

28 April 2016

## Pacific Brands Board unanimously recommends acquisition proposal from HanesBrands

- Pacific Brands has entered into a Scheme Implementation Deed with HanesBrands to acquire 100% of Pacific Brands shares for A\$1.15 per share in cash ('Cash Consideration')
- The Cash Consideration represents:
  - 13.5x F15 EV / EBITDA<sup>1</sup> and 12.0x F16 EV / EBITDA based on broker consensus<sup>2</sup>
  - a 22% premium to Pacific Brands last closing price<sup>3</sup>
  - a 30% premium to the 5 day volume weighted average price of Pacific Brands shares<sup>4</sup>
  - a 26% premium to the 3 month volume weighted average price of Pacific Brands shares<sup>4</sup>
  - An implied market capitalisation of A\$1.1 billion<sup>5</sup>
- HanesBrands unsolicited proposal represents a premium to current trading multiples and compares favourably to prior transactions in the global underwear and basic apparel sector
- Pacific Brands proposes to pay a fully franked special dividend of 9.4 cents per Pacific Brands share ('Special Dividend') if the transaction proceeds, potentially providing an additional benefit of up to 4.0 cents per Pacific Brands share for shareholders who can capture the full benefit of the franking credits. To the extent the Special Dividend is paid, the Cash Consideration will be reduced by the cash amount of the Special Dividend
- Those shareholders who are able to realise the full benefit of franking credits will receive \$1.19 value per share in respect of the proposal, which represents a 34% premium to the 5 day volume weighted average price of Pacific Brands shares<sup>4</sup>. Whether a shareholder will be able to capture the full benefit of the franking credits will depend on their individual tax circumstances
- Should shareholders approve the Scheme, Pacific Brands will be able to leverage the HanesBrands global infrastructure and supply chain network and will provide the opportunity to further accelerate the growth plans of iconic brands such as Bonds and Sheridan
- HanesBrands has indicated that they consider the Tontine and Dunlop Flooring (TDF) businesses as having limited strategic fit to them and that it is their current intention to divest TDF as a going concern post completion. If the transaction does not proceed, Pacific Brands intends to retain TDF
- Limited impact on Pacific Brands continuing operations and employees is expected
- Pacific Brands Directors unanimously recommend the transaction subject to an Independent Expert's Report concluding that the Scheme is in the best interests of Pacific Brands shareholders and there being no superior proposal. Grant Samuel has been appointed to provide an Independent Expert Report

### Commentary

Pacific Brands Chairman, Peter Bush said: "Pacific Brands owns Australia's leading underwear and home furnishing brands. HanesBrands has recognised the work done over the past two years that has seen the Board and management team under CEO David Bortolussi's leadership reshape and simplify the business to focus on our highest quality brands and improve operational performance. That work has resulted in a significant re-rating of the company and its share price. Shareholders now have an opportunity to realise a further increase in value through a compelling proposal.

---

1 Multiples calculated using F15 EBITDA, F15 EBIT and F15 NPAT pre significant items from continuing operations and diluted shares on issue

2 F16 broker consensus EBITDA of \$86.3 million, EBIT of \$74.7 million and NPAT of \$50.4 million comprising Citi, Deutsche Bank, J.P.Morgan, Macquarie, Morningstar and UBS

3 Last closing price of \$0.94 on 27 April 2016

4 Volume weighted average price based on cumulative trading volume

5 Based on 932.9 million fully diluted shares on issue

“We believe the 100% cash proposal from HanesBrands is compelling and represents an attractive premium to our long term average share price and the implied F16 EV / EBITDA acquisition multiple of 12.0x compares favourably to the multiples paid in other comparable transactions. The HanesBrands proposal represents an opportunity for Pacific Brands shareholders to realise attractive value for their shares and to de-risk future growth opportunities available to the business.

“HanesBrands is a global leader in basic apparel and will use their extensive global footprint and supply chain network to enhance the competitive position of Pacific Brands.

“HanesBrands and Pacific Brands share a number of similarities including shared values and a focus on leading brands, design, innovation and quality. HanesBrands has made it clear that they intend to work with the Pacific Brands management team to support and invest in delivering the company’s growth strategy.

“HanesBrands can provide Pacific Brands with additional scale, sourcing benefits, financial flexibility and the opportunity to accelerate the growth of iconic brands such as Bonds and Sheridan. We expect the transaction will have limited impact on Pacific Brands continuing operations and employees.”

### **Pacific Brands Board unanimously recommends the Scheme**

The Board of Pacific Brands unanimously recommends that Pacific Brands shareholders vote in favour of the Scheme, in the absence of a superior proposal emerging and subject to the Independent Expert concluding that the Scheme is in the best interests of Pacific Brands shareholders. Each Director of Pacific Brands intends to vote all the Pacific Brands shares held or controlled by them in favour of the Scheme subject to those same qualifications.

The Pacific Brands Board highlights the following positive features of the proposal:

- **Attractive acquisition multiple:** The Cash Consideration of \$1.15 per share equates to attractive multiples of
  - 28.6x F15 P / E, 16.2x F15 EV / EBIT and 13.5x F15 EV / EBITDA<sup>1</sup>
  - 21.3x F16 P / E, 13.9x F16 EV / EBIT and 12.0x F16 EV / EBITDA based on broker consensus estimates<sup>2</sup>
  - Compares favourably to transactions such as PVH Corp / Tommy Hilfiger of 8.3x EV / EBITDA<sup>6</sup>, HanesBrands / Maidenform of 9.5x EV / EBITDA<sup>7</sup>, PVH Corp / The Warnaco Group of 9.7x EV / EBITDA<sup>8</sup> and HanesBrands / DBApparel of 7.5x EV/EBITDA<sup>9</sup>
- **Attractive premium to Pacific Brands 5 day volume weighted average price:**
  - Cash Consideration of A\$1.15 per share represents an attractive premium of 30% over the 5 day volume weighted average price of Pacific Brands shares up to and including 27 April 2016 of \$0.886<sup>4</sup>
  - Those shareholders who are able to realise the full benefit of franking credits will receive A\$1.19 value per share, which represents an attractive premium of 34% over the 5 day volume weighted average price of Pacific Brands shares up to and including 27 April 2016 of \$0.886<sup>4</sup>

6 Phillips Van Heusen Corporation / Tommy Hilfiger Group (announced 15 March 2010) – Enterprise value of EUR2,300 million as announced by Apax Partners on 15 March 2010; Tommy Hilfiger EBITDA of US\$380 million for fiscal year ended March 2010 as disclosed in PVH Corp Form 8-K dated 15 March 2010

7 HanesBrands, Inc. / Maidenform Brands, Inc. (announced 24 July 2013) – Enterprise value of US\$575 million as disclosed in the HanesBrands announcement dated 24 July 2013; EV / EBITDA (based on 2012 EBITDA) as disclosed in HanesBrands investor call on 24 July 2013

8 Phillips Van Heusen Corporation / The Warnaco Group Inc. (announced 31 October 2012) – Enterprise Value of US\$2,758 million based on The Warnaco Group Form 10-Q for the quarter ended September 2012 and PVH Corp announcement dated 31 October 2012; The Warnaco Group adjusted EBITDA of US\$285.4 million for the fiscal year ended December 2011 as disclosed in The Warnaco Group Form 10-K. PVH Corp acquired Calvin Klein in 2003 and made formal wear and sportswear under that brand. Warnaco continued to hold the licensing agreements for Calvin Klein jeans and underwear until its acquisition by PVH Corp in 2012

9 HanesBrands / DBApparel (announced 25 June 2014) – Enterprise value of EUR 400 million as disclosed in HanesBrands announcement dated 25 June 2014; EV/EBITDA as disclosed by HanesBrands in announcement dated 25 June 2014 (fiscal period of earnings not specified)

- **Highest share price in over 5 years:** The Cash Consideration of \$1.15 per share exceeds the highest closing trading price of Pacific Brands shares since 10 November 2010<sup>10</sup>
- **265% total shareholder return during F16 YTD:** The Cash Consideration of \$1.15 per share represents a 265% total shareholder return for Pacific Brands shareholders since 1 July 2015<sup>11</sup>
- **Certainty of value:** the 100% cash consideration provides Pacific Brands shareholders with certainty of value and the opportunity to realise in full their investment for cash
- **Limited conditionality:** the Scheme is subject to limited conditions and is not subject to financing or due diligence

### Details of the Scheme Implementation Deed

The implementation of the Scheme is subject to a number of customary conditions including the approval of Pacific Brands shareholders and the Supreme Court of Victoria, no material adverse change or prescribed occurrence, as well as the approval of Australia's Foreign Investment Review Board (FIRB). Application for such approval has been submitted by HanesBrands to FIRB for their consideration.

The Scheme Implementation Deed (SID) contains customary exclusivity provisions including no shop and no talk restrictions, a notification obligation and a matching right, subject to Pacific Brands Directors fiduciary obligations. The SID also details circumstances under which Pacific Brands may be required to pay a reimbursement fee equivalent to 1% of the transaction value to HanesBrands.

Full details of the conditions to the Scheme and other agreed terms are set out in the SID, a copy of which is attached to this announcement.

### Indicative timetable and next steps

Pacific Brands shareholders do not need to take any action at the present time.

The Scheme Booklet containing information relating to the Scheme, the Independent Expert's report on whether the Scheme is in the best interests of Pacific Brands shareholders, the reasons for the Directors' unanimous recommendation and details of the Scheme Meeting is expected to be mailed to Pacific Brands shareholders in late May 2016.

It is expected that Pacific Brands shareholders will have the opportunity to vote on the Scheme at a Scheme Meeting to be held in late June 2016.

Subject to the conditions of the Scheme being satisfied, the Scheme is expected to be implemented in July 2016.

These dates are indicative and subject to change.

Macquarie Capital (Australia) Limited and Herbert Smith Freehills are advising Pacific Brands.

For further information contact:

#### Investors

Joanne Higham  
Pacific Brands Limited  
+61 421 568 395  
jhigham@pacbrands.com.au

#### Media

Sue Cato  
+61 419 282 319

<sup>10</sup> Pacific brands closing price of \$1.14 on 10 November 2010

<sup>11</sup> Total shareholder return based on the closing Pacific Brands share price of \$0.32 on 30 June 2015 and assumes dividends paid are reinvested in Pacific Brands shares

## **About Pacific Brands**

Pacific Brands, based in Melbourne, is a consumer products and retail company that owns a portfolio of iconic brands. The company has come a long way from when George Bond started selling imported hosiery to retailers in Sydney in 1915, becoming Australia's leading underwear and home furnishing company with some of the best loved brands in Australia, including Bonds, Berlei, Explorer, Rio, Sheridan and Tontine.

The company is organised into three reportable segments: Underwear, which supplies underwear, bras, socks, hosiery, babywear, activewear and outerwear; Sheridan, which supplies premium bedding products and accessories, towels and other home lifestyle categories; and Tontine and Dunlop Flooring, which comprises a pillow and quilt business and a flooring products business supplying carpet underlay and hard flooring. The company designs and develops its products which are sold through wholesale and retail channels (in store and online), predominantly throughout the Asia-Pacific region. In total, the company employs c.3,600 people across five countries.

Corporate Social Responsibility is an integral part of Pacific Brands and the company is committed to attaining the highest standards in ethical, responsible and sustainable business practices. Pacific Brands was the first Australian company to join the Ethical Trading Initiative (ETI) in 2008. More information about the company and its corporate social responsibility initiatives may be found at [www.pacificbrands.com.au](http://www.pacificbrands.com.au).

Pacific Brands is listed on the ASX and NZX under the codes ASX.PBG and NZX.PBG.

## **About HanesBrands**

HanesBrands, based in Winston-Salem, N.C., is a socially responsible leading marketer of everyday basic innerwear and activewear apparel in the Americas, Europe and Asia under some of the world's strongest apparel brands, including Hanes, Champion, Playtex, DIM, Bali, Maidenform, JMS/Just My Size, L'eggs, Wonderbra, Nur Die/Nur Der, Lovable and Gear for Sports.

The company sells T-shirts, bras, shapewear, underwear, socks, hosiery, and activewear produced in the company's low-cost global supply chain. A member of the S&P 500 stock index, Hanes has approximately 65,300 employees in more than 40 countries and is ranked No. 490 on the Fortune 500 list of America's largest companies by sales.

Hanes takes pride in its strong reputation for ethical business practices. The company is the only apparel producer to ever be honoured by the Great Place to Work Institute for its workplace practices in Central America and the Caribbean. For seven consecutive years, Hanes has won the U.S. Environmental Protection Agency Energy Star sustained excellence/partner of the year award – the only apparel company to earn sustained excellence honours. The company ranks No. 246 on Newsweek magazine's green list of 500 largest U.S. companies. More information about the company and its corporate social responsibility initiatives, including environmental, social compliance and community improvement achievements, may be found at [www.Hanes.com/corporate](http://www.Hanes.com/corporate).

HanesBrands is listed on the NYSE under the code NYSE:HBI.