August 7, 2023

Mr. Ronald L. Nelson
Chairman
Hanesbrands Inc.
1000 East Hanes Mill Road
Winston-Salem, North Carolina 27105

Dear Mr. Nelson:

I appreciate the opportunity I had to speak with you on July 28 and value your thoughts on Hanesbrands Inc. ("Hanesbrands" or the "Company").

As I mentioned during our conversation, Barington Capital Group, L.P. and its affiliates ("Barington" or "we") are currently shareholders of the Company. We have significant experience investing in consumer and retail and apparel companies with prior success assisting in the creation of shareholder value at L Brands, Avon Products, Darden Restaurants, The Children's Place, The Jones Group, Warnaco, Collective Brands, Steve Madden, and others.

We believe that Hanesbrands currently sits at a critical juncture and must immediately focus on cash generation and debt reduction in order to create long-term value for shareholders. We believe that management's largely ineffective response to recent market challenges is responsible for the Company's rapidly deteriorating results. Further, Hanesbrands' excessive debt burden appears to amplify the impact of poor operating performance on Hanesbrands' ability to create value for shareholders.

We recognize that prudent investing in growth is critical for the long-term viability of any enterprise. However, in our view, the Company's "Full Potential" plan not only lacks credibility but is a distraction from vitally important actions needed now to stabilize the Company. We believe that a greater sense of urgency is needed to generate cash and bring down debt. Our analysis suggests that significant cash can be generated, in part, by immediately and aggressively cutting SG&A expense, more rapidly reducing inventory, and capturing operating efficiencies.

Moreover, we believe that the addition of directors with more relevant skills and experience, as well as, potentially, a new chief executive officer, may be needed to realize value creation. We believe that the right board and management team and an immediate focus on cash generation and debt reduction can position Hanesbrands to become a best-in-class, vertically integrated apparel company and achieve durable profitable growth.

Hanesbrands has destroyed significant shareholder value.

We invested in Hanesbrands because of our conviction in the Company's potential to deliver significantly greater earnings and cash flow. Among its strengths, the Company has a recognized portfolio of value brands; strong distribution in legacy mass merchants and growing online channels; and a vertically integrated operating model that should enable it to be more responsive, flexible, and efficient than its principal competitors.

Despite these advantages, Hanesbrands' share price has declined by -51.6% in the last year alone and underperformed the proxy statement peer group (adjusted for the separation of L Brands), the Russell 2000, and the S&P 500 index over the last 1-, 3-, 5-, 10-, 15-, and 17-year periods. We believe that Gildan Activewear is the Company's closest innerwear peer given its vertically integrated operating model. In a similarly challenging operating environment, Gildan managed to grow revenue and improve margins while Hanesbrands experienced the opposite. Consequently, in the last three-year and five-year periods, Gildan Activewear generated returns of 77.1% and 9.0% respectively, compared to losses of -59.1% and -64.7% at Hanesbrands.

Table 1: Hanesbrands' Performance Since Separation from Sara Lee

	1-Year	3-Year	5-Year	10-Year	15-Year	17-Year[2]
Hanesbrands Inc.[1]	-51.6%	-59.1%	-64.7%	-56.7%	-10.6%	41.2%
Gildan Activewear Inc.	3.6%	77.1%	9.0%	90.5%	249.9%	234.3%
Adjusted Proxy Statement Peer Group[3]	4.7%	9.9%	10.0%	46.6%	288.0%	244.3%
Russell 2000 Total Return Index	4.5%	34.3%	24.5%	111.1%	234.2%	246.6%
S&P 500 Index	8.4%	36.2%	57.9%	163.7%	250.4%	246.2%

(1) Stock price performance data as of August 3, 2023, and assumes re-investment of dividends.
(2) Since separation from the Sara Lee Corporation on September 5, 2006.
(3) The Company's Adjusted Proxy Statement Peer Group is market-cap weighted and includes the Company's peers identified in its FY 2022 Proxy Statement, which consists of American Eagle Outfitters, Inc.; Carter's Inc.; Foot Locker, Inc.; Gildan Activewear, Inc.; lululemon athletica, inc.; Levi Strauss & Co.; PVH Corp.; Ralph Lauren Corp.; Tapestry, Inc.; The Gap, Inc.; Under Armour, Inc.; V.F. Corporation; The Clorox Company; The Hershey Company; Newell Brands Inc.; and Stanley Black & Decker, Inc. Excludes L Brands, Inc. due to separation of Victoria's Secret & Co. from Bath & Body Works, Inc.

Excessive costs depress margins.

We believe that the Company's gross margins and operating margins have deteriorated as a result of management's missteps, exacerbated by a challenging macro environment. In particular, we believe that over-production and an insufficient response to rising input costs, were significant contributors to the Company's gross margin deterioration. It appears that these decisions are the result of the Company's focus on simply increasing market share and sales growth. As a result, gross margins declined to 32.7% and EBITDA margins fell to 5.9% in the first quarter of 2023, a ten-year low for both measures. By comparison, five-year, pre-COVID gross margin and EBITDA margin were 38.6% and 16.1%, respectively.[1]

At the same time, operating costs continue to climb. The Company has historically maintained SG&A expenses at approximately 22.0% of sales, but in the twelve months ending April 1, 2023, these expenses climbed to 26.5% of sales.[2] For example, corporate expenses increased by $57.4 million, or 32.7%, in the five years between 2017 and 2022, while revenue declined by -6.5%.

Our analysis suggests that across all segments a combination of permanent and temporary cost cuts could reduce annual cost of goods sold and SG&A expenses by over $300 million, based on benchmarking

[1] 5-year, pre-Covid between Jan. 20, 2015 and Jan. 17, 2020. Historical Gross and EBITDA margins for Hanesbrands have been between 37% and 40% and 15% to 17% over the past decade.
[2] As reported by S&P Capital IQ as of July 27, 2023.

against the Company's historical cost structure. We believe that the Company can restore its gross margins by capturing operating efficiencies from further facility optimization and improving operating processes. Unfortunately, instead of meaningfully reducing costs, management points to its reallocation of $150 million "savings" which do not appear to have tangible results for the Company.

Excess inventories use too much cash.

We understand that the Company is working towards inventory reduction. Inventories peaked at nearly $2.0 billion as of December 31, 2023, an increase of $611.3 million, or 44%, since the end of fiscal year 2021. Inventories have grown and consumed cash precisely at a time when, we believe, the Company should be deploying cash to reduce its debt burden. These excess inventories must urgently be converted to cash that should be used for debt reduction – but we believe that can, and must, be done more rapidly.

Current inventory levels equate to 176 days outstanding, up from the Company's historical performance of 165 days outstanding prior to the COVID pandemic. However, based on discussions with industry experts, we believe incremental efficiencies in inventory management could not only bring a return to historical levels, but improve the Company's performance to 150 days outstanding.[3]

We believe that the Company should return its inventory days outstanding to less than 170 days by the end of this calendar year, freeing up more than $200 million in cash, and work to improve performance further to 150 days outstanding within 18 months, generating an incremental approximately $100 million in cash.

The Company's debt has become a meaningful risk.

The combination of the Company's poor performance and tightening debt markets have in our view turned the Company's $3.6 billion net debt burden into a meaningful risk. While debt was the tool of choice by prior management to grow sales in near-zero interest rate credit markets, today the Company's debt has become a significant overhang. Sell-side consensus estimates that the annual cost of the Company's debt will increase by $120 million in 2023E compared to prior years as a result of the Company's recent refinancing.[4] We estimate the Company effectively refinanced $1.5 billion in debt at a blended average interest rate of 8.7%.[5]

We appreciate that recently renegotiated debt covenant terms (in November of 2022 and again in February of 2023) permitted the Company's net leverage ratio to peak at 7.25x earlier this month before declining by 2.25x to 5.0x by the end of the Company's "Relief Period" on March 30, 2024, and that the next debt maturity is due in 2026. At the same time, we believe that many public company investors are deeply concerned about the Company's net leverage, well above the Company's own target of 2.0-3.0x and in excess of its peers.[6] For purposes of the Company's debt covenants, net leverage today stands at 5.4x. Further deterioration of quarterly EBITDA could cause the Company to break its covenants. This, of course, could put the Company at great risk. Conversely, a meaningful reduction in the Company's Consolidated Net Total Leverage Ratio, through a combination of increased profitability and reduced debt could meaningfully reduce the Company's cost of debt. Therefore, we believe debt reduction funded by

---

[3] Based on our discussions with industry experts, targets of 30 days for production, 30 days for transportation and 90 days for local distribution.
[4] Consensus Estimates sourced from S&P Capital IQ as of July 27, 2023.
[5] Hanesbrands announced the closing of its $600 million of senior unsecured notes due 2031 at 9% and a $900 million Senior Secured Term Loan B Facility on March 9, 2023.
[6] Average and median net debt to LTM EBITDA of 1.73x and 1.51x, respectively, for Hanesbrands' retail peers including American Eagle Outfitters, Inc., Carter's Inc., Foot Locker, Inc., Gildan Activewear, Inc., lululemon athletica, inc, Levi Strauss & Co., PVH Corp., Ralph Lauren Corp., Tapestry, Inc., The Gap, Inc., Under Armour, Inc., V.F. Corporation, according to S&P Capital IQ as of August 1, 2023. L Brands is excluded due to August 2020 separation of its two businesses.

cost cuts, inventory reduction, and steady improvement in profitability must be the Company's number one priority until it achieves leverage ratios similar to public peers.

The CEO and directors do not have sufficient relevant experience.

Hanesbrands has lost $2.6 billion, or 59.2% of its market value, under CEO Stephen Bratspies' leadership.[7] We believe that most of the Company's current problems result directly from management's inadequate response to external challenges and a failure to address internal problems. We would argue that Mr. Bratspies' experience with electronics, toys, and baked goods at Walmart, Sam's Club, and Frito-Lay has not prepared him to lead a global vertically integrated apparel business. The Company's significant turnover of senior managers in the last two years appears to be a direct indictment of Mr. Bratspies' leadership.

We further observe that the Company has failed to create value comparable to its proxy statement peer group, the Russell 2000 index, and the S&P 500 index during the tenure of its current directors, and we believe that the board of directors is short of the critical experience required to guide the Company through this challenging time. A review of the directors' backgrounds suggests to us that the board has little relevant industry experience and limited knowledge of the Company's business, contrary to the board's own assessment. The long association of directors coupled with the weak long-term performance of the Company seems reason enough to bring in new leadership.

Lastly, we are disappointed that the current equity program for management creates the perverse incentive of offering greater share awards at lower share prices that were, in our view, brought about by self-inflicted errors. These share awards dilute the Company's shareholders while partially insulating management from the deterioration of the Company's share price. We find this to be a troubling approach to rewarding management for performance which should align management's interests with those of the Company's public shareholders.

Barington's plan to create long-term shareholder value.

As outlined above, we recommend a new plan for Hanesbrands to create shareholder value. We propose that the Company immediately take three critical actions that we believe could triple, even quadruple, the Company's share price in the near term.

1. Reduce SG&A expense by at least $300 million per year, in line with more reasonable, market-based expectations for growth, and use the resulting cash savings primarily to reduce debt.
2. Ensure the reduction of inventories by the end of this calendar year to less than 170 days outstanding, by closely monitoring stock levels, production, and purchases, with further operational improvement resulting in inventory reductions to 150 days outstanding over the following 18 months, again with substantially all proceeds earmarked for debt reduction.
3. Accelerate gross margin recovery through further facility optimization and operating process improvements.

We believe that a more competitive cost structure will position Hanesbrands to create a best-in-class, vertically integrated apparel company and invest in sustainable growth that has the potential to deliver long-term shareholder value equal to many multiples of the current share price.

To implement our plan, we believe that the Company may need to retain a new chief executive officer with the necessary operating and merchandising skills and the industry experience to lead the business.

[7] Stephen Bratspies started as Hanesbrands' Chief Executive Officer and director on August 3, 2020; market value measured through August 3, 2023, per S&P Capital IQ.

Moreover, we believe the board must, in any event, add directors with relevant apparel, fashion, and manufacturing experience to assist and support management in restoring and enhancing shareholder value.

We look forward to continuing our discussion of these important matters.

Sincerely yours,

James Mitarotonda

cc: