

Hanesbrands Inc.
Form 10-Q
April 25, 2012
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended March 31, 2012

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)

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Maryland
(State of incorporation)

20-3552316
(I.R.S. employer

identification no.)

1000 East Hanes Mill Road

Winston-Salem, North Carolina
(Address of principal executive office)

27105
(Zip code)

(336) 519-8080

(Registrant's telephone number including area code)

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 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

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 April 20, 2012, there were 97,558,571 shares of the registrant's common stock outstanding.

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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 Quarterly Report on Form 10-Q include the *Hanes*, *Champion*, *C9 by Champion*, *Playtex*, *Bali*, *L eggs*, *Just My Size*, *barely there*, *Wonderbra*, *Stedman*, *Outer Banks*, *Zorba*, *Rinbros*, *Duofold* and *Gear for Sports* 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 Quarterly Report on Form 10-Q.

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FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q includes 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. 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, continue or similar expressions. In particular, statements under the headings Outlook for 2012 and Other Business and Industry Trends and other information appearing under Management's Discussion and Analysis of Financial Condition and Results of Operations include forward-looking statements. Forward-looking statements inherently involve many risks and uncertainties that could cause actual results to differ materially from those projected in these statements.

Where, in any forward-looking statement, we express an expectation or belief as to future results or events, such expectation or belief is based on the current plans and expectations of our management and expressed in good faith and believed to have a reasonable basis. However, there can be no assurance that the expectation or belief will result or will be achieved or accomplished. 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 our Annual Report on Form 10-K for the year ended December 31, 2011, particularly under the caption Risk Factors.

All forward-looking statements speak only as of the date of this Quarterly Report on Form 10-Q and are expressly qualified in their entirety by the cautionary statements included in this Quarterly Report on Form 10-Q or our Annual Report on Form 10-K for the year ended December 31, 2011, particularly under the caption Risk Factors. We undertake no obligation to update or revise forward-looking statements that may be made to reflect events or circumstances that arise after the date made or to reflect the occurrence of unanticipated events, other than as required by law.

WHERE YOU CAN FIND MORE INFORMATION

We file annual, quarterly and current reports, proxy statements and other information with the SEC. You can inspect, read and copy these reports, proxy statements and other information at the SEC's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. You can obtain information regarding the operation of the SEC's Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC also maintains a website at www.sec.gov that makes available reports, proxy statements and other information regarding issuers that file electronically.

We make available free of charge at www.hanesbrands.com (in the Investors section) copies of materials we file with, or furnish to, the SEC. By referring to our corporate website, www.hanesbrands.com, or any of our other websites, we do not incorporate any such website or its contents into this Quarterly Report on Form 10-Q.

Table of Contents**PART I****Item 1. Financial Statements****HANESBRANDS INC.****Condensed Consolidated Statements of Income (Loss)****(in thousands, except per share amounts)****(unaudited)**

	Quarter Ended	
	March 31, 2012	April 2, 2011
Net sales	\$ 1,008,334	\$ 1,036,410
Cost of sales	753,971	681,885
Gross profit	254,363	354,525
Selling, general and administrative expenses	248,285	252,682
Operating profit	6,078	101,843
Other expenses	645	601
Interest expense, net	36,998	41,105
Income (loss) before income tax expense (benefit)	(31,565)	60,137
Income tax expense (benefit)	(4,735)	12,028
Net income (loss)	\$ (26,830)	\$ 48,109
Earnings (loss) per share:		
Basic	\$ (0.27)	\$ 0.49
Diluted	\$ (0.27)	\$ 0.49
Weighted average shares outstanding:		
Basic	98,533	97,194
Diluted	98,533	98,589

See accompanying notes to Condensed Consolidated Financial Statements.

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HANESBRANDS INC.

Condensed Consolidated Statements of Comprehensive Income (Loss)

(in thousands)

(unaudited)

	Quarter Ended	
	March 31, 2012	April 2, 2011
Net income (loss)	\$ (26,830)	\$ 48,109
Other comprehensive income, net of tax of \$1,722 and \$1,666, respectively	4,924	6,372
Comprehensive income (loss)	\$ (21,906)	\$ 54,481

See accompanying notes to Condensed Consolidated Financial Statements.

Table of Contents**HANESBRANDS INC.****Condensed Consolidated Balance Sheets****(in thousands, except share and per share amounts)****(unaudited)**

	March 31, 2012	December 31, 2011
Assets		
Cash and cash equivalents	\$ 34,600	\$ 35,345
Trade accounts receivable less allowances of \$17,485 and \$17,418, respectively	524,745	470,713
Inventories	1,619,242	1,607,555
Deferred tax assets	153,893	154,667
Other current assets	55,074	62,511
Total current assets	2,387,554	2,330,791
Property, net	623,872	635,406
Trademarks and other identifiable intangibles, net	167,133	169,675
Goodwill	433,473	433,396
Deferred tax assets	396,065	394,220
Other noncurrent assets	68,115	71,181
Total assets	\$ 4,076,212	\$ 4,034,669
Liabilities and Stockholders' Equity		
Accounts payable	\$ 401,476	\$ 451,525
Accrued liabilities	269,039	252,186
Notes payable	41,648	63,075
Accounts Receivable Securitization Facility	163,370	166,933
Total current liabilities	875,533	933,719
Long-term debt	1,935,777	1,807,777
Pension and postretirement benefits	488,886	485,688
Other noncurrent liabilities	118,271	126,424
Total liabilities	3,418,467	3,353,608
Stockholders' equity:		
Preferred stock (50,000,000 authorized shares; \$.01 par value)		
Issued and outstanding	None	
Common stock (500,000,000 authorized shares; \$.01 par value)		
Issued and outstanding	97,558,571 and 97,517,325, respectively	976 975
Additional paid-in capital	267,540	266,551
Retained earnings	719,956	746,786
Accumulated other comprehensive loss	(330,727)	(333,251)
Total stockholders' equity	657,745	681,061
Total liabilities and stockholders' equity	\$ 4,076,212	\$ 4,034,669

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See accompanying notes to Condensed Consolidated Financial Statements.

Table of Contents**HANESBRANDS INC.****Condensed Consolidated Statements of Cash Flows****(in thousands)****(unaudited)**

	Quarter Ended	
	March 31, 2012	April 2, 2011
Operating activities:		
Net income (loss)	\$ (26,830)	\$ 48,109
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Depreciation	19,474	18,068
Amortization of intangibles	3,856	3,619
Amortization of debt issuance costs	2,476	2,649
Amortization of loss on interest rate hedge	1,114	3,302
Stock compensation expense	1,772	2,548
Deferred taxes and other	(1,448)	2,314
Changes in assets and liabilities:		
Accounts receivable	(51,829)	(42,160)
Inventories	(8,647)	(215,004)
Other assets	5,012	(2,413)
Accounts payable	(49,645)	58,602
Accrued liabilities and other	10,580	19,331
Net cash used in operating activities	(94,115)	(101,035)
Investing activities:		
Purchases of property, plant and equipment	(9,174)	(25,411)
Proceeds from sales of assets	158	12,081
Net cash used in investing activities	(9,016)	(13,330)
Financing activities:		
Borrowings on notes payable	20,671	222,149
Repayments on notes payable	(42,217)	(243,518)
Borrowings on Accounts Receivable Securitization Facility	56,802	94,677
Repayments on Accounts Receivable Securitization Facility	(60,365)	(42,341)
Borrowings on Revolving Loan Facility	804,000	1,023,000
Repayments on Revolving Loan Facility	(676,000)	(918,000)
Payments to amend credit facilities	(225)	(3,569)
Proceeds from stock options exercised	323	2,425
Other	(845)	162
Net cash provided by financing activities	102,144	134,985
Effect of changes in foreign exchange rates on cash	242	513
Increase (decrease) in cash and cash equivalents	(745)	21,133
Cash and cash equivalents at beginning of year	35,345	43,671

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Cash and cash equivalents at end of period	\$ 34,600	\$ 64,804
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See accompanying notes to Condensed Consolidated Financial Statements.

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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., a Maryland corporation, and its consolidated subsidiaries (the "Company" or "Hanesbrands"). In the opinion of management, the condensed consolidated interim financial statements reflect all adjustments, consisting only of normal recurring adjustments, necessary to present 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.

These condensed consolidated interim financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's most recent Annual Report on Form 10-K. The results of operations for any interim period are not necessarily indicative of the results of operations to be expected for the full year.