

August 27, 2018

Hanesbrands, Inc.

Thesis: Hanesbrands multiples remain compressed due to weakness in the retail channel. We view this as a short-term headwind and expect multiple expansion in the long-run. Door closures and a broad channel shift to e-commerce kept headlines negative; meanwhile, Hanesbrands continued to execute on its long-term strategy. Hanesbrands has transformed from a domestic apparel company into a global and omni-channel business. Return to organic growth in the last three quarters is a testament to the executive team's ability to turn the business around.

Key points:

1. Target announced the termination of the C9 program with Hanesbrands in Q2 '18. This will cost \$380M in lost revenue starting in 2020. We believe that the \$1.5B loss in market cap in reaction to the news is overblown. Our \$25.35 price target adjusts for the complete loss of C9 revenue stream; however, we think that in the next two years Hanesbrands can adjust channel distribution to mitigate the fallout.
2. Champion remains a gem hidden under the Hanesbrands umbrella. The brand posted sales growth of 17% and 21% in the last two quarters. We value Champion at \$4.5B, which implies that the rest of Hanesbrands trades for 0.39x P/S. The company only traded below that in the middle of the 2008 financial crisis.
3. Hanesbrands has transformed from a domestic innerwear company into a global apparel business by acquiring and integrating iconic brands into its portfolio. The company's vertically integrated supply chain cut costs and helped realize synergies that produced accretive acquisitions. Every acquisition since 2010 returned mid-teens to low-twenties IRR. We believe that Hanesbrands' ability to acquire and integrate businesses across the globe is significantly underappreciated.
4. The acquisitions pushed net debt/EBITDA above the 3x upper limit in recent years. Based on our cash sweep model, the company can return to its net debt/EBITDA target range of 2x-3x by 2019. We expect increased share buyback and dividend distribution by the end of 2019.

Recommendation: BUY

Ticker: HBI

Price: \$17.59

Price Target: \$25.35

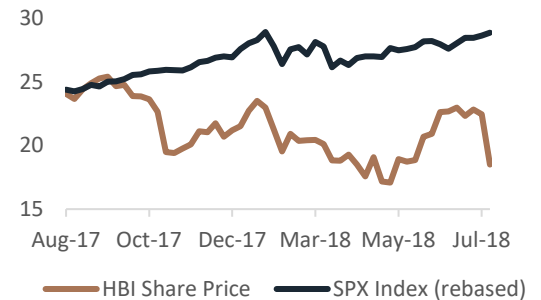
Scenario Analysis

Current Price	Downside Scenario	Price Target	Upside Scenario
18.22	22 ↑25%	25.35 ↑44%	27 ↑53%

Key Statistics

Shares O/S (MM)	360.5	P/E (T12M)	9.99
Mkt Cap (MM)	6,564.8	P/E (F12M)	10.35
Div Yield (%)	3.29	PEG	2.06

Price Performance



Taylor Hoffman Estimates

	2017A	2018P	2019P	2020P
Revenue	6,741	6,800	6,868	6,593
EBITDA	1,038	1,076	1,184	1,163
FCF	NA	738	911	962
EPS	1.93	1.76	2.05	2.08

Company Description

Hanesbrands manufactures innerwear and activewear apparel under brands including Hanes, Champion, and Maidenform. Products are marketed through wholesale and direct channels. Walmart and Target represent 31% of the company's sales, but e-commerce and direct channels are growing rapidly. Hanesbrands manufactures 80% of its products in 50 company owned facilities that span across Latin America and Southeast Asia.

Peer Group

GIL, PVH, COLM, RL, OXM



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Section I – Business Overview

Quote from CEO, Gerald Evans: *Over the last three years we have diversified our business model, making it more global and increasing our scale, we have extended our omnipresent relationship with our consumers online through international branded retail; and we have strengthened our brand positions across all channels of trade. This succinctly captures what we have been so diligently building over the past few years and which may have been easily overlooked during the recent challenges of channel disruption in the U.S.*

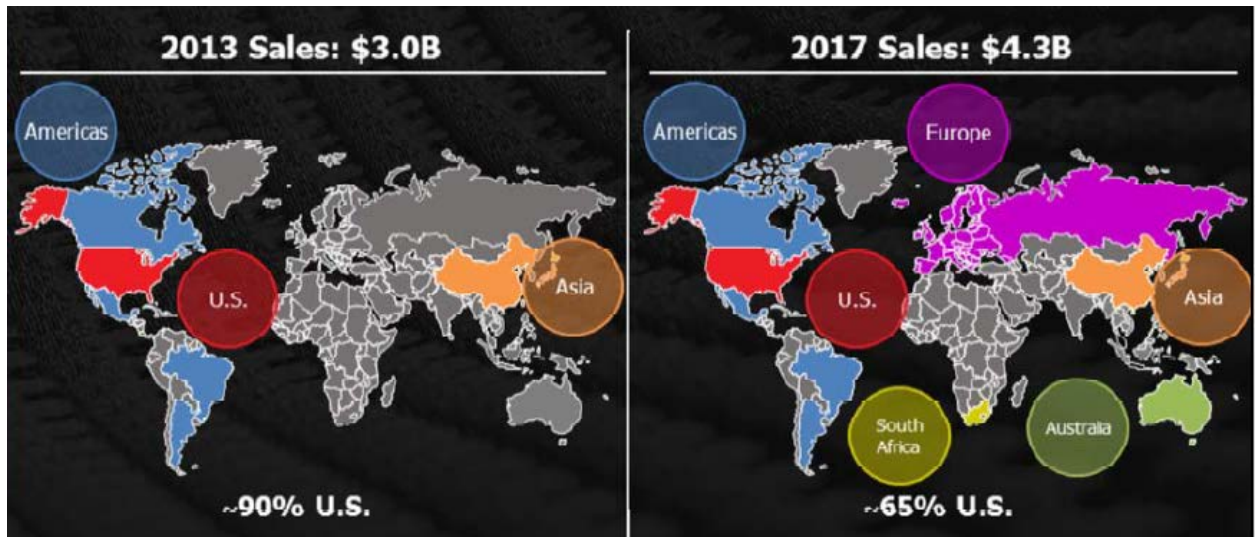
Corporate Strategy:

Hanesbrands’ corporate strategy builds on the “Sell More, Spend Less, Generate Cash” platform.

- **Sell More:** The Innovate-to-Elevate program helped Hanesbrands build a portfolio of market leading brands such as Hanes, Champion, and Maidenform. Most recent improvements include the Tagless platform, Comfortflex fit sizes, X-Temp and Fresh IQ fabric innovations. In our view, the Innovate-to-Elevate program will help Hanesbrands develop higher quality products compared to private label brands such as Amazon Essentials.
- **Spend Less:** Hanesbrands manufactures 80% of its products in 50 large-scale facilities evenly split between Latin America and Southeast Asia. The vertically integrated supply-chain unlocks synergies from acquisitions and enables the company to bring innovation to market at the right price points and margin structure.
- **Generate Cash:** Hanesbrands generated \$2.2B of free cash flow in the last five years. We project free cash flow of \$738M on revenues of \$8.8B in 2018. In the last three years the company bought back \$1.1B worth of common stock and distributed \$552M in dividends.



Source: Google Images



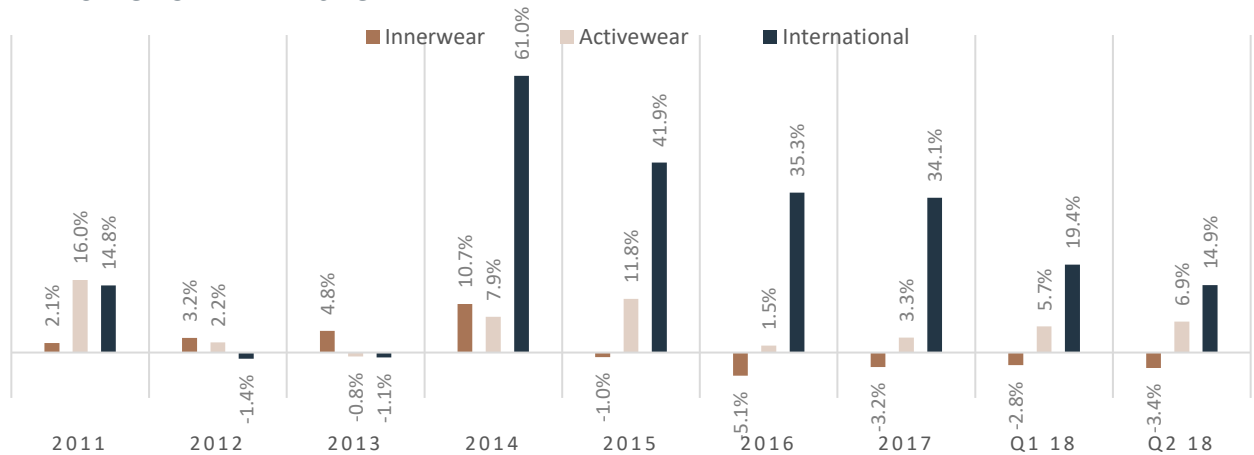
Source: 2018 HBI Investor Day Presentation

Segments Breakdown:

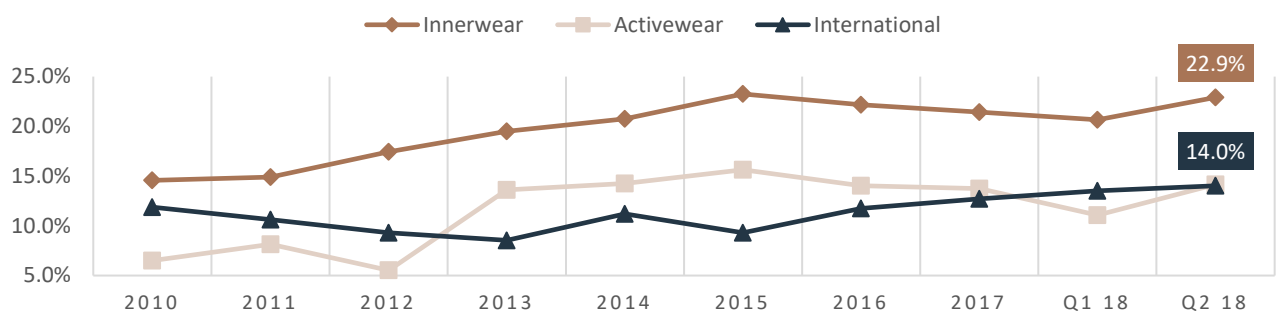
On a reporting basis, Hanesbrands is organized into three segments – U.S. Innerwear, US. Activewear, and International.

- **U.S. Innerwear** represents 38% of sales. Innerwear includes underwear, intimates, hosiery, and socks. It is a low growth replenishment business. The segment grew at 0.6% CAGR in the last five years, in-line with U.S. population growth. Brands such as Hanes control 89% of the market vs. private labels, up from 82% in 2013. Recently, Hanesbrands ramped up marketing spending to return the segment to organic growth (yet to materialize).
- **U.S. Activewear** represents 25% of sales. Activewear products include casual t-shirts, fleece, and sports bras (both in the athletic performance and everyday activities categories). Hanesbrands owns Hanes and Alternative Apparel in the casual segment, and Champion in the athletic apparel segment. Activewear grew at a 3.2% CAGR in the last three years, and per capita consumption increased from 8.2 units in 2010 to 12 units in 2017.
- **International** represents 38% of sales and includes both innerwear and activewear clothing.

REVENUE GROWTH BY SEGMENT



OPERATING MARGIN BY SEGMENT



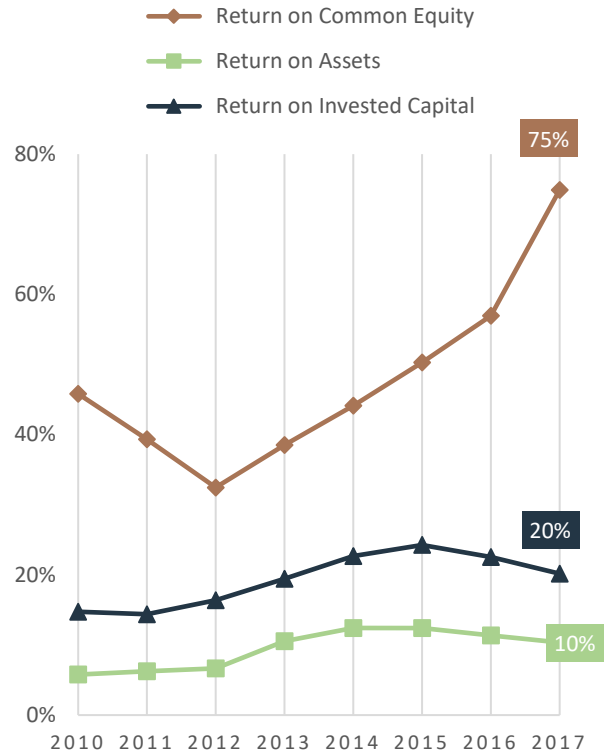
Source: Company Filings

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Performance Snapshot:

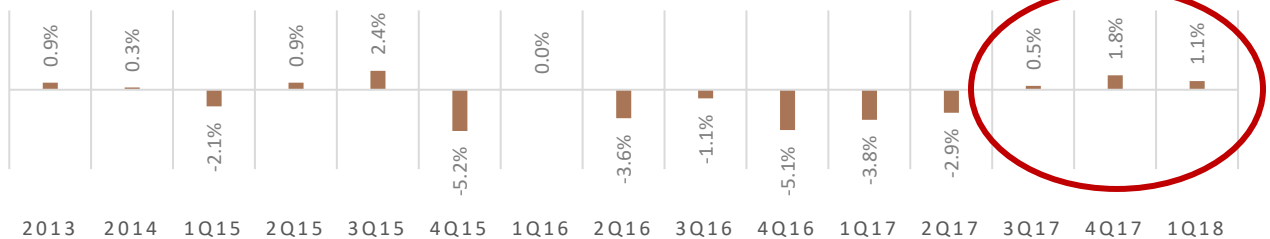
- Inventory destocking and retail door closures disrupted supply chain between 2015 and 2017. This resulted in negative organic growth, mainly in the U.S. Innerwear segment. Innerwear remains a replenishment business with consistent demand for garments. Retail weakness is a short-term headwind and shouldn't impact consumer demand for Hanesbrands innerwear. The company managed to return to organic growth in the last three quarters, and we believe that the trend can continue.
- Hanesbrands' strong ROE is aided by an aggressive share buyback program. The company bought back \$400M in 2017. ROIC remains attractive around 19% and is predicted to increase to 20% by 2022.
- Operating margins have improved 500 BPS since 2010, due to factory efficiency improvements and scale. Revenue increased at 6% CAGR between 2010-2017. Yet the company trades at a P/E multiple lower than 2010, and analysts forecast growth around 0.5%-1% in the next five years. This is a conservative estimate especially if we factor in strategic acquisitions.

CAPITAL ALLOCATION

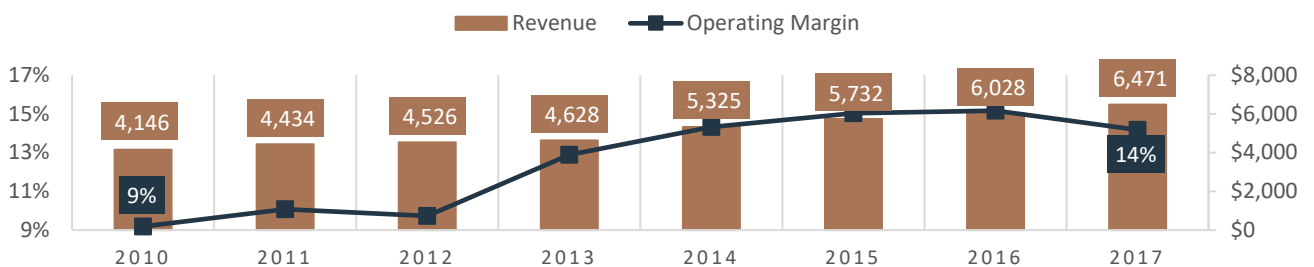


Source: Company Filings

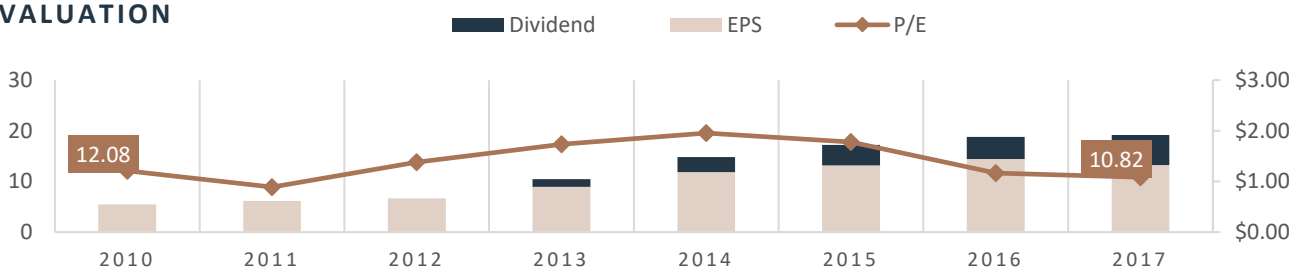
ORGANIC GROWTH



BUSINESS EFFICIENCY



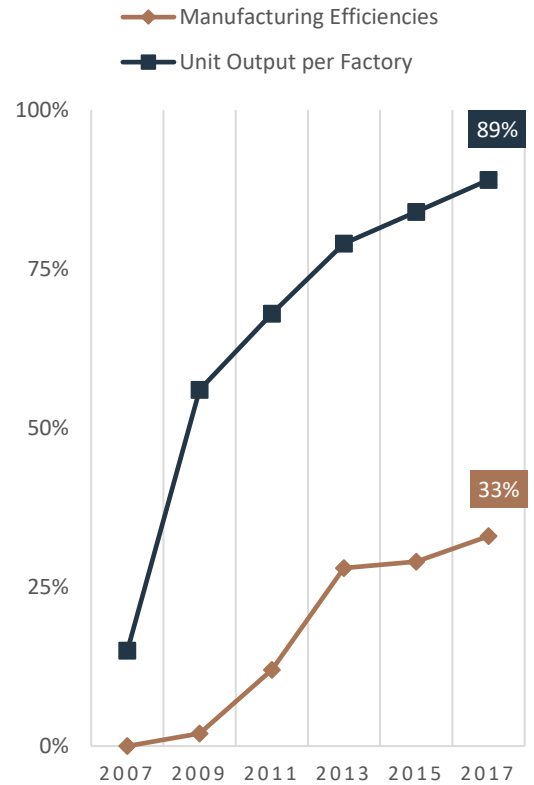
VALUATION



Moat:

- Hanesbrands' vertically integrated supply chain offers a competitive advantage over direct (Gildan, Fruit of the Loom, Columbia Sportswear) and indirect (Target, Amazon) competitors. Factories are strategically placed across Southeast Asia and Latin America. Hanesbrands doesn't operate factories in China, so tariffs are not a headwind. Cumulative manufacturing efficiencies improved 33% and unit output per factory increased 89% between 2010-2017. The supply chain also provides acquisition synergies. Both DIM underwear and Bonds underwear costs decreased by 22% and 18% post-integration. We believe that the manufacturing efficiencies of Hanesbrands is underappreciated.
- Both Innerwear and Activewear remain highly branded operations. Brands provide pricing power to offset input cost inflation where weaker brands and private labels cannot. For example, Hanesbrands managed to increase prices and revenue in 2011 and 2012 when cotton prices spiked. The company controls brands that span across generations several of which are over 100 years old (Hanes, Bonds, Champion, Berlei).

SUPPLY CHAIN OPTIMIZATION



Source: Company Filings

	Hanes		DIM		BONDS	
	<35	>35	<35	>35	<35	>35
Aided Awareness	89%	93%	93%	94%	87%	96%
Consideration	69%	75%	74%	64%	61%	61%
Brand I Prefer/Favorite Brand	62%	67%	51%	44%	78%	71%
More Comfortable	60%	60%	69%	73%	68%	53%

Source: 2018 HBI Investor Day Presentation



Source: 2018 HBI Investor Day Presentation





Global Innerwear Operations:

Hanesbrands outlined three pillars to consistent growth in 2018: Extend Market Leadership, Periodic Acquisitions, Expand Omni-Presence.

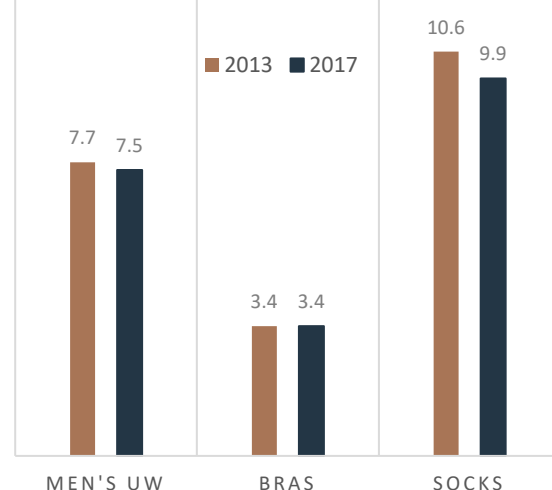
Recurring Revenue Stream:

Hanesbrands captures \$2.5B of the \$165B global addressable market. The U.S. market is concentrated with Hanes possessing 2.1x the market share of the closest competitor. The market remains fragmented outside of the U.S. with ample opportunities to grow through acquisitions. The U.S. Innerwear segment shrunk 5.12% and 3.18% in 2016 and 2017 due to retailer de-stocking and door closures. Even though the retail market started to stabilize in 1H 2018, the segment continues to shrink ~ 3% YoY. In our view, retail weakness is a short-term headwind. NPD Research data suggests that replenishment rates remained steady in the last five years. We project that innerwear sales can stabilize to 0.6-0.7% growth, in line with population growth trends.

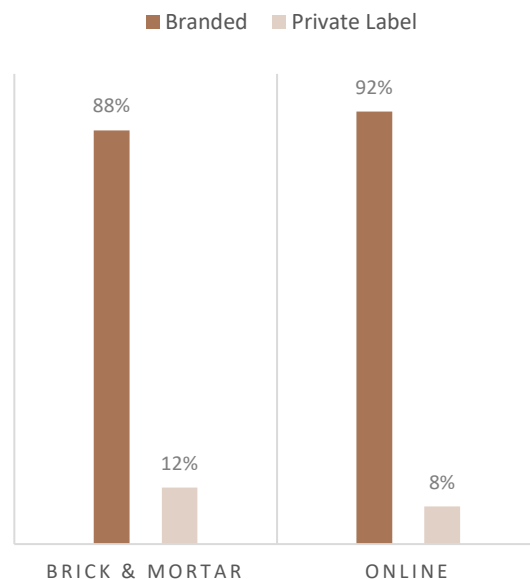
Private Label vs. Brands:

Retailers turned to higher margin private label brands to combat foot traffic declines. Hanesbrands’ two largest customers, Walmart and Target, both started developing private label products. Private label might pose a threat due to Hanesbrands’ reliance on retail partners (79% of revenue). Most recently Target announced the termination of the C9 program by 2020 (\$380 million revenue source). Hanesbrands dropped ~20% on the announcement, erasing ~\$1.5 billion in market value. Based on consumer research data, we believe that the concerns are overblown. According to Milward Brown Equity Tracker, U.S consumer decision drivers in order are: Brand, Comfort, Fit, Style, and Price. Hanesbrands century old brands and innovations such like FreshIQ will help sustain long-term competitive advantage. E-commerce trends are also beneficial for Hanesbrands since branded market share represents 92% of sales.

CONSUMPTION PER CAPITA

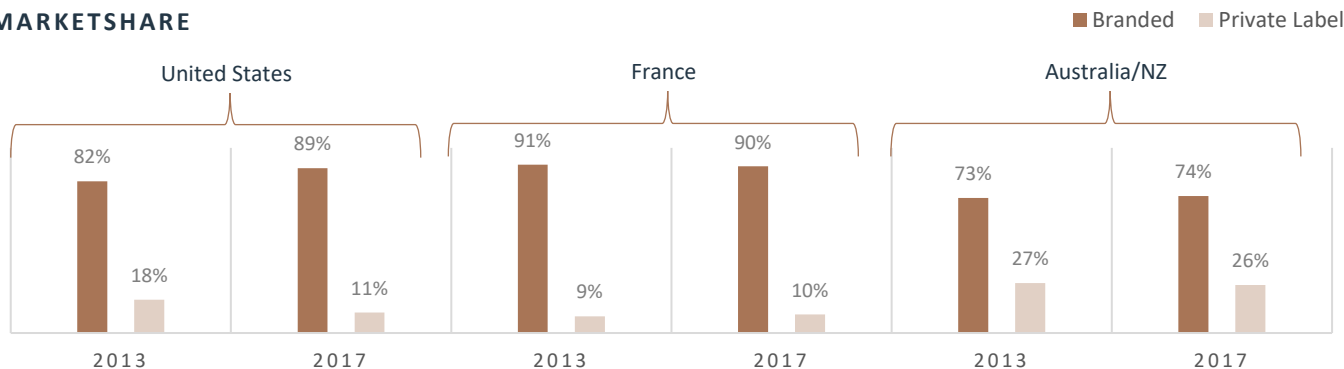


MARKETSHARE



Source: 2018 HBI Investor Day Presentation

MARKETSHARE



Source: 2018 HBI Investor Day Presentation
August 27, 2018

Global Activewear Segment:

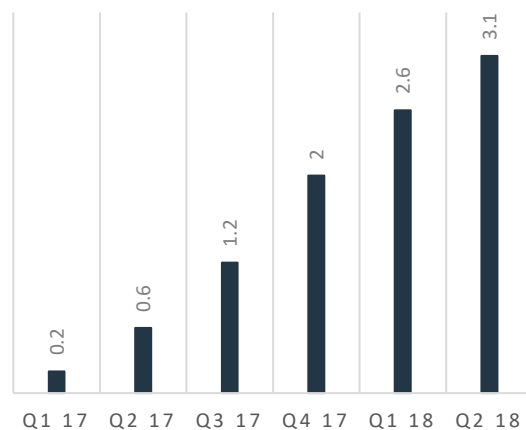
Global Activewear sales increased from \$1.3B in 2010 to \$2.2B in 2017. The company estimates that the global addressable market for activewear is \$180B. International diversification and explosive growth of Champion have been contributing to the segment's strength. We think Champion is a hidden gem under the Hanesbrands umbrella. Activewear competitors trade at the following Price/Sales ratios:

- Lululemon – 6.18
- Columbia Sportswear – 2.48
- Under Armour – 1.78
- Nike – 3.63

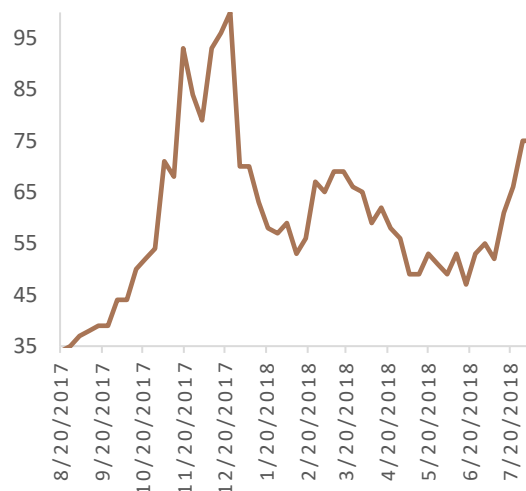
This implies that if we valued Champion separately at ~3x Price/Sales, the brand would be worth \$4.5B. This is a reasonable multiple given that Champion posted 14% revenue growth in 2017, and 21% growth in Q1 2018. Lululemon is the only peer that comes close to that rate, growing 12.09% in the last 5 years. This implies that the rest of Hanesbrands (including \$0.8B in sales for other activewear brands) is valued at 0.39x 2018 sales. The company was only valued at a lower level in the middle of the 2008 financial crisis, trading for 0.29x.

Private label growth may limit growth potential of Champion (see Target cancelling a \$380M contract with Hanesbrands). But on the Q2 '18 conference call the company kept its \$2B sales target for Champion by 2022. This will be aided by rapid expansion into Asia, where Hanesbrands plans on opening 200+ retail locations. Short-term momentum is also intact. Instagram followers grew to 3.1B in August 2018, and keyword trends for "Champion" saw a massive uptick in search volume in July 2018. Young celebrities, such as Justin Bieber and Selena Gomez, wearing Champion in videos and on the street also help create buzz around the brand.

CHAMPION INSTAGRAM FOLLOWERS



GOOGLE KEYWORD TREND: CHAMPION

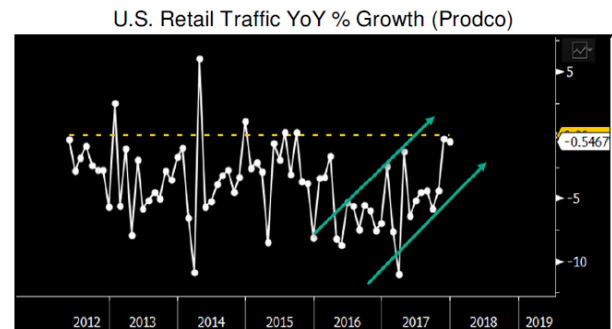
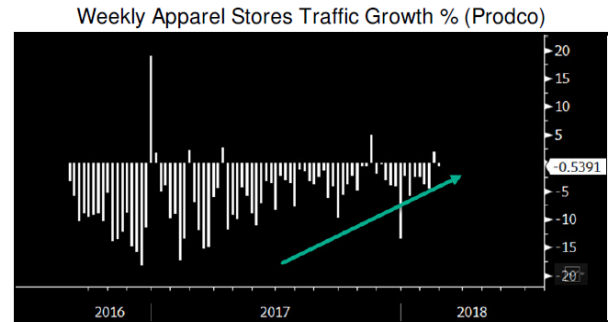


Source: 2018 HBI Investor Day Presentation, Instagram, Google Keywords

Section III – Industry Trends

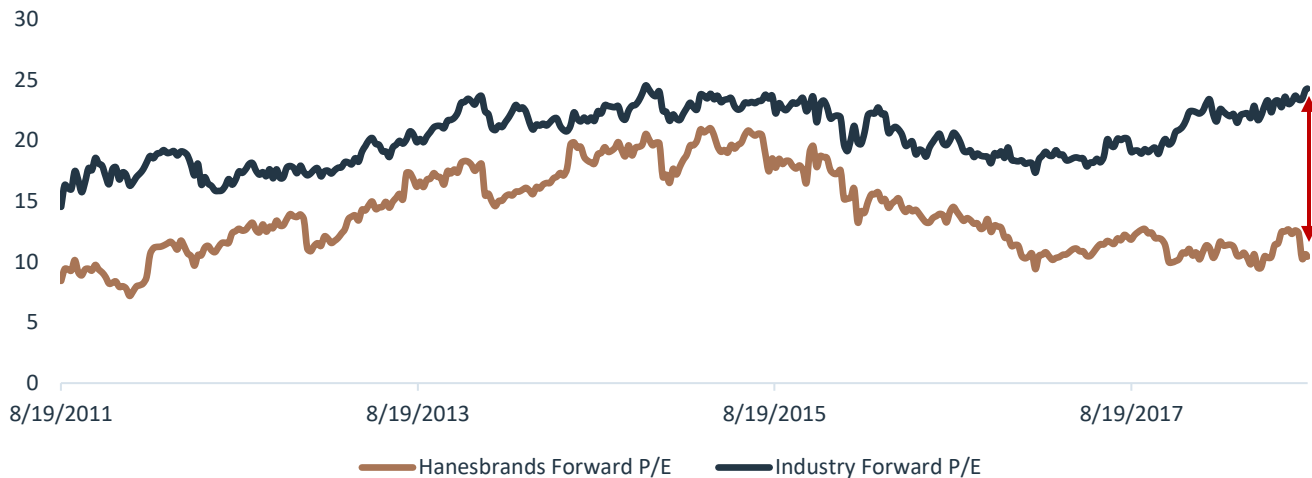
The retail industry has experienced significant inventory reductions in recent years. There have been substantial door closures in the mid-tier/department store and mass channels. Overall, 1,250 door closures have been announced since 2015, representing an 11% reduction in store count. This channel disruption led to negative organic growth rates for Hanesbrands in the last three years (-2%, -3%, -1%). As mentioned earlier, Innerwear is a replenishment business with consistent consumption per capita for decades. Recent foot traffic data from Prodcos signals stabilization in the retail space, which should help stabilize Hanesbrands.

Stabilization in the retail space has aided broad multiple expansion in the sector, but Hanesbrands remained at historical low P/E levels. Currently, the sector trades 2.32x higher than Hanesbrands, compared to the 1.52x historical average. The last time Hanesbrands traded for such a discount, the gap closed to 1.25x, leading to a 400% rally in the stock from 2011 to 2015.



Source: Bloomberg Industry Primer

Valuation to Industry



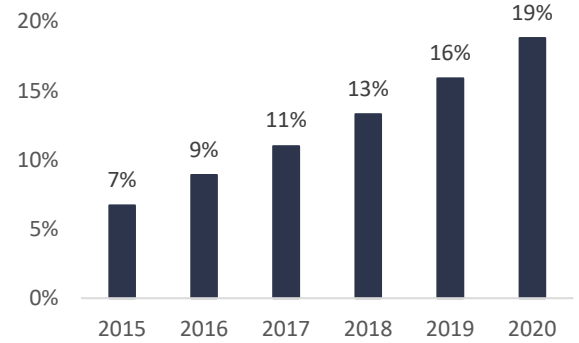
Source: Bloomberg Data Pull

Section III – Industry Trends: Amazon

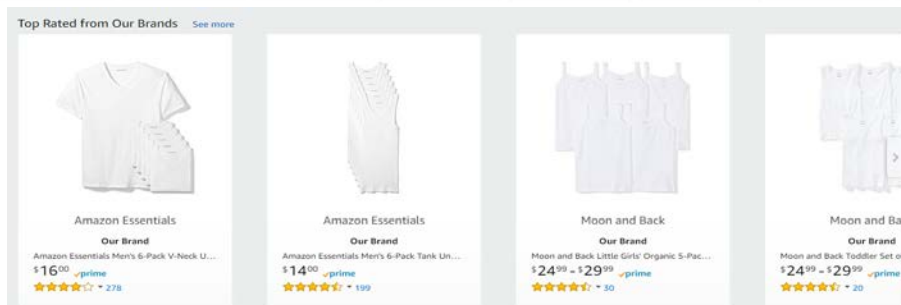
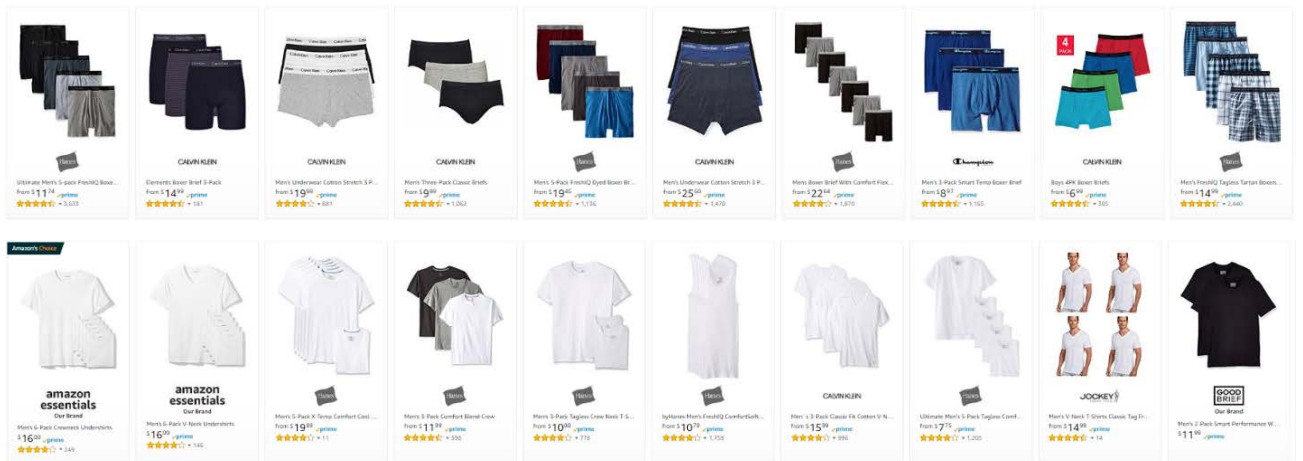
Amazon entered the basic apparel and activewear business through private labels and Amazon Essentials at the end of 2017. Amazon is a partner, but also a direct competitor of Hanesbrands in both innerwear and activewear. We found the following trends based on some amazon keyword searches:

Amazon competes with the following brands: Amazon Essentials, Goodthreads, Good Brief, Peak Velocity, Trailside Supply Co, Mae, Madaline Kelly, Arabella, Daily/Ritual, Mint Lilac, Core 10, The Luna Coalition, and 7Goals. Amazon brands are still ranked relatively low, but in some cases Amazon pushed them to the top. For example, Amazon Essentials undershirts ranked at the very top of our search despite of low review count. Further, Amazon had a “Top Rated from Our Brands” section for undershirts, taking up valuable first page space. We believe that Amazon has created considerable headwind for Hanesbrands, since it can push its brands to the top without much effort. Amazon’s platform also increases competition as search results can be filtered by price, ratings, “featured”, and arrival time. Gildan and Fruit of the Loom both undercut Hanes in pricing, but Hanes remains very competitive due to branding and quality. We also believe that Hanesbrands’ innovation pipeline and production efficiency will help counter competitors in the long-run.

Amazon's Estimated Share of US Apparel Market



Price Comparisons	Unit Price	Best Seller Ranking	Customer Reviews	Date Since Selling
Men's Boxers				
Hanes	\$3.35	#1	2571.00	4/11/2013
Gildan	\$2.19	#2	78.00	4/10/2017
Fruit of the Loom	\$2.8-\$3.3	#6	2601.00	5/7/2012
Amazon Essentials	\$3.40	NA	112.00	4/4/2017
Calvin Klein	\$9.00	#7	771.00	8/15/2014
Men's Boxer Briefs				
Fruit of the Loom	\$2.80	#1	2727.00	4/9/2015
Adidas	\$9.43	#2	1779.00	NA
Hanes	\$3-\$5.2	#3	2571.00	4/11/2013
Gildan	\$2.19	#4	62.00	2/24/2018
Calvin Klein	\$7.39	#7	1405.00	9/4/2015
Amazon Essentials	\$5.33	NA	21.00	2/14/2018
Men's Undershirt				
Fruit of the Loom	\$2.33	#1	2422.00	7/2/2016
Gildan	\$1.66	#3	32.00	2/25/2018
Hanes	\$3.12-\$2.8	#7	1205.00	10/24/2011
Calvin Klein	\$8.00	#9	992.00	8/11/2014
Amazon Essentials	\$2.67	NA	241.00	4/4/2017



Source: Amazon.com & Statista.com



Section IV – Catalyst

Quote from CFO, Barry Hytinen: *Our confidence is based on several things. We have diversified the business model, lowering our mix of U.S. wholesale. We have broadened our opportunities through international acquisitions. We have supported our brands through investments in marketing and product development. We have invested in our online capabilities. And we expect the U.S. industry headwinds to begin to ease and eventually stabilize. Even under these de-risked assumptions, I think you can see the tremendous potential for shareholder value creation. These scenarios together with the plans the team presented today, give me confidence in my belief that our stock is highly compelling.*

Hanesbrands acquired seven major international brands in the last seven years. We believe that these acquisitions remain underappreciated. Hanesbrands' vertically integrated supply chain helped streamline manufacturing for all these companies. For example, Hanesbrands managed to improve DBApparel's (Hanes Europe) operating margin from 7% to 14% in the last three years. Hanesbrands increased operating profits from \$225M to \$465M across all the acquisitions since 2013. All of these manufacturing improvements helped push post-synergies EV/EBITDA acquisition multiples to 7.7x, compared to the peer groups 9.74x. Further, the bottom table shows that every acquisition returned IRR from the high-teens to low-twenties. Yet the stock price is down 46% from its high in 2015.

EV/EBITDA	2015	2016	2017	LTM
Hanesbrands	13.86	10.86	10.72	9.78
Gildan	14.30	12.16	13.15	11.40
PVH	10.22	7.98	9.01	11.91
Ralph Lauren	8.29	7.25	6.35	7.82
L Brands	11.92	11.87	8.24	7.81
Average	11.72	10.02	9.49	9.74

Data in millions of \$	Deal Close Date	Purchase Price	Revenue	EBITDA	EBITDA Margin %	Synergies	EBITDA with Synergies	TEV/EBITDA	EV/EBITDA with Synergies
Gear for Sports	1-Nov-10	225	225	30	13%	0	30	7.5	7.5
Maidenform Brands	7-Oct-13	583	562	61	11%	22	83	9.5	7.0
DBApparel	2-Sep-14	550	875	73	8%	64	138	7.5	4.0
Knights Apparel	8-Apr-15	193	180	24	13%	19	43	8.0	4.5
Champion Europe	30-Jun-16	245	190	20	11%	0	20	12.3	12.3
Pacific Brands	19-Jul-16	707	600	70	12%	30	100	10.1	7.1
Alternative Apparel	13-Oct-17	60	70	17	24%	0	17	3.5	3.5
Total		2563	2702	296	12%		431	8.7	5.9
Integration charges to date		766							
Total Including Charges		3328	2702	296	12%	135	431	11.2	7.7

Acquisition History and Scorecard						
	Acquired	Price (\$M)	IRR Forecast at Close of Deal	Current IRR	Duration to Integrate	Cost to Integrate
Gear for Sports	Nov '10	\$223	Not provided	High-teens	●	●
Maidenform Brands ¹	Oct '13	\$581	Mid-teens	Mid-teens	●	●
Hanes Europe Innerwear	Aug '14	\$399	Not provided	Mid-teens	●	●
Knights Apparel	Apr '15	\$193	High-teens	Low-twenties	●	●
Champion Europe ²	Jun '16	\$247	Low-to-Mid teens	Mid-teens	●	●
Pacific Brands	Jul '16	\$801	Mid-teens	Mid-teens	●	●
Alternative Apparel	Oct '17	\$62	At least 20%			
Bras N Things	Feb '18	\$392	Low-to-Mid teens			

Recent Acquisitions
No Change

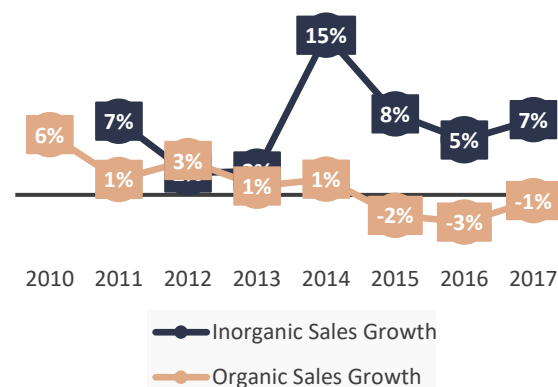
Source: 2018 HBI Investor Day Presentation

Section IV – Catalyst Continued

Quote from CFO, Barry Hytinen: *As we move through 2019, we expect to be inside our target range [Net Debt/EBITDA]. And, at that point, you should expect us to return to share repurchases and acquisitions.*

Based on our cash sweep model, we predict that Hanesbrands will easily accomplish the CFO's target for reducing the Net Debt/EBITDA ratio by the end of 2019. Our model assumes 6.1% leftover cash on the books, in-line with historical rates. Further, it shows that Hanesbrands can continue share buybacks and maintain dividend payout ratio of 25%. This way Hanesbrands could return to strategic acquisitions by the end of 2019 without carrying considerable amount of debt. Strategic acquisitions helped Hanesbrands grow 8%, 5%, and 7% in the last three years – growth rates much higher than 1% CAGR that analysts expect from the company.

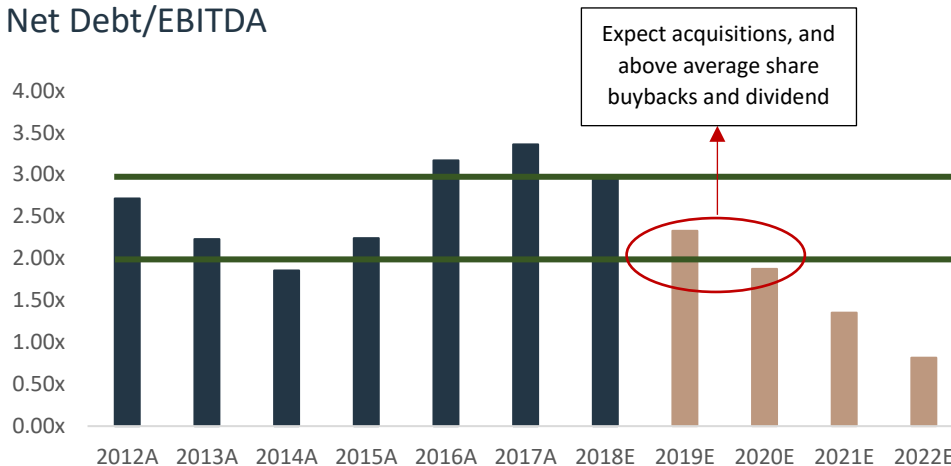
Growth by Acquisitions



Long Term Debt Paydown	2018	2019	2020	2021	2022
Term Loan A	275	0	0	0	0
Term Loan B	500	221	0	0	0
Australian Term A-1	136	136	0	0	0
4.875% Senior Notes	900	900	639	0	0
4.625% Senior Notes	900	900	900	852	129
3.5% Senior Notes	600	600	600	600	600
Accounts Receivable Securitization Facility	125	125	125	125	125
Total Long-Term Debt	3435	2881	2263	1577	854
Assumed Interest Burden	166.8	136.6	109.1	78.4	44.9
Net Debt/EBITDA	2.58	2.06	1.51	0.92	0.33
Dividend Payout Ratio	25%	25%	25%	25%	25%
Stock BuyBack	110	73	37	0	0
Operating Cash Leftover	6.1%	6.1%	6.1%	6.1%	6.1%
Used LIBOR Futures Rate	2.5%	3.1%	4.0%	4.5%	4.5%

Source: Company Filings

Net Debt/EBITDA





Investment Thesis, Valuation, and Scenario Analysis

Hanesbrands, Inc. (Price Target: \$25)

Investment Thesis

Hanesbrands multiples remain compressed due to weakness in the retail channel. We view this as a short-term headwind and expect multiples expansion in the long-run. Door closures and a broad channel shift to e-commerce kept headlines negative, while Hanesbrands continued to execute on its long-term strategy. Hanesbrands has transformed from a domestic apparel company into a global and omni-channel business. Return to organic growth in the last three quarters is a testament to the executive team's ability to turn the business around.

Valuation

Our August 2018 price target of \$25.35 is based on a 5-year DCF assuming a 0.5% terminal growth rate, 7.5% WACC, and 10.5x EV/EBITDA exit multiple.

Scenario Analysis

- **Weak Case:** Model assumes no growth in perpetuity, which implies an exit EV/EBITDA of 9.7x.
- **Base Case:** Model assumes 1% revenue growth in the next 5 years, fully discounts the \$380M loss of the Target contract, and implies a 0.5% terminal growth rate.
- **Best Case:** Model assumes strategic acquisitions to continue, growth at 1.5% in the next 5 years, 0.5% terminal growth rate, and Target deal termination only taking away \$190M in sales.

Fair value per share		
	Perpetuity	EBITDA
Equity value	8,000	8,622
Diluted shares	360	360
Equity value per share	\$22.22	\$23.95
<i>Market premium / (discount) to fair value</i>	22.0%	31.5%

Fair value per share		
	Perpetuity	EBITDA
Equity value	8,675	8,861
Diluted shares	360	360
Equity value per share	\$24.10	\$24.61
<i>Market premium / (discount) to fair value</i>	32.2%	35.1%

Fair value per share		
	Perpetuity	EBITDA
Equity value	8,853	9,117
Diluted shares	360	360
Equity value per share	\$24.59	\$25.32
<i>Market premium / (discount) to fair value</i>	35.0%	39.0%



In Millions of USD except per share	2010	2011	2012	2013	2014	2015	2016	2017
Total Assets								
+ Cash, Cash Equivalents & STI	44	35	43	116	240	319	460	422
+ Accounts & Notes Receiv	503	471	506	579	672	680	837	903
+ Inventories	1,323	1,608	1,253	1,283	1,537	1,815	1,841	1,875
+ Raw Materials	156	232	168	171	123	173	131	129
+ Work In Process	109	130	144	143	197	201	185	227
+ Finished Goods	1,058	1,246	942	970	1,217	1,440	1,524	1,519
+ Other Inventory	-	-	-	-	-	-	-	-
+ Other ST Assets	278	217	225	266	101	104	183	186
+ Derivative & Hedging Assets	0	4	1	1	6	5	21	2
+ Deferred Tax Assets	149	155	166	197	-	-	-	-
+ Discontinued Operations	-	-	-	-	-	-	46	-
+ Misc ST Assets	128	59	58	68	95	98	116	185
Total Current Assets	2,148	2,331	2,028	2,244	2,550	2,918	3,321	3,386
+ Property, Plant & Equip, Net	631	635	596	580	674	650	692	624
+ Property, Plant & Equip	1,401	1,412	1,413	1,403	1,538	1,553	1,643	1,637
- Accumulated Depreciation	770	776	817	823	864	903	950	1,014
+ Other LT Assets	1,011	1,068	1,008	1,266	1,984	2,029	2,917	2,884
+ Total Intangible Assets	677	666	609	1,004	1,414	1,535	2,384	2,570
+ Goodwill	430	433	433	626	723	834	1,099	1,167
+ Other Intangible Assets	247	232	176	378	691	701	1,285	1,403
+ Deferred Tax Assets	320	394	398	207	496	445	465	235
+ Derivative & Hedging Assets	-	-	-	-	-	-	-	-
+ Misc LT Assets	14	8	1	55	74	49	68	80
Total Noncurrent Assets	1,642	1,704	1,604	1,846	2,658	2,680	3,609	3,508
Total Assets	3,790	4,035	3,632	4,090	5,208	5,598	6,930	6,895
Liabilities & Shareholders' Equity								
+ Payables & Accruals	687	703	675	610	764	1,132	1,381	1,495
+ Accounts Payable	412	452	404	466	621	673	762	868
+ Other Payables & Accruals	275	252	272	144	143	459	619	627
+ ST Debt	141	230	200	218	370	371	235	261
+ ST Borrowings (Notes Payable)	51	63	26	36	144	118	56	12
+ Current Portion of LT Debt	90	167	174	182	225	253	178	250
+ Other ST Liabilities	1	1	0	172	348	1	10	23
+ Derivatives & Hedging	1	1	0	0	0	1	0	23
+ Misc ST Liabilities	-	-	-	171	348	-	-	-
Total Current Liabilities	829	934	876	999	1,482	1,504	1,626	1,779
+ LT Debt	1,991	1,808	1,318	1,467	1,614	2,233	3,508	3,702
+ LT Borrowings	1,991	1,808	1,318	1,467	1,614	2,233	3,508	3,702
+ Other LT Liabilities	407	612	552	393	725	585	573	728
+ Pension Liabilities	302	486	446	264	472	362	372	405
+ Misc LT Liabilities	105	126	105	129	253	223	202	323
Total Noncurrent Liabilities	2,398	2,420	1,869	1,860	2,339	2,818	4,081	4,430
Total Liabilities	3,227	3,354	2,745	2,859	3,821	4,322	5,707	6,209
+ Preferred Equity	-	-	-	-	-	-	-	-
+ Share Capital & APIC	296	268	293	286	295	281	264	275
+ Common Stock	1	1	1	1	4	4	4	4
+ Additional Paid in Capital	295	267	292	285	291	278	260	271
- Treasury Stock	-	-	-	-	-	-	-	-
+ Retained Earnings	480	747	911	1,181	1,464	1,389	1,396	850
+ Other Equity	(213)	(333)	(318)	(237)	(373)	(395)	(436)	(439)
Equity Before Minority Interest	563	681	887	1,231	1,387	1,276	1,224	686
+ Minority Interest	-	-	-	-	-	-	-	-
Total Equity	563	681	887	1,231	1,387	1,276	1,224	686
Total Liabilities & Equity	3,790	4,035	3,632	4,090	5,208	5,598	6,930	6,895

Source: Company Reports, Bloomberg



Cash Flow Statement	2010	2011	2012	2013	2014	2015	2016	2017
Cash from Operating Activities								
+ Net Income	211	267	165	330	405	429	539	62
+ Depreciation & Amortization	87	91	93	91	98	104	103	122
+ Non-Cash Items	91	48	75	60	46	(28)	11	476
+ Stock-Based Compensation	20	16	20	24	31	30	32	24
+ Deferred Income Taxes	16	2	(33)	15	(12)	11	(9)	239
+ Other Non-Cash Adj	55	30	87	22	28	(69)	(12)	214
+ Chg in Working Capital	(255)	(238)	221	109	(40)	(277)	(48)	(5)
+ (Inc) Dec in Accts Receiv	(0)	27	(47)	5	1	(22)	(79)	(32)
+ (Inc) Dec in Inventories	(232)	(288)	314	84	(40)	(290)	136	23
+ Inc (Dec) in Accts Payable	30	40	(41)	31	72	75	(61)	72
+ Inc (Dec) in Other	(53)	(16)	(6)	(10)	(73)	(40)	(43)	(68)
+ Net Cash From Disc Ops	-	-	-	-	-	-	-	-
Cash from Operating Activities	133	168	554	591	508	227	606	656
Cash from Investing Activities								
+ Change in Fixed & Intang	(106)	(90)	(41)	(38)	(57)	(84)	(3)	(83)
+ Disp in Fixed & Intang	-	-	-	6	7	15	81	4
+ Disp of Fixed Assets	-	-	-	6	7	15	81	4
+ Acq of Fixed & Intang	(106)	(90)	(41)	(44)	(64)	(99)	(83)	(87)
+ Purchase of Fixed Production Assets	(106)	(90)	(41)	(44)	(64)	(99)	(83)	(87)
+ Net Cash From Acq & Div	(223)	(9)	13	(560)	(360)	(193)	(964)	(22)
+ Cash from Divestitures	-	-	13	-	-	-	-	40
+ Cash for Acq of Subs	(223)	(9)	-	(560)	(360)	(193)	(964)	(62)
+ Other Investing Activities	45	14	0	-	59	-	-	-
Cash from Investing Activities	(284)	(86)	(28)	(597)	(358)	(277)	(967)	(105)
Cash from Financing Activities								
+ Dividends Paid	-	-	-	(59)	(120)	(161)	(167)	(220)
+ Cash From (Repayment) Debt	(818)	(171)	(234)	160	116	687	1,153	100
+ Cash From (Repay) ST Debt	(818)	(171)	16	410	(241)	-	(239)	32
+ Cash From LT Debt	-	-	-	-	477	-	6,469	5,412
+ Repayments of LT Debt	-	-	(250)	(250)	(120)	-	(5,076)	(5,343)
+ Cash (Repurchase) of Equity	6	17	10	32	40	(306)	(380)	(400)
+ Increase in Capital Stock	6	17	10	32	40	45	-	-
+ Decrease in Capital Stock	-	-	-	-	-	(351)	(380)	(400)
+ Other Financing Activities	968	64	(294)	(39)	(59)	(87)	(95)	(66)
+ Net Cash From Disc Ops	-	-	-	-	-	-	-	-
Cash from Financing Activities	156	(90)	(518)	94	(24)	133	511	(586)
Effect of Foreign Exchange Rates	(0)	(1)	(1)	(15)	(2)	(4)	(9)	(4)
Net Changes in Cash	5	(8)	7	73	124	79	141	(39)

Source: Company Reports, Bloomberg



INCOME STATEMENT (\$ in millions, except per share data)											
Fiscal year	2012A	2013A	2014A	2015A	2016A	2017A	2018E	2019E	2020E	2021E	2022E
Revenue	4,526	4,628	5,325	5,732	6,028	6,471	6,800	6,868	6,593	6,659	6,726
Cost of sales	(3,106)	(3,000)	(3,347)	(3,532)	(3,713)	(3,926)	(4,114)	(4,155)	(3,982)	(4,016)	(4,035)
Gross Profit	1,420	1,628	1,978	2,199	2,315	2,546	2,686	2,713	2,611	2,644	2,690
Research & development	(48)	(51)	(23)	(62)	(70)	(66)	(102)	(96)	(86)	(87)	(91)
Selling, general & administrative	(932)	(981)	(1,192)	(1,276)	(1,331)	(1,564)	(1,632)	(1,580)	(1,516)	(1,532)	(1,547)
Operating profit (EBIT)	440	596	763	861	914	916	952	1,037	1,009	1,026	1,053
Interest income	-	-	-	-	-	-	-	-	-	-	-
Interest expense	(137)	(102)	(96)	(118)	(153)	(174)	(187)	(179)	(158)	(147)	(135)
Other expense	(6)	(3)	(3)	(3)	(4)	(7)	(7)	(7)	(7)	(7)	(7)
Pretax profit	297	491	664	740	757	734	758	851	843	872	911
Taxes	(31)	(65)	(60)	(45)	(34)	(473)	(121)	(136)	(135)	(139)	(146)
Net income	266	426	603	695	723	261	636	715	708	732	765
Basic shares outstanding	395	399	402	400	382	368	360	355	350	350	350
Impact of dilutive securities	6	8	6	4	3	2	2	2	2	2	2
Diluted shares outstanding	401	407	408	404	385	369	362	357	352	352	352
Basic EPS	\$0.67	\$1.07	\$1.50	\$1.74	\$1.89	\$0.71	\$1.77	\$2.01	\$2.02	\$2.09	\$2.19
Diluted EPS	\$0.66	\$1.05	\$1.48	\$1.72	\$1.88	\$0.71	\$1.76	\$2.00	\$2.01	\$2.08	\$2.17
Dividends Per Share	\$0.15	\$0.15	\$0.30	\$0.40	\$0.44	\$0.60	\$0.65	\$0.71	\$0.77	\$0.83	\$0.91
<i>Dividends Per Share Growth Rate</i>		96.15%	35.68%	8.68%	8.68%	36.42%	8.68%	8.68%	8.68%	8.68%	8.68%
<i>Dividend Payout Ratio</i>		\$60.54	\$119.61	\$161.32	\$167.38	\$219.90	\$159.11	\$178.75	\$177.08	\$183.06	\$191.26
Dividends		2.3%	15.1%	7.6%	5.2%	7.4%	5.08%	1.00%	(4.00%)	1.00%	1.00%
Key Growth rates & margins		31.4%	35.2%	37.1%	38.4%	39.3%	39.50%	39.50%	39.60%	39.70%	40.00%
Revenue growth		1.1%	1.1%	1.1%	1.2%	1.0%	1.50%	1.40%	1.30%	1.30%	1.35%
Gross profit as % of sales		20.6%	21.2%	22.4%	22.3%	24.2%	24.00%	23.00%	23.00%	23.00%	23.00%
R&D margin		1.7%	1.6%	1.4%	1.3%	1.4%	1.54%	1.54%	1.54%	1.54%	1.54%
SG&A margin		0.3%	0.3%	0.4%	0.4%	0.5%	0.35%	0.35%	0.35%	0.35%	0.35%
Depreciation		10.3%	13.3%	9.1%	6.1%	64.5%	16.00%	16.00%	16.00%	16.00%	16.00%
Amortization		0.9%	0.9%	1.2%	1.4%	1.3%	1.50%	1.50%	1.50%	1.50%	1.50%
Tax rate		10%	13%	14%	15%	14%	14.00%	15.10%	15.30%	15.40%	15.65%
Capex/revenue		93	91	98	104	103	124	126	128	130	133
EBIT Margin		533	687	861	965	1,017	1,076	1,163	1,137	1,156	1,185
EBITDA reconciliation											
Depreciation & amortization											
EBITDA											

Source: Company Reports, Bloomberg

Free cash flow buildup					
Fiscal year	2018P	2019P	2020P	2021P	2022P
Sales	6,800	6,868	6,559	6,625	6,691
EBITDA	1,076	1,163	1,132	1,151	1,180
EBIT	952	1,037	1,004	1,020	1,047
tax rate	16.0%	16.0%	16.0%	16.0%	16.0%
EBIAT (NOPAT)	800	871	843	857	880
Depreciation and amortization	124	126	128	130	133
Change in OWC	(89)	(10)	65	(10)	(7)
Change in Other Current Assets	(9)	(9)	(10)	(10)	(11)
Change in DTAs	14	13	12	12	11
Change in Other Assets	0	0	0	0	0
Change in Other Non-Current Liabilities	0	0	0	0	0
OCF	840	991	1,039	979	1,005
(-)Capex	(102)	(103)	(98)	(99)	(100)
Unlevered FCF	738	888	941	880	905
<i>% growth</i>		20%	6%	-6%	3%
Discount Period	0.5	1.5	2.5	3.5	4.5
Discount Factor	96%	89%	82%	76%	71%
Present Value of FCF	710	791	776	672	640
Net PV of FCF	3,589				

Exit EBITDA multiple approach	
Terminal year EBITDA	1,180
Terminal value EBITDA multiple	10.5x
Terminal value	12,387
Present value of terminal value	8,761
Present value of stage 1 cash flows	3,589
Enterprise value	12,350
<i>Implied TV perpetual growth rate</i>	0.7%

Perpetuity approach	
Normalized FCF ^{tt1}	909
Long term growth rate (g)	0.5%
Terminal value	12,123
Present value of terminal value	8,575
Present value of stage 1 cash flows	3,589
Enterprise value	12,164
<i>Implied TV exit EBITDA multiple</i>	10.3x

Fair value per share		
	Perpetuity	EBITDA
Enterprise value	12,164	12,350
Less: Net debt	(3,489)	(3,489)
Less: Trapped cash	0	0
Equity value	8,675	8,861
Diluted shares	360	360
Equity value per share	\$24.10	\$24.61
<i>Market premium / (discount) to fair value</i>	37.0%	39.9%

Ticker	Name	Share Price	Market Cap (\$bn)	P/E	P/S	P/CF	P/B	
COLM US EQUITY	Columbia Sportswear Co	\$90.55	\$6.33	25.46x	2.42x	22.38x	3.86x	
GIL CN EQUITY	Gildan Activewear Inc	\$38.76	\$8.07	17.40x	2.33x	13.52x	3.25x	
OXM US EQUITY	Oxford Industries Inc	\$96.16	\$1.63	28.20x	1.47x	16.33x	3.67x	
CRI US EQUITY	Carter'S Inc	\$111.19	\$5.17	18.76x	1.52x	16.00x	6.39x	
PVH US EQUITY	Pvh Corp	\$153.82	\$11.86	17.98x	1.29x	19.23x	2.13x	
				Median	18.76x	1.52x	16.33x	3.67x
				Per Share Values	\$1.82	\$17.60	\$1.78	\$1.78
				Implied Share Price	\$34.18	\$26.77	\$29.11	\$6.55
				Average Implied	\$24.15			
				Current Share Price	\$17.59			
				Premium to Current	37.30%			

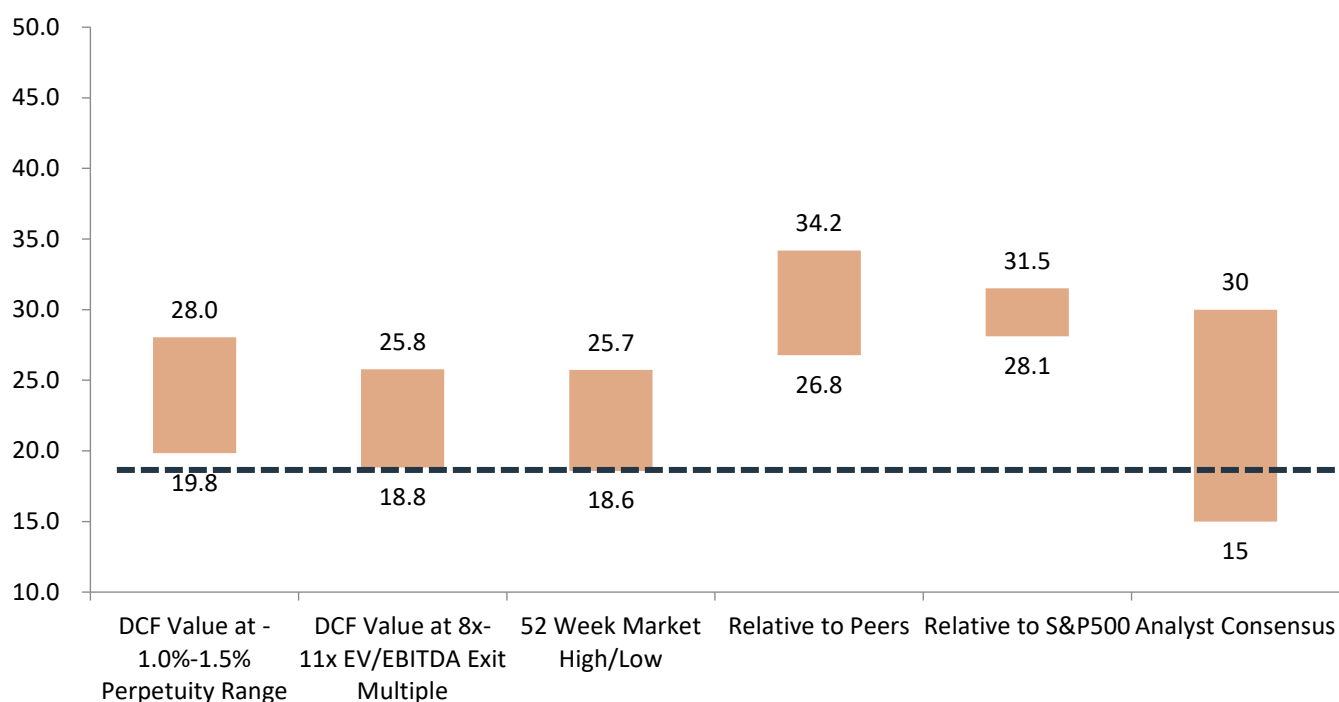
S&P 500 Normalization	P/E	P/S	P/CF	P/B
Hanesbrands Inc Historical Multiple	14.77	1.18	17.65	6.35
Benchmark Historical Multiple	17.66	1.64	9.84	2.55
Ratio	0.84	0.72	1.79	2.49
Benchmark Current Multiple	20.67	2.22	13.48	3.39
Implied Hanesbrands Inc Multiple	17.29	1.60	24.17	8.44
Per Share Values	1.82	17.60	1.78	1.78
Implied Share Price	\$31.51	\$28.11	\$43.10	\$15.05
Average Implied Share Price	\$29.44			
Current Share Price	\$17.59			
Premium to Current Price	67.4%			

Sensitivity Analysis:

Equity value per share						
Long term growth rate (g):						
\$ 24.21	-1.0%	0.0%	0.5%	1.0%	1.5%	
9.0%	17.0	19.1	20.3	21.7	23.2	
8.5%	18.4	20.7	22.1	23.7	25.5	
8.0%	19.9	22.6	24.2	26.0	28.2	
7.5%	21.6	24.7	26.6	28.7	31.2	
7.0%	23.6	27.1	29.3	31.9	34.9	
6.5%	25.7	29.9	32.5	35.6	39.2	

Equity value per share						
Exit EBITDA Multiple						
\$ 24.74	8.0	9.0	10.5	10.8	11.0	
9.0%	17.9	20.2	23.5	24.1	24.6	
8.5%	18.4	20.7	24.1	24.7	25.3	
8.0%	18.9	21.2	24.7	25.3	25.9	
7.5%	19.4	21.8	25.4	26.0	26.6	
7.0%	19.9	22.4	26.0	26.6	27.2	
6.5%	20.5	23.0	26.7	27.3	27.9	

Valuation Summary





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