



**Second Quarter Fiscal 2022 Results
&
Business Outlook**

July 29, 2022



Second Quarter 2022 Results

(GAAP Basis)



\$ in millions, except EPS

	Q2 2022	<i>% of Sales</i>	Q2 2021	<i>% of Sales</i>	Change
Net sales	\$701		\$746		(6%)
Gross profit	331	47.3%	369	49.4%	(10%)
Royalty income	6	0.8%	7	0.9%	(16%)
SG&A	261	37.3%	268	35.9%	(2%)
Operating income	75	10.8%	108	14.4%	(30%)
Interest and other, net	8	1.2%	14	1.9%	(42%)
Loss on extinguishment of debt	20	2.8%	-	-	-
Income before taxes	47	6.7%	93	12.5%	(49%)
Income tax provision	10		22		(53%)
Net income	\$37	5.3%	\$72	9.6%	(48%)
Diluted EPS	\$0.93		\$1.62		(43%)
Weighted average shares outstanding	39		44		(10%)
EBITDA ¹	\$73	10.4%	\$131	17.5%	(44%)

¹ Non-GAAP measure; see reconciliation to net income in appendix.

Note: Results may not be additive due to rounding.

First Half 2022 Results

(GAAP Basis)



\$ in millions, except EPS

	First Half 2022	<i>% of Sales</i>	First Half 2021	<i>% of Sales</i>	Change
Net sales	\$1,482		\$1,534		(3%)
Gross profit	686	46.3%	761	49.6%	(10%)
Royalty income	13	0.9%	14	0.9%	(7%)
SG&A	521	35.2%	540	35.2%	(3%)
Operating income	178	12.0%	235	15.3%	(24%)
Interest and other, net	23	1.5%	29	1.9%	(21%)
Loss on extinguishment of debt	20	1.3%	-	-	-
Income before taxes	135	9.1%	207	13.5%	(34%)
Income tax provision	31		49		(37%)
Net income	\$105	7.1%	\$158	10.3%	(34%)
Diluted EPS	\$2.59		\$3.58		(27%)
Weighted average shares outstanding	40		44		(9%)
EBITDA ¹	\$190	12.8%	\$283	18.5%	(33%)

¹ Non-GAAP measure; see reconciliation to net income in appendix.

Note: Results may not be additive due to rounding.

Non-GAAP Adjustments¹



\$ in millions, except EPS

	Second Quarter									
	2022					2021				
	Operating Income	% Net Sales	Pre-Tax Income	Net Income	Diluted EPS	Operating Income	% Net Sales	Pre-Tax Income	Net Income	Diluted EPS
As reported (GAAP)	\$75.4	10.8%	\$47.1	\$37.0	\$0.93	\$107.6	14.4%	\$93.2	\$71.6	\$1.62
Loss on extinguishment of debt	-		19.9	15.2	0.38	-		-	-	-
Restructuring costs	-		-	-	-	2.2		2.2	1.6	0.04
COVID-19 expenses	-		-	-	-	1.0		1.0	0.8	0.02
Store lease impairment benefit	-		-	-	-	(0.4)		(0.4)	(0.3)	(0.01)
Total adjustments	-		19.9	15.2	0.38	2.8		2.8	2.1	0.05
As adjusted	\$75.4	10.8%	\$67.0	\$52.1	\$1.30	\$110.4	14.8%	\$96.0	\$73.7	\$1.67

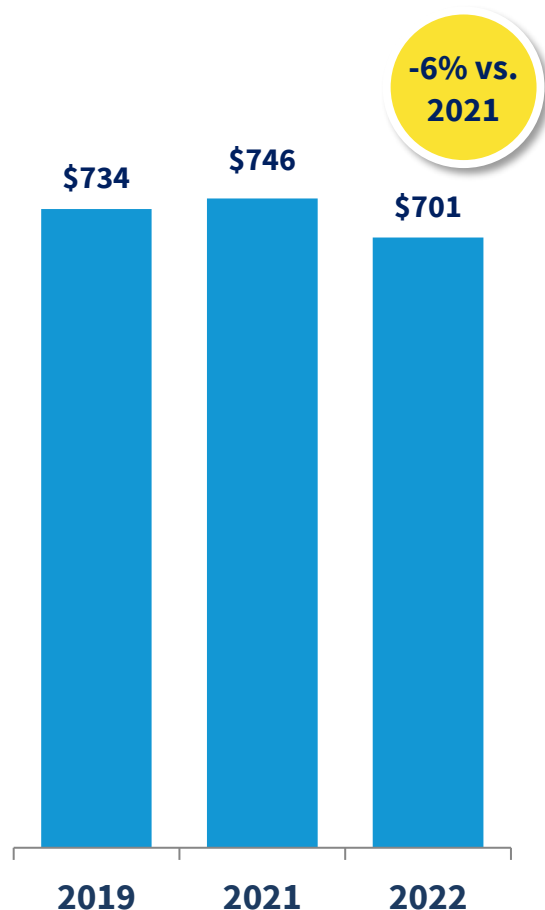
	First Half									
	2022					2021				
	Operating Income	% Net Sales	Pre-Tax Income	Net Income	Diluted EPS	Operating Income	% Net Sales	Pre-Tax Income	Net Income	Diluted EPS
As reported (GAAP)	\$178.0	12.0%	\$135.4	\$104.9	\$2.59	\$235.1	15.3%	\$206.5	\$157.8	\$3.58
Loss on extinguishment of debt	-		19.9	15.2	0.37	-		-	-	-
COVID-19 expenses	-		-	-	-	3.2		3.2	2.4	0.05
Restructuring costs	-		-	-	-	2.7		2.7	2.0	0.05
Store lease impairment benefit	-		-	-	-	(1.9)		(1.9)	(1.5)	(0.03)
Total adjustments	-		19.9	15.2	0.37	3.9		3.9	2.9	0.07
As adjusted	\$178.0	12.0%	\$155.4	\$120.1	\$2.97	\$239.0	15.6%	\$210.4	\$160.7	\$3.64

¹ See appendix for further information about non-GAAP adjustments and reconciliation to GAAP.

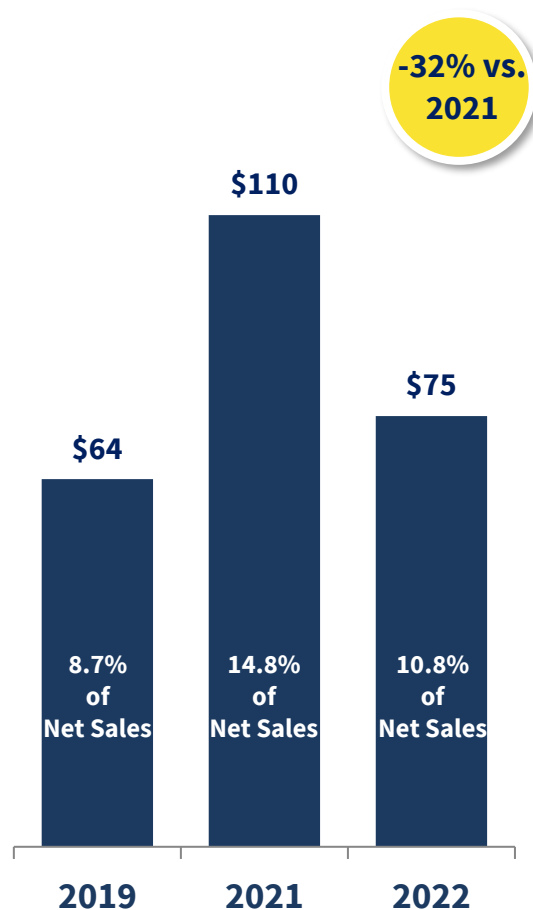
Note: Results may not be additive due to rounding.

\$ in millions, except EPS

Net Sales



Adjusted Operating Income¹ (Adjusted Operating Margin)



Adjusted Diluted EPS¹



-5% vs. 2019

+18% vs. 2019

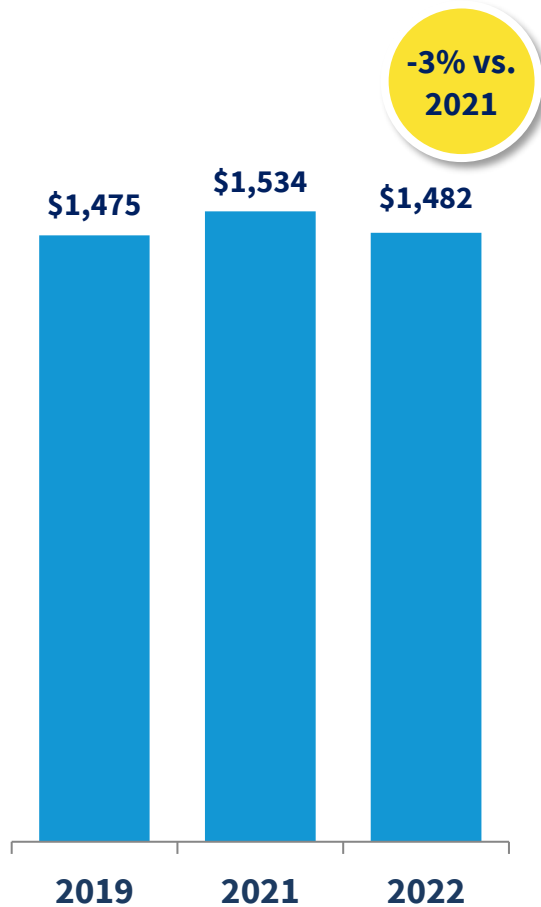
+36% vs. 2019

¹See reconciliation to GAAP in appendix.

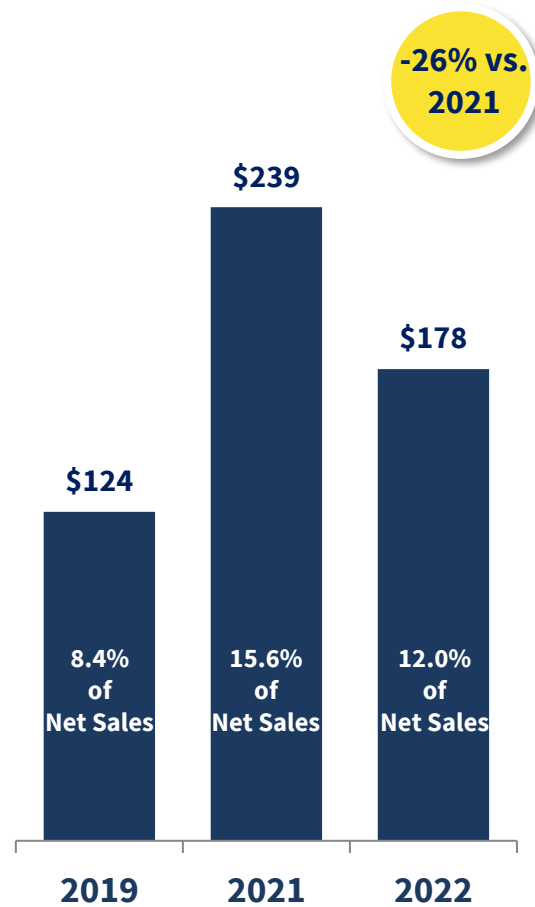
First Half 2022 Profitability Meaningfully Better vs. 2019

\$ in millions, except EPS

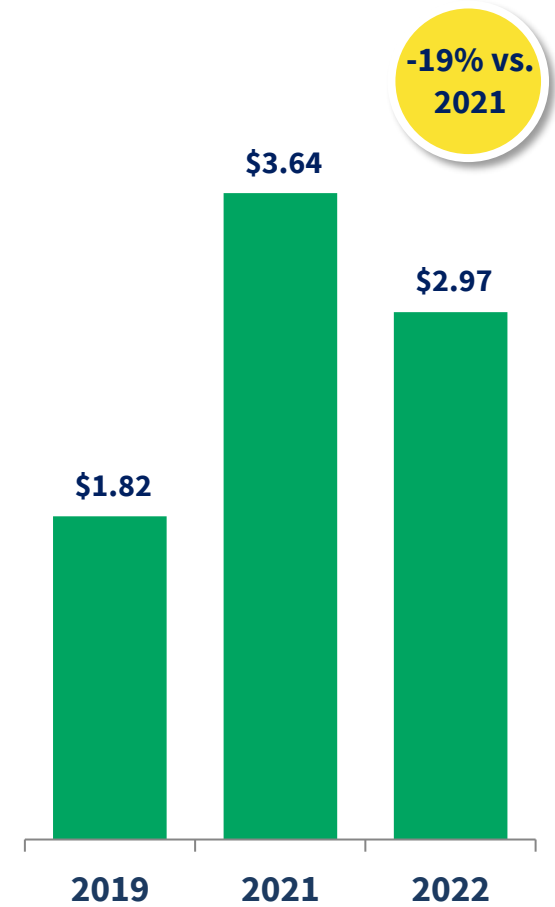
Net Sales



Adjusted Operating Income¹ (Adjusted Operating Margin)



Adjusted Diluted EPS¹



Comparable to 2019

+44% vs. 2019

+63% vs. 2019

¹See reconciliation to GAAP in appendix.

Second Quarter 2022 Adjusted Results¹



\$ in millions, except EPS

	Q2 2022	<i>% of Sales</i>	Q2 2021	<i>% of Sales</i>	Change
Net sales	\$701		\$746		(6%)
Gross profit	331	47.3%	369	49.4%	(10%)
Royalty income	6	0.8%	7	0.9%	(16%)
Adjusted SG&A	261	37.3%	265	35.5%	(1%)
Adjusted operating income	75	10.8%	110	14.8%	(32%)
Interest and other, net	8	1.2%	14	1.9%	(42%)
Adjusted income before taxes	67	9.6%	96	12.9%	(30%)
Adjusted provision for income taxes	15		22		(33%)
Adjusted net income	\$52	7.4%	\$74	9.9%	(29%)
Adjusted diluted EPS	\$1.30		\$1.67		(22%)
Weighted average shares outstanding	39		44		(10%)
Adjusted EBITDA	\$93	13.3%	\$133	17.8%	(30%)

¹ Certain measures 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 2022 Adjusted Results¹



\$ in millions, except EPS

	First Half 2022	<i>% of Sales</i>	First Half 2021	<i>% of Sales</i>	Change
Net sales	\$1,482		\$1,534		(3%)
Adjusted gross profit	686	46.3%	761	49.6%	(10%)
Royalty income	13	0.9%	14	0.9%	(7%)
Adjusted SG&A	521	35.2%	536	34.9%	(3%)
Adjusted operating income	178	12.0%	239	15.6%	(25%)
Interest and other, net	23	1.5%	29	1.9%	(21%)
Adjusted income before taxes	155	10.5%	210	13.7%	(26%)
Adjusted provision for income taxes	35		50		(29%)
Adjusted net income	\$120	8.1%	\$161	10.5%	(25%)
Adjusted diluted EPS	\$2.97		\$3.64		(19%)
Weighted average shares outstanding	40		44		(9%)
Adjusted EBITDA	\$210	14.2%	\$286	18.6%	(26%)

¹ Certain measures 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.

Balance Sheet & Cash Flow



\$ in millions

Balance Sheet (Q2 End)

	2022	2021
Cash	\$231	\$1,121
Accounts receivable	184	164
Inventory	858	620
Accounts payable	408	357
Long-term debt	616	990
Operating lease liabilities	543	643

- Strong liquidity at Q2 end: \$957 million
- Higher accounts receivable reflects timing of sales in Wholesale channel
- Inventory – see next page
- Accounts payable driven by inventory increase
- \$500 million pandemic-related financing retired
- Lower operating lease liabilities reflect closure of low-margin stores

Cash Flow (First Half)

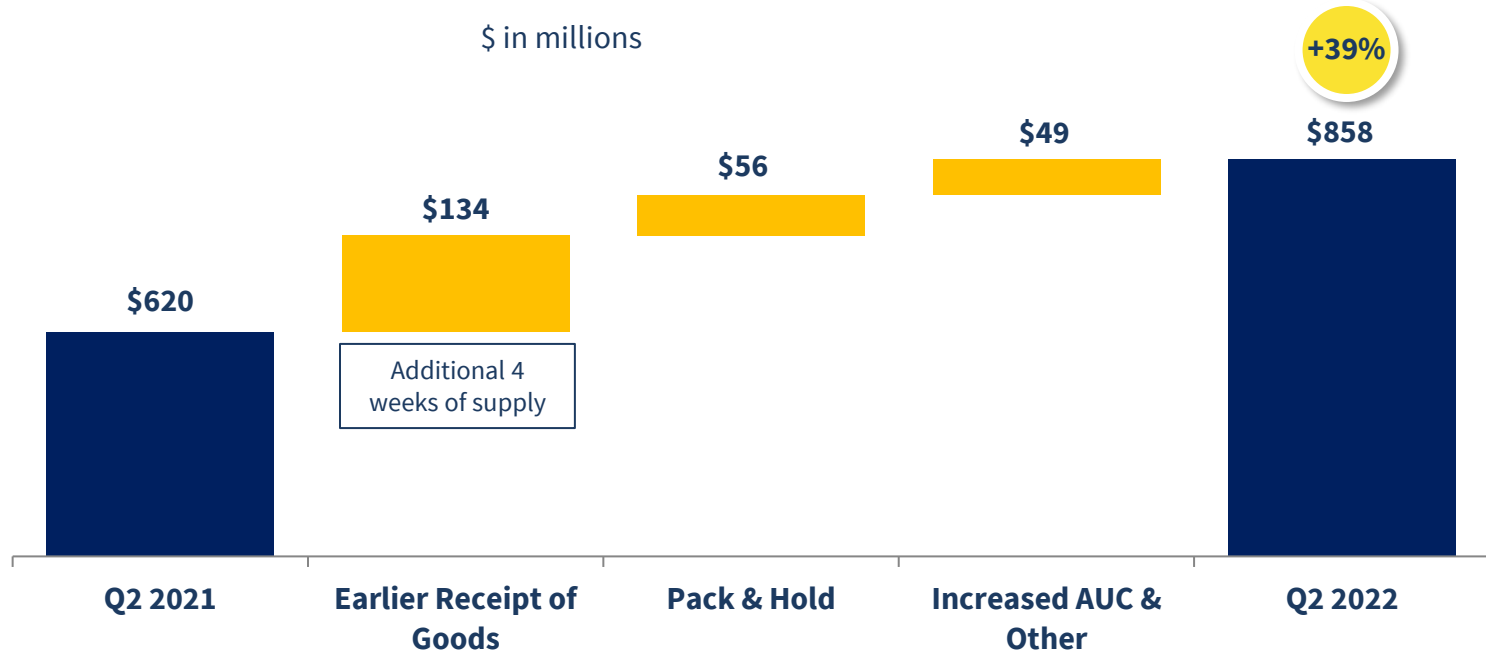
	2022	2021
Operating cash flow	(\$94)	\$50
Capital expenditures	(16)	(21)
Free cash flow ¹	(\$110)	\$29
	2022	2021
Share repurchases	\$176	\$ -
Dividends	60	18
Total	\$237	\$18

- Operating cash flow reflects lower sales, planned earlier inventory receipts, and payment of fiscal 2021 performance-based compensation, partially offset by the normalization of vendor payment terms in 2021
- Forecasting operating cash flow of \$125 – \$150 million in fiscal 2022
- \$237 million capital returned to shareholders in 1H
 - \$60 million dividends (\$0.75 / share quarterly)
 - \$176 million share repurchases 1H; \$207 million July year to date²

¹ Non-GAAP measure. ² Settlements through 7/28/22.

Second Quarter 2022 Results – Inventory

Q2 Net Inventory vs. LY



Meaningful Actions Taken To Manage Inventory

- **Cancelled and reduced inventory on-order to mitigate margin risk**
- **Employing pack and hold strategy**
 - Strategy used successfully during pandemic
 - \$100M+ of inventory packed and held in 2020; all sold successfully at good margins
 - Wholesale customers have fully supported this strategy
- **Continuing to prioritize use of our retail channels to sell excess inventory vs. off-price channel**
- **Inventory growth planned to moderate in balance of 2022**
 - Q3 ~+20%
 - Q4 ~+15%



Business Segment Performance

Second Quarter Adjusted Segment Performance

(2022 vs. 2021)



\$ in millions

Decrease in profitability vs. 2021 largely driven by lower consumer demand and increased inventory provisions

	Net Sales			Adjusted Operating Income ¹			Adjusted Operating Margin ¹	
	2022	2021	\$ Change	2022	2021	\$ Change	2022	2021
U.S. Retail	\$379	\$424	(\$45)	\$56	\$87	(\$31)	14.7%	20.4%
U.S. Wholesale	224	232	(8)	34	41	(7)	15.0%	17.7%
International	98	91	6	12	11	1	12.5%	12.5%
Total before corporate expenses	701	746	(46)	101	139	(38)	14.5%	18.6%
Corporate expenses				(26)	(29)	3	(3.7%)	(3.8%)
Total	<u>\$701</u>	<u>\$746</u>	<u>(\$46)</u>	<u>\$75</u>	<u>\$110</u>	<u>(\$35)</u>	<u>10.8%</u>	<u>14.8%</u>

¹ See reconciliation to GAAP in appendix.
Note: Results may not be additive due to rounding.

Second Quarter Adjusted Segment Performance

(2022 vs. 2019)



\$ in millions

Meaningful improvement in profitability relative to pre-pandemic period

	Net Sales			Adjusted Operating Income ¹			Adjusted Operating Margin ¹	
	2022	2019	\$ Change	2022	2019	\$ Change	2022	2019
U.S. Retail	\$379	\$423	(\$44)	\$56	\$50	\$5	14.7%	11.9%
U.S. Wholesale	224	229	(5)	34	35	(2)	15.0%	15.4%
International	98	82	15	12	4	8	12.5%	5.2%
Total before corporate expenses	701	734	(34)	101	90	11	14.5%	12.3%
Corporate expenses				(26)	(26)	-	(3.7%)	(3.6%)
Total	<u>\$701</u>	<u>\$734</u>	<u>(\$34)</u>	<u>\$75</u>	<u>\$64</u>	<u>\$12</u>	<u>10.8%</u>	<u>8.7%</u>

¹ See reconciliation to GAAP in appendix.
Note: Results may not be additive due to rounding.

Second Quarter 2022 Segment Performance

(vs. 2021)



U.S. Retail

- **Net sales -11% (1H -10%)**
 - Inflation weighed on consumer demand, particularly in May/June
 - Non-comp unprecedented government stimulus in 2021
 - Closure of low-margin stores
- **Total comp sales -8% (-7% in Q1)**
 - Better price realization (+HSD)
 - Less promotional vs. LY
 - Store traffic down modestly; eCommerce traffic down HSD
- **Operating margin 14.7% (-570 bps)¹**
 - Expense deleverage
 - Higher product and ocean freight rates
 - Higher marketing expense
 - Better price realization
 - Lower performance-based compensation

U.S. Wholesale

- **Net sales -3% (1H +3%)**
 - Growth in Exclusive Brands
 - *Carter's* brand sales lower due to late arriving product & slowing consumer demand
- **Operating margin 15.0% (-270 bps)¹**
 - Higher inventory provisions & ocean freight rates
 - Lower air freight costs
 - Lower performance-based compensation

International

- **Net sales +7% (1H +9%)**
 - Canada +1%
 - Mexico +14%
 - Brazil +134%
- **Net sales constant currency +10%**
- **Operating margin 12.5% (comparable to LY)¹**
 - Strong growth in Partners business (led by Brazil)
 - Lower performance-based compensation
 - Higher inventory provisions & ocean freight rates

¹ Results presented on an adjusted basis, a non-GAAP presentation; see reconciliation to GAAP in appendix. No adjustments were made to 2022 segment GAAP results.

Hilary Duff Partners With Carter's as First-Ever 'Chief Mom Officer'

carter's



the **BUMP**

Hilary Duff Is Appointed First-Ever Chief Mom Officer for Carter's

 **TODAY**



Parents®

Hilary Duff Is Partnering With Carter's for the Cutest Limited-Edition Collection

sizes nb-14



carter's[®]

SCHOOL BUS

**BEST VALUE
IN CHILDREN'S
CLOTHING**

up to 50% off

BACK TO SCHOOL STYLES

Based on preferences selected in Carter's Q1 2022 survey of 998 children's clothing buyers in the U.S.

carter.com



OSH KOSH

Boosh

**THE NEW
BACK TO
SCHOOL**

UP TO 50% OFF*
FIRST-DAY
VIBES

**MOST DURABLE
CHILDREN'S BRAND**

Based on preferences selected in Carter's Q1 2022 survey of 998 children's clothing buyers in the U.S.

Holidays are Top Searched Terms as Consumers Continue to Spend on Holiday Celebrations

SHOP NOW

new!
HALLOWEEN SHOP

Get ready for spooky season!

hilary duff PICK

Prints coming this holiday season...

Planning expansion from ~200 to ~800 doors in 2022



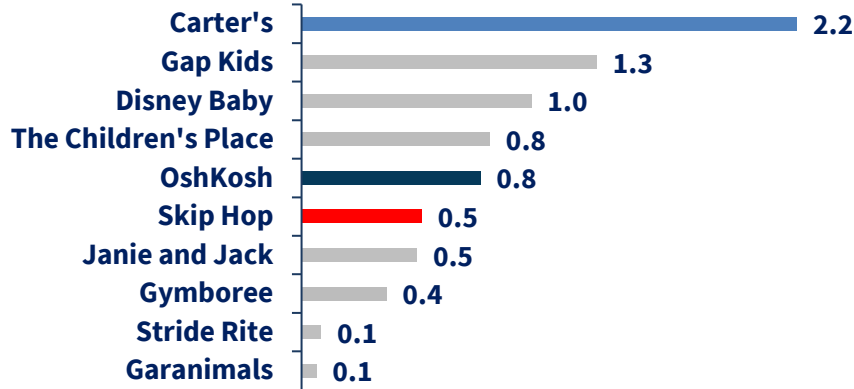
Carter's Continues to Lead the Category in Social Media



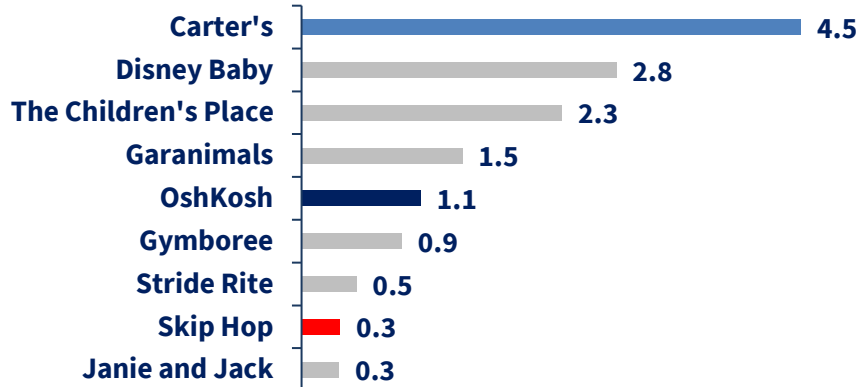
Our Brands Have Strong Consumer Followings¹

In millions

Instagram Total Followers

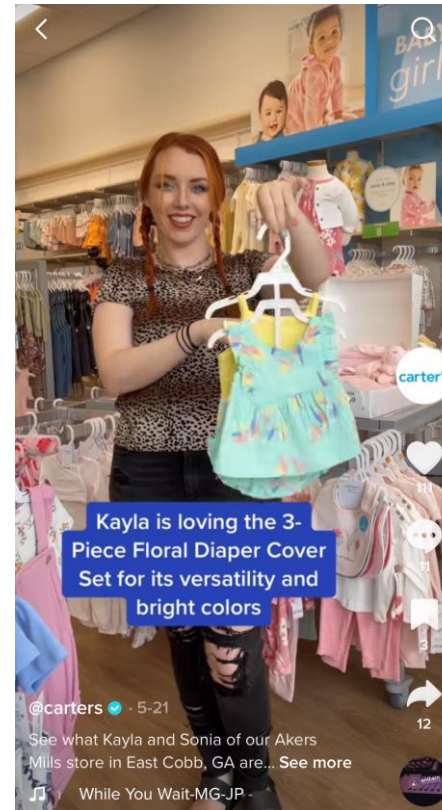


Facebook Followers

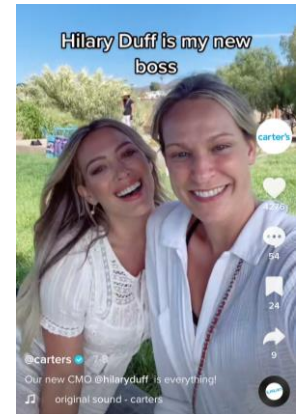


Continuing to Grow on TikTok

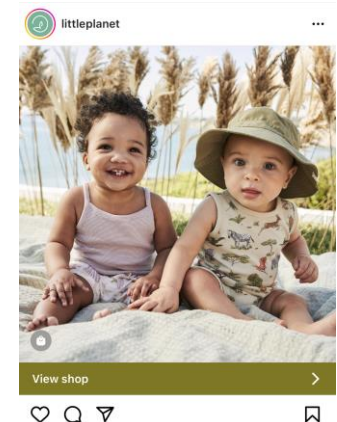
Carter's



Hilary Duff



Little Planet



¹ Source: Instagram, Facebook and TikTok (April – June 2022) as of 6/30/22.

Relaunching *Just One You* Brand Marketing With Target in Q3



just one you.
made by
carter's



carter's
— just one you. —

Yay, baby's on the way!

Create a registry.



baby registry

Hello, baby

From matching sets to easy one pieces, browse registry must-haves to welcome baby home.

carter's
— just one you. —



New at

**Give them
all the z's**

Explore cute & cozy jammies.

carter's
— just one you. —



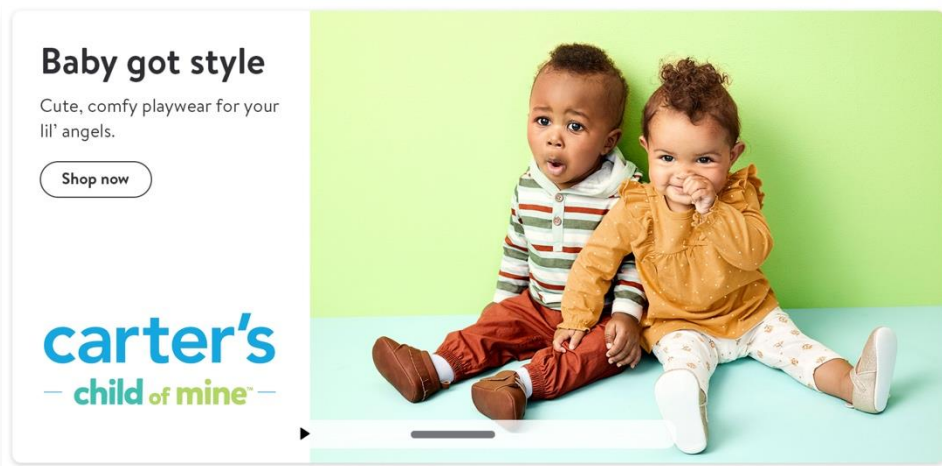
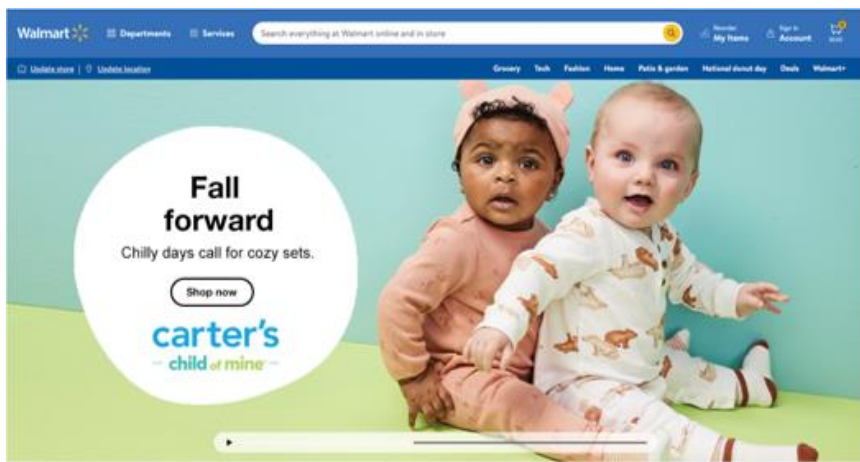
Rebranding to launch in ~1,800 doors and on target.com in August

Relaunching *Child of Mine* Brand Marketing With Walmart in Q3

child of mine
made by
carter's



carter's
— child of mine™ —



Rebranding to launch in ~3,900 doors and on walmart.com in August

Successful Prime Day For *Simple Joys*



Press release

Prime Day 2022 was the Biggest Prime Day Event Ever

July 14, 2022 at 8:41 AM EDT

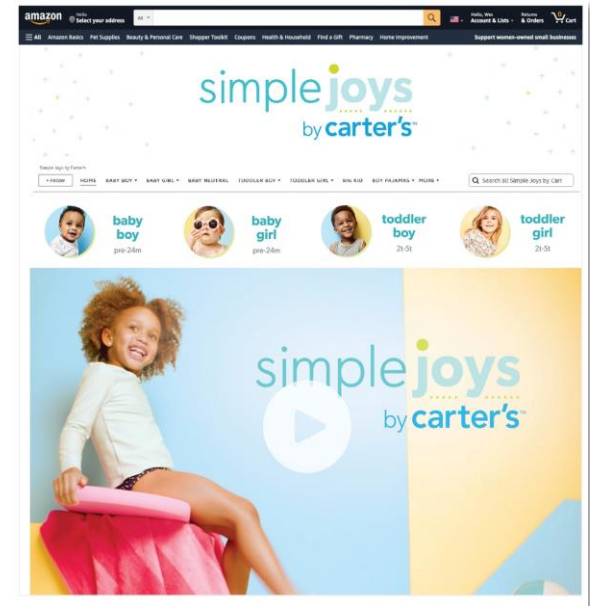
Amazon Prime members worldwide saved over \$1.7 billion—more than any other Prime Day event

This year was the biggest Prime Day event for Amazon's selling partners, most of whom are small and medium-sized businesses, whose sales growth in Amazon's store outpaced Amazon's retail business

Amazon Devices had a record-breaking Prime Day, selling more devices than any other Prime Day event

SEATTLE--(BUSINESS WIRE)--Jul. 14, 2022-- (NASDAQ: AMZN)—Prime members purchased more than 300 million items worldwide during Prime Day 2022, making this year's event the biggest Prime Day event in Amazon's history. And, more shopping means more savings—Prime members saved over \$1.7 billion, more than any previous Prime Day event.

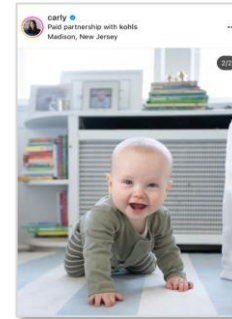
“Some of the best-selling items in the U.S. this Prime Day were ... **kids' and baby clothing from Simple Joys by Carter's....**”



Partnering With Kohl's on *My First Love* Marketing

KOHL'S carter's

my first ™



Strong Growth in Brazil

carter's



- **Our largest international business outside of North America**
- **Strong Q2 sales growth: +134% vs. LY**
- **Partner operations**
 - 32 stand-alone *Carter's* stores
 - ~230 shop-in-shops
 - eCommerce sites
- **Planning good growth for 2022**

2022 Outlook



Revised Outlook Reflects

- **Continuation of Q2 demand trends**
- **Inventory commitments aligned with revised sales outlook**
- **Reduced discretionary spending**
- **Improved price realization**
- **Continued investment in our direct-to-consumer, merchandising, brand marketing, and pricing capabilities**
- **Lower interest expense**
- **Benefit of share repurchases**

Potential Upside Opportunities

- **Better mix & level of inventories**
- **Improving supply chain trends**
- **Strength of our merchandising and marketing initiatives**
- **Additional pricing improvements**
- **Less challenging comparison to 2021 government stimulus**
- **Better back to school season – full return to in-school learning**
- **Improving birth trends**

2022 Outlook¹



\$ in millions, except per share

	Q3			Full Year		
	2022 Guidance	2021 (% vs. 2021)	2019 (% vs. 2019)	2022 Guidance	2021 (% vs. 2021)	2019 (% vs. 2019)
Net Sales	\$850 - \$865	\$891 <i>-5% to -3%</i>	\$943 <i>-10% to -8%</i>	\$3,250 - \$3,300	\$3,486 <i>-7% to -5%</i>	\$3,519 <i>-8% to -6%</i>
Adjusted Operating Income	\$90 - \$100	\$124 <i>-27% to -19%</i>	\$115 <i>-22% to -13%</i>	\$415 - \$440	\$501 <i>-17% to -12%</i>	\$401 <i>+4% to +10%</i>
Adjusted Diluted EPS	\$1.50 - \$1.70	\$1.93 <i>-22% to -12%</i>	\$1.87 <i>-20% to -9%</i>	\$7.10 - \$7.60	\$7.87 <i>-10% to -3%</i>	\$6.46 <i>+10% to +18%</i>

¹ See appendix for historical adjusted operating income and adjusted diluted EPS reconciliations to GAAP. Fiscal year 2022 outlook excludes ~\$20 million of charges related to early extinguishment of debt in Q2. Forward-looking adjusted operating income and adjusted diluted EPS have not been reconciled to their most directly comparable GAAP measures – see page 40.



Thank you!



Appendix



First Half Adjusted Segment Performance vs. 2021



\$ in millions

	Net Sales			Adjusted Operating Income ¹			Adjusted Operating Margin ¹	
	2022	2021	\$ Change	2022	2021	\$ Change	2022	2021
U.S. Retail	\$745	\$831	(\$85)	\$106	\$163	(\$57)	14.2%	19.6%
U.S. Wholesale	531	515	16	94	112	(18)	17.7%	21.8%
International	205	188	17	23	21	1	11.0%	11.3%
Total before corporate expenses	1,482	1,534	(52)	222	296	(74)	15.0%	19.3%
Corporate expenses				(44)	(57)	13	(3.0%)	(3.7%)
Total	<u>\$1,482</u>	<u>\$1,534</u>	<u>(\$52)</u>	<u>\$178</u>	<u>\$239</u>	<u>(\$61)</u>	<u>12.0%</u>	<u>15.6%</u>

¹ See reconciliation to GAAP in appendix.
Note: Results may not be additive due to rounding.

First Half Adjusted Segment Performance vs. 2019



\$ in millions

	Net Sales			Adjusted Operating Income ¹			Adjusted Operating Margin ¹	
	2022	2019	\$ Change	2022	2019	\$ Change	2022	2019
U.S. Retail	\$745	\$800	(\$55)	\$106	\$74	\$31	14.2%	9.3%
U.S. Wholesale	531	505	27	94	91	3	17.7%	18.0%
International	205	171	34	23	7	15	11.0%	4.2%
Total before corporate expenses	1,482	1,475	7	222	172	50	15.0%	11.7%
Corporate expenses				(44)	(48)	4	(3.0%)	(3.3%)
Total	\$1,482	\$1,475	\$7	\$178	124	\$54	12.0%	8.4%

¹ See reconciliation to GAAP in appendix.
Note: Results may not be additive due to rounding.

Q2 Reconciliation of Adjusted Net Income Allocable to Common Shareholders



	Fiscal Quarter Ended	
	July 2, 2022	July 3, 2021
Weighted-average number of common and common equivalent shares outstanding:		
Basic number of common shares outstanding	39,344,834	43,445,780
Dilutive effect of equity awards	29,153	169,631
Diluted number of common and common equivalent shares outstanding	<u>39,373,987</u>	<u>43,615,411</u>

	Fiscal Quarter Ended			
	As reported on a GAAP Basis		As adjusted (a)	
	July 2, 2022	July 3, 2021	July 2, 2022	July 3, 2021
<i>\$ in thousands, except EPS</i>				
Basic net income per common share:				
Net income	\$36,970	\$71,603	\$52,121	\$73,700
Income allocated to participating securities	(536)	(860)	(774)	(886)
Net income available to common shareholders	<u>\$36,434</u>	<u>\$70,743</u>	<u>\$51,347</u>	<u>\$72,814</u>
Basic net income per common share	\$0.93	\$1.63	\$1.31	\$1.68
Diluted net income per common share:				
Net income	\$36,970	\$71,603	\$52,121	\$73,700
Income allocated to participating securities	(536)	(857)	(774)	(883)
Net income available to common shareholders	<u>\$36,434</u>	<u>\$70,746</u>	<u>\$51,347</u>	<u>\$72,817</u>
Diluted net income per common share	\$0.93	\$1.62	\$1.30	\$1.67

(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 \$15.2 million and \$2.1 million in after-tax expenses from these results for the fiscal quarter ended July 2, 2022 and July 3, 2021, respectively.

First Half Reconciliation of Adjusted Net Income Allocable to Common Shareholders



	Two Fiscal Quarters Ended	
	July 2, 2022	July 3, 2021
Weighted-average number of common and common equivalent shares outstanding:		
Basic number of common shares outstanding	39,807,354	43,408,262
Dilutive effect of equity awards	48,274	151,468
Diluted number of common and common equivalent shares outstanding	<u>39,855,628</u>	<u>43,559,730</u>

	Two Fiscal Quarters Ended			
	As reported on a GAAP Basis		As adjusted (a)	
	July 2, 2022	July 3, 2021	July 2, 2022	July 3, 2021
<i>\$ in thousands, except EPS</i>				
Basic net income per common share:				
Net income	\$104,903	\$157,799	\$120,053	\$160,687
Income allocated to participating securities	(1,480)	(1,896)	(1,705)	(1,931)
Net income available to common shareholders	<u>\$103,423</u>	<u>\$155,903</u>	<u>\$118,348</u>	<u>\$158,756</u>
Basic net income per common share	\$2.60	\$3.59	\$2.97	\$3.66
Diluted net income per common share:				
Net income	\$104,903	\$157,799	\$120,053	\$160,687
Income allocated to participating securities	(1,479)	(1,890)	(1,704)	(1,925)
Net income available to common shareholders	<u>\$103,424</u>	<u>\$155,909</u>	<u>\$118,349</u>	<u>\$158,762</u>
Diluted net income per common share	\$2.59	\$3.58	\$2.97	\$3.64

(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 \$15.2 million and \$2.9 million in after-tax expenses from these results for the two fiscal quarters ended July 2, 2022 and July 3, 2021, respectively.

Reconciliation of Adjusted to Reported Earnings



\$ in millions, except EPS

										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
Second Quarter of Fiscal 2022																	
As reported (GAAP)	\$331.2	47.3%	\$261.4	37.3%	\$75.4	10.8%	\$10.1	\$37.0	\$0.93	\$55.5	14.7%	\$33.6	15.0%	\$12.2	12.5%	(\$25.9)	(3.7%)
Loss on extinguishment of debt (b)	-		-		-		4.8	15.2	0.38	-		-		-		-	
As adjusted (a)	\$331.2	47.3%	\$261.4	37.3%	\$75.4	10.8%	\$14.9	\$52.1	\$1.30	\$55.5	14.7%	\$33.6	15.0%	\$12.2	12.5%	(\$25.9)	(3.7%)
First Half of Fiscal 2022																	
As reported (GAAP)	\$686.3	46.3%	\$521.3	35.2%	\$178.0	12.0%	\$30.5	\$104.9	\$2.59	\$105.5	14.2%	\$94.1	17.7%	\$22.6	11.0%	(\$44.1)	(3.0%)
Loss on extinguishment of debt (b)	-		-		-		4.8	15.2	0.37	-		-		-		-	
As adjusted (a)	\$686.3	46.3%	\$521.3	35.2%	\$178.0	12.0%	\$35.3	\$120.1	\$2.97	\$105.5	14.2%	\$94.1	17.7%	\$22.6	11.0%	(\$44.1)	(3.0%)
Second Quarter of Fiscal 2021																	
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 (c)	-		(2.2)		2.2		0.6	1.6	0.04	(0.6)		-		2.3		0.5	
COVID-19 expenses (d)	-		(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	-		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%)
First Half of Fiscal 2021																	
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 (d)	-		(3.2)		3.2		0.8	2.4	0.05	1.6		1.3		0.3		-	
Restructuring costs (c)	-		(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	-		1.9		(1.9)		(0.5)	(1.5)	(0.03)	(1.9)		-		-		-	
As adjusted (a) (h)	\$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 Adjusted to Reported Earnings

(Continued)



\$ in millions, except EPS

										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
Third Quarter of Fiscal 2021																	
As reported (GAAP)	\$408.8	45.9%	\$293.2	32.9%	\$124.0	13.9%	\$23.4	\$85.0	\$1.93	\$87.2	18.7%	\$40.1	13.6%	\$22.8	17.4%	(\$25.9)	(2.9%)
COVID-19 expenses (d)	-		(0.3)		0.3		0.1	0.2	-	0.2		0.1		-		-	
Retail store operating leases and other long-lived asset impairments, net of gain	-		0.3		(0.3)		(0.1)	(0.2)	-	(0.3)		-		-		-	
Restructuring costs (c)	-		0.2		(0.2)		-	(0.1)	-	(0.1)		-		-		(0.1)	
As adjusted (a)	\$408.8	45.9%	\$293.3	32.9%	\$123.9	13.9%	\$23.3	\$84.9	\$1.93	\$87.0	18.7%	\$40.2	13.7%	\$22.8	17.4%	(\$26.0)	(2.9%)
Fiscal Year 2021																	
As reported (GAAP)	\$1,662.3	47.7%	\$1,193.9	34.2%	\$497.1	14.3%	\$98.5	\$339.7	\$7.81	\$368.2	19.4%	\$195.4	17.3%	\$63.8	13.8%	(\$130.3)	(3.7%)
COVID-19 expenses (d)	-		(3.9)		3.9		1.0	3.0	0.07	2.0		1.7		0.2		-	
Restructuring costs (c)	-		(2.4)		2.4		0.6	1.8	0.04	(0.6)		0.1		2.3		0.7	
Retail store operating leases and other long-lived asset impairments, net of gain	-		2.6		(2.6)		(0.6)	(2.0)	(0.05)	(2.6)		-		-		-	
As adjusted (a) (h)	\$1,662.3	47.7%	\$1,190.2	34.1%	\$500.8	14.4%	\$99.5	\$342.5	\$7.87	\$367.0	19.3%	\$197.1	17.5%	\$66.4	14.4%	(\$129.7)	(3.7%)
Second Quarter of Fiscal 2019																	
As reported (GAAP)	\$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 (e)	-		0.7		(0.7)		(0.2)	(0.6)	(0.01)	(0.7)		-		-		-	
As adjusted (a)	\$323.0	44.0%	\$268.9	36.6%	\$63.8	8.7%	\$11.6	\$43.4	\$0.95	\$50.4	11.9%	\$35.3	15.4%	\$4.3	5.2%	(\$26.3)	(3.6%)
First Half of Fiscal 2019																	
As reported (GAAP)	\$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%)
Loss on extinguishment of debt (f)	-		-		-		1.8	6.0	0.13	-		-		-		-	
Restructuring costs (c)	-		(1.6)		1.6		0.4	1.3	0.03	-		-		-		1.6	
Store restructuring costs (e)	-		0.7		(0.7)		(0.2)	(0.6)	(0.01)	(0.7)		-		-		-	
China business model change (g)	(2.1)		-		(2.1)		-	(2.1)	(0.05)	-		-		(2.1)		-	
As adjusted (a)	\$636.8	43.2%	\$530.9	36.0%	\$124.1	8.4%	\$23.1	\$83.0	\$1.82	\$74.4	9.3%	\$90.8	18.0%	\$7.1	4.2%	(\$48.2)	(3.3%)
Third Quarter of Fiscal 2019																	
As reported (GAAP)	\$402.2	42.6%	\$296.7	31.5%	\$83.9	8.9%	\$13.4	\$60.3	\$1.34	\$49.5	10.7%	\$54.4	15.4%	\$6.1	4.8%	(\$26.1)	(2.8%)
Intangible asset impairment (i)	-		-		30.8		7.1	23.7	0.53	1.2		19.1		10.5		-	
As adjusted (a)	\$402.2	42.6%	\$296.7	31.5%	\$114.7	12.2%	\$20.5	\$83.9	\$1.87	\$50.7	10.9%	\$73.5	20.9%	\$16.6	13.1%	(\$26.1)	(2.8%)

Note: Results may not be additive due to rounding.

Reconciliation of Adjusted to Reported 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	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)	\$1,508.6	42.9%	\$1,140.5	32.4%	\$371.9	10.6%	\$64.2	\$263.8	\$5.85	\$225.9	12.0%	\$212.6	17.6%	\$36.7	8.5%	(\$103.2)	(2.9%)
Intangible asset impairment (i)	-	-	-	-	30.8	-	7.1	23.7	0.52	1.2	-	19.1	-	10.5	-	-	-
Loss on extinguishment of debt (f)	-	-	-	-	-	-	1.8	6.0	0.13	-	-	-	-	-	-	-	
Restructuring costs (c)	-	-	(1.6)	-	1.6	-	0.3	1.3	0.03	-	-	-	-	-	1.6	-	
Customer bankruptcy recovery (j)	-	-	0.6	-	(0.6)	-	(0.2)	(0.4)	(0.01)	-	-	(0.6)	-	-	-	-	
Store restructuring costs (e)	-	-	0.7	-	(0.7)	-	(0.1)	(0.6)	(0.01)	(0.7)	-	-	-	-	-	-	
China business model change (g)	(2.1)	-	-	-	(2.1)	-	-	(2.1)	(0.05)	-	-	-	(2.1)	-	-	-	
As adjusted (a)	\$1,506.5	42.8%	\$1,140.1	32.4%	\$401.0	11.4%	\$73.2	\$291.7	\$6.46	\$226.4	12.0%	\$231.1	19.2%	\$45.0	10.5%	(\$101.6)	(2.9%)

- (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 profit, SG&A, operating income, income tax, net income, and net income on a diluted share basis excluding the adjustments discussed above. The Company believes these adjustments provide a meaningful comparison of the Company's results and afford investors a view of what management considers to be the Company's core performance. The adjusted, non-GAAP financial 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) Related to the redemption of the \$500 million aggregate principal amount of senior notes due 2025 in April 2022 that were previously issued by a wholly-owned subsidiary of the Company.
- (c) Certain lease exit and/or severance and related costs resulting from restructuring actions (not related to COVID-19).
- (d) 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.
- (e) Reversal of retail store restructuring costs previously recorded in the third quarter of fiscal 2017.
- (f) 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.
- (g) Benefit related to the sale of inventory previously reserved in China.
- (h) Adjusted results exclude a customer bankruptcy recovery of \$38,000.
- (i) Related to the write-down of the Skip Hop tradename asset.
- (j) Related to the Toys "R" Us bankruptcy.

Reconciliation of Net Income to Adjusted EBITDA



\$ in millions

	Fiscal Quarter Ended		Two Fiscal Quarters Ended		Four Fiscal Quarters Ended
	July 2, 2022	July 3, 2021	July 2, 2022	July 3, 2021	July 2, 2022
Net income	\$37.0	\$71.6	\$104.9	\$157.8	\$286.9
Interest expense	8.7	15.3	23.8	30.6	53.4
Interest income	(0.3)	(0.2)	(0.6)	(0.4)	(1.3)
Tax expense	10.1	21.6	30.5	48.7	80.4
Depreciation and amortization	17.5	22.4	31.7	46.5	79.3
EBITDA	\$73.0	\$130.7	\$190.3	\$283.2	\$498.7
Adjustments to EBITDA					
Loss on extinguishment of debt (a)	\$19.9	\$ -	\$19.9	\$ -	\$19.9
COVID-19 expenses (b)	-	1.0	-	3.2	0.8
Restructuring costs (c)	-	1.7	-	1.6	(0.4)
Retail store operating leases and other long-lived asset impairments, net of gain	-	(0.4)	-	(1.9)	(0.7)
Total adjustments	\$19.9	\$2.3	\$19.9	\$2.9	\$19.6
Adjusted EBITDA (d)	\$92.9	\$133.0	\$210.2	\$286.0	\$518.3

- (a) Related to the redemption of the \$500 million aggregate principal amount of senior notes due 2025 in April 2022 that were previously issued by a wholly-owned subsidiary of the Company.
- (b) Expenses incurred due to the COVID-19 pandemic.
- (c) Certain lease exit, severance and related costs resulting from restructuring actions (not related to COVID-19). Amounts for fiscal quarter and two fiscal quarters ended July 3, 2021 exclude \$0.5 million, \$1.1 million, respectively, and amount for four fiscal quarters ended July 2, 2022 excludes \$0.1 million of depreciation expense included in the corresponding depreciation and amortization line item.
- (d) Adjusted EBITDA for two 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 2, 2022	Impact of Foreign Currency Translation	Constant-Currency Net Sales July 2, 2022	Reported Net Sales July 3, 2021	Reported Net Sales % Change	Constant-Currency Net Sales % Change
Consolidated net sales	\$700.7	(\$2.3)	\$703.0	\$746.4	(6.1%)	(5.8%)
International segment net sales	\$97.6	(\$2.3)	\$99.9	\$91.1	7.1%	9.6%

	Two Fiscal Quarters Ended					
	Reported Net Sales July 2, 2022	Impact of Foreign Currency Translation	Constant-Currency Net Sales July 2, 2022	Reported Net Sales July 3, 2021	Reported Net Sales % Change	Constant-Currency Net Sales % Change
Consolidated net sales	\$1,482.0	(\$2.5)	\$1,484.4	\$1,533.8	(3.4%)	(3.2%)
International segment net sales	\$205.2	(\$2.5)	\$207.7	\$188.1	9.1%	10.4%

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.

Company-Operated Store Count



	<u>U.S.</u>	<u>Canada</u>	<u>Mexico</u>	<u>Total</u>
Store count at July 3, 2021	775	188	40	1,003
Openings	-	-	3	3
Closings	(24)	(2)	-	(26)
Store count at January 1, 2022	751	186	43	980
Openings	1	-	5	6
Closings	(14)	(1)	(5)	(20)
Store count at July 2, 2022	738	185	43	966
<i>Balance of year forecast</i>				
Openings	29	2	7	38
Closings	(5)	-	(4)	(9)
Estimated store count at December 31, 2022	762	187	46	995

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, financial results, liquidity, strategy, financings, 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.

We have not reconciled forward-looking adjusted operating income or adjusted diluted earnings per share to their most directly comparable GAAP measures because we cannot predict with reasonable certainty the ultimate outcome of certain components of such reconciliations, including early extinguishment of debt that are not within our control including due to factors described above, or others that may arise, without unreasonable effort. For these reasons, we are unable to assess the probable significance of the unavailable information, which could materially impact the amount of future operating income or diluted EPS, the most directly comparable GAAP metrics to adjusted operating income and adjusted diluted earnings per share, respectively.