

carter's, inc.

Third Quarter 2015
Business Update

October 29, 2015

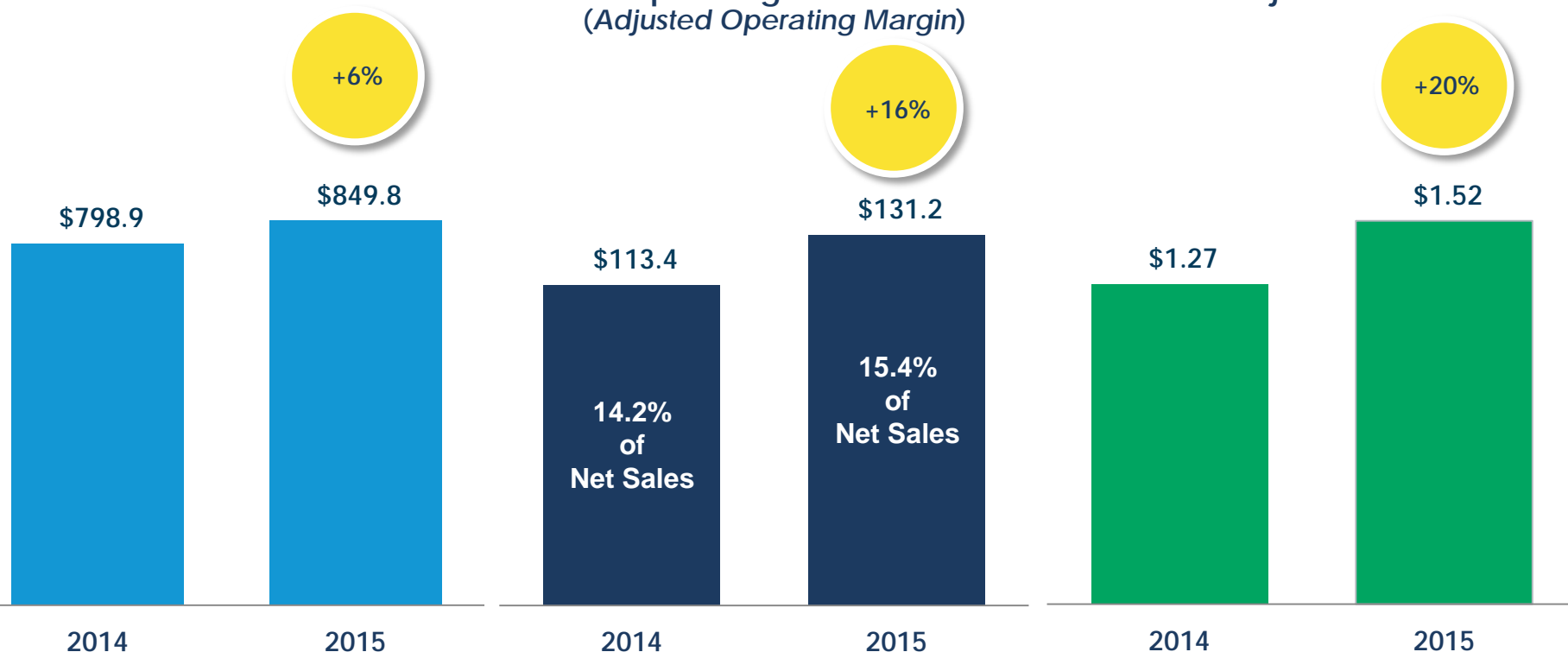


\$ in millions, except EPS

Net Sales

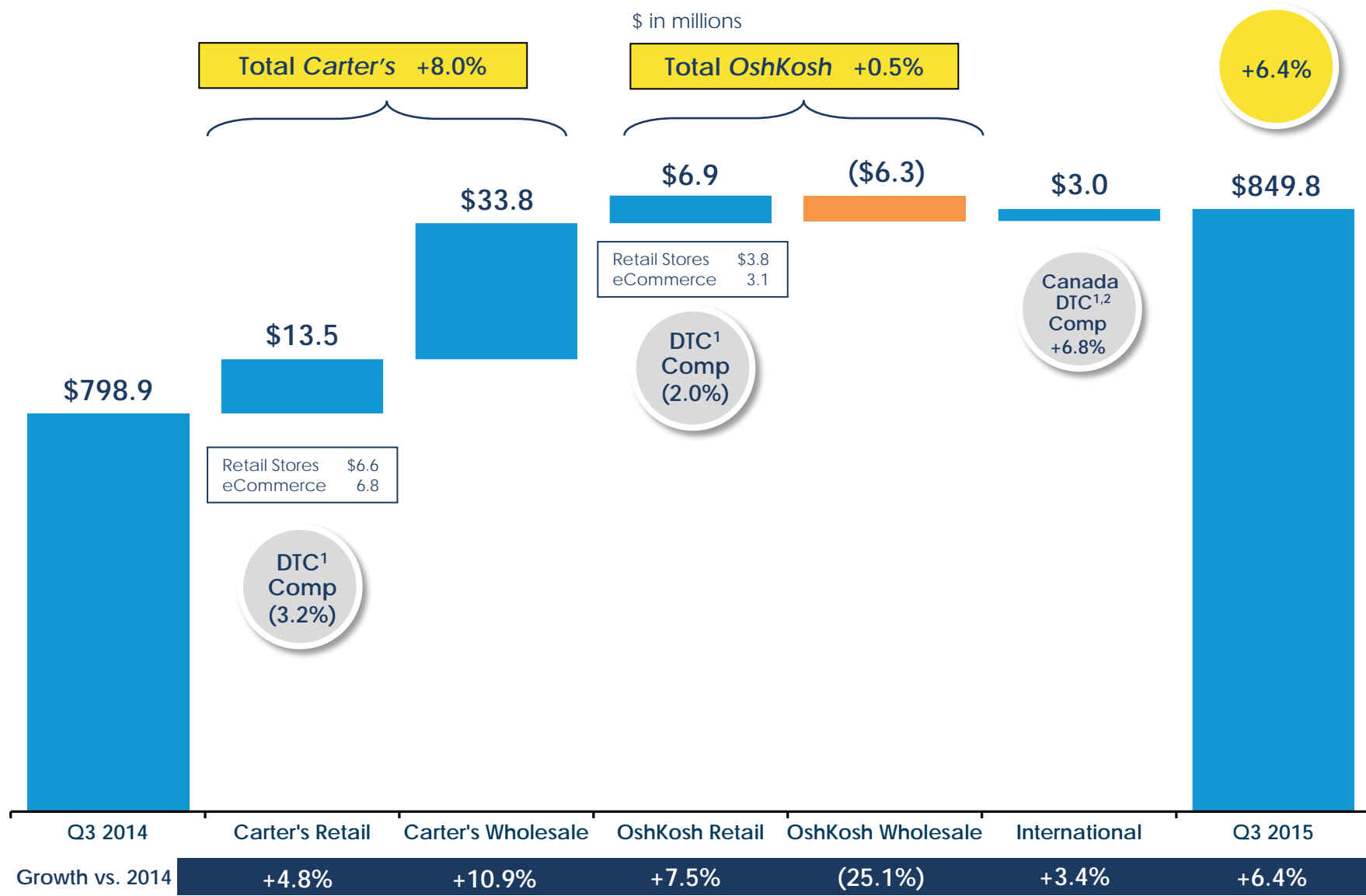
Adjusted Operating Income* (Adjusted Operating Margin)

Adjusted EPS*



- Net sales growth +6% driven by Carter's Wholesale and U.S. Direct-to-Consumer businesses
 - Constant currency growth +8% (\$12.7 million unfavorable FX impact)
- Adjusted EPS growth of 20%

Third Quarter 2015 Net Sales



¹Direct-to-Consumer ("DTC") Comp is defined as the combination of retail store and eCommerce comparable sales.

²Calculated in local currency.

Note: Results may not be additive due to rounding.

Constant Currency	+17.3%	+8.0%
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Third Quarter 2015 Adjusted Results*

\$ in millions, except EPS

	Q3 2015	% of Sales	Q3 2014	% of Sales	Increase / (Decrease)
Net sales	\$849.8		\$798.9		6%
Gross profit	347.5	40.9%	321.2	40.2%	8%
Adjusted SG&A*	229.1	27.0%	219.0	27.4%	5%
Royalty income	(12.7)	(1.5%)	(11.2)	(1.4%)	13%
Adjusted operating income*	131.2	15.4%	113.4	14.2%	16%
Interest and other, net	6.2	0.7%	8.1	1.0%	(24%)
Income taxes	45.1	5.3%	37.4	4.7%	20%
Adjusted net income*	\$79.9	9.4%	\$67.9	8.5%	18%
Adjusted diluted EPS*	\$1.52		\$1.27		20%
Weighted average shares outstanding	52.2		52.8		(1%)
Adjusted EBITDA*	\$145.6	17.1%	\$125.3	15.7%	16%

* Results are stated on an adjusted basis; see reconciliation to GAAP on pages 32, 33, 36.
Note: Results may not be additive due to rounding.

Third Quarter 2015 Adjusted SG&A*



*Results are stated on an adjusted basis; see reconciliation to GAAP on page 33.
 Note: Results may not be additive due to rounding.

Q3 YTD 2015 Adjusted Results*

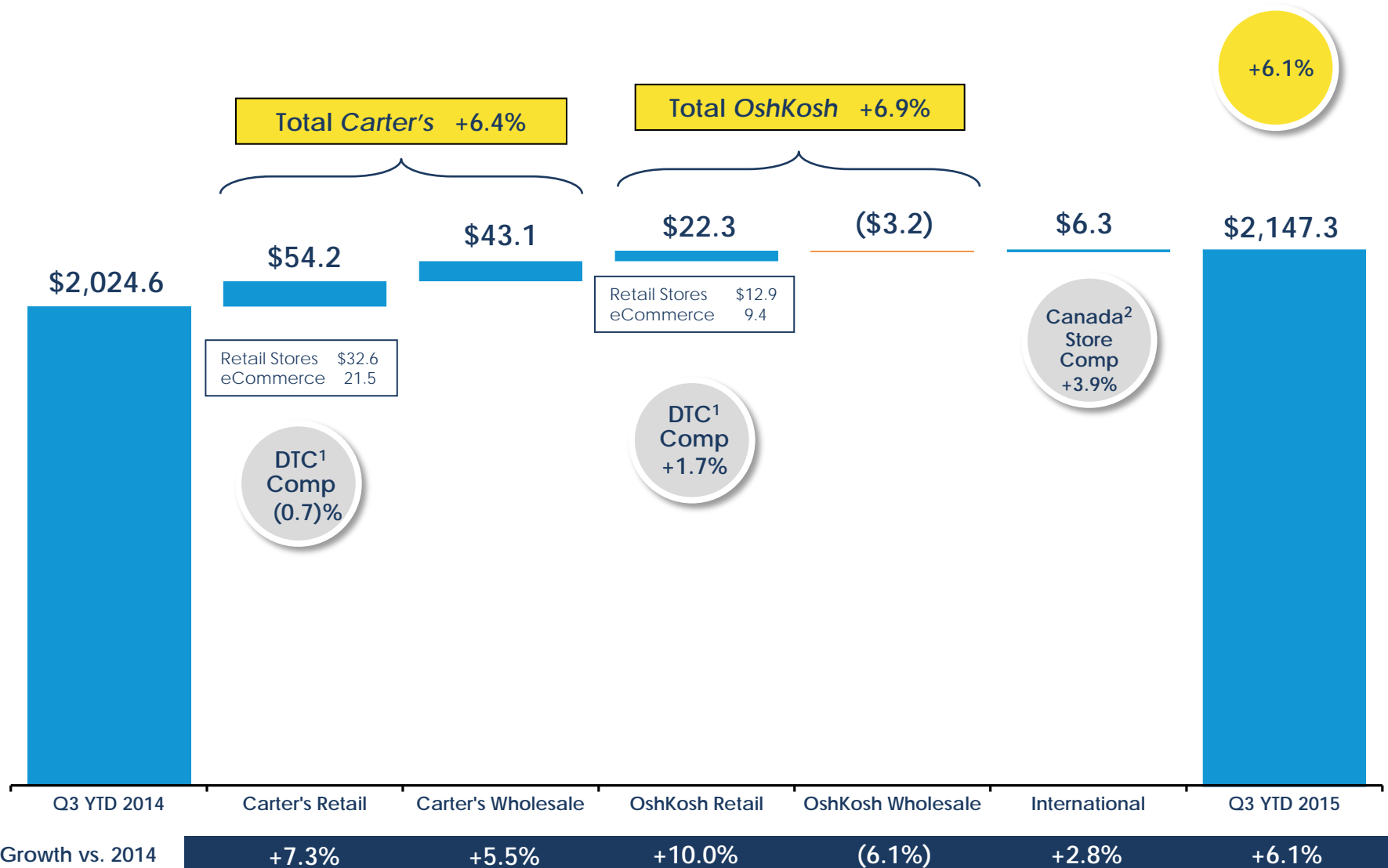
\$ in millions, except EPS

	First Three Quarters 2015	% of Sales	First Three Quarters 2014	% of Sales	Increase / (Decrease)
Net sales	\$2,147.3		\$2,024.6		6%
Gross profit	894.5	41.7%	827.4	40.9%	8%
Adjusted SG&A*	643.3	30.0%	614.3	30.3%	5%
Royalty income	(32.7)	(1.5%)	(29.3)	(1.4%)	12%
Adjusted operating income*	283.9	13.2%	242.4	12.0%	17%
Interest and other, net	19.6	0.9%	22.0	1.1%	(11%)
Income taxes	93.8	4.4%	79.4	3.9%	18%
Adjusted net income*	\$170.4	7.9%	\$140.9	7.0%	21%
Adjusted diluted EPS*	\$3.22		\$2.61		23%
Weighted average shares outstanding	52.5		53.3		(1%)
Adjusted EBITDA*	\$328.7	15.3%	\$282.6	14.0%	16%

* Results are stated on an adjusted basis; see reconciliation to GAAP on pages 34 – 36.
Note: Results may not be additive due to rounding.

Q3 YTD 2015 Net Sales

\$ in millions



Total Carter's +6.4%

Total OshKosh +6.9%

Retail Stores \$32.6
eCommerce 21.5

Retail Stores \$12.9
eCommerce 9.4

DTC¹ Comp (0.7%)

DTC¹ Comp +1.7%

Canada² Store Comp +3.9%

+6.1%

¹Direct-to-Consumer ("DTC") Comp is defined as the combination of retail store and eCommerce comparable sales.

²Calculated in local currency.

Note: Results may not be additive due to rounding.

Constant Currency +13.5%

+7.2%

Q3 YTD 2015 Business Segment Performance

\$ in millions

	Net Sales			Adjusted Operating Income (Loss)*			Adjusted Operating Margin*	
	2015	2014	\$ Growth	2015	2014	\$ Growth	2015	2014
Carter's Wholesale (a)	\$825	\$781	\$43	\$172	\$133	\$39	20.9%	17.1%
Carter's Retail (b)	800	745	54	135	138	(3)	16.8%	18.5%
Total Carter's	1,624	1,527	97	307	271	36	18.9%	17.8%
OshKosh Wholesale	49	52	(3)	10	5	5	19.8%	9.8%
OshKosh Retail (b)	245	223	22	3	(1)	4	1.4%	(0.4%)
Total OshKosh	294	275	19	13	4	9	4.5%	1.5%
International (c)(d)	229	223	6	33	28	4	14.3%	12.8%
Total before corporate expenses	2,147	2,025	123	353	304	49	16.4%	15.0%
Corporate expenses (d)				(69)	(61)	(8)	(3.2%)	(3.0%)
Total (d)	\$2,147	\$2,025	\$123	\$284	\$242	\$41	13.2%	12.0%

(a) Includes U.S. wholesale sales of *Carter's*, *Child of Mine*, *Just One You*, and *Precious Firsts*.

(b) Includes U.S. retail stores and eCommerce results.

(c) Includes international retail, eCommerce and wholesale sales. Adjusted operating income includes international licensing income.

(d) See reconciliation of reported (GAAP) results to adjusted results.

* Results are stated on an adjusted basis; see reconciliation to GAAP on page 35.

Note: Results may not be additive due to rounding.

Balance Sheet and Cash Flow

\$ in millions

Balance Sheet (at Q3 end)

	2015	2014
Cash	\$288	\$134
Accounts Receivable	247	232
Inventory	512	519
Accounts Payable	174	117
Long-Term Debt	585	586

- Strong liquidity - \$288 million cash on hand
- Amended credit facility in Q3
 - Facility size increased to \$500 million from \$375 million to support future growth
 - Financial terms & covenants improved vs. prior facility
- Inventory (1.5%) vs. LY reflecting cost decreases partially offset by business growth
- \$29 million in share repurchase in Q3; \$78 million Q3 YTD
 - Ending share count (2%) vs. LY
 - ~\$107 million remains under current \$300 million authorizations as of Q3 end

Cash Flow (Q3 YTD)

	2015	2014
Operating Cash Flow	\$146	\$25
Capital Expenditures	(77)	(84)
Free Cash Flow ¹	\$69	(\$59)

2015	Shares	Average Price	Total
Q1	157,900	\$ 89.43	\$ 14,120,944
Q2	346,325	\$ 100.40	\$ 34,772,589
Q3	290,800	\$ 101.26	\$ 29,445,203
Q4 QTD	113,163	\$ 90.10	\$ 10,196,509
YTD	908,188	\$ 97.49	\$ 88,535,245

- Dividend payment of \$11 million in Q3 (\$0.22/share)
 - \$35 million cash dividends paid Q3 YTD
- Free cash flow¹ increase reflects favorable movements in net working capital and higher earnings

¹ Non-GAAP measure
Note: Results may not be additive due to rounding.

Business Segment Performance



Third Quarter Business Segment Performance*

\$ in millions

	Net Sales			Adjusted Operating Income (Loss)*			Adjusted Operating Margin*	
	2015	2014	\$ Growth	2015	2014	\$ Growth	2015	2014
Carter's Wholesale (a)	\$ 344	\$ 310	\$ 34	\$ 74	\$ 56	\$ 19	21.6%	18.0%
Carter's Retail (b)	295	281	13	52	55	(3)	17.5%	19.4%
Total Carter's	638	591	47	126	110	16	19.7%	18.6%
OshKosh Wholesale	19	25	(6)	4	2	2	23.9%	8.9%
OshKosh Retail (b)	98	91	7	6	5	1	6.3%	5.8%
Total OshKosh	117	117	1	11	8	3	9.1%	6.5%
International (c)(d)	94	91	3	18	16	2	19.3%	18.0%
Total before corporate expenses	850	799	51	155	134	21	18.2%	16.8%
Corporate expenses (d)				(24)	(21)	(3)	(2.8%)	(2.6%)
Total (d)	\$ 850	\$ 799	\$ 51	\$ 131	\$ 113	\$ 18	15.4%	14.2%

(a) Includes U.S. wholesale sales of *Carter's*, *Child of Mine*, *Just One You*, and *Precious Firsts*.

(b) Includes U.S. retail stores and eCommerce results.

(c) Includes international retail, eCommerce and wholesale sales. Adjusted operating income includes international licensing income.

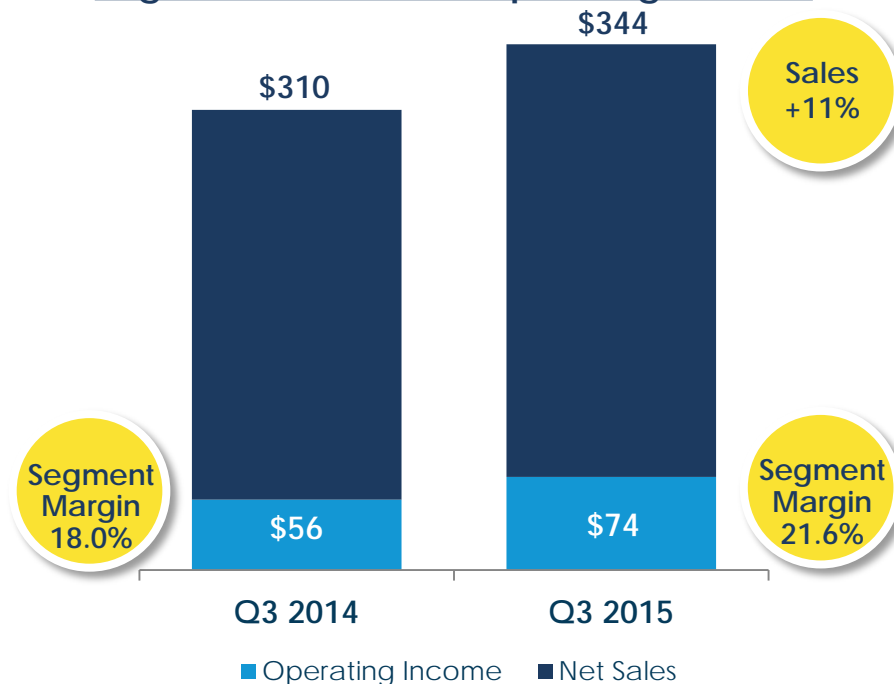
(d) See reconciliation of reported (GAAP) results to adjusted results.

* Results are stated on an adjusted basis; see reconciliation to GAAP on page 33.

Note: Results may not be additive due to rounding.

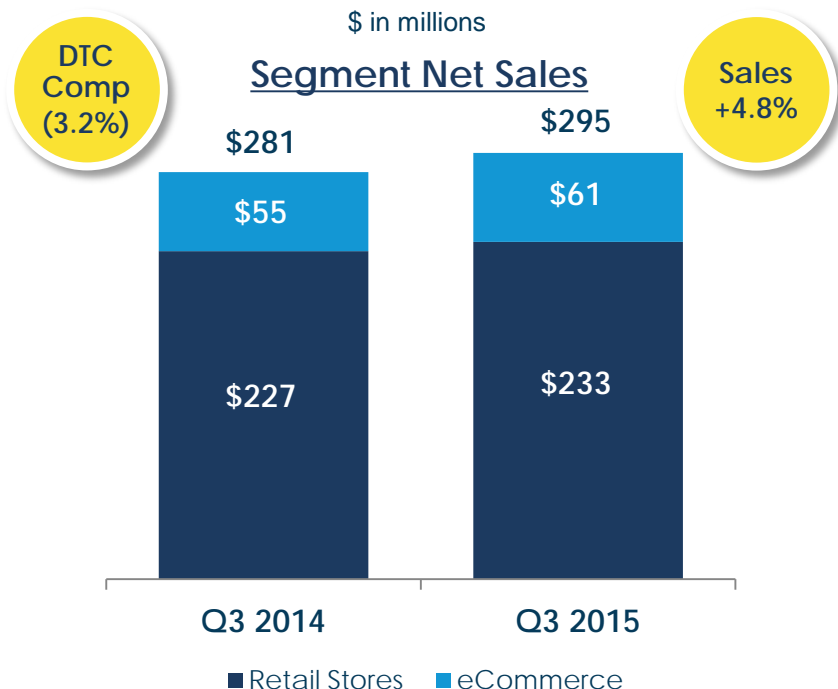


\$ in millions
Segment Net Sales & Operating Income

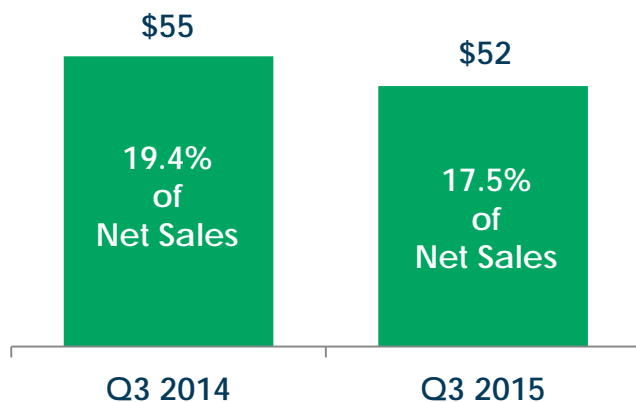


- Net sales growth reflects new playwear initiative and increased demand, in part due to timing of fall product orders
- Segment operating margin increase reflects improved price realization, lower product costs, and distribution efficiencies
- 2015 full-year net sales outlook: low-single digit growth vs. 2014 (YOY growth affected by 53rd week)
- Spring 2016 bookings planned up mid-single digits vs. 2015





Segment Operating Income



Retail Stores

- Total sales +3%
 - Opened 15 new stores in Q3
- Comp sales (5.6%)
 - Brick and Mortar comp reflects softer consumer traffic, we believe driven primarily by lower demand from international customers shopping in the U.S., and higher promotions
 - New stores achieving plan; ROI > 20%
- Q3 ending store count: 577
 - 384 Brand (56 Side-by-Side)
 - 193 Outlet (30 Side-by-Side)

eCommerce

- Continued strong eCommerce sales growth, +13% (+6.2% comp)
- Q3 eCommerce sales 20% of retail segment sales (vs. 19% LY)

Segment Operating Income

- Operating margin reflects higher promotions and marketing, lower DTC comps, partially offset by lower distribution expenses

Note: Results may not be additive due to rounding.

We Believe the Stronger U.S. Dollar and Lower International Consumer Traffic Have Negatively Affected Our Business

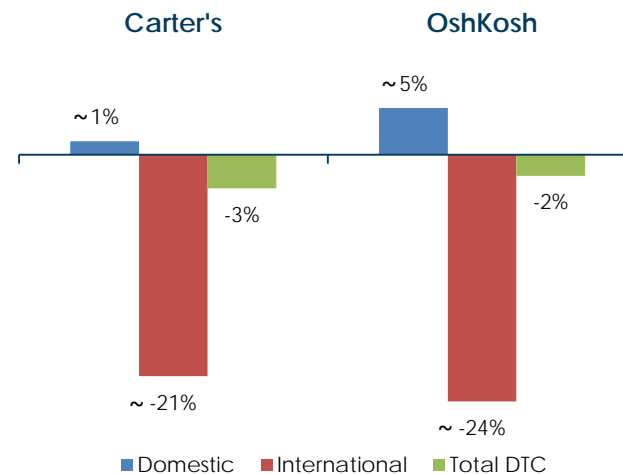
The USD has appreciated against a number of foreign currencies...

	YOY Change vs. USD		B / (W) Q3 vs. Q2
	Q2	Q3	
Russian Ruble	-33%	-43%	-10%
Ukrainian Hryvnia	-45%	-42%	2%
Brazilian Real	-27%	-36%	-9%
Mexican Peso	-15%	-20%	-5%
Canadian Dollar	-11%	-17%	-6%



...contributing to, we believe, declines in traffic from international customers to our U.S. retail stores and website

Estimated Q3 U.S. DTC Comp Sales By Customer Type



Comments

- International and domestic customer comp sales estimates derived from credit card transaction and other data
- Meaningful year-over-year decline in international customer sales mix in Q3
 - International demand estimated to be ~16% of total U.S. DTC sales in 2015 vs. ~21% in 2014
- Most significant sources of international comp sales decline:

<u>Retail Stores</u> <ul style="list-style-type: none"> • Canada • Brazil • Mexico 	<u>eCommerce</u> <ul style="list-style-type: none"> • China • Russia • Venezuela • Brazil
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- International demand on our U.S. website represented ~30% of total U.S. eCommerce demand in Q3 this year vs. ~40% in Q3 last year

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**ENTIRE
STORE**

**40%
OFF**

OR MORE

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starting at
\$7

extra 25% off coupon & free shipping on \$50+



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BOTH BRANDS
IN STORE
& ONLINE

REWARDING
Moments™

from carter's | OSHKOSH B'gosh

Spend them on the ones you *love.*

\$1 = **1**
SPENT POINT

75 = 
POINTS REWARD

WATCH YOUR POINTS ADD UP!

Use on entire purchase at any U.S. Carter's or OshKosh B'gosh.
Valid in store & online.

 SIGN UP AT
carters.com/rewards

mix & match
SHOP

TEES + TUNICS + LEGGINGS | Easy two-step outfits with lots of legs at an awesome value.



Whoo knew?
We have so many great go-togethers!
Shop them all at carter.com/mixandmatch

new
size **8**
GREAT!
(because growth sports happen)

LONG-SLEEVE GRAPHIC TEES (3m-8)

SALE \$7-8 MSRP** \$14-18

LONG-SLEEVE TUNICS (3m-8)

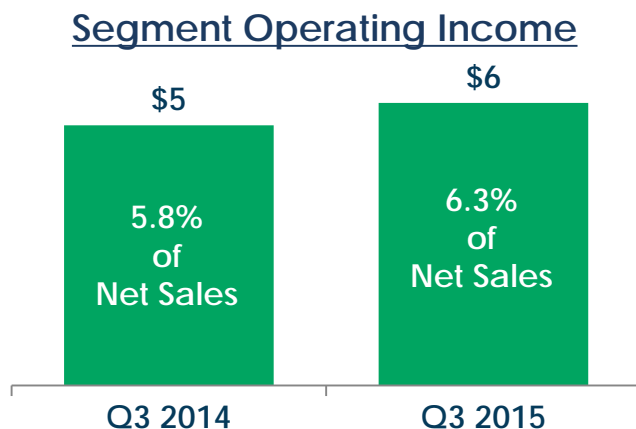
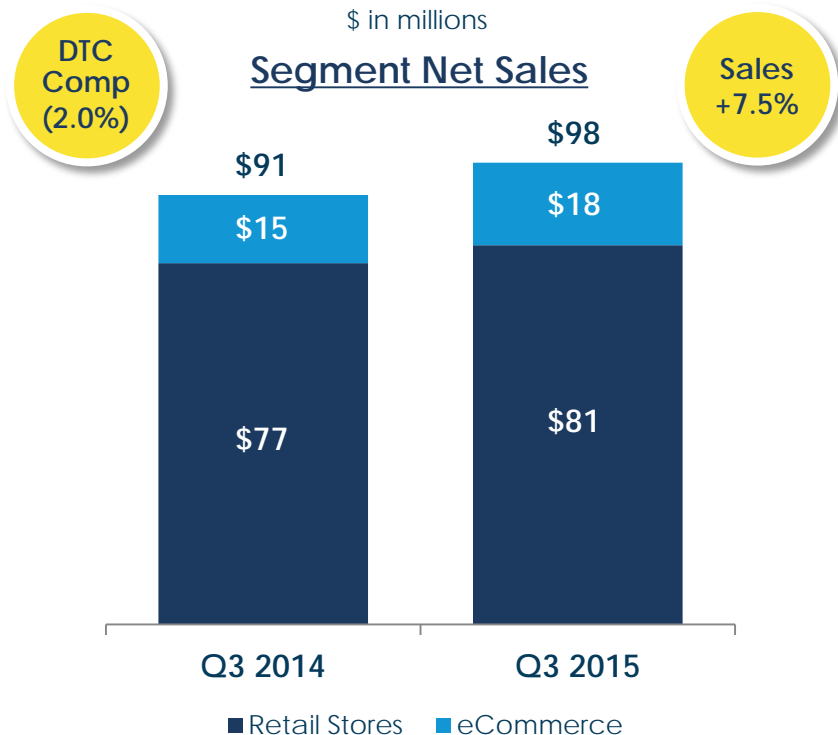
SALE \$12 MSRP** \$20-26

PRINTED LEGGINGS (3m-8)

SALE \$7-8 MSRP** \$12-16

SHOES (5-3y)

SALE \$22⁹⁰-20⁴⁰ MSRP** \$34-38



Retail Stores

- Total sales +5%
 - Opened 12 new stores and closed 1 in Q3
- Comp sales (5.4%)
 - Brick and Mortar comp reflects softer consumer traffic, we believe driven primarily by lower demand from international customers shopping in the U.S.
 - Positive comp for side by side stores
 - New stores achieving plan; ROI > 15%
- Q3 ending store count: 232
 - 75 Brand (56 Side-by-Side)
 - 157 Outlet (30 Side-by-Side)

eCommerce

- Strong eCommerce sales growth, +22% (+14% comp)
- Q3 eCommerce sales 18% of retail segment sales (vs. 16% LY)

Segment Operating Income

- Segment operating margin reflects lower distribution expenses, partially offset by lower DTC comps and higher marketing investments

GIVE HER *gifts* THAT SPARKLE

50%
off

holiday style

Purple glitter?
Dot's adorable!

A finishing touch is never too much!

Cozy cords that shimmer.

JOGGER PANTS SALE \$8-10 6m-12, MSRP* \$22-26 **PRINTED RUNNING SHORTS SALE \$10.80-12** 2t-12, MSRP* \$18-20
ACTIVE TOPS SALE \$12-13.20 2t-12, MSRP* \$20-22 **CROPPED YOGA PANTS SALE \$14.40-15.60** 2t-12, MSRP* \$24-26
ACTIVE SNEAKERS SALE \$22.80-24 5-12, 13-3, MSRP* \$38-40 **3-PACK SOCKS SALE \$8.40** 3-12, 12-24, 2-4, 4-7, 8; MSRP* \$14
BASEBALL CAPS SALE \$12 inf.tod, 4-6x, 7-12, MSRP* \$20 **BASEBALL CAPS SALE \$12** inf.tod, 4-6x, 7-12, MSRP* \$20
BASEBALL CAPS SALE \$12 inf.tod, 4-6x, 7-12, MSRP* \$20



LAYER up on FUN

50% off
holiday style

Cap off his look!

Weathered winter wash.

Boot up to brave the elements.

Adventures in glow!

GLOW IN THE DARK

JOGGER PANTS SALE \$8-10 6m-12, MSRP* \$22-26 **PRINTED RUNNING SHORTS SALE \$10.80-12** 2t-12, MSRP* \$18-20
ACTIVE TOPS SALE \$12-13.20 2t-12, MSRP* \$20-22 **CROPPED YOGA PANTS SALE \$14.40-15.60** 2t-12, MSRP* \$24-26
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BASEBALL CAPS SALE \$12 inf.tod, 4-6x, 7-12, MSRP* \$20 **BASEBALL CAPS SALE \$12** inf.tod, 4-6x, 7-12, MSRP* \$20
BASEBALL CAPS SALE \$12 inf.tod, 4-6x, 7-12, MSRP* \$20





carter's
babies and kids

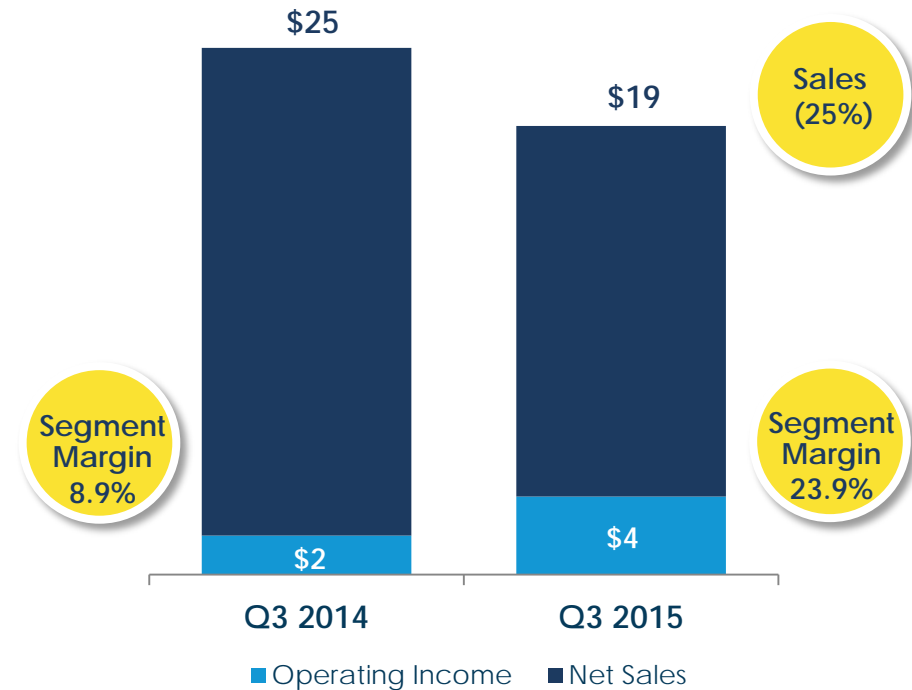
EST. 1895
OSHKOSH
B'gosh



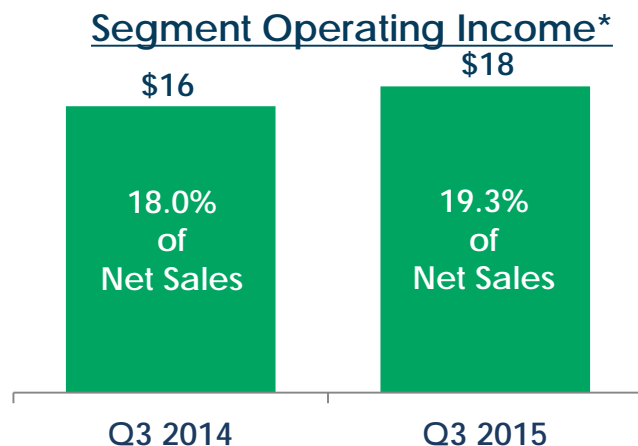
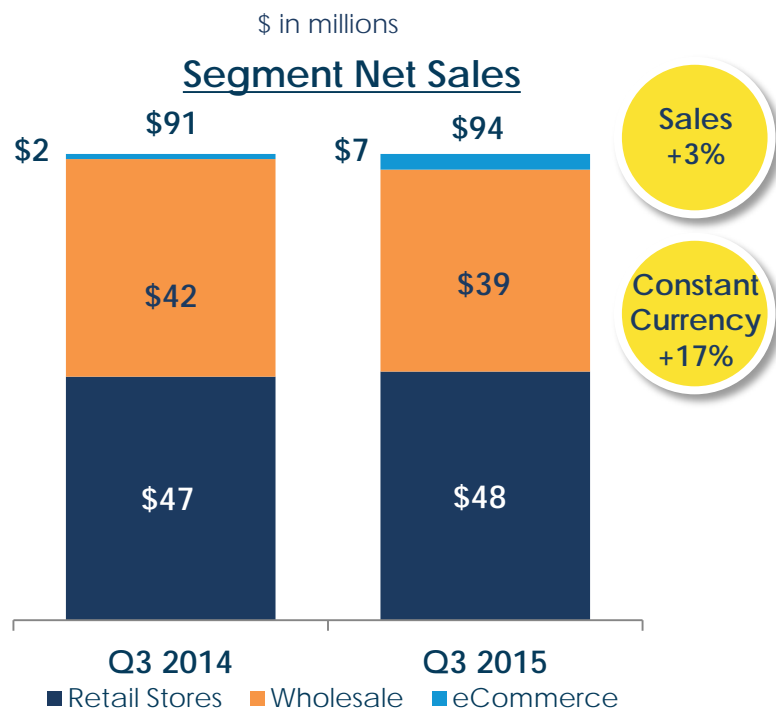


\$ in millions

Segment Net Sales & Operating Income



- Sales decline reflects lower shipments to off-price channel and lower seasonal bookings
- Operating margin increase reflects stronger product margins
- 2015 full-year net sales expected to be down 12%



Canada Retail Stores

- Net sales +4% (+25% constant currency)
- Store comp +4.8%; DTC comp +6.8%
- 7 new stores were opened in Q3; new stores meeting expectations
- 140 stores at Q3 end

eCommerce

- Growth driven by Canada (site launched Q3 2014) and China (Tmall site launched Q2 2015)

Wholesale

- Sales decline reflects the impact of the Target Canada bankruptcy in early 2015

Segment Operating Margin

- Operating margin improvement reflects higher DTC sales mix and expense leverage in Canada

* Results are stated on an adjusted basis; see reconciliation to GAAP on page 33.
 Note: Results may not be additive due to rounding.

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4.8 - 4.8 ↑ 4.8 ↑

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期限10/18-11/10

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¥20 优惠券
仅限11.11
满299使用 立即领取

¥50 优惠券
仅限11.11
满499使用 立即领取

¥100 优惠券
仅限11.11
满799使用 立即领取

International Wholesale – New WalMart Canada Shop





- Opened September 2015
- Partner operates 8 stores in Australia



carter's | **OSHKOSH**
babies and kids | *B'gosh*

- Opened September 2015
- Partner operates ~150 locations in Indonesia, including 23 free standing stores

Q4 2015

- Net sales decline of approximately (2%)
 - Growth of approximately 3% on 52 week basis
- Adjusted EPS of approximately \$1.22 to \$1.30 (vs. \$1.32 LY)
 - Change of approximately (4%) to +2% on 52 week basis

Fiscal Year 2015

- Net sales increase of approximately 4%. Growth impacted by:
 - Unfavorable exchange rates
 - 53rd week comparison (53 weeks in fiscal 2014 vs. 52 in fiscal 2015)
 - Early 2015 West Coast port delays
- Adjusted EPS growth of approximately 13% to 15% (vs. \$3.93 LY)
- New retail stores:
 - Carter's ~67
 - OshKosh ~48
 - Canada ~23
- Operating Cash Flow approximately \$275 to \$300 million
- CapEx approximately \$120 million



thank you.



appendix



Third Quarter Reconciliation of Net Income Allocable to Common Shareholders

	Fiscal Quarter Ended	
	October 3, 2015	September 27, 2014
Weighted-average number of common and common equivalent shares outstanding:		
Basic number of common shares outstanding	51,740,523	52,356,122
Dilutive effect of equity awards	507,815	470,842
Diluted number of common and common equivalent shares outstanding	<u>52,248,338</u>	<u>52,826,964</u>

	Fiscal Quarter Ended			
	As reported on a GAAP Basis		As adjusted (a)	
	October 3, 2015	September 27, 2014	October 3, 2015	September 27, 2014
<i>\$ in thousands, except EPS</i>				
Basic net income per common share:				
Net income	\$ 79,326	\$ 65,886	\$ 79,925	\$ 67,933
Income allocated to participating securities	(675)	(887)	(680)	(914)
Net income available to common shareholders	<u>\$ 78,651</u>	<u>\$ 64,999</u>	<u>\$ 79,244</u>	<u>\$ 67,019</u>
Basic net income per common share	\$1.52	\$1.24	\$1.53	\$1.28
Diluted net income per common share:				
Net income	\$ 79,326	\$ 65,886	\$79,925	\$67,933
Income allocated to participating securities	(670)	(880)	(675)	(908)
Net income available to common shareholders	<u>\$ 78,657</u>	<u>\$ 65,006</u>	<u>\$ 79,250</u>	<u>\$ 67,026</u>
Diluted net income per common share	\$1.51	\$1.23	\$1.52	\$1.27

(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 the information above excluding \$0.6 million and \$2.0 million in after-tax expenses from these results for the fiscal quarters ended October 3, 2015 and September 27, 2014, respectively.

Note: Results may not be additive due to rounding.

Third Quarter Reconciliation of Reported to Adjusted Earnings

\$ in millions, except EPS

Third Quarter of Fiscal 2015	Gross Margin	% of sales	SG&A	% of sales	Operating Income	% of sales	Net Income	Diluted EPS	Segment Reporting			
									International Operating Income	% of segment net sales	Corporate Operating Expenses	% of total net sales
As reported (GAAP)	\$347.5	40.9%	\$230.0	27.1%	\$130.2	15.3%	\$79.3	\$1.51	\$18.2	19.3%	(\$24.7)	(2.9%)
Amortization of acquired tradenames (a)	-		(1.0)		1.0		0.6	0.01	-		1.0	
As adjusted	\$347.5	40.9%	\$229.1	27.0%	\$131.2	15.4%	\$79.9	\$1.52	\$18.2	19.3%	(\$23.8)	(2.8%)

Third Quarter of Fiscal 2014	Gross Margin	% of sales	SG&A	% of sales	Operating Income	% of sales	Net Income	Diluted EPS	Segment Reporting			
									International Operating Income	% of segment net sales	Corporate Operating Expenses	% of total net sales
As reported (GAAP)	\$321.2	40.2%	\$221.9	27.8%	\$110.5	13.8%	\$65.9	\$1.23	\$15.9	17.4%	(\$23.2)	(2.9%)
Amortization of acquired tradenames (a)	-		(2.3)		2.3		1.4	0.03	-		2.3	
Revaluation of contingent consideration (b)	-		(0.4)		0.4		0.4	0.01	0.4		-	
Closure of distribution facility in Hogansville, GA	-		(0.2)		0.2		0.1	-	-		0.2	
	-		(2.9)		2.9		2.0	0.04	0.4		2.5	
As adjusted	\$321.2	40.2%	\$219.0	27.4%	\$113.4	14.2%	\$67.9	\$1.27	\$16.4	18.0%	(\$20.7)	(2.6%)

(a) Amortization of H.W. Carter and Sons tradenames acquired in 2013.

(b) Revaluation of contingent consideration liability associated with the Company's acquisition of Bonnie Togs in 2011.

Q3 YTD 2015 Reconciliation of Net Income Allocable to Common Shareholders

	First Three Quarters	
	October 3, 2015	September 27, 2014
Weighted-average number of common and common equivalent shares outstanding:		
Basic number of common shares outstanding	51,960,041	52,788,217
Dilutive effect of equity awards	512,861	476,893
Diluted number of common and common equivalent shares outstanding	<u>52,472,902</u>	<u>53,265,110</u>

	First Three Quarters			
	As reported on a GAAP Basis		As adjusted (a)	
	October 3, 2015	September 27, 2014	October 3, 2015	September 27, 2014
<i>\$ in thousands, except EPS</i>				
Basic net income per common share:				
Net income	\$ 165,223	\$ 126,079	\$ 170,443	\$ 140,919
Income allocated to participating securities	(1,557)	(1,706)	(1,607)	(1,910)
Net income available to common shareholders	<u>\$ 163,666</u>	<u>\$ 124,373</u>	<u>\$ 168,836</u>	<u>\$ 139,009</u>
Basic net income per common share	\$3.15	\$2.36	\$3.25	\$2.63
Diluted net income per common share:				
Net income	\$ 165,223	\$ 126,079	\$ 170,443	\$ 140,919
Income allocated to participating securities	(1,545)	(1,695)	(1,595)	(1,897)
Net income available to common shareholders	<u>\$ 163,678</u>	<u>\$ 124,384</u>	<u>\$ 168,848</u>	<u>\$ 139,022</u>
Diluted net income per common share	\$3.12	\$2.34	\$3.22	\$2.61

(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 above. The Company has excluded \$5.2 million and \$14.8 million in after-tax net expenses from these results for the first three fiscal quarters of 2015 and 2014, respectively.

Q3 YTD 2015 Reconciliation of Reported to Adjusted Earnings

\$ in millions, except EPS

First Three Quarters of Fiscal 2015	Gross Margin	% of sales	SG&A	% of sales	Operating Income	% of sales	Net Income	Diluted EPS	Segment Reporting			
									International Operating Income	% of segment net sales	Corporate Operating Expenses	% of total net sales
As reported (GAAP)	\$894.5	41.7%	\$650.5	30.3%	\$276.7	12.9%	\$165.2	\$3.12	\$31.0	13.5%	(\$74.4)	(3.5%)
Amortization of tradenames (a)	-		(5.3)		5.3		3.3	0.06	-		5.3	
Revaluation of contingent consideration (c)	-		(1.9)		1.9		1.9	0.04	1.9		-	
	-		(7.2)		7.2		5.2	0.10	1.9		5.3	
As adjusted	\$894.5	41.7%	\$643.3	30.0%	\$283.9	13.2%	\$170.4	\$3.22	\$32.9	14.3%	(\$69.2)	(3.2%)

First Three Quarters of Fiscal 2014	Gross Margin	% of sales	SG&A	% of sales	Operating Income	% of sales	Net Income	Diluted EPS	Segment Reporting			
									International Operating Income	% of segment net sales	Corporate Operating Expenses	% of total net sales
As reported (GAAP)	\$828.4	40.9%	\$638.3	31.5%	\$219.3	10.8%	\$126.1	\$2.34	\$27.0	12.1%	(\$83.1)	(4.1%)
Office consolidation costs (b)	-		(6.6)		6.6		4.2	0.08	-		6.6	
Amortization of tradenames (a)	-		(14.2)		14.2		8.9	0.16	-		14.2	
Revaluation of contingent consideration (c)	-		(0.9)		0.9		0.9	0.02	0.9		-	
Japan exit costs (d)	(1.0)		(1.5)		0.5		0.3	0.01	0.5		-	
Closure of distribution facility in Hogansville, GA	-		(0.9)		0.9		0.6	0.01	-		0.9	
	(1.0)		(24.0)		23.0		14.8	0.27	1.4		21.6	
As adjusted	\$827.4	40.9%	\$614.3	30.3%	\$242.4	12.0%	\$140.9	\$2.61	\$28.4	12.8%	(\$61.5)	(3.0%)

(a) Amortization of H.W. Carter and Sons tradenames acquired in 2013.

(b) Costs associated with the office consolidation including severance, relocation, accelerated depreciation, and other charges.

(c) Revaluation of contingent consideration liability associated with the Company's acquisition of Bonnie Togs in 2011.

(d) Costs incurred to wind-down the retail business in Japan.

Reconciliation of Net Income to Adjusted EBITDA

\$ in millions

	Fiscal quarter ended		Three fiscal quarters ended		Four fiscal quarters ended
	October 3, 2015	September 27, 2014	October 3, 2015	September 27, 2014	October 3, 2015
Net income	\$79.3	\$65.9	\$165.2	\$126.1	\$233.8
Interest expense	6.9	6.8	20.5	20.6	27.6
Interest income	(0.1)	-	(0.4)	(0.3)	(0.5)
Tax expense	44.7	36.5	91.9	71.2	128.9
Depreciation and amortization (a)	14.8	15.4	49.6	57.0	67.5
EBITDA	\$145.6	\$124.6	\$326.8	\$274.6	\$457.3
Adjustments to EBITDA					
Office consolidation costs (b)(c)	\$ -	\$ -	\$ -	\$6.5	\$ -
Revaluation of contingent consideration (d)	-	0.4	1.9	0.9	2.3
Closure of distribution facility in Hogansville, GA (c)	-	0.2	-	0.9	0.1
Japan retail operations exit (c)	-	-	-	(0.3)	0.1
Adjusted EBITDA	\$145.6	\$125.3	\$328.7	\$282.6	\$459.8

(a) Includes amortization of acquired tradenames.

(b) Costs associated with office consolidation including severance, relocation, and other charges.

(c) Amounts exclude costs related to accelerated depreciation as such amounts are included in the total of depreciation and amortization above.

(d) Revaluation of contingent consideration liability associated with the Company's 2011 acquisition of Bonnie Togs.

Results provided in this presentation are preliminary and unaudited. This presentation should be read in conjunction with the audio broadcast or transcript of the Company's earnings call, held on October 29, 2015, which is available at www.carters.com. Also, this presentation contains forward-looking statements within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 relating to our future performance, including, without limitation, statements with respect to our anticipated financial results for the fourth quarter of fiscal 2015 and fiscal year 2015, or any other future period, assessment of our performance and financial position, and drivers of our sales and earnings growth. 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 our 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" and "Forward-Looking Statements." Included among the risks and uncertainties that may impact future results are the risks of: losing one or more major customers, vendors, or licensees, due to competition, inadequate quality of our products, or otherwise; financial difficulties for one or more of our major customers, vendors, or licensees, or an overall decrease in consumer spending; our products not being accepted in the marketplace, due to quality concerns, changes in consumer preference and fashion trends, or otherwise; negative publicity, including as a result of product recalls or otherwise; failing to protect our intellectual property; a breach of our consumer databases, systems or processes; the risk of slow-downs, disruptions or strikes along our supply chain, including disruptions resulting from foreign supply sources, our distribution centers or in-sourcing capabilities; and unsuccessful expansion into international markets or failure to successfully manage legal, regulatory, political and economic risks of our existing international operations, including maintaining compliance with worldwide anti-bribery laws. All information is provided as of October 29, 2015. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.