Recognized in Income on Derivatives	September 28, 2019	September 29, 2018	September 28, 2019	September 29, 2018
Foreign exchange contracts	Cost of sales	$ (3,055)	$ (2,241)	$ (21,813)	$ 16,870
Foreign exchange contracts	Selling, general and administrative expenses	2,546	(445)	1,625	330
Total		$ (509)	$ (2,686)	$ (20,188)	$ 17,200

(11) Fair Value of Assets and Liabilities

As of September 28, 2019, the Company held certain financial assets and liabilities that are required to be measured at fair value on a recurring basis. These consisted of the Company’s derivative instruments related to foreign exchange rates,

HANESBRANDS INC.

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

cross-currency swap derivative contracts and deferred compensation plan liabilities. The fair values of foreign exchange rate derivatives are determined using the cash flows of the foreign exchange contract, discount rates to account for the passage of time and current foreign exchange market data 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 contracts, discount rates to account for the passage of time, current foreign exchange and interest rate market data and credit risk, which are all based on inputs readily available in public markets and are categorized as Level 2. The fair value of deferred compensation plans is based on readily available current market data and is categorized as Level 2. The Company's defined benefit pension plan investments are not required to be measured at fair value on a quarterly recurring basis.

There were no changes during the quarter and nine months endedSeptember 28, 2019 to the Company's valuation techniques used to measure asset and liability fair values on a recurring basis. There were no transfers into or out of Level 1, Level 2 or Level 3 during the quarter and nine months ended September 28, 2019. As of and during the quarter and nine months ended September 28, 2019, the Company did not have any non-financial assets or liabilities that were required to be measured at fair value on a recurring or non-recurring basis.

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

	Assets (Liabilities) at Fair Value as of September 28, 2019			
	Total	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Foreign exchange derivative contracts - assets	$ 21,644	$ —	$ 21,644	$ —
Cross-currency swap derivative contracts - assets	10,371	—	10,371	—
Foreign exchange derivative contracts - liabilities	(486)	—	(486)	—
	31,529	—	31,529	—
Deferred compensation plan liability	(30,107)	—	(30,107)	—
Total	$ 1,422	$ —	$ 1,422	$ —

	Assets (Liabilities) at Fair Value as of December 29, 2018			
	Total	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Foreign exchange derivative contracts - assets	$ 30,791	$ —	$ 30,791	$ —
Foreign exchange derivative contracts - liabilities	(400)	—	(400)	—
	30,391	—	30,391	—
Deferred compensation plan liability	(39,542)	—	(39,542)	—
Total	$ (9,151)	$ —	$ (9,151)	$ —

Fair Value of Financial Instruments

The carrying amounts of cash and cash equivalents, trade accounts receivable, notes receivable and accounts payable approximated fair value as of September 28, 2019 and December 29, 2018. The carrying amount of trade accounts receivable included allowance for doubtful accounts, chargebacks and other deductions of $38,937 and $32,604 as of September 28, 2019 and December 29, 2018, respectively. The fair value of debt, which is classified as a Level 2 liability, was $4,032,241 and $3,863,299 as of September 28, 2019 and December 29, 2018, respectively. Debt had a carrying value of$3,858,131 and $4,009,553 as of September 28, 2019 and December 29, 2018, respectively. The fair values were estimated using quoted market prices as provided in secondary markets, which consider the Company's credit risk and market related conditions. The carrying amounts of the Company's notes payable, which is classified as a Level 2 liability, approximated fair value as of September 28, 2019 and December 29, 2018, primarily due to the short-term nature of these instruments.

HANESBRANDS INC.

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

(12) Income Taxes

The Company's effective income tax rate was14.1% and 12.9% for the quarters ended September 28, 2019 and September 29, 2018, respectively. The Company's effective income tax rate was 14.1% and 14.2% for the nine months ended September 28, 2019 and September 29, 2018, respectively. The higher effective income tax rate for the quarter ended September 28, 2019 compared to the quarter ended September 29, 2018 was primarily due to a net benefit recorded in the third quarter of 2018 related to a change in the Company's provisional estimate regarding the overall impact of the Tax Act. Pursuant to the one-year measurement period allowed by the SEC's Staff Accounting Bulletin No. 118, the accounting for the impact of the Tax Act was completed in the fourth quarter of 2018.

The Company files a consolidated U.S. federal income tax return, as well as separate and combined income tax returns in numerous state and foreign jurisdictions. In the United States, the IRS began an examination of the Company's 2015 and 2016 tax years during 2017 and 2018, respectively. The Company is also subject to examination by various state and foreign 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.

(13) 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. value-based ("outlet") stores and U.S. hosiery business.

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

- Innerwear includes sales of basic branded apparel products that are replenishment in nature under the product categories of men's underwear, women's panties, children's underwear and socks, and intimate apparel, which includes bras and shapewear.
- Activewear includes sales of basic branded products that are primarily seasonal in nature to both retailers and wholesalers, as well as licensed sports apparel and licensed logo apparel in collegiate bookstores, mass retailers and other channels.
- International includes sales of products in all of the Company's categories outside the United States, primarily in Europe, Australia, 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, acquisition-related and integration charges and amortization of intangibles. The accounting policies of the segments are consistent with those described in Note 2 to the Company's consolidated financial statements included in its Annual Report on Form 10-K for the year ended December 29, 2018.

	Quarter Ended		Nine Months Ended	
	September 28, 2019	September 29, 2018	September 28, 2019	September 29, 2018
Net sales:				
Innerwear	$ 578,453	$ 599,726	$ 1,733,002	$ 1,785,498
Activewear	548,117	554,953	1,401,734	1,306,863
International	663,525	619,435	1,878,568	1,735,184
Other	76,872	74,593	202,614	208,109
Total net sales	$ 1,866,967	$ 1,848,707	$ 5,215,918	$ 5,035,654

HANESBRANDS INC.

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

	Quarter Ended		Nine Months Ended	
	September 28, 2019	September 29, 2018	September 28, 2019	September 29, 2018
Segment operating profit:				
Innerwear	$ 121,467	$ 132,244	$ 375,623	$ 392,792
Activewear	97,314	93,605	209,686	189,400
International	107,168	99,624	280,944	253,243
Other	9,643	8,400	16,429	18,187
Total segment operating profit	335,592	333,873	882,682	853,622
Items not included in segment operating profit:				
General corporate expenses	(47,269)	(46,161)	(160,722)	(136,694)
Acquisition, integration and other action-related charges	(9,937)	(20,732)	(43,919)	(65,514)
Amortization of intangibles	(8,630)	(10,091)	(26,230)	(28,404)
Total operating profit	269,756	256,889	651,811	623,010
Other expenses	(8,066)	(7,285)	(23,766)	(19,616)
Interest expense, net	(43,091)	(52,795)	(137,672)	(146,988)
Income before income tax expense	$ 218,599	$ 196,809	$ 490,373	$ 456,406

For the quarter ended September 28, 2019, the Company incurred pre-tax acquisition, integration and other action-related charges of $9,937, of which $9,424 is reported in the “Cost of sales” line and $513 is reported in the “Selling, general and administrative expenses” line in the Condensed Consolidated Statement of Income. For the quarter ended September 29, 2018, the Company incurred pre-tax acquisition, integration and other action-related charges of $20,732, of which $11,760 is reported in the “Cost of sales” line and $8,972 is reported in the “Selling, general and administrative expenses” line in the Condensed Consolidated Statement of Income.

For the nine months ended September 28, 2019, the Company incurred pre-tax acquisition, integration and other action-related charges of $43,919, of which $39,714 is reported in the “Cost of sales” line and $4,205 is reported in the “Selling, general and administrative expenses” line in the Condensed Consolidated Statement of Income. For the nine months ended September 29, 2018, the Company incurred pre-tax acquisition-related, integration and other action-related charges of $65,514, of which $33,596 is reported in the “Cost of sales” line and $31,918 is reported in the “Selling, general and administrative expenses” line in the Condensed Consolidated Statement of Income.

As of December 29, 2018, the Company had an accrual of $10,806 for expected benefit payments related to actions taken in prior years. During the nine months ended September 28, 2019, the Company approved actions to close certain supply chain facilities and reduce overhead costs and incurred charges of $12,392 for employee termination and other benefits for employees affected by separation programs, with $9,720 and $2,672 of charges reflected in the “Cost of sales” and “Selling, general and administrative expenses” lines, respectively, in the Condensed Consolidated Statement of Income. During the nine months ended September 28, 2019, benefit payments, other accrual adjustments and foreign currency adjustments of $11,681 have been made, resulting in an ending accrual of $11,517, of which $9,548 and $1,969 is included in the “Accrued liabilities” and “Other noncurrent liabilities” lines of the Condensed Consolidated Balance Sheet, respectively.

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

This management's discussion and analysis of financial condition and results of operations, or MD&A, contains forward-looking statements that involve risks and uncertainties. Please see "Forward-Looking Statements" in this Quarterly Report on Form 10-Q for a discussion of the uncertainties, risks and assumptions associated with these statements. This discussion should be read in conjunction with our historical financial statements and related notes thereto and the other disclosures contained elsewhere in this Quarterly Report on Form 10-Q. The unaudited condensed consolidated financial statements and notes included herein should be read in conjunction with our audited consolidated financial statements and notes for the year ended December 29, 2018, which were included in our Annual Report on Form 10-K filed with the SEC. The results of operations for the periods reflected herein are not necessarily indicative of results that may be expected for future periods, and our actual results may differ materially from those discussed in the forward-looking statements as a result of various factors, including but not limited to those included elsewhere in this Quarterly Report on Form 10-Q and those included in the "Risk Factors" section and elsewhere in our Annual Report on Form 10-K for the year ended December 29, 2018.

Overview

Hanesbrands Inc. (collectively with its subsidiaries, "we," "us," "our," or the "Company") is a socially responsible leading marketer of everyday basic innerwear and activewear apparel in the Americas, Europe, Australia and Asia/Pacific under some of the world's strongest apparel brands, including *Hanes, Champion, Bonds, Maidenform, DIM, Bali, Playtex, Bras N Things, Nur Die/Nur Der, Alternative, L'eggs, JMS/Just My Size, Lovable, Wonderbra, Berlei* and *Gear for Sports.* We design, manufacture, source and sell a broad range of basic apparel such as T-shirts, bras, panties, men's underwear, children's underwear, activewear, socks and hosiery. Our brands hold either the number one or number two market position by units sold in many of the product categories and geographies in which we compete.

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

Outlook for 2019

We estimate our 2019 guidance as follows:

- Net sales of $6.935 billion to $6.985 billion, operating profit of $900 million to $925 million, and net income of $590 to $612 million;
- Pre-tax acquisition, integration and other action-related costs of approximately $55 million reflected in operating profit;
- Interest expense and other expenses of approximately $213 million combined;
- An annual effective tax rate of approximately 14%;
- Cash flow from operations of $700 million to $800 million; and
- Capital expenditure investment of approximately $90 million to $100 million.

Seasonality and Other Factors

Our operating results are subject to some variability due to seasonality and other factors. For instance, we generally have higher sales during the back-to-school and holiday shopping seasons and during periods of cooler weather, which benefits certain product categories such as fleece. Sales levels in any period are also impacted by 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.

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

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

Highlights from the Third Quarter Ended September 28, 2019

Key financial highlights are as follows:

- Total net sales in the third quarter of 2019 were $1.87 billion, compared with $1.85 billion in the same period of 2018, representing a 1% increase.
- Operating profit increased 5% to $270 million in the third quarter of 2019, compared with $257 million in the same period of 2018. As a percentage of sales, operating profit was 14.4% in the third quarter of 2019 compared to 13.9% in the same period of 2018. Included within operating profit were acquisition, integration and other action-related charges of $10 million and $21 million for the quarters ended September 28, 2019 and September 29, 2018, respectively.
- Diluted earnings per share was $0.51 and $0.47 in the third quarters of 2019 and 2018, respectively.

Condensed Consolidated Results of Operations — Third Quarter Ended September 28, 2019 Compared with Third Quarter Ended September 29, 2018

	Quarter Ended			
	September 28, 2019	September 29, 2018	Higher (Lower)	Percent Change
	(dollars in thousands)			
Net sales	$ 1,866,967	$ 1,848,707	$ 18,260	1.0 %
Cost of sales	1,154,629	1,136,040	18,589	1.6
Gross profit	712,338	712,667	(329)	0.0
Selling, general and administrative expenses	442,582	455,778	(13,196)	(2.9)
Operating profit	269,756	256,889	12,867	5.0
Other expenses	8,066	7,285	781	10.7
Interest expense, net	43,091	52,795	(9,704)	(18.4)
Income before income tax expense	218,599	196,809	21,790	11.1
Income tax expense	30,823	25,388	5,435	21.4
Net Income	$ 187,776	$ 171,421	$ 16,355	9.5 %

Net Sales

Net sales increased 1% during the third quarter of 2019 primarily due to the following:

- Sales on a constant currency basis, defined as sales excluding the impact of foreign exchange rates, increased 2% in the quarter, as a result of sales growth in Europe, Asia, Australia and the Americas driven primarily by strong sales growth in our global *Champion* brand and our international innerwear business.

Partially offset by:

- Unfavorable impact from foreign exchange rates in our International businesses of approximately $23 million; and
- A decrease in U.S. innerwear sales driven by a decline in net sales in our intimate apparel and basics businesses.

Operating Profit

Operating profit as a percentage of sales was 14.4%, an increase from prior year of approximately 50 basis points. Increased operating profit from price increases taken in the first quarter of 2019 and higher margin product sales mix were partially offset by increased materials costs, planned investments to support our brands and future growth initiatives, unfavorable impact from foreign exchange rates and higher variable compensation accruals. Included in operating profit in the third quarter of 2019 and 2018 were charges of $10 million and $21 million, respectively, related to acquisition, integration and other action-related costs. In the quarter ended September 29, 2018, operating profit also included a bad debt charge of approximately $14 million related to the Sears bankruptcy filing.

Other Highlights

Other Expenses – Other expenses increased $1 million in the third quarter of 2019 compared to the third quarter of 2018 primarily due to higher pension expense in 2019.

Interest Expense – Interest expense was lower by $10 million in the third quarter of 2019 compared to the third quarter of 2018 driven by lower debt balances and the impact of the cross-currency swap contracts entered into in July 2019 partially offset by a higher weighted average interest rate on our borrowings. Our weighted average interest rate on our outstanding debt was 4.10% for the third quarter of 2019, compared to 3.95% for the third quarter of 2018.

Income Tax Expense – Our effective income tax rate was 14.1% and 12.9% for the third quarters of 2019 and 2018, respectively. The higher effective income tax rate for the quarter ended September 28, 2019 compared to the quarter ended September 29, 2018 was primarily due to a net benefit recorded in the third quarter of 2018 related to a change in the Company's provisional estimate regarding the overall impact of the Tax Cuts and Jobs Act (the "Tax Act").

Operating Results by Business Segment — Third Quarter Ended September 28, 2019 Compared with Third Quarter Ended September 29, 2018

	Net Sales			
	Quarter Ended			
	September 28, 2019	September 29, 2018	Higher (Lower)	Percent Change
	(dollars in thousands)			
Innerwear	$ 578,453	$ 599,726	$ (21,273)	(3.5)%
Activewear	548,117	554,953	(6,836)	(1.2)
International	663,525	619,435	44,090	7.1
Other	76,872	74,593	2,279	3.1
Total	$ 1,866,967	$ 1,848,707	$ 18,260	1.0 %

	Operating Profit and Margin					
	Quarter Ended					
	September 28, 2019		September 29, 2018		Higher (Lower)	Percent Change
	(dollars in thousands)					
Innerwear	$ 121,467	*21.0%*	$ 132,244	*22.1%*	$ (10,777)	(8.1)%
Activewear	97,314	*17.8*	93,605	*16.9*	3,709	4.0
International	107,168	*16.2*	99,624	*16.1*	7,544	7.6
Other	9,643	*12.5*	8,400	*11.3*	1,243	14.8
Corporate	(65,836)	*NM*	(76,984)	*NM*	11,148	14.5
Total	$ 269,756	*14.4%*	$ 256,889	*13.9%*	$ 12,867	5.0 %

Innerwear

Innerwear net sales decreased less than 4% driven by a 7% and 2% decline in net sales in our intimate apparel and basics businesses, respectively. Net sales in our intimate apparel business decreased as a result of declines in our bras product category, which continues to be impacted by door closings and the challenging retail landscape within the mid-tier and department store channel. The decline in the bras product category was partially offset by growth in our shapewear product category.

Innerwear operating margin was 21.0%, representing a decrease from 22.1% in the same period a year ago as a result of lower volume, higher materials costs, sales mix and planned increases in investments to support our brands partially offset by price increases implemented in the first quarter of 2019.

Activewear

Activewear net sales decreased 1%. Core *Champion* sales within the Activewear segment, which we define as *Champion* sales outside of the mass retail channel, were up 18% in the quarter, driven by strong consumer demand and growth across channels. Sales declined in the remainder of our activewear business due to our previous exit from commodity programs within the mass retail channel as we focused on remixing parts of our activewear business to branded products and softer trends in the printwear channel.

Activewear operating margin was 17.8%, representing an increase from 16.9% in the same period a year ago as a result of improved *Champion* profitability, higher margin product sales mix from our remixing activity and pricing, partially offset by increased materials costs and higher selling, general and administrative expenses reflecting an increase in investments to support our growth initiatives.

International

Net sales in the International segment increased 7% as a result of the following:

- Sales on a constant currency basis, defined as sales excluding the impact of foreign currency, increased 11% driven by growth in both our innerwear and activewear businesses.

Partially offset by:

- Unfavorable impact of foreign currency exchange rates of approximately $23 million.

International operating margin was 16.2%, an increase from 16.1% in the same period a year ago, primarily due to increased efficiencies of scale.

Other

Other net sales were higher as a result of increased traffic at our retail outlets partially offset by continued declines in hosiery sales in the United States. Operating margin increased due to the increase in sales volume at our retail outlets.

Corporate

Corporate expenses included certain administrative costs including acquisition, integration and other action-related charges. Corporate expenses were lower in the third quarter of 2019 compared to the third quarter of 2018 due to lower acquisition, integration and other action-related charges and lower bad debt expense as a result of a charge of approximately $14 million recorded in the third quarter of 2018 related to the Sears bankruptcy filing partially offset by an increase in variable compensation accruals. Supply chain actions include the reduction of overhead costs, principally within our Western Hemisphere network. Acquisition and integration costs are expenses related directly to an acquisition and its integration into the organization. Other acquisitions and other action-related costs include acquisition and integration charges for smaller acquisitions such as Bras N Things, as well as other action-related costs including corporate workforce reductions.

	Quarter Ended	
	September 28, 2019	September 29, 2018
	(dollars in thousands)	
Acquisition, integration and other action-related costs included in operating profit:		
Supply chain actions	$ 9,424	$ —
Hanes Europe Innerwear	—	7,076
Hanes Australasia	—	1,444
Other acquisitions and other action-related costs	513	12,212
Total acquisition, integration and other action-related costs included in operating profit	$ 9,937	$ 20,732

Condensed Consolidated Results of Operations — Nine Months Ended September 28, 2019 Compared with Nine Months Ended September 29, 2018

	Nine Months Ended			
	September 28, 2019	September 29, 2018	Higher (Lower)	Percent Change
	(dollars in thousands)			
Net sales	$ 5,215,918	$ 5,035,654	$ 180,264	3.6 %
Cost of sales	3,208,025	3,084,110	123,915	4.0
Gross profit	2,007,893	1,951,544	56,349	2.9
Selling, general and administrative expenses	1,356,082	1,328,534	27,548	2.1
Operating profit	651,811	623,010	28,801	4.6
Other expenses	23,766	19,616	4,150	21.2
Interest expense, net	137,672	146,988	(9,316)	(6.3)
Income before income tax expense	490,373	456,406	33,967	7.4
Income tax expense	69,143	64,943	4,200	6.5
Net income	$ 421,230	$ 391,463	$ 29,767	7.6 %

Net Sales

Net sales increased 4% during the nine months of 2019 primarily due to the following:

- Our acquisition of Bras N Things in February 2018, which contributed non-organic net sales of $18 million in the nine months of 2019;
- Organic sales on a constant currency basis, defined as sales excluding the impact of foreign exchange rates and businesses acquired within 12 months, increased 5% in the nine months of 2019, as a result of sales growth in Europe, Asia, Australia and the Americas driven primarily by strong sales growth in our global *Champion* brand and our international innerwear business.

Partially offset by:

- Unfavorable impact from foreign exchange rates in our International businesses of approximately $103 million; and
- A decrease in U.S. innerwear sales driven by a decline in net sales in our intimate apparel business.

Operating Profit

Operating profit as a percentage of sales was 12.5%, an increase from the same period a year ago of approximately 10 basis points. Price increases taken in the nine months of 2019 and higher margin product sales mix were partially offset by increased materials costs, planned investments to support our brands and future growth initiatives, unfavorable impact from foreign exchange rates and higher variable compensation accruals. Included in operating profit in the nine months of 2019 and 2018 were charges of $44 million and $66 million, respectively, related to acquisition, integration and other action-related costs. Operating profit included a bad debt charge of approximately $14 million in the nine months ended September 29, 2018 related to the Sears bankruptcy filing.

Other Highlights

Other Expenses – Other expenses were higher by $4 million in the nine months of 2019 compared to the same period in 2018 primarily due to higher pension expense and higher funding fees for sales of accounts receivable to financial institutions in 2019.

Interest Expense – Interest expense was lower by $9 million in the nine months of 2019 compared to 2018, driven by lower debt balances and the impact of the cross-currency swap contracts entered into in July 2019 partially offset by a higher weighted average interest rate on our borrowings. Our weighted average interest rate on our outstanding debt was 4.13% for the nine months of 2019, compared to 3.86% for the nine months of 2018.

Income Tax Expense – Our effective income tax rate was 14.1% and 14.2% for the nine months of 2019 and 2018, respectively. Income tax expense increased $4 million in the nine months of 2019 compared to 2018 due to the increase in pre-tax income.

Operating Results by Business Segment — Nine Months Ended September 28, 2019 Compared with Nine Months Ended September 29, 2018

	Net Sales — Nine Months Ended September 28, 2019	Net Sales — Nine Months Ended September 29, 2018	Higher (Lower)	Percent Change
	(dollars in thousands)			
Innerwear	$ 1,733,002	$ 1,785,498	$ (52,496)	(2.9)%
Activewear	1,401,734	1,306,863	94,871	7.3
International	1,878,568	1,735,184	143,384	8.3
Other	202,614	208,109	(5,495)	(2.6)
Total	$ 5,215,918	$ 5,035,654	$ 180,264	3.6 %

	Operating Profit and Margin — Nine Months Ended September 28, 2019		September 29, 2018		Higher (Lower)	Percent Change
	(dollars in thousands)					
Innerwear	$ 375,623	*21.7%*	$ 392,792	*22.0%*	$ (17,169)	(4.4)%
Activewear	209,686	*15.0*	189,400	*14.5*	20,286	10.7
International	280,944	*15.0*	253,243	*14.6*	27,701	10.9
Other	16,429	*8.1*	18,187	*8.7*	(1,758)	(9.7)
Corporate	(230,871)	*NM*	(230,612)	*NM*	(259)	(0.1)
Total	$ 651,811	*12.5%*	$ 623,010	*12.4%*	$ 28,801	4.6 %

Innerwear

Innerwear net sales decreased 3% driven primarily by a 7% and 1% decline in net sales in our intimate apparel and basics businesses, respectively. Net sales in our intimate apparel business decreased as a result of declines in our bras product category, which continues to be impacted by door closings and the challenging retail landscape within the mid-tier and department store channel. The decline in the bras product category was partially offset by growth in our shapewear product category.

Innerwear operating margin was 21.7%, representing a decrease from 22.0% in the prior year period as a result of lower volume, higher materials costs, sales mix and planned increases in investments to support our brands partially offset by price increases implemented in the first quarter of 2019.

Activewear

Activewear net sales increased 7%. Core *Champion* sales within the Activewear segment, which we define as *Champion* sales outside of the mass retail channel, were up over 40% in the nine months of 2019, driven by strong consumer demand and growth across channels. Sales declined in the remainder of our activewear business due to our previous exit from commodity programs within the mass retail channel as we focused on remixing parts of our activewear business to branded products and softer trends in the printwear channel.

Activewear operating margin was 15.0%, representing an increase from 14.5% in the prior year as a result of improved *Champion* profitability, higher margin product sales mix from our remixing activity and pricing, partially offset by higher materials costs and higher selling, general and administrative expenses, reflecting an increase in investments to support our brands and growth initiatives.

International

Net sales in the International segment increased 8% as a result of the following:

- Our acquisition of Bras N Things in the first quarter of 2018, which contributed non-organic net sales of $18 million;
- Organic sales on a constant currency basis, defined as sales excluding the impact of foreign currency and businesses acquired within 12 months, increased 13%, driven by growth in both our innerwear and activewear businesses.

Partially offset by:

- Unfavorable impact of foreign currency exchange rates of approximately $103 million.

International operating margin was 15.0%, an increase from prior year period of 14.6%, primarily due to increased efficiencies of scale and the continued realization of acquisition synergies, coupled with high margin contributions from the acquired Bras N Things business.

Other

Other net sales were lower as a result of continued declines in hosiery sales in the United States partially offset by increased traffic at our retail outlet stores. Operating margin decreased primarily due to the decrease in sales volume in hosiery.

Corporate

Corporate expenses included certain administrative costs including acquisition, integration and other action-related charges. Corporate expenses were flat in the nine months of 2019 compared to the same period in 2018 primarily due to lower acquisition, integration and other action-related charges and lower bad debt expense as a result of a charge of approximately $14 million recorded in the third quarter of 2018 related to the Sears bankruptcy filing offset by an increase in variable compensation accruals. Supply chain actions include the reduction of overhead costs, principally within our Western Hemisphere network. Acquisition and integration costs are expenses related directly to an acquisition and its integration into the organization. Other acquisitions and other action-related costs include acquisition and integration charges for smaller acquisitions such as Bras N Things, as well as other action-related costs including corporate workforce reductions.

	Nine Months Ended	
	September 28, 2019	September 29, 2018
	(dollars in thousands)	
Acquisition, integration and other action-related costs:		
Supply chain actions	$ 39,714	$ —
Hanes Europe Innerwear	—	24,107
Hanes Australasia	—	14,183
Other acquisitions and other action-related costs	4,205	27,224
Total acquisition, integration and other action-related costs	$ 43,919	$ 65,514

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. The primary cash requirements of our business are payments to vendors in the normal course of business, capital expenditures, maturities of debt and related interest payments, business acquisitions, contributions to our pension plans, repurchases of our stock, regular quarterly dividend payments and income tax payments. We believe we have sufficient cash and available borrowings for our foreseeable liquidity needs.

We typically use cash during the first half of the year and generate most of our cash flow in the second half of the year. We expect our top priorities of our cash deployment strategy in the future to include organic growth (via capital expenditures), debt prepayments and dividends. After funding those priorities, to the extent there is remaining cash or borrowing capacity available, we generally intend to invest in strategic acquisitions and share repurchases.

There have been no significant changes in the cash requirements for our business from those described in our Annual Report on Form 10-K for the year ended December 29, 2018.

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

We had the following borrowing capacity and availability under our credit facilities as ofSeptember 28, 2019:

	As of September 28, 2019	
	Borrowing Capacity	Borrowing Availability
	(dollars in thousands)	
Senior Secured Credit Facility:		
Revolving Loan Facility	$ 1,000,000	$ 995,565
Australian Revolving Loan Facility	40,499	33,749
European Revolving Loan Facility	109,421	—
Accounts Receivable Securitization Facility[1]	273,604	65,000
Other international credit facilities	139,959	119,072
Total liquidity from credit facilities	$ 1,563,483	$ 1,213,386

(1) Borrowing availability under the Accounts Receivable Securitization Facility is subject to a quarterly fluctuating facility limit, not to exceed $300 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.

We currently believe that our existing cash balances and cash generated by operations (typically in the second half of the year), together with our borrowing availability, will enable us to comply with the terms of our indebtedness and meet foreseeable liquidity requirements.

The following have impacted or may impact our liquidity:

- We have principal and interest obligations under our debt.
- We may pursue strategic business acquisitions in the future.
- We expect to continue to invest in efforts to accelerate worldwide omnichannel and global growth initiatives, as well as marketing and brand building.
- We expect to continue to invest in efforts to improve operating efficiencies and lower costs.
- We made a contribution of $26 million to our U.S. pension plan inthe nine months ended September 28, 2019.
- 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 also reevaluated our reinvestment strategy with regards to our historic earnings which were taxed as part of the Tax Act and intend to remit foreign earnings totaling $1.4 billion.
- We are obligated to make installment payments over an eight-year period related to our transition tax liability resulting from the implementation of the Tax Act, which began in 2018, in addition to any estimated income taxes due based on current year taxable income. In the nine months ended September 28, 2019 and September 29, 2018, we made installment payments of $7 million and $13 million, respectively, on our transition tax liability and have a remaining balance due of approximately $100 million to be paid in installment payments through 2025.
- Our Board of Directors has authorized a regular quarterly dividend.
- We may repurchase shares of the Company’s common stock under the current share repurchase program, which has been previously approved by our Board of Directors. We did not repurchase any shares of common stock during the nine months ended September 28, 2019 and September 29, 2018. At September 28, 2019, the remaining repurchase authorization totaled approximately 20 million shares.

Sources and Uses of Our Cash

The information presented below regarding the sources and uses of our cash flows forthe nine months ended September 28, 2019 and September 29, 2018 was derived from our condensed consolidated financial statements.

	Nine Months Ended	
	September 28, 2019	September 29, 2018
	(dollars in thousands)	
Operating activities	$ 244,700	$ 141,289
Investing activities	(97,780)	(396,609)
Financing activities	(285,616)	254,582
Effect of changes in foreign currency exchange rates on cash	1,008	879
Change in cash, cash equivalents and restricted cash	(137,688)	141
Cash, cash equivalents and restricted cash at beginning of year	455,732	421,566
Cash, cash equivalents and restricted cash at end of period	318,044	421,707
Less restricted cash at end of period	1,020	23,208
Cash and cash equivalents per balance sheet at end of period	$ 317,024	$ 398,499

Operating Activities

Our overall liquidity is primarily driven by our strong cash flow provided by operating activities, which is dependent on net income and changes in our working capital. We typically use cash during the first half of the year and generate most of our cash flow in the second half of the year. As compared to the prior year, the higher net cash generated by operating activities was due to higher profitability and improved working capital management, specifically related to the reduction of inventory levels, offset by a $26 million pension contribution made in the first quarter of 2019. Cash generated by operating activities in the nine months ended September 29, 2018 included the final Champion Europe contingent consideration payment of $32 million made in the first quarter of 2018 and a $15 million pension contribution in the second quarter of 2018.

Investing Activities

The decrease in cash used by investing activities was primarily the result of the acquisition of Bras N Things inthe first quarter of 2018. During the third quarter of 2019, we paid $21 million of the indemnification escrow related to the Bras N Things acquisition. Additionally, we increased capital investments into our business to support our global growth compared to the prior year.

Financing Activities

Net cash from financing activities decreased primarily as a result of lower borrowings on our loan facilities in2019 as compared to the same period of2018 including our payment of the outstanding balance and termination of the Australian Term A-1 loan in the second quarter of 2019.

Financing Arrangements

In March 2019, we amended the Accounts Receivable Securitization Facility. This amendment primarily increased the fluctuating facility limit to $300 million (previously $225 million) and extended the maturity date to March 2020.

We believe our financing structure provides a secure base to support our operations and key business strategies. As ofSeptember 28, 2019, we were in compliance with all financial covenants under our credit facilities and other outstanding indebtedness. We continue to monitor our covenant compliance carefully. We expect to maintain compliance with our covenants for the foreseeable future, however economic conditions or the occurrence of events discussed under “Risk Factors” in our Annual Report on Form 10-K for the year ended December 29, 2018 or other SEC filings could cause noncompliance.

In July 2019, we entered into two pay-fixed rate, receive-fixed rate cross-currency swap contracts with a total notional amount of€300 million that were designated as hedges of a portion of the beginning balance of our net investment in our 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 our fixed-rate 4.625% Senior Notes to a fixed-rate 2.3215% Euro-denominated obligation.

In July 2019, we refinanced the European Revolving Loan Facility primarily to extend the maturity date to September 2020.

Off-Balance Sheet Arrangements

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

Critical Accounting Policies and Estimates

We have chosen accounting policies that we believe are appropriate to accurately and fairly report our operating results and financial condition in conformity with accounting principles generally accepted in the United States. We apply these accounting policies in a consistent manner. Our significant accounting policies are discussed in Note 2, "Summary of Significant Accounting Policies," to our financial statements included in our Annual Report on Form 10-K for the year ended December 29, 2018.

The application of critical accounting policies requires that we make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and related disclosures. These estimates and assumptions are based on historical and other factors believed to be reasonable under the circumstances. We evaluate these estimates and assumptions on an ongoing basis and may retain outside consultants to assist in our evaluation. If actual results ultimately differ from previous estimates, the revisions are included in results of operations in the period in which the actual amounts become known. The critical accounting policies that involve the most significant management judgments and estimates used in preparation of our financial statements, or are the most sensitive to change from outside factors, are discussed in Management's Discussion and Analysis of Financial Condition and Results of Operations in our Annual Report on Form 10-K for the year ended December 29, 2018. There have been no material changes in these policies from those described in our Annual Report on Form 10-K for the year ended December 29, 2018.

Recently Issued Accounting Pronouncements

For a summary of recently issued accounting pronouncements, see Note 2, "Recent Accounting Pronouncements" to our financial statements included in this Quarterly Report on Form 10-Q.

Item 3. ***Quantitative and Qualitative Disclosures about Market Risk***

There have been no significant changes in our market risk exposures from those described in Item 7A of our Annual Report on Form 10-K for the year ended December 29, 2018.

Item 4. ***Controls and Procedures***

As required by Exchange Act Rule 13a-15(b), our management, including our Chief Executive Officer and Chief Financial Officer, conducted an evaluation of the effectiveness of our disclosure controls and procedures, as defined in Exchange Act Rule 13a-15(e), as of the end of the period covered by this Quarterly Report on Form 10-Q. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective.

In connection with the evaluation required by Exchange Act Rule 13a-15(d), our management, including our Chief Executive Officer and Chief Financial Officer, concluded that no changes in our internal control over financial reporting occurred during the period covered by this report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II

Item 1. ***Legal Proceedings***

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

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

The risk factors that affect our business and financial results are discussed in Part I, Item 1A, of our Annual Report on Form 10-K for the fiscal year ended December 29, 2018. There are no material changes to the risk factors previously disclosed, nor have we identified any previously undisclosed risks that could materially adversely affect our business and financial results.

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

None.

Item 3. ***Defaults Upon Senior Securities***

None.

Item 4. ***Mine Safety Disclosures***

Not applicable.

Item 5. ***Other Information***

None.

Item 6. ***Exhibits***

Exhibit Number	Description
3.1	Articles of Amendment and Restatement of Hanesbrands Inc. (incorporated by reference from Exhibit 3.1 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on September 5, 2006).
3.2	Articles Supplementary (Junior Participating Preferred Stock, Series A) (incorporated by reference from Exhibit 3.2 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on September 5, 2006).
3.3	Articles of Amendment to Articles of Amendment and Restatement of Hanesbrands Inc. (incorporated by reference from Exhibit 3.1 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on January 28, 2015).
3.4	Articles Supplementary (Reclassifying Junior Participating Preferred Stock, Series A) (incorporated by reference from Exhibit 3.1 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on November 2, 2015).
3.5	Amended and Restated Bylaws of Hanesbrands Inc. (incorporated by reference from Exhibit 3.1 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on January 26, 2017).
31.1	Certification of Gerald W. Evans, Jr., Chief Executive Officer.
31.2	Certification of Barry A. Hytinen, Chief Financial Officer.
32.1	Section 1350 Certification of Gerald W. Evans, Jr., Chief Executive Officer.
32.2	Section 1350 Certification of Barry A. Hytinen, 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

SIGNATURES

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

HANESBRANDS INC.

By: /s/ Barry A. Hytinen

Barry A. Hytinen
Chief Financial Officer
(Duly authorized officer and principal financial officer)

Date: October 31, 2019

Exhibit 31.1

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

I, Gerald W. Evans, Jr., certify that:

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

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

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

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

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

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

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

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

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

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

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

/s/ Gerald W. Evans, Jr.

Gerald W. Evans, Jr.
Chief Executive Officer

Date: October 31, 2019

Exhibit 31.2

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

I, Barry A. Hytinen, certify that:

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

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

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

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

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

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

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

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

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

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

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

/s/ Barry A. Hytinen

Barry A. Hytinen
Chief Financial Officer

Date: October 31, 2019

Exhibit 32.1

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

In connection with the Quarterly Report of Hanesbrands Inc. (“Hanesbrands”) on Form 10-Q for the fiscal quarter ended September 28, 2019 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Gerald W. Evans, Jr., Chief Executive Officer of Hanesbrands, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

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

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

/s/ Gerald W. Evans, Jr.

Gerald W. Evans, Jr.
Chief Executive Officer

Date: October 31, 2019

The foregoing certification is being furnished to accompany Hanesbrands Inc.’s Quarterly Report on Form 10-Q for the fiscal quarter ended September 28, 2019 (the “Report”) solely pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not be deemed filed as part of the Report or as a separate disclosure document and shall not be deemed incorporated by reference into any other filing of Hanesbrands Inc. that incorporates the Report by reference. A signed original of this written certification required by Section 906 has been provided to Hanesbrands Inc. and will be retained by Hanesbrands Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 32.2

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

In connection with the Quarterly Report of Hanesbrands Inc. (“Hanesbrands”) on Form 10-Q for the fiscal quarter ended September 28, 2019 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Barry A. Hytinen, Chief Financial Officer of Hanesbrands, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

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

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

/s/ Barry A. Hytinen

Barry A. Hytinen
Chief Financial Officer

Date: October 31, 2019

The foregoing certification is being furnished to accompany Hanesbrands Inc.’s Quarterly Report on Form 10-Q for the fiscal quarter ended September 28, 2019 (the “Report”) solely pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not be deemed filed as part of the Report or as a separate disclosure document and shall not be deemed incorporated by reference into any other filing of Hanesbrands Inc. that incorporates the Report by reference. A signed original of this written certification required by Section 906 has been provided to Hanesbrands Inc. and will be retained by Hanesbrands Inc. and furnished to the Securities and Exchange Commission or its staff upon request.