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First Q&A

<**Q – John David Kernan**>: Hi, John Kernan from Cowen. Just on Innerwear, I think it’s not a specific modeling question, but we look at the slowdown in cash flow the last few years, a lot of it’s been because of working capital built and I think it’s probably been concentrated in Innerwear. So how does that evolve over time and fit into your plans to take inventory turn back up?

<**A – Gerald W. Evans**>: I think Mike spoke briefly about the fact that we feel very good about where the inventory is and where it’s going, that we’ve got a lot of opportunity in working capital. But I will say that in the model that we’re going to talk about later in the day we’re assuming no benefit from working capital. We’ve got very good plans throughout the organization. And maybe Mike would like to speak to this briefly, as it relates to how we’re working through the opportunity to improve turns. Mike, would you like to add anything here?

<**A – Michael E. Faircloth**>: We are doing a lot of work in Asia to tighten up our lead times. And it really is to return inventory turns back to where we were over the next few years. And it’s just really focused on inventory turns, lead times and tightening up the supply chain.

<**A – Gerald W. Evans**>: Yes. John, I would just add to that that the other thing is, as you integrate these acquisitions, and we have a lot of them going on right now, you tend to build up some extra in the pipeline as you’re internalizing that production. You’ve got a little bit duplicate production going on. That will also wind down and help achieve those improvements in working capital that Mike mentioned.

<**Q – Bob Fontana**>: Bob Fontana from Investors Trust. The partnership with Amazon for Innerwear. I know having a partnership certainly sounds good and it seems to be successful for you. But what does that actually mean for you guys? What’s entailed with that?

<**A – Gerald W. Evans**>: Well, we view our partnership with any of our accounts as an important step. It allows us to work more directly with the senior levels of the organization, bring our portfolio of brands together and work with them to not only develop individual categories, but develop brand presentations as well. So from our standpoint we developed it first as a U.S. partner in the scheme of working with Amazon. But now we’re working on a global basis. And so that’s pretty important to be in that level of working. You’re not working in a buyer level; you’re working much higher up in the organization.

<**Q – Susan Kay Anderson**>: Hi, Susan Anderson, B. Riley FBR. To follow up on the Amazon question, maybe if you talk about how you monitor pricing and promotions on the website. And then globally the growth is obviously much stronger internationally. So maybe if you could just – with Innerwear I guess growing with the population 1%, what's driving the global growth? Is it pricing, market share, new products?

<**A – Gerald W. Evans**>: Sure. Let me start with that one. I think some of it certainly, as David finished nicely on that point, is the model that we've created in many of these countries has certainly allowed us to not have the same disruption of retail that we've had to deal with in the U.S. We talked about a 6% CAGR. Now he went through that period of time, and as they came out the other end with their consumer-direct initiatives and so forth, they've driven that very strongly and driven their brands and their brand share, as you saw. And that positioned us well. So I think that's an important driver.

As we cross over to Activewear you'll see the same thing, bigger international as we have stronger growth coming out of some of the consumer-direct models as well in those businesses. From the standpoint of Amazon, we work diligently with all our customers to position our brands at the appropriate level of pricing in the market. And I think all retailers actually care about their return on what they sell. And so we monitor all our programs appropriately with our retailers. And it also – I mean, it's up to them to set their pricing. We don't set their pricing. But we work with them to optimize the value they get on our brands across every channel.

<**Q – Chethan Bhaskaran Mallela**>: Hi, Chethan Mallela from Barclays. I want to ask you about platform innovations, which I know has been a pretty big part of the Innovate-to-Elevate strategy over time. First, where do things stand on FreshIQ and what's the forward expectation there? And then just in general, if you were to rate your current innovation pipeline versus the last Investor Day, how robust is that pipeline versus where it was maybe a few years ago?

<**A – Gerald W. Evans**>: And I'm glad you used the word "platform" innovation. Then I'll know how to answer your question on FreshIQ specifically. But platform innovation is important. We don't do one-and-done kind of innovations or one every season. When we do one we really work with the consumer, identify big consumer ideas and then we take them and make them platforms and we push them across and we expect them to last for 5, 10-year kind of things, not one season. So I think FreshIQ is a good example of that. Certainly the last time we had one of these it was X-TEMP and we just talked about expanding that now internationally. So it's still growing as well. But let me ask Howard to answer the question on…

<**A – W. Howard Upchurch**>: Okay, yes. On FreshIQ, I mean, that was a core innovation that we put across, the underwear and socks product line in the men's area. And it's done really well. As I said earlier, we had share gains last year in men's underwear as well as in socks. And we certainly know that was a driver for that. And I'll just add on, the X-TEMP platform continues to do well also. So we get innovation in the market and they do last for many years and then we try to build on them.

<**A – Gerald W. Evans**>: And then talk about the pipeline. He asked about the pipeline.

<**A – W. Howard Upchurch**>: Yes. On the pipeline, I mean, we just continue to have a very robust pipeline. We've got lots of ideas in the works and we're excited about our pipeline. And you'll see more.

<**Q – Irwin Bernard Boruchow**>: Yeah, good morning. Ike Boruchow, Wells Fargo. Two questions. I don't know if this one's for Mike. But we know about the Champion costs becoming a little bit of an issue the last quarter. So in distribution it sounds like you're confident that those costs normalize in the back half. Just kind of curious the puts and takes that give you confidence there. And then I guess, Gerald, in the assumptions you gave us over the next several years, is there underlying assumption on what private label penetration becomes in North America? Or do you not get that granular?

<**A – Gerald W. Evans**>: Let's let Mike – that first one.

<**A – Michael E. Faircloth**>: Sure. Thanks. So really the efficiencies are in the distribution channel. Now just specifically to the Champion business, it's one distribution building and we've had to hire a lot of temporary labor, bring on labor very, very quickly, go through the training curve. Obviously we're permanently staffing the labor now, giving them good time for training. And we've had to find additional space to bring the product in, to get the product properly organized and then to add the pick slots and to operate efficiently. We're moving the product through to the consumer, but we're just moving it through in a less efficient way than we desire. So it's normal, basic distribution fundamentals that we'll fix over the next few months.

<**A – Gerald W. Evans**>: From the standpoint of private label, look, we believe – you must have heard at least one phrase multiple times – brands matter. And we do believe that. And you've seen the branded position actually get stronger and even stronger online than in bricks-and-mortar. So we believe that brands will remain very strong. And we don't expect a massive push to private label.

<**Q – Michael Charles Binetti**>: Hey, good morning. Michael Binetti of Credit Suisse. Could you just expand on the private label comments a little bit? What are the dynamics that you think drive different penetration levels in private label online versus in brick-and-mortar? And why should it remain lower than in brick-and-mortar? Help us understand it a little bit, because it seems like you're a little bit less able to control things like the ability to get your product placed on an end-cap for high visibility in a store. Maybe just talk us through so we can kind of see forward the way you guys do on private label.

<**A – Gerald W. Evans**>: First of all, the way you ask that question didn't indicate to me that you actually believe the data I just put out there. The brands are very strong online. They're actually stronger online than on bricks-and-mortar. I want you to take that away.

<**Q – Michael Charles Binetti**>: Yeah.

<**A – Gerald W. Evans**>: Because that is true. And it's being driven – if you looked at the end of 2017, it's as strong if not stronger. So what it says is online's developed dramatically, but private label has got smaller during that period of time. And it's for the same reason that they buy brands in stores. They care about the brand promise and what's important. So in something like underwear it's always been price is like the distant fifth. It was in 2010, if you look at it. It was in 2017. A lot's changed in the world of online, but the consumer proposition about what's important in the brand has not. And that's what we deliver every day and how we drive our brands and so forth. So we believe as long as we do our job and notice that brand position, and that equity's in those brands, consumer will buy those brands.

The reality is, if you talk to the people that run brand sites in retail, they will tell you that the consumer doesn't want to spend much time on that website. So brands are a reinforcement on why they should buy and what they will buy. Because they go to buy what they know. And if you go out there and first thing that pops up on that page is a brand, or it's something you recognize, you buy – because nobody wants to go through all those pages and a hard shopping experience. So we believe that brands are a very important lever to buy brand over time. And we believe that brands are going to be as strong, if not stronger, on online.

Think we'll take a couple more and then we'll go to break. Yeah.

<**Q – James Vincent Duffy**>: Hi there, it's Jim Duffy. Couple questions from me. One, with respect to the online business, you mentioned that the margins are comparable to what you're seeing for brick and mortar. Can you talk about how you're currently fulfilling that business? Is it a mixed model where you're doing some of the fulfillment yourself and also you have some partners that you're taking inventories? And then I have a question on manufacturing infrastructure.

<**A – Gerald W. Evans**>: Yeah, it is a mixed model, Jim. And it's even mixed by geography, so I'm going to make a little more complex answer. I'll let David chime in a little on the Australian side in just a minute to give you the full breadth. But if you deal with some of the pure play group, we're fulfilling in cases. If you're doing our own websites here, for example, we're fulfilling in picks. So it's a combination of the two. But given a large share of our business is done through pure plays and through our brick-and-mortar partners in this country, the large majority of it is in a full-case model, which would be similar to our wholesale business this year. David, you want to touch on the Australia?

<**A – David Bortolussi**>: Yes. So it's different in Australia because of the vast majority of our business is around direct-to-consumer business in online. So we ship and pick that directly ourselves. So we service all channels and online retail and wholesale directly are the ones we see in Australia. It's a different model. Amazon, as I noted in my presentation, is only a recent market entrant. So we're doing a small amount of business with them at the moment. And as far as our other customers go we drop ship for one or two of those, but most of that is being fulfilled by them. So the vast majority of our business direct shipped by ourselves.

<**Q – James Vincent Duffy**>: And to be clear, with marketplaces like Amazon in the space, are you doing drop-ship and pick-and-pack fulfillment?

<**A – Gerald W. Evans**>: The vast majority of our business is done as a first-party transaction. So we don't do a great deal of marketplace with them, so to clarify that. And I would just like to say on David, when you get a business that's as dependent on pick-ship as his is, they've done a great job of defining their DC and the efficiencies of their DC to deliver the kind of profitability mentioned. So they've done a nice, nice job in adjusting their model to be very efficient from a profitability standpoint on fulfillment as well.

<**Q – James Vincent Duffy**>: Great. And then the manufacturing infrastructure. You mentioned manufacturing nearly 80% of the product. What are the categories where you're not currently doing it? Is there opportunity to bring that in house or are those just categories which are outside the range of competency you want to make investments in? Thanks.

<**A – Michael E. Faircloth**>: Yes, thanks. So on the 80% of the units, so that fluctuates over time as we acquire companies. And obviously we've acquired multiple companies recently. So we are continuing to internalize products. Our capabilities have increased over time. We're able to produce products for all the global markets and meet their requirements. The type of products that we tend to keep on the outside are products that may change over time and that we can't get significant leverage inside of our factories, but we get leverage negotiating the yarn cost, the material cost, all the component costs. So whether we do it in our factories or we source the product, we're still sourcing it strategically and finding some common item and common scalable opportunity to negotiate a price.

<**A – Gerald W. Evans**>: One more here and then we'll go to break.

<**Q – Heather Nicole Balsky**>: Thank you. Heather Balsky; Bank of America. You talked about Innerwear stabilizing this year. And there have been a lot of headwinds in terms of store closures and destocking. What are you hearing from your retail partners right now with regards to inventory management? We're hearing from some of the mass retailers and some of the mid-tier department stores they're tightening inventory overall. Are they tightening it in your categories? Do they feel comfortable with inventory levels?

<**A – Gerald W. Evans**>: I think when we look at our categories from a tightening standpoint that went on earlier in some cases in the door closures. And I think Howard said that very clearly in his presentation, is that we've seen that settle down and from the standpoint where we are. There was a fairly significant tightening that went on through several destockings in that channel. But for some time now we've seen that settle. So we feel those levels are settled.

If you watched the chart, where apparel turned down it came more when you had that big door-closer in the – it was sloping down but it went below the line as the door closures came in early 2017. That was a significant amount of total door closures over the last three years. And we've seen that sort of work through now as the category bottoms out. And the number that we know about this year that we've built into our guidance was far lower than the number of door-closes that we had last year. So we feel like we sort of plateaued from the standpoint of the retail adjustment. And we'll begin to work that thing up in the second half of the year and stabilize it.

<**Q – Heather Nicole Balsky**>: Just with regard to the shift online and I guess maybe the need to hold as much inventory as you did in the past, are you seeing retailers change their habits and cutting back in terms of what they're holding in the DC or anything like that?

<**A – Gerald W. Evans**>: What was remarkable about the inventory tightening over time, as painful as those destockings were, in some of our basic categories, our retailers now, particularly the mass, are as competitive within a week or two, of weeks of supply to the pure play. I mean, they've tightened their turns that effectively. So they've become very effective at their turns and modeling their – managing their inventory very effectively, to be competitive.

<u>Second Q&A</u>

<**Q – Laurent Vasilescu**>: Good morning, Laurent Vasilescu from Macquarie. Just a quick question on the revenue guide for 2022. I think the base case is calling for \$7.1 billion, which I think implies a \$300 million incremental increase from 2018. Within that, I think you called out for Champion to increase by \$600 million to \$2 billion. So, just curious to know if the revenue base is more of a conservative, or are there offsets that we should consider on the 2022 guide? Thank you.

<**A – Gerald Evans**>: I think what you saw here today from the team is a tremendous amount of growth opportunity and you've called out one in particular champion, which is really growing very fast around the world. As it relates to the base model, what we just provided you, it's a very conservative – I think it's a very conservative approach, okay? We are fundamentally discounting a great degree of what you saw here today to arrive at what we think is, as I described it earlier, a de-risked model. So I would somewhat separate the two and suggest to you that you think about it in terms of what we just demonstrated in that presentation, is – in my section, at least – is what 1% organic can create. And so it's – the business has got a lot of opportunity.

<**Q – Steven Marotta**>: Steven Marotta from CL King. Barry you mentioned in the operating cash flow for 2020 is expected to be roughly \$1 billion that would be with acquisitions, roughly over \$900 million without acquisitions, can you disassemble how you get there from here from the current guidance for this year as well as if any of that benefit is associated with working capital additions or reductions in inventory or benefits from receivables?

<**A – Barry Hytinen**>: Okay. Thanks. Great question. A way to think about the cash flow is, and you suggested it, starting with 2018. So the midpoint of our cash flow from operations guidance is about $713 million this year. And there are a couple of things you ought to start with. The first one is, in the – this year, in 2018, we have a $30 million cash hit from the earn-out for our Champion Europe acquisition. As you know, that has been a very successful acquisition, and it achieved an earn-out which is one time in nature. In addition, as we talked about, all of the acquisition and supply-chain-related costs that we have in 2018 will go to zero over the course of that time.

So that's $80 million that goes to zero, and of course we want to after-tax that. That right there gives you over $100 million of add back, and you'd be a little north of $800 million. On top of that, you'd use the pricing action that Howard described, which is about $35 million, and then what we've assumed, and I think this is going to prove to be conservative, we put in a net of $50 million from synergies and booster, as well as view around being conservative around margin headwind as it relates to that growth coming from the lower-margin businesses that I mentioned.

So right there, you'd be closing in on or at $900 million. You know we also have – it's small, but we have the benefit next year of the Bras N Things wrap year-on-year because we acquired that in mid-February, and then you'd have a modest amount of incremental cash flow coming in from – or the 1% organic. So you should find in your model that you'll be well north, low $900 millions, of operating cash flow in 2020. And I would note that none of that is coming from working capital in that assumption. So to the extent, we have the opportunity to continue to improve cash cycle, that should be additive in the year that it occurs. Thank you very much.

<**Q – Chethan Mallela**>: Hey, Chethan Mallela from Barclays. Barry, I wanted to follow up on the comment in your prepared remarks about there being an internal effort to improve the forecasting of the business. Can you just elaborate a little more on what that initiative has entailed and just philosophically if there's any change that's been implemented as part of that? Thank you very much.

<**A – Barry Hytinen**>: Okay. So without going too granular, I would say that – first off, I should note that the business has done a good job with forecasts. There's always been forecasts in the business. However, with the various ups and downs that Gerald alluded to, it – we've gone through a period where the forecast over the last few years has been more challenging. I would say that the process changes we've made is, we are getting to a point now where we are, on a global basis, forecasting the business on a weekly rhythm, such that my team together with their business partners are looking at what's the view as it relates to revenue and margins in the current quarter, as well as going out beyond that on a periodic basis into the out-quarters. And I think it's a disciplined rigor of a cadence that allows you to continue to refine and assess where are we, which enables us to make decisions that improve performance.

<**Q – Jim Duffy**>: Thank you. Hi Barry, Jim Duffy. A question related to the objectives for synergies and Project Booster. I think I add up the residual remaining from those, there's about $80 million in synergies and another $100 million from Project Booster. You're speaking to $50 million or so net realization of that. Is that conservative – excuse me, conservatism, or are there specific places where you're planning reinvestment in the business? Can you help us think through that?

<**A – Barry Hytinen**>: Hey, Jim. Nice to speak with you. Good question. First off, I would say we're getting a little bit of the Booster now. Of course, we're also investing in marketing, et cetera, but there's in excess, well over $100 million, $150 million at least of combination. So I agree with your premise that there's a lot of opportunity in synergies and Booster to come. As it relates to the amount that we've worked into the model, yeah, I agree, it's conservative. And the view there is, let's net that against an assumption that with margin coming – resulting from faster growth on the lower-margin businesses, that that's a bit of a headwind, and frankly, with respect to some of the growth we're seeing and expect to see in some of what you saw today, Champion, et cetera, I think that this is going to prove to be conservative. But from a baseline standpoint and just giving kind of a 1% organic growth model together with a de-risked margin assumption, we felt like it was prudent to assume just at that level. But you're right and – that there is inherently a lot of synergies to come. There's a lot coming out of Booster. But that is the – the teams are highly engaged across the organization, whether it be within the supply chain, whether it be within the business teams, Booster is engrained in the organization, we are driving for lower costs everywhere in everything we do, and so that's part of why I think it will be proven to be conservative.

<**Q – Tiffany Kanaga**>: Hi, Tiffany Kanaga of Deutsche Bank. One thing that I found missing from today's discussion compared to prior presentations and commentary is a commitment to long-term double-digit EPS growth. Can you reaffirm that this is still the growth algorithm overtime and part of the long-term plans that you outlined today?

<**A – Barry Hytinen**>: So, the plans we outlined today just being that 1% organic and what I would – what we've just finished talking about, which is, I think, a relatively conservative operating margin expansion view, results in – if you work through the cash flow – I know you haven't had a chance yet to fully model this – I think you're going to find that there's about roughly $1.5 billion of cash available for share repurchases over the next few years as we get past the deleveraging period here.

And so, I don't want to ascribe a multiple to the stock in the future, when we might be resuming repurchases – excuse me, when we will be resuming repurchases. But I think that there will be a – likely, a significant share benefit over the next few years in this model. And so what I think you'll find is if you're choosing the 1% organic growth scenario, that you will find your EPS is likely to be in the high-single-digit growth level over this period. And if you choose the M&A scenario, which frankly is much more consistent with the operation of the business and how we think about our strategy, you're likely going to be looking at low double digits.

<**A – Gerald Evans**>: And a consistent return on top of that – a dividend on top of that, which gives you a nice valid total return to the shareholder.

<**Q – Brandon Teel**>: Hi Guys, Brandon Teel with ArrowMark Partners. Just quick question, I think you said Innerwear for the U.S. slightly down over the period. So we all know the disruption that's been going on recently, but can you talk about why that would continue over the next few years from here?

<**A – Gerald Evans**>: Okay. Well, I think this is another example of where we're trying to be prudent and conservative with respect to the approach. The initiatives that Howard spoke about and that his team is working on are substantial, and we have confidence that we are going to see that business begin to stabilize, and in fact, we expect by the end of the year it to be up just modestly.

However, for the purposes of this presentation, and certainly in what I would characterize as a de-risked scenario, we felt it was prudent to assume that it would be slightly down, and then that way balance against what is just a slightly up expectation for the U.S. Activewear business over the period, such that the U.S. remains flat. So not just – it's not a view that we aren't driving considerably, and that our brands are very strong, and we're going to continue to invest in them. It is a modeling element.

<**Q – Brandon Teel**>: A follow-up on international Innerwear assumptions?

<**A – Barry Hytinen**>: We didn’t break out the specific international, but in total, our global Innerwear view is for about 30 basis points of improvement in – on a CAGR basis throughout the period. So if you balance that against our U.S. business, you'll find that obviously the international Innerwear business is expected to be growing a little bit faster. And when you think about our position in Australia and together with Bras N Things, it's, I think, quite compelling.

<**A – Gerald Evans**>: But again, you balance that conservatism of the model with the activities you hear, and that's what we're delivering. It is a nice de-risked model here.

<**Q – Westcott Rochette**>: Hi, Westcott Rochette with Evercore. Question on Champion: You guys have done a great job activating the growth. It's moving rather quickly. How do you manage the various channels, how do you keep the existing partners happy and make sure it's not over-distributed, particularly in the U.S.? And then in Europe, I know you guys gave the doors that were increasing; is it mostly going to come from wholesale or are you going to significantly increase your retail presence in Europe as well? Thanks.

<**A – Gerald Evans**>: Thanks, Westcott. Thanks for the question. You've followed the story a long time, so one of the great things is to know the story and to hear the story as John told it and how it's evolved over time from an activewear business in total that had a small Champion business that was largely domestic and focused to one now that's been built over these years to an assembly of Champion Europe as well as buying back a licensee to complement what we had in Japan, selling across multiple channels and creating multiple avenues to growth for the brand.

So you see it in the numbers. You saw it ramping it from quarter to quarter. You saw that 21% that was 17% constant currency, 30% in Asia, 23% in Europe, 50% in the U.S. outside of the mass channel, and 8% overall, so a lot of channels. We've got a lot of avenues to grow. And some of them have been in place longer than others. And so as we've said, we would suggest that there's 80% of it this year will be outside the mass channel. We'll see a maturing in that channel, which we've seen for some period of time, because as we elevate our business we've got this canvas to paint now, and we're elevating the business and driving it forward.

And one of the beauties of what we've built is if we have all these levers that we have multiple ways to drive toward that $2 billion number that we had said we'd get to over the next few years, and we're very comfortable in getting there. And we love the portfolio of offering we have, because any fluctuation in one area is offset by gains in another. And there's tremendous momentum in the brand.

We do manage the brand carefully across channels, and we segment the product, as you saw in the presentation. And so as we push up into Europe, to your question, there is quite a bit of opportunity to – in that part of the world. You heard that we were more of an Italian-based business in Europe to start with, and there's a great deal of push up there, but some of that's also our own stores. So we very selectively opened some Champion-branded stores in Northern Europe as well to reinforce our positioning. The – probably the hidden jewel in this is – that you'll pick up on is the strength of the Asian business, which is really ramping very fast. And as you saw, they've now entered China as well, with a partner who's opening stores, and we're selling to that partner. And so there's a lot of energy across multiple places. You saw the push online as well.

So we're managing the positioning of the brand but certainly taking it across appropriate channels to reach the customer. And probably the most exciting thing is that the whole – there's a whole group of consumers that are 18 to 22 years old that are discovering this brand and think it's a new brand, and it's going to be 100 years old next year. So what more could you have, to have a 100-year-old brand that people thinks' a new brand in some of the new generation?

And that's how a 100-year-old brand could exist for so long; it's constantly reinvented. So we couldn't be more excited about the Champion brand.

<**Q – Bill Schultz**>: Hi. Bill Schultz from Goldman Sachs, going back to the long-term targets again, big picture, in your base scenario; did your organic growth plan imply gains or losses of underlying market share in U.S. Innerwear? Thanks,

<**A – Barry Hytinen**>: I don't know that we, if you will, are prognosticating on what the – how this model compares to the industry. I mean, frankly, these industries – these categories that we play in are consistent growers, but over the last few years it's been, as we described it earlier, channel disruption. So our view of this is, on the U. S. business, we felt using a flat scenario was prudent, and I think it enables us to have the opportunity to work with whatever the industry grows at.

<**A – Gerald Evans**>: What Howard covered, as you saw, was 120-basis-point pick-up in the U.S. in Basics during that period of time, so we're gaining share, and that's why we come to work every day, is to gain share. So we're not planning to lose share along the way.

<**Q – Michael Binetti**>: Michael Binetti of Credit Suisse. Can I ask you, maybe a broader industry question to get your view on how your brands fit into this? But when we look at the portfolio brands you have, and pointed out when they were all started, these are very long duration brands you have and that's what we think about with the overall portfolio. There are a number of places around the industry where there's a love of all things, 1990s love of all things, logo going on right now. How do you think about the durability of the Champion brand?

And maybe what are some of the KPIs that you look at to say, we do have durable growth here out those five years versus what could be participating in a trend now that could recede across the broader industry for a few brands?

<**A – Gerald Evans**>: Well, I think there's a lot of ways to look at durable growth. One of the great things about Champion is while we didn't own it in the various parts of the world, it remained pretty well true to its positioning, its brand positioning. But as it developed, the U.S. business became more of a performance line while the international businesses were a bit more lifestyle. We're able to cross those product lines now. And you saw in the chart we're developing more performance in Europe and we're bringing more lifestyle a here, which gives us the ability to fill out the lines and fill out the full performance or full offering of the business.

From the standpoint of engaging with the consumer, you can see our equities are lifting in general. That's not the – and it's among young and old. That's not the indication of a fad. That's the indication of a group that's discovering a brand and they're adopting that brand. And that's really how we've nurtured all our brands over time. We consistently bring innovation. We connect with that consumer. We connect with them on their platforms and so forth. And we believe that having the brand together and feeding it as one brand now and engaging that consumer and engaging that consumer consistently and bringing that new user space in is how we'll keep this brand healthy. We don't see it as a fad at all.

<**Q – John Kernan**>: John Kernan, Cowen. Just sounds like pricing will be used next year to offset some of the coming cost inflation. Can you talk about how you expect the industry to react to price increases? Do you think it will stay rational competitively? And then I have a follow-up.

<**A – Gerald Evans**>: Sure. I think that what you're dealing with here is a general push in inflation coming through in several places. We're not a cotton-based company like we once were, but that's where everybody wants to take this conversation. Cotton is one of many raw material that is pushed up. Oil, labor and other things have pushed with it.

So there's a broad-based push in cost that's affecting all of apparel in general as well as most products. And even our retailers are feeling it. So we've begun to have the conversations. We're not receiving any surprise. When we have those conversations, most of them are experiencing it already and are expecting those conversations and we're moving down the path. We feel very comfortable that we'll get our pricing in place.

<**Q – John Kernan**>: And Barry, when we think about the 125 basis points of operating margin expansion, sounds like international because of the synergies, that segment will be a fairly large driver of that. How do you think about Innerwear and Activewear segment profitability within your targets?

<**A – Barry Hytinen**>: Okay. So on the Innerwear point, in light of the earlier discussion that we had as it relates to the base assumption that's in there, for it to be in the U.S., to be slightly down. That's a margin headwind. But if you look at the rest of the business, internationally in particular, look, the performance we're seeing there is very strong. You saw the performance in the first quarter with the margins improving. You know we've said before that by the back half of this year, we expect that the international segment margins will be meeting, if not exceeding, the corporate average. I have high confidence in our ability to drive that and beyond.

You are correct that while we haven't baked in much in the way of synergies, frankly, on a net basis, those will disproportionately flow to the international segment going forward, and that will further improve those. And together with that, some of the growth drivers that you heard today are accretive to the international margin; many of them, frankly.

And so I think you will see our international business become more and more of a bright spot for the business over the next few years.

<**A – Gerald Evans**>: All right that’s all, thank you for your time. And I know T.C.'s going to tell you where to go in a minute. But I just want to thank you again for coming. I hope you saw among other things, our excitement about the business. But for me personally, how proud I am of the team we've built and the depth of the team we've built. I hope you'll get to spend some time with them as we go out to the showroom and see our products as well.