



**carter's, inc.**

**Third Quarter 2021 Results  
&  
Business Update**

**October 29, 2021**

# Third Quarter 2021 Results (GAAP Basis)



\$ in millions, except EPS

	<b>Q3 2021</b>	% of Sales	<b>Q3 2020</b>	% of Sales	<b>Increase / (Decrease)</b>
Net sales	\$891		\$865		3%
Gross profit	409	45.9%	384	44.4%	7%
Royalty income	8	0.9%	9	1.0%	(7%)
SG&A	293	32.9%	279	32.3%	5%
Operating income	124	13.9%	114	13.1%	9%
Interest expense, net	15	1.7%	16	1.9%	(7%)
Other expense (income), net	1	0.1%	(3)	(0.3%)	N/M
Income before taxes	108	12.2%	100	11.6%	8%
Income tax provision	23		19		23%
Net income	\$85	9.5%	\$81	9.4%	5%
<b>Diluted EPS</b>	<b>\$1.93</b>		<b>\$1.85</b>		<b>4%</b>
Weighted average shares outstanding	43		43		
EBITDA <sup>1</sup>	\$145	16.3%	\$140	16.2%	3%

<sup>1</sup> Non-GAAP measure; see reconciliation to net income in appendix.  
Note: Results may not be additive due to rounding.

# Non-GAAP Adjustments



\$ in millions, except EPS

	Third Fiscal Quarter					
	2021			2020		
	Operating Income	% Net Sales	Diluted EPS	Operating Income	% Net Sales	Diluted EPS
<b>As reported (GAAP)</b>	<b>\$124.0</b>	<b>13.9%</b>	<b>\$1.93</b>	<b>\$113.5</b>	<b>13.1%</b>	<b>\$1.85</b>
COVID-19 expenses	0.3		-	3.3		0.06
Restructuring (benefit) costs	(0.2)		-	1.2		0.02
Store lease (benefit) impairments, net	(0.3)		-	1.5		0.03
Total adjustments	(0.1)		-	6.0		0.11
<b>As adjusted</b>	<b>\$123.9</b>	<b>13.9%</b>	<b>\$1.93</b>	<b>\$119.5</b>	<b>13.8%</b>	<b>\$1.96</b>

Note: Results may not be additive due to rounding. Please see the appendix for further information about these non-GAAP adjustments and reconciliation to GAAP.

\$ in millions, except EPS

## Net Sales

## Adjusted Operating Income<sup>1</sup> (Adjusted Operating Margin)

## Adjusted Diluted EPS<sup>1</sup>



## Highlights

- Strong demand for our brands
- Net sales constrained by global supply chain delays
- Profitability exceeded guidance on better price realization and expense management
- Strong margin performance
  - Record Q3 gross margin and gross profit
  - Operating margin 13.9%
- Returned \$128M to shareholders in Q3

<sup>1</sup>See reconciliation to GAAP in appendix.

# Third Quarter 2021 Adjusted Results<sup>1</sup>



\$ in millions, except EPS

	<b>Q3 2021</b>	<i>% of Sales</i>	<b>Q3 2020</b>	<i>% of Sales</i>	<b>Increase / (Decrease)</b>
Net sales	\$891		\$865		3%
Gross profit	409	45.9%	384	44.4%	7%
Royalty income	8	0.9%	9	1.0%	(7%)
Adjusted SG&A	293	32.9%	273	31.6%	7%
Adjusted operating income	124	13.9%	120	13.8%	4%
Interest expense, net	15	1.7%	16	1.9%	(7%)
Other expense (income), net	1	0.1%	(3)	(0.3%)	N/M
Adjusted income before taxes	108	12.2%	106	12.3%	2%
Adjusted income tax provision	23		20		15%
Adjusted net income	\$85	9.5%	\$86	9.9%	(1%)
<b>Adjusted diluted EPS</b>	<b>\$1.93</b>		<b>\$1.96</b>		<b>(1%)</b>
Weighted average shares outstanding	43		43		
Adjusted EBITDA	\$145	16.2%	\$146	16.9%	(1%)

<sup>1</sup> Results are presented on an adjusted basis, a non-GAAP presentation; see reconciliation to GAAP in appendix.  
Note: Results may not be additive due to rounding.

\$ in millions

## Q3 Balance Sheet

	2021	2020
Cash	\$943	\$831
Accounts receivable	261	263
Inventory	722	647
Accounts payable	389	473
Long-term debt, net	991	989
Operating lease liabilities	618	759

## Q3 YTD Cash Flow & Return of Capital

	2021	2020
Operating cash flow	\$7	\$319
Capital expenditures	(29)	(25)
Free cash flow <sup>1</sup>	(\$21)	\$294
Share repurchases	\$110	\$45
Dividends	35	26
Total	\$145	\$72

- **Strong total liquidity ~\$1.7B<sup>2</sup>**
- **Net inventory +12% vs. LY**
  - Significant production/transportation delays across global supply chain
  - \$272M gross inventory in-transit, +103% vs. LY
- **Q3 2021 YTD cash flow reflects:**
  - Higher earnings
  - Elevated inventory due to supply chain disruptions
  - Significant payment deferrals last year
- **\$145M capital returned to shareholders Q3 YTD**
  - Share repurchases resumed; 2.5% of outstanding shares repurchased in Q3
  - YTD repurchases of \$193M (through 10/28/21)
  - Q3 YTD dividends of \$35M

<sup>1</sup> Non-GAAP measure. <sup>2</sup> Comprised of \$943 million cash & cash equivalents plus \$746 million borrowing capacity on revolving credit facility.

## Business Segment Results



# Third Quarter 2021 Adjusted Business Segment Performance<sup>1</sup>



\$ in millions

	Net Sales			Adjusted Operating Income			Adjusted Operating Margin	
	2021	2020	\$ Change	2021	2020	\$ Change	2021	2020
<b>U.S. Retail</b>	\$466	\$449	\$17	\$87	\$51	\$36	18.7%	11.4%
<b>U.S. Wholesale</b>	294	302	(8)	40	67	(27)	13.7%	22.3%
<b>International</b>	131	114	17	23	18	5	17.4%	15.8%
Total before corporate expenses	891	865	26	150	136	14	16.8%	15.8%
<b>Corporate expenses</b>				(26)	(17)	(9)	(2.9%)	(1.9%)
<b>Total</b>	<b>\$891</b>	<b>\$865</b>	<b>\$26</b>	<b>\$124</b>	<b>\$120</b>	<b>\$4</b>	<b>13.9%</b>	<b>13.8%</b>

<sup>1</sup> Results presented on an adjusted basis, a non-GAAP presentation; see reconciliation to GAAP in appendix.  
Note: Results may not be additive due to rounding.

# Q3 2021 Year-to-Date Adjusted Business Segment Performance<sup>1</sup>



\$ in millions

	Net Sales			Adjusted Operating Income			Adjusted Operating Margin	
	2021	2020	\$ Change	2021	2020	\$ Change	2021	2020
<b>U.S. Retail</b>	\$1,296	\$1,086	\$211	\$250	\$71	\$179	19.3%	6.5%
<b>U.S. Wholesale</b>	809	706	103	152	108	45	18.8%	15.2%
<b>International</b>	319	243	76	44	10	34	13.8%	4.1%
Total before corporate expenses	2,424	2,034	390	446	189	257	18.4%	9.3%
<b>Corporate expenses</b>				(83)	(54)	(29)	(3.4%)	(2.7%)
<b>Total</b>	<b>\$2,424</b>	<b>\$2,034</b>	<b>\$390</b>	<b>\$363</b>	<b>\$134</b>	<b>\$229</b>	<b>15.0%</b>	<b>6.6%</b>

<sup>1</sup> Results presented on an adjusted basis, a non-GAAP presentation; see reconciliation to GAAP in appendix.  
Note: Results may not be additive due to rounding.

\$ in millions

## Segment Net Sales

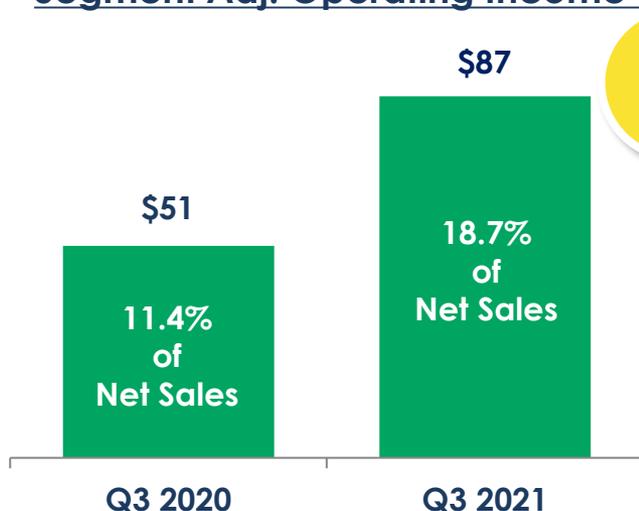


**Total Sales +4%**

## Q3 Recap

- **Net sales +4% vs. LY**
  - Comparable sales +5.9%
  - Good back to school / Labor Day demand
- **Growing omnichannel sales & order penetration**
  - Omnichannel-related sales +11% vs. LY
  - Stores supported fulfillment of 27% of eCommerce orders vs. 25% LY
- **Continued progress with store portfolio optimization**
  - >100 low margin stores closed YTD
  - Sales transfer rate >25%
  - Achieved rent reductions in over 70% of lease renewals in 2021
  - Evaluating new store opportunities
- **Strong operating margin 18.7%, +730 bps**
  - Improved price realization and fixed cost leverage partially offset by higher compensation provisions

## Segment Adj. Operating Income<sup>1</sup>



**+71%**

<sup>1</sup> Results are presented on an adjusted basis, a non-GAAP presentation; see reconciliation to GAAP in appendix.

## Point of Sale System



- **Faster checkouts**
- **Better integration of digital and in-store experiences**
- **Enables new marketing personalization capabilities**

## RFID Technology



- **Improves accuracy of in-store inventory**
- **Enhances planning and allocation decisions**
- **Expands gross margin**
- **Increases speed of delivery**

## Carter's Branding

**carter's**  
made for this

To the parents, grandparents, caregivers and families across our Carter's community:  
**you are made for this.**

- Launched “Made For This” campaign highlighting the joy of early parenting
- Campaign integrated across social media channels and YouTube
- Strong positive consumer sentiment on Instagram

## Age Up

Our top 5 for fall...(!)

**tween squad**

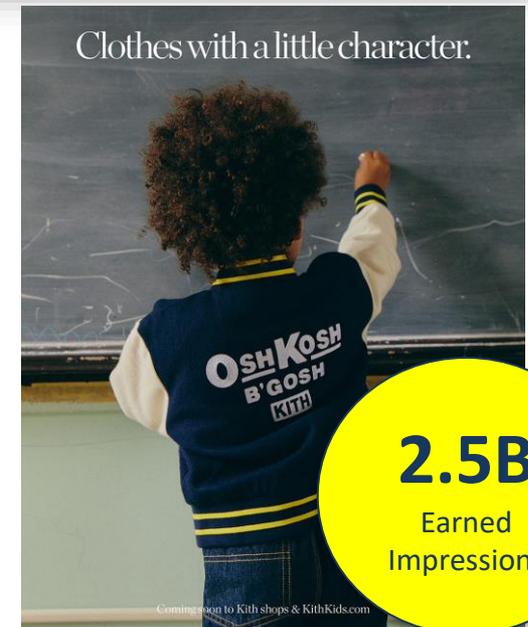
up to **50% off\*** new arrivals

SHOP TWEEN

- Strength in Back to School products across both *Carter's* and *OshKosh B'gosh*
  - Key items and first day fashion performed well
- Kid, Big Kid fastest growing segments in Q3

# OshKosh B'gosh Brand Campaign Drove Back to School Sales; First Ever Kids Brand Collaboration With Fashion House *Kith*

**carter's**



## LIMITED-EDITION HOLIDAY PJ PRINT

JUST ARRIVED! GOING FAST!



Carter's | OshKosh | Skip Hop | Little Planet

Search

Sign in | Join My Rewarding Moments™ | all the little things add up!

STARTING AT \$5

BRING ON THE BEST GIFT LIST

Introducing the merriest, coziest and coolest styles and toys this season from Carter's, OshKosh, Skip Hop and Little Planet – all waiting to be wrapped.

Who's on your list?

Baby | Toddler | Kid | Family

ALL THINGS FESTIVE

Picture-ready plaids, tulle, suspenders and sweaters for all.

SHOP THE FESTIVE LIST

## The cutest cards, inspired by **carter's** PJs.

Introducing exclusive holiday cards, decked out  
with prints from Carter's snugly family jammies.

[Shop the collection](#)



### Designs as adorable as your family. Almost.

Get ready to take your cards from "Aww" to "I literally can't even." This season, Vistaprint is teaming up with Carter's Clothing to bring you customizable cards showcasing their beloved PJ prints. The result? A collection loaded with whimsical details and the merriest motifs.



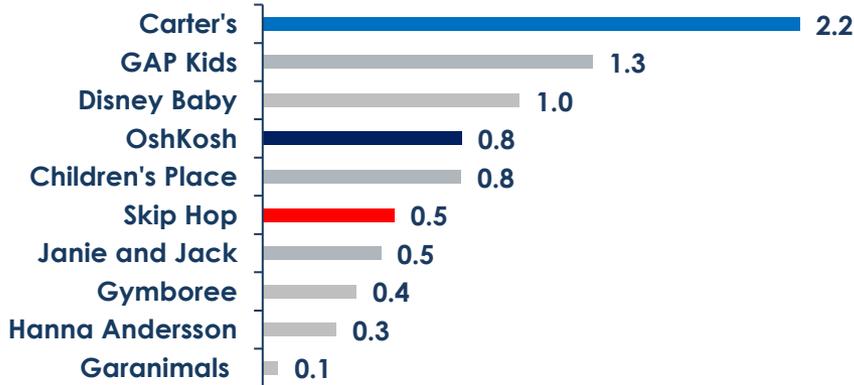
INTRODUCING  
 +

- **First-of-its-kind collaboration with Vistaprint**
- **Exclusive, customizable holiday cards that match Carter's beloved holiday PJ prints**
- **Holiday cards drive early shopping for family outfits**

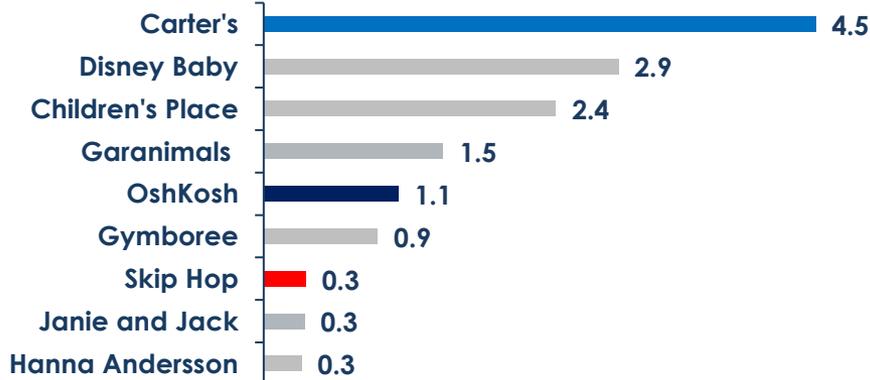
## Strong Consumer Following on Social Media<sup>1</sup>

In millions

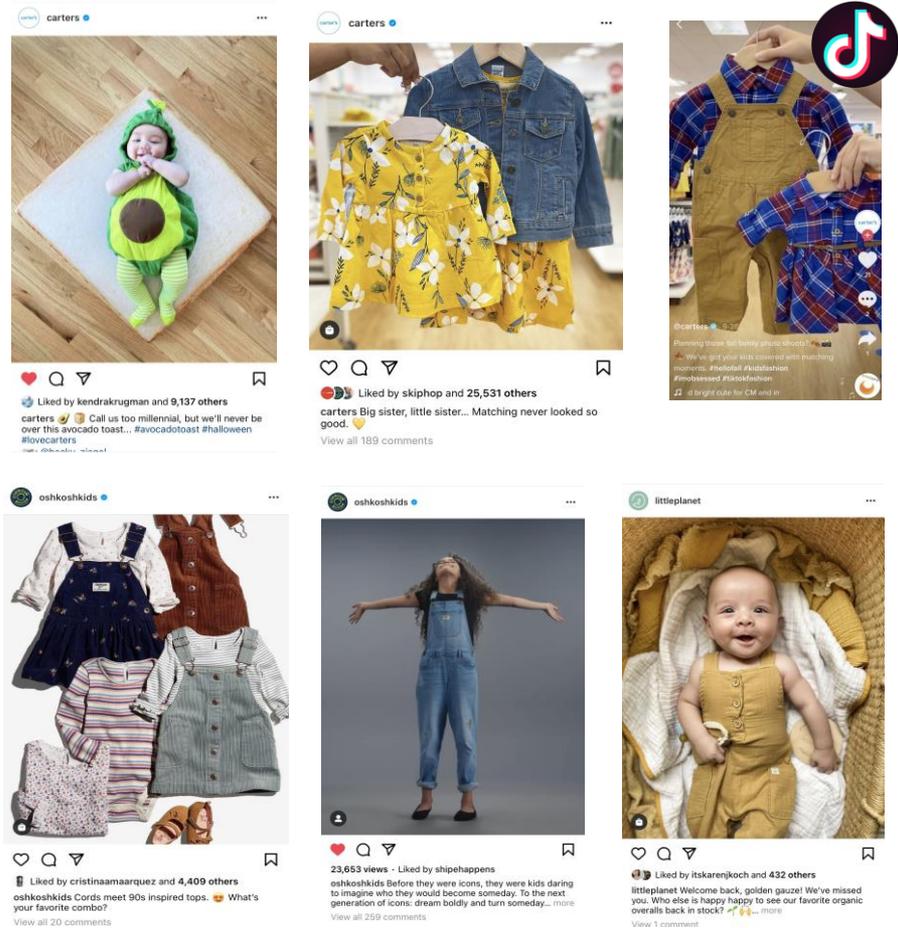
### Instagram Followers



### Facebook Likes



## Carter's and OshKosh Earned 72% of all Engagements Among Peers on Instagram in Q3<sup>2</sup>



<sup>1</sup>Source: Instagram and Facebook (as of 10/24/21)

<sup>2</sup>Third party engagement scoring on Instagram July – September 2021. Engagement peer set includes Carter's, OshKosh B'gosh, The Children's Place, Hanna Andersson, Janie and Jack, & Gap Kids

\$ in millions

## Segment Net Sales

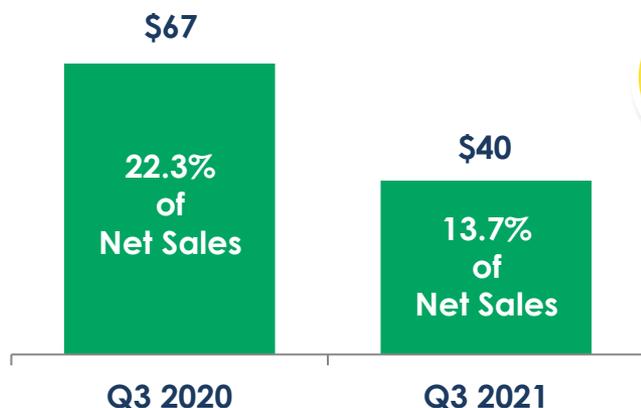


**Total Sales**  
-3%

## Q3 Recap

- **Supply chain delays impacted ability to support strong customer demand**
  - High order 'roll' into Q4
  - Good growth with Exclusive Brands
- **Strong over-the-counter performance at national retailers**
  - Higher sell throughs at better margins
  - Lean inventories across all customers
- **Profitability affected by:**
  - Significant air freight expense to expedite delayed product
  - Higher inventory provisions
  - Increased compensation provisions which were curtailed LY

## Segment Adj. Operating Income<sup>1</sup>



**-40%**

<sup>1</sup> Results are presented on an adjusted basis, a non-GAAP presentation; see reconciliation to GAAP in appendix.

# Exclusive Brands Marketing – Supporting Fall, Halloween, and Holiday Sales

**carter's**



**just one you.**  
made by  
**carter's**

**amazon**



**simple joys**  
by **carter's**

**Walmart**



**Ho, ho, ho-liday  
jammies**

Stock up on cozy favorites  
for your kids.

[Shop Carter's](#)

**Walmart**

**child of mine**  
made by  
**carter's**

**KOHL'S**<sup>®</sup>

**carter's**



'Tis the season  
for cozy jammies.



Shop Pajamas



Must-haves with a  
little holiday magic.

Shop Holiday Styles



Baby Girls'  
Pre-24M



Baby Boys'  
Pre-24M



Toddler Girls'  
2T-5T



Toddler Boys'  
2T-5T



Girls' 4-14



Boys' 4-14



**KOHL'S** | carter's

Cozy styles perfect for fall.



**KOHL'S** | carter's Shop Now

**macy's**

**carter's**

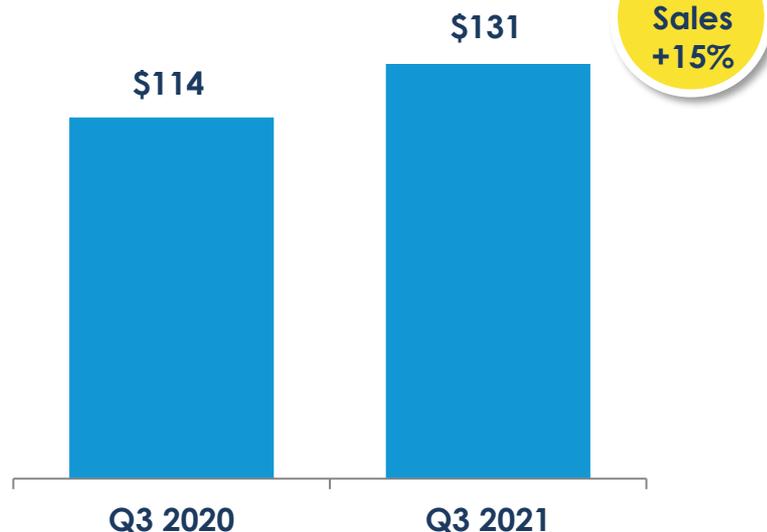
Holidays are coming...  
Grab festive jammies now!

[Shop Now](#)



\$ in millions

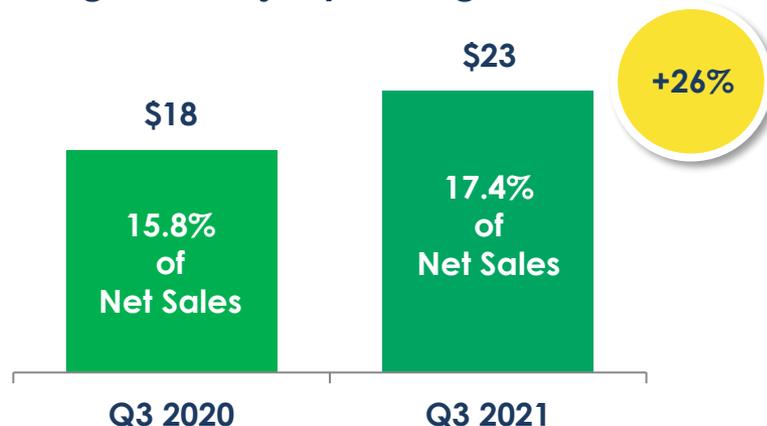
## Segment Net Sales



## Q3 Recap

- **Strong sales and earnings growth**
  - **+10% constant currency<sup>1</sup>**
  - **Canada net sales +5%**
    - Growth in both eCommerce and stores
    - Stores supported fulfillment of >25% of online orders
  - **Strong recovery in international wholesale demand**
- **Meaningful profitability improvement vs. LY**
  - **Strong sales growth**
  - **Better price realization**

## Segment Adj. Operating Income<sup>1</sup>



<sup>1</sup> Results presented on an adjusted basis, a non-GAAP presentation; see reconciliation to GAAP in appendix.

# New International Store – Monterrey, Mexico (Opened October 2021)



# Supply Chain Update



# Numerous Steps to Mitigate Impacts of Global Supply Chain Challenges

## Delayed Product

- **Active management of orders to minimize cancellations**
- **Effective use of “Pack & Hold” strategies**
- **Selective use of air freight**
- **Leverage retail business to sell excess inventory**
- **Placing earlier buys for 2022**

## Transportation

- **Port Congestion**
- **Market Rate Inflation**

- **Rebalanced inbound port destinations**
  - 50% West Coast
  - 50% Savannah, GA
- **Renegotiated ocean freight contracts to reduce exposure to higher spot market rates**
- **Engaged new small parcel delivery providers to mitigate rising eCommerce costs**

## Product Costs

- **Negotiated mid single-digit product cost increases in the first half of 2022**
- **More effective promotional strategies → improved price realization**



## 2021 Outlook

## Q4

- **We have raised our prior Q4 sales outlook**
  - Benefit of wholesale customer shipments shifting from Q3 to Q4
  - Continued progress in improving price realization
  - Favorable trend in International demand
  - Expecting continued global supply chain delays
- **Factors affecting comparability to prior year:**
  - Additional week of sales in 2020 (53-week year) (\$32M net sales)
  - Higher transportation costs (\$21M)
  - Inventory reserve releases benefited 2020 (\$15M)

## Objectives

- **Net sales: ~\$1,025 million**
- **Adjusted operating income: ~\$127 million (vs. \$145 million Q4 2020)<sup>1</sup>**
- **Adjusted diluted EPS: ~\$2.00 (vs. \$2.46 Q4 2020)<sup>1</sup>**

<sup>1</sup> See reconciliation to GAAP in appendix. Q4 2021 outlook excludes ~\$0.2 million of expenses related to the COVID-19 pandemic, including costs associated with additional protective equipment and cleaning supplies, and a benefit of ~\$0.1 million related to a gain on modifications of previously-impaired leases.

# Fiscal Year 2021 Outlook

(Adjusted Basis)

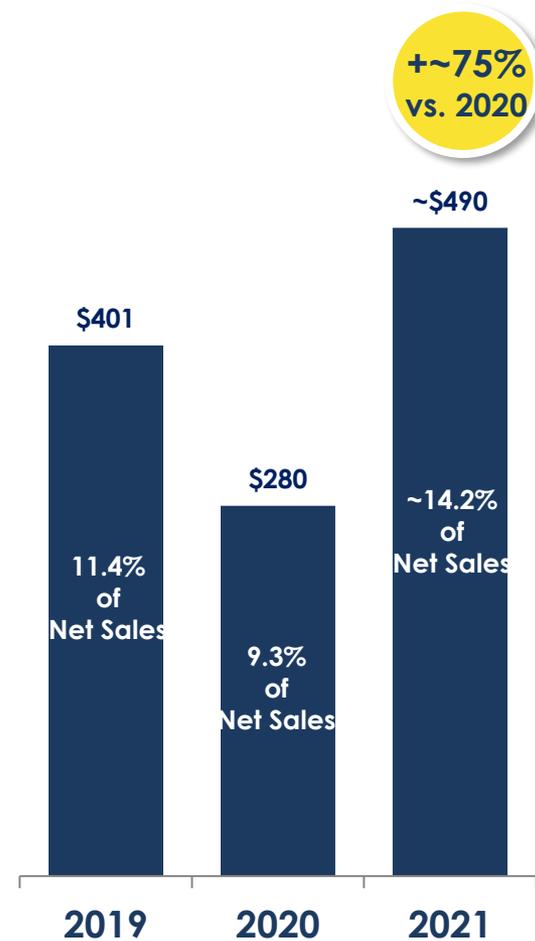


\$ in millions, except EPS

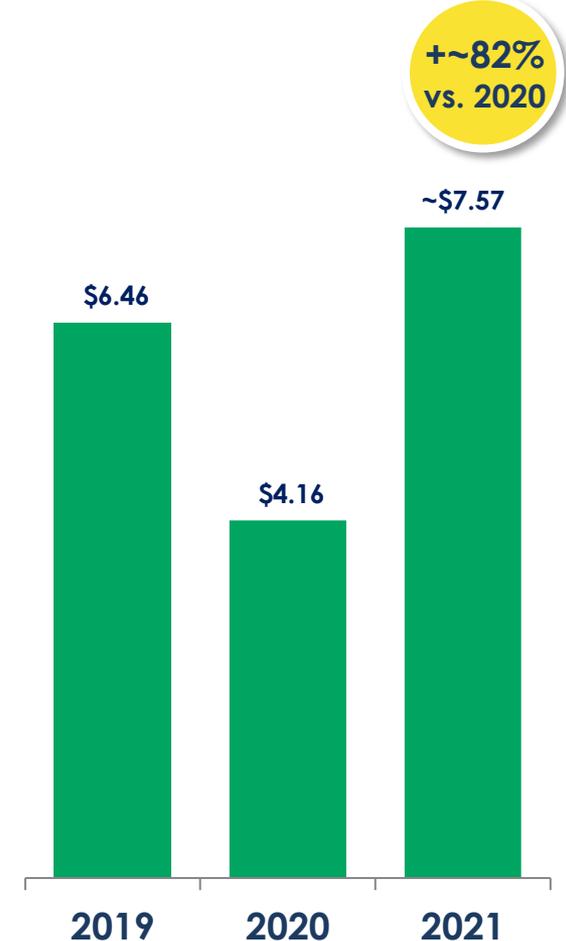
## Net Sales



## Adjusted Operating Income<sup>1</sup> (Adjusted Operating Margin)



## Adjusted Diluted EPS<sup>1</sup>



<sup>1</sup> See reconciliation to GAAP in appendix. FY 2021 outlook excludes ~\$3.7 million of expenses related to the COVID-19 pandemic, ~\$2.5 million of restructuring costs, and a benefit of ~\$2.3 million related to a gain on modifications of previously-impaired leases.

Thank you!



# Appendix



# Q3 Year-to-Date 2021 Results (GAAP Basis)



\$ in millions, except EPS

	<b>Q3 YTD 2021</b>	<i>% of Sales</i>	<b>Q3 YTD 2020</b>	<i>% of Sales</i>	<b>Increase / (Decrease)</b>
Net sales	\$2,424		\$2,034		19%
Gross profit	1,169	48.2%	847	41.7%	38%
Royalty income	23	0.9%	20	1.0%	13%
SG&A	46	1.9%	41	2.0%	13%
Goodwill impairment	-	-	18	0.9%	(100%)
Intangible asset impairment	-	-	27	1.3%	(100%)
Operating income	359	14.8%	56	2.8%	>100%
Interest expense, net	45	1.9%	39	1.9%	15%
Other (income) expense, net	(1)	- %	3	0.1%	N/M
Income before taxes	315	13.0%	14	0.7%	>100%
Income tax provision	72		3		>100%
Net income	\$243	10.0%	\$11	0.5%	>100%
<b>Diluted EPS</b>	<b>\$5.51</b>		<b>\$0.24</b>		<b>&gt;100%</b>
Weighted average shares outstanding	44		43		
EBITDA <sup>1</sup>	\$428	17.7%	\$123	6.1%	>100%

<sup>1</sup> Non-GAAP measure; see reconciliation to net income in appendix.  
Note: Results may not be additive due to rounding.

# Q3 2021 Year-to-Date Adjusted Results<sup>1</sup>



\$ in millions, except EPS

	<b>Q3 YTD 2021</b>	<i>% of Sales</i>	<b>Q3 YTD 2020</b>	<i>% of Sales</i>	<b>Increase / (Decrease)</b>
Net sales	\$2,424		\$2,034		19%
Gross profit	1,169	48.2%	847	41.7%	38%
Royalty income	23	0.9%	20	1.0%	13%
Adjusted SG&A	829	34.2%	733	36.0%	13%
Adjusted operating income	363	15.0%	134	6.6%	>100%
Interest expense, net	45	1.9%	39	1.9%	15%
Other (income) expense, net	(1)	- %	3	0.1%	N/M
Adjusted income before taxes	319	13.1%	92	4.5%	>100%
Adjusted income tax provision	73		18		>100%
Adjusted net income	\$246	10.1%	\$75	3.7%	>100%
<b>Adjusted diluted EPS</b>	<b>\$5.58</b>		<b>\$1.70</b>		<b>&gt;100%</b>
Weighted average shares outstanding	44		43		
Adjusted EBITDA	\$431	17.8%	\$201	9.9%	>100%

<sup>1</sup> Results are presented on an adjusted basis, a non-GAAP presentation; see reconciliation to GAAP in appendix.  
Note: Results may not be additive due to rounding.

# Q3 Reconciliation of Net Income Allocable to Common Shareholders



Weighted-average number of common and common equivalent shares outstanding:

Basic number of common shares outstanding

Dilutive effect of equity awards

Diluted number of common and common equivalent shares outstanding

	Fiscal Quarter Ended	
	October 2, 2021	September 26, 2020
Basic number of common shares outstanding	43,260,471	43,193,752
Dilutive effect of equity awards	155,575	156,878
Diluted number of common and common equivalent shares outstanding	43,416,046	43,350,630

	Fiscal Quarter Ended			
	As reported on a GAAP Basis		As adjusted (a)	
	October 2, 2021	September 26, 2020	October 2, 2021	September 26, 2020
<i>\$ in thousands, except EPS</i>				
Basic net income per common share:				
Net income	\$84,976	\$81,241	\$84,892	\$85,903
Income allocated to participating securities	(1,024)	(837)	(1,022)	(885)
Net income available to common shareholders	<u>\$83,952</u>	<u>\$80,404</u>	<u>\$83,870</u>	<u>\$85,018</u>
Basic net income per common share	\$1.94	\$1.86	\$1.94	\$1.97
Diluted net income per common share:				
Net income	\$84,976	\$81,241	\$84,892	\$85,903
Income allocated to participating securities	(1,021)	(834)	(1,019)	(882)
Net income available to common shareholders	<u>\$83,955</u>	<u>\$80,407</u>	<u>\$83,873</u>	<u>\$85,021</u>
Diluted net income per common share	\$1.93	\$1.85	\$1.93	\$1.96

(a) In addition to the results provided in this earnings release in accordance with GAAP, the Company has provided adjusted, non-GAAP financial measurements that present per share data excluding the adjustments discussed in following slides. The Company has excluded \$0.1 million and \$4.7 million in after-tax expenses from these results for the fiscal quarters ended October 2, 2021 and September 26, 2020, respectively.

# Q3 Year-to-Date Reconciliation of Net Income Allocable to Common Shareholders



	<b>Three Fiscal Quarters Ended</b>	
	<b>October 2, 2021</b>	<b>September 26, 2020</b>
Weighted-average number of common and common equivalent shares outstanding:		
Basic number of common shares outstanding	43,358,998	43,237,319
Dilutive effect of equity awards	153,252	174,351
Diluted number of common and common equivalent shares outstanding	<u>43,512,250</u>	<u>43,411,670</u>

	<b>Three Fiscal Quarters Ended</b>			
	<b>As reported on a GAAP Basis</b>		<b>As adjusted (a)</b>	
	<b>October 2, 2021</b>	<b>September 26, 2020</b>	<b>October 2, 2021</b>	<b>September 26, 2020</b>
<i>\$ in thousands, except EPS</i>				
Basic net income per common share:				
Net income	\$242,775	\$10,703	\$245,579	\$74,700
Income allocated to participating securities	(2,919)	(88)	(2,953)	(759)
Net income available to common shareholders	<u>\$239,856</u>	<u>\$10,615</u>	<u>\$242,626</u>	<u>\$73,941</u>
Basic net income per common share	\$5.53	\$0.25	\$5.60	\$1.71
Diluted net income per common share:				
Net income	\$242,775	\$10,703	\$245,579	\$74,700
Income allocated to participating securities	(2,910)	(89)	(2,944)	(757)
Net income available to common shareholders	<u>\$239,865</u>	<u>\$10,614</u>	<u>\$242,635</u>	<u>\$73,943</u>
Diluted net income per common share	\$5.51	\$0.24	\$5.58	\$1.70

(a) In addition to the results provided in this earnings release in accordance with GAAP, the Company has provided adjusted, non-GAAP financial measurements that present per share data excluding the adjustments discussed in following slides. The Company has excluded \$2.8 million and \$64.0 million in after-tax expenses from these results for the three fiscal quarters ended October 2, 2021 and September 26, 2020, respectively.

# Reconciliation of Reported to Adjusted Earnings



\$ in millions, except EPS

Third Quarter of Fiscal 2021								Segment Reporting							
	SG&A	% of net sales	Operating Income	% of net sales	Income Taxes	Net Income	Diluted EPS	U.S. Retail Operating Income	% of segment net sales	U.S. Wholesale Operating Income	% of segment net sales	International Operating Income	% of segment net sales	Corporate Operating Expenses	% of total net sales
<b>As reported (GAAP)</b>	<b>\$293.2</b>	<b>32.9%</b>	<b>\$124.0</b>	<b>13.9%</b>	<b>\$23.4</b>	<b>\$85.0</b>	<b>\$1.93</b>	<b>\$87.2</b>	<b>18.7%</b>	<b>\$40.1</b>	<b>13.6%</b>	<b>\$22.8</b>	<b>17.4%</b>	<b>(\$25.9)</b>	<b>(2.9%)</b>
COVID-19 expenses (b)	(0.3)		0.3		0.1	0.2	-	0.2		0.1		-		-	
Retail store operating leases and other long-lived asset impairments, net of gain (c)	0.3		(0.3)		(0.1)	(0.2)	-	(0.3)		-		-		-	
Restructuring costs (d)	0.2		(0.2)		-	(0.1)	-	(0.1)		-		-		(0.1)	
<b>As adjusted (a)</b>	<b>\$293.3</b>	<b>32.9%</b>	<b>\$123.9</b>	<b>13.9%</b>	<b>\$23.3</b>	<b>\$84.9</b>	<b>\$1.93</b>	<b>\$87.0</b>	<b>18.7%</b>	<b>\$40.2</b>	<b>13.7%</b>	<b>\$22.8</b>	<b>17.4%</b>	<b>(\$26.0)</b>	<b>(2.9%)</b>

Third Quarter of Fiscal 2020								Segment Reporting							
	SG&A	% of net sales	Operating Income	% of net sales	Income Taxes	Net Income	Diluted EPS	U.S. Retail Operating Income	% of segment net sales	U.S. Wholesale Operating Income	% of segment net sales	International Operating Income	% of segment net sales	Corporate Operating Expenses	% of total net sales
<b>As reported (GAAP)</b>	<b>\$279.3</b>	<b>32.3%</b>	<b>\$113.5</b>	<b>13.1%</b>	<b>\$19.0</b>	<b>\$81.2</b>	<b>\$1.85</b>	<b>\$47.6</b>	<b>10.6%</b>	<b>\$65.7</b>	<b>21.8%</b>	<b>\$17.4</b>	<b>15.3%</b>	<b>(\$17.1)</b>	<b>(2.0%)</b>
COVID-19 expenses (b)	(3.3)		3.3		0.8	2.5	0.06	1.6		1.4		0.3		-	
Retail store operating leases and other long-lived asset impairments, net of gain (c)	(1.5)		1.5		0.4	1.1	0.03	1.5		-		-		-	
Restructuring costs (d)	(1.2)		1.2		0.2	1.0	0.02	0.3		0.2		0.3		0.4	
<b>As adjusted (a)</b>	<b>\$273.2</b>	<b>31.6%</b>	<b>\$119.5</b>	<b>13.8%</b>	<b>\$20.4</b>	<b>\$85.9</b>	<b>\$1.96</b>	<b>\$51.0</b>	<b>11.4%</b>	<b>\$67.3</b>	<b>22.3%</b>	<b>\$18.0</b>	<b>15.8%</b>	<b>(\$16.7)</b>	<b>(1.9%)</b>

First Three Quarters of Fiscal 2021								Segment Reporting							
	SG&A	% of net sales	Operating Income	% of net sales	Income Taxes	Net Income	Diluted EPS	U.S. Retail Operating Income	% of segment net sales	U.S. Wholesale Operating Income	% of segment net sales	International Operating Income	% of segment net sales	Corporate Operating Expenses	% of total net sales
<b>As reported (GAAP)</b>	<b>\$832.9</b>	<b>34.4%</b>	<b>\$359.1</b>	<b>14.8%</b>	<b>\$72.1</b>	<b>\$242.8</b>	<b>\$5.51</b>	<b>\$250.8</b>	<b>19.3%</b>	<b>\$150.7</b>	<b>18.6%</b>	<b>\$41.5</b>	<b>13.0%</b>	<b>(\$83.9)</b>	<b>(3.5%)</b>
COVID-19 expenses (b)	(3.5)		3.5		0.9	2.6	0.06	1.7		1.5		0.3		-	
Restructuring costs (d)	(2.5)		2.5		0.7	1.9	0.04	(0.6)		0.1		2.3		0.8	
Retail store operating leases and other long-lived asset impairments, net of gain (c)	2.2		(2.2)		(0.5)	(1.7)	(0.04)	(2.2)		-		-		-	
<b>As adjusted (a) (I)</b>	<b>\$829.1</b>	<b>34.2%</b>	<b>\$362.9</b>	<b>15.0%</b>	<b>\$73.0</b>	<b>\$245.6</b>	<b>\$5.58</b>	<b>\$249.7</b>	<b>19.3%</b>	<b>\$152.3</b>	<b>18.8%</b>	<b>\$44.0</b>	<b>13.8%</b>	<b>(\$83.1)</b>	<b>(3.4%)</b>

Note: Results may not be additive due to rounding.

# Reconciliation of Reported to Adjusted Earnings (Continued)



\$ in millions, except EPS

First Three Quarters of Fiscal 2020	Segment Reporting														
	SG&A	% of net sales	Operating Income	% of net sales	Income Taxes	Net Income	Diluted EPS	U.S. Retail Operating Income	% of segment net sales	U.S. Wholesale Operating Income	% of segment net sales	International Operating (Loss) Income	% of segment net sales	Corporate Operating Expenses	% of total net sales
<b>As reported (GAAP)</b>	<b>\$767.2</b>	<b>37.7%</b>	<b>\$56.0</b>	<b>2.8%</b>	<b>\$3.3</b>	<b>\$10.7</b>	<b>\$0.24</b>	<b>\$38.9</b>	<b>3.6%</b>	<b>\$89.1</b>	<b>12.6%</b>	<b>(\$15.8)</b>	<b>(6.5%)</b>	<b>(\$56.2)</b>	<b>(2.8%)</b>
Intangible asset impairment (e)	-		26.5		6.3	20.2	0.46	14.1		8.4		4.1		-	
Goodwill impairment (f)	-		17.7		-	17.7	0.40	-		-		17.7		-	
COVID-19 expenses (b)	(18.8)		18.8		4.5	14.3	0.33	8.3		8.5		2.0		-	
Restructuring costs (d)	(8.8)		8.8		1.9	6.8	0.16	3.4		1.5		1.9		2.0	
Retail store operating leases and other long-lived asset impairments, net of gain (c)	(6.5)		6.5		1.6	4.9	0.11	6.3		-		0.2		-	
<b>As adjusted (a)</b>	<b>\$733.2</b>	<b>36.0%</b>	<b>\$134.3</b>	<b>6.6%</b>	<b>\$17.7</b>	<b>\$74.7</b>	<b>\$1.70</b>	<b>\$71.0</b>	<b>6.5%</b>	<b>\$107.5</b>	<b>15.2%</b>	<b>\$10.0</b>	<b>4.1%</b>	<b>(\$54.2)</b>	<b>(2.7%)</b>

Fourth Quarter of Fiscal 2020	SG&A	% of net sales	Operating Income	% of net sales	Income Taxes	Net Income	Diluted EPS
<b>As reported (GAAP)</b>	<b>\$338.4</b>	<b>34.2%</b>	<b>\$133.9</b>	<b>13.5%</b>	<b>\$21.9</b>	<b>\$99.0</b>	<b>\$2.26</b>
COVID-19 expenses (b)	(2.5)		2.5		0.6	1.9	0.04
Retail store operating leases and other long-lived asset impairments, net of gain (c)	(1.2)		1.2		0.3	0.9	0.02
Restructuring costs (d)	(7.9)		7.9		1.9	6.0	0.14
<b>As adjusted (a)</b>	<b>\$326.8</b>	<b>33.0%</b>	<b>\$145.5</b>	<b>14.7%</b>	<b>\$24.7</b>	<b>\$107.9</b>	<b>\$2.46</b>

Fiscal 2020	SG&A	% of net sales	Operating Income	% of net sales	Income Taxes	Net Income	Diluted EPS
<b>As reported (GAAP)</b>	<b>\$1,105.6</b>	<b>36.6%</b>	<b>\$189.9</b>	<b>6.3%</b>	<b>\$25.3</b>	<b>\$109.7</b>	<b>2.50</b>
Intangible asset impairment (e)	-		26.5		6.3	20.2	0.46
Goodwill impairment (f)	-		17.7		-	17.7	0.40
COVID-19 expenses (b)	(21.4)		21.4		5.2	16.2	0.37
Restructuring costs (d)	(16.6)		16.6		3.8	12.9	0.29
Retail store operating leases and other long-lived asset impairments, net of gain (c)	(7.6)		7.6		1.8	5.8	0.13
<b>As adjusted (a)</b>	<b>\$1,059.9</b>	<b>35.0%</b>	<b>\$279.8</b>	<b>9.3%</b>	<b>\$42.3</b>	<b>\$182.6</b>	<b>4.16</b>

Third Quarter of Fiscal 2019	SG&A	% of net sales	Operating Income	% of net sales	Income Taxes	Net Income	Diluted EPS
<b>As reported (GAAP)</b>	<b>\$296.7</b>	<b>31.5%</b>	<b>\$83.9</b>	<b>8.9%</b>	<b>\$13.4</b>	<b>\$60.3</b>	<b>\$1.34</b>
Intangible asset impairment (g)	-		30.8		7.1	23.7	0.53
<b>As adjusted (a)</b>	<b>\$296.7</b>	<b>31.5%</b>	<b>\$114.7</b>	<b>12.2%</b>	<b>\$20.5</b>	<b>\$83.9</b>	<b>\$1.87</b>

Note: Results may not be additive due to rounding.

# Reconciliation of Reported to Adjusted Earnings

(Continued)



\$ in millions, except EPS

Fiscal 2019	Gross Profit	% of net sales	SG&A	% of net sales	Operating Income	% of net sales	Income Taxes	Net Income	Diluted EPS
<b>As reported (GAAP)</b>	<b>\$1,508.6</b>	42.9%	<b>\$1,140.5</b>	32.4%	<b>\$371.9</b>	10.6%	<b>\$64.2</b>	<b>\$263.8</b>	<b>\$5.85</b>
Restructuring costs (d)	-		(1.6)		1.6		0.3	1.3	0.03
Store restructuring (h)	-		0.7		(0.7)		(0.1)	(0.6)	(0.01)
Intangible asset impairment (g)	-		-		30.8		7.1	23.7	0.52
Debt extinguishment loss (i)	-		-		-		1.8	6.0	0.13
Customer bankruptcy recovery (j)	-		0.6		(0.6)		(0.2)	(0.4)	(0.01)
China business model change (k)	(2.1)		-		(2.1)		-	(2.1)	(0.05)
<b>As adjusted (a)</b>	<b>\$1,506.5</b>	42.8%	<b>\$1,140.1</b>	32.4%	<b>\$401.0</b>	11.4%	<b>\$73.2</b>	<b>\$291.7</b>	<b>\$6.46</b>

- (a) In addition to the results provided in this earnings release in accordance with GAAP, the Company has provided adjusted, non-GAAP financial measures that present gross profit, SG&A, operating income, income tax, net income, and net income on a diluted share basis excluding the adjustments discussed above. The Company believes these adjustments provide a meaningful comparison of the Company's results and afford investors a view of what management considers to be the Company's core performance. The adjusted, non-GAAP financial measures included in this earnings release should not be considered as an alternative to net income or as any other measurement of performance derived in accordance with GAAP. The adjusted, non-GAAP financial measures are presented for informational purposes only and are not necessarily indicative of the Company's future condition or results of operations.
- (b) Net expenses incurred due to the COVID-19 pandemic, including incremental employee-related costs, costs associated with additional protective equipment and cleaning supplies, restructuring costs, and a payroll tax benefit.
- (c) Impairments include an immaterial gain on the remeasurement of retail store operating leases.
- (d) Certain lease exit, severance and related costs resulting from restructuring actions (not related to COVID-19).
- (e) Intangible impairment charges related to the *OshKosh* and *Skip Hop* tradename assets.
- (f) Goodwill impairment charge recorded in the International segment.
- (g) Related to the write-down of the *Skip Hop* tradename asset.
- (h) Reversal of retail store restructuring costs previously recorded during the third quarter of fiscal 2017.
- (i) Related to the redemption of the \$400 million aggregate principal amount of senior notes due 2021 in March 2019 that were previously issued by a wholly-owned subsidiary of the Company.
- (j) Related to the Toys "R" Us bankruptcy.
- (k) Net costs associated with transitioning to a full licensing model in China.
- (l) Adjusted results exclude a customer bankruptcy recovery of \$38,000.

# Reconciliation of Net Income to Adjusted EBITDA



\$ in millions

	Fiscal Quarter Ended		Three Fiscal Quarters Ended		Four Fiscal Quarters Ended
	October 2, 2021	September 26, 2020	October 2, 2021	September 26, 2020	October 2, 2021
Net income	\$ 85.0	\$ 81.2	\$ 242.8	\$ 10.7	\$ 341.8
Interest expense	15.2	16.3	45.8	40.5	61.4
Interest income	(0.3)	(0.3)	(0.8)	(1.2)	(1.1)
Income tax expense	23.4	19.0	72.1	3.3	94.0
Depreciation and amortization	21.6	24.1	68.1	69.8	92.3
<b>EBITDA</b>	<b>\$ 144.8</b>	<b>\$ 140.4</b>	<b>\$ 428.0</b>	<b>\$ 123.1</b>	<b>\$ 588.4</b>
<b>Adjustments to EBITDA</b>					
Intangible asset impairment <sup>a</sup>	\$ -	\$ -	\$ -	\$ 26.5	\$ -
Goodwill impairment <sup>b</sup>	-	-	-	17.7	-
COVID-19 expenses <sup>c</sup>	0.3	3.3	3.5	18.8	6.0
Restructuring costs <sup>d</sup>	(0.2)	1.0	1.4	8.5	9.0
Retail store operating leases and other long-lived asset impairments, net of gain <sup>e</sup>	(0.3)	1.5	(2.2)	6.4	(1.0)
Total adjustments	(0.2)	5.8	2.6	78.1	14.0
<b>Adjusted EBITDA <sup>f</sup></b>	<b>\$ 144.6</b>	<b>\$ 146.2</b>	<b>\$ 430.7</b>	<b>\$ 201.2</b>	<b>\$ 602.4</b>

(a) Related to the write-down of the *OshKosh* and *Skip Hop* tradename assets.

(b) Goodwill impairment charge recorded in the International segment.

(c) Expenses incurred due to the COVID-19 pandemic.

(d) Certain lease exit, severance and related costs resulting from restructuring actions (not related to COVID-19). Amounts for fiscal quarter, three fiscal quarters, and four fiscal quarters ended October 2, 2021 exclude \$0.1 million, \$1.2 million, and \$1.4 million of depreciation expense included in the corresponding depreciation and amortization line item, respectively

(e) Impairments include gain on the remeasurement of retail store operating leases.

(f) Adjusted EBITDA for three fiscal quarters and four fiscal quarters ended October 2, 2021 excludes a customer bankruptcy recovery of \$38,000.

Note: Results may not be additive due to rounding.

# Constant Currency Reconciliation



\$ in millions

	Fiscal Quarter Ended					
	Reported Net Sales October 2, 2021	Impact of Foreign Currency Translation	Constant-Currency Net Sales October 2, 2021	Reported Net Sales September 26, 2020	Reported Net Sales % Change	Constant-Currency Net Sales % Change
<b>Consolidated net sales</b>	\$890.6	\$5.6	\$885.0	\$865.1	2.9%	2.3%
<b>International segment net sales</b>	\$130.7	\$5.6	\$125.1	\$113.8	14.9%	9.9%

	Three Fiscal Quarters Ended					
	Reported Net Sales October 2, 2021	Impact of Foreign Currency Translation	Constant-Currency Net Sales October 2, 2021	Reported Net Sales September 26, 2020	Reported Net Sales % Change	Constant-Currency Net Sales % Change
<b>Consolidated net sales</b>	\$2,424.3	\$16.8	\$2,407.6	\$2,034.4	19.2%	18.3%
<b>International segment net sales</b>	\$318.8	\$16.8	\$302.0	\$242.5	31.4%	24.5%

The Company evaluates its net sales on both an "as reported" and a "constant currency" basis. The constant currency presentation, which is a non-GAAP measure, excludes the impact of fluctuations in foreign currency exchange rates that occurred between the comparative periods. Constant currency net sales results are calculated by translating current period net sales in local currency to the U.S. dollar amount by using the currency conversion rate for the prior comparative period. The Company consistently applies this approach to net sales for all countries where the functional currency is not the U.S. dollar. The Company believes that the presentation of net sales on a constant currency basis provides useful supplemental information regarding changes in our net sales that were not due to fluctuations in currency exchange rates and such information is consistent with how the Company assesses changes in its net sales between comparative periods.

	<u>U.S. Retail</u>	<u>Canada</u>	<u>Mexico</u>	<u>Total International</u>	<u>Total Consolidated</u>
<b>Store Count at September 26, 2020</b>	<b>863</b>	<b>196</b>	<b>44</b>	<b>240</b>	<b>1,103</b>
Openings	1	-	2	2	3
Closings	(109)	(8)	(5)	(13)	(122)
<b>Store Count at October 2, 2021</b>	<b>755</b>	<b>188</b>	<b>41</b>	<b>229</b>	<b>984</b>

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This presentation contains forward-looking statements within the meaning of the federal securities laws relating to our future performance, including statements with respect to the potential effects of the COVID-19 pandemic, supply chain challenges, and our responses thereto and the Company's future outlook, earnings, strategy, and investments. Such statements are based on current expectations only, and are subject to certain risks, uncertainties, and assumptions. Should one or more of these risks or uncertainties materialize or not materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those anticipated, estimated, or projected. Certain of the risks and uncertainties that could cause actual results and performance to differ materially are described in the Company's most recently filed Annual Report on Form 10-K and other reports filed with the Securities and Exchange Commission from time to time under the headings "Risk Factors." Included among those risks are those related to: the effects of the current coronavirus outbreak; financial difficulties for one or more of our major customers; an overall decrease in consumer spending; our products not being accepted in the marketplace; increased competition in the marketplace; diminished value of our brands; the failure to protect our intellectual property; the failure to comply with applicable quality standards or regulations; unseasonable or extreme weather conditions; pending and threatened lawsuits; a breach of our information technology systems and the loss of personal data; increased margin pressures, including increased cost of materials and labor; our foreign sourcing arrangements; disruptions in our supply chain; the management and expansion of our business domestically and internationally; the acquisition and integration of other brands and businesses; and changes in our tax obligations, including additional customs, duties or tariffs. The Company does not undertake any obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.