



**carter's, inc.**

**Third Quarter 2020 Results  
&  
Business Update**

October 23, 2020

# Third Quarter Results (GAAP Basis)



\$ in millions, except EPS

	<b>Q3 2020</b>	<i>% of Sales</i>	<b>Q3 2019</b>	<i>% of Sales</i>	<b>Increase / (Decrease)</b>
Net sales	\$865		\$943		(8%)
Gross profit	384	44.4%	402	42.6%	(5%)
Royalty income	9	1.0%	9	1.0%	(1%)
SG&A	279	32.3%	297	31.5%	(6%)
Goodwill impairment	-	-	31	3.3%	100%
Operating income	114	13.1%	84	8.9%	35%
Interest, net	16	1.9%	10	1.0%	64%
Other (income)	(3)	(0.3%)	-	-	N/M
Income before taxes	100	11.6%	74	7.8%	36%
Income taxes	19		13		42%
Net income	\$81	9.4%	\$60	6.4%	35%
<b>Diluted EPS</b>	<b>\$1.85</b>		<b>\$1.34</b>		<b>38%</b>
Weighted average shares outstanding	43		44		(2%)
EBITDA <sup>1</sup>	\$140	16.2%	\$107	11.4%	31%

<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 (Q3, Q3 Year-to-Date)



	Third Fiscal Quarter					
	2020			2019		
	Operating Income	% Net Sales	Diluted EPS	Operating Income	% Net Sales	Diluted EPS
<i>(In millions, except earnings per share)</i>						
<b>As reported (GAAP)</b>	<b>\$ 113.5</b>	<b>13.1%</b>	<b>\$ 1.85</b>	<b>\$ 83.9</b>	<b>8.9%</b>	<b>\$ 1.34</b>
COVID-19 expenses	3.3		0.06	-		-
Store lease impairments	1.5		0.03	-		-
Productivity / restructuring costs	1.2		0.02	-		-
Skip Hop tradename impairment	-		-	30.8		0.53
Total adjustments	6.0		0.11	30.8		0.53
<b>As adjusted</b>	<b>\$ 119.5</b>	<b>13.8%</b>	<b>\$ 1.96</b>	<b>\$ 114.7</b>	<b>12.2%</b>	<b>\$ 1.87</b>

	First Three Fiscal Quarters					
	2020			2019		
	Operating Income	% Net Sales	Diluted EPS	Operating Income	% Net Sales	Diluted EPS
<i>(In millions, except earnings per share)</i>						
<b>As reported (GAAP)</b>	<b>\$ 56.0</b>	<b>2.8%</b>	<b>\$ 0.24</b>	<b>\$ 209.1</b>	<b>8.6%</b>	<b>\$ 3.06</b>
OshKosh / Skip Hop tradename impairment	26.5		0.46	30.8		0.52
Goodwill impairment (International)	17.7		0.40	-		-
COVID-19 expenses	18.8		0.34	-		-
Productivity / restructuring costs	8.8		0.15	1.6		0.03
Store lease impairments	6.5		0.11	-		-
Debt extinguishment loss	-		-	-		0.13
Store restructuring costs	-		-	(0.7)		(0.01)
China business model change	-		-	(2.1)		(0.05)
Total adjustments	78.3		1.46	29.6		0.62
<b>As adjusted</b>	<b>\$ 134.3</b>	<b>6.6%</b>	<b>\$ 1.70</b>	<b>\$ 238.7</b>	<b>9.9%</b>	<b>\$ 3.68</b>

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



\$ in millions, except EPS

	<b>Q3 2020</b>	<i>% of Sales</i>	<b>Q3 2019</b>	<i>% of Sales</i>	<b>Increase / (Decrease)</b>
Net sales	\$865		\$943		(8%)
Gross profit	384	44.4%	402	42.6%	(5%)
Royalty income	9	1.0%	9	1.0%	(1%)
Adjusted SG&A	273	31.6%	297	31.5%	(8%)
Adjusted operating income	120	13.8%	115	12.2%	4%
Interest, net	16	1.9%	10	1.0%	64%
Other (income)	(3)	(0.3%)	-	-	N/M
Adjusted income before taxes	106	12.3%	104	11.1%	2%
Adjusted income taxes	20		20		(1%)
Adjusted net income	\$86	9.9%	\$84	8.9%	2%
<b>Adjusted diluted EPS</b>	<b>\$1.96</b>		<b>\$1.87</b>		<b>5%</b>
Weighted average shares outstanding	43		44		(2%)
Adjusted EBITDA	\$146	16.9%	\$138	14.6%	6%

<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

	2020	2019
Cash	\$831	\$154
Accounts receivable	263	293
Inventory	647	723
Accounts payable	473	206
Long-term debt	989	770
Operating lease liabilities	759	850

## Q3 Year to Date Cash Flow

	2020	2019
Operating cash flow	\$320	\$73
Capital expenditures	(25)	(46)
Free cash flow <sup>1</sup>	\$295	\$27

- **Strong liquidity at Q3 end: ~\$1.6B**
  - \$831M cash on hand
  - \$743M available under revolving credit facility
- **Net inventory down 11% vs. LY**
  - Reflects strong inventory management, improved sell-through
  - Planning Q4 net inventories comparable to LY
- **Accounts receivable / accounts payable**
  - Accounts receivable -10% vs. LY
  - Accounts payable increase driven by extension of vendor payment terms and rent deferrals
- **Debt**
  - Fully repaid outstanding borrowings (\$244M) on credit facility during Q3
  - Increase vs. LY reflects Q2 issuance of \$500M Senior Notes partially offset by revolver pay down
- **Strong year-to-date free cash flow**
  - Reflects improved working capital, lower CapEx, and lower earnings

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

# Business Segment Results



# Q3 2020 Adjusted Business Segment Performance<sup>1</sup>



\$ in millions

	Net Sales			Adjusted Operating Income			Adjusted Operating Margin	
	2020	2019	\$ Growth	2020	2019	\$ Growth	2020	2019
U.S. Retail	\$449	\$464	(\$15)	\$51	\$51	\$-	11.4%	10.9%
U.S. Wholesale	302	352	(50)	67	73	(6)	22.3%	20.9%
International	114	127	(13)	18	17	1	15.8%	13.1%
Total before corporate expenses	865	943	(78)	136	141	(5)	15.8%	14.9%
Corporate expenses				(17)	(26)	9	(1.9%)	(2.8%)
<b>Total</b>	<b>\$865</b>	<b>\$943</b>	<b>(\$78)</b>	<b>\$120</b>	<b>\$115</b>	<b>\$5</b>	<b>13.8%</b>	<b>12.2%</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.

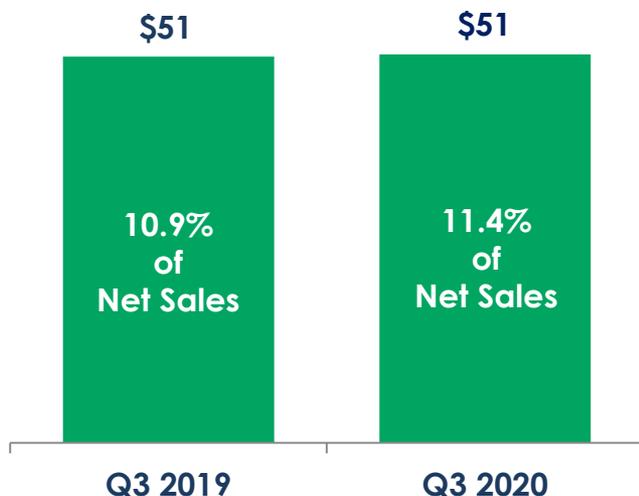
\$ in millions

## Segment Net Sales

Total Sales (3%)



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



## Q3 Highlights

- **Net sales (3%) to LY**
  - Comp sales -3.5%
    - Strong eCommerce performance, +17%
    - Stores lower driven by decline in traffic
  - Strong holiday period selling
    - July 4<sup>th</sup>: +7% comp
    - Labor Day: +15% comp (best in 3 years)
- **Omnichannel initiatives<sup>2</sup> continue to gain momentum**
  - 24% of eCommerce orders fulfilled by our stores
- **Improved profitability**
  - Adj. margin +50 bps; reflects improved price realization and expense management
  - Significantly higher eCommerce profitability

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

<sup>2</sup> Includes buy online, ship to store; buy online, pickup in store (including curbside pickup); fulfill from store.

# Our Omnichannel Initiatives Enabled Strong eCommerce Growth in Q3



## Curbside Pickup



## Buy Online, Pickup in Store



## Online Fulfillment From Store



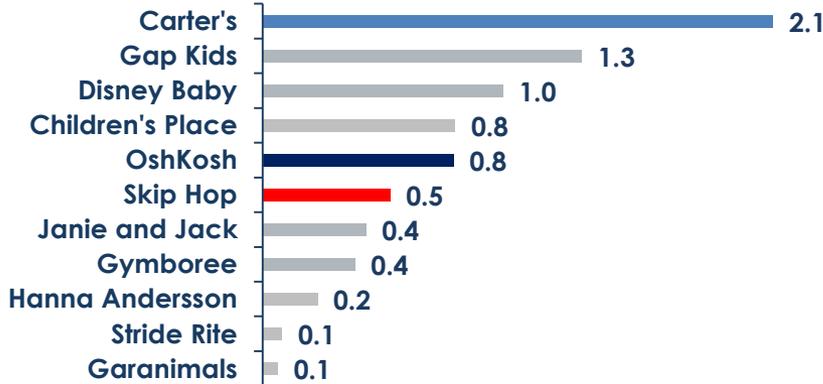
# Carter's Continues to Lead in Consumer Engagement in Social Media



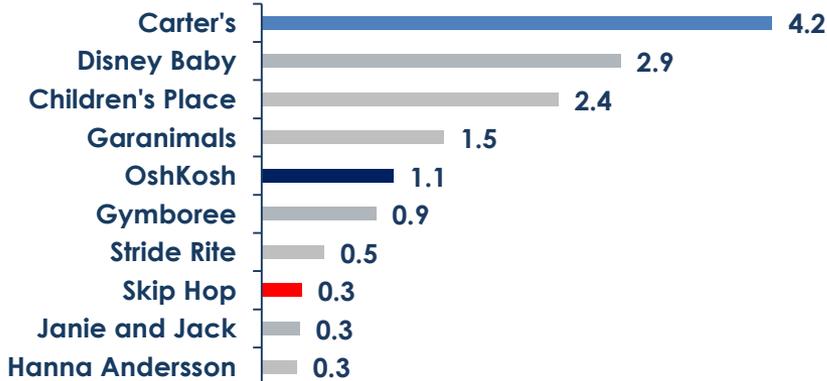
## Our Brands Have a Strong Consumer Following on Instagram and Facebook<sup>1</sup>

In millions

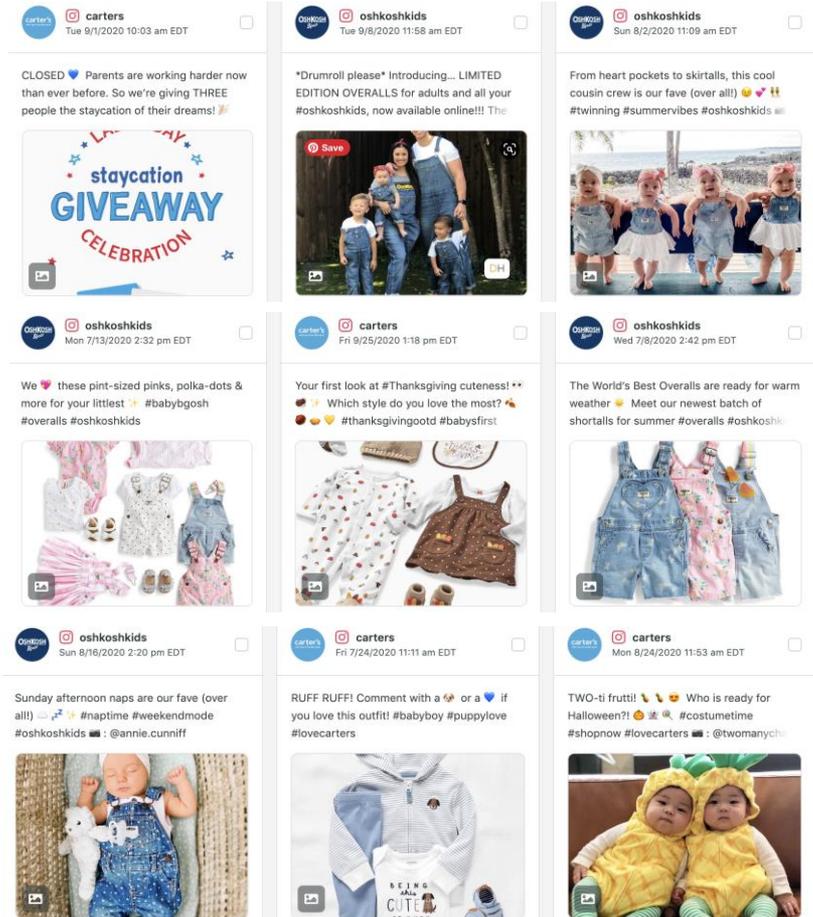
### Instagram Followers



### Facebook 'Likes'



## Carter's and OshKosh Earned 86% of all Engagements Among Peers on Instagram in Q3<sup>2</sup>



<sup>1</sup>Source: Instagram and Facebook as of 10/19/20.

<sup>2</sup>Third party engagement scoring July – September 2020. Peer set includes Carter's, OshKosh B'gosh, The Children's Place, Hanna Andersson, Janie and Jack, & Gap Kids.

# Most-Engaged Instagram Content in Brand History



**carters** **carters** CLOSED Parents are working harder now than ever before. So we're giving THREE people the staycation of their dreams! Tag two friends who deserve a break for a chance for all three of you to win a \$200 Carter's gift card and \$1,000 VISA card each! And there's more... 10 additional lucky winners will each receive a \$200 Carter's gift card. HURRY! Ends 9.3.



**oshkoshkids** • Following

**oshkoshkids** \*Drumroll please\* Introducing... LIMITED EDITION OVERALLS for adults and all your #oshkoshkids, now available online!!! The whole Lowe family loves 'em and we think yours will, too! Hurry, these won't last long... snag your pairs today! #oshkoshturns125

5w

**lizramosv** @j.farias92 mira para andar iguales los 3

5w Reply

Liked by shipehappens and 23,455 others

SEPTEMBER 8

Add a comment...

# Celebrating the Virtual Announcement of 10,000 Pregnancies in September



carter's  
baby announcement  
**GIVEAWAY!**



Have **big baby news**  
to share this year?



Hi Genevieve! You have 20 Points | \$10.00 rewards

carter's OSHKOSH Bigosh SKIP\*HOP

**LET'S GET SPOOKY!**

Halloween might look a little different this year, but the celebrations don't have to be less fun! Here's how to do Halloween at home!

**SWEET SCAVENGER HUNTS**

Set up candy stations around the house.

HALLOWEEN

**PUMPKIN TIME**

Carve or paint pumpkins together.

carter's OSHKOSH Bigosh SKIP\*HOP

**TODAY'S TIP!**

A new season brings fall new fun.

**Fall Crafts for Toddlers at Home**

Fall is just around the corner, and while it may look a little bit different than years past, there's still plenty of fun to be had with your little ones at home.

carter's OSHKOSH Bigosh SKIP\*HOP

**TODAY'S TIP!**

Bring Halloween home this year.

**5 Spooky-Fun Ways to Do Halloween at Home**

The spookiest time of year is near! Halloween means all sorts of scary fun for the whole family, from your little ghoul's first costume to your big boo's epic candy hauls.

carter's OSHKOSH Bigosh SKIP\*HOP

**GET CREATIVE (OVER ALL!)**

**WORLD'S BEST OVERALLS**

**RIG UP YOUR OVERALLS AND GET READY...**

HALLOWEEN ALLSDAY is October 16! Follow us and stay tuned for giveaways and vibes all day long.

**SANTA'S COMING EARLY**

Enter each day, now through October 30, to win a personalized video gram direct from the North Pole (100 chances a day!)

From Santa with **carter's** x **cameo**

## SANTA CLAUS IS COMIN' TO YOUR SCREEN!

Bring home the magic of the holidays. Starting on October 16, 2020, enter for the chance give your family a custom video gram from Santa himself!

[SHOP OUR GIFT GUIDE](#)



☰ **Southern Living**

SUBSCRIBE

SOUTHERN LIVING • NEWS

## No Mall, No Problem: Carter's is Spreading Christmas Cheer with Free Virtual Santa Visits

With a markedly different holiday season on the horizon, Carter's is providing 1,500 lucky families with a personalized video from Santa Claus himself.





CARTER'S 1-PIECE FLEECE SALE \$10 & UP

CARTER'S 2-PIECE FLEECE PJS SALE \$11 & UP

## THE SLEEP LIST

AMERICA'S FAVORITE JAMMIES TO GIVE + TO GET

up to **50% off\***

SLEEPOVER WITH THEIR FAVORITE CHARACTER!



OSHKOSH BABY B'JOLLY COVERALL SALE \$20.49 & UP



OSHKOSH LICENSED CHARACTER PJS SALE \$21.69 & UP



CARTER'S BEAR SLIPPERS LIMITED TIME BUY ONE GET ONE FREE\*



SEE IT, SHARE IT, LOVE IT, GIFT IT AT CARTERS.COM & OSHKOSH.COM

PJS & GIFTS SIZES NB-14 MSRP \$18-45



carter's

MATCHING STYLES FOR ALL!

OVER 68 MILLION JAMMIES WORN + LOVED EACH YEAR!

CARTER'S FAMILY PJS SALE \$10-22.50



CARTER'S SANTA NIGHTGOWN & MATCHING DOLL GOWN SALE \$19

ONE FOR HER DOLL, TOO!



CARTER'S 2-PIECE COTTON PJS SALE \$10 & UP

CARTER'S HOLIDAY

carter's

Pajama Program

Making spirits bright & GIVING ONE MILLION GOOD NIGHTS

# DONATE TODAY!

Help kids in local communities with cozy jammies for bedtime.

Learn more at [www.carters.com/pajamaprogram](http://www.carters.com/pajamaprogram)



## THE FESTIVE LIST

'Tis the season for buffalo check, sweaters and our new holiday florals!

up to **50% off**



OSHKOSH COLORBLOCK BOOTS LIMITED TIME BUY ONE GET ONE FREE\*



CHRISTMAS CARDS, CHECK!



CARTER'S BUFFALO CHECK DRESS SALE \$17 & UP



CARTER'S SALLETT FLATS LIMITED TIME BUY ONE GET ONE FREE\*



CARTER'S 2-PIECE FIRST CHRISTMAS SET SALE \$4 & UP



CARTER'S REINDEER HAIR CLIPS SALE \$7 & UP

OSHKOSH BABY SHOES LIMITED TIME BUY ONE GET ONE FREE\*



WORLD'S BEST GIFT (OVER ALL!)



CARTER'S HOLIDAY STYLES SALE \$11 & UP



SEE IT, SHARE IT, LOVE IT. GIFT IT AT CARTERS.COM & OSHKOSH.COM



CARTER'S 3-PIECE CARDIGAN SET SALE \$20

CARTER'S CROCHET BOOTIES SALE \$9 & UP



CARTER'S HOLIDAY STYLES SALE \$12 & UP

HOLIDAY STYLES SIZES NB-14 MSRP \$8-44

4 | CHECK IT OFF THE LIST: BUY ONLINE & CHOOSE CURBSIDE OR IN STORE PICKUP

GIFTS SHIP FREE\* WHEN YOU USE YOUR CARTER'S® CREDIT CARD! | 5



**SKIP\*HOP.**

**PLAYTIME  
MADE BETTER**

**A LATTE FUN  
ON CHRISTMAS  
MORNING!**

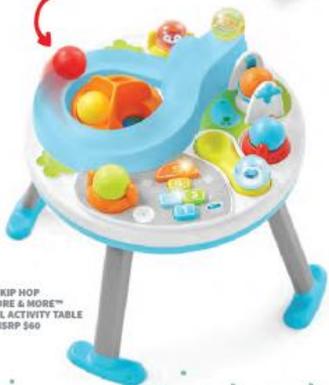


SKIP HOP ZOO® BARK-ISTA SET  
MSRP \$40



SKIP HOP  
FARMSTAND  
ROCK-A-MOLE GUITAR  
MSRP \$16

**NEW! JUST IN THE  
NICK OF TIME**



SKIP HOP  
EXPLORE & MORE™  
LET'S ROLL ACTIVITY TABLE  
MSRP \$60

**PUZZLES ARE  
THE PERFECT  
PRESENT!**



SKIP HOP  
ZOO® PARK PALS PUZZLE  
MSRP \$10

TOYS MSRP \$10-60

**THE TOY SHOP**

Straight from our workshop,  
these are the things they'll  
ask Santa for!

**\$10 and up**

**carter's**



CARTER'S  
WOODEN CAR CARRIER SET  
SALE \$18



CARTER'S  
WOODEN BIRTHDAY CAKE  
PLAY SET  
SALE \$22



CARTER'S  
WOODEN ICE CREAM  
PLAY SET  
SALE \$22



CARTER'S  
WOODEN TRAIN SET  
SALE \$18



CARTER'S  
80-PIECE WOODEN BLOCK SET  
SALE \$18



CARTER'S  
WOODEN UNICORN  
TEA SET  
SALE \$22

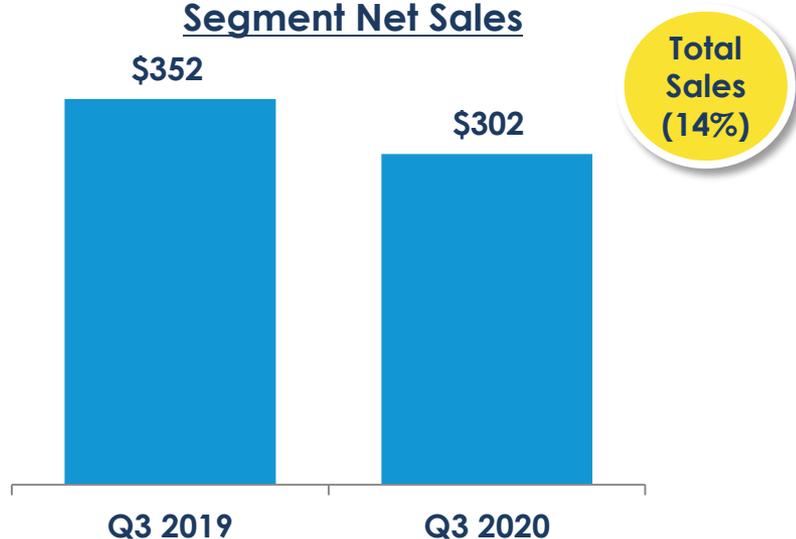
**SEE IT, SHARE IT,  
LOVE IT, GIFT IT  
AT CARTERS.COM  
& OSHKOSH.COM**



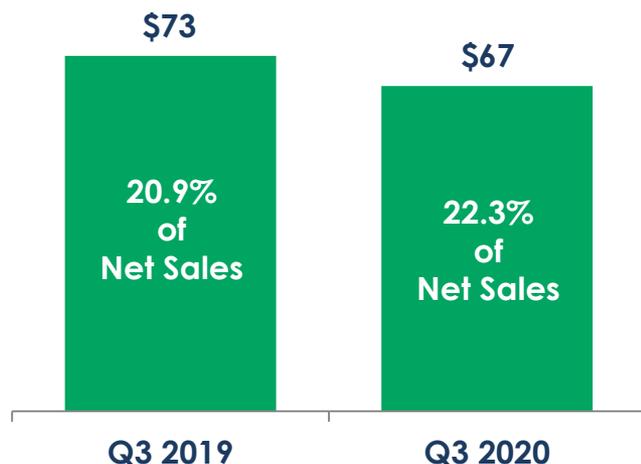
GIFTS SHIP FREE\* WHEN YOU USE YOUR CARTER'S® CREDIT CARD! | 11

\$ in millions

## Segment Net Sales



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



## Q3 Highlights

- **Net sales (14%) vs. LY**
  - Strong demand for exclusive brands at Target, Walmart & Amazon; +10% vs. LY
  - Strong *Skip Hop* performance
  - Lower sales to off-price retailers
  - Online demand for our brands through wholesale customers +42% vs. LY
  - Lower *Carter's* brand sales, reflecting our reduced inventory commitments for the second half
- **Segment profitability**
  - Adjusted margin 22.3%, +140 bps
  - Improvement reflects better inventory management partially offset by higher bad debt provisions

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



ALL NEW  
**little baby basics™**

Everything you need preemie to 24 months  
that's the softest, cutest and easiest!



just one you.  
made by  
carter's



The screenshot shows the Target website interface. At the top, there is a navigation bar with the Target logo, 'Categories', 'Deals', 'What's New', 'Same Day Delivery', a search bar, and 'Sign in'. Below this, a secondary navigation bar includes 'My store (closes at 11pm): Smyrna', 'Registries & Lists', 'Weekly Ad', 'RedCard', 'Gift Cards', 'Find Stores', 'Orders', and a cart icon. The main banner features two children in holiday-themed clothing. The text 'just one you. made by carter's' is on the left. On the right, the text reads 'Holly jolly cute! Get festive in sweet holiday outfit sets made exclusively for Target by Carter's.' with a 'shop now' button. Below the banner are five circular category buttons: 'baby boy', 'baby girl', 'baby neutral', 'toddler boy', and 'toddler girl'. The bottom section has a red background with white polka dots and the text 'Holiday pjs for all Perfect for merry nights and family pics!' with a 'shop pjs now' button. To the right of this text is a photo of several children in various holiday pajamas.



Pickup & delivery Walmart.com

Walmart

Account Reorder

The big save is on! Catch the hottest savings while you can. [Shop now](#)

## child of mine

made by carter's

Snuggle up + get cozy in cute holiday and winter styles from the brand you love.

- [Shop girls](#)
- [Shop boys](#)
- [Shop toddler girls](#)
- [Shop toddler boys](#)

child of mine

9,142 likes

child of mine Cozy fabrics + cute holiday characters make these little outfits extra sweet!  
#cuteandcozy #holidayoutfits

child of mine

9,142 likes

child of mine Ex-moose me, how cute is this?! We're wild about this buffalo check outfit.  
#holidaymoose #toocute

**simplejoys**  
by carter's

Baby clothes are as easy to love, as they are simple to buy! From bodysuits to sleep and accessories, we've got everything you need and love for baby!



simplejoys by carter's

HOME CHRISTMAS SHOP NEW! 2-WAY ZIP SLEEP & PLAY BABY BOY • BABY GIRL • BABY NEUTRAL TODDLER BOY • TODDLER GIRL • BOY PAJAMAS •

**baby+**  
preemie - 24m

baby boy

**christmas shop**  
preemie - 8

baby girl

baby neutral

**toddler+**  
2t - 5t

toddler boy

SLEEP AND PLAY  
**2-way zipper**  
2-way zipper zips up from the feet to keep baby warm + snugly during diaper changes

toddler girl

swim  
3m - 5t

**pajamas + more**  
newborn - 8

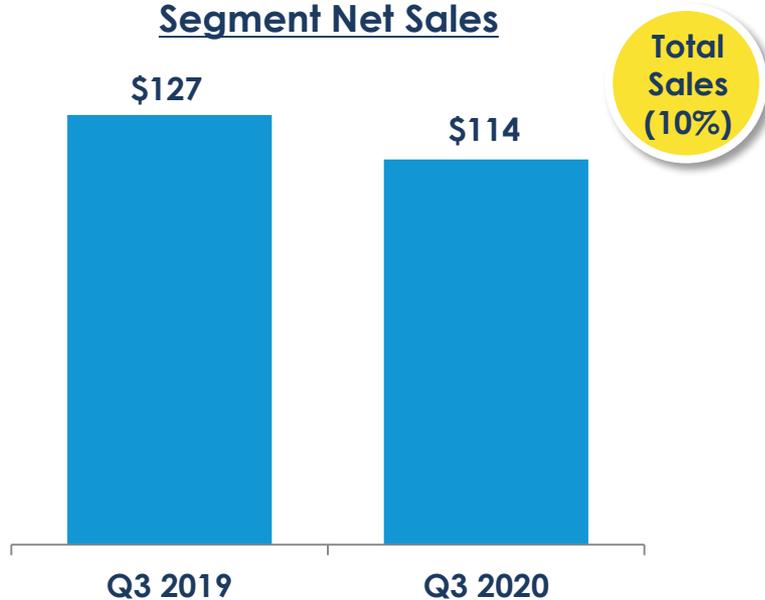
boys pajamas

girls pajamas

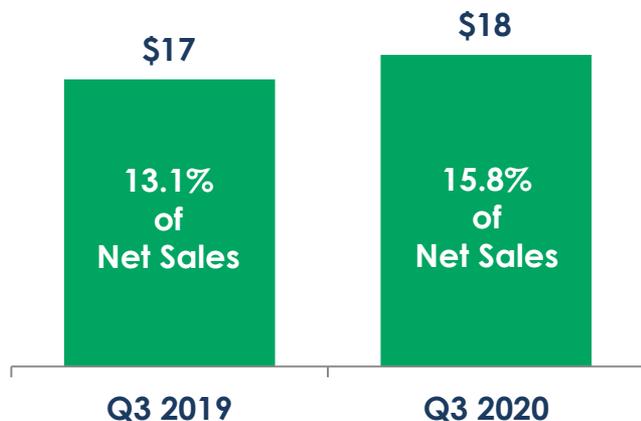
shoes + accessories

\$ in millions

## Segment Net Sales



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



## Q3 Highlights

- **Net sales: (10%) vs. LY**
  - **Canada**
    - Strong retail comp (+7%), driven by eCommerce (+58%)
    - Lower store sales
  - **Mexico**
    - Strong retail growth: eComm and new, larger co-branded stores performing well
  - **International Wholesale Partners**
    - Lower sales due to global pandemic and FX
- **Segment profitability**
  - Adj. margin 15.8%; +270 bps
  - Performance driven by Canada and reflects lower contribution from International Wholesale Partners

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

# International Co-branded Store – Guadalajara, Mexico (Opened September 2020)

**carter's**



# New International Partner Stores – Brazil (Opened September/October 2020)



Sao Paulo



Sao Paulo



Rio de Janeiro



- **Expecting COVID-19 to have a significant impact on our Q4 performance**

- Continued lower store traffic; demand shift online
- Gross margin expansion
- Inventory levels entering Q4 meaningfully lower vs. LY
- Continued strong liquidity

- **Risks**

- COVID-19 resurgence
- Macroeconomic environment (unemployment, consumer confidence)
- Store traffic
- Shipping delays
- International demand



Thank you!



# Appendix



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



\$ in millions, except EPS

	<b>Q3 YTD 2020</b>	<i>% of Sales</i>	<b>Q3 YTD 2019</b>	<i>% of Sales</i>	<b>Increase / (Decrease)</b>
Net sales	\$2,034		\$2,419		(16%)
Gross profit	847	41.7%	1,041	43.0%	(19%)
Royalty income	20	1.0%	27	1.1%	(27%)
SG&A	767	37.7%	829	34.3%	(7%)
Goodwill impairment	18	0.9%	-	-	N/M
Intangible asset impairment	27	1.3%	31	1.3%	(14%)
Operating income	56	2.8%	209	8.6%	(73%)
Loss on extinguishment of debt	-	-	8	0.3%	(100%)
Interest, net	39	1.9%	28	1.1%	42%
Other expense, net	3	0.1%	-	-	N/M
Income before taxes	14	0.7%	173	7.2%	(92%)
Income taxes	3		34		(90%)
Net income	\$11	0.5%	\$139	5.7%	(92%)
<b>Diluted EPS</b>	<b>\$0.24</b>		<b>\$3.06</b>		<b>(92%)</b>
Weighted average shares outstanding	43		45		(3%)
EBITDA <sup>1</sup>	\$123	6.1%	\$272	11.2%	(55%)

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

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



\$ in millions, except EPS

	<b>Q3 YTD 2020</b>	<i>% of Sales</i>	<b>Q3 YTD 2019</b>	<i>% of Sales</i>	<b>Increase / (Decrease)</b>
Net sales	\$2,034		\$2,419		(16%)
Adjusted gross profit	847	41.7%	1,039	43.0%	(18%)
Royalty income	20	1.0%	27	1.1%	(27%)
Adjusted SG&A	733	36.0%	828	34.2%	(11%)
Adjusted operating income	134	6.6%	239	9.9%	(44%)
Interest, net	39	1.9%	28	1.1%	42%
Other expense, net	3	0.1%	-	-	N/M
Adjusted income before taxes	92	4.5%	211	8.7%	(56%)
Adjusted income tax provision	18		44		(60%)
Adjusted net income	\$75	3.7%	\$167	6.9%	(55%)
<b>Adjusted diluted EPS</b>	<b>\$1.70</b>		<b>\$3.68</b>		<b>(54%)</b>
Weighted average shares outstanding	43		45		(3%)
Adjusted EBITDA	\$201	9.9%	\$309	12.8%	(35%)

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



\$ in millions

	Net Sales			Adjusted Operating Income			Adjusted Operating Margin	
	2020	2019	\$ Growth	2020	2019	\$ Growth	2020	2019
U.S. Retail	\$1,086	\$1,264	(\$178)	\$71	\$125	(\$54)	6.5%	9.9%
U.S. Wholesale	706	857	(151)	108	164	(57)	15.2%	19.2%
International	243	298	(55)	10	24	(14)	4.1%	8.0%
Total before corporate expenses	2,034	2,419	(384)	189	313	(125)	9.3%	12.9%
Corporate expenses				(54)	(74)	20	(2.7%)	(3.1%)
Total	\$2,034	\$2,419	(\$384)	\$134	\$239	(\$104)	6.6%	9.9%

<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 Reconciliation of Net Income Allocable to Common Shareholders



	Fiscal Quarter Ended	
	September 26, 2020	September 28, 2019
Weighted-average number of common and common equivalent shares outstanding:		
Basic number of common shares outstanding	43,193,752	44,144,135
Dilutive effect of equity awards	156,878	287,904
Diluted number of common and common equivalent shares outstanding	<u>43,350,630</u>	<u>44,432,039</u>

	Fiscal Quarter Ended			
	As reported on a GAAP Basis		As adjusted (a)	
	September 26, 2020	September 28, 2019	September 26, 2020	September 28, 2019
<i>\$ in thousands, except EPS</i>				
Basic net income per common share:				
Net income	\$81,241	\$60,252	\$85,903	\$83,932
Income allocated to participating securities	(837)	(565)	(885)	(794)
Net income available to common shareholders	<u>\$80,404</u>	<u>\$59,687</u>	<u>\$85,018</u>	<u>\$83,138</u>
Basic net income per common share	\$1.86	\$1.35	\$1.97	\$1.88
Diluted net income per common share:				
Net income	\$81,241	\$60,252	\$85,903	\$83,932
Income allocated to participating securities	(834)	(563)	(882)	(791)
Net income available to common shareholders	<u>\$80,407</u>	<u>\$59,689</u>	<u>\$85,021</u>	<u>\$83,141</u>
Diluted net income per common share	\$1.85	\$1.34	\$1.96	\$1.87

(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 \$4.7 million and \$23.7 million in after-tax expenses (benefit) from these results for the fiscal quarters ended September 26, 2020 and September 28, 2019, respectively.

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



	Three Fiscal Quarters Ended	
	September 26, 2020	September 28, 2019
Weighted-average number of common and common equivalent shares outstanding:		
Basic number of common shares outstanding	43,237,319	44,640,413
Dilutive effect of equity awards	174,351	302,832
Diluted number of common and common equivalent shares outstanding	<u>43,411,670</u>	<u>44,943,245</u>

	Three Fiscal Quarters Ended			
	As reported on a GAAP Basis		As adjusted (a)	
	September 26, 2020	September 28, 2019	September 26, 2020	September 28, 2019
<i>\$ in thousands, except EPS</i>				
Basic net income per common share:				
Net income	\$10,703	\$138,655	\$74,700	\$166,937
Income allocated to participating securities	(88)	(1,244)	(759)	(1,508)
Net income available to common shareholders	<u>\$10,615</u>	<u>\$137,411</u>	<u>\$73,941</u>	<u>\$165,429</u>
Basic net income per common share	\$0.25	\$3.08	\$1.71	\$3.71
Diluted net income per common share:				
Net income	\$10,703	\$138,655	\$74,700	\$166,937
Income allocated to participating securities	(89)	(1,239)	(757)	(1,502)
Net income available to common shareholders	<u>\$10,614</u>	<u>\$137,416</u>	<u>\$73,943</u>	<u>\$165,435</u>
Diluted net income per common share	\$0.24	\$3.06	\$1.70	\$3.68

(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 \$64.0 million and \$28.3 million in after-tax expenses from these results for the three fiscal quarters ended September 26, 2020 and September 28, 2019, respectively.

# Reconciliation of Reported to Adjusted Earnings



\$ in millions, except EPS

Third Quarter of Fiscal 2020	Gross Profit	% of net sales	SG&A	% of net sales	Operating Income	% of net sales	Income Taxes	Net Income	Diluted EPS	Segment Reporting							
										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>\$383.7</b>	<b>44.4%</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		-	
Store impairments (c)	-		(1.5)		1.5		0.4	1.1	0.03	1.5		-		-		-	
Productivity / 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>\$383.7</b>	<b>44.4%</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>

Q3 YTD 2020	Gross Profit	% of net sales	SG&A	% of net sales	Operating Income	% of net sales	Income Taxes	Net Income	Diluted EPS	Segment Reporting							
										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>\$847.5</b>	<b>41.7%</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	0.34	8.3		8.5		2.0		-	
Productivity/restructuring costs (d)	-		(8.8)		8.8		1.9	6.8	0.15	3.4		1.5		1.9		2.0	
Store impairments (c)	-		(6.5)		6.5		1.6	4.9	0.11	6.3		-		0.2		-	
<b>As adjusted (a)</b>	<b>\$847.5</b>	<b>41.7%</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>

Third Quarter of Fiscal 2019	Gross Profit	% of net sales	SG&A	% of net sales	Operating Income	% of net sales	Income Taxes	Net Income	Diluted EPS	Segment Reporting							
										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>\$402.2</b>	<b>42.6%</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>	<b>\$49.5</b>	<b>10.7%</b>	<b>\$54.4</b>	<b>15.4%</b>	<b>\$6.1</b>	<b>4.8%</b>	<b>(\$26.1)</b>	<b>(2.8%)</b>
Intangible asset impairment (e)	-		-		30.8		7.1	23.7	0.53	1.2		19.1		10.5		-	
<b>As adjusted (a)</b>	<b>\$402.2</b>	<b>42.6%</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>	<b>\$50.7</b>	<b>10.9%</b>	<b>\$73.5</b>	<b>20.9%</b>	<b>\$16.6</b>	<b>13.1%</b>	<b>(\$26.1)</b>	<b>(2.8%)</b>

Q3 YTD 2019	Gross Profit	% of net sales	SG&A	% of net sales	Operating Income	% of net sales	Income Taxes	Net Income	Diluted EPS	Segment Reporting							
										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>\$1,041.1</b>	<b>43.0%</b>	<b>\$828.5</b>	<b>34.3%</b>	<b>\$209.1</b>	<b>8.6%</b>	<b>\$34.4</b>	<b>\$138.7</b>	<b>\$3.06</b>	<b>\$124.6</b>	<b>9.9%</b>	<b>\$145.2</b>	<b>16.9%</b>	<b>\$15.4</b>	<b>5.2%</b>	<b>(\$76.0)</b>	<b>(3.1%)</b>
Intangible asset impairment (e)	-		-		30.8		7.1	23.7	0.52	1.2		19.1		10.5		-	
Debt extinguishment loss (g)	-		-		-		1.8	6.0	0.13	-		-		-		-	
Productivity/restructuring costs (d)	-		(1.6)		1.6		0.4	1.3	0.03	-		-		-		1.6	
Store restructuring costs (h)	-		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>\$1,039.0</b>	<b>43.0%</b>	<b>\$827.6</b>	<b>34.2%</b>	<b>\$238.7</b>	<b>9.9%</b>	<b>\$43.6</b>	<b>\$166.9</b>	<b>\$3.68</b>	<b>\$125.1</b>	<b>9.9%</b>	<b>\$164.3</b>	<b>19.2%</b>	<b>\$23.7</b>	<b>8.0%</b>	<b>(\$74.3)</b>	<b>(3.1%)</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, 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 measurements 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 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 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 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.

# Reconciliation of Net Income to Adjusted EBITDA



\$ in millions

	Fiscal Quarter Ended		Three Fiscal Quarters Ended		Four Fiscal Quarters Ended
	September 26, 2020	September 28, 2019	September 26, 2020	September 28, 2019	September 26, 2020
Net income	\$ 81.2	\$ 60.3	\$ 10.7	\$ 138.7	\$ 135.9
Interest expense	16.3	10.0	40.5	28.7	49.5
Interest income	(0.3)	(0.2)	(1.2)	(0.9)	(1.6)
Tax expense	19.0	13.4	3.3	34.4	33.1
Depreciation and amortization	24.1	24.0	69.8	70.8	94.9
<b>EBITDA</b>	<b>\$ 140.4</b>	<b>\$ 107.3</b>	<b>\$ 123.1</b>	<b>\$ 271.6</b>	<b>\$ 311.7</b>
<b>Adjustments to EBITDA</b>					
Intangible asset impairment (a)	\$ -	\$ 30.8	\$ 26.5	\$ 30.8	\$ 26.5
Goodwill impairment (b)	-	-	17.7	-	17.7
COVID-19 expenses (c)	3.3	-	18.8	-	18.8
Productivity / restructuring costs (d)	1.0	-	8.5	1.6	8.5
Retail store operating leases and other long-lived asset impairments, net (e)	1.5	-	6.4	-	6.4
Customer bankruptcy charges, net (f)	-	-	-	-	(0.6)
Debt extinguishment loss (g)	-	-	-	7.8	-
Store restructuring costs (h)	-	-	-	(0.7)	-
China business model change, net (i)	-	-	-	(2.1)	-
<b>Adjusted EBITDA</b>	<b>\$ 146.2</b>	<b>\$ 138.1</b>	<b>\$ 201.2</b>	<b>\$ 309.1</b>	<b>\$ 389.2</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 September 26, 2020 exclude \$0.2 million of depreciation expense that is included in the corresponding depreciation and amortization line item.

(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 September 26, 2020	Impact of Foreign Currency Translation	Constant-Currency Net Sales September 26, 2020	Reported Net Sales September 28, 2019	Reported Net Sales % Change	Constant-Currency Net Sales % Change
<b>Consolidated net sales</b>	\$865.1	(\$2.0)	\$867.1	\$943.3	(8.3%)	(8.1%)
<b>International segment net sales</b>	\$113.8	(\$2.0)	\$115.8	\$127.0	(10.4%)	(8.8%)

	Three Fiscal Quarters Ended					
	Reported Net Sales September 26, 2020	Impact of Foreign Currency Translation	Constant-Currency Net Sales September 26, 2020	Reported Net Sales September 28, 2019	Reported Net Sales % Change	Constant-Currency Net Sales % Change
<b>Consolidated net sales</b>	\$2,034.4	(\$4.7)	\$2,039.1	\$2,418.8	(15.9%)	(15.7%)
<b>International segment net sales</b>	\$242.5	(\$4.7)	\$247.2	\$297.8	(18.5%)	(17.0%)

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>September 26, 2020</b>	<b>September 28, 2019</b>
Long-term debt, net	\$ 989.1	\$ 769.5
Cash and cash equivalents	(831.2)	(153.9)
<b>Net debt</b>	<b>\$ 157.9</b>	<b>\$ 615.6</b>

	<u>U.S. Retail</u>	<u>Canada</u>	<u>Mexico</u>	<u>Total International</u>	<u>Total Consolidated</u>
<b>Store Count at September 28, 2019</b>	<b>845</b>	<b>198</b>	<b>44</b>	<b>242</b>	<b>1,087</b>
Openings	35	3	4	7	42
Closings	(17)	(5)	(3)	(8)	(25)
<b>Store Count at September 26, 2020</b>	<b>863</b>	<b>196</b>	<b>45</b>	<b>241</b>	<b>1,104</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.