



# **carter's, inc.**

## **Second Quarter 2020 Results & Business Update**

July 24, 2020

# Second Quarter 2020 Results (GAAP Basis)



\$ in millions, except EPS

	<b>Q2 2020</b>	<i>% of Sales</i>	<b>Q2 2019</b>	<i>% of Sales</i>	<b>Increase / (Decrease)</b>
Net sales	\$515		\$734		(30%)
Gross profit	236	45.7%	323	44.0%	(27%)
Royalty income	4	0.7%	10	1.3%	(63%)
SG&A	218	42.4%	268	36.5%	(19%)
Operating income	21	4.1%	64	8.8%	(68%)
Interest and other, net	15	3.0%	9	1.2%	77%
Income before taxes	5	1.1%	56	7.6%	(90%)
Income tax (benefit) provision	(3)		12		N/M
Net income	\$8	1.6%	\$44	6.0%	(81%)
<b>Diluted EPS</b>	<b>\$0.19</b>		<b>\$0.97</b>		<b>(81%)</b>
Weighted average shares outstanding	43		45		(4%)
EBITDA <sup>1</sup>	\$43	8.3%	\$88	11.9%	(51%)

<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 (Q2, First Half)



(In millions, except earnings per share)

	Second Quarter			
	2020		2019	
	Operating Income	Diluted EPS	Operating Income	Diluted EPS
<b>As reported (GAAP)</b>	\$ 21.0	\$ 0.19	\$ 64.5	\$ 0.97
COVID-19 expenses	13.0	0.23	-	-
Store lease and other impairments	3.7	0.06	-	-
Organizational restructuring costs	3.5	0.06	-	-
Store restructuring costs	-	-	(0.7)	(0.01)
Total adjustments	20.2	0.35	(0.7)	(0.01)
<b>As adjusted</b>	<b>\$ 41.1</b>	<b>\$ 0.54</b>	<b>\$ 63.8</b>	<b>\$ 0.95</b>

	First Half			
	2020		2019	
	Operating (Loss) Income	Diluted EPS	Operating Income	Diluted EPS
<b>As reported (GAAP)</b>	\$ (57.5)	\$ (1.64)	\$ 125.2	\$ 1.72
Intangible asset impairment	26.5	0.47	-	-
Goodwill impairment	17.7	0.41	-	-
COVID-19 expenses	15.7	0.28	-	-
Organizational restructuring costs	7.4	0.13	1.6	0.03
Store lease and other impairments	5.0	0.09	-	-
Debt extinguishment loss	-	-	-	0.13
Store restructuring costs	-	-	(0.7)	(0.01)
China business model change	-	-	(2.1)	(0.05)
Total adjustments	72.3	1.38	(1.2)	0.10
<b>As adjusted</b>	<b>\$ 14.8</b>	<b>\$ (0.26)</b>	<b>\$ 124.1</b>	<b>\$ 1.82</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.

# Second Quarter Adjusted Results<sup>1</sup>



\$ in millions, except EPS

	<b>Q2 2020</b>	<i>% of Sales</i>	<b>Q2 2019</b>	<i>% of Sales</i>	<b>Increase / (Decrease)</b>
Net sales	\$515		\$734		(30%)
Gross profit	236	45.7%	323	44.0%	(27%)
Royalty income	4	0.7%	10	1.3%	(63%)
Adjusted SG&A	198	38.5%	269	36.6%	(26%)
Adjusted operating income	41	8.0%	64	8.7%	(35%)
Interest and other, net	15	3.0%	9	1.2%	77%
Adjusted income before taxes	26	5.0%	55	7.5%	(53%)
Adjusted income taxes	2		12		(82%)
Adjusted net income	\$24	4.6%	\$43	5.9%	(46%)
<b>Adjusted diluted EPS</b>	<b>\$0.54</b>		<b>\$0.95</b>		<b>(43%)</b>
Weighted average shares outstanding	43		45		(4%)
Adjusted EBITDA	\$63	12.2%	\$87	11.8%	(28%)

<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

## Q2 Balance Sheet

	2020	2019
Cash	\$1,001	\$118
Accounts Receivable	166	168
Inventory	672	698
Accounts Payable	458	233
Long-Term Debt	1,233	604
Operating Lease Liabilities	784	843

## First Half Cash Flow

	2020	2019
Operating Cash Flow	\$239	\$104
Capital Expenditures	(17)	(25)
Free Cash Flow <sup>1</sup>	\$222	\$79

- **Substantial liquidity at Q2 end: \$1.5B**
  - \$1.0B cash on hand
  - ~\$500M available capacity under \$750M revolving credit facility
- **Accounts receivable down 1% vs. LY**
  - Receivable quality remains high
  - Balance concentrated with retailers less affected to-date by COVID-19
- **Net inventory down 4% vs. LY**
  - Improved excess inventory position
  - Planning net inventories down in 2H vs. LY
- **Accounts payable increase reflects extension of vendor payment terms and rent deferrals**
- **Increase in long-term debt reflects Q2 issuance of \$500M 5.5% Senior Notes due 2025 and increased revolver borrowings**
- **Strong first half free cash flow**
  - Reflects improved working capital and lower CapEx

<sup>1</sup> Non-GAAP measure.

# Business Segment Results



# Second Quarter 2020 Adjusted Business Segment Performance<sup>1</sup>



\$ in millions

	Net Sales			Adjusted Operating Income (Loss)			Adjusted Operating Margin	
	2020	2019	\$ Change	2020	2019	\$ Change	2020	2019
<b>U.S. Retail (a)</b>	\$316	\$423	(\$107)	\$33	\$50	(\$17)	10.6%	11.9%
<b>U.S. Wholesale</b>	152	229	(77)	29	35	(7)	19.0%	15.4%
<b>International (b)</b>	47	82	(35)	(3)	4	(7)	(5.6%)	5.2%
Total before corporate expenses	515	734	(219)	60	90	(30)	11.6%	12.3%
<b>Corporate expenses</b>				(18)	(26)	8	(3.6%)	(3.6%)
<b>Total</b>	<b>\$515</b>	<b>\$734</b>	<b>(\$219)</b>	<b>\$41</b>	<b>\$64</b>	<b>(\$23)</b>	<b>8.0%</b>	<b>8.7%</b>

(a) Results include U.S. stores and eCommerce.

(b) Results include international stores, eCommerce, and wholesale.

<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

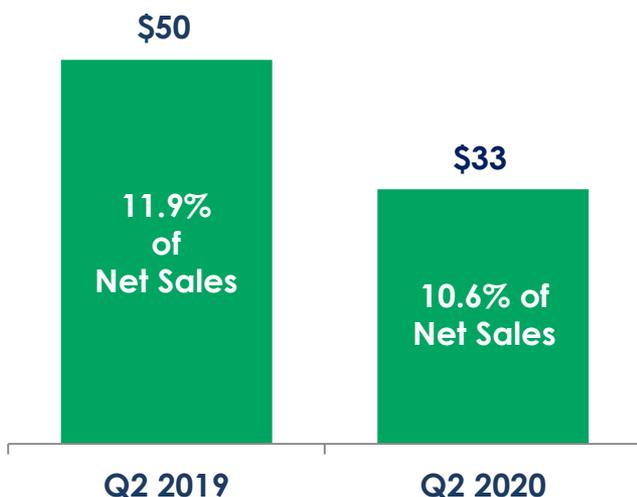


**Total Sales (25%)**

## Q2 Highlights

- **Net sales (25%) to LY**
  - Significant disruption from store closures in Q2
  - Strong eCommerce comp: +101% vs. LY
  - Significant acceleration in 'omnichannel sales' (buy online, ship to store; buy online, pickup in store; curbside pickup; fulfill from store)
- **~97% of stores reopened by quarter-end**
  - +8% Q2 comp since reopening
  - Strong conversion and average transaction value offset lower store traffic
- **Segment profitability**
  - Lower overall profitability due to store closures and expense deleverage
  - Significantly higher eCommerce profitability driven by higher sales and improved price realization

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



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



## Actions We've Taken:

- Social distancing – customers & employees
- Frequent cleanings
- Masks for all

## Buy Online, Pickup in Store



## Online Fulfillment From Store



## Curbside Pickup



## CURBSIDE PICKUP

CONTACTLESS. FREE. READY IN TWO HOURS.

Get your faves faster and worry-free at select stores:  
**7 DAYS A WEEK**  
[CHECK HOURS](#)  
Place your order 2 hours before closing for same-day pickup.  
Style availability varies by location.

### HOW TO CURBSIDE:

1

#### ORDER ONLINE

Find your Curbside eligible faves by selecting **Pick Up In Store** on the product page or in your cart.

2

#### CHECK YOUR INBOX

We'll send you an **email confirmation with a phone number**. Head to the store...

3

#### PARK & CALL

When you arrive, **open your email confirmation and call us**. Pop the trunk and we'll pack it up. **Contact free!**



# KIDDO FACE MASKS

**Just my size. Just my style. Ages 2 and up.**



★★★★★ 4 days ago

### Excellent! Would Definitely Buy More!

These facemasks are excellent! I bought 4 and they honestly fit my kids really well! I have 3 4, 5, and a 10 year old! Very happy with the quality, comfort and fit.

★★★★★ 11 days ago

### Great Mask For Kiddos

These are great little masks for kids. They fit so much better than the One Size and adult masks. The prints are nice and the price is great. We bought four and my kids both prefer these.

# Kelly Clarkson Virtual Baby Shower – Connecting With Expecting Moms During Unexpected Times

**carter's**



- Teamed up with Kelly Clarkson to host virtual baby shower along with Jordin Sparks, Shawn Johnson East, Tia Mowry and others
- Largest sweepstakes in Carter's history: >110K entries and 100 lucky winners
- Gifted over \$400K in new baby must-haves thanks to generous brand partners
- Meaningful lift in social media sentiment following shower launch (+35%)
- 1.3B earned media impressions

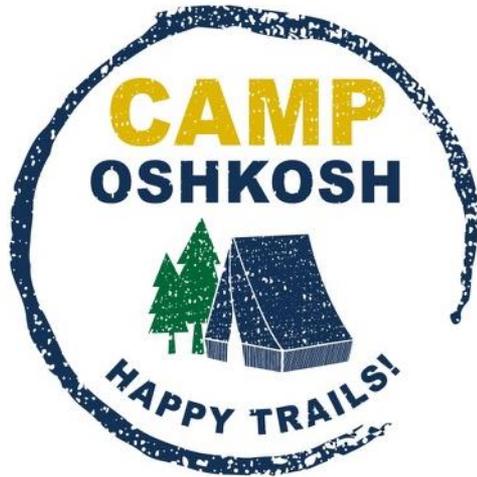
Parade ENTERTAINMENT FOOD & DRINK HEALTHY NOW OUTLANDER  
**Kelly Clarkson Will Host a Virtual Shower for Moms Expecting During the Pandemic**

ENTIRE People  
PEOPLE.COM PARENTS  
**Kelly Clarkson Says Motherhood Can Be 'Overwhelming' but That There's 'No Greater Gift'**



**TIA MOWRY** ACTRESS, AUTHOR, PRODUCER & CO-FOUNDER OF ANSER, **PAYAL KADAKIA** EXECUTIVE CHAIRMAN AND FOUNDER, CLASSPASS, **KRISTIN HENSLEY & JEN SMEDLEY** OF #IMMSO HARD, **JORDIN SPARKS** MULTI-PLATINUM RECORDING ARTIST AND ACTRESS, **CAITLIN CROSBY** FOUNDER OF THE GIVING KEYS & AUTHOR, **SHAWN JOHNSON EAST** OLYMPIC GOLD MEDALIST, **ALLI WEBB** CO-FOUNDER, DRYBAR





- Developed a virtual summer camp program to help families get through this season without camps (June 15<sup>th</sup> – July 10<sup>th</sup>)
- Actress Molly Sims kicked off the program with a backyard family campout that included books, blankets and s'mores
- Guided weekly activities provided support and encouraged parents to tap into their own camp memories to become an OshKosh kid again, too
- From our family to yours: all camp activities were led by our employees and their families
- 700M+ earned media impressions



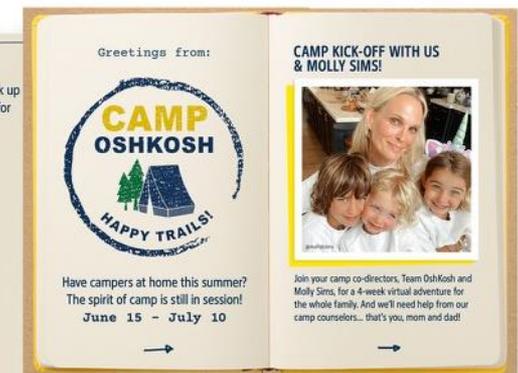
POD



LANDING PAGE



SOCIAL



We support all families with young children.  
There is no room for racism. Period.  
Together we stand with our fellow African American colleagues, customers and everyone in our community that are frustrated, angry, saddened and pained by the recent events and too many others: We see you.  
We must all work together to end racism now and make the world a better place for the children of today and tomorrow.



**CREATE CHANGE TOGETHER**

Peace and justice for all. We signed a letter alongside more than 60 other Georgia-based companies urging the Georgia General Assembly to sign into law a comprehensive bill against hate crimes in Georgia.





## LOVE IS LOVE (ALWAYS)

Celebrate pride month with us and let their colors shine with our rainbow styles.



skiphop • Following

skiphop Our family is built with love. Love, every day of every year. Love between all our beautiful families with young children. Love that unites and makes us stronger together.

We realize Pride is more than a moment. It is an everyday celebration of all love, individuality and self-expression. It is the ongoing pursuit of equality and justice, where love always wins.

We celebrate with you now and want to be there for you always. We are committed to supporting, representing and being an ally to our LGBTQ+ families as we go forward on this journey.

Liked by oshkoshkids and 596 others

JUNE 23

Add a comment... Post



carter's • Following

jppaige I'm loving the Carter's symbol today. These photos are beautiful. I'm glad you guys are showing these families. AMAZING!!!

4w 13 likes Reply

linda\_117 Simply Beautiful

4w 8 likes Reply

karrilynn09 Thank you Carter's!!! #LoveisLove #pride #love

4w 6 likes Reply

emitch2012 Beautiful families!! Love is love

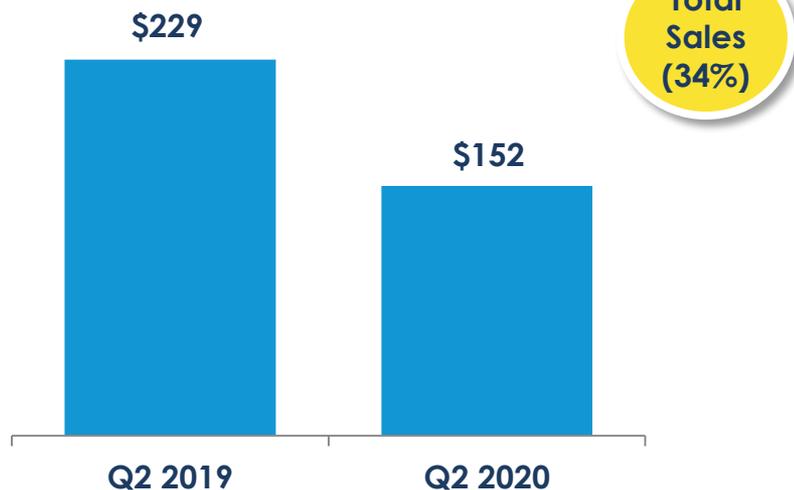
Liked by skiphop and 3,347 others

JUNE 23

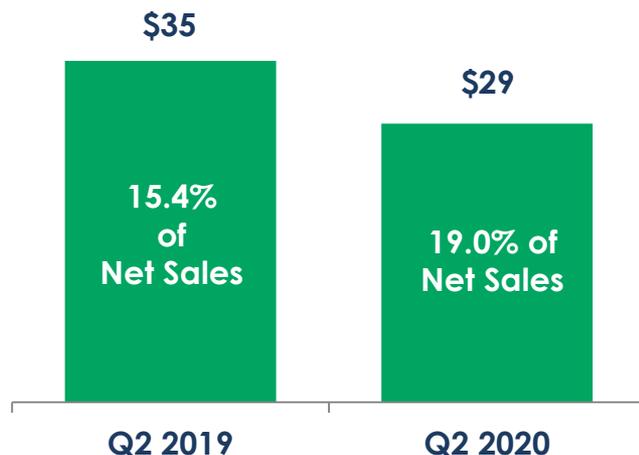
Add a comment... Post

\$ in millions

## Segment Net Sales



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



## Q2 Highlights

- **Net sales (34%) vs. LY**
  - Reduced shipments to many customers who closed their stores and cancelled / delayed orders
  - Strong growth in wholesale customers' online businesses – CRI brands +120% vs. LY<sup>2</sup>
  - Significantly lower sales to off-price retailers
- **Performance meaningfully better than we expected, largely driven by stronger demand for Exclusive Brands**
- **Segment profitability**
  - Margin improvement reflects better inventory position and favorable changes in customer mix

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

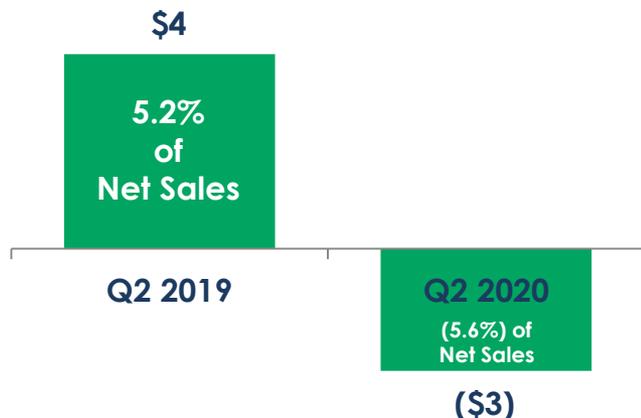
<sup>2</sup> Represents eCommerce sales made by our major U.S. wholesale customers, as reported by those customers to us.

\$ in millions

## Segment Net Sales



## Segment Adj. Operating Income (Loss)<sup>1</sup>



## Q2 Highlights

- **Net sales: (43%) vs. LY**
  - Lower retail store and wholesale sales in Canada and Mexico due to COVID-19
- **Strong momentum in international eCommerce**
  - Canada: comp sales +194%
  - Mexico: strong response to new eCommerce capabilities



- **Lower international partners' demand due to COVID-19 and strength of U.S. dollar**
- **Segment profitability**
  - Reflects lower sales in Canada and Mexico due to COVID-19

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

## Strengthen Omnichannel Capabilities

- Launching new mobile app
- Rolling out curbside pickup
- Expanding eCommerce fulfillment from store

## Optimize Store Portfolio

- Investing in new, higher ROI stores
- Exiting lower-performing stores

## Connect With Customers on a Deeper & More Personal Level

- Segmentation
- Personalization
- Increasing digital marketing (second half)

## Strengthen IT Capabilities

- Business intelligence / data & analytics
- Expanding digital product development
- Upgrading store network infrastructure
- Cyber security / infrastructure

## Improve Productivity & Infrastructure

- Pursuing cost structure opportunities
- Building distribution capacity / increasing speed

- **Expect COVID-19 to have a material impact on our second half net sales & profitability**
- **Balance of year outlook**
  - Assuming continued, gradual recovery in marketplace
  - Lower store traffic; demand shift online
  - Profitable second half
  - Positive cash flow
  - Strong liquidity
- **Key risks**
  - Recent increases in COVID-19 cases across U.S.
  - Global supply chain disruptions
  - International demand
  - Macroeconomic environment (unemployment, consumer confidence)



Thank you!





# Appendix

# First Half Results (GAAP Basis)



\$ in millions, except EPS

	<b>H1 2020</b>	<i>% of Sales</i>	<b>H1 2019</b>	<i>% of Sales</i>	<b>Increase / (Decrease)</b>
Net sales	\$1,169		\$1,475		(21%)
Gross profit	464	39.7%	639	43.3%	(27%)
Royalty income	11	0.9%	18	1.2%	(40%)
SG&A	488	41.7%	532	36.0%	(8%)
Goodwill impairment	18	1.5%	-	-	N/M
Intangible asset impairment	27	2.3%	-	-	N/M
Operating (loss) income	(58)	(4.9%)	125	8.5%	N/M
Loss on extinguishment of debt	-	-	8	0.5%	(100%)
Interest and other, net	29	2.5%	18	1.2%	60%
(Loss) income before taxes	(86)	(7.4%)	99	6.7%	N/M
Income tax (benefit) provision	(16)		21		N/M
Net (loss) income	(\$71)	(6.0%)	\$78	5.3%	N/M
<b>Diluted (loss) earnings per share</b>	<b>(\$1.64)</b>		<b>\$1.72</b>		<b>N/M</b>
Weighted average shares outstanding	43		45		(4%)
EBITDA <sup>1</sup>	(\$17)	(1.5%)	\$164	11.1%	N/M

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

# First Half Adjusted Results<sup>1</sup>



\$ in millions, except EPS

	<b>H1 2020</b>	<i>% of Sales</i>	<b>H1 2019</b>	<i>% of Sales</i>	<b>Increase / (Decrease)</b>
Net sales	\$1,169		\$1,475		(21%)
Adjusted gross profit	464	39.7%	637	43.2%	(27%)
Royalty income	11	0.9%	18	1.2%	(40%)
Adjusted SG&A	460	39.3%	531	36.0%	(13%)
Adjusted operating income	15	1.3%	124	8.4%	(88%)
Interest and other, net	29	2.5%	18	1.2%	60%
Adjusted (loss) income before taxes	(14)	(1.2%)	106	7.2%	N/M
Adjusted income tax (benefit) provision	(3)		23		N/M
Adjusted net (loss) income	(\$11)	(1.0%)	\$83	5.6%	N/M
Adjusted diluted (loss) earnings per share	(\$0.26)		\$1.82		N/M
Weighted average shares outstanding	43		45		(4%)
Adjusted EBITDA	\$55	4.7%	\$171	11.6%	(68%)

<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.

# First Half Adjusted Business Segment Performance<sup>1</sup>



\$ in millions

	Net Sales			Adjusted Operating Income (Loss)			Adjusted Operating Margin	
	2020	2019	\$ Change	2020	2019	\$ Change	2020	2019
<b>U.S. Retail (a)</b>	\$637	\$800	(\$163)	\$20	\$74	(\$54)	3.1%	9.3%
<b>U.S. Wholesale</b>	404	504	(101)	40	91	(51)	10.0%	18.0%
<b>International (b)</b>	129	171	(42)	(8)	7	(15)	(6.2%)	4.2%
Total before corporate expenses	1,169	1,475	(306)	52	172	(120)	4.5%	11.7%
<b>Corporate expenses</b>				(37)	(48)	11	(3.2%)	(3.3%)
<b>Total</b>	<b>\$1,169</b>	<b>\$1,475</b>	<b>(\$306)</b>	<b>\$15</b>	<b>\$124</b>	<b>(\$109)</b>	<b>1.3%</b>	<b>8.4%</b>

(a) Results include U.S. stores and eCommerce.

(b) Results include international stores, eCommerce, and wholesale.

<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.

# Second Quarter Reconciliation of Net Income Allocable to Common Shareholders



	Fiscal Quarter Ended	
	June 27, 2020	June 29, 2019
Weighted-average number of common and common equivalent shares outstanding:		
Basic number of common shares outstanding	43,162,571	44,706,307
Dilutive effect of equity awards	147,480	332,070
Diluted number of common and common equivalent shares outstanding	<u>43,310,051</u>	<u>45,038,377</u>

	Fiscal Quarter Ended			
	As reported on a GAAP Basis		As adjusted (a)	
	June 27, 2020	June 29, 2019	June 27, 2020	June 29, 2019
<i>\$ in thousands, except EPS</i>				
Basic net income per common share:				
Net income	\$ 8,156	\$ 43,937	\$ 23,559	\$ 43,382
Income allocated to participating securities	(86)	(396)	(249)	(391)
Net income available to common shareholders	<u>\$ 8,070</u>	<u>\$ 43,541</u>	<u>\$ 23,310</u>	<u>\$ 42,991</u>
Basic net income per common share	\$ 0.19	\$ 0.97	\$ 0.54	\$ 0.96
Diluted net income per common share:				
Net income	\$ 8,156	\$ 43,937	\$ 23,559	\$ 43,382
Income allocated to participating securities	(86)	(395)	(248)	(390)
Net income available to common shareholders	<u>\$ 8,070</u>	<u>\$ 43,542</u>	<u>\$ 23,311</u>	<u>\$ 42,992</u>
Diluted net income per common share	\$ 0.19	\$ 0.97	\$ 0.54	\$ 0.95

(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 \$15.4 million and (\$0.6) million in after-tax expenses (benefit) from these results for the fiscal quarters ended June 27, 2020 and June 29, 2019, respectively.

# First Half Reconciliation of Net (Loss) Income Allocable to Common Shareholders



	Two Fiscal Quarters Ended	
	June 27, 2020	June 29, 2019
Weighted-average number of common and common equivalent shares outstanding:		
Basic number of common shares outstanding	43,259,103	44,888,552
Dilutive effect of equity awards (a)	-	310,479
Diluted number of common and common equivalent shares outstanding	43,259,103	45,199,031

	Two Fiscal Quarters Ended			
	As reported on a GAAP Basis		As adjusted (b)	
	June 27, 2020	June 29, 2019	June 27, 2020	June 29, 2019
<i>\$ in thousands, except EPS</i>				
Basic net (loss) income per common share:				
Net (loss) income	\$ (70,538)	\$ 78,403	\$ (11,203)	\$ 83,005
Income allocated to participating securities	(252)	(685)	(253)	(728)
Net (loss) income available to common shareholders	\$ (70,790)	\$ 77,718	\$ (11,456)	\$ 82,277
Basic net (loss) income per common share	\$ (1.64)	\$ 1.73	\$ (0.26)	\$ 1.83
Diluted net (loss) income per common share:				
Net (loss) income	\$ (70,538)	\$ 78,403	\$ (11,203)	\$ 83,005
Income allocated to participating securities	(252)	(683)	(253)	(725)
Net (loss) income available to common shareholders	\$ (70,790)	\$ 77,720	\$ (11,456)	\$ 82,280
Diluted net (loss) income per common share	\$ (1.64)	\$ 1.72	\$ (0.26)	\$ 1.82

(a) For the two fiscal quarters ended June 27, 2020, there were 230,286 potentially dilutive equity awards that were excluded from the diluted earnings per share calculation because the Company incurred a net loss for this period and their inclusion would be anti-dilutive.

(b) 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 \$59.3 million and \$4.6 million in after-tax expenses from these results for the two fiscal quarters ended June 27, 2020 and June 29, 2019, respectively.

Note: Results may not be additive due to rounding.

# Reconciliation of Reported to Adjusted Earnings



\$ in millions, except EPS

Second Quarter of Fiscal 2020											Segment Reporting							
	Gross Profit	% of net sales	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>	\$235.5	45.7%	\$218.1	42.4%	\$21.0	4.1%	(\$2.7)	\$8.2	\$0.19		\$23.7	7.5%	\$21.2	14.0%	(\$5.5)	(11.7%)	(\$18.4)	(3.6%)
COVID-19 expenses (b)	-		(13.0)		13.0		3.1	9.9	0.23		4.4		6.9		1.7		-	
Retail store operating leases and other long-lived asset impairments (c)	-		(3.7)		3.7		0.9	2.8	0.06		3.7		-		-		-	
Organizational restructuring costs (d)	-		(3.5)		3.5		0.8	2.7	0.06		1.6		0.7		1.1		-	
<b>As adjusted (a)</b>	<b>\$235.5</b>	<b>45.7%</b>	<b>\$198.0</b>	<b>38.5%</b>	<b>\$41.1</b>	<b>8.0%</b>	<b>\$2.1</b>	<b>\$23.6</b>	<b>\$0.54</b>		<b>\$33.4</b>	<b>10.6%</b>	<b>\$28.8</b>	<b>19.0%</b>	<b>(\$2.7)</b>	<b>(5.6%)</b>	<b>(\$18.4)</b>	<b>(3.6%)</b>

First Half 2020											Segment Reporting							
	Gross Profit	% of net sales	SG&A	% of net sales	Operating (Loss) 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>	\$463.8	39.7%	\$488.0	41.7%	(\$57.5)	(4.9%)	(\$15.7)	(\$70.5)	(\$1.64)		(\$8.7)	(1.4%)	\$23.4	5.8%	(\$33.2)	(25.8%)	(\$39.1)	(3.3%)
Intangible asset impairment (e)	-		-		26.5		6.3	20.2	0.47		14.1		8.4		4.1		-	
Goodwill impairment (f)	-		-		17.7		-	17.7	0.41		-		-		17.7		-	
COVID-19 expenses (b)	-		(15.7)		15.7		3.7	12.0	0.28		6.6		7.1		2.0		-	
Organizational restructuring costs (d)	-		(7.4)		7.4		1.7	5.6	0.13		3.0		1.3		1.4		1.6	
Retail store operating leases and other long-lived asset impairments (c)	-		(5.0)		5.0		1.2	3.8	0.09		5.0		-		-		-	
<b>As adjusted (a)</b>	<b>\$463.8</b>	<b>39.7%</b>	<b>\$459.9</b>	<b>39.3%</b>	<b>\$14.8</b>	<b>1.3%</b>	<b>(\$2.7)</b>	<b>(\$11.2)</b>	<b>(\$0.26)</b>		<b>\$20.0</b>	<b>3.1%</b>	<b>\$40.3</b>	<b>10.0%</b>	<b>(\$8.0)</b>	<b>(6.2%)</b>	<b>(\$37.5)</b>	<b>(3.2%)</b>

Second Quarter of Fiscal 2019											Segment Reporting							
	Gross Profit	% of net sales	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>	\$323.0	44.0%	\$268.2	36.5%	\$64.5	8.8%	\$11.8	\$43.9	\$0.97		\$51.1	12.1%	\$35.3	15.4%	\$4.3	5.2%	(\$26.3)	(3.6%)
Store restructuring costs (g)	-		0.7		(0.7)		(0.2)	(0.6)	(0.01)		(0.7)		-		-		-	
<b>As adjusted (a)</b>	<b>\$323.0</b>	<b>44.0%</b>	<b>\$268.9</b>	<b>36.6%</b>	<b>\$63.8</b>	<b>8.7%</b>	<b>\$11.6</b>	<b>\$43.4</b>	<b>\$0.95</b>		<b>\$50.4</b>	<b>11.9%</b>	<b>\$35.3</b>	<b>15.4%</b>	<b>\$4.3</b>	<b>5.2%</b>	<b>(\$26.3)</b>	<b>(3.6%)</b>

First Half 2019											Segment Reporting							
	Gross Profit	% of net sales	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>	\$638.9	43.3%	\$531.8	36.0%	\$125.2	8.5%	\$21.1	\$78.4	\$1.72		\$75.1	9.4%	\$90.8	18.0%	\$9.2	5.4%	(\$49.9)	(3.4%)
Debt extinguishment loss (h)	-		-		-		1.8	6.0	0.13		-		-		-		-	
Organizational restructuring costs (d)	-		(1.6)		1.6		0.4	1.3	0.03		-		-		-		1.6	
Store restructuring costs (g)	-		0.7		(0.7)		(0.2)	(0.6)	(0.01)		(0.7)		-		-		-	
China business model change (i)	(2.1)		-		(2.1)		-	(2.1)	(0.05)		-		-		(2.1)		-	
<b>As adjusted (a)</b>	<b>\$636.8</b>	<b>43.2%</b>	<b>\$530.9</b>	<b>36.0%</b>	<b>\$124.1</b>	<b>8.4%</b>	<b>\$23.1</b>	<b>\$83.0</b>	<b>\$1.82</b>		<b>\$74.4</b>	<b>9.3%</b>	<b>\$90.8</b>	<b>18.0%</b>	<b>\$7.1</b>	<b>4.2%</b>	<b>(\$48.2)</b>	<b>(3.3%)</b>

Note: Results may not be additive due to rounding.

# Reconciliation of Reported to Adjusted Earnings

(Continued)



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- (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 gross margin, SG&A, operating income (loss), income tax (benefit), net income (loss), and net income (loss) 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 measurements included in this earnings release should not be considered as an alternative to net (loss) income or as any other measurement of performance derived in accordance with GAAP. The adjusted, non-GAAP financial measurements are presented for informational purposes only and are not necessarily indicative of the Company's future condition or results of operations.
  - (b) 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) Principally related to U.S. Retail store lease assets.
  - (d) Certain severance and related costs resulting from organizational restructurings (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) Reversal of retail store restructuring costs previously recorded during the third quarter of fiscal 2017.
  - (h) 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.
  - (i) Benefit related to the sale of inventory previously reserved in China.

# Reconciliation of Net Income (Loss) to Adjusted EBITDA



\$ in millions

	Fiscal Quarter Ended		Two Fiscal Quarters Ended		Quarters Ended
	June 27, 2020	June 29, 2019	June 27, 2020	June 29, 2019	June 27, 2020
Net income (loss)	\$ 8.2	\$ 43.9	\$ (70.5)	\$ 78.4	\$ 114.9
Interest expense	15.3	9.1	24.2	18.7	43.1
Interest income	(0.4)	(0.5)	(0.9)	(0.7)	(1.5)
Tax (benefit) expense	(2.7)	11.8	(15.7)	21.1	27.4
Depreciation and amortization	22.3	23.3	45.6	46.9	94.7
<b>EBITDA</b>	<b>\$ 42.6</b>	<b>\$ 87.6</b>	<b>\$ (17.3)</b>	<b>\$ 164.3</b>	<b>\$ 278.6</b>
<b>Adjustments to EBITDA</b>					
Intangible asset impairment (a)	\$ -	\$ -	\$ 26.5	\$ -	\$ 57.3
Goodwill impairment (b)	-	-	17.7	-	17.7
COVID-19 expenses (c)	12.9	-	15.7	-	15.7
Organizational restructuring costs (d)	3.5	-	7.4	1.6	7.4
Retail store operating leases and other long-lived asset impairments (e)	3.7	-	5.0	-	5.0
Customer bankruptcy charges, net (f)	-	-	-	-	(0.6)
Debt extinguishment loss (g)	-	-	-	7.8	-
Store restructuring costs (h)	-	(0.7)	-	(0.7)	-
China business model change, net (i)	-	-	-	(2.1)	-
<b>Adjusted EBITDA</b>	<b>\$ 62.7</b>	<b>\$ 86.8</b>	<b>\$ 54.9</b>	<b>\$ 170.9</b>	<b>\$ 381.1</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. Amounts exclude less than \$0.1 million of depreciation expense that is included in the corresponding depreciation and amortization line item.

(d) Severance and related costs resulting from organizational restructurings.

(e) Principally related to U.S. Retail store lease assets.

(f) Recovery related to the Toys "R" Us bankruptcy.

(g) 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.

(h) Reversal of retail store restructuring costs previously recorded during the third quarter of fiscal 2017.

(i) Benefit related to the sale of inventory previously reserved in China.

Note: Results may not be additive due to rounding.

# Constant Currency Reconciliation



\$ in millions

	Fiscal Quarter Ended					
	Reported Net Sales June 27, 2020	Impact of Foreign Currency Translation	Constant-Currency Net Sales June 27, 2020	Reported Net Sales June 29, 2019	Reported Net Sales % Change	Constant-Currency Net Sales % Change
<b>Consolidated net sales</b>	\$514.9	(\$2.0)	\$516.9	\$734.4	(29.9%)	(29.6%)
<b>International segment net sales</b>	\$47.1	(\$2.0)	\$49.1	\$82.2	(42.6%)	(40.2%)

	Two Fiscal Quarters Ended					
	Reported Net Sales June 27, 2020	Impact of Foreign Currency Translation	Constant-Currency Net Sales June 27, 2020	Reported Net Sales June 29, 2019	Reported Net Sales % Change	Constant-Currency Net Sales % Change
<b>Consolidated net sales</b>	\$1,169.4	(\$2.7)	\$1,172.0	\$1,475.4	(20.7%)	(20.6%)
<b>International segment net sales</b>	\$128.8	(\$2.7)	\$131.4	\$170.8	(24.6%)	(23.0%)

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.

\$ in millions

	<b>Fiscal Quarter Ended</b>	
	<b>June 27, 2020</b>	<b>June 29, 2019</b>
Long-term debt, net	\$ 1,232.6	\$ 604.4
Cash and cash equivalents	(1,000.6)	(118.5)
<b>Net debt</b>	<b>\$ 232.1</b>	<b>\$ 485.9</b>

# Store Count Data



	<u>U.S. Retail</u>	<u>Canada</u>	<u>Mexico</u>	<u>Total International</u>	<u>Total Consolidated</u>
<b>Store count at June 29, 2019</b>	<b>834</b>	<b>189</b>	<b>42</b>	<b>231</b>	<b>1,065</b>
Openings	37	12	4	16	53
Closings	(11)	(5)	(3)	(8)	(19)
<b>Store count at June 27, 2020</b>	<b>860</b>	<b>196</b>	<b>43</b>	<b>239</b>	<b>1,099</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 and the Company's liquidity. 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, Quarterly Report on Form 10-Q for the quarter ended March 28, 2020, 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 market place; 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.