



**carter's, inc.**

**Fourth Quarter/Fiscal Year 2021 Results  
&  
Business Update**

**February 25, 2022**

# Fourth Quarter 2021 Results

(GAAP Basis)



\$ in millions, except EPS

	<b>Q4 2021</b> (13 weeks)	<i>% of</i> <i>Sales</i>	<b>Q4 2020</b> (14 weeks)	<i>% of</i> <i>Sales</i>	<b>Increase / (Decrease)</b>
Net sales	\$1,062		\$990		7%
Gross profit	493	46.4%	466	47.1%	6%
Royalty income	6	0.6%	6	0.6%	(2%)
SG&A	361	34.0%	338	34.2%	7%
Operating income	138	13.0%	134	13.5%	3%
Interest, net	14	1.3%	15	1.5%	(7%)
Other income, net	-	-	(2)	(0.2%)	N/M
Income before taxes	123	11.6%	121	12.2%	2%
Income tax provision	26		22		21%
Net income	\$97	9.1%	\$99	10.0%	(2%)
<b>Diluted EPS</b>	<b>\$2.31</b>		<b>\$2.26</b>		<b>2%</b>
Weighted average shares outstanding	41		43		(5%)
EBITDA <sup>1</sup>	\$164	15.4%	\$160	16.2%	2%

<sup>1</sup> Non-GAAP measure; see reconciliation to net income in appendix.

Note: Results may not be additive due to rounding.

# Non-GAAP Adjustments



\$ in millions, except EPS

	Fourth Quarter					
	2021 (13 weeks)			2020 (14 weeks)		
	Operating Income	% Net Sales	Diluted EPS	Operating Income	% Net Sales	Diluted EPS
<b>As reported (GAAP)</b>	<b>\$138.0</b>	<b>13.0%</b>	<b>\$2.31</b>	<b>\$133.9</b>	<b>13.5%</b>	<b>\$2.26</b>
COVID-19 expenses	0.4		-	2.5		0.04
Restructuring (benefit) costs	(0.1)		-	7.9		0.14
Store lease (benefit) impairments, net	(0.4)		-	1.2		0.02
Total adjustments	(0.1)		-	11.6		0.20
<b>As adjusted</b>	<b>\$137.8</b>	<b>13.0%</b>	<b>\$2.31</b>	<b>\$145.5</b>	<b>14.7%</b>	<b>\$2.46</b>

	Fiscal Year					
	2021 (52 weeks)			2020 (53 weeks)		
	Operating Income	% Net Sales	Diluted EPS	Operating Income	% Net Sales	Diluted EPS
<b>As reported (GAAP)</b>	<b>\$497.1</b>	<b>14.3%</b>	<b>\$7.81</b>	<b>\$189.9</b>	<b>6.3%</b>	<b>\$2.50</b>
COVID-19 expenses	3.9		0.07	21.4		0.37
Restructuring costs	2.4		0.04	16.6		0.30
Store lease (benefit) impairments, net	(2.6)		(0.05)	7.6		0.13
Intangible asset impairment	-		-	26.5		0.46
Goodwill impairment	-		-	17.7		0.40
Total adjustments	3.7		0.06	89.9		1.66
<b>As adjusted</b>	<b>\$500.8</b>	<b>14.4%</b>	<b>\$7.87</b>	<b>\$279.8</b>	<b>9.3%</b>	<b>\$4.17</b>

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

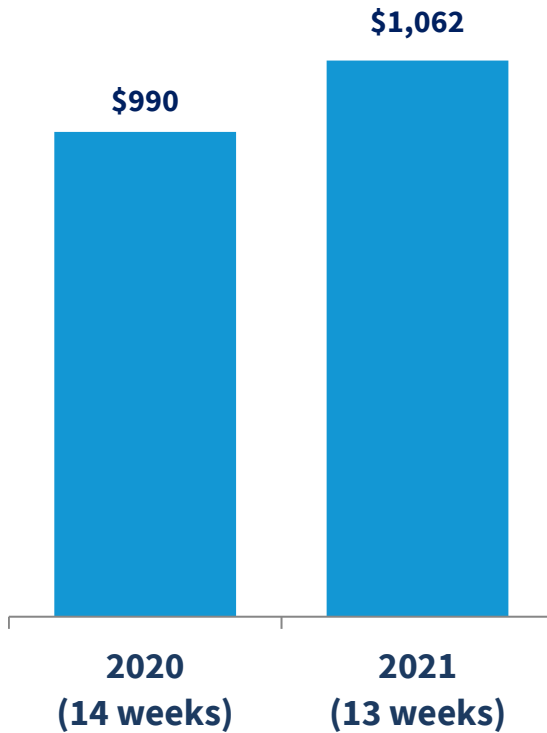
# Fourth Quarter 2021 Highlights



\$ in millions, except EPS

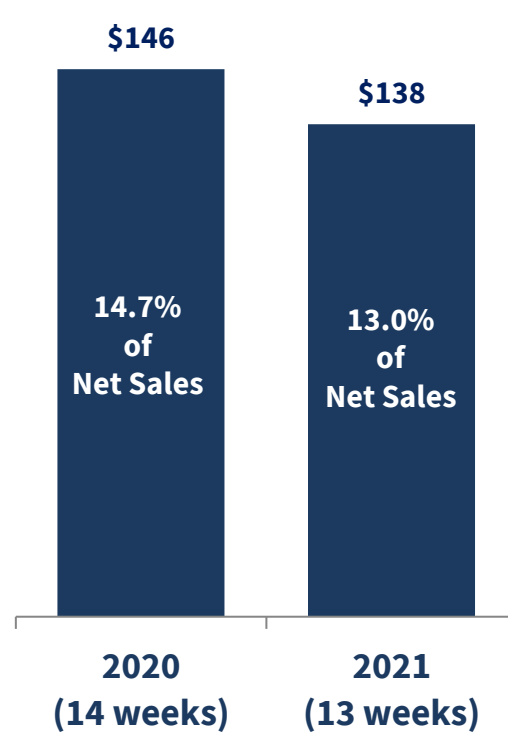
## Net Sales

+7%



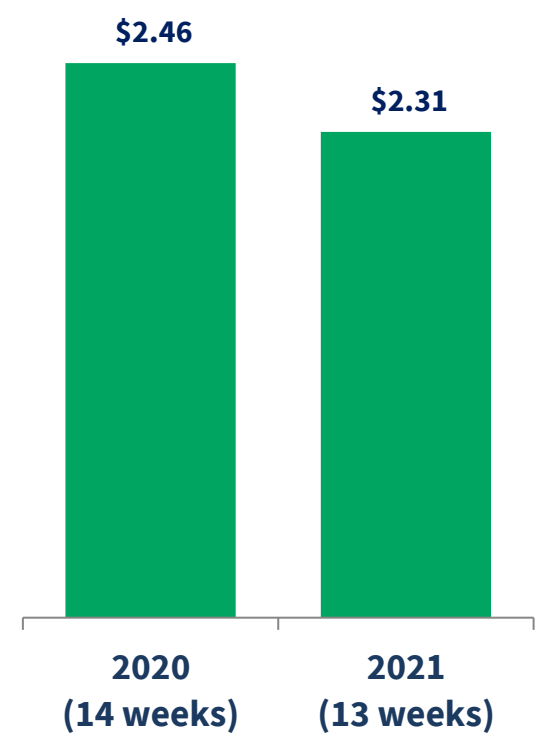
## Adjusted Operating Income<sup>1</sup> (Adjusted Operating Margin)

-5%



## Adjusted Diluted EPS<sup>1</sup>

-6%



**Net Sales +11% on  
Comparable Week Basis<sup>1</sup>**

<sup>1</sup>See reconciliation to GAAP in appendix. Note: bars not to scale.

# Fourth Quarter 2021 Adjusted Results<sup>1</sup>



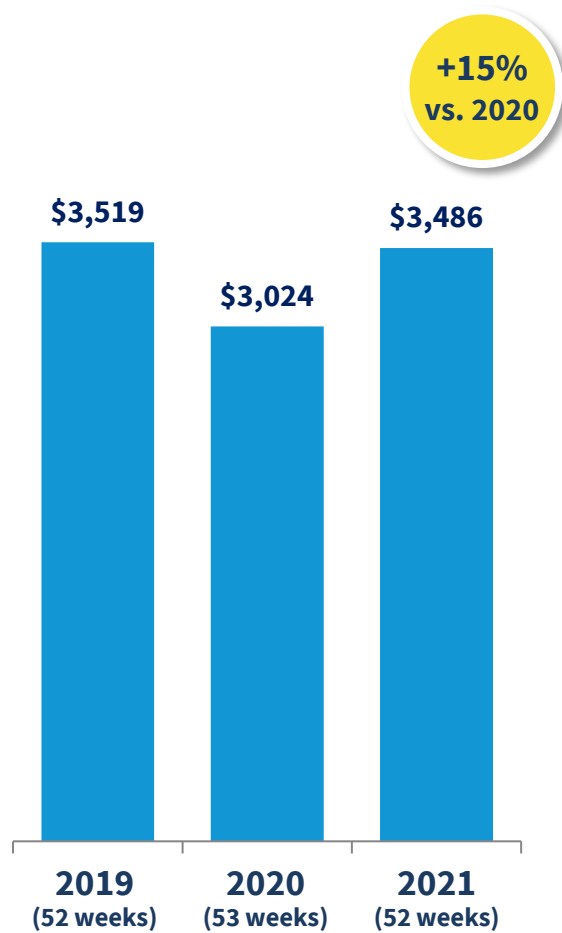
\$ in millions, except EPS

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Royalty income	6	0.6%	6	0.6%	(2%)
Adjusted SG&A	361	34.0%	327	33.0%	10%
Adjusted operating income	138	13.0%	145	14.7%	(5%)
Interest, net	14	1.3%	15	1.5%	(7%)
Other income, net	-	-	(2)	(0.2%)	N/M
Adjusted income before taxes	123	11.6%	133	13.4%	(7%)
Adjusted income tax provision	26		25		7%
Adjusted net income	\$97	9.1%	\$108	10.9%	(10%)
<b>Adjusted diluted EPS</b>	<b>\$2.31</b>		<b>\$2.46</b>		<b>(6%)</b>
Weighted average shares outstanding	41		43		(5%)
Adjusted EBITDA	\$164	15.4%	\$172	17.4%	(5%)

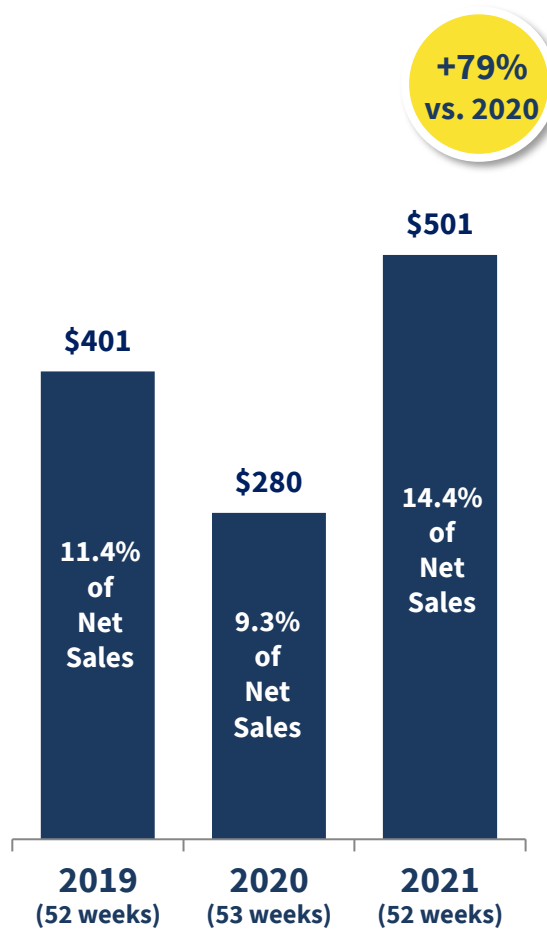
<sup>1</sup> Certain measures are presented on an adjusted basis, a non-GAAP presentation; see reconciliation to GAAP in appendix.  
Note: Results may not be additive due to rounding.

\$ in millions, except EPS

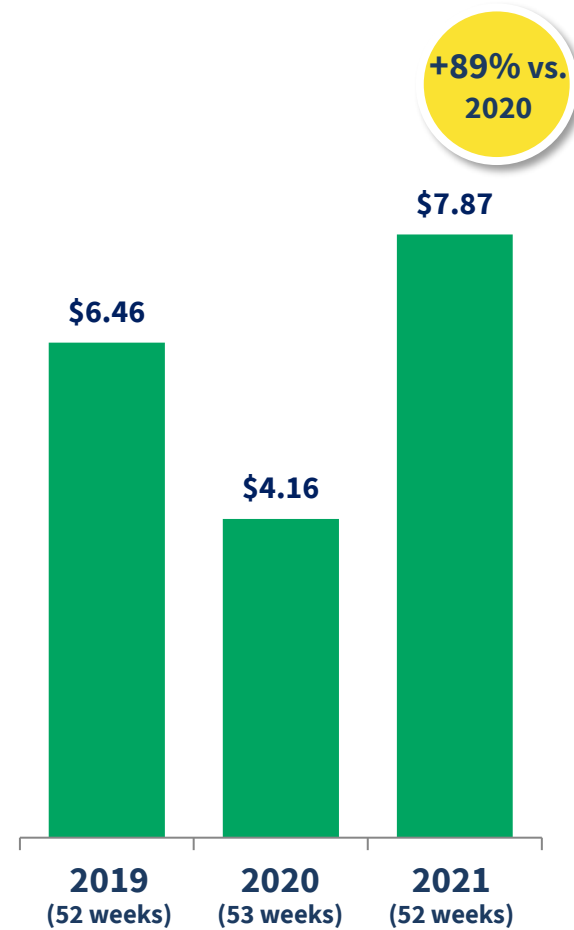
## Net Sales



## Adjusted Operating Income<sup>1</sup> (Adjusted Operating Margin)



## Adjusted Diluted EPS<sup>1</sup>



**Net Sales +17% vs. 2020 on Comparable Week Basis<sup>1</sup>**

<sup>1</sup> See reconciliation to GAAP in appendix.

# Fiscal Year 2021 Highlights



- **Strong sales recovery from pandemic (+15%)**
- **Record profitability driven by structural changes:**
  - Rationalization of product choices
  - Closure of low-margin stores
  - Leaner inventories
  - More impactful & effective marketing
  - Improved price realization
- **Resumed return of capital program: distributed \$359M to shareholders**
- **Published first annual Corporate Social Responsibility report**
- **Rated top employer by Forbes**

\$ in millions

## Balance Sheet (Year End)

	2021	2020
Cash	\$984	\$1,102
Accounts receivable	231	187
Inventory	648	599
Accounts payable	407	472
Long-term debt	991	990
Operating lease liabilities	589	740

- **Total liquidity at year end: \$1.7B**
  - ~\$1B cash on-hand
  - ~\$750M available revolver capacity
- **Increased accounts receivable reflects higher Wholesale sales**
- **Higher inventory balance primarily related to higher in-transit inventory (factory / transportation delays)**
- **Accounts payable lower due to normalization of vendor payment terms**

## Cash Flow (Fiscal Year)

	2021	2020
Operating cash flow	\$268	\$588
Capital expenditures	(37)	(33)
Free cash flow <sup>1</sup>	\$231	\$556
	2021	2020
Share repurchases	\$299	\$45
Dividends	60	26
Total	\$359	\$72

- **Operating cash flow reflects strong earnings and the normalization of vendor payment terms which were extended during the pandemic**
- **\$359M capital returned to shareholders in 2021**
  - Highest annual distribution in the last five years
- **Quarterly dividend increased by 25% to \$0.75/share, beginning Q1 2022**
- **Board of Directors authorized new \$1.0 billion repurchase authorization**

<sup>1</sup> Non-GAAP measure.



## Business Segment Results



# Fourth Quarter Segment Performance<sup>1</sup>



\$ in millions

	Net Sales			Adjusted Operating Income			Adjusted Operating Margin	
	2021	2020	\$ Change	2021	2020	\$ Change	2021	2020
<b>U.S. Retail</b>	\$603	\$586	\$17	\$117	\$112	\$5	19.5%	19.1%
<b>U.S. Wholesale</b>	317	290	27	45	54	(9)	14.1%	18.6%
<b>International</b>	142	114	28	22	15	7	15.7%	13.3%
Total before corporate expenses	1,062	990	72	184	181	3	17.4%	18.3%
<b>Corporate expenses</b>				(47)	(36)	(11)	(4.4%)	(3.6%)
<b>Total</b>	<b>\$1,062</b>	<b>\$990</b>	<b>\$72</b>	<b>\$138</b>	<b>\$145</b>	<b>(\$8)</b>	<b>13.0%</b>	<b>14.7%</b>

<sup>1</sup> Results presented on an adjusted basis, a non-GAAP presentation; see reconciliation to GAAP in appendix.  
Note: Results may not be additive due to rounding.

## U.S. Retail

- **Total Retail comp +15%**
- **Improved traffic trend**
- **Full year omnichannel sales +35% vs. LY – our highest margin customers**
- **Highest quarterly operating margin in over a decade, driven by better price realization**

## U.S. Wholesale

- **Strong demand – net sales +9%, reflecting lower than planned cancellations**
- **Profitability impacted by higher transportation costs, including air freight, and higher provisions for compensation**

## International

- **Strong growth – net sales +25%**
- **All businesses achieved sales and earnings growth**
- **Operating margin expansion driven by strong sales growth and improved pricing**

# Carter's is the Only Children's Apparel Brand on the Inaugural *Forbes* Halo 100 List



- **Recognizes excellence in delivering the experience that customers want to have**

**carter's**

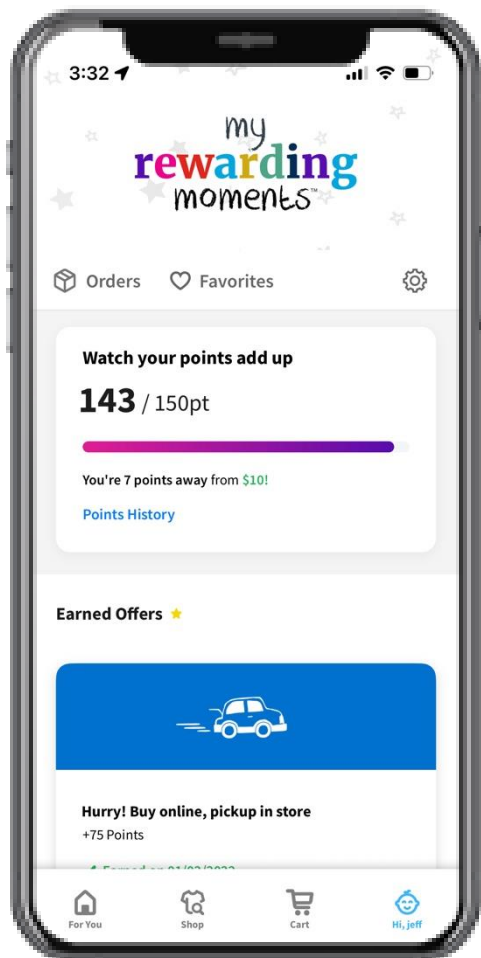
- **#1 in Kids**
- **#5 in Apparel**
- **#40 Overall**

## Top Apparel Brand Rankings

Brand	Apparel	Overall
Vans	1	15
Bath & Body Works	2	18
Columbia Sportswear	3	25
New Balance	4	31
<b>Carter's</b>	<b>5</b>	<b>40</b>
Adidas	6	48
Levi's	7	55
Under Armour	8	57
Converse	9	58
Skechers	10	59

# My Rewarding Moments is the #1 Baby & Children's Clothing Loyalty Program

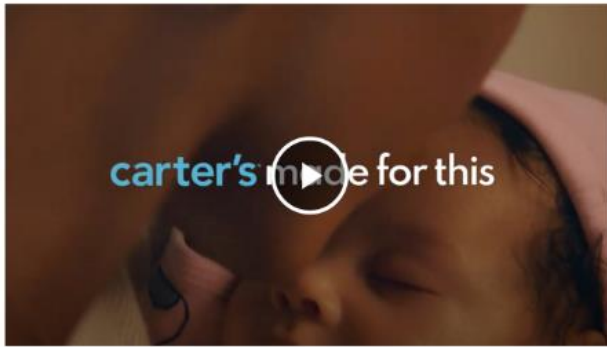
carter's



- **Award-winning program generates rich data to fuel personalization & media optimization to drive growth**
- **Digitally native program**
- **Carter's Credit Card holders receive top-tier benefits**
- **90% of our U.S. Retail sales are linked to our loyalty program**

# Acquiring New Parents Through Emotional Brand Campaigns

**carter's**  
made for this



New baby, new everything. It's not always easy—not by a long shot. But you're doing better than you know. Especially where it matters most.

Everything you're giving is enough.  
YOU are enough.

To every parent, grandparent, caregiver and family: **you are made for this.**

**WATCH NOW**

Congrats to Romelo, our first  
*Baby of the Month*



**More on January's**  
*wonderful winner...*

**Birthday:** July 2021 **Hometown:** Philadelphia, PA  
**Nickname:** Melo **Favorite food:** Blended mangos  
**What makes him smile:** Tickling his feet!

*“Romelo is currently learning how to splash water during bath time. We love him dearly.”*

You could win a \$500 Carter's gift card by entering next month! Just go to [CartersBabyContest.com](https://CartersBabyContest.com)

**2022, baby!**

Expecting a little someone new in 2022?  
*Congrats! And welcome to parenthood.*



**2,022 boxes**  
**22 consecutive days**

**ENTER BELOW**





“Ok, can you PLEASE make toddler clothes?? This is too cute!”

@triciabitter

Our signature gauze overalls now sizes nb-5t



[shop organic gauze](#)

sunny day dresses

Soft, organic cotton gauze meets a modern easygoing dress. Spontaneous picnics? We're ready.

organic gauze dresses sizes nb-5t

meet fresh new styles

Think breezy dresses, french terry shorts and the perfect seasonless popover, just to name a few.

[shop toddler](#)



# Skip Hop Achieved Record Performance in 2021

**carter's**



# Carter's Exclusive Brands Continue to Drive Results Across Target, Walmart & Amazon

**carter's**



**Bring on spring**  
Explore sunny styles for baby.

**just one you**  
made by carter's

Available in sizes 12m - 5t.

**just one you**  
made by carter's

**child of mine**  
made by carter's

**Spring jammies**  
Super-snuggly PJs that bring sweet spring dreams.

**child of mine**  
made by carter's

**simple joys**  
by carter's

**Simply festive jammies**  
exclusively on amazon

Shop now

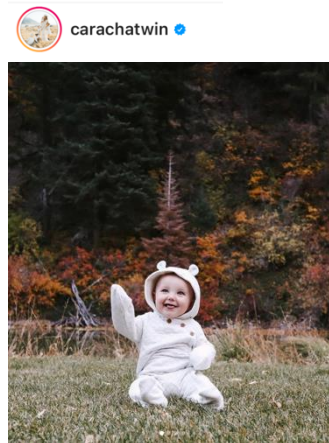
**simple joys**  
by carter's

**simple joys**  
by carter's

# KOHL'S

## Influencer Campaign (1.4M Followers)

## February Baby Sale



**BABY SALE**  
Featuring up to 40% off Carter's clothing.  
Select styles. Ends February 27.  
[Shop Now](#)

**Snuggly styles in the sweetest prints.**  
[Shop Pajamas](#)

**Everything baby needs for a stylish start.**  
[Shop New Baby & Gifts](#)

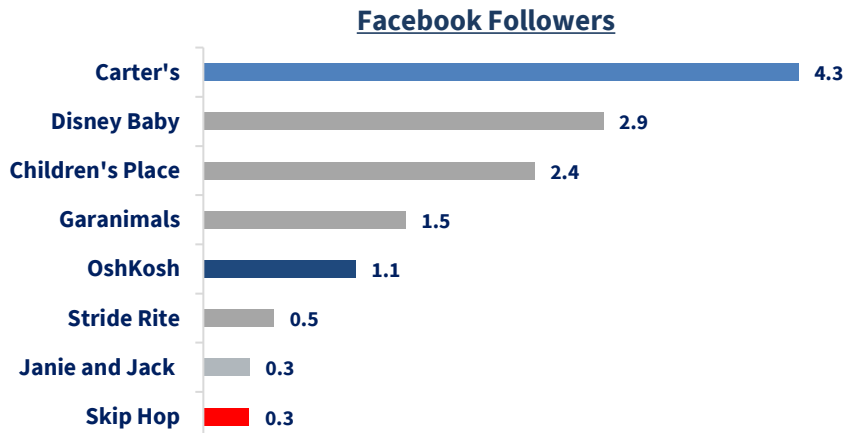
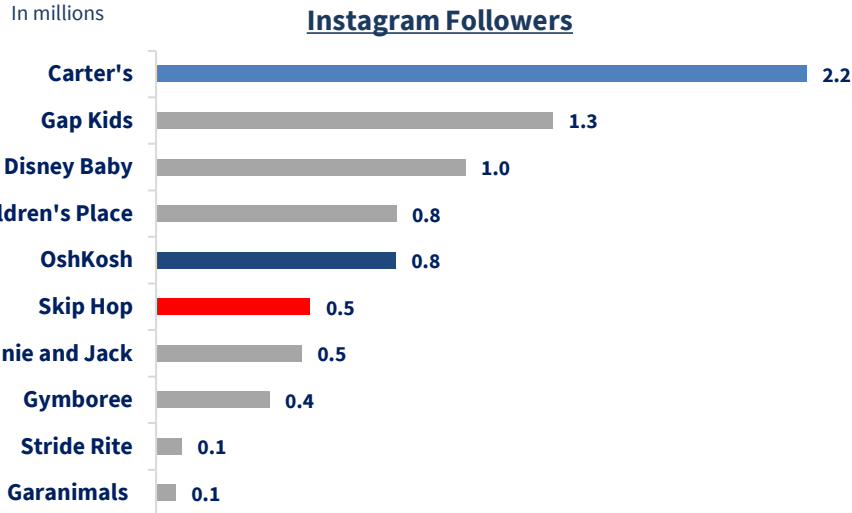
- Baby Girls' Preemie-24M
- Baby Boys' Preemie-24M
- Toddler Girls' 2T-5T
- Toddler Boys' 2T-5T
- Girls' 4-14
- Boys' 4-14

**carter's**  
Her new fave looks are right here.

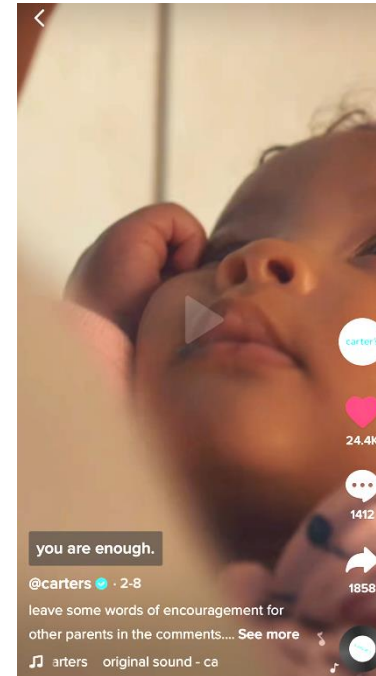
# Carter's Continues to Lead in Consumer Engagement in Social Media



**Our Brands have a strong consumer following on Instagram and Facebook<sup>1</sup>**



**Carter's, OshKosh, SkipHop & Little Planet continue to lead in social engagement<sup>2</sup> and expand to new platforms**



<sup>1</sup> Source: Instagram and Facebook as of 13/31/21. <sup>2</sup> Third party engagement scoring on Instagram (October – December 2021). Engagement peer set includes Carter's, OshKosh B'gosh, Skip Hop, Little Planet, The Children's Place, Janie and Jack & Gap Kids.

## Strong 2021 Results

- Net sales \$461M, +29%
- Adj. operating margin 14.4%, +730 bps<sup>1</sup>

13% of Consolidated Sales

~3,900 International Points of Distribution

## Multi-Channel Business Model

### Company-Owned Operations

- **Canada**
  - #1 market share
  - DTC: 186 stores & eCommerce
  - Wholesale
- **Mexico**
  - DTC: 43 stores & eCommerce
  - Wholesale

### Multi-National Retailers

### Partners

- Approximately 40 partners operating in 90 markets
- >1,100 points of distribution
- >100 eCommerce sites

# New International Stores

(Opened Q4 2021)



Mexico (Guadalajara)

Brazil (Sao Paulo)



A close-up photograph of a baby with light skin and blue eyes, looking upwards with an open mouth. The baby is wearing a light blue ribbed shirt with a pattern of small black line drawings of animals. In the background, a larger, faint line drawing of a hippopotamus is visible on a light-colored wall.

# Strategy & Outlook

## Key Strengths & Competitive Advantages

- **Strong portfolio of brands, including two of the best known and trusted names in young children's apparel**
- **#1 market share in North America**
- **Less discretionary purchase**
- **Successful multi-channel business model with most extensive distribution of children's apparel in North America**
- **Long track record of growth and strong operating margins and cash flow generation**
- **Strong balance sheet with substantial liquidity**





## **PURPOSE**

To inspire  
generations raising the future

## **VISION**

To be the world's favorite brands in young  
children's apparel and related products

## **MISSION**

To serve the needs of all families with young children

## **STRATEGIC PILLARS**

**Lead in  
eCommerce**

**Win in  
Baby**

**Age Up**

**Expand  
Globally**

# Five Year Growth Objectives



## Growth Objectives (2021 – 2026)

	Target 5-Year CAGR	2026 Objectives
<b>Net Sales</b> U.S. Retail U.S. Wholesale International	<b>Low single-digit</b> Low single-digit Mid single-digit Mid single-digit	<b>&gt;\$4B</b>
<b>Adjusted Operating Income<sup>1</sup></b>	<b>Mid single-digit</b>	<b>&gt;\$600M</b>
<b>Adjusted EPS<sup>1</sup></b>	<b>High single-digit</b>	<b>&gt;\$12.00</b>

## Growth Drivers

### Sales

- **Compelling product offerings**
  - Growth in baby, playwear and sleepwear categories
  - Higher mix of sustainable / organic product offerings
  - Expanding choices for older children (ages 4-10)
- **Omnichannel capabilities**
- **Resumption of store openings**
- **Marketing personalization**
- **Exclusive brands with largest retailers; strong recovery with other retailers**
- **International expansion**

### Earnings

- **Higher mix of omnichannel sales**
- **Store productivity**
- **SKU optimization / inventory productivity**
- **Price realization**
- **Sourcing efficiencies**
- **Debt reduction**
- **Share repurchases**

<sup>1</sup> Forward-looking adjusted operating income and adjusted diluted EPS have not been reconciled to their most directly comparable GAAP measures – see page 44.

**Strong Operating  
Cash Flow Over  
Past 5 Years**

**\$1.9B**

**Return of Capital  
to Shareholders  
Since 2007**

**\$2.5B**

**Projecting Strong  
Operating Cash  
Flow Next 5 Years**

**>\$2B**

## Capital Allocation Priorities

- Invest in growth strategies
- Reduce debt
- Evaluate M&A opportunities
- Return excess capital to shareholders

## Return of Capital Plan

- Share Repurchases
- \$1.0 billion through 2025

- Dividends
- Grow dividends with earnings

Fiscal  
Year  
2022

- **Net sales growth of 2% – 3%**
- **Adjusted operating income growth of 4% – 6%**
  - vs. adjusted \$501 million in fiscal 2021
- **Adjusted diluted EPS growth of 12% – 14%**
  - vs. adjusted \$7.87 in fiscal 2021
- **Operating cash flow: \$325 – \$350 million**
- **CapEx: \$60 – \$65 million**
- **Outlook reflects:**
  - Strength of our merchandising and marketing initiatives
  - Better mix & level of inventories
  - Gradual improvement in supply chain performance
  - Improved price realization
  - Lower incentive compensation provisions
  - Lower interest expense
  - Benefit of share repurchases



<sup>1</sup> FY 2022 outlook excludes ~\$21 million of charges related to early extinguishment of debt. Forward-looking adjusted operating income and adjusted diluted EPS have not been reconciled to their most directly comparable GAAP measures – see page 44.

## Q1 2022

- **Net sales: \$740 – \$750 million**
- **Adjusted operating income: \$85 – \$90 million**
  - vs. adjusted \$129 million Q1 2021
- **Adjusted diluted EPS: \$1.25 – \$1.35**
  - vs. adjusted \$1.98 Q1 2021
- **Outlook reflects:**
  - Lower sales due to: the non-comping benefit of significant government stimulus in 2021, prior year store closures, Easter holiday demand shift into the second quarter, and lingering supply chain delays
  - Higher mix of off-price channel sales to clear late fall 2021 deliveries
  - Continued market recovery from COVID-19
  - Benefit from higher vaccination rates
  - Continued progress improving price realization to mitigate impact of inflation

## First Half 2022

- **Net sales: \$1,550 – \$1,565 million**
- **Adjusted operating income: \$195 – \$205 million**
  - vs. adjusted \$239 million first half 2021
- **Adjusted diluted EPS: \$3.05 – \$3.25**
  - vs. adjusted \$3.64 first half 2021



<sup>1</sup> First half 2022 outlook excludes ~\$21 million of charges related to early extinguishment of debt. Forward-looking adjusted operating income and adjusted diluted EPS have not been reconciled to their most directly comparable GAAP measures – see page 44.

Thank you!



# Appendix



# Fiscal Year Results

(GAAP Basis)



\$ in millions, except EPS

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Net sales	\$3,486		\$3,024		15%
Gross profit	1,662	47.7%	1,313	43.4%	27%
Royalty income	29	0.8%	26	0.9%	9%
SG&A	1,194	34.2%	1,106	36.6%	8%
Goodwill impairment	-	-	18	0.6%	(100%)
Intangible asset impairment	-	-	27	0.9%	(100%)
Operating income	497	14.3%	190	6.3%	162%
Interest and other, net	59	1.7%	55	1.8%	7%
Income before taxes	438	12.6%	135	4.5%	225%
Income tax provision	99		25		290%
Net income	\$340	9.7%	\$110	3.6%	210%
<b>Diluted EPS</b>	<b>\$7.81</b>		<b>\$2.50</b>		<b>212%</b>
Weighted average shares outstanding	43		43		(1%)
EBITDA <sup>1</sup>	\$592	17.0%	\$284	9.4%	109%

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



# Fiscal Year Adjusted Results<sup>1</sup>



\$ in millions, except EPS

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Royalty income	29	0.8%	26	0.9%	9%
Adjusted SG&A	1,190	34.1%	1,060	35.0%	12%
Adjusted operating income	501	14.4%	280	9.3%	79%
Interest and other, net	59	1.7%	55	1.8%	7%
Adjusted income before taxes	442	12.7%	225	7.4%	97%
Adjusted income tax provision	99		42		135%
Adjusted net income	\$342	9.8%	\$183	6.0%	88%
<b>Adjusted diluted EPS</b>	<b>\$7.87</b>		<b>\$4.16</b>		<b>89%</b>
Weighted average shares outstanding	43		43		(1%)
Adjusted EBITDA	\$594	17.0%	\$373	12.3%	59%

<sup>1</sup> Results are presented on an adjusted basis, a non-GAAP presentation; see reconciliation to GAAP in appendix.  
Note: Results may not be additive due to rounding.

# Fiscal Year 2021 Adjusted Segment Performance<sup>1</sup>



\$ in millions

	Net Sales			Adjusted Operating Income			Adjusted Operating Margin	
	2021	2020	\$ Growth	2021	2020	\$ Growth	2021	2020
<b>U.S. Retail</b>	\$1,899	\$1,672	\$228	\$367	\$183	\$184	19.3%	10.9%
<b>U.S. Wholesale</b>	1,126	996	130	197	161	36	17.5%	16.2%
<b>International</b>	461	357	104	66	25	41	14.4%	7.1%
Total before corporate expenses	3,486	3,024	462	630	370	261	18.1%	12.2%
<b>Corporate expenses</b>				(130)	(90)	(40)	(3.7%)	(3.0%)
<b>Total</b>	<b>\$3,486</b>	<b>\$3,024</b>	<b>\$462</b>	<b>\$501</b>	<b>\$280</b>	<b>\$221</b>	<b>14.4%</b>	<b>9.3%</b>

<sup>1</sup> Results presented on an adjusted basis, a non-GAAP presentation; see reconciliation to GAAP in appendix.  
Note: Results may not be additive due to rounding.

# Q4 Reconciliation of Adjusted Net Income Allocable to Common Shareholders



	Fiscal Quarter Ended	
	January 1, 2022	January 2, 2021
Weighted-average number of common and common equivalent shares outstanding:		
Basic number of common shares outstanding	41,335,042	43,284,847
Dilutive effect of equity awards	136,992	143,789
Diluted number of common and common equivalent shares outstanding	41,472,034	43,428,636

	Fiscal Quarter Ended			
	As reported on a GAAP Basis		As adjusted (a)	
	January 1, 2022	January 2, 2021	January 1, 2022	January 2, 2021
<i>\$ in thousands, except EPS</i>				
Basic net income per common share:				
Net income	\$96,973	\$99,014	\$96,896	\$107,850
Income allocated to participating securities	(1,203)	(1,011)	(1,201)	(1,101)
Net income available to common shareholders	\$95,770	\$98,003	\$95,695	\$106,749
Basic net income per common share	\$2.32	\$2.26	\$2.32	\$2.47
Diluted net income per common share:				
Net income	\$96,973	\$99,014	\$96,896	\$107,850
Income allocated to participating securities	(1,200)	(1,007)	(1,198)	(1,097)
Net income available to common shareholders	\$95,773	\$98,007	\$95,698	\$106,753
Diluted net income per common share	\$2.31	\$2.26	\$2.31	\$2.46

(a) In addition to the results provided in this earnings release in accordance with GAAP, the Company has provided adjusted, non-GAAP financial measurements that present per share data excluding the adjustments discussed in following slides. The Company has excluded \$(0.1) million and \$8.8 million in after-tax expenses (benefit) from these results for the fiscal quarters ended January 1, 2022 and January 2, 2021, respectively.

# Fiscal Year Reconciliation of Adjusted Net Income Allocable to Common Shareholders



	Fiscal Year Ended	
	January 1, 2022	January 2, 2021
Weighted-average number of common and common equivalent shares outstanding:		
Basic number of common shares outstanding	42,853,009	43,242,967
Dilutive effect of equity awards	149,619	164,754
Diluted number of common and common equivalent shares outstanding	<u>43,002,628</u>	<u>43,407,721</u>

	Fiscal Year Ended			
	As reported on a GAAP Basis		As adjusted (a)	
	January 1, 2022	January 2, 2021	January 1, 2022	January 2, 2021
<i>\$ in thousands, except EPS</i>				
Basic net income per common share:				
Net income	\$339,748	\$109,717	\$342,475	\$182,550
Income allocated to participating securities	(4,113)	(1,118)	(4,147)	(1,877)
Net income available to common shareholders	<u>\$335,635</u>	<u>\$108,599</u>	<u>\$338,328</u>	<u>\$180,673</u>
Basic net income per common share	\$7.83	\$2.51	\$7.90	\$4.18
Diluted net income per common share:				
Net income	\$339,748	\$109,717	\$342,475	\$182,550
Income allocated to participating securities	(4,102)	(1,115)	(4,135)	(1,871)
Net income available to common shareholders	<u>\$335,646</u>	<u>\$108,602</u>	<u>\$338,340</u>	<u>\$180,679</u>
Diluted net income per common share	\$7.81	\$2.50	\$7.87	\$4.16

(a) In addition to the results provided in this earnings release in accordance with GAAP, the Company has provided adjusted, non-GAAP financial measurements that present per share data excluding the adjustments discussed in following slides. The Company has excluded \$2.7 million and \$72.8 million in after-tax expenses from these results for the fiscal years ended January 1, 2022 and January 2, 2021, respectively.

# Reconciliation of Adjusted to Reported Earnings



\$ in millions, except EPS

Fourth Quarter of Fiscal 2021 (13 weeks)								Segment Reporting							
	SG&A	% of net sales	Operating Income	% of net sales	Income Taxes	Net Income	Diluted EPS	U.S. Retail Operating Income	% of segment net sales	U.S. Wholesale Operating Income	% of segment net sales	International Operating Income	% of segment net sales	Corporate Operating Expenses	% of total net sales
<b>As reported (GAAP)</b>	<b>\$361.0</b>	<b>34.0%</b>	<b>\$138.0</b>	<b>13.0%</b>	<b>\$26.5</b>	<b>\$97.0</b>	<b>\$2.31</b>	<b>\$117.5</b>	<b>19.5%</b>	<b>\$44.6</b>	<b>14.1%</b>	<b>\$22.3</b>	<b>15.7%</b>	<b>(\$46.5)</b>	<b>(4.4%)</b>
Retail store operating leases and other long-lived asset impairments, net of gain	0.4		(0.4)		(0.1)	(0.3)	(0.01)	(0.4)		-		-		-	
Restructuring costs (b)	0.1		(0.1)		-	(0.1)	-	-		-		-		(0.1)	
COVID-19 expenses (c)	(0.4)		0.4		0.1	0.3	0.01	0.2		0.2		-		-	
<b>As adjusted (a)</b>	<b>\$361.1</b>	<b>34.0%</b>	<b>\$137.9</b>	<b>13.0%</b>	<b>\$26.5</b>	<b>\$96.9</b>	<b>\$2.31</b>	<b>\$117.3</b>	<b>19.5%</b>	<b>\$44.8</b>	<b>14.1%</b>	<b>\$22.3</b>	<b>15.7%</b>	<b>(\$46.6)</b>	<b>(4.4%)</b>

Fourth Quarter of Fiscal 2020 (14 weeks)								Segment Reporting							
	SG&A	% of net sales	Operating Income	% of net sales	Income Taxes	Net Income	Diluted EPS	U.S. Retail Operating Income	% of segment net sales	U.S. Wholesale Operating Income	% of segment net sales	International Operating Income	% of segment net sales	Corporate Operating Expenses	% of total net sales
<b>As reported (GAAP)</b>	<b>\$338.4</b>	<b>34.2%</b>	<b>\$133.9</b>	<b>13.5%</b>	<b>\$21.9</b>	<b>\$99.0</b>	<b>\$2.26</b>	<b>\$107.9</b>	<b>18.4%</b>	<b>\$52.3</b>	<b>18.0%</b>	<b>\$14.6</b>	<b>12.8%</b>	<b>(\$40.9)</b>	<b>(4.1%)</b>
Restructuring costs (b)	(7.9)		7.9		1.9	6.0	0.14	1.6		0.5		0.3		5.4	
COVID-19 expenses (c)	(2.5)		2.5		0.6	1.9	0.04	1.3		1.1		0.2		-	
Retail store operating leases and other long-lived asset impairments, net of gain	(1.2)		1.2		0.3	0.9	0.02	1.1		-		0.1		-	
<b>As adjusted (a)</b>	<b>\$326.8</b>	<b>33.0%</b>	<b>\$145.5</b>	<b>14.7%</b>	<b>\$24.7</b>	<b>\$107.9</b>	<b>\$2.46</b>	<b>\$111.9</b>	<b>19.1%</b>	<b>\$53.9</b>	<b>18.6%</b>	<b>\$15.2</b>	<b>13.3%</b>	<b>(\$35.5)</b>	<b>(3.6%)</b>

Fiscal Year 2021 (52 weeks)								Segment Reporting							
	SG&A	% of net sales	Operating Income	% of net sales	Income Taxes	Net Income	Diluted EPS	U.S. Retail Operating Income	% of segment net sales	U.S. Wholesale Operating Income	% of segment net sales	International Operating Income	% of segment net sales	Corporate Operating Expenses	% of total net sales
<b>As reported (GAAP)</b>	<b>\$1,193.9</b>	<b>34.2%</b>	<b>\$497.1</b>	<b>14.3%</b>	<b>\$98.5</b>	<b>\$339.7</b>	<b>\$7.81</b>	<b>\$368.2</b>	<b>19.4%</b>	<b>\$195.4</b>	<b>17.3%</b>	<b>\$63.8</b>	<b>13.8%</b>	<b>(\$130.3)</b>	<b>(3.7%)</b>
Retail store operating leases and other long-lived asset impairments, net of gain	2.6		(2.6)		(0.6)	(2.0)	(0.05)	(2.6)		-		-		-	
COVID-19 expenses (c)	(3.9)		3.9		1.0	3.0	0.07	2.0		1.7		0.2		-	
Restructuring costs (b)	(2.4)		2.4		0.6	1.8	0.04	(0.6)		0.1		2.3		0.7	
<b>As adjusted (a)(j)</b>	<b>\$1,190.2</b>	<b>34.1%</b>	<b>\$500.8</b>	<b>14.4%</b>	<b>\$99.5</b>	<b>\$342.5</b>	<b>\$7.87</b>	<b>\$367.0</b>	<b>19.3%</b>	<b>\$197.1</b>	<b>17.5%</b>	<b>\$66.4</b>	<b>14.4%</b>	<b>(\$129.7)</b>	<b>(3.7%)</b>

Note: Results may not be additive due to rounding.

# Reconciliation of Adjusted to Reported Earnings

(Continued)



\$ in millions, except EPS

Fiscal Year 2020 (53 weeks)								Segment Reporting							
	SG&A	% of net sales	Operating Income	% of net sales	Income Taxes	Net Income	Diluted EPS	U.S. Retail Operating Income	% of segment net sales	U.S. Wholesale Operating Income	% of segment net sales	International Operating Income	% of segment net sales	Corporate Operating Expenses	% of total net sales
<b>As reported (GAAP)</b>	<b>\$1,105.6</b>	36.6%	<b>\$189.9</b>	6.3%	<b>\$25.3</b>	<b>\$109.7</b>	<b>2.50</b>	<b>\$146.8</b>	8.8%	<b>\$141.5</b>	14.2%	<b>(\$1.2)</b>	(0.3%)	<b>(\$97.2)</b>	(3.2%)
Intangible asset impairment (d)	-		26.5		6.3	20.2	0.46	14.1		8.4		4.1		-	
Goodwill impairment (e)	-		17.7		-	17.7	0.40	-		-		17.7		-	
COVID-19 expenses (c)	(21.4)		21.4		5.2	16.2	0.37	9.6		9.6		2.2		-	
Restructuring costs (b)	(16.6)		16.6		3.8	12.9	0.29	5.0		2.0		2.2		7.4	
Retail store operating leases and other long-lived asset impairments, net of gain	(7.6)		7.6		1.8	5.8	0.13	7.4		-		0.3		-	
<b>As adjusted (a)</b>	<b>\$1,059.9</b>	35.0%	<b>\$279.8</b>	9.3%	<b>\$42.3</b>	<b>\$182.6</b>	<b>4.16</b>	<b>\$182.9</b>	10.9%	<b>\$161.4</b>	16.2%	<b>\$25.2</b>	7.1%	<b>(\$89.7)</b>	(3.0%)

Fiscal Year 2019	Gross Profit	% of net sales	SG&A	% of net sales	Operating Income	% of net sales	Income Taxes	Net Income	Diluted EPS
<b>As reported (GAAP)</b>	<b>\$1,508.6</b>	42.9%	<b>\$1,140.5</b>	32.4%	<b>\$371.9</b>	10.6%	<b>\$64.2</b>	<b>\$263.8</b>	<b>\$5.85</b>
Restructuring costs (b)	-		(1.6)		1.6		0.3	1.3	0.03
Store restructuring (f)	-		0.7		(0.7)		(0.1)	(0.6)	(0.01)
Intangible asset impairment (d)	-		-		30.8		7.1	23.7	0.52
Debt extinguishment loss (g)	-		-		-		1.8	6.0	0.13
Customer bankruptcy recovery (h)	-		0.6		(0.6)		(0.2)	(0.4)	(0.01)
China business model change (i)	(2.1)		-		(2.1)		-	(2.1)	(0.05)
<b>As adjusted (a)</b>	<b>\$1,506.5</b>	42.8%	<b>\$1,140.1</b>	32.4%	<b>\$401.0</b>	11.4%	<b>\$73.2</b>	<b>\$291.7</b>	<b>\$6.46</b>

First Quarter of Fiscal 2021	SG&A	% of net sales	Operating Income	% of net sales	Income Taxes	Net Income	Diluted EPS
<b>As reported (GAAP)</b>	<b>\$271.9</b>	34.5%	<b>\$127.5</b>	16.2%	<b>\$27.1</b>	<b>\$86.2</b>	<b>\$1.96</b>
COVID-19 expenses (c)	(2.1)		2.1		0.5	1.6	0.04
Restructuring costs (b)	(0.5)		0.5		0.1	0.4	0.01
Retail store operating leases and other long-lived asset impairments, net of gain	1.5		(1.5)		(0.4)	(1.2)	(0.03)
<b>As adjusted (a) (J)</b>	<b>\$270.9</b>	34.4%	<b>\$128.5</b>	16.3%	<b>\$27.3</b>	<b>\$87.0</b>	<b>\$1.98</b>

Note: Results may not be additive due to rounding.

# Reconciliation of Adjusted to Reported Earnings

(Continued)



\$ in millions, except EPS

First Half 2021	SG&A	% of net sales	Operating Income	% of net sales	Income Taxes	Net Income	Diluted EPS
<b>As reported (GAAP)</b>	<b>\$539.7</b>	<b>35.2%</b>	<b>\$235.1</b>	<b>15.3%</b>	<b>\$48.7</b>	<b>\$157.8</b>	<b>\$3.58</b>
COVID-19 expenses (c)	(3.2)		3.2		0.8	2.4	0.05
Restructuring costs (b)	(2.7)		2.7		0.7	2.0	0.05
Retail store operating leases and other long-lived asset impairments, net of gain	1.9		(1.9)		(0.5)	(1.5)	(0.03)
<b>As adjusted (a) (j)</b>	<b>\$535.8</b>	<b>34.9%</b>	<b>\$239.0</b>	<b>15.6%</b>	<b>\$49.7</b>	<b>\$160.7</b>	<b>\$3.64</b>

- (a) In addition to the results provided in this earnings release in accordance with GAAP, the Company has provided adjusted, non-GAAP financial measurements that present gross profit, SG&A, operating income, income taxes, net income, and net income on a diluted share basis excluding the adjustments discussed above. The Company believes these adjustments provide a meaningful comparison of the Company's results and afford investors a view of what management considers to be the Company's core performance. These measures are used by the Company's executive management to assess the Company's performance. The adjusted, non-GAAP financial measurements included in this earnings release should not be considered as an alternative to net income or as any other measurement of performance derived in accordance with GAAP. The adjusted, non-GAAP financial measurements are presented for informational purposes only and are not necessarily indicative of the Company's future condition or results of operations.
- (b) Certain lease exit, severance and related costs resulting from restructuring actions (not related to COVID-19).
- (c) Net expenses incurred due to the COVID-19 pandemic, including incremental employee-related costs, costs associated with additional protective equipment and cleaning supplies, restructuring costs, and a payroll tax benefit.
- (d) Intangible impairment charges related to the OshKosh and Skip Hop tradename assets.
- (e) Goodwill impairment charge recorded in the International segment.
- (f) Reversal of retail store restructuring costs previously recorded during the third quarter of fiscal 2017.
- (g) Related to the redemption of the \$400 million aggregate principal amount of senior notes due 2021 in March 2019 that were previously issued by a wholly-owned subsidiary of the Company.
- (h) Related to the Toys "R" Us bankruptcy.
- (i) Benefit related to the sale of inventory previously reserved in China.
- (j) Adjusted results exclude a customer bankruptcy recovery of \$38,000.

# Reconciliation of Adjusted EBITDA to Net Income



	\$ in millions			
	Fiscal Quarter Ended		Fiscal Year Ended	
	January 1, 2022 (13 weeks)	January 2, 2021 (14 weeks)	January 1, 2022 (52 weeks)	January 2, 2021 (53 weeks)
Net income	\$97.0	\$99.0	\$339.7	\$109.7
Interest expense	14.5	15.5	60.3	56.1
Interest income	(0.3)	(0.3)	(1.1)	(1.5)
Tax expense	26.5	21.9	98.5	25.3
Depreciation and amortization	26.0	24.2	94.1	94.0
<b>EBITDA</b>	<b>\$163.6</b>	<b>\$160.4</b>	<b>\$591.6</b>	<b>\$283.5</b>
<b>Adjustments to EBITDA</b>				
COVID-19 expenses (a)	\$0.4	\$2.5	\$3.9	\$21.4
Retail store operating leases and other long-lived asset impairments, net of gain	(0.4)	1.2	(2.6)	7.6
Restructuring costs (b)	(0.1)	7.7	1.2	16.2
Intangible asset impairment (c)	-	-	-	26.5
Goodwill impairment (d)	-	-	-	17.7
Total adjustments	(\$0.1)	\$11.4	\$2.5	\$89.5
<b>Adjusted EBITDA (e)</b>	<b>\$163.5</b>	<b>\$171.8</b>	<b>\$594.1</b>	<b>\$373.0</b>

(a) Net expenses incurred due to the COVID-19 pandemic.

(b) Certain lease exit, severance and related costs resulting from restructuring actions (not related to COVID-19). Amounts for the fiscal year ended January 1, 2022 exclude \$1.2 million of depreciation expense that is included in the corresponding depreciation and amortization line item. Amounts for fiscal quarter and fiscal year ended January 2, 2021 exclude \$0.2 million and \$0.5 million of depreciation expense that is included in the corresponding depreciation and amortization line item, respectively.

(c) Related to the write-down of the OshKosh and Skip Hop tradename assets.

(d) Goodwill impairment charge recorded in the International segment.

(e) Adjusted EBITDA for the fiscal year ended January 1, 2022 excludes a customer bankruptcy recovery of \$38,000.



# Constant Currency Reconciliation



\$ in millions

	Fiscal Quarter Ended					
	Reported Net Sales January 1, 2022	Impact of Foreign Currency Translation	Constant-Currency Net Sales January 1, 2022	Reported Net Sales January 2, 2021	Reported Net Sales % Change	Constant-Currency Net Sales % Change
<b>Consolidated net sales</b>	\$1,062.1	\$3.3	\$1,058.8	\$989.9	7.3%	7.0%
<b>International segment net sales</b>	\$142.0	\$3.3	\$138.8	\$114.1	24.5%	21.7%

	Fiscal Year Ended					
	Reported Net Sales January 1, 2022	Impact of Foreign Currency Translation	Constant-Currency Net Sales January 1, 2022	Reported Net Sales January 2, 2021	Reported Net Sales % Change	Constant-Currency Net Sales % Change
<b>Consolidated net sales</b>	\$3,486.4	\$20.0	\$3,466.4	\$3,024.3	15.3%	14.6%
<b>International segment net sales</b>	\$460.8	\$20.0	\$440.7	\$356.6	29.2%	23.6%

The Company evaluates its net sales on both an “as reported” and a “constant currency” basis. The constant currency presentation, which is a non-GAAP measure, excludes the impact of fluctuations in foreign currency exchange rates that occurred between the comparative periods. Constant currency net sales results are calculated by translating current period net sales in local currency to the U.S. dollar amount by using the currency conversion rate for the prior comparative period. The Company consistently applies this approach to net sales for all countries where the functional currency is not the U.S. dollar. The Company believes that the presentation of net sales on a constant currency basis provides useful supplemental information regarding changes in our net sales that were not due to fluctuations in currency exchange rates and such information is consistent with how the Company assesses changes in its net sales between comparative periods.

# Net Sales Reconciliation



\$ in millions

<b>Fiscal quarter ended</b>					
<b>Reported Net Sales January 1, 2022 (13 weeks)</b>	<b>Reported Net Sales January 2, 2021 (14 weeks)</b>	<b>14th Week Net Sales Contribution</b>	<b>Pro forma Net Sales January 2, 2021 (13 weeks)</b>	<b>Reported Net Sales % Change</b>	<b>Pro forma Net Sales % Change</b>
\$ 1,062.1	\$ 989.9	\$ 32.1	\$ 957.8	7.3%	10.9%

<b>Fiscal year ended</b>					
<b>Reported Net Sales January 1, 2022 (52 weeks)</b>	<b>Reported Net Sales January 2, 2021 (53 weeks)</b>	<b>53rd Week Net Sales Contribution</b>	<b>Pro forma Net Sales January 2, 2021 (52 weeks)</b>	<b>Reported Net Sales % Change</b>	<b>Pro forma Net Sales % Change</b>
\$ 3,486.4	\$ 3,024.3	\$ 32.1	\$ 2,992.2	15.3%	16.5%

Note: Results may not be additive due to rounding.

# Company-Operated Store Count



	<u>U.S. Retail</u>	<u>Canada</u>	<u>Mexico</u>	<u>Total International</u>	<u>Total Consolidated</u>
<b>Store count at January 2, 2021</b>	<b>864</b>	<b>193</b>	<b>44</b>	<b>237</b>	<b>1,101</b>
Openings	1	-	4	4	5
Closings	(114)	(7)	(5)	(12)	(126)
<b>Store count at January 1, 2022</b>	<b>751</b>	<b>186</b>	<b>43</b>	<b>229</b>	<b>980</b>

This presentation contains forward-looking statements within the meaning of the federal securities laws relating to our future performance, including statements with respect to the potential effects of the COVID-19 pandemic, supply chain challenges, and our responses thereto and the Company's future outlook, financial results, strategy, and investments. Such statements are based on current expectations only, and are subject to certain risks, uncertainties, and assumptions. Should one or more of these risks or uncertainties materialize or not materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those anticipated, estimated, or projected. Certain of the risks and uncertainties that could cause actual results and performance to differ materially are described in the Company's most recently filed Annual Report on Form 10-K and other reports filed with the Securities and Exchange Commission from time to time under the headings "Risk Factors." Included among those risks are those related to: the effects of the current coronavirus outbreak; financial difficulties for one or more of our major customers; an overall decrease in consumer spending; our products not being accepted in the marketplace; increased competition in the marketplace; diminished value of our brands; the failure to protect our intellectual property; the failure to comply with applicable quality standards or regulations; unseasonable or extreme weather conditions; pending and threatened lawsuits; a breach of our information technology systems and the loss of personal data; increased margin pressures, including increased cost of materials and labor; our foreign sourcing arrangements; disruptions in our supply chain; the management and expansion of our business domestically and internationally; the acquisition and integration of other brands and businesses; and changes in our tax obligations, including additional customs, duties or tariffs. The Company does not undertake any obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.

We have not reconciled forward-looking adjusted operating income or adjusted diluted earnings per share to their most directly comparable GAAP measures because we cannot predict with reasonable certainty the ultimate outcome of certain components of such reconciliations, including COVID-19 expenses, retail store operating leases and other long-lived asset impairments, net, restructuring costs, and early extinguishment of debt that are not within our control including due to factors described above, or others that may arise, without unreasonable effort. For these reasons, we are unable to assess the probable significance of the unavailable information, which could materially impact the amount of future operating income or diluted EPS, the most directly comparable GAAP metrics to adjusted operating income and adjusted diluted earnings per share, respectively.