

Hanesbrands Inc.  
Form 10-K  
February 06, 2014

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
FORM 10-K

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

For the fiscal year ended December 28, 2013

or

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

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

Commission file number: 001-32891

Hanesbrands Inc.

(Exact name of registrant as specified in its charter)

Maryland

(State of incorporation)

1000 East Hanes Mill Road  
Winston-Salem, North Carolina

(Address of principal executive office)

(336) 519-8080

(Registrant's telephone number including area code)

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

Common Stock, par value \$0.01 per share and related

Preferred Stock Purchase Rights

Name of each exchange on which registered:

New York Stock Exchange

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

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference into Part III of this Form 10-K or any amendment to this Form 10-K.

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

Large accelerated filer

Accelerated filer

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Non-accelerated filer  (Do not check if a smaller reporting company) Smaller reporting company   
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

As of June 28, 2013, the aggregate market value of the registrant's common stock held by non-affiliates was approximately \$5,039,446,409 (based on the closing price of the common stock of \$51.42 per share on that date, as reported on the New York Stock Exchange and, for purposes of this computation only, the assumption that all of the registrant's directors and executive officers are affiliates and that beneficial holders of 5% or more of the outstanding common stock are not affiliates).

As of January 31, 2014, there were 99,461,093 shares of the registrant's common stock outstanding.

**DOCUMENTS INCORPORATED BY REFERENCE**

Part III of this Form 10-K incorporates by reference to portions of the registrant's proxy statement for its 2014 annual meeting of stockholders.

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## Trademarks, Trade Names and Service Marks

We own or have rights to use the trademarks, service marks and trade names that we use in conjunction with the operation of our business. Some of the more important trademarks that we own or have rights to use that may appear in this Annual Report on Form 10-K include the Hanes, Champion, C9 by Champion, Bali, Playtex, Maidenform, JMS/Just My Size, L’eggs, Flexees, barely there, Wonderbra, Gear for Sports, Lilyette, Zorba, Rinbros and Sol y Oro marks, which may be registered in the United States and other jurisdictions. We do not own any trademark, trade name or service mark of any other company appearing in this Annual Report on Form 10-K.



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**FORWARD-LOOKING STATEMENTS**

This Annual Report on Form 10-K contains information that may constitute “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934 (the “Exchange Act”). Forward-looking statements include all statements that do not relate solely to historical or current facts, and can generally be identified by the use of words such as “may,” “believe,” “will,” “expect,” “project,” “estimate,” “intend,” “anticipate,” “plan,” “continue” or similar expressions. However, the absence of these words or similar expressions does not mean that a statement is not forward-looking. All statements regarding our intent, belief and current expectations about our strategic direction, prospects and future results are forward-looking statements. Management believes that these forward-looking statements are reasonable as and when made. However, caution should be taken not to place undue reliance on any such forward-looking statements because such statements speak only as of the date when made. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law. In addition, forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from our historical experience and our present expectations or projections. These risks and uncertainties include, but are not limited to, those described under “Risk Factors” and elsewhere in this report and those described from time to time in our future reports filed with the Securities and Exchange Commission (“SEC”).

**WHERE YOU CAN FIND MORE INFORMATION**

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

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

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PART I

Item 1. Business

Company Overview

Hanesbrands Inc., a Maryland corporation (collectively with its subsidiaries, “Hanesbrands,” “we,” “us,” “our” or the “Company”), is a socially responsible manufacturer and marketer of leading everyday basic apparel under some of the world’s strongest apparel brands. Our innerwear and activewear apparel brands include Hanes, Champion, Bali, Playtex, Maidenform, JMS/Just My Size, L’eggs, Flexees, barely there, Wonderbra, Gear for Sports and Lilyette. In addition, our international brands include Zorba, Rinbros, Sol y Oro, Track N Field and Ritmo.

We sell bras, panties, shapewear, sheer hosiery, men’s underwear, children’s underwear, socks, T-shirts and other activewear in the United States, Canada, Mexico and other leading markets in the Americas, Asia, Australia and Europe. In the United States, we sell more units of intimate apparel, male underwear, socks, shapewear and T-shirts than any other company. Unlike most apparel companies, Hanesbrands primarily operates its own manufacturing facilities. More than 90 percent of the apparel units that we sell worldwide and in the United States are manufactured in our own plants or those of dedicated contractors.

We have a long history of innovation, product excellence and brand recognition. In fact, more than 80 percent of U.S. households have our products in them. We revolutionized Tagless T-shirts and underwear, we invented the sports bra, we were the first to advertise a bra on national television (Playtex), and we are now using our Innovate-to-Elevate strategy to integrate our brand superiority, industry-leading innovation and low-cost global supply chain to provide higher valued products while lowering production costs. Our Tagless apparel platform, Smart Sizes bra platform, ComfortBlend fabric platform and temperature-control X-Temp fabric platform incorporate big-idea innovation to span brands, product categories, business segments, retailer and distribution channels and geographies.

In October 2013, we expanded our portfolio of brands through the acquisition of Maidenform Brands, Inc. (“Maidenform”), a global intimate apparel company. Maidenform is a leading seller of bras, panties and shapewear under brands such as Maidenform, Flexees, Lilyette, Self Expressions and Sweet Nothings, as well as Donna Karan and DKNY intimate apparel under license. The acquisition is expected to create growth and cost savings opportunities and increased scale to serve retailers.

We take great pride in our strong reputation for ethical business practices and the success of our Hanes for Good corporate responsibility program for community and environmental improvement. Hanesbrands is a U.S. Environmental Protection Agency Energy Star 2013 and 2012 Sustained Excellence Award winner and 2011 and 2010 Partner of the Year. The Company ranks No. 141 on Newsweek magazine’s list of Top 500 greenest U.S. companies. We have significant goals for reducing our energy use, carbon emissions and water use and publicly report our progress each year. We are also a recognized leader for our community-building, philanthropy and workplace practices. More information about our Hanes for Good corporate responsibility initiatives may be found at [www.HanesForGood.com](http://www.HanesForGood.com).

Founded in 1901, we were organized as a Maryland corporation in 2005 and spun off from Sara Lee Corporation in 2006, at which time we became an independent, publicly-traded corporation. Our fiscal year ends on the Saturday closest to December 31. All references to “2013,” “2012” and “2011” relate to our fiscal years ended on December 28, 2013, December 29, 2012 and December 31, 2011, respectively.

Our Brands

Our portfolio of leading brands is designed to address the needs and wants of various consumer segments across a broad range of basic apparel products. Our brands hold either the number one or number two U.S. market position by units sold in most product categories in which we compete. Each of our brands has a unique consumer positioning that distinguishes it from its competitors and guides its advertising and product development. We discuss some of our most important brands in more detail below.

Hanes is the largest and most widely recognized brand in our portfolio. Hanes is the number one brand of total apparel in the U.S. and is found in eight out of 10 U.S. households. The Hanes brand covers all of our product categories, including men’s, women’s and children’s underwear, bras, socks, T-shirts, fleece, shapewear and sheer hosiery. Hanes

stands for outstanding comfort, style and value.

Champion is our second-largest brand. For over 90 years, Champion has been outfitting athletes in authentic, high-quality athletic apparel, including high-performance sports bras, team uniforms and gym essentials like classic T-shirts, mesh shorts

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and fleece hoodies. An industry leader in quality, design and performance innovation, Champion provides athletes with mobility, durability and up-to-date styles - in and out of the gym, on and off the field. Champion has also collaborated on premium apparel items through an exclusive collection with Todd Snyder, a limited edition men's apparel line for Urban Outfitters and custom specialty items for Supreme. We also distribute a full line of men's, women's and children's C9 by Champion products exclusively through Target stores.

Our brand portfolio also includes a number of iconic intimate apparel brands: Bali offers a range of bras, panties and shapewear sold in the department store channel and is the number one bra brand in department stores. Playtex is America's number one plus-size bra brand. Playtex offers superior fit and support for women of all sizes and is sold everywhere from mass merchandise retailers to department stores. Maidenform, the newest addition to the portfolio, is the number one national bra brand with women under 35. Maidenform has been trusted for modern, sensual style in bras, panties and shapewear since 1922.

In addition, we offer a variety of products under the following well-known brands: JMS/Just My Size, L'eggs, Flexees, barely there, Wonderbra, Gear for Sports and Lilyette.

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

**Our Segments**

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

The following table summarizes our operating segments by product category:

Segment	Primary Products	Primary Brands
Innerwear	Intimate apparel, such as bras, panties, hosiery and shapewear	Hanes, Bali, Playtex, Maidenform, JMS/Just My Size, L'eggs, Flexees, barely there, Wonderbra, Lilyette, Donna Karan,* DKNY*
	Men's underwear and children's underwear Socks	Hanes, Champion, Polo Ralph Lauren* Hanes, Champion
Activewear	T-shirts, fleece, sport shirts, performance T-shirts and shorts, sports bras and thermals	Champion, Hanes, JMS/Just My Size, Hanes Beefy-T, Gear for Sports, Duofold
Direct to Consumer	Activewear, men's underwear, children's underwear, intimate apparel, socks and hosiery	Hanes, Bali, Champion, Playtex, barely there, JMS/Just My Size, L'eggs, Maidenform, Flexees, Lilyette
International	Activewear, men's underwear, children's underwear, intimate apparel, socks and hosiery	Hanes, Champion, Wonderbra,** Playtex,** Maidenform, Zorba, Kendall,* Rinbros, Sol y Oro, Flexees, Lilyette, Polo Ralph Lauren,* Track N Field, Ritmo, Maidenform, Donna Karan,* DKNY*

\* Brand used under a license agreement.

As a result of the February 2006 sale of the European branded apparel business of Sara Lee Corporation, we are

\*\* not permitted to sell this brand in the member states of the European Union, several other European countries and South Africa.



In the first quarter of 2013, we renamed the Outerwear segment to Activewear to reflect the trend of this category becoming a part of consumers' active lifestyles and more aptly describe the competitive space of this business. Additionally, in the first quarter of 2013, we decided to revise the manner in which we allocate certain selling, general and administrative expenses. Certain prior-year segment operating profit disclosures have been revised to conform to the current-year presentation. Financial information regarding Hanesbrands' segments is included in Note 20, "Business Segment Information," to our financial statements included in this Annual Report on Form 10-K.

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### Innerwear

The Innerwear segment focuses on core apparel products, such as intimate apparel, men's underwear, children's underwear and socks, marketed under well-known brands that are trusted by consumers. We are the intimate apparel category leader in the United States with our Hanes, Bali, Playtex, Maidenform, JMS/Just My Size, L'eggs, Flexees, barely there, Wonderbra and Lilyette, Donna Karan and DKNY brands, and we are also the leading manufacturer and marketer of men's underwear and children's underwear under the Hanes, Champion and Polo Ralph Lauren brands and women's sheer hosiery under the L'eggs, Hanes, JMS/Just My Size, Donna Karan and DKNY brands. During 2013, net sales from our Innerwear segment were \$2.4 billion, representing approximately 53% of total net sales.

### Activewear

We are a leader in the activewear market through our Champion, Hanes, JMS/Just My Size and Duofold brands, where we sell products such as T-shirts and fleece to both retailers and wholesalers. In addition to activewear for men and women, Champion provides uniforms for athletic programs and includes an apparel program, C9 by Champion, at Target stores. We also license our Champion name for footwear and sports accessories. In our branded printwear category, we supply our T-shirts, sport shirts and fleece products, including brands such as Hanes, Champion and Hanes Beefy-T, to customers, primarily wholesalers, who then resell to screen printers and embellishers. We also sell licensed logo apparel in collegiate bookstores and other channels under our Gear for Sports brand. We also offer a range of quality, comfortable clothing for men, women and children marketed under the Hanes and JMS/Just My Size brands. The JMS/Just My Size brand offers casual apparel designed exclusively to meet the needs of plus-size women. During 2013, net sales from our Activewear segment were \$1.3 billion, representing approximately 28% of total net sales.

### Direct to Consumer

Our Direct to Consumer operations include our Company-operated outlet stores, catalogs and website operations that sell our branded products directly to consumers. As of December 28, 2013, we had 268 outlet stores and operated websites under the Hanes, One Hanes Place, JMS/Just My Size, Champion and Maidenform names. During 2013, net sales from our Direct to Consumer segment were \$380 million, representing approximately 8% of total net sales.

### International

Our International segment includes products that span across the Innerwear and Activewear reportable segments and are primarily marketed under the Hanes, Champion, Wonderbra, Playtex, Maidenform, Zorba, Kendall, Rinbros, Sol y Oro, Flexees, Lilyette, Polo Ralph Lauren, Track N Field, Ritmo, Maidenform, Donna Karan and DKNY brands. During 2013, net sales from our International segment were \$496 million, representing approximately 11% of total net sales and included sales in Asia, Latin America, Canada, Australia, Europe, the Middle East, Africa and the Caribbean. Our largest international markets are Canada, Japan, Mexico, Brazil and Australia.

### Customers and Distribution Channels

In 2013, approximately 89% of our net sales were to customers in the United States and approximately 11% were to customers outside the United States. Domestically, almost 87% of our net sales were wholesale sales to retailers, 9% were direct to consumers and 4% were wholesale sales to wholesalers and third party embellishers. We have well-established relationships with some of the largest apparel retailers in the world. Our largest customers are Wal-Mart Stores, Inc. ("Wal-Mart"), Target Corporation ("Target") and Kohl's Corporation ("Kohl's"), accounting for 27%, 19% and 6%, respectively, of our total net sales in 2013. As is common in the basic apparel industry, we generally do not have purchase agreements that obligate our customers to purchase our products. However, all of our key customer relationships have been in place for 10 years or more. Wal-Mart and Target are our only customers with sales that exceed 10% of any individual segment's sales. In our Innerwear segment, Wal-Mart accounted for 38% of net sales and Target accounted for 17% of net sales during 2013. In our Activewear segment, Target accounted for 33% of net sales and Wal-Mart accounted for 20% of net sales.

Sales to the mass merchant channel in the United States accounted for approximately 46% of our net sales in 2013. We sell all of our product categories in this channel primarily under our Hanes, Champion, Playtex, Maidenform and JMS/Just My Size brands. Mass merchants feature high-volume, low-cost sales of basic apparel items along with a diverse variety of consumer goods products, such as grocery and drug products and other hard lines, and are

characterized by large retailers, such as Wal-Mart. Our largest mass merchant customer is Wal-Mart, which accounted for approximately 27% of our net sales in 2013.

Sales to the national chains and department stores channel in the United States accounted for approximately 13% of our net sales in 2013. National chains target a higher-income consumer than mass merchants, focus more of their sales on apparel

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items rather than other consumer goods such as grocery and drug products and are characterized by large retailers such as Kohl's, JC Penney Company, Inc. and Sears Holdings Corporation. We sell all of our product categories in this channel. Traditional department stores target higher-income consumers and carry more high-end, fashion conscious products than national chains or mass merchants and tend to operate in higher-income areas and commercial centers. Traditional department stores are characterized by large retailers such as Macy's, Inc. and Belk, Inc. We sell products in our intimate apparel, underwear, socks, hosiery and activewear categories through department stores.

Sales in our Direct to Consumer segment in the United States accounted for approximately 8% of our net sales in 2013. We sell our branded products directly to consumers through our 268 outlet stores, as well as our websites operating under the Hanes, One Hanes Place, JMS/Just My Size, Champion and Maidenform names. Our outlet stores are value-based, offering the consumer a savings of 25% to 40% off suggested retail prices, and sell first-quality, excess, post-season, obsolete and slightly imperfect products. Our websites, supported by our catalogs, address the growing direct to consumer channel that operates in today's 24/7 retail environment, and we have an active database of approximately 4.5 million consumers receiving our emails and catalogs.

Sales in our International segment represented approximately 11% of our net sales in 2013, and included sales in Asia, Latin America, Canada, Australia, Europe, the Middle East, Africa and the Caribbean. Our largest international markets are Canada, Japan, Mexico, Brazil and Australia. We also have offices in each of these markets, as well as China, the Philippines, Thailand, Ireland, Argentina and Central America. From an export business perspective, we use distributors to service customers as well as sell direct to retailers in the Middle East, Europe, the Caribbean and specific countries within Asia. As discussed below under "Intellectual Property," we are not permitted to sell Wonderbra and Playtex branded products in the member states of the European Union, several other European countries and South Africa. For more information about our sales on a geographic basis, see Note 21, "Geographic Area Information," to our financial statements.

Sales in other channels in the United States represented approximately 22% of our net sales in 2013. We sell T-shirts, golf and sport shirts and fleece sweatshirts to wholesalers and third party embellishers primarily under our Hanes, Champion and Hanes Beefy-T brands. We also sell a significant range of our underwear, activewear and socks products under the Champion brand to wholesale clubs, such as Costco Wholesale Corporation, and sporting goods stores, such as The Sports Authority, Inc. We sell primarily legwear and underwear products under the Hanes and L'eggs brands to food, drug and variety stores. We also sell licensed logo apparel in collegiate bookstores. We sell products that span across our Innerwear and Activewear segments to the U.S. military for sale to servicemen and servicewomen and through discount retailers, such as the Dollar General Corporation and Family Dollar Stores, Inc.

**Manufacturing, Sourcing and Distribution**

During 2013, approximately 67% of our cost of sales were from finished goods manufactured through a combination of facilities we own and operate and facilities owned and operated by third party contractors who perform some of the steps in the manufacturing process for us, such as cutting and/or sewing. We sourced the remainder of our finished goods from third party manufacturers who supply us with finished products based on our designs. In making decisions about the location of manufacturing operations and third party sources of supply, we consider a number of factors, including labor, local operating costs, quality, regional infrastructure, applicable quotas and duties and freight costs. We believe that our balanced approach to product supply, which relies on a combination of owned, contracted and sourced manufacturing located across different geographic regions, increases the efficiency of our operations, reduces product costs and offers customers a reliable source of supply.

**Finished Goods That Are Manufactured by Hanesbrands**

The manufacturing process for the finished goods that we manufacture begins with raw materials we obtain from suppliers. The principal raw materials in our product categories are cotton and synthetics. Cotton and synthetic materials are typically spun into yarn, which is then knitted into cotton, synthetic and blended fabrics. We source all of our yarn requirements from large-scale suppliers. To a lesser extent, we purchase fabric from several domestic and international suppliers in conjunction with scheduled production. In addition to cotton yarn and cotton-based textiles, we use thread, narrow elastic and trim for product identification, buttons, zippers, snaps and lace. These fabrics are cut and sewn into finished products, either by us or by third party contractors. We currently operate 39 manufacturing

facilities. Most of our cutting and sewing operations are strategically located in Asia, Central America and the Caribbean Basin. Alternate sources of these materials and services are readily available.

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### Finished Goods That Are Manufactured by Third Parties

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

All contracted and sourced manufacturing must meet our high quality standards. Further, all contractors and third-party manufacturers must be preaudited and adhere to our strict supplier and business practices guidelines. These requirements provide strict standards that, among other things, cover hours of work, age of workers, health and safety conditions and conformity with local laws and Hanesbrands’ standards. Each new supplier must be inspected and agree to comprehensive compliance terms prior to performance of any production on our behalf. We audit compliance with these standards and maintain strict compliance performance records. In addition to our audit procedures, many of our suppliers are certified by the Worldwide Responsible Accredited Production, or “WRAP,” program. WRAP uses third-party, independent audit firms and requires factory-by-factory certification. We are also a fully accredited participating company in the Fair Labor Association.

### Distribution

As of December 28, 2013, we distributed our products from 37 distribution centers. These facilities include 17 facilities located in the United States and 20 facilities located outside the United States in regions where we manufacture our products. We internally manage and operate 20 of these facilities, and we use third party logistics providers who operate the other 17 facilities on our behalf. International distribution operations use a combination of third party logistics providers, as well as owned and operated distribution operations, to distribute goods to our various international markets.

### Inventory

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

### Seasonality and Other Factors

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. Our diverse range of product offerings, however, provides some mitigation to the impact of seasonal changes in demand for certain items. Sales levels in any period are also impacted by customers’ decisions to increase or decrease their inventory levels in response to anticipated consumer demand. Our customers may cancel orders, change delivery schedules or change the mix of products ordered with minimal notice to us. Media, advertising and promotion expenses (“MAP”) 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.

### Product Innovation and Marketing

A significant component of our margin-enhancing Innovate-to-Elevate strategy is our strong product research and development and innovation capabilities. From 2011 to 2013, we spent over \$145 million on design, research and product development, including the development of new and improved products.



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We use a disciplined, consumer-driven approach to direct our product innovation and marketing efforts. We seek to identify relevant consumer insights and long-term megatrends that will impact our product categories over the next five to 10 years. We focus our innovation efforts on big-idea platforms that span brands, product categories, business segments, distribution channels and geographies. In addition, we concentrate on margin accretive product innovations where we can leverage our supply chain in order to drive further economies of scale. Examples of our product innovation platforms include:

**Tagless:** Over a decade ago, we launched Hanes Tagless Tees that deliver superior softness without the itch and irritation of a tag. In 2012, our consumer-driven innovation process led us to expand this platform to the male underwear bottom category where research indicated that itchy tags were the number two consumer complaint. The Tagless platform also taps into the power of our supply chain, generating significant cost savings and allowing us to expand gross margins.

**ComfortBlend:** ComfortBlend, our fabric innovation that combines cotton and synthetic yarns for products that are softer, shrink less and dry faster, is an outgrowth of the performance fabric megatrend. In developing ComfortBlend, we worked through each step of the big idea process, testing the concept, the product and the advertising. We introduced Hanes men's ComfortBlend underwear in 2012 with exceptional results and are now expanding this platform to socks, children's underwear and panties.

**Smart Sizes:** Our Smart Sizes platform is another example of our consumer-driven innovation process, where research indicated the two most significant consumer complaints in the bra category were that the consumer could not find the right size and that the consumer could not find a comfortable bra. Smart Sizes effectively addresses both concerns by combining a simplified shopping system that eliminates the complicated cup-and-band combinations of traditional bra sizing systems with a more comfortable, flexible fit. We have successfully lever