

carter's, inc.

Second Quarter 2021 Results & Business Update

July 30, 2021



Second Quarter 2021 Results (GAAP Basis)



\$ in millions, except EPS

	Q2 2021	<i>% of Sales</i>	Q2 2020	<i>% of Sales</i>	Increase
Net sales	\$746		\$515		45%
Gross profit	369	49.4%	236	45.7%	57%
Royalty income	7	0.9%	4	0.7%	85%
SG&A	268	35.9%	218	42.4%	23%
Operating income	108	14.4%	21	4.1%	>100%
Interest expense, net	15	2.0%	15	2.9%	1%
Other (income) expense, net	(1)	(0.1%)	1	0.1%	N/M
Income before taxes	93	12.5%	5	1.1%	>100%
Income tax provision (benefit)	22		(3)		N/M
Net income	\$72	9.6%	\$8	1.6%	>100%
Diluted EPS	\$1.62		\$0.19		>100%
Weighted average shares outstanding	44		43		1%
EBITDA ¹	\$131	17.5%	\$43	8.3%	>100%

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

Non-GAAP Adjustments



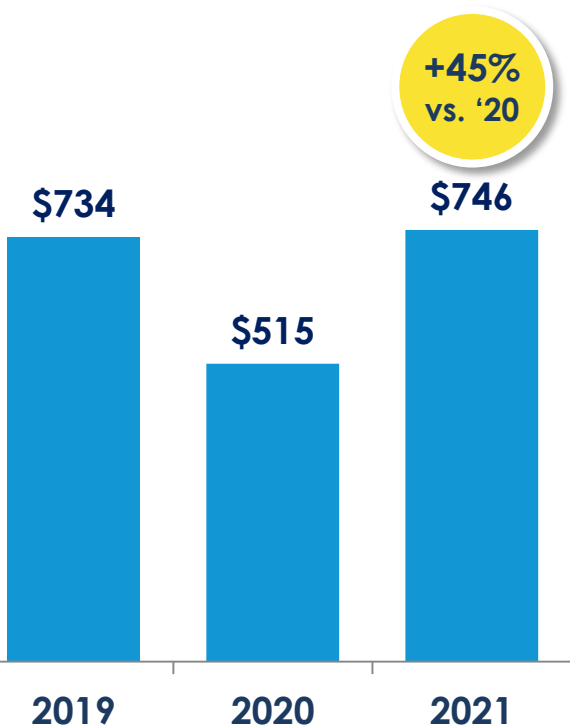
\$ in millions, except EPS

	Second Fiscal Quarter					
	2021			2020		
	Operating Income	% Net Sales	Diluted EPS	Operating Income	% Net Sales	Diluted EPS
As reported (GAAP)	\$107.6	14.4%	\$1.62	\$21.0	4.1%	\$0.19
Restructuring costs	2.2		0.04	3.7		0.07
COVID-19 expenses	1.0		0.02	12.8		0.22
Store lease (benefit) impairments, net	(0.4)		(0.01)	3.7		0.06
Total adjustments	2.8		0.05	20.2		0.35
As adjusted	\$110.4	14.8%	\$1.67	\$41.1	8.0%	\$0.54

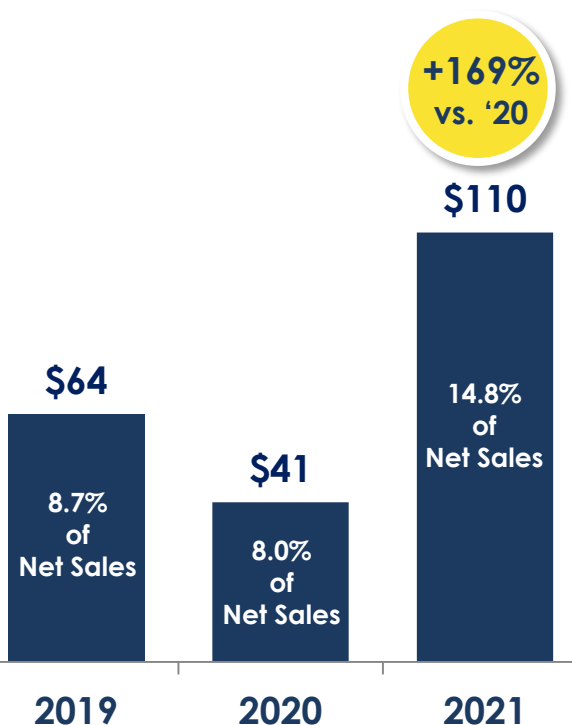
Note: Results may not be additive due to rounding. Please see the appendix for further information about these non-GAAP adjustments and reconciliation to GAAP.

\$ in millions, except EPS

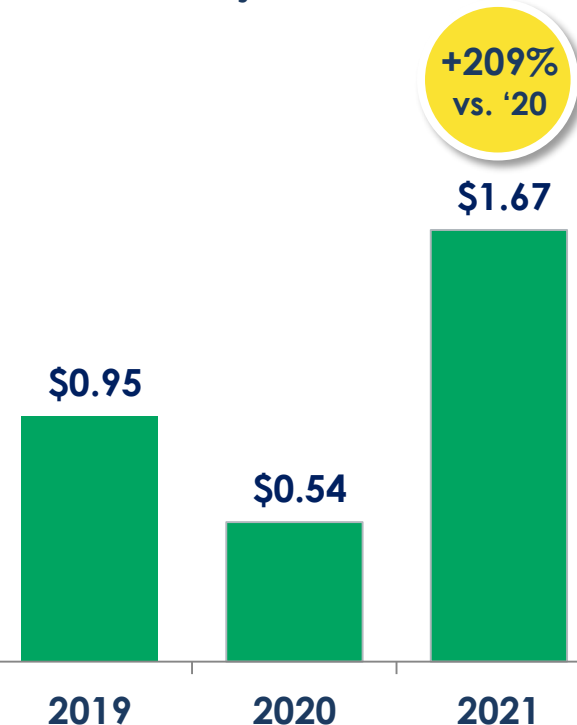
Net Sales



Adjusted Operating Income¹ (Adjusted Operating Margin)



Adjusted EPS¹



Key Performance Drivers

- Outperformance vs. prior guidance largely driven by strong store demand and better price realization in U.S. Retail
- Strong product performance

- Store sales recovery vs. significant closures LY
- More effective marketing
- Leaner inventories
- Improved price realization

*See reconciliation to GAAP in appendix.

Second Quarter 2021 Adjusted Results¹



\$ in millions, except EPS

	Q2 2021	% of Sales	Q2 2020	% of Sales	Increase
Net sales	\$746		\$515		45%
Gross profit	369	49.4%	236	45.7%	57%
Royalty income	7	0.9%	4	0.7%	85%
Adjusted SG&A	265	35.5%	198	38.5%	34%
Adjusted operating income	110	14.8%	41	8.0%	>100%
Interest expense, net	15	2.0%	15	2.9%	1%
Other (income) expense, net	(1)	(0.1%)	1	0.1%	N/M
Adjusted income before taxes	96	12.9%	26	5.0%	>100%
Adjusted income tax provision	22		2		>100%
Adjusted net income	\$74	9.9%	\$24	4.6%	>100%
Adjusted diluted earnings per share	\$1.67		\$0.54		>100%
Weighted average shares outstanding	44		43		1%
Adjusted EBITDA	\$133	17.8%	\$63	12.2%	>100%

¹ 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

	2021	2020
Cash	\$1,121	\$1,001
Accounts receivable	164	166
Inventory, net	620	672
Accounts payable	357	458
Long-term debt, net	990	1,233
Operating lease liabilities	643	784

First Half Cash Flow

	2021	2020
Operating cash flow	\$50	\$237
Capital expenditures	(21)	(17)
Free cash flow ¹	\$29	\$221

- **Strong total liquidity ~\$1.9B²**
- **Net inventory -8% vs. LY**
 - Strong inventory management, higher sales
 - Improved excess inventory position
 - Continued COVID-related delays in receipt of product
- **Accounts payable reflects extension of vendor payment terms and rent deferrals last year**
- **Long-term debt decrease vs. LY reflects absence of revolver borrowings this year**
- **Operating cash flow reflects meaningfully higher earnings offset by changes in vendor payment terms**
- **Quarterly dividend resumed at \$0.40/share in Q2 '21**

¹ Non-GAAP measure. ² Comprised of \$1,121 million cash & cash equivalents plus \$746 million borrowing capacity on revolving credit facility.

Business Segment Results



Second Quarter 2021 Adjusted Business Segment Performance¹



\$ in millions

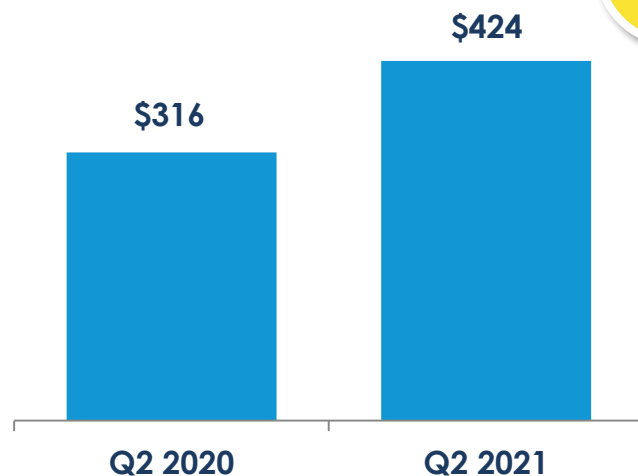
	Net Sales			Adjusted Operating Income (Loss)			Adjusted Operating Margin	
	2021	2020	\$ Growth	2021	2020	\$ Growth	2021	2020
U.S. Retail	\$424	\$316	\$108	\$87	\$33	\$53	20.4%	10.6%
U.S. Wholesale	232	152	80	41	29	12	17.7%	19.0%
International	91	47	44	11	(3)	14	12.5%	(5.6%)
Total before corporate expenses	746	515	232	139	60	80	18.6%	11.6%
Corporate expenses				(29)	(18)	(10)	(3.8%)	(3.6%)
Total	\$746	\$515	\$232	\$110	\$41	\$69	14.8%	8.0%

¹ 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.

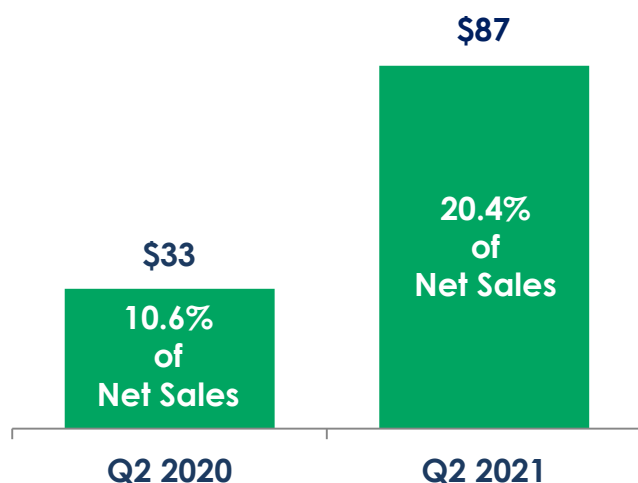
\$ in millions

Segment Net Sales

Total Sales
+34%



Segment Adj. Operating Income¹



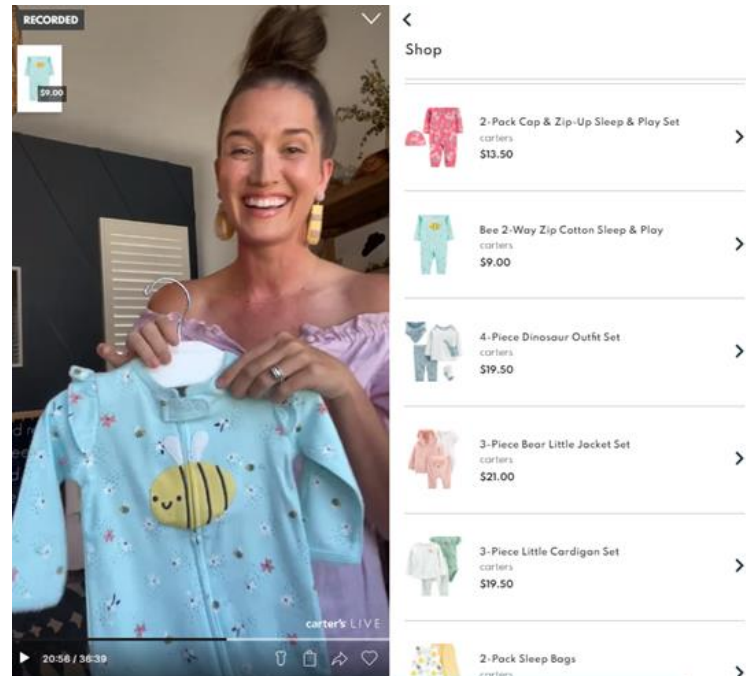
Q2 Recap

- **Net sales +34% vs. LY**
 - Growth led by recovery in store sales vs. significant store closures LY
 - eCommerce
 - Sales in-line with plan (down vs. LY's +100% comp)
 - 38% of segment sales vs. 72% LY (27% Q2 2019)
- **Record omnichannel sales & order penetration**
 - Omnichannel-related sales +90% vs. LY
 - Stores supported fulfillment of 31% of eCommerce orders vs. 12% LY
- **Good progress with store portfolio optimization**
 - 89 low margin stores closed YTD; plan to close ~115 in full year
 - Evaluating new store opportunities
- **Record quarterly profitability**
 - Strong sales growth
 - Improved price realization
 - Fixed cost leverage

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



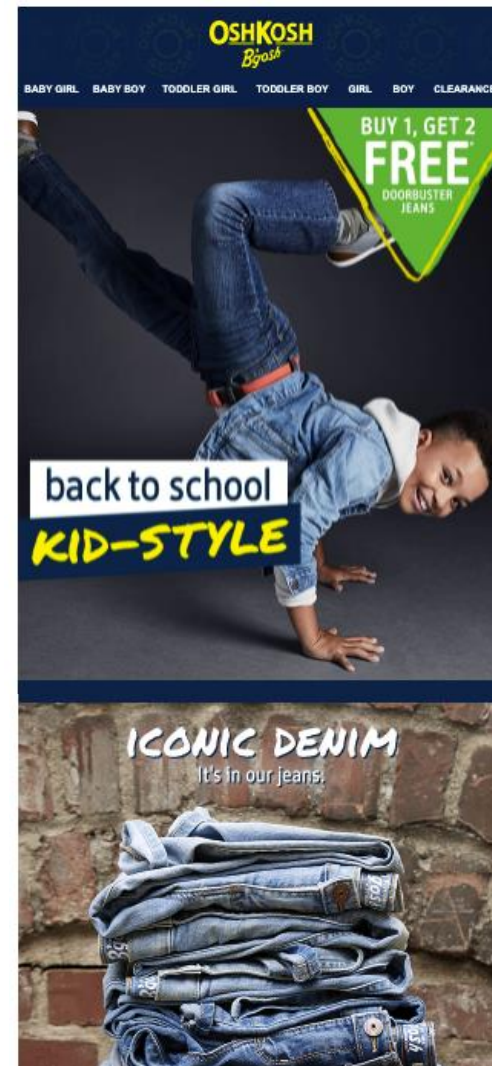
- Recently refreshed our core baby offering – *My First Love* collection
- 100% Oeko-Tex certified cotton
- Launched with a first of its kind live digital shopping event hosted by 'Bachelor' alum Jade Roper Tolbert
- Continued success with our core layette offering across channels



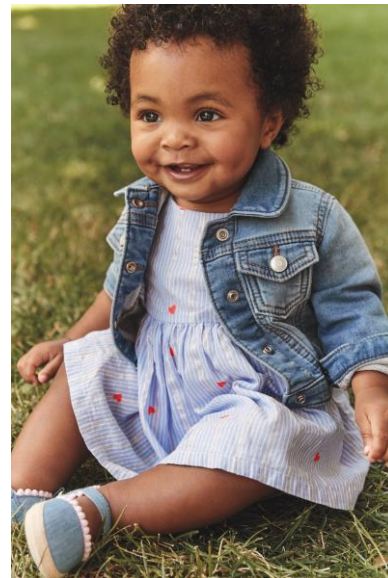
Continued Momentum With Our 'Age Up' Strategy – Big Kid Fastest Growing Segment in Q2



carter's
KID®



OSHKOSH
B'gosh





TODAY is someday

Who better than an iconic brand like OshKosh to bridge history to present, by celebrating the confidence and determination of icons **before they were icons**, to show the next generation it's ok to **dream boldly about who you'll become someday**.

2.1B+

earned media impressions

163

media placements

200M+

social impressions

100%

positive sentiment



BuzzFeed **Essence** **InStyle**
NBC **People** **Rolling Stone**
TMZ **USA Today** **US Weekly**



Little Planet Sustainable Collection Expands to Select Stores



Organic cotton meets our favorite scenes of summer.

[shop new arrivals](#)

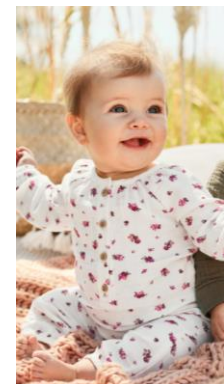
salt blossom pink
barely a blush



for trips to the shore or just to explore

[shop the summer wildlife collection](#)

explore our signature prints



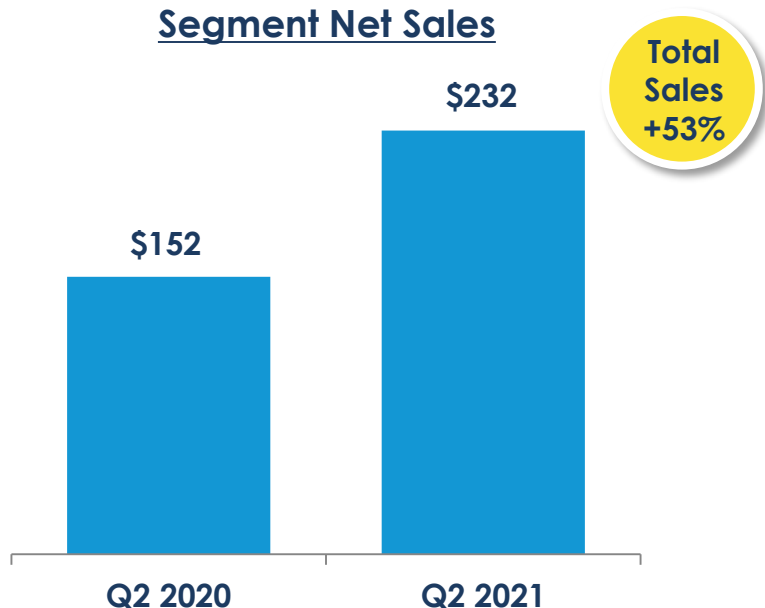


- **Currently implementing RFID technology across store fleet**
- **Program designed to improve in-store inventory accuracy**
 - Omnichannel sales growth enabler
 - Better price realization
 - Operational efficiencies
- **Expect to complete implementation fall 2021**



\$ in millions

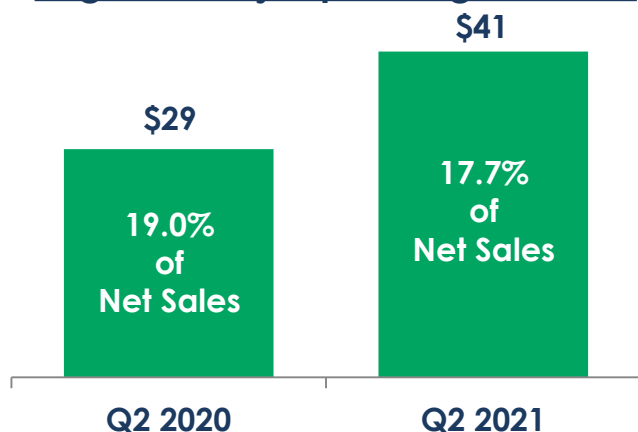
Segment Net Sales



Q2 Recap

- **Net sales +53% vs. LY**
 - Strong recovery for core *Carter's* brand
 - Continued growth with Exclusive Brands
 - *OshKosh* & *Skip Hop* also contributed to growth
 - Good replenishment demand
- **Adjusted segment income +43%; adjusted segment margin reflects:**
 - Higher transportation costs
 - Release of inventory reserves LY
 - Expense leverage

Segment Adj. Operating Income¹



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

Record Amazon Prime Day Sales For Simple Joys



The desktop website features a clean, white background with a light blue and yellow color scheme. At the top, the 'simple joys by carter's' logo is prominently displayed. Below the logo, a navigation bar includes categories like 'HOME', 'SWIMWEAR', 'BABY BOY', 'BABY GIRL', 'BABY NEUTRAL', 'TODDLER BOY', 'TODDLER GIRL', 'BOY PJAMAS', and 'MORE'. A central banner reads 'find joy in the simple™' with the tagline 'Everything you ♥ about Carter's in easy style sets right at your fingertips.' Below this, there are five category tiles for 'baby boy', 'baby girl', 'toddler boy', and 'toddler girl', each with a representative image and age range. The main content area is divided into several sections: 'summer's here!' featuring swimwear with a 'UPF 30+' badge, 'the sleep & play' section with pajamas and a '2-way zip design for easy diaper changes' callout, and 'shoes & accessories' featuring socks. The 'find joy in the simple™' tagline is repeated at the bottom.

The mobile website layout is optimized for a vertical screen. It starts with a search bar and navigation options like 'Whole Foods', 'In-Store Code', and 'Alexa Lists'. The delivery location is set to 'Amanda - Dawsonville 30534'. The main header features the 'simple joys by carter's' logo and a large image of a baby. A 'swim' section is highlighted with a '3m-5t' age range, featuring a 'UPF 30+' badge and a collection of swimwear items. Below this, there's a 'the sleep & play' section with a '2-way zip design for easy diaper changes' callout and a 'quick-dry fabric in every suit, yay!' section with a '1-piece' rashguard. The 'find joy in the simple™' tagline and tagline are at the bottom.

This is a promotional banner for Amazon Prime Day. It features a search bar at the top with the text 'Search Amazon' and icons for camera and voice search. Below the search bar, there are navigation options for 'Whole Foods', 'Fresh', 'Pharmacy', and 'In-Store Code'. The delivery location is set to 'Ida - Atlanta 30339'. The main visual is a large image of two men looking excitedly into an open cardboard box, with confetti falling around them. Overlaid on this image is the text 'It's Prime Day' and 'Two days of epic deals' in a dark box. Below this, the 'prime day' logo with the Amazon arrow is visible. At the bottom, there are three promotional tiles: 'Save on Simple Joys by Carter's' with an image of a floral rashguard and shorts, 'Up to 35% off select items' with an image of a cardboard box, and 'Up to 40% off select it' with a partial image of a blue item.

Digital & Social Influencers

Up to **50% off**
Carter's® clothing for baby.
Ends June 29.
[Shop Now](#)

Hello, baby. Hello, savings.
BABY SALE
Some Excludes. Ends June 29. Shop Now

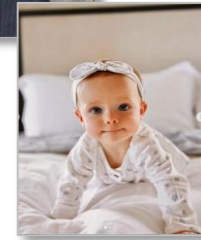
Up to **50% off**
Carter's® clothing for baby.
[Shop Now](#)

Adorable looks for little ones.
Up to **40% off**
Carter's® clothing for baby.
[Shop Now](#)

Made-to-play bodysuits.
14.99
Carter's® bodysuit. Available for baby. Reg. \$20.00. [Shop Now](#)



bethanyciotola



marylauren

KOHL'S

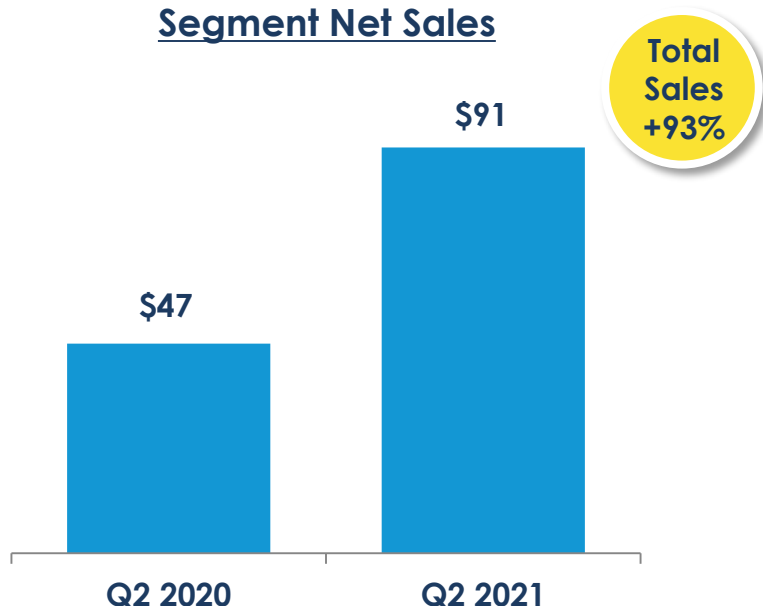
my first ™

In Store

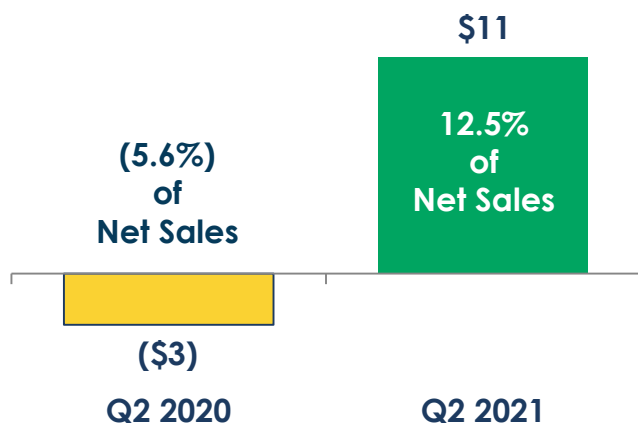


\$ in millions

Segment Net Sales



Segment Adj. Operating Income (Loss)¹



Q2 Recap

- **Net sales: +93% vs. LY (+76% constant currency¹)**
 - **Canada net sales +75%**
 - Growth in all channels
 - Strong recovery in stores despite meaningful COVID-related restrictions
 - Omnichannel capabilities launched in Q2; stores fulfilled ~34% of eCommerce orders
 - **Mexico net sales +161%**
 - Growth driven by store re-openings
 - **International Partners/Multi-National Accounts net sales +256%**
 - Growth driven by Brazil and Amazon
- **Meaningful profitability improvement vs. LY; adjusted segment margin reflects:**
 - Strong sales growth
 - Better price realization
 - Expense leverage

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

International Partner Store – Brazil
(Opened June 2021)



International Partner Store – United Arab Emirates (Opened July 2021)





carter's

2020 Corporate Social Responsibility Report

Our Corporate Social Responsibility Commitments

We have established goals to improve the sustainability of our products over the coming decade

To help us focus our efforts, we previously conducted a CSR issue assessment. This study helped to identify the areas of greatest importance to our Company's success and to our stakeholders, including employees, customers, and investors. Applying the results of this assessment and other stakeholder input, our priority CSR issues are:

- Product quality and safety
- Product design and innovation
- Employee engagement
- Diversity and inclusion
- Climate change
- Workers' rights
- Supply-chain management

Based on these insights, we have developed three strategic pillars that guide our long-term CSR commitments: People, Product, and Planet. In the years ahead, we plan to establish baselines and systems that can help us refine and measure progress towards our goals.

Reduce the environmental impacts of our products, packaging, and operations

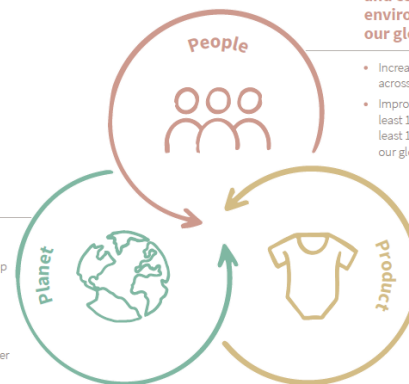
- Reduce greenhouse gas emissions by at least 25 percent by 2030, and develop a science-based target
- Use more sustainable packaging and reduce landfill waste
- Promote efficient use of water in the manufacturing of our products

Enhance the workplace and community environments within our global value chain

- Increase diverse representation across our global value chain
- Improve the well-being of at least 10 million families and at least 1 million workers within our global value chain by 2030

Increase the use of certified and sustainable materials in our products

- Use 100 percent sustainable cotton and polyester fibers by 2030
- Maintain high quality and safety standards, including through industry certifications where appropriate



First Half 2021 Adjusted Results¹



\$ in millions, except EPS

	1H 2021	<i>% of Sales</i>	1H 2020	<i>% of Sales</i>	Increase
Net sales	\$1,534		\$1,169		31%
Gross profit	761	49.6%	464	39.7%	64%
Royalty income	14	0.9%	11	0.9%	29%
Adjusted SG&A	536	34.9%	460	39.3%	16%
Adjusted operating income	239	15.6%	15	1.3%	>100%
Interest expense, net	30	2.0%	23	2.0%	30%
Other (income) expense, net	(2)	(0.1%)	5	0.5%	N/M
Adjusted income (loss) before taxes	210	13.7%	(14)	(1.2%)	N/M
Adjusted income tax provision (benefit)	50		(3)		N/M
Adjusted net income (loss)	\$161	10.5%	(\$11)	(1.0%)	N/M
Adjusted diluted earnings (loss) per share	\$3.64		(\$0.26)		N/M
Weighted average shares outstanding	44		43		1%
Adjusted EBITDA	\$286	18.6%	\$55	4.7%	>100%

¹ 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 2021 Adjusted Business Segment Performance¹



\$ in millions

	Net Sales			Adjusted Operating Income (Loss)			Adjusted Operating Margin	
	2021	2020	\$ Growth	2021	2020	\$ Growth	2021	2020
U.S. Retail	\$831	\$637	\$194	\$163	\$20	\$143	19.6%	3.1%
U.S. Wholesale	515	404	111	112	40	72	21.8%	10.0%
International	188	129	59	21	(8)	29	11.3%	(6.2%)
Total before corporate expenses	1,534	1,169	364	296	52	244	19.3%	4.5%
Corporate expenses				(57)	(37)	(20)	(3.7%)	(3.2%)
Total	\$1,534	\$1,169	\$364	\$239	\$15	\$224	15.6%	1.3%

¹ 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.



2021 Outlook

Drivers

- **Market leading product assortments**
- **Benefits from structural changes**
 - More focused, longer lifecycle assortments
 - Fewer, more profitable stores
 - Improved brand marketing
 - Leaner inventory / less promotional
 - Productivity agenda
- **Marketplace / Macro**
 - Employment recovery
 - Back-to-school / holiday shopping
 - Benefit of government stimulus, including significant increase in child tax credit

Risks

- **Supply chain disruptions**
- **Higher transportation costs**
- **COVID-19 case trends**
- **Consumer traffic**
- **International demand in U.S.**
- **Projected decline in births**

**Strong First
Half
Performance
Enabling
Additional
Investments in
Second Half**

- **Brand marketing**
- **Technology enhancements**
 - eCommerce site / digital experiences
 - RFID
 - Store systems upgrade
 - Pricing tools
 - Data & analytics capabilities
- **Employee compensation**
- **Productivity consulting**

**Second Half
Not
Comparable
to 2020**

- **Revenue**
 - Earlier demand for U.S. Wholesale shipments (Q2 vs. Q3)
 - U.S. Retail store closures
 - 53rd week in 2020
- **Earnings**
 - Higher transportation costs
 - Restoration of compensation provisions
 - Investments in brand marketing

2021 Outlook

(Adjusted Basis)



**Q3
2021**

- **Net sales: ~\$960 million (+11%)**
- **Adjusted operating income: ~\$110 million (vs. \$119.5 million Q3 2020)¹**
- **Adjusted diluted EPS: \$1.60 (vs. \$1.96 Q3 2020)¹**

**Fiscal
Year
2021**

- **Raising sales and earnings outlook for the year**
- **Net sales: growth of ~15%**
 - Previous guidance: growth of ~10%
- **Adjusted operating income: ~\$475 million (vs. \$279.8 million in 2020)¹**
 - Previous guidance: ~\$400 million
- **Adjusted diluted EPS: growth of ~75% (vs. \$4.16 in 2020)¹**
 - Previous guidance: growth of ~40%
- **CapEx: ~\$50 million**



¹ See reconciliation to GAAP in appendix. Q3 2021 outlook excludes ~\$1 million of expenses related to the COVID-19 pandemic, including costs associated with additional protective equipment and cleaning supplies, and a benefit of ~\$0.5 million related to a gain on modifications of previously-impaired leases. FY 2021 outlook excludes ~\$5 million of expenses related to the COVID-19 pandemic, ~\$3 million of restructuring costs, and a benefit of ~\$3 million related to a gain on modifications of previously-impaired leases.

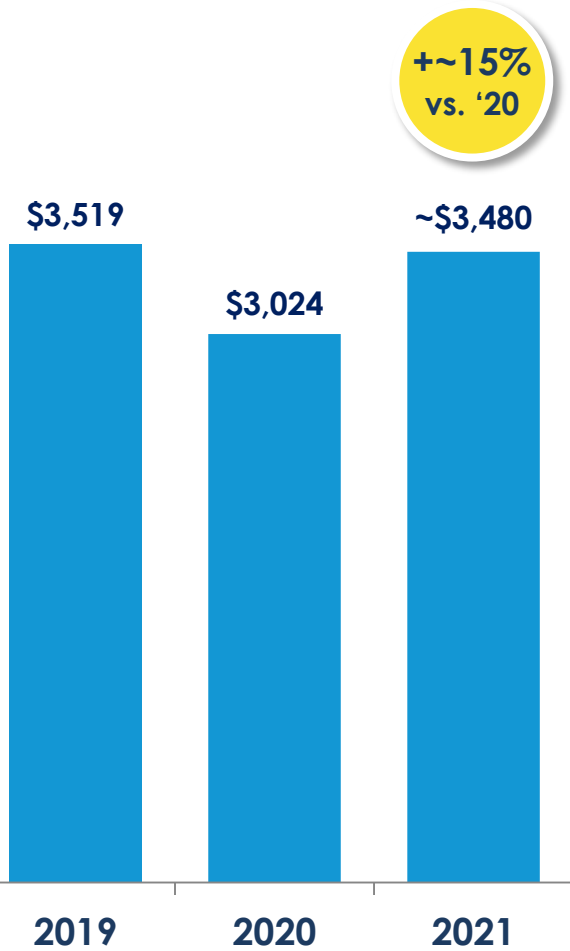
Fiscal Year 2021 Outlook – Summary

(Adjusted Basis)

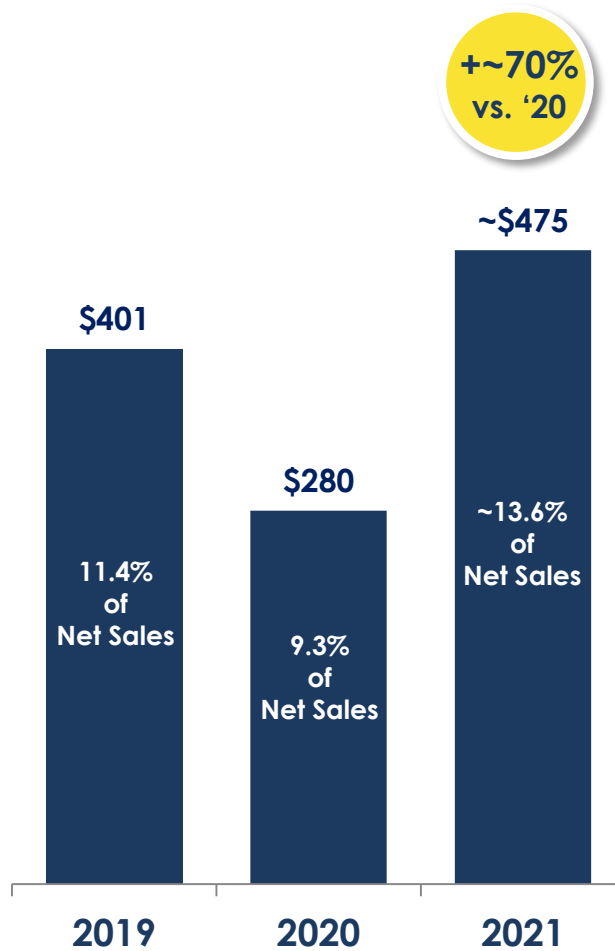


\$ in millions, except EPS

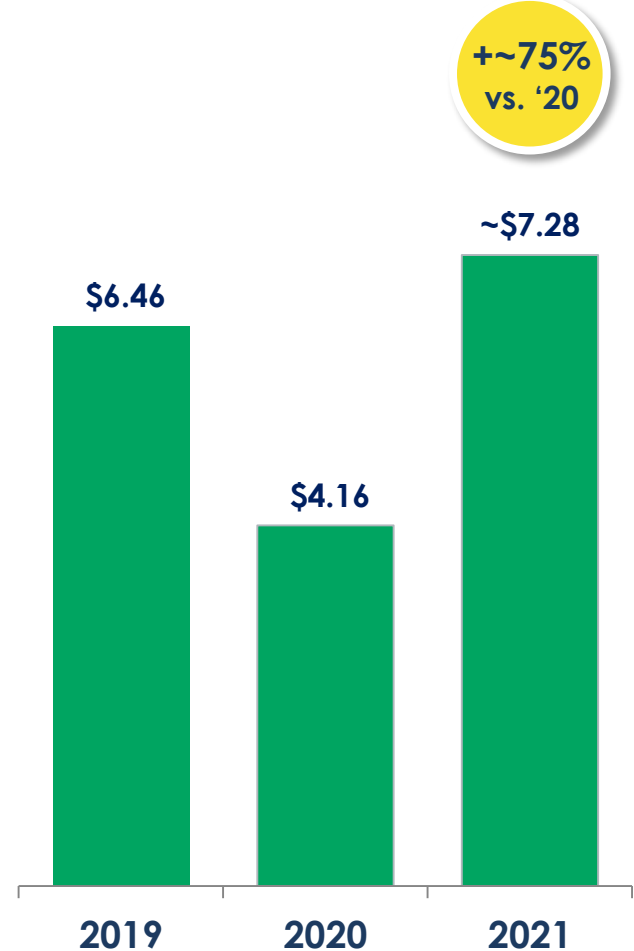
Net Sales



Adjusted Operating Income¹ (Adjusted Operating Margin)



Adjusted EPS¹



¹ See reconciliation to GAAP in appendix.

Thank you!



Appendix



First Half 2021 Results (GAAP Basis)



\$ in millions, except EPS

	1H 2021	<i>% of Sales</i>	1H 2020	<i>% of Sales</i>	Increase / (Decrease)
Net sales	\$1,534		\$1,169		31%
Gross profit	761	49.6%	464	39.7%	64%
Royalty income	14	0.9%	11	0.9%	29%
SG&A	540	35.2%	532	45.5%	1%
Goodwill impairment	-		18	1.5%	(100%)
Intangible asset impairment	-		27	2.3%	(100%)
Operating income (loss)	235	15.3%	(58)	(4.9%)	N/M
Interest expense, net	30	2.0%	23	2.0%	30%
Other (income) expense, net	(2)	(0.1%)	5	0.5%	N/M
Income (loss) before taxes	207	13.5%	(86)	(7.4%)	N/M
Income tax provision (benefit)	49		(16)		N/M
Net income (loss)	\$158	10.3%	(\$71)	(6.0%)	N/M
Diluted earnings (loss) per share	\$3.58		(\$1.64)		N/M
Weighted average shares outstanding	44		43		1%
EBITDA ¹	\$283	18.5%	(\$2)	(0.2%)	N/M

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

Second Quarter Reconciliation of Net Income Allocable to Common Shareholders



	Fiscal Quarter Ended	
	July 3, 2021	June 27, 2020
Weighted-average number of common and common equivalent shares outstanding:		
Basic number of common shares outstanding	43,445,780	43,162,571
Dilutive effect of equity awards	169,631	147,480
Diluted number of common and common equivalent shares outstanding	43,615,411	43,310,051

	Fiscal Quarter Ended			
	As reported on a GAAP Basis		As adjusted (a)	
	July 3, 2021	June 27, 2020	July 3, 2021	June 27, 2020
<i>\$ in thousands, except EPS</i>				
Basic net income per common share:				
Net income	\$71,603	\$8,156	\$73,700	\$23,559
Income allocated to participating securities	(860)	(86)	(886)	(249)
Net income available to common shareholders	\$70,743	\$8,070	\$72,814	\$23,310
Basic net income per common share	\$1.63	\$0.19	\$1.68	\$0.54
Diluted net income per common share:				
Net income	\$71,603	\$8,156	\$73,700	\$23,559
Income allocated to participating securities	(857)	(86)	(883)	(248)
Net income available to common shareholders	\$70,746	\$8,070	\$72,817	\$23,311
Diluted net income per common share	\$1.62	\$0.19	\$1.67	\$0.54

(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 \$2.1 million and \$15.4 million in after-tax expenses from these results for the fiscal quarters ended July 3, 2021 and June 27, 2020, respectively.

First Half Reconciliation of Net Income Allocable to Common Shareholders



	Two Fiscal Quarters Ended	
	July 3, 2021	June 27, 2020
Weighted-average number of common and common equivalent shares outstanding:		
Basic number of common shares outstanding	43,408,262	43,259,103
Dilutive effect of equity awards	151,468	-
Diluted number of common and common equivalent shares outstanding	43,559,730	43,259,103

	Two Fiscal Quarters Ended			
	As reported on a GAAP Basis		As adjusted (a)	
	July 3, 2021	June 27, 2020	July 3, 2021	June 27, 2020
<i>\$ in thousands, except EPS</i>				
Basic net income per common share:				
Net income	\$157,799	(\$70,538)	\$160,687	(\$11,203)
Income allocated to participating securities	(1,896)	(252)	(1,931)	(253)
Net income available to common shareholders	\$155,903	(\$70,790)	\$158,756	(\$11,456)
Basic net income per common share	\$3.59	(\$1.64)	\$3.66	(\$0.26)
Diluted net income per common share:				
Net income	\$157,799	(\$70,538)	\$160,687	(\$11,203)
Income allocated to participating securities	(1,890)	(252)	(1,925)	(253)
Net income available to common shareholders	\$155,909	(\$70,790)	\$158,762	(\$11,456)
Diluted net income per common share	\$3.58	(\$1.64)	\$3.64	(\$0.26)

(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 \$2.9 million and \$59.3 million in after-tax expenses from these results for the two fiscal quarters ended July 3, 2021 and June 27, 2020, respectively.

Reconciliation of Reported to Adjusted Earnings



\$ in millions, except EPS

Second Quarter of Fiscal 2021	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
As reported (GAAP)	\$368.7	49.4%	\$267.8	35.9%	\$107.6	14.4%	\$21.6	\$71.6	\$1.62	\$87.1	20.6%	\$40.6	17.5%	\$9.0	9.9%	(\$29.1)	(3.9%)
Restructuring costs (b)	-		(2.2)		2.2		0.6	1.6	0.04	(0.6)		-		2.3		0.5	
COVID-19 expenses (c)	-		(1.0)		1.0		0.3	0.8	0.02	0.5		0.4		0.1		-	
Retail store operating leases and other long-lived asset impairments, net of gain (d)	-		0.4		(0.4)		(0.1)	(0.3)	(0.01)	(0.4)		-		-		-	
As adjusted (a)	\$368.7	49.4%	\$264.9	35.5%	\$110.4	14.8%	\$22.4	\$73.7	\$1.67	\$86.6	20.4%	\$41.1	17.7%	\$11.4	12.5%	(\$28.6)	(3.8%)

Second 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 (Loss)	% of segment net sales	Corporate Operating Expenses	% of total net sales
As reported (GAAP)	\$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 (c)	-		(12.8)		12.8		3.1	9.7	0.22	4.5		6.9		1.4		-	
Restructuring costs (b)	-		(3.6)		3.6		0.8	2.8	0.07	1.6		0.7		1.3		-	
Retail store operating leases and other long-lived asset impairments, net of gain (d)	-		(3.7)		3.7		0.9	2.8	0.06	3.6		-		0.1		-	
As adjusted (a)	\$235.5	45.7%	\$198.0	38.5%	\$41.1	8.0%	\$2.1	\$23.6	\$0.54	\$33.4	10.6%	\$28.8	19.0%	(\$2.7)	(5.6%)	(\$18.4)	(3.6%)

First Half 2021	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
As reported (GAAP)	\$760.7	49.6%	\$539.7	35.2%	\$235.1	15.3%	\$48.7	\$157.8	\$3.58	\$163.6	19.7%	\$110.7	21.5%	\$18.7	10.0%	(\$57.9)	(3.8%)
COVID-19 expenses (c)	-		(3.2)		3.2		0.8	2.4	0.05	1.6		1.3		0.3		-	
Restructuring costs (b)	-		(2.7)		2.7		0.7	2.0	0.05	(0.6)		0.1		2.3		0.9	
Retail store operating leases and other long-lived asset impairments, net of gain (d)	-		1.9		(1.9)		(0.5)	(1.5)	(0.03)	(1.9)		-		-		-	
As adjusted (a) (g)	\$760.7	49.6%	\$535.8	34.9%	\$239.0	15.6%	\$49.7	\$160.7	\$3.64	\$162.7	19.6%	\$112.1	21.8%	\$21.3	11.3%	(\$57.1)	(3.7%)

Note: Results may not be additive due to rounding.

Reconciliation of Reported to Adjusted Earnings (Continued)



\$ in millions, except EPS

First Half 2020	Gross Profit	% of net sales	SG&A	% of net sales	Operating (Loss) Income	% of net sales	Income Taxes (Benefit)	Net (Loss)	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
As reported (GAAP)	\$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 (c)	-		(15.5)		15.5		3.7	11.8	0.28	6.7		7.1		1.7		-	
Restructuring costs (b)	-		(7.5)		7.5		1.7	5.8	0.13	3.0		1.3		1.6		1.6	
Retail store operating leases and other long-lived asset impairments, net of gain (d)	-		(5.0)		5.0		1.2	3.8	0.09	4.9		-		0.1		-	
As adjusted (a)	\$463.8	39.7%	\$459.9	39.3%	\$14.8	1.3%	(\$2.7)	(\$11.2)	(\$0.26)	\$20.0	3.1%	\$40.3	10.0%	(\$8.0)	(6.2%)	(\$37.5)	(3.2%)

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
As reported (GAAP)	\$383.7	44.4%	\$279.3	32.3%	\$113.5	13.1%	\$19.0	\$81.2	\$1.85
COVID-19 expenses (c)	-		(3.3)		3.3		0.8	2.5	0.06
Retail store operating leases and other long-lived asset impairments, net of gain (d)	-		(1.5)		1.5		0.4	1.1	0.03
Restructuring costs (b)	-		(1.2)		1.2		0.2	1.0	0.02
As adjusted (a)	\$383.7	44.4%	\$273.2	31.6%	\$119.5	13.8%	\$20.4	\$85.9	\$1.96

Fiscal 2020	Gross Profit	% of net sales	SG&A	% of net sales	Operating Income	% of net sales	Income Taxes	Net Income	Diluted EPS
As reported (GAAP)	\$1,313.4	43.4%	\$1,105.6	36.6%	\$189.9	6.3%	\$25.3	\$109.7	\$2.50
Intangible asset impairment (e)	-		-		26.5		6.3	20.2	0.46
Goodwill impairment (f)	-		-		17.7		-	17.7	0.40
COVID-19 expenses (c)	-		(21.4)		21.4		5.2	16.2	0.37
Restructuring costs (b)	-		(16.6)		16.6		3.8	12.9	0.29
Retail store operating leases and other long-lived asset impairments, net of gain (d)	-		(7.6)		7.6		1.8	5.8	0.13
As adjusted (a)	\$1,313.4	43.4%	\$1,060.0	35.0%	\$279.8	9.3%	\$42.3	\$182.5	\$4.16

Second Quarter of Fiscal 2019	Gross Margin	% of net sales	SG&A	% of net sales	Operating Income	% of net sales	Income Taxes	Net Income	Diluted EPS
As reported (GAAP)	\$323.0	44.0%	\$268.2	36.5%	\$64.5	8.8%	\$11.8	\$43.9	\$0.97
Store restructuring costs (h)	-		0.7		(0.7)		(0.2)	(0.6)	(0.01)
As adjusted (a)	\$323.0	44.0%	\$268.9	36.6%	\$63.8	8.7%	\$11.6	\$43.4	\$0.95

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
As reported (GAAP)	\$1,508.6	42.9%	\$1,140.5	32.4%	\$371.9	10.6%	\$64.2	\$263.8	\$5.85
Intangible asset impairment (i)	-		-		30.8		7.1	23.7	0.52
Debt extinguishment loss (j)	-		-		-		1.8	6.0	0.13
Organizational restructuring costs (b)	-		(1.6)		1.6		0.3	1.3	0.03
Customer bankruptcy recovery (k)	-		0.6		(0.6)		(0.2)	(0.4)	(0.01)
Store restructuring (h)	-		0.7		(0.7)		(0.1)	(0.6)	(0.01)
China business model change (l)	(2.1)		-		(2.1)		-	(2.1)	(0.05)
As adjusted (a)	\$1,506.5	42.8%	\$1,140.1	32.4%	\$401.0	11.4%	\$73.2	\$291.7	\$6.46

- (a) In addition to the results provided in this presentation in accordance with GAAP, the Company has provided adjusted, non-GAAP financial measurements that present gross profit, SG&A, operating income (loss), 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 income (loss) 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) Certain lease exit, severance and related costs resulting from restructuring actions (not related to COVID-19).
- (c) 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.
- (d) Impairments include an immaterial gain on the remeasurement of retail store operating leases.
- (e) Intangible impairment charges related to the *OshKosh* and *Skip Hop* tradename assets.
- (f) Goodwill impairment charge recorded in the International segment.
- (g) Adjusted results exclude a customer bankruptcy recovery of \$38,000.
- (h) Reversal of retail store restructuring costs previously recorded during the third quarter of fiscal 2017.
- (i) Related to the write-down of the *Skip Hop* tradename asset.
- (j) 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.
- (k) Related to the Toys "R" Us bankruptcy.
- (l) Net costs associated with transitioning to a full licensing model in China.

Reconciliation of Net Income to Adjusted EBITDA



\$ in millions

	Fiscal Quarter Ended		Two Fiscal Quarters Ended		Four Fiscal Quarters Ended
	July 3, 2021	June 27, 2020	July 3, 2021	June 27, 2020	July 3, 2021
Net income (loss)	\$ 71.6	\$ 8.2	\$ 157.8	\$ (70.5)	\$ 338.1
Interest expense	15.3	15.3	30.6	24.2	62.5
Interest income	(0.2)	(0.4)	(0.4)	(0.9)	(1.1)
Income tax expense (benefit)	21.6	(2.7)	48.7	(15.7)	89.6
Depreciation and amortization	22.4	22.3	46.5	45.6	94.8
EBITDA	\$ 130.7	\$ 42.6	\$ 283.2	\$ (17.3)	\$ 584.0
Adjustments to EBITDA					
Intangible asset impairment ^a	\$ -	\$ -	\$ -	\$ 26.5	\$ -
Goodwill impairment ^b	-	-	-	17.7	-
COVID-19 expenses ^c	1.0	12.8	3.2	15.5	9.0
Restructuring costs ^d	2.2	3.7	2.7	7.5	11.3
Retail store operating leases and other long-lived asset impairments, net of gain ^e	(0.9)	3.7	(3.0)	5.0	(0.4)
Total adjustments	2.3	20.1	2.9	72.3	19.9
Adjusted EBITDA ^f	\$ 133.0	\$ 62.7	\$ 286.0	\$ 55.0	\$ 604.0

(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, two fiscal quarters, and four fiscal quarters ended July 3, 2021 exclude \$0.5 million, \$1.1 million, and \$1.5 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 two fiscal quarters and four fiscal quarters ended July 3, 2021 excludes a customer bankruptcy recovery of \$38,000.

Constant Currency Reconciliation



\$ in millions

	Fiscal Quarter Ended					
	Reported Net Sales July 3, 2021	Impact of Foreign Currency Translation	Constant- Currency Net Sales July 3, 2021	Reported Net Sales June 27, 2020	Reported Net Sales % Change	Constant- Currency Net Sales % Change
Consolidated net sales	\$746.4	\$8.0	\$738.4	\$514.9	45.0%	43.4%
International segment net sales	\$91.1	\$8.0	\$83.1	\$47.1	93.4%	76.4%

	Two Fiscal Quarters Ended					
	Reported Net Sales July 3, 2021	Impact of Foreign Currency Translation	Constant- Currency Net Sales July 3, 2021	Reported Net Sales June 27, 2020	Reported Net Sales % Change	Constant- Currency Net Sales % Change
Consolidated net sales	\$1,533.8	\$11.2	\$1,522.6	\$1,169.4	31.2%	30.2%
International segment net sales	\$188.1	\$11.2	\$176.9	\$128.8	46.1%	37.4%

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>
Store count at June 27, 2020	860	196	43	239	1,099
Openings	14	-	3	3	17
Closings	(99)	(8)	(6)	(14)	(113)
Store count at July 3, 2021	775	188	40	228	1,003

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 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 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.