



carter's, inc.

**Third Quarter 2019
Business Update**

October 24, 2019

Third Quarter 2019 Results (GAAP Basis)



\$ in millions, except EPS

	Q3 2019	<i>% of Sales</i>	Q3 2018	<i>% of Sales</i>	Increase / (Decrease)
Net sales	\$943		\$924		2%
Gross profit	402	42.6%	387	41.9%	4%
Royalty income	9	1.0%	10	1.1%	(10%)
SG&A	297	31.5%	294	31.8%	1%
Intangible asset impairment	31	3.3%	-	-	N/A
Operating income	84	8.9%	104	11.2%	(19%)
Interest and other, net	10	1.1%	10	1.1%	5%
Income before taxes	74	7.8%	94	10.2%	(22%)
Income taxes	13		22		(39%)
Net income	\$60	6.4%	\$72	7.8%	(16%)
Diluted EPS	\$1.34		\$1.53		(12%)
Weighted average shares outstanding	44		46		(4%)
EBITDA ¹	\$107	11.4%	\$126	13.6%	(15%)

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

Background



- Skip Hop business acquired February 2017
- Skip Hop tradename assigned a value of \$57 million at time of acquisition; the carrying values of intangible assets are assessed periodically
- Q3 2019 results include a \$31 million non-cash charge to reflect reduction in carrying value of the Skip Hop tradename

Progress With Skip Hop

- **Have grown the brand meaningfully since its acquisition**
 - Projecting ~\$135 million in 2019 net sales (+56% vs. year prior to acquisition)
- **Developed U.S. retail distribution**
 - Products available in all U.S. Retail stores
 - Launched Skip Hop on carters.com
- **Developed new U.S. Wholesale relationships**
 - Walmart, Kohl's, Macy's
- **Improved growth infrastructure and capabilities**

Challenges

- **Lower than projected growth of sales and profitability**
- **Loss of largest wholesale customer (Toys “R” Us)**
- **Imposition of significant new tariffs on China imports (Skip Hop manufacturing primarily based in China)**
- **Business has required significant investment to scale**

Q3 YTD 2019 Results (GAAP Basis)

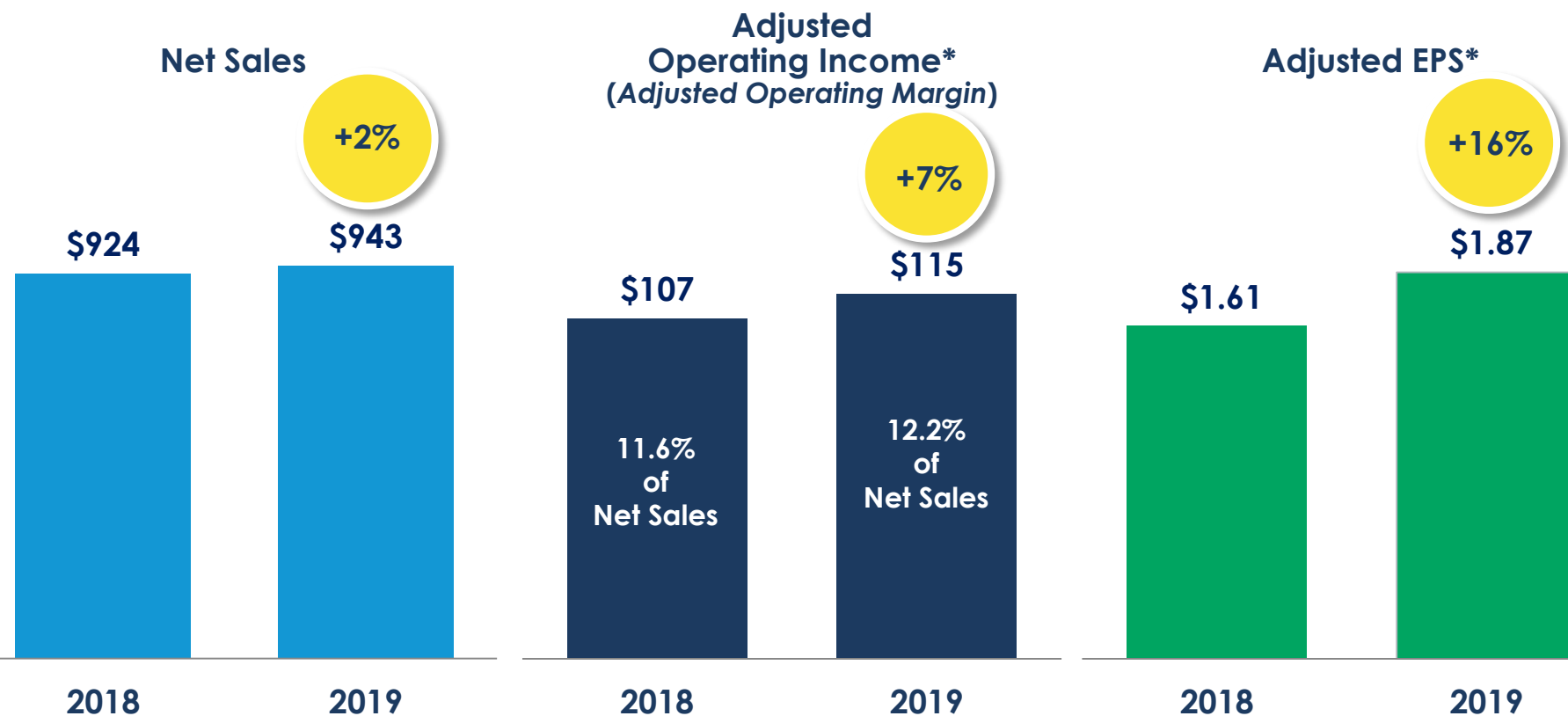


\$ in millions, except EPS

	Q3 YTD 2019	<i>% of Sales</i>	Q3 YTD 2018	<i>% of Sales</i>	Increase / (Decrease)
Net sales	\$2,419		\$2,376		2%
Gross profit	1,041	43.0%	1,030	43.3%	1%
Royalty income	27	1.1%	29	1.2%	(4%)
SG&A	829	34.3%	838	35.3%	(1%)
Intangible asset impairment	31	1.3%	-	-	N/A
Operating income	209	8.6%	221	9.3%	(5%)
Loss on extinguishment of debt	8	0.3%	-	-	N/A
Interest and other, net	28	1.2%	26	1.1%	9%
Income before taxes	173	7.2%	195	8.2%	(11%)
Income taxes	34		43		(21%)
Net income	\$139	5.7%	\$152	6.4%	(8%)
Diluted EPS	\$3.06		\$3.20		(4%)
Weighted average shares outstanding	45		47		(4%)
EBITDA ¹	\$272	11.2%	\$287	12.1%	(5%)

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

\$ in millions, except EPS



- **Net sales +2%**
 - Earlier-than-planned demand in U.S. Wholesale
 - U.S. / Canada retail sales affected by unseasonably hot weather
- **Adjusted operating profit +7%; adjusted operating margin +60 bps**
 - Gross margin expansion as improved price realization more than offset higher product costs
 - SG&A leverage
- **Strong EPS growth +16%**

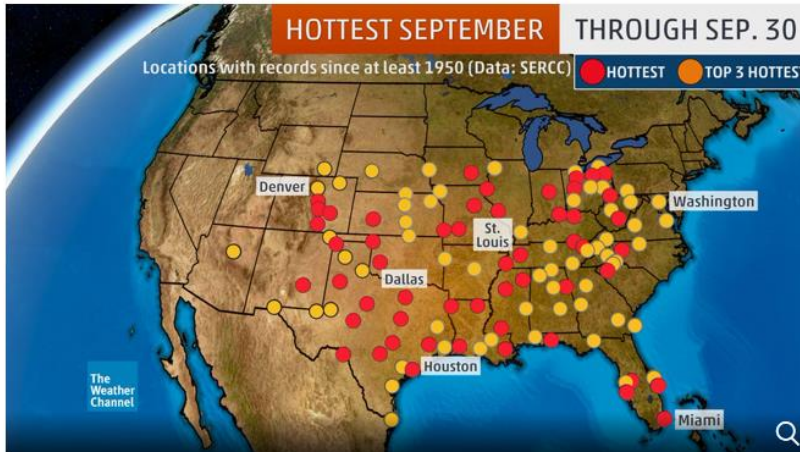
*Results are stated on an adjusted basis; see reconciliation to GAAP in appendix.

U.S. Record High Temperatures in September, Carrying Over Into October

HEAT SAFETY AND PREPAREDNESS

Dozens of U.S. Cities Had Their Hottest Septembers on Record

By Bob Henson, Chris Dolce and Jonathan Erdman · October 01 2019 02:00 PM EDT · weather.com



Red dots show locations that had their warmest September on record this year. Orange dots are locations where September 2019 ranked as second- or third-warmest on record.

(Data: NOAA/SERCC)

At a Glance

- September felt more like July or August in dozens of U.S. cities.
- It was the hottest September on record in cities scattered from Alaska to Florida.
- More than 100 cities had a top-three-warmest September.

USA NATIONAL FORECAST

October Begins With Record Heat in South, East, But Pattern Change Will Bring Relief by This Weekend

By Brian Donegan · October 02 2019 06:00 PM EDT · weather.com



00:54

Drought-Busting Rain to Last into Weekend for Southern States

The South is in store for two rounds of much-needed rain.

At a Glance

- Summerlike heat will continue in the South and East through Thursday.
- All-time October record highs have been set from the Southeast to the Ohio Valley and Northeast.
- A pattern change will allow a cold front to push through these sweltering regions by the weekend.
- The Northeast will be much colder by late week, with parts of the interior getting frosts or freezes.

Third Quarter 2019 Adjusted Results*



\$ in millions, except EPS

	Q3 2019	% of Sales	Q3 2018	% of Sales	Increase / (Decrease)
Net sales	\$943		\$924		2%
Adjusted gross profit	402	42.6%	390	42.2%	3%
Royalty income	9	1.0%	10	1.1%	(10%)
Adjusted SG&A	297	31.5%	293	31.7%	1%
Adjusted operating income	115	12.2%	107	11.6%	7%
Interest and other, net	10	1.1%	10	1.1%	5%
Adjusted income before taxes	104	11.1%	97	10.5%	7%
Income taxes	20		22		(7%)
Adjusted net income	\$84	8.9%	\$75	8.2%	11%
Adjusted diluted EPS	\$1.87		\$1.61		16%
Weighted average shares outstanding	44		46		(4%)
Adjusted EBITDA	\$138	14.6%	\$130	14.0%	7%

*Results are stated as indicated on an adjusted basis, a non-GAAP presentation; see reconciliation to GAAP in appendix.
Note: Results may not be additive due to rounding.

Q3 YTD 2019 Adjusted Results*



\$ in millions, except EPS

	Q3 YTD 2019	<i>% of Sales</i>	Q3 YTD 2018	<i>% of Sales</i>	Increase / (Decrease)
Net sales	\$2,419		\$2,376		2%
Adjusted gross profit	1,039	43.0%	1,032	43.5%	1%
Royalty income	27	1.1%	29	1.2%	(4%)
Adjusted SG&A	828	34.2%	824	34.7%	0%
Adjusted operating income	239	9.9%	237	10.0%	1%
Interest and other, net	28	1.2%	26	1.1%	9%
Adjusted income before taxes	211	8.7%	211	8.9%	(0%)
Income taxes	44		46		(6%)
Adjusted net income	\$167	6.9%	\$165	6.9%	1%
Adjusted diluted EPS	\$3.68		\$3.48		6%
Weighted average shares outstanding	45		47		(4%)
Adjusted EBITDA	\$309	12.8%	\$302	12.7%	2%

*Results are stated as indicated 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 and Cash Flow



\$ in millions

Balance Sheet (at Q3 end)

	2019	2018
Cash	\$154	\$124
Accounts Receivable	293	293
Inventory	723	693
Accounts Payable	206	185
Long-Term Debt	770	798
Operating Lease Liabilities ¹	850	-

Cash Flow (Q3 YTD)

	2019	2018
Operating Cash Flow	\$73	\$21
Capital Expenditures	(46)	(48)
Free Cash Flow ²	\$27	(\$26)

Return of Capital (Q3 YTD)

	2019	2018
Share Repurchases	\$147	\$145
Dividends	68	63
Total	\$215	\$209

- **Strong liquidity – cash on hand and available revolver capacity \$624 million**
- **Inventory +4% vs. LY**
 - Growth consistent with forecast
 - Notable reduction in excess inventory
 - Planning mid-single digit growth vs. LY at year end
- **Forecasting operating cash flow of \$375 – \$400 million for fiscal 2019**
- **Returned \$215 million to shareholders through share repurchases and dividends 2019 Q3 YTD**
 - Have returned ~\$2 billion to shareholders since beginning of 2007

¹Company adopted Financial Accounting Standards Board's Accounting Standards Codification No. 842, Leases in 2019; amount presented reflects sum of current and long-term operating lease liabilities. ²Non-GAAP measure.

Note: Results may not be additive due to rounding.



Business Segment Performance

Third Quarter 2019 Adjusted Business Segment Performance*



\$ in millions

	Net Sales			Adjusted Operating Income*			Adjusted Operating Margin*	
	2019	2018	\$ Growth	2019	2018	\$ Growth	2019	2018
U.S. Retail (a)	\$464	\$459	\$5	\$51	\$47	\$4	10.9%	10.3%
U.S. Wholesale	352	339	13	73	68	6	20.9%	20.0%
International (b)	127	126	1	17	16	1	13.1%	12.7%
Total before corporate expenses	\$943	\$924	\$19	\$141	\$131	\$10	14.9%	14.2%
Corporate expenses				(26)	(24)	(2)	(2.8%)	(2.6%)
Total	\$943	\$924	\$19	\$115	\$107	\$8	12.2%	11.6%

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

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

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

Note: Results may not be additive due to rounding.

Q3 YTD 2019 Adjusted Business Segment Performance*



\$ in millions

	Net Sales			Adjusted Operating Income*			Adjusted Operating Margin*	
	2019	2018	\$ Growth	2019	2018	\$ Growth	2019	2018
U.S. Retail (a)	\$1,264	\$1,245	\$19	\$125	\$122	\$3	9.9%	9.8%
U.S. Wholesale	857	829	27	164	161	3	19.2%	19.4%
International (b)	298	302	(4)	24	24	(0)	8.0%	8.0%
Total before corporate expenses	\$2,419	\$2,376	\$43	\$313	\$307	\$6	12.9%	12.9%
Corporate expenses				(74)	(70)	(4)	(3.1%)	(3.0%)
Total	\$2,419	\$2,376	\$43	\$239	\$237	\$2	9.9%	10.0%

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

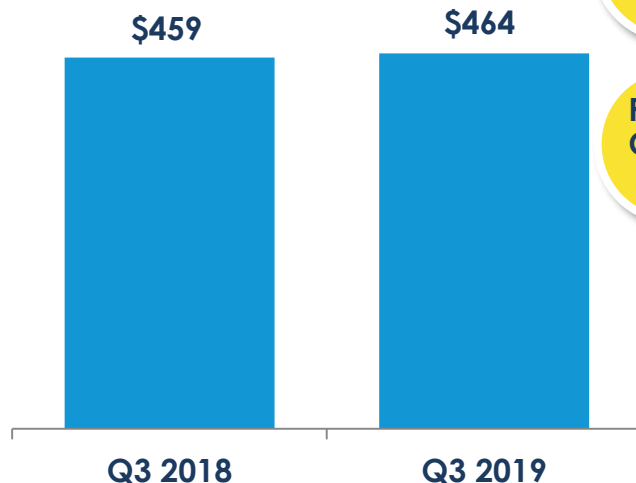
(b) Results include international stores, eCommerce, and wholesale.

*Results are stated 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



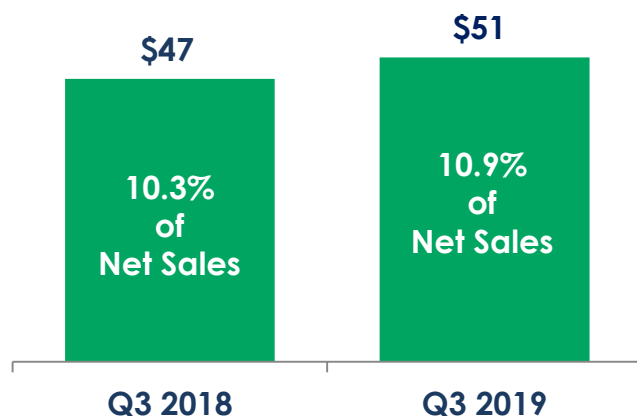
Total Sales
+1%

Retail¹
Comp
-0.6%

Q3 Highlights

- **Retail comparable sales: -0.6%**
 - Performance led by eCommerce
 - Unusually hot temperatures across much of U.S. adversely affected consumer traffic, particularly in September
 - October month-to-date comp: slightly positive, in-line with plan
- **Store portfolio optimization**
 - Opened 23 stores, closed 22 Q3 YTD 2019
 - Mall and co-branded stores best performing store types
- **Adjusted operating margin 10.9%, +60 bps**
 - Reflects improved price realization that more than offset higher product costs, eCommerce expense leverage, and store expense deleverage on lower comparable sales
- **Full year 2019 outlook**
 - Low single-digit growth in net sales
 - Operating margin improvement

Segment Adj. Operating Income*



¹Retail Comp is defined as the combination of store and eCommerce comparable sales.

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

Co-branded Mall Store – Chesterfield, VA

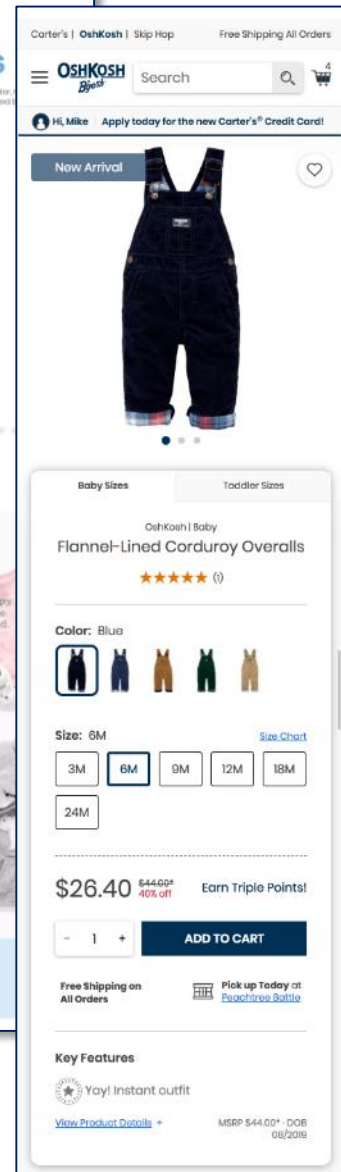
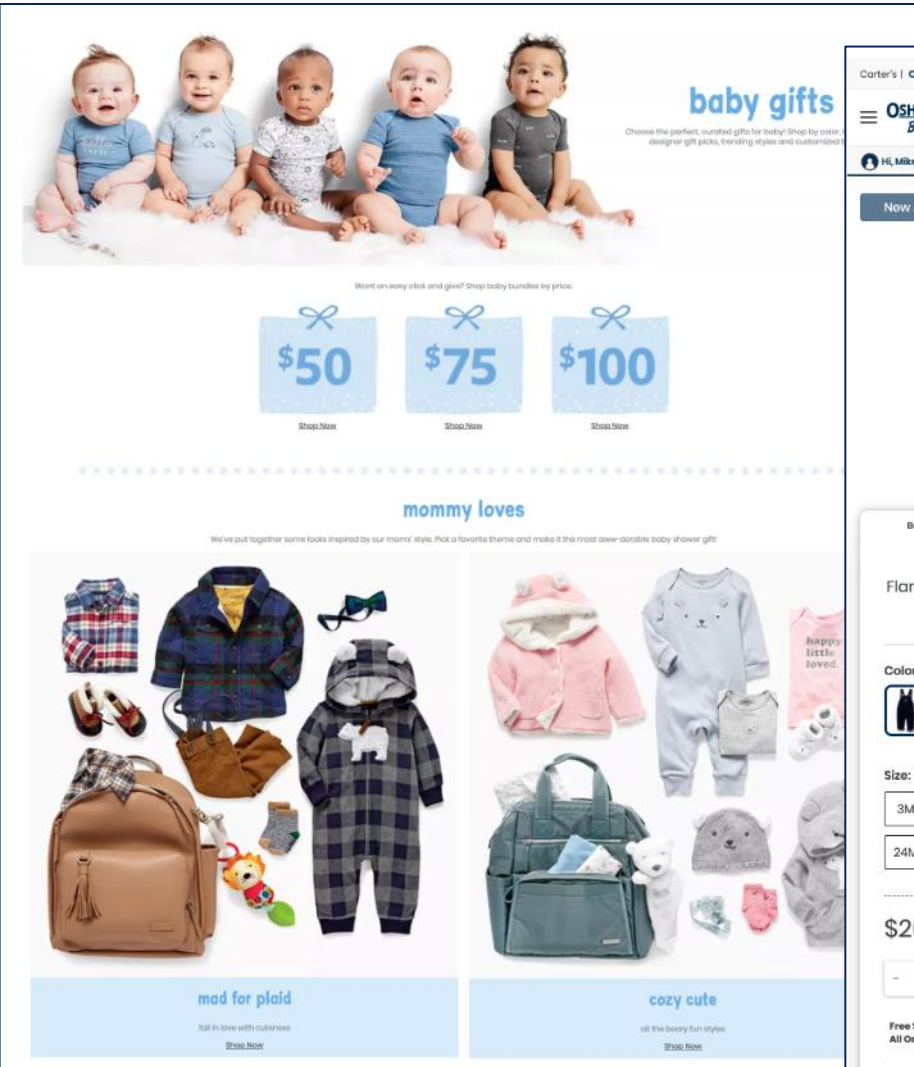
(Opened October 2019)

carter's





- **Objectives / benefits**
 - Enhance customer experience
 - Reduce cost to serve
 - Leverage store inventory
- **Carter's Credit Card**
 - Enhanced loyalty program
 - Nationwide rollout in Q2
 - Good consumer response
- **'Same day' buy online, pickup in store (BOPIS)**
 - First full quarter of operations
- **Piloting store fulfillment of online orders**
- **Other new omni-channel capabilities**
 - Buy online, ship to store (BOSS)
 - Save the sale



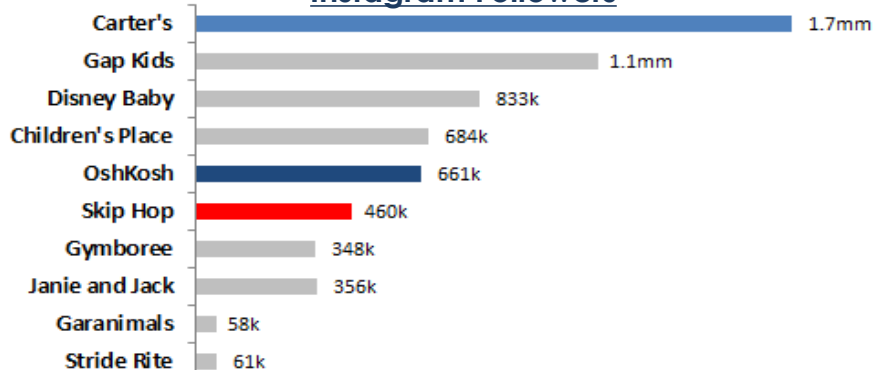
- More engaging experience
- Better product presentation
- Improved personalization
- Optimized for mobile device users
- Enhanced gifting features
- Improved performance post-launch
 - Conversion
 - Sales / session

Carter's Continues to Lead in Consumer Following and Engagement in Social Media

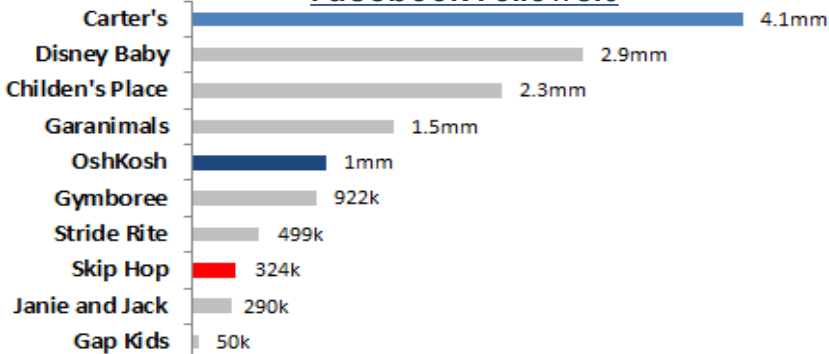


Our Brands Have a Strong Consumer Following on Instagram and Facebook¹

Instagram Followers



Facebook Followers



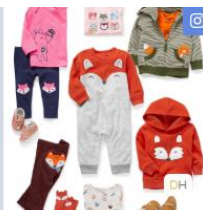
CRI Earned 24 of the Top 25 Most Engaged Posts Among Peers on Instagram in Q3²



CARTER'S BABIES AND KIDS
7/30/2019 10:07 AM

When you swipe get ready to owww big time... 🐾🐾 #twins #twinning #cutesurprise 🐾🐾 anneledickey

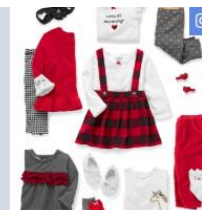
18,131
Engagement



CARTER'S BABIES AND KIDS
9/23/2019 8:04 PM

What does the fox say? 🦊🦊 #Newarrivals #falloutfits #babyfavorites #lovecarters

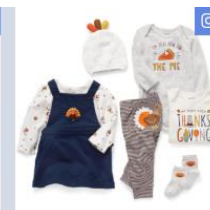
15,705
Engagement



CARTER'S BABIES AND KIDS
9/27/2019 1:23 PM

Check holiday cuteness off your list (early!) 🐻🐻 #babygirl #holiday #sneakpeek #lovecarters

14,651
Engagement



CARTER'S BABIES AND KIDS
9/24/2019 11:22 AM

Gobble, gobble! Ready for baby's first Thanksgiving? 🦃🦃 #bbyfirstthanksgiving #thanksgiving #gobblegobble #lovecarters

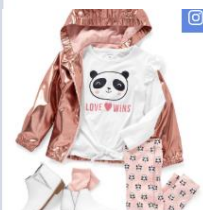
14,583
Engagement



CARTER'S BABIES AND KIDS
9/4/2019 1:56 PM

Ready for a sneak peek?! 🐾🐾 Make baby's first holiday something to celebrate! 🐾🐾 #sneakpeek #babysfirstchristmas #jinglebells #lovecarters

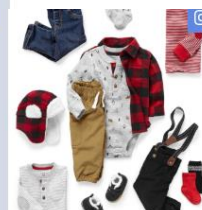
14,307
Engagement



CARTER'S BABIES AND KIDS
9/18/2019 10:49 PM

Love pandas?! Or a slick, shiny new rose gold jacket? 🐼🐼 #rosegold #babyootd #pandas #lovecarters

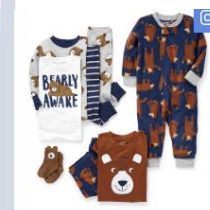
13,912
Engagement



CARTER'S BABIES AND KIDS
9/19/2019 5:03 PM

Cue the awws. 🐻🐻🐻 Get the best before anyone else, but tag a friend that needs to see this! 🐻🐻 #holiday #sneakpeek #lovecarters

13,567
Engagement



CARTER'S BABIES AND KIDS
8/29/2019 10:12 AM

Bearly awake. Bearly cute. Bear hugs. Baby Bear. Brother Bear. Sister Bear... and on and on and on. 🐻🐻 #littlebear #thebearfamily #bedtime #lovecarters

13,049
Engagement

¹Source: Instagram and Facebook (as of 10/16/19)

²Third-party engagement scoring on Instagram July – September 2019. Engagement peer set includes Carter's, OshKosh B'gosh, The Children's Place, Hanna Andersson & Gap Kids

Carter's Holiday Marketing – Jammies for the Entire Family **carter's**



KID up to size **14**

50% off

Christmas jammies for the family!

Check that pj perfect moment off your list.



Adult sizes
available online at
carter.com/pjshop

perfect PJs for opening presents!
(doll gowns too!)



FAMILY JAMMIES (nb-14, adult XS-XXL online)
SALE \$9-22** MSRP \$18-45



BABY HOLIDAY COLLECTION (nb-24m) SALE \$4-18 MSRP \$8-36

50% off
baby's first gifts

Celebrate the holidays in style. sizes nb-24m





GIFTS GALORE

The fuzziest, sparkliest, most-magical styles are waiting to be wrapped at oshkosh.com/giftit

50% OFF

THIS YEAR'S SWEATER PARTY HIT!

PSST... STOCKING STUFFERS FROM OUR TREASURE BOX IN STORE!

HOLIDAY STYLES SALE \$12-35 6M-14, MSRP \$24-70 SHOES SALE \$17-28 4-3Y MSRP \$34-56 ACCESSORIES & TOYS SALE \$3-12, MSRP \$3-24



STUFF THOSE STOCKINGS FROM OUR TREASURE BOX IN STORE



PILES OF PRESENTS

Make room for the fun and festive – these styles are worth wrapping!

50% OFF*



EITHER WAY, CHECK IT OFF YOUR LIST!



FLIP SEQUINS ON THEIR CHECKLIST?



HOLIDAY STYLES SALE \$11-34 6M-14, MSRP \$22-68
SHOES SALE \$17-28 4-3Y MSRP \$34-56 ACCESSORIES & TOYS SALE \$3-12, MSRP \$3-24

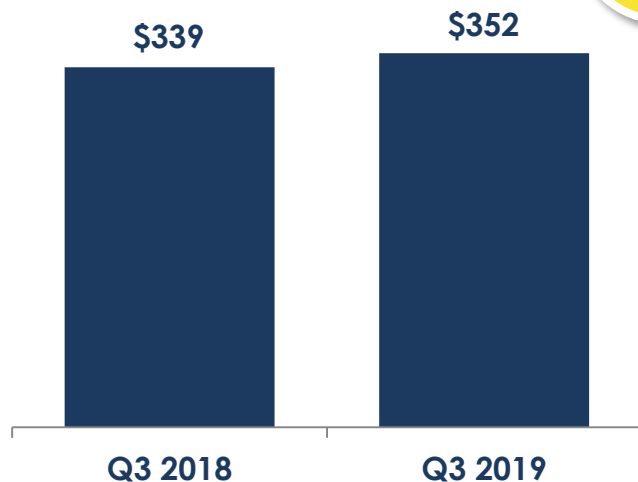
Retail Experience – Extending the Emotion of the Holidays to our Stores



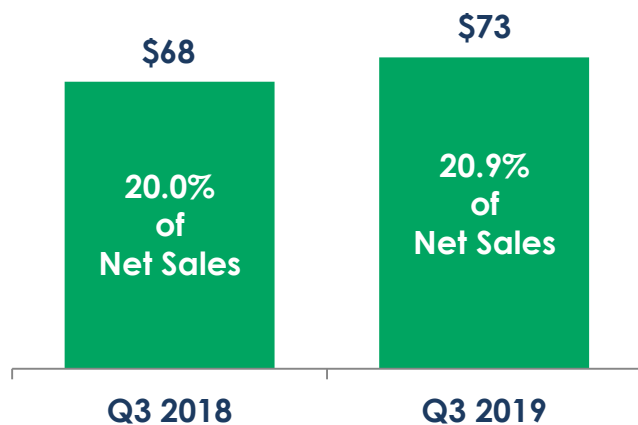
\$ in millions

Segment Net Sales

**Total Sales
+4%**



Segment Adj. Operating Income*



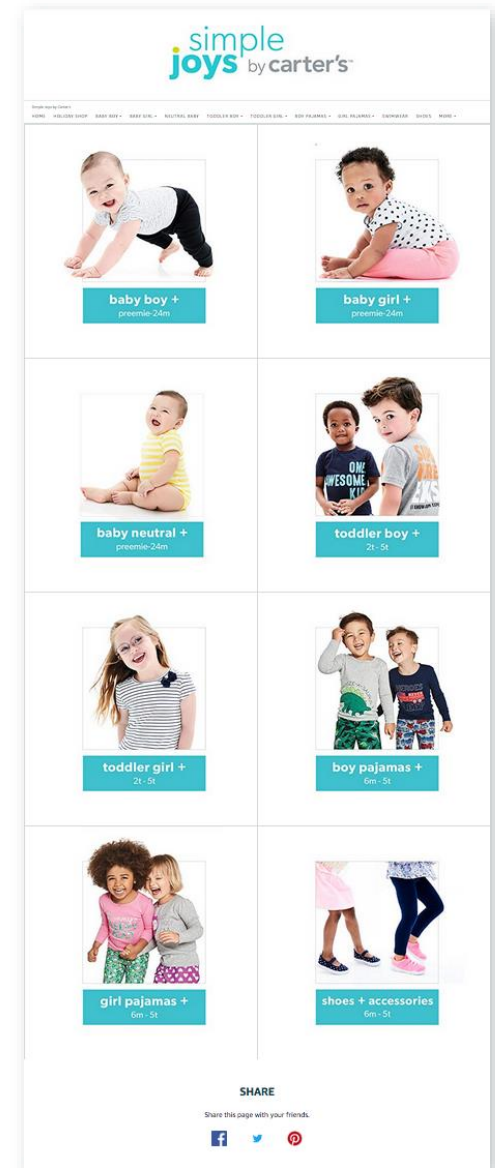
Q3 Highlights

- **Net sales growth vs. LY: +4%**
 - Growth driven by exclusive brands
 - Reflects earlier-than-planned demand across multiple customers
- **Adjusted operating margin 20.9%, +90 bps**
 - Reflects lower inventory provisions and lower bad debt expense, partially offset by lower royalty income
- **Areas of focus:**
 - Win in Baby
 - Grow Toddler age segment (double-digit growth YTD)
 - Strong in-store presentation of our brands
 - Support customers' eCommerce growth
- **Full year 2019 outlook**
 - Low single-digit growth in net sales (planning growth with top 4 accounts)
 - Modest decline in earnings

simple
joys by carter's™

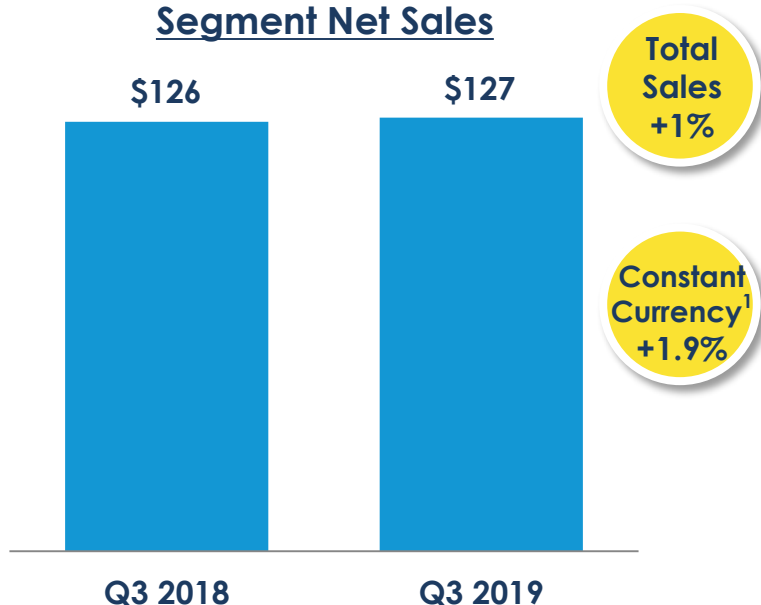
find joy in the simple

From **baby** bodysuits to **toddler** looks and **jammies**, we're bringing you everything you love about Carter's® to your favorite place to shop.



\$ in millions

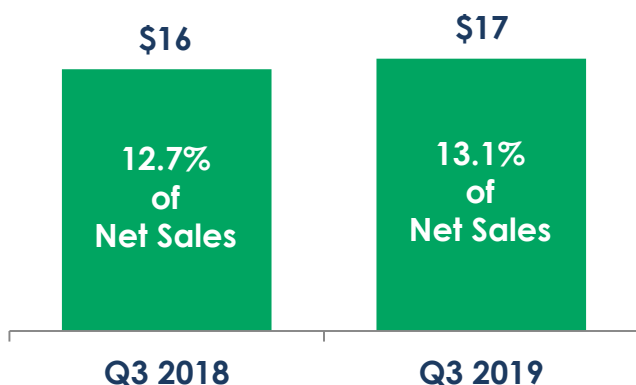
Segment Net Sales



Q3 Highlights

- **International segment net sales: +1% vs. LY (+2% constant currency¹)**
- **Canada**
 - Total retail comp: -1.9%
 - Strong eCommerce growth
 - Extended summer-like weather weighed on consumer traffic to our stores
- **Mexico**
 - Strong consumer response to two new co-branded retail stores
 - Planning eCommerce launch in Q4
- **Adjusted operating margin 13.1%, +40 bps vs. LY**
 - Reflects elimination of operating loss in China and greater contribution from markets outside North America, partially offset by deleverage in Canada
- **Full year 2019 outlook**
 - Net sales down modestly vs. 2018
 - Operating margin improvement

Segment Adj. Operating Income*



¹See reconciliation to reported segment sales in appendix.

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

International Co-branded Store – Pachuca, Mexico

(Opened July 2019)

carter's



International Co-branded Store – Queretaro, Mexico (Opened September 2019)

carter's



International Partner Store – Argentina

(Opened October 2019)

carter's





Guidance

Q4 2019

- **Net sales growth of ~1%**
 - Low single-digit comps in U.S. and Canada Retail
 - Lower sales in U.S. Wholesale (reflects earlier-than-planned demand in Q3)
- **Adjusted diluted EPS: growth of ~1% (vs. \$2.84 Q4 2018)¹. Outlook reflects:**
 - Gross margin comparable to LY, inclusive of China-related tariffs
 - Lower royalty income
 - Modest SG&A leverage
 - Higher interest expense (senior note refinancing)

Fiscal Year 2019

- **Net sales: growth of ~1.5%**
- **Adjusted diluted EPS: growth of ~4% (vs. \$6.29 in 2018)¹**
- **Operating cash flow: ~\$375 to \$400 million**
- **CapEx: ~\$75 million**



¹See reconciliation to GAAP in appendix.

A close-up photograph of a baby crawling on a bed. The baby is wearing a white long-sleeved shirt with a vibrant floral pattern of red, green, and yellow flowers. The baby has dark hair and is looking towards the camera with a slight smile. The background is a soft, out-of-focus white bed with pillows.

thank you.



appendix

Third Quarter Reconciliation of Net Income Allocable to Common Shareholders



	Fiscal Quarter Ended	
	September 28, 2019	September 29, 2018
Weighted-average number of common and common equivalent shares outstanding:		
Basic number of common shares outstanding	44,144,135	45,990,039
Dilutive effect of equity awards	287,904	490,283
Diluted number of common and common equivalent shares outstanding	44,432,039	46,480,322

	Fiscal Quarter Ended			
	As reported on a GAAP Basis		As adjusted (a)	
	September 28, 2019	September 29, 2018	September 28, 2019	September 29, 2018
<i>\$ in thousands, except EPS</i>				
Basic net income per common share:				
Net income	\$60,252	\$71,770	\$83,932	\$75,301
Income allocated to participating securities	(565)	(540)	(794)	(567)
Net income available to common shareholders	\$59,687	\$71,230	\$83,138	\$74,734
Basic net income per common share	\$1.35	\$1.55	\$1.88	\$1.63
Diluted net income per common share:				
Net income	\$60,252	\$71,770	\$83,932	\$75,301
Income allocated to participating securities	(563)	(536)	(791)	(563)
Net income available to common shareholders	\$59,689	\$71,234	\$83,141	\$74,738
Diluted net income per common share	\$1.34	\$1.53	\$1.87	\$1.61

(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 in following slides. The Company has excluded \$23.7 million and \$3.5 million in after-tax expenses from these results for the fiscal quarters ended September 28, 2019 and September 29, 2018, respectively.

Q3 YTD Reconciliation of Net Income Allocable to Common Shareholders



	Three Fiscal Quarters Ended	
	September 28, 2019	September 29, 2018
Weighted-average number of common and common equivalent shares outstanding:		
Basic number of common shares outstanding	44,640,413	46,399,746
Dilutive effect of equity awards	302,832	538,422
Diluted number of common and common equivalent shares outstanding	44,943,245	46,938,168

	Three Fiscal Quarters Ended			
	As reported on a GAAP Basis		As adjusted (a)	
	September 28, 2019	September 29, 2018	September 28, 2019	September 29, 2018
<i>\$ in thousands, except EPS</i>				
Basic net income per common share:				
Net income	\$138,655	\$151,506	\$166,937	\$164,525
Income allocated to participating securities	(1,244)	(1,142)	(1,508)	(1,244)
Net income available to common shareholders	\$137,411	\$150,364	\$165,429	\$163,281
Basic net income per common share	\$3.08	\$3.24	\$3.71	\$3.52
Diluted net income per common share:				
Net income	\$138,655	\$151,506	\$166,937	\$164,525
Income allocated to participating securities	(1,239)	(1,134)	(1,502)	(1,235)
Net income available to common shareholders	\$137,416	\$150,372	\$165,435	\$163,290
Diluted net income per common share	\$3.06	\$3.20	\$3.68	\$3.48

(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 \$28.3 million and \$13.0 million in after-tax expenses from these results for the three fiscal quarters ended September 28, 2019 and September 29, 2018, respectively.

Third Quarter Reconciliation of Reported to Adjusted Earnings



\$ in millions, except EPS

Third Quarter of Fiscal 2019	Gross Margin	% of net sales	SG&A	% of net sales	Operating Income	% of net sales	Net Income	Diluted EPS
As reported (GAAP)	\$402.2	42.6%	\$296.7	31.5%	\$83.9	8.9%	\$60.3	\$1.34
Intangible asset impairment (b) (c)	-	-	-	-	30.8	-	23.7	0.53
As adjusted (a)	\$402.2	42.6%	\$296.7	31.5%	\$114.7	12.2%	\$83.9	\$1.87

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
\$49.5	10.7%	\$54.4	15.4%	\$6.1	4.8%	(\$26.1)	(2.8%)
1.2	-	19.1	-	10.5	-	-	-
\$50.7	10.9%	\$73.5	20.9%	\$16.6	13.1%	(\$26.1)	(2.8%)

Third Quarter of Fiscal 2018	Gross Margin	% of net sales	SG&A	% of net sales	Operating Income	% of net sales	Net Income	Diluted EPS
As reported (GAAP)	\$387.5	41.9%	\$294.1	31.8%	\$103.6	11.2%	\$71.8	\$1.53
China business model change (d)	2.5	-	(1.1)	-	3.5	-	3.5	0.08
As adjusted (a)	\$389.9	42.2%	\$293.0	31.7%	\$107.1	11.6%	\$75.3	\$1.61

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
\$47.1	10.3%	\$67.8	20.0%	\$12.4	9.9%	(\$23.8)	(2.6%)
-	-	-	-	3.5	-	-	-
\$47.1	10.3%	\$67.8	20.0%	\$16.0	12.7%	(\$23.8)	(2.6%)

- (a) In addition to the results provided in this earnings release in accordance with GAAP, the Company has provided adjusted, non-GAAP financial measurements that present gross margin, SG&A, operating income, net income, and net income on a diluted share basis excluding the adjustments discussed below. 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 write-down of the Skip Hop tradename asset.
- (c) The difference between the effects on operating income and net income represents the income taxes related to the adjustment item (calculated using the applicable tax rate of the underlying jurisdiction).
- (d) Costs associated with transitioning to a full licensing model in China.

Note: Results may not be additive due to rounding.

Q3 YTD Reconciliation of Reported to Adjusted Earnings



\$ in millions, except EPS

Q3 YTD 2019	Gross Margin	% of net sales	SG&A	% of net sales	Operating Income	% of net sales	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)	\$1,041.1	43.0%	\$828.5	34.3%	\$209.1	8.6%	\$138.7	\$3.06	\$124.6	9.9%	\$145.2	16.9%	\$15.4	5.2%	(\$76.0)	(3.1%)
Intangible asset impairment (b) (c)	-	-	-	-	30.8	-	23.7	0.52	1.2	-	19.1	-	10.5	-	-	-
Debt extinguishment loss (d)	-	-	-	-	-	-	6.0	0.13	-	-	-	-	-	-	-	
Organizational restructuring costs (c) (e)	-	-	(1.6)	-	1.6	-	1.3	0.03	-	-	-	-	-	1.6	-	
Store restructuring costs (c) (f)	-	-	0.7	-	(0.7)	-	(0.6)	(0.01)	(0.7)	-	-	-	-	-	-	
China business model change (g)	(2.1)	-	-	-	(2.1)	-	(2.1)	(0.05)	-	-	-	(2.1)	-	-	-	
As adjusted (a)	\$1,039.0	43.0%	\$827.6	34.2%	\$238.7	9.9%	\$166.9	\$3.68	\$125.1	9.9%	\$164.3	19.2%	\$23.7	8.0%	(\$74.3)	(3.1%)

Q3 YTD 2018	Gross Margin	% of net sales	SG&A	% of net sales	Operating Income	% of net sales	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)	\$1,029.9	43.3%	\$837.6	35.3%	\$220.8	9.3%	\$151.5	\$3.20	\$122.1	9.8%	\$148.4	17.9%	\$20.5	6.8%	(\$70.2)	(3.0%)
Customer bankruptcy charges (c) (h)	-	-	(12.8)	-	12.8	-	9.8	0.21	-	-	12.8	-	0.0	-	-	
China business model change (g)	2.5	-	(1.1)	-	3.5	-	3.5	0.07	-	-	-	-	3.5	-	-	
Store restructuring costs (c) (i)	-	-	0.4	-	(0.4)	-	(0.3)	(0.01)	(0.4)	-	-	-	-	-	-	
As adjusted (a)	\$1,032.3	43.5%	\$824.1	34.7%	\$236.8	10.0%	\$164.5	\$3.48	\$121.7	9.8%	\$161.2	19.4%	\$24.0	8.0%	(\$70.2)	(3.0%)

(a) In addition to the results provided in this earnings release in accordance with GAAP, the Company has provided adjusted, non-GAAP financial measurements that present gross margin, SG&A, operating income, net income, and net income on a diluted share basis excluding the adjustments discussed below. 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 write-down of the Skip Hop tradename asset.

(c) The difference between the effects on operating income and net income represents the income taxes related to the adjustment item (calculated using the applicable tax rate of the underlying jurisdiction).

(d) 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.

(e) Costs associated with severance as a result of an organizational restructuring.

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

(g) Net costs associated with transitioning to a full licensing model in China.

(h) Related to the Toys "R" Us bankruptcy.

(i) Insurance recovery associated with unusual storm-related store closures.

Note: Results may not be additive due to rounding.

Reconciliation of Net Income to Adjusted EBITDA



\$ in millions

	Fiscal Quarter Ended		Three Fiscal Quarters Ended		Four Fiscal Quarters Ended
	September 28, 2019	September 29, 2018	September 28, 2019	September 29, 2018	September 28, 2019
Net income	\$60.3	\$71.8	\$138.7	\$151.5	\$269.2
Interest expense	10.0	9.9	28.7	25.8	37.4
Interest income	(0.2)	(0.1)	(0.9)	(0.5)	(1.0)
Tax expense	13.4	22.1	34.4	43.5	64.8
Depreciation and amortization	24.0	22.4	70.8	66.2	94.2
EBITDA	\$107.3	\$126.0	\$271.6	\$286.5	\$464.8
Adjustments to EBITDA					
Intangible asset impairment (a)	\$30.8	\$ -	\$30.8	\$ -	\$30.8
Debt extinguishment loss (b)	-	-	7.8	-	7.8
China business model changes, net (c)	-	3.5	(2.1)	3.5	(0.3)
Organizational restructuring costs (d)	-	-	1.6	-	1.6
Store restructuring costs (e)	-	-	(0.7)	(0.4)	(0.7)
Customer bankruptcy charges, net (f)	-	-	-	12.8	(1.9)
Adjusted EBITDA	\$138.1	\$129.5	\$309.1	\$302.5	\$502.1

(a) Related to the write-down of the Skip Hop tradename asset.

(b) 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.

(c) Net costs associated with transitioning to a full licensing model in China.

(d) Costs associated with severance as a result of an organizational restructuring.

(e) Three fiscal quarters and four fiscal quarters ended September 28, 2019 include a reversal of retail store restructuring costs previously recorded during the third quarter of fiscal 2017. Three fiscal quarters ended September 29, 2018 includes insurance recovery associated with unusual storm-related closures.

(f) Related to the Toys "R" Us bankruptcy.

Fourth Quarter Fiscal 2018 Reconciliation of Reported to Adjusted Earnings



\$ in millions, except EPS

Fourth Quarter of Fiscal 2018	Gross Margin	% of net sales	SG&A	% of net sales	Operating Income	% of net sales	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)	\$467.6	43.0%	\$307.4	28.3%	\$170.6	15.7%	\$130.6	\$2.83	\$102.7	16.9%	\$75.8	21.6%	\$18.7	14.6%	(\$26.6)	(2.5%)
China business model change (b)	1.5		(0.3)		1.8		1.8	0.04	-		-		1.8		-	
Customer bankruptcy charges (c) (d)	-		1.9		(1.9)		(1.4)	(0.03)	-		(1.9)		-		-	
As adjusted (a)	\$469.1	43.2%	\$308.9	28.4%	\$170.5	15.7%	\$130.9	\$2.84	\$102.7	16.9%	\$73.9	21.0%	\$20.5	16.0%	(\$26.6)	(2.5%)

- (a) In addition to the results provided in this earnings release in accordance with GAAP, the Company has provided adjusted, non-GAAP financial measurements that present gross margin, SG&A, operating income, net income, and net income on a diluted share basis excluding the adjustments discussed below. 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) Net costs associated with transitioning to a full licensing model in China.
- (c) Related to the Toys "R" Us bankruptcy.
- (d) The difference between the effects on operating income and net income represents the income taxes related to the adjustment item (calculated using the applicable tax rate of the underlying jurisdiction).

Full Year Fiscal 2018 Reconciliation of Reported to Adjusted Earnings



\$ in millions, except EPS

Fiscal 2018	Gross	% of	SG&A	% of	Operating	% of	Net	Diluted								
	Margin	net sales		net sales	Income	net sales	Income		Income	U.S. Retail	% of	U.S. Wholesale	% of	International	% of	Corporate
								EPS	Operating	segment	Operating	segment	Operating	segment	Operating	total
									Income	net sales	Income	net sales	Income	net sales	Expenses	net sales
As reported (GAAP)	\$1,497.5	43.3%	\$1,145.0	33.1%	\$391.4	11.3%	\$282.1	\$ 6.00	\$224.8	12.1%	\$224.2	19.0%	\$39.3	9.1%	(\$96.8)	(2.8%)
Customer bankruptcy charges, net (b) (c)	-		(10.9)		10.9		8.3	0.18	-		10.9		-		-	
China business model change (d)	3.9		(1.4)		5.3		5.3	0.11	-		-		5.3		-	
Store restructuring costs (b) (e)	-		0.4		(0.4)		(0.3)	(0.01)	(0.4)		-		-		-	
As adjusted (a)	\$1,501.4	43.4%	\$1,133.1	32.7%	\$407.3	11.8%	\$295.4	\$ 6.29	\$224.4	12.1%	\$235.1	19.9%	\$44.6	10.4%	(\$96.8)	(2.8%)

- (a) In addition to the results provided in this earnings release in accordance with GAAP, the Company has provided adjusted, non-GAAP financial measurements that present gross margin, SG&A, operating income, net income, and net income on a diluted share basis excluding the adjustments discussed below. 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) The difference between the effects on operating income and net income represents the income taxes related to the adjustment item (calculated using the applicable tax rate of the underlying jurisdiction).
- (c) Related to the Toys "R" Us bankruptcy.
- (d) Net costs associated with transitioning to a full licensing model in China.
- (e) Insurance recovery associated with unusual storm-related closures.

Note: Results may not be additive due to rounding.

Constant Currency Reconciliation



\$ in millions

	Fiscal Quarter Ended					
	Reported Net Sales September 28, 2019	Impact of Foreign Currency Translation	Constant-Currency Net Sales September 28, 2019	Reported Net Sales September 29, 2018	Reported Net Sales % Change	Constant-Currency Net Sales % Change
Consolidated net sales	\$943.3	(\$1.3)	\$944.6	\$923.9	2.1%	2.2%
International segment net sales	\$127.0	(\$1.3)	\$128.3	\$125.8	0.9%	1.9%

	Three Fiscal Quarters Ended					
	Reported Net Sales September 28, 2019	Impact of Foreign Currency Translation	Constant-Currency Net Sales September 28, 2019	Reported Net Sales September 29, 2018	Reported Net Sales % Change	Constant-Currency Net Sales % Change
Consolidated net sales	\$2,418.8	(\$6.4)	\$2,425.1	\$2,375.9	1.8%	2.1%
International segment net sales	\$297.8	(\$6.4)	\$304.2	\$301.8	(1.3%)	0.8%

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.

Store Count Data



	Single-brand	Dual-brand		Total U.S. Retail	Dual-brand	Mexico ¹	Total International	Total Consolidated Retail Stores
	U.S. Stand-alone Format	U.S. Side-by-Side Format	U.S. Co-branded Format		Canada Co-branded Format			
Store count at September 29, 2018	533	163	139	835	184	42	226	1,061
Openings	6	-	36	42	16	2	18	60
Closings	(27)	(4)	(1)	(32)	(2)	-	(2)	(34)
Conversions to dual-brand formats	(16)	-	16	-	-	-	-	-
Store count at September 28, 2019	496	159	190	845	198	44	242	1,087

¹Includes single brand and co-branded formats.

Forward-looking Statements and Other Information



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 24, 2019 which is available at www.carters.com. 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 the Company's future performance, including, without limitation, statements with respect to the Company's anticipated financial results for the fourth quarter of fiscal 2019 and fiscal year 2019, or any other future period, assessments of the Company's performance and financial position, and drivers of the Company's 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 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 the risks and uncertainties that may impact future results are the risks of: financial difficulties for one or more of the Company's 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; losing one or more major customers, vendors, or licensees due to competition, inadequate quality of the Company's products, or otherwise; negative publicity, including as a result of product recalls or otherwise; a failure to protect the Company's intellectual property; a failure to meet regulatory requirements, including those relating to product quality and safety; extreme or unseasonable weather conditions; various types of litigation, including class action litigation brought under various consumer protection, employment, and privacy and information security laws; a breach of the Company's consumer databases, systems, or processes; deflationary pressures on our selling price and increases in production costs; unsuccessful expansion into international markets or failure to successfully manage legal, regulatory, political and economic risks of the Company's existing operations, including unexpected changes in regulatory requirements and maintaining compliance with worldwide anti-bribery laws; disruptions, slow-downs, or strikes in the Company's supply chain, including disruptions resulting from increases in the cost of raw materials or labor, foreign supply sources, the Company's distribution centers, or in-sourcing capabilities; failure to successfully integrate acquired businesses; fluctuations in foreign currency exchange rates; the imposition of new regulations relating to imports, tariffs, duties, or taxes; and an inability to obtain additional financing on favorable terms. 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.