UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the quarterly period ended September 30, 2023

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from __________to __________

Commission file number: 001-31829

CARTER'S, INC.

(Exact name of registrant as specified in its charter)

Delaware	**13-3912933**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

Phipps Tower,
3438 Peachtree Road NE, Suite 1800
Atlanta, Georgia 30326
(Address of principal executive offices, including zip code)
(678) 791-1000
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Trading Symbol(s)	Name of Each Exchange on Which Registered
Common stock, par value $0.01 per share	CRI	New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes x No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See definition of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer x Accelerated filer ☐

Non-accelerated filer ☐ Smaller reporting company ☐

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).Yes ☐ No x

As of October 20, 2023, there were 36,824,808 shares of the registrant's common stock outstanding.

CARTER'S, INC.

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PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

CARTER'S, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(*dollars in thousands, except per share data*)
(unaudited)

	September 30, 2023	December 31, 2022	October 1, 2022
ASSETS			
Current assets:			
Cash and cash equivalents	$ 169,106	$ 211,748	$ 121,649
Accounts receivable, net of allowance for credit losses of $6,741, $7,189, and $6,290, respectively	240,507	198,587	265,593
Finished goods inventories, net of inventory reserves of $19,014, $19,268, and $25,628, respectively	620,669	744,573	899,326
Prepaid expenses and other current assets(*)	37,604	33,812	59,964
Total current assets	1,067,886	1,188,720	1,346,532
Property, plant, and equipment, net of accumulated depreciation of $605,857, $569,528, and $559,085, respectively	180,888	189,822	181,575
Operating lease assets	506,010	492,335	491,863
Tradenames, net	298,230	298,393	307,456
Goodwill	209,494	209,333	208,454
Customer relationships, net	28,087	30,564	31,386
Other assets	29,211	30,548	30,687
Total assets	$ 2,319,806	$ 2,439,715	$ 2,597,953
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities:			
Accounts payable	$ 222,210	$ 264,078	$ 318,026
Current operating lease liabilities(*)	135,865	142,432	141,585
Other current liabilities	106,122	122,439	92,394
Total current liabilities	464,197	528,949	552,005
Long-term debt, net	567,168	616,624	736,448
Deferred income taxes	41,217	41,235	48,930
Long-term operating lease liabilities	427,280	421,741	430,479
Other long-term liabilities	34,633	34,757	41,889
Total liabilities	$ 1,534,495	$ 1,643,306	$ 1,809,751
Commitments and contingencies - Note 12			
Stockholders' equity:			
Preferred stock; par value $0.01 per share; 100,000 shares authorized; none issued or outstanding	$ —	$ —	$ —
Common stock, voting; par value $0.01 per share; 150,000,000 shares authorized; 36,969,967, 37,692,132, and 38,456,219 shares issued and outstanding, respectively	370	377	385
Additional paid-in capital	—	—	—
Accumulated other comprehensive loss	(29,142)	(34,338)	(40,575)
Retained earnings	814,083	830,370	828,392
Total stockholders' equity	785,311	796,409	788,202
Total liabilities and stockholders' equity	$ 2,319,806	$ 2,439,715	$ 2,597,953

(*) Prepaid expenses and other current assets and Current operating lease liabilities as of October 1, 2022 were revised to reflect the presentation for payments of rent before payment due date of $13.6 million.

See accompanying notes to the unaudited condensed consolidated financial statements.

CARTER'S, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(*dollars in thousands, except per share data*)
(unaudited)

	Fiscal quarter ended		Three fiscal quarters ended	
	September 30, 2023	**October 1, 2022**	**September 30, 2023**	**October 1, 2022**
Net sales	$ 791,651	$ 818,624	$ 2,087,730	$ 2,300,603
Cost of goods sold	415,254	448,096	1,109,970	1,243,794
Gross profit	376,397	370,528	977,760	1,056,809
Royalty income, net	5,713	7,273	16,573	20,349
Selling, general, and administrative expenses	288,680	286,218	806,988	807,533
Operating income	93,430	91,583	187,345	269,625
Interest expense	8,615	9,712	26,342	33,496
Interest income	(1,064)	(257)	(2,769)	(867)
Other expense (income), net	507	1,270	(518)	776
Loss on extinguishment of debt	—	—	—	19,940
Income before income taxes	85,372	80,858	164,290	216,280
Income tax provision	19,245	15,901	38,300	46,421
Net income	$ 66,127	$ 64,957	$ 125,990	$ 169,859
Basic net income per common share	$ 1.78	$ 1.67	$ 3.36	$ 4.26
Diluted net income per common share	$ 1.78	$ 1.67	$ 3.36	$ 4.26
Dividend declared and paid per common share	$ 0.75	$ 0.75	$ 2.25	$ 2.25

See accompanying notes to the unaudited condensed consolidated financial statements.

CARTER'S, INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(*dollars in thousands*)
(unaudited)

	Fiscal quarter ended		Three fiscal quarters ended	
	September 30, 2023	**October 1, 2022**	**September 30, 2023**	**October 1, 2022**
Net income	$ 66,127	$ 64,957	$ 125,990	$ 169,859
Other comprehensive (loss) income:				
Foreign currency translation adjustments	(4,179)	(8,372)	5,196	(11,677)
Comprehensive income	$ 61,948	$ 56,585	$ 131,186	$ 158,182

See accompanying notes to the unaudited condensed consolidated financial statements.

CARTER'S, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(*amounts in thousands, except share amounts*)
(unaudited)

	Common stock - shares	Common stock - $	Additional paid-in capital	Accumulated other comprehensive loss	Retained earnings	Total stockholders' equity
Balance at January 1, 2022	41,148,870	$ 411	$ —	$ (28,897)	$ 978,672	$ 950,186
Exercise of stock options	5,100	—	222	—	—	222
Withholdings from vesting of restricted stock	(70,452)	—	(6,623)	—	—	(6,623)
Restricted stock activity	265,412	3	(3)	—	—	—
Stock-based compensation expense	—	—	5,859	—	—	5,859
Repurchase of common stock	(793,008)	(8)	545	—	(75,033)	(74,496)
Cash dividends declared and paid of $0.75 per common share	—	—	—	—	(30,573)	(30,573)
Comprehensive income	—	—	—	2,782	67,933	70,715
Balance at April 2, 2022	40,555,922	$ 406	$ —	$ (26,115)	$ 940,999	$ 915,290
Exercise of stock options	1,500	—	89	—	—	89
Withholdings from vesting of restricted stock	(705)	—	(58)	—	—	(58)
Restricted stock activity	30,731	—	—	—	—	—
Stock-based compensation expense	—	—	6,359	—	—	6,359
Repurchase of common stock	(1,272,354)	(13)	(6,390)	—	(95,407)	(101,810)
Cash dividends declared and paid of $0.75 per common share	—	—	—	—	(29,886)	(29,886)
Comprehensive income	—	—	—	(6,088)	36,970	30,882
Balance at July 2, 2022	39,315,094	$ 393	$ —	$ (32,203)	$ 852,676	$ 820,866
Exercise of stock options	7,850	—	465	—	—	465
Withholdings from vesting of restricted stock	(2,065)	—	(169)	—	—	(169)
Restricted stock activity	12,459	—	—	—	—	—
Stock-based compensation expense	—	—	5,003	—	—	5,003
Repurchase of common stock	(877,119)	(8)	(5,299)	—	(60,138)	(65,445)
Cash dividends declared and paid of $0.75 per common share	—	—	—	—	(29,103)	(29,103)
Comprehensive income	—	—	—	(8,372)	64,957	56,585
Balance at October 1, 2022	38,456,219	$ 385	$ —	$ (40,575)	$ 828,392	$ 788,202

CARTER'S, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (Continued)

(*amounts in thousands, except share amounts*)

(unaudited)

	Common stock - shares	Common stock - $	Additional paid-in capital	Accumulated other comprehensive loss	Retained earnings	Total stockholders' equity
Balance at December 31, 2022	37,692,132	$ 377	$ —	$ (34,338)	$ 830,370	$ 796,409
Exercise of stock options	1,400	—	83	—	—	83
Withholdings from vesting of restricted stock	(61,423)	(1)	(4,404)	—	(371)	(4,776)
Restricted stock activity	303,015	3	(3)	—	—	—
Stock-based compensation expense	—	—	4,343	—	—	4,343
Repurchase of common stock	(135,873)	(1)	—	—	(9,585)	(9,586)
Cash dividends declared and paid of $0.75 per common share	—	—	—	—	(28,483)	(28,483)
Comprehensive income	—	—	—	3,926	35,996	39,922
Other	—	—	(19)	—	—	(19)
Balance at April 1, 2023	37,799,251	$ 378	$ —	$ (30,412)	$ 827,927	$ 797,893
Withholdings from vesting of restricted stock	(932)	—	(61)	—	—	(61)
Restricted stock activity	5,626	—	—	—	—	—
Stock-based compensation expense	—	—	6,641	—	—	6,641
Repurchase of common stock	(449,481)	(4)	(6,294)	—	(24,038)	(30,336)
Cash dividends declared and paid of $0.75 per common share	—	—	—	—	(28,158)	(28,158)
Comprehensive income	—	—	—	5,449	23,867	29,316
Other	—	—	(286)	—	—	(286)
Balance at July 1, 2023	37,354,464	$ 374	$ —	$ (24,963)	$ 799,598	$ 775,009
Exercise of stock options	4,400	—	301	—	—	301
Withholdings from vesting of restricted stock	(2,359)	—	(170)	—	—	(170)
Restricted stock activity	3,466	—	—	—	—	—
Stock-based compensation expense	—	—	3,928	—	—	3,928
Repurchase of common stock	(390,004)	(4)	(3,786)	—	(23,780)	(27,570)
Cash dividends declared and paid of $0.75 per common share	—	—	—	—	(27,862)	(27,862)
Comprehensive income	—	—	—	(4,179)	66,127	61,948
Other	—	—	(273)	—	—	(273)
Balance at September 30, 2023	36,969,967	$ 370	$ —	$ (29,142)	$ 814,083	$ 785,311

See accompanying notes to the unaudited condensed consolidated financial statements.

CARTER'S, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(*dollars in thousands*)
(unaudited)

	Three fiscal quarters ended	
	September 30, 2023	**October 1, 2022**
Cash flows from operating activities:		
Net income	$ 125,990	$ 169,859
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation of property, plant, and equipment	45,764	46,011
Amortization of intangible assets	2,805	2,798
(Recoveries of) provisions for excess and obsolete inventory, net	(324)	11,488
Gain on partial termination of corporate lease	(4,366)	—
Other asset impairments and loss on disposal of property, plant and equipment, net of recoveries	2,807	251
Amortization of debt issuance costs	1,186	1,560
Stock-based compensation expense	14,912	17,221
Unrealized foreign currency exchange (gain) loss, net	(201)	268
Provisions for (recoveries of) doubtful accounts receivable from customers	2,402	(987)
Unrealized (gain) loss on investments	(1,391)	2,414
Loss on extinguishment of debt	—	19,940
Deferred income taxes (benefit) expense	(949)	8,220
Other	—	919
Effect of changes in operating assets and liabilities:		
Accounts receivable	(43,623)	(33,697)
Finished goods inventories	127,190	(270,696)
Prepaid expenses and other assets[(1)(2)]	(3,965)	(11,359)
Accounts payable and other liabilities[(1)(2)]	(62,447)	(181,690)
Net cash provided by (used in) operating activities	$ 205,790	$ (217,480)
Cash flows from investing activities:		
Capital expenditures	$ (42,470)	$ (26,862)
Net cash used in investing activities	$ (42,470)	$ (26,862)
Cash flows from financing activities:		
Payment of senior notes due 2025	$ —	$ (500,000)
Premiums paid to extinguish debt	—	(15,678)
Payment of debt issuance costs	—	(2,420)
Borrowings under secured revolving credit facility	70,000	240,000
Payments on secured revolving credit facility	(120,000)	—
Repurchases of common stock	(67,492)	(241,751)
Dividends paid	(84,503)	(89,562)
Withholdings from vesting of restricted stock	(5,007)	(6,850)
Proceeds from exercises of stock options	384	776
Other	—	(919)
Net cash used in financing activities	$ (206,618)	$ (616,404)
Net effect of exchange rate changes on cash and cash equivalents	656	(1,899)
Net decrease in cash and cash equivalents	$ (42,642)	$ (862,645)
Cash and cash equivalents, beginning of period	211,748	984,294
Cash and cash equivalents, end of period	$ 169,106	$ 121,649

(1) Cash flows for the first three fiscal quarters ended October 1, 2022 were revised to reflect the presentation for payments of rent before payment due date of $13.6 million.

(2) Operating lease assets obtained in exchange for operating lease liabilities were $123.1 million and $108.6 million for the first three fiscal quarters ended September 30, 2023 and first three fiscal quarters ended October 1, 2022, respectively.

See accompanying notes to the unaudited condensed consolidated financial statements.

CARTER'S, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

NOTE 1 – THE COMPANY

Carter's, Inc. and its wholly-owned subsidiaries (collectively, the "Company") design, source, and market branded childrenswear under the *Carter's, OshKosh B'gosh* (or "*OshKosh*")*, Skip Hop, Child of Mine, Just One You, Simple Joys, Little Planet,* and other brands. The Company's products are sourced through contractual arrangements with manufacturers worldwide for wholesale distribution to leading department stores, national chains, and specialty retailers domestically and internationally and for sale in the Company's retail stores and on its eCommerce sites that market its brand name merchandise and other licensed products manufactured by other companies.

Our trademarks that are referred to in this Quarterly Report on Form 10-Q, including *Carter's*, *OshKosh B'gosh*, *OshKosh*, *Child of Mine*, *Just One You*, *Simple Joys*, *Little Planet*, and other brands, many of which are registered in the United States and in over 100 other countries and territories, are each the property of one or more subsidiaries of Carter's, Inc.

NOTE 2 – BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States ("U.S. GAAP") for interim financial information and the rules and regulations of the U.S. Securities and Exchange Commission (the "SEC"). All intercompany transactions and balances have been eliminated in consolidation.

In the opinion of management, the accompanying unaudited condensed consolidated financial statements contain all normal and recurring adjustments necessary to state fairly the consolidated financial condition, results of operations, comprehensive income, statement of shareholders' equity, and cash flows of the Company for the interim periods presented. Except as otherwise disclosed, all such adjustments consist only of those of a normal recurring nature. Operating results for the fiscal quarter ended September 30, 2023 are not necessarily indicative of the results that may be expected for the current fiscal year ending December 30, 2023.

The preparation of these unaudited condensed consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

The accompanying condensed consolidated balance sheet as of December 31, 2022 was derived from the Company's audited consolidated financial statements included in its most recently filed Annual Report on Form 10-K. Certain information and footnote disclosure normally included in financial statements prepared in accordance with U.S. GAAP have been condensed or omitted pursuant to the rules and regulations of the SEC and the instructions to Form 10-Q.

We have recast the consolidated statement of operations for the fiscal quarter and three fiscal quarters ended October 1, 2022 to conform to our current presentation of combining Adverse purchase commitments within Cost of goods sold.

Inventories

Our inventories, which consist primarily of finished goods, are stated at the lower of cost (first-in, first-out basis for wholesale inventory and average cost for retail inventories) or net realizable value. Inventories at September 30, 2023 were $620.7 million compared to $899.3 million at October 1, 2022 and $744.6 million at December 31, 2022. The decrease of $278.7 million, or 31.0%, at September 30, 2023 compared to October 1, 2022 is primarily due to decreased in-transit inventory, decreased "pack and hold" inventory, and lower forecasted net sales for fiscal 2023. Due to the seasonal nature of our operations, the inventories balance at September 30, 2023 is not comparable to the inventories balance at December 31, 2022.

Adjustments to bring inventory to net realizable value as a result of obsolete, damaged, and excess inventory at September 30, 2023 decreased 25.8% compared to October 1, 2022. These adjustments as a percentage of gross inventory have remained relatively stable due to the overall quality and planned use of the inventory. The liability for adverse inventory and fabric purchase commitments decreased from $3.1 million as of October 1, 2022 to $0.8 million as of September 30, 2023, primarily due to settlements with vendors for canceled production and the utilization of previously reserved fabric.

Supply Chain Financing Program

We have established a voluntary supply chain finance ("SCF") program through participating financial institutions. This SCF program enables participating suppliers to accelerate payments for receivables due from the Company by selling them directly to the participating financial institutions at their discretion. As of September 30, 2023, the SCF program has a $70.0 million revolving capacity. We are not a party to the agreements between the participating financial institutions and the suppliers in connection with the SCF program. The payment terms with the majority of our suppliers are 90 days, irrespective of whether a supplier participates in the SCF program. No guarantees are provided by the Company or any of our subsidiaries under the SCF program.

The Company's liability related to amounts payable to the participating financial institution for suppliers who voluntarily participate in the SCF program are included in Accounts payable on our condensed consolidated balance sheets. Amounts under the SCF program included in Accounts payable were $16.7 million, $16.5 million, and $15.3 million as of September 30, 2023, December 31, 2022, and October 1, 2022, respectively. Payments made in connection with the SCF program, like payments of other accounts payable, are reflected as a reduction to our operating cash flow.

Accounting Policies

The accounting policies the Company follows are set forth in its most recently filed Annual Report on Form 10-K. There have been no material changes to these accounting policies. New accounting pronouncements adopted at the beginning of fiscal 2023 are noted below.

Recent Accounting Pronouncements

Supplier Finance Programs (ASU 2022-04)

In September 2022, the FASB issued *Accounting Standards Update No. 2022-04, Liabilities - Supplier Finance Programs (Subtopic 405-50): Disclosure of Supplier Finance Program Obligations* ("ASU 2022-04"). This new guidance is designed to enhance transparency around supplier finance programs by requiring new disclosures that would allow a user of the financial statements to understand the program's nature, activity during the period, changes from period to period, and potential magnitude. ASU 2022-04 is effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years, except for the disclosure of the rollforward of annual activity, which is effective for fiscal years beginning after December 15, 2023. The effect of the adoption of ASU 2022-04 was not material to the Company's consolidated financial statements.

NOTE 3 - REVENUE RECOGNITION

The Company's revenues are earned from contracts or arrangements with retail and wholesale customers and licensees. Contracts include written agreements, as well as arrangements that are implied by customary practices or law.

Disaggregation of Revenue

The Company sells its products directly to consumers ("direct-to-consumer") and to other retail companies and partners that subsequently sell the products directly to their own retail customers ("wholesale channel"). The Company also earns royalties from certain of its licensees. Disaggregated revenues from these sources for the fiscal periods indicated were as follows:

	Fiscal quarter ended September 30, 2023			
(dollars in thousands)	U.S. Retail	U.S. Wholesale	International	Total
Wholesale channel	$ —	$ 300,338	$ 45,842	$ 346,180
Direct-to-consumer	374,796	—	70,675	445,471
	$ 374,796	$ 300,338	$ 116,517	$ 791,651
Royalty income, net	$ 2,236	$ 3,147	$ 330	$ 5,713

(dollars in thousands)	Three fiscal quarters ended September 30, 2023			
	U.S. Retail	**U.S. Wholesale**	**International**	**Total**
Wholesale channel	$ —	$ 767,194	$ 117,547	$ 884,741
Direct-to-consumer	1,021,983	—	181,006	1,202,989
	$ 1,021,983	$ 767,194	$ 298,553	$ 2,087,730
Royalty income, net	$ 5,746	$ 8,694	$ 2,133	$ 16,573

(dollars in thousands)	Fiscal quarter ended October 1, 2022			
	U.S. Retail	**U.S. Wholesale**	**International**	**Total**
Wholesale channel	$ —	$ 288,454	$ 50,489	$ 338,943
Direct-to-consumer	408,209	—	71,472	479,681
	$ 408,209	$ 288,454	$ 121,961	$ 818,624
Royalty income, net	$ 3,073	$ 3,349	$ 851	$ 7,273

(dollars in thousands)	Three fiscal quarters ended October 1, 2022			
	U.S. Retail	**U.S. Wholesale**	**International**	**Total**
Wholesale channel	$ —	$ 819,772	$ 137,940	$ 957,712
Direct-to-consumer	1,153,664	—	189,227	1,342,891
	$ 1,153,664	$ 819,772	$ 327,167	$ 2,300,603
Royalty income, net	$ 7,631	$ 9,664	$ 3,054	$ 20,349

Accounts Receivable from Customers and Licensees

The components of Accounts receivable, net, were as follows:

(dollars in thousands)	September 30, 2023	December 31, 2022	October 1, 2022
Trade receivables from wholesale customers, net	$ 239,493	$ 195,078	$ 260,635
Royalties receivable	5,825	5,386	6,823
Other receivables(1)	10,898	14,571	13,673
Total gross receivables	$ 256,216	$ 215,035	$ 281,131
Less: Wholesale accounts receivable reserves(2)(3)	(15,709)	(16,448)	(15,538)
Accounts receivable, net	$ 240,507	$ 198,587	$ 265,593

(1) Includes tax, payroll, gift card and other receivables.

(2) Includes allowance for chargebacks of $9.0 million, $9.3 million, and $9.2 million for the periods ended September 30, 2023, December 31, 2022, and October 1, 2022, respectively.

(3) Includes allowance for credit losses of $6.7 million, $7.2 million, and $6.3 million for the periods ended September 30, 2023, December 31, 2022, and October 1, 2022, respectively.

Contract Assets and Liabilities

The Company's contract assets are not material.

Contract Liabilities

The Company recognizes a contract liability when it has received consideration from a customer and has a future obligation to transfer goods to the customer. Total contract liabilities consisted of the following amounts:

(dollars in thousands)	September 30, 2023	December 31, 2022	October 1, 2022
Contract liabilities - current:			
Unredeemed gift cards	$ 23,983	$ 23,303	$ 21,217
Unredeemed customer loyalty rewards	4,020	5,276	7,527
Carter’s credit card - upfront bonus(1)	714	714	714
Total contract liabilities - current(2)	$ 28,717	$ 29,293	$ 29,458
Contract liabilities - non-current(3)	$ 893	$ 1,429	$ 1,607
Total contract liabilities	$ 29,610	$ 30,722	$ 31,065

(1) The Company received an upfront signing bonus from a third-party financial institution, which will be recognized as revenue on a straight-line basis over the term of the agreement. This amount reflects the current portion of this bonus to be recognized as revenue over the next twelve months.

(2) Included with Other current liabilities on the Company’s condensed consolidated balance sheets.

(3) This amount reflects the non-current portion of the Carter’s credit card upfront bonus and is included within Other long-term liabilities on the Company’s condensed consolidated balance sheets.

NOTE 4 – ACCUMULATED OTHER COMPREHENSIVE LOSS

The components of Accumulated other comprehensive loss consisted of the following:

(dollars in thousands)	September 30, 2023	December 31, 2022	October 1, 2022
Cumulative foreign currency translation adjustments	$ (23,630)	$ (28,826)	$ (32,980)
Pension and post-retirement obligations(*)	(5,512)	(5,512)	(7,595)
Total accumulated other comprehensive loss	$ (29,142)	$ (34,338)	$ (40,575)

(*) Net of income taxes of $1.7 million, $1.7 million, and $2.4 million for the period ended September 30, 2023, December 31, 2022, and October 1, 2022, respectively.

During the first three quarters of both fiscal 2023 and fiscal 2022, no amounts were reclassified from Accumulated other comprehensive loss to the consolidated statement of operations.

NOTE 5 – COMMON STOCK

Open Market Share Repurchases

The Company repurchased and retired shares in open market transactions in the following amounts for the fiscal periods indicated:

	Fiscal quarter ended		Three fiscal quarters ended	
	September 30, 2023	October 1, 2022	September 30, 2023	October 1, 2022
Number of shares repurchased	390,004	877,119	975,358	2,942,481
Aggregate cost of shares repurchased (dollars in thousands)(*)	$ 27,570	$ 65,445	$ 67,492	$ 241,751
Average price per share(*)	$ 70.69	$ 74.61	$ 69.20	$ 82.16

(*) The aggregate cost of share repurchases and average price paid per share excludes excise tax on share repurchases imposed as part of the Inflation Reduction Act of 2022.

The total aggregate remaining capacity under outstanding repurchase authorizations as of September 30, 2023 was approximately $682.0 million, based on settled repurchase transactions. The share repurchase authorizations have no expiration date.

The Inflation Reduction Act of 2022 imposed a nondeductible 1% excise tax on the net value of certain share repurchases made after December 31, 2022. Beginning in fiscal year 2023, the Company reflected the applicable excise tax in Additional paid-in capital on the Company's condensed consolidated balance sheets as part of the cost basis of the shares repurchased. The corresponding liability for the excise tax payable is recorded in Other current liabilities on the Company's condensed consolidated balance sheets.

Future repurchases may occur from time to time in the open market, in privately negotiated transactions, or otherwise. The timing and amount of any repurchases will be at the discretion of the Company subject to restrictions under the Company's secured revolving credit facility, market conditions, stock price, other investment priorities, and other factors.

Dividends

In each of the first three quarters of fiscal 2023, the Board of Directors declared, and the Company paid, a cash dividend per common share of $0.75 (for an aggregate cash dividend per common share of $2.25 for the first three quarters of fiscal 2023). Additionally, in each of the first three quarters of fiscal 2022, the Board of Directors declared, and the Company paid, a cash dividend per common share of $0.75 (for an aggregate cash dividend per common share of $2.25 for the first three quarters of fiscal 2022). The Board of Directors will evaluate future dividend declarations based on a number of factors, including restrictions under the Company's secured revolving credit facility, business conditions, the Company's financial performance, and other considerations.

Provisions in the Company's secured revolving credit facility could have the effect of restricting the Company's ability to pay cash dividends on, or make future repurchases of, its common stock, as further described in Note 6, *Long-term Debt*, to the consolidated financial statements.

NOTE 6 – LONG-TERM DEBT

Long-term debt consisted of the following:

(dollars in thousands)	September 30, 2023	December 31, 2022	October 1, 2022
$500 million 5.625% senior notes due March 15, 2027	$ 500,000	$ 500,000	$ 500,000
Less unamortized issuance-related costs for senior notes	(2,832)	(3,376)	(3,552)
Senior notes, net	$ 497,168	$ 496,624	$ 496,448
Secured revolving credit facility	70,000	120,000	240,000
Total long-term debt, net	$ 567,168	$ 616,624	$ 736,448

Secured Revolving Credit Facility

As of September 30, 2023, the Company had $70.0 million outstanding borrowings under its secured revolving credit facility, exclusive of $4.4 million of outstanding letters of credit. As of September 30, 2023, there was approximately $775.6 million available for future borrowing. All outstanding borrowings under the Company's secured revolving credit facility are classified as non-current liabilities on the Company's condensed consolidated balance sheets because of the contractual repayment terms under the credit facility.

The Company's secured revolving credit facility provides for an aggregate credit line of $850 million which includes a $750 million U.S. dollar facility and a $100 million multicurrency facility. The credit facility matures in April 2027. The facility contains covenants that restrict the Company's ability to, among other things: (i) create or incur liens, debt, guarantees or other investments, (ii) engage in mergers and consolidations, (iii) pay dividends or other distributions to, and redemptions and repurchases from, equity holders, (iv) prepay, redeem or repurchase subordinated or junior debt, (v) amend organizational documents, and (vi) engage in certain transactions with affiliates.

On October 17, 2023, Carter's Holdings B.V., a subsidiary of the Company, was released from its obligations under the secured revolving credit facility.

As of September 30, 2023, the interest rate margins applicable to the secured revolving credit facility were 1.125% for adjusted term Secured Overnight Financing Rate ("SOFR") loans and 0.125% for base rate loans. As of September 30, 2023, U.S. dollar borrowings outstanding under the secured revolving credit facility accrued interest at an adjusted term SOFR rate plus the applicable margin, which resulted in a weighted-average borrowing rate of 6.55%. There were no foreign currency borrowings outstanding on September 30, 2023. As of September 30, 2023, the Company was in compliance with its financial and other covenants under the secured revolving credit facility.

NOTE 7 – STOCK-BASED COMPENSATION

The Company recorded stock-based compensation expense as follows:

	Fiscal quarter ended		Three fiscal quarters ended	
(dollars in thousands)	September 30, 2023	October 1, 2022	September 30, 2023	October 1, 2022
Stock options	$ —	$ 8	$ —	$ 186
Restricted stock:				
Time-based awards	4,353	4,506	12,898	13,961
Performance-based awards	(425)	489	464	1,368
Stock awards	—	—	1,550	1,706
Total	$ 3,928	$ 5,003	$ 14,912	$ 17,221

The Company recognizes compensation cost ratably over the applicable performance periods based on the estimated probability of achievement of its performance targets at the end of each period. During the third quarter and first three quarters of fiscal 2023, the achievement of performance target estimates related to certain performance-based grants were revised resulting in a reversal of previously recognized stock-based compensation expense of $1.1 million and $1.5 million, respectively.

NOTE 8 – INCOME TAXES

As of September 30, 2023, the Company had gross unrecognized income tax benefits of approximately $9.5 million, of which $6.5 million, if ultimately recognized, may affect the Company's effective income tax rate in the periods settled. The Company has recorded tax positions for which the ultimate deductibility is more likely than not, but for which there is uncertainty about the timing of such deductions.

Included in the reserves for unrecognized tax benefits at September 30, 2023 is approximately $2.4 million of reserves for which the statute of limitations is expected to expire within the next 12 months. If these tax benefits are ultimately recognized, such recognition, net of federal income taxes, may affect the annual effective income tax rate for fiscal 2023 along with the effective income tax rate in the quarter in which the benefits are recognized.

The Company recognizes interest related to unrecognized tax benefits as a component of interest expense and recognizes penalties related to unrecognized income tax benefits as a component of income tax expense. Interest expense recorded on uncertain tax positions was not material for the third quarter and first three quarters of fiscal 2023 and fiscal 2022. The Company had approximately $2.0 million, $1.5 million, and $2.3 million of interest accrued on uncertain tax positions as of September 30, 2023, December 31, 2022, and October 1, 2022, respectively.

NOTE 9 – FAIR VALUE MEASUREMENTS

Investments

The Company invests in marketable securities, principally equity-based mutual funds, to mitigate the risk associated with the investment return on employee deferrals of compensation. All of the marketable securities are included in Other assets on the accompanying condensed consolidated balance sheets, and their aggregate fair values were approximately $16.4 million, $15.1 million, and $15.1 million at September 30, 2023, December 31, 2022, and October 1, 2022, respectively. These investments are classified as Level 1 within the fair value hierarchy. The change in the aggregate fair values of marketable securities is due to the net activity of gains and losses and any contributions and distributions during the period. Gains on the investments in marketable securities were $0.8 million and $1.4 million for the third quarter and the first three quarters of fiscal 2023, respectively. Losses on the investments in marketable securities were $0.5 million and $2.4 million for the third quarter and the first three quarters of fiscal 2022, respectively. These amounts are included in Other (income) expense, net on the Company's condensed consolidated statement of operations.

Borrowings

As of September 30, 2023, the Company had $70.0 million outstanding borrowings under its secured revolving credit facility.

The fair value of the Company's senior notes at September 30, 2023 was approximately $481.4 million. The fair value of these senior notes with a notional value and carrying value (gross of debt issuance costs) of $500.0 million was estimated using a quoted price as provided in the secondary market, which considers the Company's credit risk and market related conditions, and is therefore within Level 2 of the fair value hierarchy.

Goodwill, Intangible, and Long-Lived Tangible Assets

Some assets are not measured at fair value on a recurring basis but are subject to fair value adjustments only in certain circumstances. These assets can include goodwill, indefinite-lived intangible assets, and long-lived tangible assets that have been reduced to fair value when impaired. Assets that are written down to fair value when impaired are not subsequently adjusted to fair value unless further impairment occurs.

In the fourth quarter of fiscal 2022, impairment charges of $5.6 million, $3.0 million, and $0.4 million were recorded on our indefinite-lived *Skip Hop* tradename asset in the U.S. Wholesale, International, and U.S. Retail segments, respectively, to reflect the impairment of the value ascribed to the indefinite-lived *Skip Hop* tradename asset. The carrying value of the indefinite-lived Skip Hop tradename asset as of September 30, 2023 was $6.0 million.

NOTE 10 – EARNINGS PER SHARE

The following is a reconciliation of basic common shares outstanding to diluted common and common equivalent shares outstanding:

	Fiscal quarter ended		Three fiscal quarters ended	
	September 30, 2023	October 1, 2022	September 30, 2023	October 1, 2022
Weighted-average number of common and common equivalent shares outstanding:				
Basic number of common shares outstanding	36,438,403	38,222,151	36,789,140	39,279,293
Dilutive effect of equity awards	3,881	23,222	3,781	34,835
Diluted number of common and common equivalent shares outstanding	36,442,284	38,245,373	36,792,921	39,314,128
Earnings per share:				
(dollars in thousands, except per share data)				
Basic net income per common share:				
Net income	$ 66,127	$ 64,957	$ 125,990	$ 169,859
Income allocated to participating securities	(1,267)	(1,013)	(2,254)	(2,478)
Net income available to common shareholders	$ 64,860	$ 63,944	$ 123,736	$ 167,381
Basic net income per common share	$ 1.78	$ 1.67	$ 3.36	$ 4.26
Diluted net income per common share:				
Net income	$ 66,127	$ 64,957	$ 125,990	$ 169,859
Income allocated to participating securities	(1,267)	(1,012)	(2,254)	(2,477)
Net income available to common shareholders	$ 64,860	$ 63,945	$ 123,736	$ 167,382
Diluted net income per common share	$ 1.78	$ 1.67	$ 3.36	$ 4.26
Anti-dilutive awards excluded from diluted earnings per share computation(*)	460,947	525,349	483,921	465,529

(*) The volume of anti-dilutive awards is, in part, due to the related unamortized compensation costs.

NOTE 11 – OTHER CURRENT LIABILITIES

Other current liabilities at the end of any comparable period, were as follows:

(dollars in thousands)	September 30, 2023	December 31, 2022	October 1, 2022
Unredeemed gift cards	$ 23,983	$ 23,303	$ 21,217
Accrued employee benefits	17,433	16,356	14,131
Accrued taxes	13,534	10,445	11,190
Accrued bonuses and incentive compensation(*)	12,184	7,244	1,260
Income taxes payable	6,341	17,484	7,911
Accrued salaries and wages	6,030	11,519	6,113
Accrued other	26,617	36,088	30,572
Other current liabilities	$ 106,122	$ 122,439	$ 92,394

(*) Accrual as of December 31, 2022 and October 1, 2022 was impacted by a lower than expected financial performance in fiscal 2022.

NOTE 12 – COMMITMENTS AND CONTINGENCIES

The Company is subject to various claims and pending or threatened lawsuits in the normal course of business. The Company is not currently a party to any legal proceedings that it believes would have a material adverse impact on its financial position, results of operations, or cash flows.

The Company's contractual obligations and commitments include obligations associated with leases, the secured revolving credit agreement, senior notes, and employee benefit plans.

NOTE 13 – SEGMENT INFORMATION

The table below presents certain information for the Company's reportable segments and unallocated corporate expenses for the periods indicated:

	Fiscal quarter ended				Three fiscal quarters ended			
(dollars in thousands)	September 30, 2023	% of consolidated net sales	October 1, 2022	% of consolidated net sales	September 30, 2023	% of consolidated net sales	October 1, 2022	% of consolidated net sales
Net sales:								
U.S. Retail	$ 374,796	47.3 %	$ 408,209	49.9 %	$ 1,021,983	49.0 %	$ 1,153,664	50.1 %
U.S. Wholesale	300,338	38.0 %	288,454	35.2 %	767,194	36.7 %	819,772	35.6 %
International	116,517	14.7 %	121,961	14.9 %	298,553	14.3 %	327,167	14.3 %
Consolidated net sales	$ 791,651	100.0 %	$ 818,624	100.0 %	$ 2,087,730	100.0 %	$ 2,300,603	100.0 %
Operating income:		% of segment net sales		% of segment net sales		% of segment net sales		% of segment net sales
U.S. Retail	$ 47,983	12.8 %	$ 57,723	14.1 %	$ 103,132	10.1 %	$ 163,257	14.2 %
U.S. Wholesale	65,702	21.9 %	39,989	13.9 %	147,003	19.2 %	134,088	16.4 %
International	13,379	11.5 %	17,113	14.0 %	23,193	7.8 %	39,665	12.1 %
Corporate expenses(*)	(33,634)	n/a	(23,242)	n/a	(85,983)	n/a	(67,385)	n/a
Consolidated operating income	$ 93,430	11.8 %	$ 91,583	11.2 %	$ 187,345	9.0 %	$ 269,625	11.7 %

(*) Corporate expenses include expenses related to incentive compensation, stock-based compensation, executive management, severance and relocation, finance, office occupancy, information technology, certain legal fees, consulting fees, and audit fees.

(dollars in millions)	Fiscal quarter ended September 30, 2023			Three fiscal quarters ended September 30, 2023		
Charges:	**U.S. Retail**	**U.S. Wholesale**	**International**	**U.S. Retail**	**U.S. Wholesale**	**International**
Organizational restructuring(*)	$ 0.6	$ 0.4	$ 0.3	$ —	$ 0.1	$ 0.3

(*) Relates to charges for organizational restructuring and related corporate office lease amendment actions. Additionally, the third fiscal quarter and first three fiscal quarters ended September 30, 2023 includes a corporate charge of $1.5 million and $4.1 million, respectively, related to organizational restructuring and related corporate office lease amendment actions.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

FORWARD-LOOKING STATEMENTS

Statements contained in this press release that are not historical fact and use predictive words such as "estimates", "outlook", "guidance", "expect", "believe", "intend", "designed", "target", "plans", "may", "will", "are confident" and similar words are forward-looking statements (as such term is defined in the Private Securities Litigation Reform Act of 1995). These forward-looking statements and related assumptions involve risks and uncertainties that could cause actual results and outcomes to differ materially from any forward-looking statements or views expressed in this press release. These risks and uncertainties include, but are not limited to, the factors disclosed in Part I, Item 1A. "Risk Factors" of the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2022, and otherwise in our reports and filings with the Securities and Exchange Commission, as well as the following factors: the continuing effects of the novel coronavirus (COVID-19) pandemic; changes in global economic and financial conditions, and the resulting impact on consumer confidence and consumer spending, as well as other changes in consumer discretionary spending habits; continued inflationary pressures with respect to labor and raw materials and global supply chain constraints that have, and could continue, to affect freight, transit, and other costs; risks related to geopolitical conflict, including ongoing geopolitical challenges between the United States and China, the ongoing hostilities in Ukraine and Israel, acts of terrorism, mass casualty events, social unrest, civil disturbance or disobedience; risks related to a shutdown of the U.S. government; financial difficulties for one or more of our major customers; an overall decrease in consumer spending, including, but not limited to, decreases in birth rates; our products not being accepted in the marketplace and our failure to manage our inventory; 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 and our inability to successfully increase prices to offset these increased costs; our foreign sourcing arrangements; disruptions in our supply chain, including increased transportation and freight costs; the management and expansion of our business domestically and internationally; the acquisition and integration of other brands and businesses; changes in our tax obligations, including additional customs, duties or tariffs; fluctuations in foreign currency exchange rates; risks associated with corporate responsibility issues; our ability to achieve our forecasted financial results for the fiscal year; our continued ability to declare and pay a dividend and conduct share repurchases in future periods; our planned opening and closing of stores during the fiscal year; and other risks detailed in the Company's periodic reports as filed in accordance with the Securities Exchange Act of 1934, as amended. 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.

OVERVIEW

We are the largest branded marketer of young children's apparel in North America. We own two of the most highly recognized and trusted brand names in the children's apparel market, *Carter's* and *OshKosh B'gosh* (or "*OshKosh*"). We also own *Skip Hop*, a leading young children's lifestyle brand, exclusive *Carter's* brands developed for specific wholesale customers, and *Little Planet*, a brand focused on organic fabrics and sustainable materials.

Established in 1865, our *Carter's* brand is recognized and trusted by consumers for high-quality apparel and accessories for children in sizes newborn to 14.

Established in 1895, *OshKosh* is a well-known brand, trusted by consumers for high-quality apparel and accessories for children in sizes newborn to 14, with a focus on playclothes for toddlers and young children. We acquired *OshKosh* in 2005.

Established in 2003, the *Skip Hop* brand rethinks, reenergizes, and reimagines durable necessities to create higher value, superior quality, and top-performing products for parents, babies, and toddlers. We acquired *Skip Hop* in 2017.

Additionally, *Child of Mine*, an exclusive *Carter's* brand, is sold at Walmart; *Just One You*, an exclusive *Carter's* brand, is sold at Target, and *Simple Joys*, an exclusive *Carter's* brand, is available on Amazon.

Launched in 2021, the *Little Planet* brand focuses on sustainable clothing through the sourcing of mostly organic cotton as certified under the Global Organic Textile Standard (“GOTS”), a global textile processing standard for organic fibers. This brand includes a wide assortment of baby and toddler apparel, accessories, and sleepwear.

Our mission is to serve the needs of all families with young children, with a vision to be the world’s favorite brands in young children’s apparel and related products. We believe our brands are complementary to one another in product offering and aesthetic. Each brand is uniquely positioned in the marketplace and offers great value to families with young children. Our multi-channel, global business model, which includes retail stores, eCommerce, and wholesale distribution capabilities, as well as omni-channel capabilities in the United States and Canada, enables us to reach a broad range of consumers around the world. As of September 30, 2023, our channels included 1,009 company-owned retail stores, approximately 19,350 wholesale locations, and eCommerce sites in North America, as well as our international wholesale accounts and licensees which operate in over 90 countries.

The following is a discussion of our results of operations and current financial condition. This should be read in conjunction with the unaudited condensed consolidated financial statements and related notes included in this Form 10-Q and audited consolidated financial statements and related notes included in our Annual Report on Form 10-K for the 2022 fiscal year ended December 31, 2022.

Segments

Our three business segments are: U.S. Retail, U.S. Wholesale, and International. These segments are our operating and reporting segments. Our U.S. Retail segment consists of revenue primarily from sales of products in the United States through our retail stores and eCommerce websites. Similarly, our U.S. Wholesale segment consists of revenue primarily from sales in the United States of products to our wholesale partners. Our International segment consists of revenue primarily from sales of products outside the United States, largely through our retail stores and eCommerce websites in Canada and Mexico, and sales to our international wholesale customers and licensees.

Gross Profit and Gross Margin

Gross profit is calculated as consolidated net sales less cost of goods sold. Gross margin is calculated as gross profit divided by consolidated net sales. Cost of goods sold includes expenses related to the merchandising, design, and procurement of product, including inbound freight costs, purchasing and receiving costs, and inspection costs. Also included in costs of goods sold are the costs of shipping eCommerce products to end consumers. Retail store occupancy costs, distribution expenses, and generally all other expenses other than interest and income taxes are included in Selling, general, and administrative (“SG&A”) expenses. Distribution expenses that are included in SG&A primarily consist of payments to third-party shippers and handling costs to process product through our distribution facilities, including eCommerce fulfillment costs, and delivery to our wholesale customers and to our retail stores. Our gross profit and gross margin may not be comparable to other entities that define their metrics differently.

Recent Developments

Macroeconomic Factors, Consumer Demand, and Inventories

Macroeconomic factors, including inflationary pressures, increased interest rates, the lapping of government stimulus, increased consumer debt levels, decreased savings rates, resumption of student loan repayments, geopolitical unrest, and increased risks of a recession continued to create a complex and challenging environment for our business in the third quarter of fiscal 2023. We believe these macroeconomic factors have resulted in lower consumer sentiment and negatively impacted demand for our products and will likely continue to negatively impact demand in the remainder of fiscal 2023.

Compared to the end of the third quarter of fiscal 2022, our inventories decreased $278.7 million, or 31.0%, to $620.7 million, primarily due to decreased in-transit inventory, decreased “pack and hold” inventory, and lower forecasted net sales for fiscal 2023. “Pack and hold” inventory decreased $58.4 million, or 56.8%, to $44.5 million. Inventory levels were elevated throughout much of the retail industry during the first half of fiscal 2023, resulting in an increase in promotional activity as companies sell off their excess inventories. We have taken action to align inventory with planned demand, including selectively utilizing a pack and hold strategy to sell through inventory profitably in later periods, and selling through excess inventory in our own retail channels and in off-price channels. Inventory levels for the fourth quarter of fiscal 2023 are also expected to be lower than those in fiscal 2022.

Inflationary Pressures

In fiscal 2022, the cost of transportation, particularly ocean freight rates, raw materials, packaging materials, labor, energy, fuel, and other inputs necessary for the production and distribution of our products rapidly increased. We continued to experience inflationary pressures on many input costs through the end of the third quarter of fiscal 2023. While freight input costs have decreased during fiscal 2023, we may continue to experience inflationary pressures on other input costs and distribution costs for the remainder of fiscal 2023. We have offset some of these cost pressures through increases in the selling prices of some of our products, product cost optimization, increasing and diversifying our portfolio of suppliers, renegotiating our longer-term shipping container contracts, and reductions in discretionary spending. However, our pricing actions could have an adverse impact on demand and may not be sufficient to cover all increased costs that we may experience.

Organizational Restructuring and Corporate Office Lease Amendment

During the first quarter and third quarter of fiscal 2023, we initiated several organizational restructuring initiatives which included a reorganization of staffing models across multiple functions to drive labor savings and increase efficiencies. In conjunction with these plans, we incurred approximately $2.9 million and $6.2 million in costs in the third quarter and the first three quarters of fiscal 2023, respectively. These costs were primarily related to severance and other termination benefits and are included in Other current liabilities in the accompanying unaudited condensed consolidated balance sheet.

Additionally, during the first quarter of fiscal 2023, we executed an amendment to the lease of our corporate headquarters in Atlanta, Georgia which resulted in returning three floors to the landlord and extending the lease to 2035. As a result of the reduction in leased office space, we recorded a net gain of $1.8 million related to the partial termination of the lease in the first quarter of fiscal 2023.

Third Fiscal Quarter 2023 Financial Highlights

The strength of our product offerings, leaner inventory position, lower ocean freight rates, and focus on expense management enabled us to improve profitability and grow earnings despite the challenging macroeconomic environment that weighed on consumer demand. However, sales declined compared to the third quarter of fiscal 2022, which we believe reflects the significant ongoing and negative impact of high inflation on consumer demand for our products and reduced spending more broadly across the retail industry. Although demand from our wholesale customers increased in the third quarter of fiscal 2023, wholesale customers continue to take a cautious approach to their future inventory commitments.

Despite these macroeconomic challenges, including the negative impacts of high inflation on aspects of our cost structure, operating margin increased compared to the third quarter of fiscal 2022. We also increased our store count and continued to return capital to our shareholders in the third quarter of fiscal 2023.

Unless otherwise stated, comparisons are to the third quarter of fiscal 2022:

- Consolidated net sales decreased $27.0 million, or 3.3%, to $791.7 million, primarily due to macroeconomic factors, including inflationary pressures, increased interest rates, increased consumer debt levels, decreased savings rates, and risk of recession, driving lower consumer demand.
- Despite increased pressure on pricing from our competitors, operating income increased $1.8 million, or 2.0%, to $93.4 million, and operating margin increased 60 basis points ("bps") to 11.8% primarily due to decreased ocean freight rates, decreased inventory provisions, and improved price realization, partially offset by fixed cost deleverage on decreased sales.
- We believe that our growth in years ahead will be driven by our exclusive *Carter's* brands in the wholesale channel and new store openings. Given our progress with improved price realization, more attractive store opening opportunities in the United States continue to be available to us. During the third quarter of fiscal 2023, we opened 6 stores and closed 1 store in the United States. We are projecting approximately 25 store openings in the United States in the remainder of fiscal 2023.
- As a result of our strong financial position and available liquidity, we returned $55.4 million to our shareholders, comprised of $27.6 million in share repurchases and $27.9 million in cash dividends. For the first three quarters of fiscal 2023, we returned $152.0 million to our shareholders, comprised of $67.5 million in share repurchases and $84.5 million in cash dividends.

RESULTS OF OPERATIONS

THIRD FISCAL QUARTER ENDED SEPTEMBER 30, 2023 COMPARED TO THIRD FISCAL QUARTER ENDED OCTOBER 1, 2022

The following table summarizes our results of operations. All percentages shown in the below table and the discussion that follows have been calculated using unrounded numbers.

	Fiscal quarter ended			
(dollars in thousands, except per share data)	**September 30, 2023**	**October 1, 2022**	**$ Change**	**% / bps Change**
Net sales	$ 791,651	$ 818,624	$ (26,973)	(3.3)%
Cost of goods sold	415,254	448,096	(32,842)	(7.3)%
Gross profit	376,397	370,528	5,869	1.6 %
Gross profit as % of net sales	*47.5 %*	*45.3 %*		*220 bps*
Royalty income, net	5,713	7,273	(1,560)	(21.4)%
Royalty income as % of net sales	*0.7 %*	*0.9 %*		*(20) bps*
Selling, general, and administrative expenses	288,680	286,218	2,462	0.9 %
SG&A expenses as % of net sales	*36.5 %*	*35.0 %*		*150 bps*
Operating income	93,430	91,583	1,847	2.0 %
Operating income as % of net sales	*11.8 %*	*11.2 %*		*60 bps*
Interest expense	8,615	9,712	(1,097)	(11.3)%
Interest income	(1,064)	(257)	(807)	>100%
Other income, net	507	1,270	(763)	(60.1)%
Income before income taxes	85,372	80,858	4,514	5.6 %
Income tax provision	19,245	15,901	3,344	21.0 %
Effective tax rate(*)	*22.5 %*	*19.7 %*		*280 bps*
Net income	$ 66,127	$ 64,957	$ 1,170	1.8 %
Basic net income per common share	$ 1.78	$ 1.67	$ 0.11	6.6 %
Diluted net income per common share	$ 1.78	$ 1.67	$ 0.11	6.6 %
Dividend declared and paid per common share	$ 0.75	$ 0.75	$ —	— %

(*) Effective tax rate is calculated by dividing the provision for income taxes by income before income taxes.

Note: Results may not be additive due to rounding. Percentage changes that are not considered meaningful are denoted with "nm".

Net Sales

Consolidated net sales decreased $27.0 million, or 3.3%, to $791.7 million. This decrease in net sales was primarily driven by macroeconomic factors, including inflationary pressures, increased interest rates, increased consumer debt levels, decreased savings rates, and risk of recession, driving lower consumer demand. These decreases were partially offset by increased average selling prices per unit due to improved price realization. Units sold decreased mid-single digits and average selling prices per unit increased low-single digits. Changes in foreign currency exchange rates used for translation had a favorable effect on our consolidated net sales of approximately $1.2 million.

Gross Profit and Gross Margin

Our consolidated gross profit increased $5.9 million, or 1.6%, to $376.4 million and consolidated gross margin increased 220 bps to 47.5%. The increase in consolidated gross profit and gross margin was primarily driven by decreased inventory provisions, increased average selling prices per unit mentioned above, and decreased average cost per unit sold. These factors were partially offset by changes in customer and channel mix. Average cost per unit sold decreased low-single digits primarily due to decreased ocean freight rates. We expect product input costs and inbound transportation rates, including ocean freight rates, to decrease in the fourth quarter of fiscal 2023 and into fiscal 2024.

Royalty Income

Consolidated royalty income decreased $1.6 million, or 21.4%, to $5.7 million, primarily driven by decreased customer demand.

Selling, General, and Administrative Expenses

Consolidated SG&A expenses increased $2.5 million, or 0.9%, to $288.7 million and increased as a percentage of consolidated net sales by approximately 150 bps to 36.5%. This increase in SG&A rate was primarily driven by fixed cost deleverage on decreased sales, increased performance-based compensation expense, increased consulting and professional fees, retail store openings, and organizational restructuring charges, partially offset by expense related to the relocation of inventory from an exited third-party warehouse in the third quarter of fiscal 2022 that did not reoccur in the third quarter of fiscal 2023 and decreased marketing expense.

Operating Income

Consolidated operating income increased $1.8 million, or 2.0%, to $93.4 million and increased as a percentage of net sales by approximately 60 bps to 11.8%, primarily due to the factors discussed above.

Interest Expense

Consolidated interest expense decreased $1.1 million, or 11.3%, to $8.6 million. Weighted-average borrowings for the third quarter of fiscal 2023 were $535.0 million at an effective interest rate of 6.13%, compared to weighted-average borrowings for the third quarter of fiscal 2022 of $706.2 million at an effective interest rate of 5.41%.

The decrease in weighted-average borrowings was attributable to decreased borrowings under our secured revolving credit facility for the period. The increase in the effective interest rate was primarily due to increased interest rates on our secured revolving credit facility, reflecting the broader rise in market interest rates.

Income Taxes

Our consolidated income tax provision increased $3.3 million, or 21.0%, to $19.2 million and the effective tax rate increased 280 bps to 22.5%. The increased effective tax rate primarily relates to a higher proportion of income generated in the United States, which is a higher tax jurisdiction relative to the locations of our international operations.

Net Income

Our consolidated net income increased $1.2 million, or 1.8%, to $66.1 million, primarily due to the factors previously discussed.

Results by Segment - Third Quarter of Fiscal 2023 compared to Third Quarter of Fiscal 2022

The following table summarizes net sales and operating income, by segment, for the third quarter of fiscal 2023 and the third quarter of fiscal 2022:

	Fiscal quarter ended					
(dollars in thousands)	**September 30, 2023**	**% of consolidated net sales**	**October 1, 2022**	**% of consolidated net sales**	**$ Change**	**% Change**
Net sales:						
U.S. Retail	$ 374,796	47.3 %	$ 408,209	49.9 %	$ (33,413)	(8.2)%
U.S. Wholesale	300,338	38.0 %	288,454	35.2 %	11,884	4.1 %
International	116,517	14.7 %	121,961	14.9 %	(5,444)	(4.5)%
Consolidated net sales	$ 791,651	100.0 %	$ 818,624	100.0 %	$ (26,973)	(3.3)%
Operating income:		**% of segment net sales**		**% of segment net sales**		
U.S. Retail	$ 47,983	12.8 %	$ 57,723	14.1 %	$ (9,740)	(16.9)%
U.S. Wholesale	65,702	21.9 %	39,989	13.9 %	25,713	64.3 %
International	13,379	11.5 %	17,113	14.0 %	(3,734)	(21.8)%
Unallocated corporate expenses	(33,634)	n/a	(23,242)	n/a	(10,392)	44.7 %
Consolidated operating income	$ 93,430	11.8 %	$ 91,583	11.2 %	$ 1,847	2.0 %

Comparable Sales Metrics

We present comparable sales metrics because we consider them an important supplemental measure of our U.S. Retail and International performance, and the Company uses such information to assess the performance of the U.S. Retail and International segments. Additionally, we believe they are frequently used by securities analysts, investors, and other interested parties in the evaluation of our business.

Our comparable sales metrics include sales for all stores and eCommerce sites that were open and operated by us during the comparable fiscal period, including stand-alone format stores that converted to multi-branded format stores and certain remodeled or relocated stores. A store or site becomes comparable following 13 consecutive full fiscal months of operations. If a store relocates within the same center with no business interruption or material change in square footage, the sales of such store will continue to be included in the comparable store metrics. If a store relocates to another center more than five miles away, or there is a material change in square footage, such store is treated as a new store. Stores that are closed during the relevant fiscal period are included in the comparable store sales metrics up to the last full fiscal month of operations.

The method of calculating sales metrics varies across the retail industry. As a result, our comparable sales metrics may not be comparable to those of other retailers.

U.S. Retail

U.S. Retail segment net sales decreased $33.4 million, or 8.2%, to $374.8 million. The decrease in net sales was primarily driven by macroeconomic factors, including inflationary pressures, increased interest rates, increased consumer debt levels, decreased savings rates, and risk of recession, driving lower consumer demand. This decreased demand resulted in lower traffic in our eCommerce channels and in our retail stores. Units sold decreased low-teens, while average selling prices per unit increased mid-single digits due to improved price realization.

Comparable net sales, including retail stores and eCommerce, decreased 9.9% primarily driven by the factors mentioned above. As of September 30, 2023, we operated 768 retail stores in the U.S. compared to 757 as of December 31, 2022, and 741 as of October 1, 2022.

U.S. Retail segment operating income decreased $9.7 million, or 16.9%, to $48.0 million, primarily due to a decrease in gross profit of $15.2 million, partially offset by a decrease in SG&A expenses of $6.3 million. Operating margin decreased 130 bps to 12.8%. The primary drivers of the decrease in operating margin were a 240 bps increase in SG&A rate, partially offset by a 120 bps increase in gross margin. The increase in gross margin was primarily due to increased average selling prices per unit and decreased inventory provisions, partially offset by increased product costs. Average cost per unit sold increased low-single digits, reflecting increases to product input costs, partially offset by decreased ocean freight rates. The increase in SG&A rate was primarily driven by fixed cost deleverage on decreased net sales, increased performance-based compensation expense, and retail store openings, partially offset by decreased marketing expense.

U.S. Wholesale

U.S. Wholesale segment net sales increased $11.9 million, or 4.1%, to $300.3 million, primarily due to the timing of wholesale customer shipments and increased average selling prices per unit. Our wholesale customers remain committed to their low inventory strategies, which could negatively impact future customer replenishment demand for the remainder of fiscal 2023. Average selling prices per unit and units sold both increased low-single digits.

U.S. Wholesale segment operating income increased $25.7 million, or 64.3%, to $65.7 million, primarily due to an increase in gross profit of $19.7 million and a decrease in SG&A expenses of $6.3 million. Operating margin increased 800 bps to 21.9%. The primary drivers of the increase in operating margin were a 550 bps increase in gross margin and a 260 bps decrease in SG&A rate. The increase in gross margin was primarily due to decreased inventory provisions, increased average selling prices per unit, and decreased product costs, partially offset by an unfavorable customer mix due to more off-price sales. Average cost per unit sold decreased mid-single digits primarily due to decreased ocean freight rates. The decrease in the SG&A rate was primarily driven by expense related to the relocation of inventory from an exited third-party warehouse in the third quarter of fiscal 2022 that did not reoccur in the third quarter of fiscal 2023 and fixed cost leverage on increased sales, partially offset by increased performance-based compensation expense.

International

International segment net sales decreased $5.4 million, or 4.5%, to $116.5 million. Changes in foreign currency exchange rates, primarily between the U.S. dollar and the Canadian dollar, had a $1.2 million favorable effect on International segment net sales. The decrease in net sales was primarily driven by decreased net sales in Canada and the timing of shipments to our international wholesale partners, partially offset by growth in our Mexico retail stores and wholesale channels and increased average selling prices per unit. Units sold decreased low-teens, while average selling prices per unit increased high-single digits.

Canadian comparable net sales, including retail stores and eCommerce, decreased 4.4% primarily driven by decreased traffic in our retail stores. As of September 30, 2023, we operated 188 stores and 53 stores in Canada and Mexico, respectively. As of December 31, 2022, we operated 187 and 49 stores in Canada and Mexico, respectively. As of October 1, 2022, we operated 185 and 44 stores in Canada and Mexico, respectively.

International segment operating income decreased $3.7 million, or 21.8%, to $13.4 million, primarily due to an increase in SG&A expenses of $4.6 million, partially offset by an increase in gross profit of $1.4 million. Operating margin decreased 250 bps to 11.5%. The primary drivers of the decrease in operating margin were a 530 bps increase in the SG&A rate, partially offset by a 320 bps increase in gross margin. The increase in gross margin was primarily due to increased average selling prices per unit and decreased inventory provisions, partially offset by increased average cost per unit sold. Average cost per unit sold increased low-single digits, reflecting increases to product input costs, partially offset by decreased ocean freight rates. The increase in the SG&A rate was primarily due to fixed cost deleverage on decreased sales, increased investments in our Mexican retail stores and technology, and increased performance-based compensation expense.

Unallocated Corporate Expenses

Unallocated corporate expenses include corporate overhead expenses that are not directly attributable to one of our business segments and include unallocated accounting, finance, legal, human resources, and information technology expenses, occupancy costs for our corporate headquarters, and other benefit and compensation programs, including performance-based compensation.

Unallocated corporate expenses increased $10.4 million, or 44.7%, to $33.6 million and unallocated corporate expenses, as a percentage of consolidated net sales, increased 140 bps to 4.2%. The increase as a percentage of consolidated net sales was primarily due to increased consulting and professional fees, increased performance-based compensation expense, organizational restructuring charges, and fixed cost deleverage on decreased sales.

THREE FISCAL QUARTERS ENDED SEPTEMBER 30, 2023 COMPARED TO THREE FISCAL QUARTERS ENDED OCTOBER 1, 2022

The following table summarizes our results of operations. All percentages shown in the below table and the discussion that follows have been calculated using unrounded numbers.

	Three fiscal quarters ended			
(dollars in thousands, except per share data)	**September 30, 2023**	**October 1, 2022**	**$ Change**	**% / bps Change**
Net sales	$ 2,087,730	$ 2,300,603	$ (212,873)	(9.3)%
Cost of goods sold	1,109,970	1,243,794	(133,824)	(10.8)%
Gross profit	977,760	1,056,809	(79,049)	(7.5)%
Gross profit as % of net sales	*46.8 %*	*45.9 %*		*90 bps*
Royalty income, net	16,573	20,349	(3,776)	(18.6)%
Royalty income, net as % of net sales	*0.8 %*	*0.9 %*		*(10) bps*
Selling, general, and administrative expenses	806,988	807,533	(545)	(0.1)%
SG&A expenses as % of net sales	*38.7 %*	*35.1 %*		*360 bps*
Operating income	187,345	269,625	(82,280)	(30.5)%
Operating income as % of net sales	*9.0 %*	*11.7 %*		*(270) bps*
Interest expense	26,342	33,496	(7,154)	(21.4)%
Interest income	(2,769)	(867)	(1,902)	>100%
Other income, net	(518)	776	(1,294)	nm
Loss on extinguishment of debt	—	19,940	(19,940)	nm
Income before income taxes	164,290	216,280	(51,990)	(24.0)%
Income tax provision	38,300	46,421	(8,121)	(17.5)%
Effective tax rate(*)	*23.3 %*	*21.5 %*		*180 bps*
Net income	$ 125,990	$ 169,859	$ (43,869)	(25.8)%
Basic net income per common share	$ 3.36	$ 4.26	$ (0.90)	(21.1)%
Diluted net income per common share	$ 3.36	$ 4.26	$ (0.90)	(21.1)%
Dividend declared and paid per common share	$ 2.25	$ 2.25	$ —	— %

(*) Effective tax rate is calculated by dividing the provision for income taxes by income before income taxes.

Note: Results may not be additive due to rounding. Percentage changes that are not considered meaningful are denoted with "nm".

Net Sales

Consolidated net sales decreased $212.9 million, or 9.3%, to $2.09 billion. This decrease in net sales was primarily driven by macroeconomic factors driving lower consumer demand. These decreases were partially offset by increased average selling prices per unit due to improved price realization. Units sold decreased low-teens and average selling prices per unit increased mid-single digits. Changes in foreign currency exchange rates used for translation had an unfavorable effect on our consolidated net sales of approximately $2.2 million.

Gross Profit and Gross Margin

Our consolidated gross profit decreased $79.0 million, or 7.5%, to $977.8 million and consolidated gross margin increased 90 bps to 46.8%. The decrease in consolidated gross profit was primarily driven by decreased net sales. The increase in gross margin was primarily driven by increased average selling prices per unit mentioned above, decreased fabric purchase commitment charges and inventory provisions, and decreased air freight costs. These factors were partially offset by increased average cost per unit sold, and changes in customer and channel mix. Average cost per unit sold increased low-single digits, reflecting increases to product input costs, partially offset by decreased ocean freight rates.

Royalty Income

Consolidated royalty income decreased $3.8 million, or 18.6%, to $16.6 million, primarily driven by decreased customer demand.

Selling, General, and Administrative Expenses

Consolidated SG&A expenses decreased $0.5 million, or 0.1%, to $807.0 million and increased as a percentage of consolidated net sales by approximately 360 bps to 38.7%. This increase in SG&A rate was primarily driven by fixed cost deleverage on decreased sales, increased performance-based compensation expense, increased consulting and professional fees, retail store openings, and organizational restructuring charges, partially offset by expense related to the relocation of inventory from an exited third-party warehouse in the third quarter of fiscal 2022 that did not reoccur in the third quarter of fiscal 2023, decreased marketing expense, and a gain on the partial termination of a corporate office lease.

Operating Income

Consolidated operating income decreased $82.3 million, or 30.5%, to $187.3 million and decreased as a percentage of net sales by approximately 270 bps to 9.0% primarily due to the factors discussed above.

Interest Expense

Interest expense decreased $7.2 million, or 21.4%, to $26.3 million. Weighted-average borrowings for the first three quarters of fiscal 2023 were $556.8 million at an effective interest rate of 6.17%, compared to weighted-average borrowings for the first three quarters of fiscal 2022 of $757.8 million at an effective interest rate of 5.81%.

The decrease in weighted-average borrowings was attributable to the early extinguishment of our $500 million in aggregate principal amount of 5.500% senior notes due May 2025 in the second quarter of fiscal 2022 and decreased borrowings under our secured revolving credit facility for the period. The increase in the effective interest rate was primarily due to increased interest rates on our secured revolving credit facility, reflecting the broader rise in market interest rates.

Loss on Extinguishment of Debt

During the second quarter of fiscal 2022, loss on extinguishment of debt was $19.9 million due to the early extinguishment of our $500 million in aggregate principal amount of 5.500% senior notes due May 2025.

Income Taxes

Our consolidated income tax provision decreased $8.1 million, or 17.5%, to $38.3 million and the effective tax rate increased 180 bps to 23.3%. The increased effective tax rate primarily relates to a higher proportion of income generated in the United States, which is a higher tax jurisdiction relative to the locations of our international operations.

Net Income

Our consolidated net income decreased $43.9 million, or 25.8%, to $126.0 million, primarily due to the factors previously discussed.

Results by Segment - First Three Quarters of Fiscal 2023 compared to First Three Quarters of Fiscal 2022

The following table summarizes net sales and operating income, by segment, for the first three quarters of fiscal 2023 and fiscal 2022:

(dollars in thousands)	Three fiscal quarters ended September 30, 2023	% of consolidated net sales	October 1, 2022	% of consolidated net sales	$ Change	% Change
Net sales:						
U.S. Retail	$ 1,021,983	49.0 %	$ 1,153,664	50.1 %	$ (131,681)	(11.4)%
U.S. Wholesale	767,194	36.7 %	819,772	35.6 %	(52,578)	(6.4)%
International	298,553	14.3 %	327,167	14.3 %	(28,614)	(8.7)%
Consolidated net sales	$ 2,087,730	100.0 %	$ 2,300,603	100.0 %	$ (212,873)	(9.3)%
Operating income:		% of segment net sales		% of segment net sales		
U.S. Retail	$ 103,132	10.1 %	$ 163,257	14.2 %	$ (60,125)	(36.8)%
U.S. Wholesale	147,003	19.2 %	134,088	16.4 %	12,915	9.6 %
International	23,193	7.8 %	39,665	12.1 %	(16,472)	(41.5)%
Unallocated corporate expenses	(85,983)	n/a	(67,385)	n/a	(18,598)	27.6 %
Consolidated operating income	$ 187,345	9.0 %	$ 269,625	11.7 %	$ (82,280)	(30.5)%

U.S. Retail

U.S. Retail segment net sales decreased $131.7 million, or 11.4%, to $1.02 billion. The decrease in net sales was primarily driven by macroeconomic factors driving lower consumer demand. This decreased demand resulted in lower traffic and decreased units per transaction in our eCommerce channels and in our retail stores. Units sold decreased mid-teens, while average selling prices per unit increased mid-single digits due to improved price realization. Comparable net sales, including retail stores and eCommerce, decreased 12.8% primarily driven by the factors mentioned above.

U.S. Retail segment operating income decreased $60.1 million, or 36.8%, to $103.1 million, primarily due to a decrease in gross profit of $76.3 million, partially offset by a decrease in SG&A expenses of $18.1 million. Operating margin decreased 410 bps to 10.1% primarily due to a 430 bps increase in SG&A rate, partially offset by a 30 bps increase in gross margin. The increase in gross margin was primarily due to increased average selling prices per unit and decreased fabric purchase commitment charges and inventory provisions, partially offset by increased product costs and an increased mix of clearance sales. Average cost per unit sold increased mid-single digits, reflecting increases to product input costs, partially offset by decreased ocean freight rates. The increase in the SG&A rate was primarily driven by fixed cost deleverage on decreased net sales, increased performance-based compensation expense, and retail store openings, partially offset by decreased marketing expense.

U.S. Wholesale

U.S. Wholesale segment net sales decreased $52.6 million, or 6.4%, to $767.2 million. The decrease was primarily driven by macroeconomic factors and reflects lower seasonal bookings and planned inventory reductions by our wholesale customers driving lower consumer replenishment demand. Units sold decreased high-single digits, while average selling prices per unit increased low-single digits.

U.S. Wholesale segment operating income increased $12.9 million, or 9.6%, to $147.0 million, primarily due to an increase in gross profit of $5.0 million and a decrease in SG&A expenses of $8.9 million. Operating margin increased 280 bps to 19.2%. The primary drivers of the increase in operating margin were a 240 bps increase in gross margin and a 40 bps decrease in SG&A rate. The increase in gross margin was primarily due to increased average selling prices per unit, decreased fabric purchase commitment charges and inventory provisions, and decreased air freight costs. These factors were partially offset by increased average cost per unit sold and an unfavorable customer mix due to more off-priced sales. Average cost per unit sold increased low-single digits, reflecting increases to product input costs, partially offset by decreased ocean freight rates. The decrease in the SG&A rate was primarily driven by expenses related to the relocation of inventory from an exited third-party warehouse in the first three quarters of fiscal 2022 that did not reoccur in the first three quarters of fiscal 2023, partially offset by fixed cost deleverage on decreased sales and increased performance-based compensation expense.

International

International segment net sales decreased $28.6 million, or 8.7%, to $298.6 million. Changes in foreign currency exchange rates, primarily between the U.S. dollar and the Canadian dollar, had a $2.2 million unfavorable effect on International segment net sales. The decrease in net sales was primarily driven by decreased net sales in Canada, decreased demand from our international wholesale partners, and a strengthening of the U.S. Dollar against other foreign currencies. These decreases were partially offset by growth in sales in our Mexico retail stores and wholesale channels and increased average selling prices per unit. Units sold decreased low-teens, while average selling prices per unit increased mid-single digits.

Canadian comparable net sales, including retail stores and eCommerce, decreased 5.6% primarily driven by decreased traffic in our eCommerce channel and in our retail stores.

International segment operating income decreased $16.5 million, or 41.5%, to $23.2 million, primarily due to a decrease in gross profit of $7.7 million and an increase in SG&A expenses of $7.8 million. Operating margin decreased 430 bps to 7.8%. The primary drivers of the decrease in operating margin were a 580 bps increase in the SG&A rate, partially offset by a 160 bps increase in gross margin. The increase in gross margin was primarily due to increased average selling prices per unit and decreased fabric purchase commitment charges and inventory provisions, partially offset by increased average cost per unit sold. Average cost per unit sold increased low-single digits, reflecting increases to product input costs, partially offset by decreased ocean freight rates. The decrease in the SG&A rate was primarily due to fixed cost deleverage on decreased sales, increased investments in our Mexican retail stores and technology, and increased performance-based compensation expense.

Unallocated Corporate Expenses

Unallocated corporate expenses increased $18.6 million, or 27.6%, to $86.0 million and unallocated corporate expenses, as a percentage of consolidated net sales, increased 120 bps to 4.1%. The increase as a percentage of consolidated net sales was primarily due to fixed cost deleverage on decreased sales, increased consulting and professional fees, organizational restructuring charges, and increased performance-based compensation expense.

RECONCILIATION OF NON-GAAP FINANCIAL MEASURES TO GAAP MEASURES

We have provided non-GAAP adjusted operating income, income taxes, net income, and diluted net income per common share measures, which exclude certain items presented below. We believe that this information provides a meaningful comparison of our results and affords investors a view of what management considers to be our core performance. These measures are not in accordance with, or an alternative to, generally accepted accounting principles in the U.S. (GAAP). The most comparable GAAP measures are operating income, income tax provision, net income, and diluted net income per common share, respectively. Adjusted operating income, income taxes, net income, and diluted net income per common share should not be considered in isolation or as a substitution for analysis of our results as reported in accordance with GAAP. Other companies may calculate adjusted operating income, income taxes, net income, and diluted net income per common share differently than we do, limiting the usefulness of the measure for comparisons with other companies.

	Fiscal quarter ended									
	September 30, 2023					October 1, 2022				
(In millions, except earnings per share)	**Operating Income**	**% Net Sales**	**Income Taxes**	**Net Income**	**Diluted Net Income per Common Share**	**Operating Income**	**% Net Sales**	**Income Taxes**	**Net Income**	**Diluted Net Income per Common Share**
As reported (GAAP)	**$ 93.4**	**11.8 %**	**$ 19.2**	**$ 66.1**	**$ 1.78**	**$ 91.6**	**11.2 %**	**$ 15.9**	**$ 65.0**	**$ 1.67**
Organizational restructuring(*)	2.9		0.7	2.2	0.06	—		—	—	—
As adjusted	**$ 96.3**	**12.2 %**	**$ 19.9**	**$ 68.4**	**$ 1.84**	**$ 91.6**	**11.2 %**	**$ 15.9**	**$ 65.0**	**$ 1.67**

(*) Relates to charges for organizational restructuring and related corporate office lease amendment actions.

Note: Results may not be additive due to rounding.

	Three fiscal quarters ended									
	September 30, 2023					October 1, 2022				
(In millions, except earnings per share)	**Operating Income**	**% Net Sales**	**Income Taxes**	**Net Income**	**Diluted Net Income per Common Share**	**Operating Income**	**% Net Sales**	**Income Taxes**	**Net Income**	**Diluted Net Income per Common Share**
As reported (GAAP)	**$ 187.3**	**9.0 %**	**$ 38.3**	**$ 126.0**	**$ 3.36**	**$ 269.6**	**11.7 %**	**$ 46.4**	**$ 169.9**	**$ 4.26**
Organizational restructuring[(1)]	4.4		1.0	3.4	0.09	—		—	—	—
Loss on extinguishment of debt[(2)]	—		—	—	—	—		4.8	15.2	0.38
As adjusted	**$ 191.8**	**9.2 %**	**$ 39.3**	**$ 129.4**	**$ 3.45**	**$ 269.6**	**11.7 %**	**$ 51.2**	**$ 185.0**	**$ 4.64**

(1) Relates to charges for organizational restructuring and related corporate office lease amendment actions.

(2) Relates to a loss on extinguishment of debt of $19.9 million due to the redemption of the $500 million aggregate principal amount of senior notes due 2025 in April 2022.

Note: Results may not be additive due to rounding.

FINANCIAL CONDITION, CAPITAL RESOURCES, AND LIQUIDITY

Our ongoing cash needs are primarily for working capital, capital expenditures, employee compensation, interest on debt, the return of capital to our shareholders, and other general corporate purposes. We expect that our primary sources of liquidity will be cash and cash equivalents on hand, cash flow from operations, and available borrowing capacity under our secured revolving credit facility. We believe that our sources of liquidity are sufficient to meet our cash requirements for at least the next twelve months. However, these sources of liquidity may be affected by events described in the "Forward-Looking Statements" section of this Form 10-Q, including, but not limited to, our risk factors discussed under the heading "Risk Factors" in our most recently filed Annual Report on Form 10-K and in other reports filed with the Securities and Exchange Commission from time to time.

As discussed under the heading "Recent Developments" in this Quarterly Report on Form 10-Q and in our most recently filed Annual Report on Form 10-K, we expect inflationary pressures and declining consumer sentiment to continue and to adversely impact our financial results in fiscal 2023. We cannot predict the timing and amount of such impact.

As of September 30, 2023, we had approximately $169.1 million of cash and cash equivalents held at major financial institutions, including approximately $40.7 million held at financial institutions located outside of the United States. We maintain cash deposits with major financial institutions that exceed the insurance coverage limits provided by the Federal Deposit Insurance Corporation in the United States and by similar insurers for deposits located outside the United States. To mitigate this risk, we utilize a policy of allocating cash deposits among major financial institutions that have been evaluated by us and third-party rating agencies as having acceptable risk profiles.

Balance Sheet

Net accounts receivable at September 30, 2023 were $240.5 million compared to $265.6 million at October 1, 2022 and $198.6 million at December 31, 2022. The overall decrease of $25.1 million, or 9.4%, at September 30, 2023 compared to October 1, 2022 primarily reflects decreased net sales and the timing of wholesale customer shipments and associated payments. Due to the seasonal nature of our operations, the net accounts receivable balance at September 30, 2023 is not comparable to the net accounts receivable balance at December 31, 2022.

Inventories at September 30, 2023 were $620.7 million compared to $899.3 million at October 1, 2022 and $744.6 million at December 31, 2022. The decrease of $278.7 million, or 31.0%, at September 30, 2023 compared to October 1, 2022 was primarily due to decreased in-transit inventory, decreased "pack and hold" inventory, and lower forecasted net sales for fiscal 2023. Due to the seasonal nature of our operations, the inventory balance at September 30, 2023 is not comparable to the inventories balance at December 31, 2022.

Accounts payable at September 30, 2023 were $222.2 million compared to $318.0 million at October 1, 2022 and $264.1 million at December 31, 2022. The decrease of $95.8 million, or 30.1%, at September 30, 2023 compared to October 1, 2022 was primarily due to decreased in-transit inventory, including decreased accruals of freight and duties on in-transit inventory.

Due to the seasonal nature of our operations, the accounts payable balance at September 30, 2023 is not comparable to the accounts payable balance at December 31, 2022.

Cash Flow

Net Cash Provided by (Used in) Operating Activities

Net cash provided by operating activities was $205.8 million for the first three quarters of fiscal 2023 compared to net cash used in operating activities of $217.5 million in the first three quarters of fiscal 2022. Our cash flow provided by operating activities is driven by net income and changes in our working capital. The increase in operating cash flow was primarily due to favorable changes in working capital, including the reductions in inventories, and lower payments of performance-based compensation, partially offset by decreased net income.

Net Cash Used in Investing Activities

Net cash used in investing activities was $42.5 million for the first three quarters of fiscal 2023 compared to $26.9 million in the first three quarters of fiscal 2022. The increase in net cash used in investing activities was primarily due to increased capital expenditures. Capital expenditures in the first three quarters of fiscal 2023 primarily included $28.8 million for U.S and international retail store openings and remodels, $8.0 million for information technology, and $5.0 million for our distribution facilities.

We plan to invest approximately $65.0 million in capital expenditures in fiscal 2023, which primarily relates to U.S. and international retail store openings and remodels, investments in our distribution facilities, and strategic information technology initiatives.

Net Cash Used in Financing Activities

Net cash used in financing activities was $206.6 million in the first three quarters of fiscal 2023 compared to $616.4 million in the first three quarters of fiscal 2022. This change in cash flow from financing activities was primarily due to the early extinguishment of our $500 million in aggregate principal amount of 5.500% senior notes due May 2025 in the second quarter of fiscal 2022 and decreased common stock share repurchases, partially offset by payments on our secured revolving credit facility.

Secured Revolving Credit Facility

As of September 30, 2023, we had $70.0 million outstanding borrowings under our secured revolving credit facility, exclusive of $4.4 million of outstanding letters of credit. As of September 30, 2023, there was approximately $775.6 million available for future borrowing. In October 2023 and subsequent to the third quarter of fiscal 2023, we paid $70.0 million on our secured revolving credit facility. As of October 27, 2023, the Company had no outstanding borrowings under our secured revolving credit facility. Any outstanding borrowings under our secured revolving credit facility are classified as non-current liabilities on our condensed consolidated balance sheets due to contractual repayment terms under the credit facility. However, these repayment terms also allow us to repay some or all of the outstanding borrowings at any time.

As of September 30, 2023, the interest rate margins applicable to the secured revolving credit facility were 1.125% for adjusted term SOFR rate loans and 0.125% for base rate loans. As of September 30, 2023, the applicable borrowing rate for the secured revolving credit facility was approximately 6.55%, consisting of an adjusted term SOFR rate plus the applicable margin. As of September 30, 2023, the Company was in compliance with the financial and other covenants under the secured revolving credit facility.

Senior Notes

As of September 30, 2023, the Company had outstanding $500.0 million principal amount of senior notes, bearing interest at a rate of 5.625% per annum, and scheduled to mature on March 15, 2027. On our condensed consolidated balance sheets, the $500.0 million of outstanding senior notes as of September 30, 2023 is reported net of $2.8 million of unamortized issuance-related debt costs.

Share Repurchases

In the first three quarters of fiscal 2023, we repurchased and retired 975,358 shares in open market transactions for approximately $67.5 million, at an average price of $69.20 per share. In the first three quarters of fiscal 2022, we repurchased and retired 2,942,481 shares in open market transactions for approximately $241.8 million, at an average price of $82.16 per share.

The total remaining capacity under outstanding repurchase authorizations as of September 30, 2023 was approximately $682.0 million, based on settled repurchase transactions. The share repurchase authorizations have no expiration dates.

Future repurchases may occur from time to time in the open market, in privately negotiated transactions, or otherwise. The timing and amount of any repurchases will be at the discretion of the Company subject to restrictions under the Company's secured revolving credit facility and considerations given to market conditions, stock price, other investment priorities, and other factors.

Dividends

In each of the first three quarters of fiscal 2023, the Board of Directors declared, and the Company paid, a cash dividend per common share of $0.75 (for an aggregate cash dividend per common share of $2.25 for the first three quarters of fiscal 2023). Additionally, in each of the first three quarters of fiscal 2022, the Board of Directors declared, and the Company paid, a cash dividend per common share of $0.75 (for an aggregate cash dividend per common share of $2.25 for the first three quarters of fiscal 2022).

Our Board of Directors will evaluate future dividend declarations based on a number of factors, including restrictions under the Company's secured revolving credit facility, business conditions, the Company's financial performance, and other considerations.

Provisions in our secured revolving credit facility could have the effect of restricting our ability to pay cash dividends on, or make future repurchases of, our common stock, as further described in Note 6, *Long-term Debt*, to the consolidated financial statements.

Seasonality

We experience seasonal fluctuations in our sales and profitability due to the timing of certain holidays and key retail shopping periods, which generally has resulted in lower sales and gross profit in the first half of our fiscal year versus the second half of the fiscal year. Accordingly, our results of operations during the first half of the year may not be indicative of the results we expect for the full year.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Our discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues, expenses, and related disclosure of contingent assets and liabilities. We base our estimates on historical experience and on various other assumptions that we believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

Our critical accounting policies and estimates are described under the heading "Critical Accounting Policies and Estimates" in Item 7 of our most recent Annual Report on Form 10-K for the 2022 fiscal year ended December 31, 2022. Our critical accounting policies and estimates are those policies that require management's most difficult and subjective judgments and may result in the need to make estimates about the effect of matters that are inherently uncertain. Our critical accounting policies and estimates include revenue recognition and accounts receivable allowance, inventory, goodwill and tradename, accrued expenses, loss contingencies, accounting for income taxes, foreign currency, employee benefit plans, and stock-based compensation arrangements. There have been no material changes in these critical accounting policies and estimates from those described in our most recent Annual Report on Form 10-K.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Currency and Interest Rate Risks

In the operation of our business, we have market risk exposures including those related to foreign currency risk and interest rates. These risks, and our strategies to manage our exposure to them, are discussed below.

Currency Risk

We contract for production with third parties, primarily in Asia. While these contracts are stated in U.S. dollars, there can be no assurance that the cost for the future production of our products will not be affected by exchange rate fluctuations between the

U.S. dollar and the local currencies of these contractors. Due to the number of currencies involved, we cannot quantify the potential impact that future currency fluctuations may have on our results of operations in future periods.

The financial statements of our foreign subsidiaries that are denominated in functional currencies other than the U.S. dollar are translated into U.S. dollars using period-end exchange rates for assets and liabilities and weighted-average exchange rates for revenues and expenses. Gains and losses resulting from translating assets and liabilities from the functional currency to U.S. dollars are included in Accumulated other comprehensive income (loss).

Our foreign subsidiaries typically record sales denominated in currencies other than the U.S. dollar, which are then translated into U.S. dollars using weighted-average exchange rates. Changes in foreign currency exchange rates used for translation in the third quarter of fiscal 2023, as compared to the third quarter of fiscal 2022, had a favorable effect on our consolidated net sales of approximately $1.2 million. Changes in foreign currency exchange rates used for translation in the first three quarters of fiscal 2023, as compared to the first three quarters of fiscal 2022, had an unfavorable effect on our consolidated net sales of approximately $2.2 million.

Fluctuations in exchange rates between the U.S. dollar and other currencies may affect our results of operations, financial position, and cash flows. Transactions by our foreign subsidiaries may be denominated in a currency other than the entity’s functional currency. Foreign currency transaction gains and losses also include the impact of intercompany loans with foreign subsidiaries that are marked to market. In our consolidated statement of operations, these gains and losses are recorded within Other (income) expense, net. Foreign currency transaction gains and losses related to intercompany loans with foreign subsidiaries that are of a long-term nature are accounted for as translation adjustments and are included in Accumulated other comprehensive income (loss).

Interest Rate Risk

Our operating results are subject to risk from interest rate fluctuations on our secured revolving credit facility, which carries variable interest rates. As of September 30, 2023, there were $70.0 million variable rate borrowings outstanding under the secured revolving credit facility. As a result, the impact of a hypothetical 100 bps increase in the effective interest rate would result in additional interest expense of $0.7 million over a 12-month period.

Other Risks

We enter into various purchase order commitments with our suppliers. We generally can cancel these arrangements, although in some instances we may be subject to a termination charge reflecting a percentage of work performed prior to cancellation.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Our Chief Executive Officer and Chief Financial Officer have evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined under Rules 13a-15(e) and 15d-15(e) promulgated under the Securities Exchange Act of 1934, as amended) as of the end of the period covered by this Quarterly Report on Form 10-Q. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures are effective as of September 30, 2023.

Changes in Internal Control over Financial Reporting

The principal executive officer and principal financial officer also conducted an evaluation of the Company’s internal control over financial reporting (“Internal Control”) to determine whether any changes in Internal Control occurred during the fiscal quarter ended September 30, 2023 that have materially affected, or which are reasonably likely to materially affect, Internal Control.

There were no changes in the Company’s Internal Control that materially affected, or were likely to materially affect, such control over financial reporting during the fiscal quarter ended September 30, 2023.

PART II

ITEM 1. LEGAL PROCEEDINGS

The Company is subject to various claims and pending or threatened lawsuits in the normal course of our business. The Company is not currently a party to any legal proceedings that it believes would have a material adverse effect on its financial position, results of operations, or cash flows.

ITEM 1A. RISK FACTORS

There have been no material changes to the risk factors described in our Form 10-K for the 2022 fiscal year ended December 31, 2022.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Share Repurchases

The following table provides information about share repurchases during the third quarter of fiscal 2023:

Period	Total number of shares purchased(1)	Average price paid per share(2)	Total number of shares purchased as part of publicly announced plans or programs(3)	Approximate dollar value of shares that may yet be purchased under the plans or programs(4)
July 2, 2023 through July 29, 2023	129,485	$ 73.36	129,485	$ 700,105,395
July 30, 2023 through August 26, 2023	60,163	$ 72.51	57,804	$ 695,913,828
August 27, 2023 through September 30, 2023	202,715	$ 68.47	202,715	$ 682,034,279
Total	392,363		390,004	

(1) Includes shares of our common stock surrendered by our employees to satisfy required tax withholding upon the vesting of restricted stock awards. There were 2,359 shares surrendered between July 30, 2023 and August 26, 2023.

(2) The average price paid per share excludes excise tax on share repurchases imposed as part of the Inflation Reduction Act of 2022.

(3) Share purchases during the third quarter of fiscal 2023 were made in compliance with all applicable rules and regulations and in accordance with the share repurchase authorizations described in Note 5, Common Stock, to our accompanying unaudited condensed consolidated financial statements included in Part I. Item 1 of this Quarterly Report on Form 10-Q.

(4) Under share repurchase authorizations approved by our Board of Directors. The share repurchase authorizations have no expiration date.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

N/A

ITEM 4. MINE SAFETY DISCLOSURES

N/A

ITEM 5. OTHER INFORMATION

Securities Trading Plans of Directors and Executive Officers

The following table provides information about trading plans adopted or terminated for the purchase or sale of the Company's securities during the third quarter of fiscal 2023:

Name and Title	Action	Adoption Date	Trading Plans: Rule 10b5-1 (1)	Trading Plans: Non-Rule 10b5-1 (2)	Number of Securities to be Sold	Expiration Date
Michael D. Casey, Chairman & Chief Executive Officer	Adoption	8/2/2023	x	—	89,139 (3)	11/6/2024
Richard F. Westenberger, Executive Vice President & Chief Financial Officer	Adoption	8/4/2023	x	—	3,800 (4)	2/16/2024
Brian J. Lynch, President & Chief Operating Officer	Adoption	8/4/2023	x	—	19,500 (5)	11/1/2024

(1) Intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) under the Exchange Act.

(2) A "Non-Rule 10b5-1 Trading Arrangement" as defined under Item 408(c) of Regulation S-K under the Exchange Act and not intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) under the Exchange Act.

(3) Relates to (i) the potential exercises of up to 30,000 vested stock options and the potential sales of shares of the Company's common stock received upon such exercises and (ii) the potential sales of up to 59,139 shares of the Company's common stock.

(4) Relates to the potential exercises of vested stock options and the potential sales of shares of the Company's common stock received upon such exercises.

(5) Relates to (i) the potential exercises of up to 7,500 vested stock options and the potential sales of shares of the Company's common stock received upon such exercises and (ii) the potential sales of up to 12,000 shares of the Company's common stock.

ITEM 6. EXHIBITS

Exhibit Number	Exhibit Description	Incorporated by Reference: Form	Incorporated by Reference: Exhibit Number	Incorporated by Reference: Filing Date	Filed Herewith
3.1	Amended and Restated Certificate of Incorporation of Carter's, Inc.	8-K	3.1	May 23, 2017	
3.2	Amended and Restated By-Laws of Carter's, Inc.	8-K	3.1	August 18, 2023	
31.1	Rule 13a-15(e)/15d-15(e) and 13a-15(f)/15d-15(f) Certification.				X
31.2	Rule 13a-15(e)/15d-15(e) and 13a-15(f)/15d-15(f) Certification.				X
32	Section 1350 Certification.				X
101.INS	XBRL Instance Document - the instant document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document				X
101.SCH	XBRL Taxonomy Extension Schema Document				X
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document				X
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document				X
101.LAB	XBRL Taxonomy Extension Label Linkbase Document				X
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document				X
104	The cover page from this Current Report on Form 10-Q formatted as Inline XBRL				X

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

CARTER’S, INC.

October 27, 2023	/s/ MICHAEL D. CASEY
	Michael D. Casey *Chief Executive Officer* *(Principal Executive Officer)*
October 27, 2023	/s/ RICHARD F. WESTENBERGER
	Richard F. Westenberger *Executive Vice President and* *Chief Financial Officer* *(Principal Financial and Accounting Officer)*

Exhibit 31.1

CERTIFICATION

I, Michael D. Casey, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Carter’s, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    (c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    (d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

October 27, 2023

/s/ MICHAEL D. CASEY

Michael D. Casey
Chief Executive Officer

Exhibit 31.2

CERTIFICATION

I, Richard F. Westenberger, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Carter’s, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    (c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    (d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

October 27, 2023

/s/ RICHARD F. WESTENBERGER

Richard F. Westenberger
Chief Financial Officer

Exhibit 32

CERTIFICATION

Each of the undersigned in the capacity indicated hereby certifies that, to his knowledge, this Report on Form 10-Q for the fiscal quarter ended September 30, 2023 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, and the information contained in this Report fairly presents, in all material respects, the financial condition and results of operations of Carter's, Inc.

October 27, 2023	/s/ MICHAEL D. CASEY
	Michael D. Casey *Chief Executive Officer*
October 27, 2023	/s/ RICHARD F. WESTENBERGER
	Richard F. Westenberger *Chief Financial Officer*

The foregoing certifications are being furnished solely pursuant to 18 U.S.C. § 1350 and are not being filed as part of the Report on Form 10-Q or as a separate disclosure document.