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

FORM 10-K

(Mark One)

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the Fiscal Year Ended December 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

Securities registered pursuant to section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

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 ☒ 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 ☒ 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 the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer ☒ 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 has filed a report on and attestation to its management’s assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant’s executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

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

The approximate aggregate market value of the voting stock held by non-affiliates of the registrant as of the last business day of the registrant’s most recently completed second fiscal quarter, based upon the closing sale price of the registrant's common stock on July 1, 2023 as reported on the New York Stock Exchange was $2,614,562,313. For purposes of the foregoing calculation only, which is required by Form 10-K, the registrant has included in the shares owned by affiliates those shares owned by directors and executive officers of the registrant, and such inclusion shall not be construed as an admission that any such person is an affiliate for any purpose.

As of February 20, 2024, there were 36,480,603 shares of the registrant’s common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the definitive proxy statement to be filed with the Securities and Exchange Commission pursuant to Regulation 14A relating to the Annual Meeting of shareholders of Carter’s, Inc., scheduled to be held on May 16, 2024, will be incorporated by reference in Part III of this Form 10-K. Carter’s, Inc. intends to file such proxy statement with the Securities and Exchange Commission not later than 120 days after its fiscal year ended December 30, 2023.

CARTER'S, INC.
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FOR FISCAL YEAR ENDED DECEMBER 30, 2023

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Statements contained in this annual report 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, those discussed in the subsection entitled “Risk Factors” under Part I, Item 1A, of this Annual Report on 10-K, and otherwise in our reports and filings with the Securities and Exchange Commission, as well as the following factors: risks related to public health crises, such as the 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, Israel, and the Red Sea region, 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. Except for any ongoing obligations to disclose material information as required by federal securities laws, 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. The inclusion of any statement in this Annual Report on Form 10-K does not constitute an admission by the Company or any other person that the events or circumstances described in such statement are material.

PART I

Unless the context indicates otherwise, in this filing on Form 10-K, “Carter’s,” the “Company,” “we,” “us,” “its,” and “our” refers to Carter’s, Inc. and its wholly owned subsidiaries.

Our market share data is based on information provided by Circana, LLC (formerly the NPD Group, Inc.). Circana, LLC. (“Circana”) data is based upon Consumer Panel Track℠ (consumer-reported sales) calibrated with selected retailers’ point of sale data for children’s apparel in the United States (“U.S.”) and represents the twelve-month period ended December 2023.

Unless otherwise indicated, references to market share in this Annual Report on Form 10-K are expressed as a percentage of total retail sales of the stated market. Some Circana market share data is presented based on age segments. The baby and young children’s apparel market in which we compete includes apparel products for ages zero to 10 and is divided into the zero to two-year-old baby market, the three- to four-year-old toddler market, and the five- to 10-year-old kids market. Note that Carter’s defines its product offerings by sizes: baby (sizes newborn to 24 months), toddlers (sizes 2T to 5T), and kids (sizes 4-14). In addition, other Circana market share data is presented based on Circana’s definition of the baby and playclothes categories, which is different from Carter’s definitions of these categories.

Certain Circana data cited in prior Annual Reports on Form 10-K were based on an alternate methodology no longer employed by Circana and are not comparable to the current year presentation.

Our trademarks that are referred to in this Annual Report on Form 10-K, including *Carter’s*, *OshKosh B’gosh, OshKosh*, *Baby B’gosh*, *Skip Hop*, *Child of Mine*, *Just One You*, *Simple Joys*, *Little Planet*, *Carter’s KID*, and *My Rewarding Moments*, 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.

The Company’s fiscal year ends on the Saturday in December or January nearest December 31. Every five or six years, our fiscal year includes an additional 53rd week of results. Fiscal 2023 ended on December 30, 2023, fiscal 2022 ended on December 31, 2022, and fiscal 2021 ended on January 1, 2022. All three fiscal years contained 52 calendar weeks.

ITEM 1. BUSINESS

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, *Little Planet*, a brand focused on organic fabrics and sustainable materials, and exclusive *Carter's* brands developed for Amazon, Target, and Walmart.

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.

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.

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.

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. The baby and young children's apparel market, ages zero to 10, in the U.S. is approximately $28 billion as of December 2023. In this market, our *Carter's* brands, including our exclusive brands, hold the #1 position with over 9% market share and our *OshKosh* brand has approximately 1% market share as of December 2023.

Our multichannel global business model, which includes retail stores, eCommerce, and wholesale distribution channels, as well as omni-channel capabilities in the United States and Canada, enables us to reach a broad range of consumers around the world. At the end of fiscal 2023, our channels included 1,034 company-owned retail stores, eCommerce websites, approximately 19,350 wholesale locations in North America, as well as our international wholesale accounts and licensees who operate in over 1,100 locations outside of North America in over 90 countries.

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. Additional financial and geographical information about our business segments is contained in Item 8 "Financial Statements and Supplementary Data" and under Note 18, *Segment Information*, to the consolidated financial statements.

Strategy

We have extensive experience in the young children's apparel and accessories market and focus on delivering products that satisfy our consumers' needs. Our long-term growth strategy focuses on three key strategic priorities:

- *Provide the Best Value and Experience in Young Children's Apparel* — We own two of the best known and trusted brands in young children's apparel – *Carter's* and *OshKosh B'gosh*. With over 100 years of rich history, these iconic brands have well-earned reputations for quality and value with generations of consumers, which has contributed to our leading market share in North America. Our omnichannel capabilities include retail stores located in open-air center, outlet, and mall locations as well as a highly rated website, which together provide the broadest and best expression of our assortment in the marketplace. These channels are fully integrated in the U.S. and Canada and provide convenience for consumers, to include same-day and curbside pickup of online purchases.
- *Leverage Our Market-Leading Distribution Capabilities* — Our global, multichannel business model is unique. No other children's apparel company in the world has our combined strength in wholesale, retail store, and online

capabilities. We are the largest specialty retailer in North America focused on young children's apparel, with over 1,000 Company-operated stores and dedicated websites in the United States, Canada, and Mexico. In wholesale, we are the largest supplier of young children's apparel to the largest retailers in North America. We have the most extensive distribution of childrenswear – our brands are sold in more than 19,350 retail locations in North America and through our wholesale customers' websites. Our global distribution capabilities are further strengthened through our relationships with multi-national retailers and other wholesale partners with over 1,100 points of distribution, and over 100 global websites.

- *Drive Shareholder Value Through Profitability, Cash Flow, and Return of Excess Capital* — We believe we possess a resilient business model, which historically has resulted in double-digit operating margins, strong operating cash flow, low balance sheet leverage, and meaningful liquidity. In recent years we have benefited from structural changes to our business, which included focusing our efforts on fewer, better, and higher margin sales, reducing lower margin-product choices, closing over 100 low-margin stores, remaining lean on inventory and staffing, and focusing our marketing investments on brand building versus margin-erosive promotions. We believe these changes, along with planned improvements in marketing effectiveness, localized product offerings, and improved digital capabilities, will continue to support our margin, cash flow, and return of capital objectives. Cumulatively over the past 10 years, we have generated $3.5 billion in operating cash flow, invested approximately $0.7 billion in capital expenditures, and returned $2.5 billion to our shareholders through dividends and share repurchases.

Our Brands

Carter's & OshKosh B'gosh

Our *Carter's* and *OshKosh* product offerings include apparel and accessories for babies (sizes newborn to 24 months), toddlers (sizes 2T to 5T), and kids (sizes 4-14).

For our *Carter's* brands, our focus is on essential and fashion apparel products for babies and young children, including bodysuits, layette essentials, sleep and play, pants, tops and t-shirts, multi-piece sets, dresses, and sleepwear. We attribute our leading market position to our strong value proposition, brand strength, distinctive design, and commitment to quality, as well as our broad wholesale distribution channel that includes successful and long-standing relationships with leading global and national retailers. Our marketing programs are targeted toward first-time parents, experienced parents, and gift-givers. Our core baby product line provides families with essential products and accessories, including value-focused multi-piece sets. We also have three exclusive *Carter's* brands: our *Child of Mine* brand, which is sold at Walmart, our *Just One You* brand, which is sold at Target, and our *Simple Joys* brand, which is available on Amazon.

Carter's is the leading brand in the zero to 10-year-old market in the United States, with particular strength in the zero to two-year-old segment. As of December 2023, our multichannel business model enabled our *Carter's* brands to maintain a leading market share of over 9% in the zero to 10-year-old market. Our *Carter's* brands maintained the leading market position with approximately 20% in the zero to two-year-old baby market and maintained its leading market position with approximately 10% in the three to four-year-old toddler market. Our *Carter's* brands also have an approximately 3% market share in the five to ten-year-old kid market.

The focus of the *OshKosh* brand is high-quality playclothes, including denim jeans, overalls, core bottoms, knit tops, t-shirts, and layering pieces for everyday use, primarily targeted at toddlers and young children. We believe our *OshKosh* brand has significant brand name recognition, which consumers associate with high-quality, durable, and authentic playclothes for young children. As of December 2023, our *OshKosh* brand's market share was approximately 1% of the zero to 10-year-old apparel market in the United States.

For both our *Carter's* and *OshKosh* brands, we employ cross-functional teams to develop our product assortments. Team members from merchandising, art, design, sourcing, product development, and planning follow a disciplined development process. We believe this approach, which includes consumer research, value engineering, and rigorous attention to detail, results in compelling consumer product offerings, increases consumer response, and supports efficient and productive operations.

We are focused on strengthening our brands with consumers by differentiating our products through fabric softness, on-trend styling, updated packaging and presentation strategies, and consumer-facing marketing. We also place importance on differentiating our brand experience through in-store fixturing, branding, signage, photography, and advertising across all of our global channels of distribution.

Licensed Products

We license our *Carter's*, *OshKosh*, *Child of Mine*, *Just One You*, *Simple Joys*, and *Little Planet* brands to various licensed partners in order to expand our product offerings into additional product categories such as footwear, outerwear, accessories (such as hair accessories and jewelry), toys, paper goods, home décor, cribs and baby furniture, and bedding. These licensed partners develop and sell our branded products through multiple sales channels, while leveraging our brand strength, customer relationships, and designs. Licensed products provide our customers with a range of lifestyle products that complement and expand upon our baby and young children's apparel offerings. Our license agreements require strict adherence to our quality and compliance standards and provide for a multi-step product approval process. We work in conjunction with our licensing partners in the development of our branded products to aim to ensure consistency across product offerings with our brand vision of high-quality products at market-leading value.

We also partner with other brand owners to further expand our retail apparel product offerings, including a range of licensed sports and character t-shirts, bodysuits, and sleepwear.

Skip Hop

Under our *Skip Hop* brand, we design, source, and market products that are sold primarily to expectant parents and families with young children. Our *Skip Hop* brand is best known for kid's bags, home gear, and products for playtime, mealtime, bath time, and travel, and combines innovative functionality with attractive design.

We believe *Skip Hop* is a global lifestyle brand. *Skip Hop*'s core philosophy and positioning revolves around its brand promise — "*Must-Haves * Made Better.*" This reflects the brand's goal of creating innovative, smartly designed, and highly functional essentials for parents, babies, and toddlers. The *Skip Hop* team includes both in-house design and creative teams, each of which is dedicated to meeting that goal. We carry *Skip Hop* branded products in our retail stores and on our eCommerce site, and have made investments in in-store fixturing, branding, and signage, along with digital advertising, to further strengthen the position of the *Skip Hop* brand.

Little Planet

Our *Little Planet* brand launched in 2021 and is a primarily organic and sustainable apparel brand created to serve a growing consumer need for beautiful heirloom-quality baby and toddler products developed using sustainable materials. The assortment of products includes sleepwear, swimwear, outerwear, bedding, accessories, and toys. *Little Planet* products are primarily sold through our eCommerce site, our retail stores, and in the wholesale channel at Target.

Sales Channels

We sell our *Carter's*, *OshKosh*, *Skip Hop*, and *Little Planet* branded products through multiple channels, both in the United States and globally.

U.S. Retail

Our U.S. Retail segment includes sales of our products through our U.S. retail stores and eCommerce sites, including through our omni-channel capabilities to allow our customers to experience our brands as a seamless shopping experience in the channel of their choice.

Our U.S. retail stores are generally located in high-traffic open-air shopping centers and malls in or near major cities or in outlet centers that are near densely-populated areas. We believe our brand strength, product assortment, shopping experience, and high quality service have made our retail stores a destination for consumers seeking children's apparel and accessories.

Each of our stores carries an assortment of *Carter's*, *OshKosh*, and/or *Skip Hop* branded products, as well as other products, including *Little Planet* branded products, depending on the store and location. As of the end of fiscal 2023, the square footage of our stores ranged from approximately 4,300 to 7,300 square feet, with an average of approximately 5,000 square feet per location. As of the end of fiscal 2023, in the United States we operated 792 stores.

We regularly assess potential new retail store locations and existing store closures based on demographic factors, retail adjacencies, competitive factors, population density, and growth projections as part of a rigorous real estate portfolio optimization process.

We also sell our products through our U.S. eCommerce websites at www.carters.com, www.oshkosh.com, and www.skiphop.com, and through our mobile app.

We focus on the customer experience through store and eCommerce website design, visual aesthetics, clear product presentation, and exceptional customer service. Our eCommerce websites also feature product recommendations and online-only offerings.

We strive to create a seamless omni-channel experience between our retail stores and our eCommerce websites. Customers can choose to have eCommerce purchases shipped directly to them (same-day shipping available in select markets), to pick-up the purchases in a store (buy-online, pick-up in-store), or through our curbside pick-up services. eCommerce purchases, including from our eCommerce websites and mobile app, may be shipped from one of our distribution facilities or from a retail store (buy-online, deliver-from-store). Store purchases are primarily fulfilled from each store's inventory, but our in-store buy-online services offer our broadest assortment to be shipped to a customer from one of our distribution facilities or from another retail store. In fiscal 2022, we began utilizing Radio Frequency Identification ("RFID") technology in our stores. This technology helps us to improve our management of inventory and allows us to fulfill more omni-channel orders more effectively.

U.S. Wholesale

Our U.S. Wholesale segment includes sales of our products to our U.S. wholesale customers.

Our *Carter's* brand wholesale customers in the United States include major retailers, such as, in alphabetical order, Costco, JCPenney, Kohl's, Macy's, and Sam's Club. Additionally, our *Child of Mine* exclusive brand is sold at Walmart, our *Just One You* exclusive brand is sold at Target, and our *Simple Joys* exclusive brand is available on Amazon.

Our *OshKosh* brand wholesale customers in the United States include major retailers, such as, in alphabetical order, Amazon and Target.

Our *Skip Hop* brand wholesale customers in the United States include major retailers, such as, in alphabetical order, Amazon, Target, and Walmart.

We collaborate with our wholesale customers to provide a consistent and high-level of service, and to drive growth through eCommerce, replenishment, product mix, and brand presentation initiatives. We also have frequent meetings with the senior management of key accounts to align on strategic growth plans.

Our largest wholesale customer accounted for approximately 10.4% of consolidated net sales in fiscal 2023.

International

Our International segment includes sales of our products through our retail stores and eCommerce sites in Canada and Mexico. As of the end of fiscal 2023, in Canada we operated 188 co-branded *Carter's* and *OshKosh* retail stores and an eCommerce site at www.cartersoshkosh.ca, and in Mexico we operated 54 retail stores and an eCommerce site at www.carters.com.mx.

Our International segment includes sales of our products to wholesale accounts outside of the United States, including both domestic retailers with international operations and international retailers. In addition, we license our *Carter's* and *OshKosh* brands to international customers that sell our products through branded retail and online stores, as well as to wholesale customers, within their licensed territories. Our International segment includes sales of our products to these licensees, and royalty income based on sales made by certain licensees. As of the end of fiscal 2023 our International channel included wholesale accounts in approximately 19,350 locations in North America and wholesale accounts and licensees who operated in over 1,100 locations outside of North America. As of the end of fiscal 2023, we had 39 international licensees who operated in over 90 countries.

Our Marketing Strategy

For all of our brands, our marketing is largely focused on driving brand preference and engagement with both first-time and experienced parents, as well as gift-givers. Our goal is to have the most top-of-mind, preferred brands in the young children's apparel market and to connect with diverse, digitally savvy customers. As such, our marketing investments are targeted at acquiring new customers, developing stronger relationships with our existing customers, and extending our customers' tenure with our brands, and include our newly-developed marketing personalization capabilities, customer loyalty program, digital and social media, and strengthened consumer-facing technologies such as our mobile app.

We operate our *My Rewarding Moments* customer loyalty and rewards program in the United States to drive customer traffic, sales, and brand loyalty. This program is integrated across our U.S. retail stores and online businesses. During fiscal 2023, our U.S. retail sales were predominantly made to members of *My Rewarding Moments*. In 2024, we will be relaunching our loyalty

program with the goals of further deepening our customer loyalty, increasing the frequency of visits, and growing customer lifetime value.

Complementing our *My Rewarding Moments* loyalty program is our Carter's credit card program, which we launched in the United States in 2019. A third-party financial institution issues the Carter's credit card to consumers and bears all underwriting and credit risk under the program. The Carter's credit card provides added benefits for our *My Rewarding Moments* customers, which it will continue to do with our loyalty program relaunch. Under the credit card program agreement with the third-party financial institution, the Company receives payments for the establishment of new credit accounts, as well as royalties on the usage of the credit card by customers.

Our Global Sourcing Network

We source all of our garments and other products from a global network of third-party suppliers, primarily located in Asia. We source the remainder of our products primarily through North America, Africa, and Central America. During fiscal 2023, approximately 74% of our product was sourced from Cambodia, Vietnam, Bangladesh, and India, and approximately 66% of the fabric that was used in the manufacture of our products was sourced from China, with the remainder primarily from India, Bangladesh, Thailand, and Taiwan. We do not own any raw materials or manufacturing facilities.

Our sourcing operations are based in Hong Kong in order to facilitate better service and manage the volume of manufacturing in Asia. Our Hong Kong office acts as an agent for substantially all of our sourcing in Asia and monitors production at manufacturers' facilities to ensure quality control, compliance with our manufacturing specifications and social responsibility standards, as well as timely delivery of finished garments to our distribution facilities. We also have sourcing offices in Cambodia, Vietnam, China, and Bangladesh to help support these efforts.

Prior to placing production, and on a recurring basis, we conduct assessments of political, social, economic, environmental, trade, labor and intellectual property protection conditions in the countries in which we source our products, and we conduct assessments of our manufacturers and supply chain, as discussed under "—Responsible Sourcing" below. In connection with the manufacture of our products, manufacturers purchase raw materials including fabric and other materials (such as linings, zippers, buttons, and trim) at our direction. We regularly inspect and supervise the manufacture of our products as well as test the products in order to maintain safety and quality control, monitor compliance with our manufacturing specifications and social responsibility standards, and to ensure timely delivery. We also inspect finished products at the manufacturing facilities.

We generally arrange for the production of products on a purchase order basis with completed products manufactured to our design specifications. We assume the risk of loss predominantly on a Freight-On-Board (F.O.B.) basis when goods are delivered to a shipper and are insured against losses arising during shipping.

We have not entered into any long-term contractual arrangements with any contractor or manufacturer. We believe that the production capacity of each foreign manufacturer with which we have developed, or are developing, a relationship is adequate to meet our production requirements for the foreseeable future. We believe that alternative foreign manufacturers are readily available.

We expect all of our suppliers shipping to the United States to adhere to the requirements of the U.S. Customs and Border Protection's Customs-Trade Partnership Against Terrorism ("C-TPAT") program, including standards relating to facility security, procedural security, personnel security, cargo security, and the overall protection of the supply chain. In the event a supplier does not comply with our C-TPAT requirements, or if we have determined that the supplier will be unable to correct a deficiency, we may move that supplier's product through alternative supply chain channels or we may terminate our business relationship with the supplier.

Responsible Sourcing

We have adopted a factory on-boarding program that allows us to assess each factory's compliance with our ethical and social responsibility standards before we place orders for product with that factory. Additionally, we regularly assess the manufacturing facilities we use through periodic on-site facility inspections, including the use of independent auditors to supplement our internal staff. We use audit data and performance results to identify potential improvements, and we integrate this information into our on-going sourcing decisions. Our vendor code of ethics, with which we require our factories to comply, outlines our standards for supplier behavior in creating a fair and safe workplace and covers employment practices, such as wages and benefits, working hours, health and safety, working age, and discriminatory practices, as well as environmental, ethical, and other legal matters. In addition, our social responsibility policy establishes our expectations for our global suppliers and guides our oversight. This policy is derived from the policies, standards, and conventions of the International Labor Organization, and includes a commitment to the Universal Declaration of Human Rights.

Sustainability

We issued our third annual Corporate Social Responsibility ("CSR") Report in fiscal 2023, in which we highlighted our three strategic pillars that guide our long-term CSR commitments: Product, Planet, and People. In furtherance of these commitments, we discussed our efforts to grow our sustainable product offerings, reduce our carbon footprint, and uplift our workers and communities. In fiscal 2022, we continued to transition to more sustainably grown cotton through the Better Cotton Initiative and introduced LENZING™ ECOVERO™, a sustainable viscose fiber sourced from responsibly managed forests. We also expanded the scope of our *Little Planet* product offerings, and we plan to increase the availability of sustainable choices across all our product lines. We have increased our transparency on our chemicals management process by publishing a Restricted Substances List, designating chemicals that should be minimized or avoided in our apparel and accessories, and are working with our suppliers to minimize or avoid the use of such chemicals in our products. We use the OEKO-TEX® Standard 100 certification label, a well-known certification for textiles tested for harmful substances, which appeared on much of our baby apparel and sleepwear in fiscal 2023. We have established targets, validated by the Science-Based Target Initiative, to reduce our Scope 1 and 2 greenhouse gas emissions.

Our Global Distribution Network

The majority of all finished goods manufactured for us is shipped to our distribution facilities or to designated third-party facilities for final inspection, allocation, and reshipment to customers. The goods are delivered to us and to our customers by independent shippers. We choose the form of shipment based upon needs, costs, and timing considerations.

In the United States, we operate three distribution centers in Georgia: an approximately 1.1 million square-foot multichannel facility in Braselton, a 0.5 million square-foot facility in Stockbridge, and a 0.2 million square-foot single-channel facility in Jonesboro. We outsource certain distribution activities to third-party logistics providers located in California and leverage additional third-party providers in Georgia primarily for storage seasonally. Our distribution center activities include receiving finished goods from our vendors, inspecting those products, and preparing and shipping them to our wholesale customers, retail stores, and eCommerce customers.

Internationally, we operate directly or outsource our distribution activities to third-party logistics providers in Canada, China, Mexico, and Vietnam to support shipment to the United States, as well as our international wholesale accounts, international licensees, international eCommerce operations, and Canadian and Mexican retail store networks.

Governmental Regulation

We are subject to laws, regulations and standards set by various governmental authorities and standard setting bodies around the world, including in the United States, Canada, and Mexico, including:

- those imposed by the Sarbanes-Oxley Act of 2002, the Dodd-Frank Wall Street Reform and Consumer Protection Act, the Securities and Exchange Commission ("SEC"), and the New York Stock Exchange ("NYSE");
- the U.S. Foreign Corrupt Practices Act, and similar world-wide anti-bribery laws;
- the tax laws of the United States and other countries;
- health care, employment and labor laws;
- product and consumer safety laws, including those imposed by the U.S. Consumer Product Safety Commission and the Americans with Disabilities Act of 1990;
- data privacy laws, including the E.U. General Data Protection Act ("GDPA"), the California Consumer Privacy Act ("CCPA"), and the California Privacy Rights Act ("CPRA");
- trade, transportation and logistics related laws, including tariffs, quotas, embargoes, and orders issued by Customs and Border Protection and similar agencies in other countries; and
- applicable environmental laws.

The majority of our products are imported into the United States, Canada, and Mexico. These products are subject to various customs laws, which may impose tariffs, as well as quota restrictions. In addition, each of the countries in which our products are sold has laws and regulations covering imports. The United States and other countries in which our products are sold may impose, from time to time, new duties, tariffs, surcharges, or other import controls or restrictions including trade related restrictions on the sourcing and importation of raw materials and finished goods, or adjust presently prevailing duty or tariff rates or levels. We, therefore, actively monitor import restrictions and developments and seek to minimize our potential exposure to import related risks through shifts of production among countries, including consideration of countries with tariff preference and free trade agreements, manufacturers, and geographical diversification of our sources of supply.

Additionally, we are subject to various other federal, state, local and foreign laws and regulations that govern our activities, operations, and products, including data privacy, truth-in-advertising, accessibility, customs, wage and hour laws and regulations, and zoning and occupancy ordinances that regulate retailers generally and govern the promotion and sale of merchandise and the operation of retail stores and eCommerce sites. Noncompliance with these laws and regulations may result in substantial monetary penalties and criminal sanctions.

Competition

The baby and young children's apparel and accessories market is highly competitive. Competition in our market is generally based on a variety of factors, including comfort and fit, quality, pricing, style, and selection. Both national brand and private label manufacturers as well as specialty apparel retailers aggressively compete in the baby and young children's apparel market. Our primary competitors include (in alphabetical order): Gap, Old Navy, and The Children's Place; Cat & Jack (private label sold exclusively in Target) and Garanimals (sold exclusively in Walmart); and Disney, Nike, and Under Armour (national brands). Because of the highly fragmented nature of the industry, we also compete with many small manufacturers and retailers. We believe that the awareness and strength of our brand names, combined with the breadth and value of our product offerings, broad distribution, scale, and operational expertise, position us well against these competitors.

Seasonality and Weather

We experience seasonal fluctuations in our sales and profitability due to the timing of certain holidays and key retail shopping periods, which generally have resulted in lower sales and gross profit in the first half of our fiscal year versus the second half of the 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 fiscal year. In addition, our business is susceptible to unseasonable weather conditions, which could influence consumer behavior, customer traffic, and shopping habits. For example, extended periods of unseasonably warm temperatures during the winter season or cool temperatures during the summer season could affect the level and timing of demand.

Human Capital Management

As of the end of fiscal 2023, we had approximately 15,230 employees globally. The tables below present the composition and location of our employees:

	Employee Count	% of Total
Retail stores	11,840	77.7 %
Corporate offices	1,860	12.2 %
Distribution centers	1,530	10.1 %
Total	15,230	100.0 %

	Employee Count	% of Total
United States	12,070	79.2 %
Canada	2,160	14.2 %
Mexico	680	4.5 %
Other (primarily countries in Asia)	320	2.1 %
Total	15,230	100.0 %

Talent and Development

We are guided by our core values:

- Act with Integrity
- Exceed Expectations
- Inspire Innovation
- Succeed Together
- Invest in People

We believe that to succeed as a business and to positively impact families and our communities, we must first create and maintain an inclusive, supportive workplace culture that fosters high employee engagement. We believe in developing our employees and offer numerous formal training opportunities as well as ongoing informal on-the-job learning, including:

- mentoring, reverse mentoring, and executive development programs that nurture emerging talent and facilitate knowledge sharing, benefiting employees at all stages of their careers;
- development days, when employees step away from their day-to-day responsibilities for curated professional growth opportunities;
- online courses and formal development programs designed to enhance personal leadership skills, business acumen, and people management skills, as well as specialized development resources for our retail store, distribution center and office employees; and
- each year, we award scholarships to Carter's employees and children of employees to attend an accredited college or university.

Diversity and Inclusion

We are committed to ensuring that our workforce reflects our diverse world through a range of efforts to broaden diversity and ensure fairness across our global enterprise. Our Diversity & Inclusion ("D&I") efforts are driven by cross-functional teams charged with guiding and implementing the organization's D&I efforts. These teams oversee our efforts to establish and improve inclusive policies in four key areas of our management processes: leadership, strategies and processes, programs and benefits, and policies and compliance. We continually measure and monitor diversity metrics including pay equity, retention, new hires, internal promotions and identified successors, and our D&I education equips employees with the tools and support needed to further enhance a workplace culture of inclusion.

Health and Safety

We maintain a culture focused on safety with the goal of eliminating workplace incidents, risks and hazards. We have created and implemented processes to help eliminate safety incidents by reducing their frequency and severity, and we review and monitor our performance closely.

Available Information

Our corporate website address is https://corporate.carters.com. On our investor relations website (ir.carters.com), we make available, free of charge, our SEC filings, such as Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, proxy statements, director and officer reports on Forms 3, 4, and 5, and any amendments to these reports, as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC. We also make available on our website the *Carter's Code of Ethics*, the *Vendor Code of Ethics*, and the *CSR Report* our corporate governance principles, and the charters for the Compensation, Audit, and Nominating and Corporate Governance Committees of the Board of Directors. The information contained on our website is not included as part of, or incorporated by reference into, this Annual Report on Form 10-K or any other reports we file with or furnish to the SEC. The SEC maintains an internet site, www.sec.gov, containing reports, proxy and information statements, and other information regarding issuers, including us, that file electronically with the SEC.

ITEM 1A. RISK FACTORS

Risk Factors Summary

The following is a summary of the principal risks and uncertainties described in more detail in this Annual Report on Form 10-K for the year ended December 30, 2023.

Risks Related to Global and Macroeconomic Conditions

- Our business is sensitive to overall levels of consumer spending, particularly in the young children’s apparel market.
- Our business could be negatively impacted by political or economic risks that we are exposed to as a part of our global operations.
- The COVID-19 pandemic and other global crises had, and may in the future have, a significant adverse effect on our business, financial condition, and results of operations.

Risks Related to Our Brands and Product Value

- The acceptance of our products in the marketplace is affected by consumer tastes and preferences, along with fashion trends.
- We may be unable to protect our intellectual property rights, which could diminish the value of our brands, weaken our competitive position, and adversely affect our reputation and results.
- Our future growth depends significantly on our branding and marketing efforts, and if our marketing efforts are not successful or we receive negative publicity, the value of our brands, and our sales, could be diminished.
- We may experience delays, product recalls, or loss of revenues or incur additional costs if our products do not meet our quality standards.

Risks Related to Operating a Global Business

- We operate in a highly competitive market and the size and resources of some of our competitors may allow them to compete more effectively than we can.
- Financial difficulties for, or the loss of one or more of, our major wholesale customers could result in a material loss of revenues.
- Our retail success is dependent upon identifying locations and negotiating appropriate lease terms for retail stores.
- Our eCommerce business faces distinct risks, and our failure to successfully manage it could have a negative impact on our profitability.
- Profitability and our reputation and relationships could be negatively affected if we do not adequately forecast the demand for our products and, as a result, create significant levels of excess inventory or insufficient levels of inventory.
- Our profitability may decline as a result of lower margins, such as through deflationary pressures on our selling prices and increases in production costs and costs to serve.
- We may not be able to increase prices to fully offset inflationary pressures on costs, such as raw materials, labor, and transportation costs, which may impact our expenses and profitability.
- Our revenues, product costs, and other expenses are subject to foreign economic and currency risks due to our operations outside of the United States.
- Our business could suffer a material adverse effect from unseasonable or extreme weather conditions, or other effects of climate change.

Risks Relating to Litigation

- We are and may become subject to various claims and pending or threatened lawsuits, including as a result of investigations or other proceedings related to previously disclosed investigations.

Risks Relating to Cybersecurity, Data Privacy, and Information Technology

- Our systems, and those of our third-party vendors, containing personal information and payment data of our retail store and eCommerce customers, employees, and other third parties could be breached, which could subject us to adverse publicity, costly government enforcement actions or private litigation, and expenses.
- Failure to implement new information technology systems or needed upgrades to our systems, including operational and financial systems, could adversely affect our business.

Risks Related to our Global Supply Chain and Labor Force

- We source substantially all of our products through foreign production arrangements. Our dependence on foreign supply sources are subject to risks associated with global sourcing and manufacturing which could result in disruptions to our operations.
- A relatively small number of vendors supply a significant amount of our products, and losing one or more of these vendors could have a material adverse effect on our business.
- Labor or other disruptions along our supply chain may adversely affect our relationships with customers, reputation with consumers, and results of operations.
- Our inability to effectively source and manage inventory could negatively impact our ability to timely deliver our inventory supply and disrupt our business, which may adversely affect our operating results.
- Our Braselton, Georgia distribution facility handles a large portion of our merchandise distribution. If we encounter problems with this facility, our ability to deliver our products to the market could be adversely affected.

Risks Relating to Our International Expansion

- Failure to comply with the various laws and regulations as well as changes in laws and regulations could have an adverse impact on our reputation, financial condition, or results of operations.

Risks Related to Executing Our Strategic Plan

- Our failure to properly manage strategic initiatives in order to achieve our objectives may negatively impact our business.
- Our success is dependent upon retaining key individuals within the organization to execute our strategic plan.
- We may be unable to grow through acquisitions or successfully integrate acquired businesses, and such acquisitions may fail to achieve the financial results we expected.

Risks Related to Financial Reporting, Our Debt, and Taxes

- We may not achieve sales growth plans, profitability objectives, and other assumptions that support the carrying value of our intangible assets.
- We have substantial debt, which could adversely affect our financial health and our ability to obtain financing in the future and to react to changes in our business.
- We may experience fluctuations in our tax obligations and effective tax rate.

General Risks

- Quarterly cash dividends and share repurchases are subject to a number of uncertainties, and may affect the price of our common stock.
- The market price of our common stock may be volatile.
- Our amended and restated bylaws designate the Court of Chancery of the State of Delaware as the sole and exclusive forum for certain types of actions and proceedings that may be initiated by our shareholders, which could limit our shareholders' ability to obtain a favorable judicial forum for disputes with us or our directors, officers, employees, or agents.

You should carefully consider each of the following risk factors as well as the other information contained in this Annual Report on Form 10-K and our other filings with the SEC in evaluating our business. The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties not presently known to us or that we currently consider immaterial may also impact our business operations. If any of the following risks actually occur, our operating results may be affected.

Risks Related to Global and Macroeconomic Conditions

Our business is sensitive to overall levels of consumer spending, particularly in the young children's apparel market.

Both retail consumer and wholesale customer demand for young children's apparel and accessories, specifically brand name apparel products, is affected by the overall level of consumer spending. Overall spending in the market is affected by a number of global and macroeconomic factors, such as overall economic conditions and employment levels, gasoline and utility costs, business conditions, market volatility, bank failures, availability of consumer credit, tax rates, the availability of tax credits, interest rates, inflationary pressures and general uncertainty regarding the overall future political and economic climate, levels

of consumer indebtedness, foreign currency exchange rates, weather, and overall levels of consumer confidence. For example, in recent years, the U.S. economy has been negatively impacted by historically high inflation rates, which have negatively impacted and may continue to negatively impact consumer demand. Although birth rates have recently stabilized, birth rate fluctuations, which in turn affect the number of customers that are acquired and retained, can have a material impact on consumer spending and our business. Reductions, or lower-than-expected growth, in the level of discretionary or overall consumer spending may have a material adverse effect on our sales and results of operations.

Our business could be negatively impacted by political or economic risks that we are exposed to as a result of our global operations.

We are subject to general political and economic risks in connection with our global operations, including political instability (both in the United States and globally, including the ongoing conflict between Russia and Ukraine and the related economic and retaliatory measures), the ongoing war between Israel and Hamas, the conflict in the Red Sea region, terrorist attacks, and changes in diplomatic and trade relationships, any of which may have a significant adverse effect on our business, financial condition, and results of operations. In recent months, we have observed increased economic uncertainty in the United States and abroad. These developments have led to growing concerns about the systemic impact of a potential global economic recession, energy costs, geopolitical issues, or the availability and cost of credit and higher interest rates, which could further lead to increased market volatility, decreased consumer confidence, and diminished growth expectations in the U.S. economy and abroad. As our customers react to recent global economic conditions we have seen and may see customers reduce spending on our products and take additional precautionary measures to limit or delay expenditures and preserve capital and liquidity, thereby adversely affecting our customers' ability or willingness to purchase our products.

Public health crises, such as the COVID-19 pandemic, have and may in the future have a significant adverse effect on our business, financial condition, and results of operations.

We are subject to public health crises, such as the COVID-19 pandemic, which has had and may continue to have a significant impact on our operations, cash flow and liquidity. The response to the COVID-19 pandemic negatively affected the global economy, disrupted global supply chains, and created significant disruption in financial and retail markets, including increased unemployment rates and a disruption in consumer demand for baby and children's clothing and accessories. Uncertainty caused by pandemics, epidemics, or similar public health crises could lead to prolonged economic downturns and reduce or delay demand for our products, in which case our revenues could be significantly impacted. The extent to which COVID-19 or another similar public health crisis impacts our business, results of operations, and financial condition will depend on future developments, which are highly uncertain and cannot be predicted, including a resurgence of COVID-19, including new variants, the timing or effectiveness of vaccine roll-outs globally, the timing of easing of preventative or mitigation measures or mandates, the impact of any variants that emerge, or any impact of a global vaccine roll-out on the global economy.

Risks Related to Our Brands and Product Value

The acceptance of our products in the marketplace is affected by consumer tastes and preferences, along with fashion trends.

We believe that our continued success depends on our ability to create products that provide a compelling value proposition for our consumers in all of our distribution channels. There can be no assurance that the demand for our products will not decline, or that we will be able to successfully and timely evaluate and adapt our products to changes in consumer tastes and preferences or fashion trends. If demand for our products declines, promotional pricing may be required to sell out-of-season or excess merchandise, and our profitability and results of operations could be adversely affected.

We may be unable to protect our intellectual property rights, which could diminish the value of our brand, weaken our competitive position, and adversely affect our reputation and results.

We currently rely on a combination of trademark, unfair competition, and copyright laws, as well as licensing and vendor arrangements, to establish and protect our intellectual property assets and rights. The steps taken by us or by our licensees and vendors to protect our proprietary rights may not be adequate to prevent either the counterfeit production of our products or the infringement of our trademarks or proprietary rights by others. Despite our efforts, our brands are still susceptible to counterfeiting. Such counterfeiting dilutes our brands and can cause harm to our reputation and business. In addition, intellectual property protection may be unavailable or limited in some foreign countries where laws or law enforcement practices may not protect our proprietary rights and where third parties may have rights to conflicting trademarks, and it may be more difficult for us to successfully challenge the use of our proprietary rights by other parties in those countries. If we fail to protect and maintain our intellectual property rights, the value of our brands could be diminished, and our competitive position may suffer. Further, third parties may assert intellectual property claims against us, particularly as we expand our business geographically or through acquisitions, and any such claim could be expensive and time consuming to defend, regardless of

their merit. Successful infringement claims against us could result in significant monetary liability or prevent us from selling some of our products, which could have an adverse effect on our results of operations.

The value of our brands, and our sales, could be diminished if we are associated with negative publicity, including through actions by our employees, and our vendors, marketing partners, third-party manufacturers, and licensees, over whom we have limited control.

Although we maintain policies with our employees, vendors, marketing partners, third-party manufacturers, and licensees that promote ethical business practices, and our employees, agents, and third-party compliance auditors periodically visit and monitor the operations of these entities, we do not control our vendors, third-party manufacturers, or licensees, or their practices. A violation of our vendor policies, licensee agreements, health and safety standards, labor laws, anti-bribery laws, privacy laws or other policies or laws by these employees, vendors, third-party manufacturers, or licensees could damage the image and reputation of our brands and could subject us to liability. As a result, negative publicity regarding us or our brands or products, including licensed products, could adversely affect our reputation and sales. Further, while we take steps to ensure the reputations of our brands are maintained through license and vendor agreements, there can be no guarantee that our brand image will not be negatively affected through its association with products or actions of our licensees, vendors, or third-party manufacturers.

Our future growth depends significantly on our branding and marketing efforts, and if our marketing efforts are not successful or if we receive negative publicity, the value of our brands, and our sales, could be diminished.

We have invested significantly in our brands and believe that maintaining and enhancing our brands' identities is crucial to our success. Our ability to attract customers depends in large part on the success of marketing efforts and the success of the marketing channels we use to promote our products. Our marketing channels include earned media through press, social media and search engine optimization, as well as paid advertising, such as online affiliations, search engine marketing, digital marketing, social media marketing, influencer marketing, offline partnerships, direct mail, and television advertising. While our goal remains to increase the strength, recognition and trust in our brand by increasing our customer base and expanding our products, if in the future any of our current marketing channels becomes less effective, if we are unable to continue to use any of these channels, if we receive negative publicity or fail to maintain our brand, if the cost of using these channels significantly increases or if we are not successful in generating new channels, we may not be able to attract new customers or increase the activity of our existing members on our platform in a cost-effective manner.

We may experience delays, product recalls, or loss of revenues or incur additional costs if our products do not meet our quality standards.

From time to time, we receive shipments of product from our third-party vendors that fail to conform to our quality control standards. A failure in our quality control program may result in diminished inventory levels and product quality, which in turn may result in increased order cancellations and product returns, decreased consumer demand for our products, or product recalls, any of which may have a material adverse effect on our results of operations and financial condition. In addition, products that fail to meet our standards, or other unauthorized products, may be sold by third-parties without our knowledge or consent. This could materially harm our brand and our reputation in the marketplace. Although we have not incurred any material product recalls or delays to date, we have been subject to product recalls and/or delays in the past. We cannot provide any assurances that such events will not occur and impacts therefrom will not be material in the future.

Risks Related to Operating a Global Business

We operate in a highly competitive market and the size and resources of some of our competitors may allow them to compete more effectively than we can.

The global baby and young children's apparel and accessories market is highly competitive and includes both branded and private label manufacturers. Because of the fragmented nature of the industry, we also compete with many other manufacturers and retailers including in certain instances some of our wholesale accounts. Some of our competitors have greater financial resources and larger customer bases than we have. As a result, these competitors may be able to adapt to changes in customer requirements and preferences more quickly, take advantage of acquisitions and other opportunities more readily, devote greater resources to the marketing and sale of their products, adopt more aggressive pricing strategies than we can, and more successfully utilize developing technology, including data analytics, artificial intelligence, and machine learning.

Financial difficulties for, or the loss of one or more of, our major wholesale customers could result in a material loss of revenues.

A significant amount of our business is with our wholesale customers. For fiscal 2023, we derived approximately 34% of our consolidated net sales from our U.S. Wholesale segment, approximately 33% of our consolidated net sales from our top ten wholesale customers, and approximately 29% of consolidated net sales from our top five wholesale customers, which includes net sales from our exclusive brands sold, in alphabetical order, at Amazon, Target, and Walmart. Our largest wholesale customer accounted for approximately 10.4% of consolidated net sales in fiscal 2023.

As of the end of fiscal 2023, approximately 80% of our gross accounts receivable were from our ten largest wholesale customers, with three of these customers having individual receivable balances in excess of 10% of our total accounts receivable. Furthermore, we do not enter into long-term sales contracts with our major wholesale customers, relying instead on product performance, long-standing relationships, and our position in the marketplace.

As we have experienced in the past, we face the risk that if one or more of these customers significantly decreases their business, does business with us on less favorable terms or terminates their relationship with us as a result of financial difficulties (including bankruptcy or insolvency), competitive forces, consolidation, reorganization, changes in merchandising strategies, or other reasons, then we may have significant levels of excess inventory that we may not be able to place elsewhere, a material decrease in our sales, or material impact on our operating results. In addition, our reserves for estimated credit losses resulting from the inability of our customers to make payments may prove not to be sufficient if any one or more of our customers are unable to meet outstanding obligations to us, which could materially adversely affect our operating results. If the financial condition or credit position of one or more of our customers were to deteriorate, or such customer fails, or is unable to pay the amounts owed to us in a timely manner, this could have a significant adverse impact on our business and results of operations. For instance, the parent company of buybuy BABY, Bed Bath & Beyond, Inc., filed for Chapter 11 bankruptcy in April 2023 and closed all of its 360 stores.

Our retail success is dependent upon identifying locations and negotiating appropriate lease terms for retail stores.

We derive a significant portion of our revenues through our retail stores in leased retail locations across the United States, Canada, and Mexico. Successful operation of a retail store depends, in part, on the overall ability of the retail location to attract a consumer base sufficient to generate profitable store sales volumes. A significant number of our stores are located in malls and other shopping centers, and many of these malls and shopping centers have been experiencing declines in customer traffic. If we are unable to identify new retail locations with consumer traffic sufficient to support a profitable sales level, our retail growth may be limited. Some new stores may be located in areas where we have existing sales channels. Increasing the number of stores in these markets may result in inadvertent diversion of customers and sales from our existing sales channels in the same market, thereby negatively affecting our results of operations. Further, if existing stores do not maintain a sufficient customer base that provides a reasonable sales volume or we are unable to negotiate appropriate lease terms for the retail stores, there could be a material adverse impact on our sales, gross margin, and results of operations. In addition, if consumer shopping preferences transition more from brick-and-mortar stores to online retail experiences, with us or other retailers, any increase we may see in our eCommerce sales may not be sufficient to offset the decreases in sales from our brick-and-mortar stores.

We also must be able to effectively renew our existing store leases on acceptable terms. In addition, from time to time, we may seek to renegotiate existing lease terms or downsize, consolidate, reposition, or close some of our real estate locations, which in most cases requires a modification of an existing store lease. Failure to renew existing store leases, secure adequate new lease terms, or successfully modify existing locations, or failure to effectively manage the profitability of our existing fleet of stores, including the failure to successfully identify and close underperforming stores, could have a material adverse effect on our results of operations.

Additionally, the economic environment may at times make it difficult to determine the fair market rent of real estate properties within the United States and internationally. This could impact the quality of our decisions to exercise lease options and renew expiring leases at negotiated rents. Any adverse effect on the quality of these decisions could impact our ability to retain real estate locations adequate to meet our profit or growth targets or efficiently manage the profitability of our existing fleet of stores and could have a material adverse effect on our results of operations.

Our eCommerce business faces distinct risks, and our failure to successfully manage it could have a negative impact on our profitability.

The successful operation of our eCommerce business as well as our ability to provide a positive shopping experience that will generate consumer demand and drive subsequent visits depends on efficient and uninterrupted operation of our order-taking and fulfillment operations. Risks associated with our eCommerce business in the United States, Canada, and Mexico include:

- the failure of the computer systems, including those of third-party vendors, that operate our eCommerce sites and mobile apps, including, among others, inadequate system capacity, service outages, computer viruses, human error, changes in programming, security breaches, system upgrades or migration of these services to new systems;
- disruptions in telecommunications services or power outages;
- reliance on third parties for computer hardware and software, as well as delivery of merchandise to our customers on-time and without damage;
- limitations of shipping volumes which may be imposed by service providers;
- rapid technology changes;
- the failure to deliver products to customers on-time and within customers' expectations;
- credit or debit card, or other electronic payment-type, fraud, or disruptions in payment systems;
- the diversion of sales from our physical stores;
- natural disasters or adverse weather conditions;
- changes in applicable federal, state and international regulations;
- liability for online content; and
- consumer privacy concerns and regulation.

Problems in any of these areas could result in a reduction in sales, increased costs and damage to our reputation and brands, which could adversely affect our business and results of operations. In addition, in fiscal 2023 we experienced a decrease in net sales in our eCommerce channel compared to fiscal 2022. Our eCommerce business may continue to be negatively impacted if we do not successfully integrate our traditional brick-and-mortar shopping experience with our eCommerce experience or if we fail to improve on our eCommerce shopping experience, and any increase we may see in net sales from the growth in brick-and-mortar retail may not be sufficient to offset the decreases in net sales from eCommerce.

Profitability and our reputation and relationships could be negatively affected if we do not adequately forecast the demand for our products and, as a result, create significant levels of excess inventory or insufficient levels of inventory.

There can be no assurance that we will be able to successfully anticipate changing consumer preferences and product trends or economic conditions and, as a result, we may not successfully manage inventory levels to meet our future order requirements. If we fail to accurately forecast consumer demand, we may experience excess inventory levels or a shortage of product required to meet the demand. Inventory levels in excess of consumer demand have resulted and may continue to result in inventory write-downs and the sale of excess inventory at discounted prices, which could have an adverse effect on the image and reputation of our brands and negatively impact profitability. On the other hand, if we underestimate demand for our products, our third-party manufacturers may not be able to produce enough products to meet consumer requirements, and this could result in delays in the shipment of products and lost revenues, as well as damage to our reputation and relationships. These risks could have a material adverse effect on our brand image, as well as our results of operations and financial condition.

Our profitability may decline as a result of lower margins, such as through deflationary pressures on our selling prices and increases in production costs and costs to serve.

The global apparel industry is subject to pricing pressure caused by many factors, including intense competition, the promotional retail environment, and changes in consumer demand. The demand for baby and young children's apparel and accessories in particular may also be subject to other external factors, such as general inflationary pressures, as well as the costs of our products, which are driven in part by the costs of raw materials (including cotton and other commodities), labor, fuel, transportation and duties, any increases in mandatory minimum wages, and the costs to deliver those products to our customers. If external pressures, including increased inflationary pressures on our consumers' discretionary spending and deflation, cause us to reduce our sales prices and we fail to sufficiently reduce our product costs or operating expenses, or if we are unable to fully optimize prices or pass on increased costs to our customers, our profitability could decline. Additionally, while deflation

could positively impact our product costs, it could have an adverse effect on our average selling prices per unit, resulting in lower sales and operating results. This could have a material adverse effect on our results of operations, liquidity, and financial condition.

We may not be able to increase prices to fully offset inflationary pressures on costs, such as raw materials, labor, and transportation costs, which may impact our expenses and profitability.

As a large, branded marketer of apparel for babies and young children, we rely on vendors, distribution resources and transportation providers. In fiscal 2022 and 2023, the costs of raw materials, packaging materials, labor, energy, fuel, transportation, and other inputs necessary for the production and distribution of our products increased significantly. We have recently seen moderation in the costs of raw materials and ocean freight, but cannot predict the impact that increased costs will have on our expenses and profitability.

Our attempts to offset these cost pressures, such as through increases in the selling prices of some of our products, may not be successful. Higher product prices may result in reductions in sales volume, as consumers may choose less expensive options, or forego some purchases altogether, during an economic downturn. To the extent that price increases are not sufficient to offset these increased costs adequately or in a timely manner, and/or if they result in significant decreases in sales volume, our business, financial condition, or operating results may be adversely affected. Conversely, if competitive pressures or other factors prevent us from offsetting increased costs by price increases, our profitability may decline.

Our revenues, product costs, and other expenses are subject to foreign economic and currency risks due to our operations outside of the United States.

We have operations in Canada, Mexico, and Asia, and our vendors, third-party manufacturers, and licensees are located around the world. The value of the U.S. dollar against other foreign currencies has experienced significant volatility in recent years. While our business is primarily conducted in U.S. dollars, we source substantially all of our production from Asia, and we generate significant revenues in Canada. Our international wholesale customers have from time to time and may in the future be negatively impacted by inflation, the stronger U.S. dollar, and global conflicts. Cost increases caused by currency exchange rate fluctuations could make our products less competitive or have a material adverse effect on our profitability. Currency exchange rate fluctuations could also disrupt the businesses of our third-party manufacturers that produce our products by making their purchases of raw materials or products more expensive and more difficult to finance. Additionally, fluctuations in currency exchange rates impact the amount of our reported sales and expenses, which could have a material adverse effect on our financial position, results of operations, and cash flows.

Our business could suffer a material adverse effect from unseasonable or extreme weather conditions, or other effects of climate change.

Our business is susceptible to unseasonable weather conditions, which could influence customer demand, consumer traffic, and shopping habits. For example, extended periods of unseasonably warm temperatures during the winter season or cool temperatures during the summer season have in the past and could in the future affect the timing of and reduce or shift demand for our products, and thereby could have an adverse effect on our operating results, financial position, and cash flows. In addition, extreme weather conditions in the areas in which our stores are located could negatively affect our business, operating results, financial position, and cash flows. For example, frequent or unusually heavy or intense snowfall, flooding, hurricanes, heat stress and sea level rise, or other extreme weather conditions over an extended period have caused and could in the future cause our stores to close for a period of time or permanently, and could make it difficult for our customers and employees to travel to our stores or to receive products shipped to them, which in turn could negatively impact our operating results.

In addition, there is concern that climate changes could cause significant changes in weather patterns around the globe and an increase in the frequency and severity of natural disasters, which could have a long-term adverse impact on our business and results of operations. These changes may increase the effects described above, and changing weather patterns could result in decreased agricultural productivity in certain regions, which may limit availability and/or increase the cost of certain key materials, such as cotton.

Further, risks related to environmental and sustainability policies, laws, technologies, and negative impacts on our reputation, can impact our business in the short-, medium-, and long-term. For example, if global suppliers decide to pass additional costs from current and emerging regulation related to emissions reductions or global carbon tax schemes, we could be impacted by those additional costs. Additionally, increasing consumer awareness of environmental issues has sparked a trend in the industry of offering more sustainable products, allowing customers to make conscious decisions, which could put us at a competitive disadvantage as compared to other companies.

Environmental, social, and governance matters and any related reporting obligations may adversely impact our business, financial condition and results of operations.

U.S. and international regulators, customers, and investors are increasingly focused on corporate environmental, social, and governance ("ESG") practices and disclosures and may evaluate our business or other practices according to a variety of ESG targets, standards, and expectations. For example, new domestic and international laws and regulations relating to ESG matters are under consideration or being adopted. The SEC has proposed a rule requiring disclosure of a broad range of climate change-related information and similar laws have been enacted in the State of California and jurisdictions such as the European Union. These, and additional legislation which may be passed, may cause us to incur significant additional costs of compliance due to the need for expanded data collection, analysis, and certification with respect to greenhouse gas emissions and other climate change related risks, as well as other ESG topics.

Although we have announced goals with respect to certain ESG topics, including Scope 1 and 2 greenhouse gas emissions, suppliers with science-based sustainability targets, waste, plastic packaging, and water usage, as well as goals with respect to our products and our people, we may be unable to meet them or be required to revise them. As a result, we may face adverse regulatory, investor, media, or public scrutiny that may adversely affect our business, results of operations, or financial condition. Furthermore, the criteria by which our ESG practices, including our initiatives and public goals, are assessed may change due to the evolution of the sustainability landscape, which could result in greater expectations of us and may cause us to undertake costly initiatives to satisfy new criteria. If we are unable to respond effectively to these changes to the sustainability landscape, governments, customers, and investors may conclude that our policies and/or actions with respect to ESG matters are inadequate. If we fail or are perceived to have failed to achieve previously announced public goals or to accurately disclose our progress on such goals or initiatives, our reputation, business, financial condition and results of operations could be adversely impacted.

Risk Relating to Litigation

We are and may become subject to various claims and pending or threatened lawsuits, including as a result of investigations or other proceedings related to previously disclosed investigations.

We are subject to various claims and pending or threatened lawsuits in the course of our business, including claims that our designs infringe on the intellectual property rights of third parties. We are also affected by trends in litigation, including class action litigation brought under various laws, including product liability, consumer protection, employment, and privacy and information security laws. In addition, litigation risks related to claims that technologies we use infringe intellectual property rights of third parties have been amplified by the increase in third parties whose primary business is to assert such claims. When appropriate, reserves are established based on our best estimates of our potential liability. However, we cannot accurately predict the ultimate outcome of any such proceedings due to the inherent uncertainties of litigation. Regardless of the outcome or whether the claims are meritorious, legal and regulatory proceedings may require that management devote substantial time and expense to defend the Company. In the event we are required or decide to pay amounts in connection with any such claims or lawsuits, such amounts could exceed applicable insurance coverage, if any, or contractual rights available to us. As a result, such lawsuits could be significant and have a material adverse impact on our business, financial condition, and results of operations. Product safety concerns may also require us to recall selected products at a substantial cost to us, which may lead to a lack of consumer trust and reputational harm to the affected brand. Product safety concerns, or the failure to manage recalls or defects, could also result in governmental fines, product liability litigation, lost sales and increased costs.

Risks Related to Cybersecurity, Data Privacy, and Information Technology

Our systems, and those of our third-party vendors, containing personal information and payment data of our retail store and eCommerce customers, employees, and other third parties could be breached, which could subject us to adverse publicity, costly government enforcement actions or private litigation, and expenses.

We rely on the security of our networks, databases, systems, and processes to protect our proprietary information and information about our customers, employees, and vendors, including customer payment information. We have established physical, electronic, and organizational measures to safeguard and secure our systems to prevent data compromise and rely on commercially available systems, software, tools, and monitoring to provide security for our IT systems and the processing, transmission and storage of digital information. However, our IT systems are vulnerable to damage or interruption from a variety of sources, including physical damage, telecommunications or network failures or interruptions, system malfunction, natural disasters, malicious human acts, terrorism, and war, and we have experienced interruptions in the past. These systems, including our servers, are also vulnerable to physical or electronic break-ins, security breaches from inadvertent or intentional actions by our employees, third-party service providers, contractors, consultants, business partners, and/or other third parties, or from cyber-attacks by malicious third parties (including the deployment of harmful malware, ransomware, denial-of-service

attacks, social engineering, and other means to affect service reliability and threaten the confidentiality, integrity, and availability of information). We have outsourced elements of our IT systems, including to cloud-based solution vendors, and use third-party vendors in other aspects of our operations and, as a result, a number of third-party vendors may or could have access to confidential information. Our third-party vendors have experienced service interruptions and cyber-attacks in the past, and we expect they will continue.

Cyber criminals are constantly devising schemes to circumvent information technology security safeguards and other retailers have suffered serious data security breaches. The risk of a security breach or disruption, particularly through cyber-attacks or cyber intrusion, including by computer hackers, foreign governments, and cyber terrorists, has generally increased as the number, intensity, and sophistication of attempted attacks and intrusions from around the world have increased, due in part to cyber-attacks stemming from the Russia-Ukraine conflict. We may not be able to anticipate all types of security threats, and we may not be able to implement preventive measures effective against all such security threats. The techniques used by cyber criminals change frequently, may not be recognized until launched, and can originate from a wide variety of sources, including outside groups such as external service providers, organized crime affiliates, terrorist organizations, or hostile foreign governments or agencies. It is possible that we or our third-party vendors may experience cybersecurity and other breach incidents that remain undetected for an extended period. Even when a security breach is detected, the full extent of the breach may not be determined immediately. The costs to us to mitigate network security issues, bugs, viruses, worms, malicious software programs and security vulnerabilities could be significant and, while we have implemented security measures to protect our IT and data security infrastructure, our efforts to address these issues may not be successful.

If unauthorized parties gain access to our networks or databases, or those of our vendors, they may be able to steal, publish, delete, modify, or block our access to our private and sensitive internal and third-party information, including payment information and personally identifiable information. In such circumstances, we could be held liable to our customers, other parties, or employees as well as be subject to regulatory or other actions for breaching privacy law (including the E.U. GDPA, CCPA, and the CPRA) or failing to adequately protect such information. This could result in costly investigations and litigation exceeding applicable insurance coverage or contractual rights available to us, civil or criminal penalties, operational changes, or other response measures, loss of consumer confidence in our security measures, and negative publicity that could adversely affect our financial condition, results of operations, and reputation. Further, if we are unable to comply with the security standards established by banks and the payment processing industry, we may be subject to fines, restrictions, and expulsion from payment acceptance programs, which could adversely affect our retail operations. In addition, we may be required to incur significant costs to protect against damage caused by these disruptions or security breaches in the future. If our IT systems fail and our redundant systems or disaster recovery plans are not adequate to address such failures, or if our business interruption insurance does not sufficiently compensate us for any losses that we may incur, our revenues and profits could be reduced and the reputation of our brand and our business could be materially and adversely affected.

We are also reliant on the security practices of our third-party service providers, which may be outside of our direct control. The services provided by these third parties have been, and will likely continue to be, subject to the same risk of outages, other failures and security breaches described above. If these third parties fail to adhere to adequate security practices, or experience a breach of their systems, the data of our employees and customers may be improperly accessed, used or disclosed. In addition, our third-party providers may take actions beyond our control that could harm our business, including discontinuing or limiting our access to one or more services, increasing pricing terms, terminating, or seeking to terminate our contractual relationship altogether, or altering how we are able to process data in a way that is unfavorable or costly to us. Although we expect that we could obtain similar services from other third parties, if our arrangements with our current providers were terminated, we could experience interruptions in our business, as well as delays and additional expenses in arranging for alternative cloud infrastructure services. Any loss or interruption to our systems or the services provided by third parties, and the other risks from cybersecurity threats described above, could adversely affect our business strategy, financial condition, or results of operations. Although the aggregate impact of cybersecurity breaches has not been material to date, we have been subject to cybersecurity incidents in the past, including within the last three years, and expect them to continue as cybersecurity threats evolve in sophistication. We cannot provide any assurances that such events will not occur and impacts therefrom will not be material in the future.

Failure to implement new information technology systems or needed upgrades to our systems, including operational and financial systems, could adversely affect our business.

As our business continues to grow in size, complexity, and geographic footprint, we have enhanced and upgraded our information technology infrastructure and we expect there to be a regular need for additional enhancements and upgrades as we continue to grow. Failure to implement new systems or upgrade systems, including operational and financial systems, as needed or complications encountered in implementing new systems or upgrading existing systems could cause disruptions that may

adversely affect our business and results of operations. Further, additional investments needed to upgrade and expand our information technology infrastructure may require significant investment of additional resources and capital, which may not always be available or available on favorable terms.

Risks Related to our Global Supply Chain and Labor Force

We source substantially all of our products through foreign production arrangements. Our dependence on foreign supply sources are subject to risks associated with global sourcing and manufacturing which could result in disruptions to our operations.

We source substantially all of our products through a network of vendors primarily in Asia, principally coordinated by our Hong Kong sourcing office. Our global supply chain could be negatively affected due to a number of factors, including:

- political instability or other global events resulting in the disruption of operations or trade in or with foreign countries from which we source our products;
- the occurrence of a natural disaster, unusual weather conditions, or a disease epidemic in foreign countries from which we source our products;
- financial instability, including bankruptcy or insolvency, of one or more of our major vendors, including our transportation providers and carriers;
- the imposition of new laws and regulations relating to imports, duties, taxes, and other charges on imports, including those that the U.S. government has implemented and may further implement on imports from China, such as the Uyghur Forced Labor Prevention Act and other sanctions and trade regulations issued by the U.S. government related to forced labor in the Xinjiang Uyghur Autonomous Region of China and other regions which may affect our sourcing operations and the availability of raw materials, including cotton, used by the vendors from which we purchase goods;
- increased costs of raw materials (including cotton and other commodities), labor, fuel, and transportation;
- interruptions in the supply of raw materials, including cotton, fabric, and trim items;
- increases in the cost of labor in our sourcing locations;
- changes in the U.S. customs procedures concerning the importation of apparel products, durable goods and accessories;
- unforeseen delays in customs clearance of any goods;
- disruptions in the global transportation network, such as a port strikes or delays, work stoppages or other labor unrest, capacity withholding, world trade restrictions, acts of terrorism, or war;
- the application of adverse foreign intellectual property laws;
- the ability of our vendors to secure sufficient credit to finance the manufacturing process, including the acquisition of raw materials;
- potential social compliance concerns resulting from our use of international vendors, third-party manufacturers, and licensees, over whom we have limited control;
- manufacturing delays or unexpected demand for products may require the use of faster, but more expensive, transportation methods, such as air-freight services; and
- other events beyond our control that could interrupt our supply chain and delay receipt of our products into the United States, Canada, and Mexico, as well as the ninety additional countries in which our international partners and international wholesale customers operate.

The occurrence of one or more of these events could result in disruptions to our operations, which in turn could increase our cost of goods sold, decrease our gross profit, and/or impact our ability to deliver to our customers. For example, we have recently experienced delays with respect to our shipments via ocean vessels due to attacks by a militant group at the entrance to the Red Sea region. These attacks have required us to route shipments around the Cape of Good Hope at the southern tip of Africa, which has added an additional seven to ten days of transit time. Typically, approximately 65% of our products are shipped through the Red Sea to arrive at their destination on the East Coast of the U.S. and we expect delays of approximately seven to ten days if the hostilities in the region continue. We expect that the adverse impact of the hostilities in the region,

including additional transportation fees to re-route these shipments, could be approximately $6.0 to $7.0 million through the end of June 2024. If these hostilities continue or escalate, our business and results of operations could be materially adversely affected.

Also, the United States Treasury Department has placed sanctions on China's Xinjiang Production and Construction Corporation ("XPCC") for human rights violations and took other significant steps to address the forced labor concerns in the Xinjiang Uyghur Autonomous Region (the "XUAR") of China, including withhold release orders issued by U.S. Customs and Border Protection, ("US CBP"). Additionally, on December 23, 2021, President Biden signed the Uyghur Forced Labor Prevention Act (the "UFLPA") into law, which is intended to address the use of forced labor in China's Xinjiang Uyghur Autonomous Region ("XUAR"). Among other things, the UFLPA imposes a presumptive ban on the import of goods to the United States that are made, wholly or in part, in the XUAR or by persons that participate in certain programs in the XUAR that entail the use of forced labor. The UFLPA took effect on June 21, 2022 and, along with US CBP withhold release orders, may in turn have an adverse effect on global supply chains, including our own supply chains for cotton and cotton-containing products, and the price of cotton in the marketplace. The XUAR is the source of large amounts of cotton and textiles for the global apparel supply chain. Although we do not knowingly source any products from the XUAR and we have no known involvement with China's Xinjiang Production and Construction Corporation ("XPCC") or its affiliates, we could be subject to penalties, fines or sanctions if any of the vendors from which we purchase goods is found or suspected to have dealings, directly or indirectly, with XPCC or entities with which it may be affiliated. Additionally, our products have been and, in the future, could be held or delayed by the US CBP under the withhold release orders, which would cause delays and unexpectedly affect our inventory levels. Even if we were not subject to penalties, fines, or sanctions, if products we source are associated in any way to XPCC or the XUAR, our reputation could be damaged.

A relatively small number of vendors supply a significant amount of our products, and losing one or more of these vendors could have a material adverse effect on our business.

In fiscal 2023, we purchased approximately 55% of our products from ten vendors, with three vendors representing approximately one half of the purchases made from our top ten vendors. Additionally, we estimate that approximately 66% of the fabric that is used in the manufacture of our products is sourced from China. We expect that we will continue to source a significant portion of our products from these vendors. We do not have agreements with our major vendors that would provide us with assurances on a long-term basis as to adequate supply or pricing of our products. If any of our major vendors decide to discontinue or significantly decrease the volume of products they manufacture for us, raise prices on products we purchase from them, or become unable to perform their responsibilities (e.g., if our vendors become insolvent or experience financial difficulties, manufacturing capacity constraints, significant labor disputes, or restrictions imposed by foreign governments) our business, results of operations, and financial condition may be adversely affected.

Labor or other disruptions along our supply chain may adversely affect our relationships with customers, reputation with consumers, and results of operations.

Our business depends on our ability to source and distribute products in a timely manner. Labor disputes at third-party factories where our goods are produced, the shipping ports we use, or within our transportation carriers create significant risks for our business, particularly if these disputes result in work slowdowns, lockouts, strikes, or other disruptions during our peak manufacturing and importing times. For example, we source a significant portion of our products through a single port on the West Coast of the United States. Work slowdowns and stoppages relating to labor agreement negotiations involving the operators of this west coast port and unions have in the past resulted in a significant backlog of cargo containers entering the United States. We, along with other companies, have also shifted a significant amount of our product deliveries to ports of entry on the East Coast of the United States, which have experienced volume increases that created, and may continue to create, delays at these ports that did not exist before we, and others, shifted significant volume to them. The ports of entry to which we deliver on the East Coast may also be subject to labor disputes, work slowdowns, lockouts, strikes, or other disruptions. Further, in the past, the insolvency of a major shipping company has also had an effect on our supply chain. As a result, we have in the past experienced delays in the shipment of our products. In the event that these slow-downs, disruptions or strikes occur in the future in connection with labor agreement negotiations or otherwise, it may have a material adverse effect on our financial position, results of operations, or cash flows.

Our inability to effectively source and manage inventory could negatively impact our ability to timely deliver our inventory supply and disrupt our business, which may adversely affect our operating results.

We source all of our products from a global network of third-party suppliers. If we experience significant increases in demand, or need to replace an existing vendor or shift production to vendors in new countries, there can be no assurance that additional manufacturing capacity will be available when required on terms that are acceptable to us or that any vendor would allocate sufficient capacity to us in order to meet our requirements. In addition, for any new vendors, we may encounter delays in

production and added costs as a result of the time it takes to train our vendors in producing our products and adhering to our quality control standards. In the event of a significant disruption in the supply of the fabrics or raw materials (including cotton) used by our vendors in the manufacture of our products, such as an inability to source from a particular vendor or geographic region, our vendors might not be able to locate alternative suppliers of materials of comparable quality at an acceptable price. Any delays, interruption, or increased costs in the manufacture of our products could have a material adverse effect on our operating results or cash flows.

Additionally, the nature of our business requires us to carry a significant amount of inventory, especially prior to the peak holiday selling season when we increase our inventory levels, and to support our retail omni-channel strategies, including our buy on-line and pick-up in store program. Merchandise usually must be ordered well in advance of the season in which it is expected to be sold, and frequently before apparel trends are validated by customer purchases. We must enter into contracts for the purchase and manufacture of merchandise well in advance of the applicable selling season. As a result, we are vulnerable to demand and pricing shifts and to suboptimal selection and timing of merchandise purchases and allocations to our sales channels. In the past, we have not always predicted our customers' preferences and acceptance levels of our trend items with accuracy. If sales do not meet expectations, too much inventory may cause excessive markdowns and, therefore, lower-than-planned margins, and too little inventory may result in lost sales.

Our Braselton, Georgia distribution facility handles a large portion of our merchandise distribution. If we encounter problems with this facility, our ability to deliver our products to the market could be adversely affected.

We process a large portion of our merchandise distribution for our U.S. stores and our eCommerce operations from our facility in Braselton, Georgia. Our ability to meet consumer expectations, manage inventory, complete sales, and achieve objectives for operating efficiencies depends on proper operation of this facility. If we are not able to distribute merchandise to our stores or customers because we have exceeded our capacity at our distribution facility (such as a high level of demand during peak periods) or because of natural disasters, health issues, accidents, system failures, disruptions, or other events, our sales could decline, which may have a materially adverse effect on our earnings, financial position, and our reputation. Additionally, we have experienced significant competition in hiring employees for this facility, and in order to address this, we have increased wages and implemented other policies in order to retain existing employees and attract additional employees. These wage increases impacted our operating results. We are likely to continue to face challenges in hiring employees for this facility due to increased competition and we may incur additional employee-related costs, when necessary, which would impact our operating results. These staffing difficulties have caused and may in the future cause additional capacity constraints. Additionally, if we are unable to adequately staff this facility to meet demand, or if the cost of such staffing is higher than projected due to competition, mandated wage increases, regulatory changes, or other factors, our operating results may be further harmed.

In addition, we use automated systems that manage the order processing for our eCommerce business. In the event that one of these systems becomes inoperable for any reason, we may be unable to ship orders in a timely manner, and as a result, we could experience a reduction in our direct-to-consumer business, which could negatively impact our sales and profitability.

Risks Relating to Our International Expansion

We may be unsuccessful in expanding into international markets.

We cannot be sure that we can successfully complete any planned international expansion or that new international business will be profitable or meet our expectations. We do not have significant experience operating in markets outside of North America. Consumer demand, behavior, tastes, and purchasing trends may differ in international markets and, as a result, sales of our products may not be successful or meet our expectations, or the margins on those sales may not be in line with those we currently anticipate. We may encounter differences in business culture and the legal environment that may make working with commercial partners and hiring and retaining an adequate employee base more challenging. We may also face difficulties integrating foreign business operations with our current operations, including our international supply chain operations. Significant changes in foreign laws or relations, such as political uncertainty and potential trade wars between nations in which we operate, may also hinder our success in new markets. Our entry into new markets may have upfront investment costs that may not be accompanied by sufficient revenues to achieve typical or expected operational and financial performance and such costs may be greater than expected. If our international expansion plans are unsuccessful, our results could be materially adversely affected.

Risks Related to Governmental and Regulatory Changes

Failure to comply with the various laws and regulations as well as changes in laws and regulations could have an adverse impact on our reputation, financial condition, or results of operations.

We are subject to laws, regulations and standards set by various governmental authorities around the world, including in the United States, Canada, and Mexico, including:

- those imposed by the Sarbanes-Oxley Act of 2002, the Dodd-Frank Wall Street Reform and Consumer Protection Act, the SEC, and the NYSE;
- the U.S. Foreign Corrupt Practices Act, and similar world-wide anti-bribery laws;
- health care, employment and labor laws;
- product and consumer safety laws, including those imposed by the U.S. Consumer Product Safety Commission and the Americans with Disabilities Act of 1990;
- data privacy laws, including the E.U. GDPA and the CCPA;
- trade, transportation and logistics related laws, including tariffs and orders issued by Customs and Border Protection; and
- applicable environmental laws.

Our failure to comply with these various laws and regulations could have an adverse impact on our reputation, financial condition, or results of operations. In addition, these laws, regulations, and standards may change from time to time, and the complexity of the regulatory environment in which we operate may increase. Although we undertake to monitor changes in these laws, if these laws change without our knowledge, or are violated by importers, designers, manufacturers, distributors, or agents, we could experience delays in shipments and receipt of goods or be subject to fines or other penalties under the controlling regulations, any of which could negatively affect our business and results of operations. Also, our inability, or that of our vendors, to comply on a timely basis with regulatory requirements could result in product recalls, or significant fines or penalties, which in turn could adversely affect our reputation and sales, and could have an adverse effect on our results of operations. Issues with respect to the compliance of merchandise we sell with these regulations and standards, regardless of our culpability or customer concerns about such issues, could result in damage to our reputation, lost sales, uninsured product liability claims or losses, product recalls, and increased costs.

Risks Related to Executing Our Strategic Plan

Our failure to properly manage strategic initiatives in order to achieve our objectives may negatively impact our business.

The implementation of our business strategy periodically involves the execution of complex initiatives, such as acquisitions, which may require that we make significant estimates and assumptions about opportunities and initiatives that we may pursue. These projects could place significant demands on our accounting, financial, information technology, and other systems, and on our business overall. We are dependent on our management's ability to oversee these projects effectively and implement them successfully. If our estimates and assumptions about a project are incorrect, or if we miscalculate the resources or time we need to complete a project or fail to implement a project effectively, our business and operating results could be adversely affected.
Given the trend of declining customer traffic in malls and shopping centers, our multichannel business model is an important pillar of our strategic plan. Our multichannel global business model, which includes retail store, eCommerce, and wholesale sales channels, enables us to reach a broad range of consumers around the world. However, to be effective, this strategy has and will continue to require significant investment in cross-functional operations and management focus, along with investment in supporting technologies. Omni-channel retailing is rapidly evolving and we must anticipate and meet changing customer expectations and address new developments and technology investments by our competitors. Our omni-channel retailing strategy includes implementing new technology, software, and processes to be able to fulfill customer orders from any point within our system of stores and distribution centers, which is extremely complex and may not meet customer expectations for timely and accurate deliveries. We have made significant investments in our direct-to-consumer capabilities in recent years, including same-day fulfillment of online purchases and radio frequency identification (RFID) technology, in order to increase the visibility and accuracy of our inventories. If we are unable to attract and retain employees or contract with third-parties having the specialized skills needed to support our multichannel efforts, implement improvements to our customer-facing technology in a timely manner, allow real-time and accurate visibility to product availability when customers are ready to purchase, quickly and efficiently fulfill our customers' orders using the fulfillment and payment methods they demand, or provide a convenient and consistent experience for our customers regardless of the ultimate sales channel, our ability to compete and our results of operations could be adversely affected. In addition, if our retail eCommerce sites or our other

customer-facing technology systems do not appeal to our customers, reliably function as designed, or maintain the privacy of customer data, or if we are unable to consistently meet our brand and delivery promises to our customers, we may experience a loss of customer confidence or lost sales, or be exposed to fraudulent purchases, which could adversely affect our reputation and results of operations.

Additionally, our pricing and other strategies for growing profitability may not achieve their objectives, may adversely affect our business, inventory units sold, results of operations, and cash flows.

A failure to properly execute our plans and business strategies, delays in executing our plans and business strategies, increased costs associated with executing on our plans and business strategies, or failure to identify alternative strategies could have a material adverse effect on our business, financial position, results of operations, and cash flows.

Our success is dependent upon retaining key individuals within the organization to execute our strategic plan.

Our ability to attract and retain qualified executive management, marketing, merchandising, design, sourcing, technology, operations, including distribution center and retail store, and support function staffing is key to our success. We cannot be sure that we will be able to attract, retain, and motivate a sufficient number of qualified personnel in the future, or that the compensation costs of doing so will not adversely affect our operating results. We have paid special bonuses across our workforce and have increased, and may continue to increase, our employee compensation and benefits levels in response to competition, as necessary. Our inability to retain personnel could cause us to experience business disruption due to a loss of historical knowledge and a lack of business continuity and may adversely affect our results of operations, financial position, and cash flows.

We may be unable to grow through acquisitions or successfully integrate acquired businesses, and such acquisitions may fail to achieve the financial results we expected.

From time to time we may acquire other businesses as part of our growth strategy, such as our acquisitions of the Skip Hop brand and our Mexican licensee in fiscal 2017, and we may partially or fully fund future acquisitions by taking on additional debt. We may be unable to continue to grow through acquisitions if we are not able to identify suitable acquisition candidates or acquire them on favorable terms, and potential acquisitions may be abandoned or delayed if necessary financing is not available or regulatory approvals cannot be obtained. For completed acquisitions, we may be unable to successfully integrate businesses we acquire and such acquisitions may fail to achieve the financial results we expected. Integrating completed acquisitions into our existing operations, particularly larger acquisitions, involves numerous risks, including harmonizing divergent technology platforms, diversion of our management attention, failure to retain key personnel and customers, and failure of the acquired business to be financially successful. In addition, we cannot be certain of the extent of any unknown or contingent liabilities of any acquired business, including liabilities for failure to comply with applicable laws, such as those relating to product safety, anti-bribery or anti-corruption. We may incur material liabilities for past activities of acquired businesses. Also, depending on the location of the acquired business, we may be required to comply with laws and regulations that may differ from those of the jurisdictions in which our operations are currently conducted. Our inability to successfully integrate businesses we acquire, or if such businesses do not achieve the financial results we expect, may increase our costs and have a material adverse impact on our financial condition and results of operations.

Risks Related to Financial Reporting, Our Debt, and Taxes

We may not achieve sales growth plans, profitability objectives, and other assumptions that support the carrying value of our intangible assets.

The carrying values of our goodwill and tradename assets are subject to annual impairment reviews as of the last day of each fiscal year or more frequently, if deemed necessary, due to any significant events or changes in circumstances. Estimated future cash flows used in these impairment reviews could be negatively affected if we do not achieve our sales plans and planned profitability objectives. Other assumptions that support the carrying value of these intangible assets, including a deterioration of macroeconomic conditions which would negatively affect the cost of capital and/or discount rates, could also result in impairment of the remaining asset values. For example, in fiscal 2022, we recorded a non-cash pre-tax impairment charge of $9.0 million on our *Skip Hop* indefinite-lived tradename asset, reflecting the effect of increased discount rates and lower forecasted sales and profitability.

We have substantial debt, which could adversely affect our financial health and our ability to obtain financing in the future and to react to changes in our business.

As of the end of fiscal 2023, we had $500.0 million aggregate principal amount of debt outstanding (excluding $4.4 million of outstanding letters of credit), and $845.6 million of undrawn availability under our senior secured revolving credit facility after

giving effect to $4.4 million of letters of credit issued under our senior secured revolving credit facility. As a result, our ability to obtain additional financing for working capital, capital expenditures, acquisitions, debt service requirements, or general corporate or other purposes may be limited, and we may be unable to renew or refinance our debt on terms as favorable as our existing debt or at all.

If our liquidity, cash flows, and capital resources are insufficient to fund our debt service obligations and other cash requirements, we could be forced to reduce or delay investments and capital expenditures or to sell assets or operations, seek additional capital, or restructure or refinance our indebtedness. We may not be able to effect any such alternative measures, if necessary, on commercially reasonable terms or at all and, even if successful, such alternative actions may not allow us to meet our scheduled debt service obligations. In the absence of such operating results and resources, we could face substantial liquidity problems and might be required to dispose of material assets or operations to meet our debt service and other obligations.

In addition, both our senior secured revolving credit facility and, in certain circumstances, the indenture that governs the senior notes contain restrictive covenants that, subject to specified exemptions, restrict our ability to incur indebtedness, grant liens, make certain investments (including business acquisitions), pay dividends or distributions on our capital stock, engage in mergers, dispose of assets and use the proceeds from any such dispositions, and raise debt or equity capital to be used to repay other indebtedness when it becomes due. These restrictions may limit our ability to engage in acts that may be in our long-term best interests, and may make it difficult for us to execute our business strategy successfully or effectively compete with companies that are not similarly restricted. In particular, we cannot guarantee that we will have sufficient cash from operations, borrowing capacity under our debt documents, or the ability to raise additional funds in the capital markets to pursue our growth strategies as a result of these restrictions or otherwise. We may also incur future debt obligations that might subject us to additional restrictive covenants that could affect our financial and operational flexibility.

We may experience fluctuations in our tax obligations and effective tax rate.

We are subject to income taxes in federal and applicable state and local tax jurisdictions in the United States, Canada, Hong Kong, Mexico, and other foreign jurisdictions. Our taxable income in each jurisdiction is affected by certain transfer pricing arrangements between affiliated entities. Challenges to the arms-length nature of these transfer prices could materially affect our taxable income in a taxing jurisdiction, and therefore affect our income tax expense. We record tax expense based on our estimates of current and future payments, which include reserves for estimates of uncertain tax positions. At any time, many tax years are subject to audit by various taxing jurisdictions. The results of these audits and negotiations with taxing authorities may impact the ultimate settlement of these tax positions. As a result, there could be ongoing variability in our quarterly tax rates as taxable events occur and exposures are re-evaluated. Further, our effective tax rate in any financial statement period may be materially affected by changes in the geographic mix and level of earnings.

During the requisite service period for compensable equity-based compensation awards that we may grant to certain employees, we recognize a deferred income tax benefit on the compensation expense we incur for these awards for all employees other than our named executive officers. At time of subsequent vesting, exercise, or expiration of an award, the difference between our actual income tax deduction, if any, and the previously accrued income tax benefit is recognized in our income tax expense/benefit during the current period and can consequently raise or lower our effective tax rate for the period. Such differences are largely dependent on changes in the market price for our common stock.

We cannot predict whether quotas, duties, taxes, or other similar restrictions will be imposed by the United States or foreign countries upon the import or export of our products in the future, or what effect any of these actions would have, if any, on our business, financial condition, or results of operations.

Changes in regulatory, geopolitical, social or economic policies, treaties between the United States and other countries, and other factors may have a material adverse effect on our business in the future or may require us to exit a particular market or significantly modify our current business practices. For example, our taxable income may be affected by new laws, rulings, initiatives, and other events, which may affect our business, financial condition, or results of operations in future periods, including:

- the CARES Act, which was enacted in March 2020, and which significantly affects U.S. taxation by providing a retention credit and eases limitations on certain deductions including interest due to potential volatility in 2020 taxable income;
- a 2018 U.S. Supreme Court ruling, under which states may have additional ability to tax entities operating in their state, but lacking physical presence;

- mandatory country by country reporting of revenue, employees and profits, and certain international initiatives (such as the Organisation for Economic Co-operation and Development (OECD)'s Base Erosion and Profit Shifting (BEPS)) that are focused on the equity of international taxation, which may ultimately result in a worldwide minimum tax, or more defined approach around global profit allocation between related companies operating in jurisdictions with disparate income tax rates; and
- tax revenue reductions as a result of the economic impact of the pandemic, which may lead to increases in state tax rates or the expansions of their tax base.

General Risks

Quarterly cash dividends and share repurchases are subject to a number of uncertainties, and may affect the price of our common stock.

Quarterly cash dividends and share repurchases under our share repurchase program have historically been part of our capital allocation strategy. Although we reinstated our share repurchase program in August 2021 and resumed payment of a quarterly dividend in the third quarter of fiscal 2021, in the first quarter of fiscal 2020 we suspended both our quarterly cash dividends and our share repurchase program due to the effects of the COVID-19 pandemic, and we are not required to declare dividends or make any share repurchases under our share repurchase program in the future. Decisions with respect to future dividends and share repurchases are subject to the discretion of our Board of Directors and will be based on a variety of factors, including restrictions under our secured revolving credit facility, market conditions, the price of our common stock, the nature and timing of other investment opportunities, changes in our business strategy, the terms of our financing arrangements, our outlook as to the ability to obtain financing at attractive rates, the impact on our credit ratings and the availability of domestic cash. A subsequent reduction or elimination of our cash dividend, or subsequent suspension or elimination of our share repurchase program could adversely affect the market price of our common stock. Additionally, there can be no assurance that any share repurchases will enhance shareholder value because the market price of our common stock may decline below the levels at which we repurchased shares of common stock, and short-term stock price fluctuations could reduce the program's effectiveness.

The market price of our common stock may be volatile.

The market price of our common stock may fluctuate substantially. Future announcements concerning us or our competitors', financial results, quarterly variations in operating results or comparable sales, updates on strategic initiatives, failure to meet analyst or investor expectations, failure of investors or analysts to understand our business strategies or fundamental changes in our business or sector, among other factors, could cause these fluctuations. In addition, stock markets have experienced periods of significant price or volume volatility in recent years. This volatility has had a substantial effect on the market prices of securities of many public companies for reasons frequently unrelated to the operating performance of the specific companies. Stock price volatility may also impact our decisions with respect to future dividends and share repurchases.

Our amended and restated bylaws designate the Court of Chancery of the State of Delaware as the sole and exclusive forum for certain types of actions and proceedings that may be initiated by our shareholders, which could limit our shareholders' ability to obtain a favorable judicial forum for disputes with us or our directors, officers, employees, or agents.

Our amended and restated bylaws provide that, unless we consent in writing to the selection of an alternative forum, the Court of Chancery of the State of Delaware will, to the fullest extent permitted by applicable law, be the sole and exclusive forum for (i) any derivative action or proceeding brought on our behalf, (ii) any action asserting a claim of breach of a fiduciary duty owed by any of our directors, officers, employees, or agents to us or our shareholders, (iii) any action asserting a claim arising pursuant to any provision of the Delaware General Corporation Law (the "DGCL"), our certificate of incorporation or our bylaws, or (iv) any action asserting a claim against us that is governed by the internal affairs doctrine, in each such case subject to such Court of Chancery having personal jurisdiction over the indispensable parties named as defendants therein. This exclusive forum provision is not intended to apply to actions arising under the Exchange Act or the Securities Act of 1933, as amended. The Court of Chancery of the State of Delaware has held that a Delaware corporation can only use its constitutive documents to bind a plaintiff to a particular forum where the claim involves rights or relationships that were established by or under the DGCL.

Any person or entity purchasing or otherwise acquiring any interest in shares of our capital stock will be deemed to have notice of, and consented to, the forum selection provision of our amended and restated bylaws. The choice of forum provision may limit a shareholder's ability to bring a claim in a judicial forum that it finds favorable for disputes with us or our directors, officers, employees, or agents, which may discourage such lawsuits against us and such persons. Alternatively, if a court were to find this provision of our amended and restated bylaws inapplicable to, or unenforceable in respect of, one or more of the

specified types of actions or proceedings, we may incur additional costs associated with resolving such matters in other jurisdictions, which could adversely affect our business, financial condition, or results of operations.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 1C. CYBERSECURITY

Risk Management and Strategy

To effectively assess, identify, and manage material risks from cybersecurity threats, the Company maintains a cyber risk management program, which is led by our Chief Information Security Officer and Vice President of Infrastructure Services and Supply Chain Systems (the "CISO"). The CISO reports to the Senior Vice President and Chief Information Officer (the "CIO"), who in turn reports to the CFO.

The Company has implemented the following processes to assess, identify, and manage material risks from cybersecurity threats:

- Annual assessments, by an independent third party, of the Company's cybersecurity framework under the National Institute for Standards and Technology ("NIST") cybersecurity framework;
- Penetration tests conducted by a third-party;
- Simulation of attacks on the Company's systems by third-parties to test the Company's systems and protections;
- "Table-top" simulation exercises involving the Company's management and its third-party consultants and advisors to simulate a cyber incident and the Company's response to that incident, pursuant to the Company's Incident Response Plan; and
- Payment card industry ("PCI") audits to assess the Company's processing of credit card transactions pursuant to standards adopted by the PCI.

In addition, to mitigate material risks from cybersecurity threats, the Company has implemented various controls, including, but not limited to, the following:

- Intrusion prevention controls (such as network segmentation and firewalls);
- Access controls (such as identity and access management and multi-factor authentication on critical applications and systems);
- Detection controls (such as endpoint threat detection and response, and logging and monitoring involving the use of a third-party for security information and event management, with reports and alerts provided by the third-party to the CISO's team); and
- Threat protection controls (such as mandatory cyber-threat training and simulated phishing campaigns with employees, vendor management programs, and vulnerability and patch management).

The Company has integrated its processes for assessing, identifying, and managing material risks from cybersecurity threats into its overall risk management framework, including through coordination with the Company's internal leader of Enterprise Risk Management, and through quarterly reporting to the Company's Audit Committee. Cybersecurity threats, including as a result of any previous cybersecurity incidents, have not materially affected or are reasonably likely to materially affect the Company, including its business strategy, results of operations, or financial condition, except as disclosed in the risk factor titled "Our systems, and those of our third-party vendors, contain personal information and payment data of our retail store and eCommerce customers, and other third parties could be breached, which could subject us to adverse publicity, costly government enforcement actions or private litigation, and expenses" in Part I, Item 1A, "Risk Factors".

The Company has also implemented processes for overseeing and identifying risks from cybersecurity threats associated with its use of third-party service providers. For example, the Company has implemented the following:

- Vendor onboarding processes including a Privacy Impact Assessment and a Cyber Security and Compliance Questionnaire; and
- Enrollment of each vendor in a third-party risk monitoring tool that alerts the CISO's team should that vendor's security posture change.

Governance

The Audit Committee of the Board of Directors oversees risks from cybersecurity threats, including through quarterly reports to the Audit Committee by the Company's CISO and CIO and, as needed, special reports to the Audit Committee and/or the Chairperson of the Audit Committee. The Audit Committee includes members with technology and cybersecurity experience and certifications, including a Committee member with over 28 years of experience working for Hewlett Packard Enterprise Company and a Committee member with a Computer Emergency Readiness Team ("CERT") Certificate in Cybersecurity Oversight issued by the CERT Division of the Software Engineering Institute at Carnegie Mellon University and completion of the National Association of Corporate Directors Master Course in Cybersecurity.

Management plays an integral role in assessing and managing the Company's material risk from cybersecurity risks. The assessment and management of those risks is led by the Company's CISO, who has over 20 years of experience working in information technology, including over 10 years specifically focused on information security, infrastructure, and strategy, and the Company's CIO, who has over 25 years of experience in Retail, Consumer Products, Merchandising, Supply Chain and IT, of which 15 years have been in leadership roles, and implemented by the CISO's team, who are responsible for leading enterprise-wide cybersecurity strategy, policy, standards, architecture, processes and operations. The CISO and CIO lead quarterly meetings of the Company's Security Executive Steering Committee (the "Steering Committee"), which is composed of the Company's CFO, General Counsel, and CIO. The Steering Committee drives awareness, ownership and alignment across broad governance and risk stakeholder groups for effective cybersecurity risk management and reporting.

The Company's management maintains and implements a written Incident Response Plan, which is reviewed and updated on an annual basis and includes an Incident Response Plan Executive Committee consisting of the Company's CIO, CISO, and General Counsel. In addition, members of the CISO's and CIO's teams monitor the Company's systems and processes and promptly report incidents as required under the Incident Response Plan, including, but not limited to, reporting to the appropriate members of management and, as needed, the Audit Committee.

The Incident Response Plan has been developed to align with the four phases for the security handling lifecycle set forth in the National Institute for Standards and Technology Special Publication 800-61: (1) Preparation, (2) Detection & Analysis, (3) Containment Eradication & Recovery, and (4) Post-Incident Activity.

ITEM 2. PROPERTIES

The following is a summary of our principal owned and leased properties as of December 30, 2023.

Our corporate headquarters occupies 209,000 square feet of leased space in a building in Atlanta, Georgia. Our lease for that space expires in July 2035. In addition, we occupy leased space in a building in Mississauga, Ontario, which serves as our regional headquarters for Canada, and we occupy leased space in Hong Kong, which serves as our principal sourcing office in Asia. We also lease other space in Georgia and New York, as well as in Bangladesh, Cambodia, China, Mexico, and Vietnam that, depending on the site, serves as a sourcing, sales, or administrative office. We also own a 224,000 square foot facility in Griffin, Georgia.

Our largest distribution centers, which we lease, are located in Braselton, Georgia, Stockbridge, Georgia, and Jonesboro, Georgia and are 1.1 million, 0.5 million, and 0.2 million square feet, respectively. The distribution centers in Braselton, Georgia and Stockbridge, Georgia support all of our operating segments, and the distribution center in Jonesboro, Georgia supports our U.S. Wholesale segment. We also lease additional space in or use third-party logistics providers in California, Canada, China, Mexico, and Vietnam for warehousing and distribution purposes.

We also operate the following number of leased retail stores: 792 in the United States, 188 in Canada, and 54 in Mexico. Our average remaining lease term for retail store leases in the United States, Canada, and Mexico is approximately 3.2 years, excluding renewal options.

ITEM 3. LEGAL PROCEEDINGS

We are 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 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS, AND ISSUER PURCHASES OF EQUITY SECURITIES

Common Stock

Our common stock trades on the New York Stock Exchange (NYSE) under the trading symbol CRI. As of February 20, 2024, there were 172 holders of record of our common stock. The vast majority of holders of our common stock are "street name" or beneficial holders, whose shares of record are held by banks, brokers, and other financial institutions.

Open Market Share Repurchases

The following table provides information about shares repurchased during the fourth 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		Approximate dollar value of remaining shares that can be purchased under the plans or programs
October 1, 2023 through October 28, 2023	188,761	$	66.65	188,761	$	669,453,093
October 29, 2023 through November 25, 2023	122,983	$	67.97	122,745	$	661,110,640
November 26, 2023 through December 30, 2023	159,405	$	72.88	159,405	$	649,492,412
Total	471,149			470,911		

(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 238 shares surrendered between October 29, 2023 and November 25, 2023.

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

Share Repurchase Program

On February 24, 2022, our Board of Directors authorized share repurchases up to $1.00 billion, inclusive of $301.9 million remaining under previous authorizations. The total aggregate remaining capacity under outstanding repurchase authorizations as of December 30, 2023 was $649.5 million. The share repurchase authorizations have no expiration dates.

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

	For the fiscal year ended					
		December 30, 2023		December 31, 2022		January 1, 2022
Number of shares repurchased[(1)]		1,446,269		3,747,187		2,967,619
Aggregate cost of shares repurchased *(dollars in thousands)*[(2)]	$	100,034	$	299,667	$	299,339
Average price per share[(2)]	$	69.17	$	79.97	$	100.87

(1) Share repurchases were made in compliance with all applicable rules and regulations and in accordance with the share repurchase authorizations described in Item 8 "Financial Statements and Supplementary Data" under Note 11, Common Stock, to the consolidated financial statements.

(2) 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.

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, excise taxes, and other factors.

Dividends

On February 26, 2024, the Company's Board of Directors declared a quarterly cash dividend payment of $0.80 per common share, payable on March 29, 2024 to shareholders of record at the close of business on March 11, 2024.

In each quarter 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 $3.00 for fiscal 2023). In 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 $3.00 for fiscal 2022). Our Board of Directors will evaluate future dividend declarations based on a number of factors, including restrictions under our secured revolving credit facility, business conditions, our 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 Item 8 “Financial Statements and Supplementary Data” under Note 10, *Long-Term Debt*, to the consolidated financial statements.

Recent Sales of Unregistered Securities

None.

ITEM 6. [RESERVED]

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following is a discussion of our results of operations and current financial condition. You should read this discussion in conjunction with our consolidated historical financial statements and notes included elsewhere in this Annual Report on Form 10-K. Our discussion of our results of operations and financial condition contains certain forward-looking statements within the meaning of the federal securities laws relating to our future performance. We based these statements on assumptions that we consider reasonable. Actual results may differ materially from those suggested by our forward-looking statements for various reasons including those discussed under "Risk Factors" in Part I, Item 1A of this Annual Report on Form 10-K. Those risk factors expressly qualify all subsequent oral and written forward-looking statements attributable to us or persons acting on our behalf. Except for any ongoing obligations to disclose material information as required by federal securities laws, we do not have any intention or obligation to update forward-looking statements after we file this Annual Report on Form 10-K.

For a comparison of our results for fiscal year 2022 to our results for fiscal year 2021 and other financial information related to fiscal year 2021, refer to Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our 2022 Annual Report on Form 10-K, filed with the SEC on February 24, 2023.

Fiscal Years

Our fiscal year ends on the Saturday in December or January nearest December 31. Every five or six years, our fiscal year includes an additional 53rd week of results. Fiscal 2023 ended on December 30, 2023, fiscal 2022 ended on December 31, 2022, and fiscal 2021 ended on January 1, 2022. All three fiscal years contained 52 calendar weeks.

Our Business

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, *Little Planet*, a brand focused on organic fabrics and sustainable materials and exclusive *Carter's* brands developed for Amazon, Target, and Walmart.

Our multichannel global business model, which includes retail stores, eCommerce, and wholesale distribution channels, as well as omni-channel capabilities in the United States and Canada, enables us to reach a broad range of consumers around the world. At the end of fiscal 2023, our channels included 1,034 company-owned retail stores, eCommerce websites, approximately 19,350 wholesale locations in North America, as well as our international wholesale accounts and licensees who operate in over 1,100 locations outside of North America in over 90 countries.

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. Additional financial and geographical information about our business segments is contained in Item 8 "Financial Statements and Supplementary Data" and under Note 18, *Segment Information*, to the consolidated financial statements.

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, purchasing, receiving, and inspection costs. Also included in costs of goods sold are the costs of shipping eCommerce product 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.

Known or Anticipated Trends

Macroeconomic Factors and Consumer Demand

Macroeconomic factors, including inflationary pressures on families with young children, 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 fiscal 2023. We believe these macroeconomic factors have resulted in lower consumer sentiment and negatively impacted demand for our products. While the impact of these macroeconomic factors is difficult to quantify, we expect continued pressure on consumer demand in fiscal 2024.

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. As a result, we 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.

While some of these inflationary pressures, including freight input costs and product input costs, improved in fiscal 2023 and we expect further improvement in fiscal 2024, we may continue to experience inflationary pressures on our product input costs and distribution costs. Additionally, our pricing actions could have an adverse impact on demand and may not be sufficient to cover all increased costs that we may experience.

Inventory Levels

As consumer and wholesale customer demand in the marketplace began to slow in fiscal 2022 in response to the onset of significant inflation, the Company implemented a strategy whereby inventory originally intended for sale in fiscal 2022 was packed and held ("pack and hold" inventory) for sale profitably in a future period. In fiscal 2023, the Company had profitably sold through the majority of this inventory. Additionally, in response to increased inventory levels at the end of fiscal 2022, the Company utilized its own retail channel, as well as off-price channels, to sell through excess inventory.

Compared to the end of fiscal 2022, our inventories decreased $207.4 million, or 27.9%, to $537.1 million, due to this decreased "pack and hold" inventory, decreased days of supply, and decreased product costs. "Pack and hold" inventory decreased $88.0 million, or 88.7% to $11.2 million. In part due to our inventory management strategies taken in fiscal 2023, inventory provisions as a percentage of sales decreased and benefited our gross margin by approximately 50 basis points ("bps").

We are currently experiencing stable inventory levels, inventory transit times, and flow of seasonal product in line with our historical experience. As a result, we expect inventory levels in the first quarter of fiscal 2024 to be lower than those in the first quarter of fiscal 2023, and we expect inventory levels in the remainder of fiscal 2024 to be relatively consistent with those in the same periods in fiscal 2023.

Recent Developments

Red Sea Conflict

We have recently experienced delays with respect to our inventory shipments via ocean vessels due to attacks by a militant group at the entrance to the Red Sea region. These attacks have required our carriers to route shipments around the Cape of Good Hope at the southern tip of Africa, which has added an additional seven to ten days of transit time. Typically, approximately 65% of our products are shipped through the Red Sea to arrive at their destination on the East Coast of the U.S. and we expect delays of approximately seven to ten days if the hostilities in the region continue. We expect that the adverse impact of the hostilities in the region, including additional transportation fees to re-reroute these shipments, could be approximately $6.0 to $7.0 million through the end of June 2024. If these hostilities continue or escalate, our business and results of operations could be materially adversely affected.

Organizational Restructuring

In 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 costs of approximately $6.2 million in fiscal 2023. These costs were primarily related to severance and other termination benefits. As of

December 30, 2023, there is approximately $1.9 million related to these plans included in Other current liabilities on our consolidated balance sheets.

Corporate Office Lease Amendment

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.

Business Strategies and Outlook

We believe that our growth in the years ahead will be driven by new retail store openings and omni-channel sales in North America and our exclusive *Carter's* brands in the wholesale channel.

During fiscal 2023, we opened 48 stores and closed 13 low-margin stores in our U.S. Retail segment. We are projecting approximately 40 new store openings and 30 store closures in fiscal 2024, with a greater number of net store openings in future years.

In our U.S. Wholesale segment, we expect our exclusive *Carter's* brands to be the largest contributor to our sales growth, with additional growth planned across customers that sell our core *Carter's* brand.

In international markets, we expect our growth will be driven through new store openings and omni-channel capabilities in Mexico and Canada, expansion through our wholesale partner in Brazil, and growth with other wholesale customers.

We expect that our profitability in the years ahead will be driven by improved inventory management and pricing capabilities, favorable trends in product costs and ocean freight rates, productivity benefits that enable investments in growth, and continued return of capital through share repurchases

Fiscal Year 2023 Financial Highlights

Unless otherwise stated, comparisons are to fiscal 2022.

- Consolidated net sales decreased $267.1 million, or 8.3%, to $2.95 billion, due to macroeconomic factors, including inflationary pressures on families with young children, increased interest rates, increased consumer debt levels, decreased savings rates, and risk of recession, driving lower consumer demand.
- Gross margin increased 160 bps to 47.4%, due to decreased inventory provisions, decreased ocean freight rates, and improved price realization.
- SG&A expenses decreased $16.1 million, or 1.4%, to $1.09 billion, due to decreased eCommerce expenses on decreased sales, decreased transportation costs, and decreased marketing expenses. SG&A as a percentage of consolidated net sales ("SG&A rate") increased 250 bps to 37.1%, due to fixed cost deleverage on decreased sales, increased performance-based compensation expense, and increased consulting costs. Our consulting costs were incurred as an investment in our ongoing initiatives to grow our market share, deepen our relationships with our current customers, improve productivity, and increase shareholder value. While we will continue to focus on effectively managing our variable costs, we will also look to invest in growing our business, including adding new omni-channel capabilities, opening new retail stores, and investing in more effective brand marketing.
- Consolidated operating income decreased $55.8 million, or 14.7%, to $323.4 million, and adjusted operating income, a non-GAAP financial measure, decreased 60.4 million, or 15.5%, to 327.8 million. The decrease in consolidated operating income is due to the factors discussed above, partially offset by the nonrecurrence of a $9.0 million non-cash pre-tax impairment charge related to the *Skip Hop* tradename in fiscal 2022.
- Other (income) expense, net was $8.0 million in fiscal 2023, primarily due to a $6.9 million payment received in January 2024 as a result of a court-approved settlement in December 2023 related to payment card interchange fees.
- Diluted net income per common share decreased $0.10, or 1.6%, to $6.24, and adjusted diluted net income per common share decreased $0.71, or 10.3%, to $6.19.
- Inventories decreased $207.4 million, or 27.9%, to $537.1 million, due to decreased "pack and hold" inventory, decreased days of supply, and decreased product costs.
- As a result of our strong financial position and available liquidity, we returned $212.0 million to our shareholders, comprised of $100.0 million in share repurchases and $112.0 million in cash dividends.

RESULTS OF OPERATIONS

2023 FISCAL YEAR ENDED DECEMBER 30, 2023 COMPARED TO 2022 FISCAL YEAR ENDED DECEMBER 31, 2022

The following table summarizes our results of operations:

	Fiscal year ended			
(dollars in thousands, except per share data)	**December 30, 2023**	**December 31, 2022**	**$ Change**	**% / bps Change**
Consolidated net sales	$ 2,945,594	$ 3,212,733	$ (267,139)	(8.3)%
Cost of goods sold	1,549,659	1,740,375	(190,716)	(11.0)%
Gross profit	1,395,935	1,472,358	(76,423)	(5.2)%
Gross profit as % of consolidated net sales	*47.4 %*	*45.8 %*		*160 bps*
Royalty income, net	21,410	25,820	(4,410)	(17.1)%
Royalty income as % of consolidated net sales	*0.7 %*	*0.8 %*		*(10) bps*
Selling, general, and administrative expenses	1,093,940	1,110,007	(16,067)	(1.4)%
SG&A expenses as % of consolidated net sales	*37.1 %*	*34.6 %*		*250 bps*
Intangible asset impairment	—	9,000	(9,000)	nm
Operating income	323,405	379,171	(55,766)	(14.7)%
Operating income as % of consolidated net sales	*11.0 %*	*11.8 %*		*(80) bps*
Interest expense	33,973	42,781	(8,808)	(20.6)%
Interest income	(4,776)	(1,261)	(3,515)	278.7 %
Other (income) expense, net	(8,034)	975	(9,009)	nm
Loss on extinguishment of debt	—	19,940	(19,940)	nm
Income before income taxes	302,242	316,736	(14,494)	(4.6)%
Income tax provision	69,742	66,698	3,044	4.6 %
Effective tax rate(*)	*23.1 %*	*21.1 %*		*200 bps*
Net income	$ 232,500	$ 250,038	$ (17,537)	(7.0)%
Basic net income per common share	$ 6.24	$ 6.34	$ (0.10)	(1.6)%
Diluted net income per common share	$ 6.24	$ 6.34	$ (0.10)	(1.6)%
Dividend declared and paid per common share	$ 3.00	$ 3.00	$ —	— %

(*) 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 considered not meaningful are denoted with "nm".

Consolidated Net Sales

Consolidated net sales decreased $267.1 million, or 8.3%, to $2.95 billion. This decrease was driven by macroeconomic factors, including inflationary pressures on families with young children, 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 in the United States and Canada. These decreases were partially offset by increased average selling prices per unit due to improved price realization and growth from our Mexican retail stores. Units sold decreased in the low-teens, while average selling prices per unit increased low-single digits. Changes in foreign currency exchange rates used for translation in fiscal 2023 had an immaterial impact on our consolidated net sales.

Gross Profit and Gross Margin

Our consolidated gross profit decreased $76.4 million, or 5.2%, to $1.40 billion and consolidated gross margin increased 160 bps to 47.4%. The decrease in consolidated gross profit was impacted by decreased net sales. The increase in consolidated gross margin was driven by decreased inventory provisions and increased average selling prices per unit. In part due to our inventory management strategies taken in fiscal 2023, inventory provisions as a percentage of sales decreased and favorably impacted gross margin by approximately 50 bps. These factors were partially offset by an increase in the mix of U.S. Wholesale net sales, including sales of our exclusive *Carter's* brands, which have a lower contribution to gross margin than our U.S. Retail segment. Average cost per unit sold remained relatively consistent as increased product input costs were offset by decreased

ocean freight rates. We expect product input costs to decrease in fiscal 2024, and we expect inbound transportation rates, including ocean freight rates, to decrease in the first half of fiscal 2024.

Royalty Income

We have licensing agreements with domestic and international licensees that grant licensees the right to access certain trademarks in return for royalty payments or licensing fees. Royalty income decreased $4.4 million, or 17.1%, to $21.4 million, driven by decreased customer demand.

Selling, General, and Administrative Expenses

Consolidated SG&A expenses decreased $16.1 million, or 1.4%, to $1.09 billion in fiscal 2023 while SG&A rate increased approximately 250 bps to 37.1%. The increase in SG&A rate was 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. Our consulting costs were incurred as an investment in our ongoing initiatives to grow our market share, deepen our relationships with our current customers, improve productivity, and increase shareholder value. These factors were partially offset by decreased transportation costs and expenses related to the relocation of inventory from an exited third-party warehouse in fiscal 2022 that did not reoccur in fiscal 2023. Performance-based compensation expense as a percentage of net sales increased 50 bps, due to a lower-than-expected financial performance in fiscal 2022.

Intangible Asset Impairment

In fiscal 2022, we recognized a non-cash pre-tax impairment charge of $9.0 million related to our *Skip Hop* indefinite-lived tradename asset. There were no impairments recorded to goodwill or indefinite-lived intangible assets in fiscal 2023.

Operating Income

Consolidated operating income decreased $55.8 million, or 14.7%, to $323.4 million, and consolidated operating margin decreased as a percentage of net sales by approximately 80 bps to 11.0%, due to the factors discussed above.

Interest Expense

Interest expense decreased $8.8 million, or 20.6%, to $34.0 million due to a decrease in weighted-average borrowings. Weighted-average borrowings were $545.5 million at an effective interest rate of 6.22%, compared to weighted-average borrowings for fiscal 2022 of $738.7 million at an effective interest rate of 5.84%.

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 fiscal 2023. The increase in the effective interest rate was 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 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.

Other (Income) Expense, Net

Other (income) expense, net was $8.0 million in fiscal 2023, primarily due to a net $6.9 million payment received in January 2024 as a result of a court-approved settlement in December 2023 related to payment card interchange fees.

Income Taxes

Our consolidated income tax provision increased $3.0 million, or 4.6%, to $69.7 million, and the effective tax rate increased approximately 200 bps to 23.1%. The increased effective tax rate 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 $17.5 million, or 7.0%, to $232.5 million, due to the factors previously discussed.

Results by Segment - Fiscal Year 2023 compared to Fiscal Year 2022

The following table summarizes net sales and operating income, by segment, for the fiscal years ended December 30, 2023 and December 31, 2022:

	Fiscal year ended					
(dollars in thousands)	**December 30, 2023**	**% of consolidated net sales**	**December 31, 2022**	**% of consolidated net sales**	**$ Change**	**% Change**
Net sales:						
U.S. Retail	$ 1,501,780	51.0 %	$ 1,680,159	52.3 %	$ (178,379)	(10.6)%
U.S. Wholesale	1,014,584	34.4 %	1,080,471	33.6 %	(65,887)	(6.1)%
International	429,230	14.6 %	452,103	14.1 %	(22,873)	(5.1)%
Consolidated net sales	$ 2,945,594	100.0 %	$ 3,212,733	100.0 %	$ (267,139)	(8.3)%
Operating income:		**% of segment net sales**		**% of segment net sales**		
U.S. Retail	$ 190,620	12.7 %	$ 252,497	15.0 %	$ (61,877)	(24.5)%
U.S. Wholesale	198,849	19.6 %	161,659	15.0 %	37,190	23.0 %
International	44,940	10.5 %	56,617	12.5 %	(11,677)	(20.6)%
Unallocated corporate expenses	(111,004)	n/a	(91,602)	n/a	(19,402)	21.2 %
Consolidated operating income	$ 323,405	11.0 %	$ 379,171	11.8 %	$ (55,766)	(14.7)%

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 $178.4 million, or 10.6%, to $1.50 billion. The decrease in net sales was driven by macroeconomic factors, including inflationary pressures on families with young children, 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. This decrease was partially offset by increased average selling prices per unit due to improved price realization. Units sold decreased in the mid-teens, while average selling prices per unit increased mid-single digits.

Comparable net sales, including retail store and eCommerce, decreased 12.2% driven by the factors mentioned above. As of December 30, 2023, we operated 792 retail stores in the U.S. compared to 757 in fiscal 2022.

U.S. Retail segment operating income decreased $61.9 million, or 24.5%, to $190.6 million, due to a decrease in gross profit of $91.0 million, partially offset by a decrease in SG&A expenses of $31.0 million. Operating margin decreased 230 bps to 12.7%. The primary drivers of the decrease in operating margin were a 320 bps increase in SG&A rate, partially offset by a 90 bps increase in gross margin. The increase in gross margin was due to increased average selling prices per unit and decreased

inventory provisions, partially offset by increased average cost per unit and an increased mix of clearance sales. Average cost per unit 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 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 $65.9 million, or 6.1%, to $1.01 billion, driven by macroeconomic factors and reflects lower seasonal bookings and lower consumer replenishment demand as our wholesale customers executed inventory reductions during fiscal 2023. Unit sold decreased high-single digits, while average selling prices per unit increased low-single digits.

U.S. Wholesale segment operating income increased $37.2 million, or 23.0%, to $198.8 million, due to an increase of gross profit of $17.2 million and a decrease in SG&A expenses of $15.7 million. Operating margin increased 460 bps to 19.6%. Operating income in fiscal 2022 included an intangible asset impairment charge of $5.6 million related to the *Skip Hop* tradename. The primary drivers of the increase in operating margin were a 330 bps increase in gross margin, an 80 bps decrease in SG&A rate, and the nonrecurrence of the intangible asset impairment charge in fiscal 2022. The increase in gross margin was due to increased average selling prices per unit, decreased inventory provisions and fabric purchase commitment charges, and decreased air freight costs. Due in part to our inventory management strategies taken in fiscal 2023, inventory provisions as a percentage of sales decreased and benefited our gross margin by approximately 110 bps. These factors were partially offset by an increased mix of sales of our exclusive *Carter's* brands and off-priced sales. Average cost per unit sold remained relatively consistent as increased product input costs were offset by decreased ocean freight rates. The decrease in the SG&A rate was driven by decreased transportation costs and expenses related to the relocation of inventory from an exited third-party warehouse in fiscal 2022 that did not reoccur in fiscal 2023, partially offset by fixed cost deleverage on decreased sales and increased performance-based compensation expense.

International

International segment net sales decreased $22.9 million, or 5.1%, to $429.2 million in fiscal 2023. Changes in foreign currency exchange rates, primarily between the U.S. dollar and the Canadian dollar, used for translation in fiscal 2023 had an immaterial impact on International segment net sales. The decrease in net sales was 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 high-single digits, while average selling prices per unit increased mid-single digits.

Canadian comparable net sales, including retail stores and eCommerce, decreased 7.3% driven by decreased traffic in our eCommerce channel and in our retail stores. As of December 30, 2023, we operated 188 retail stores in Canada, compared to 187 at the end of fiscal 2022. As of December 30, 2023, we operated 54 retail stores in Mexico, compared to 49 in fiscal 2022.

International segment operating income decreased $11.7 million, or 20.6%, to $44.9 million, due to a decrease in gross profit of $2.6 million and an increase in SG&A expenses of $11.3 million. Operating margin decreased 200 bps to 10.5%. Operating income in fiscal 2022 included an intangible asset impairment charge of $3.0 million related to the *Skip Hop* tradename. The primary drivers of the decrease in operating margin were a 440 bps increase in SG&A rate, partially offset by a 180 bps increase in gross margin and the nonrecurrence of the intangible asset impairment charge in fiscal 2022. The increase in gross margin was due to increased average selling prices per unit and decreased inventory provisions. Average cost per unit sold remained relatively consistent as increases to product input costs were offset by decreased ocean freight rates. The increase in the SG&A rate was 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 $19.4 million, or 21.2%, to $111.0 million in fiscal 2023, and unallocated corporate expenses, as a percentage of consolidated net sales, increased 90 bps to 3.8%. The increase as a percentage of consolidated net

sales was driven 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, and we also, from time to time, use some of these non-GAAP measures, such as adjusted operating income, as performance metrics in awards under our annual and long-term incentive compensation plans. 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 substitute 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 Year Ended									
	December 30, 2023					December 31, 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)	**$ 323.4**	**11.0 %**	**$ 69.7**	**$ 232.5**	**$ 6.24**	**$ 379.2**	**11.8 %**	**$ 66.7**	**$ 250.0**	**$ 6.34**
Organizational restructuring[(1)]	4.4		1.0	3.4	0.09	—		—	—	—
Legal settlement[(2)]	—		(1.7)	(5.3)	(0.14)	—		—	—	—
Loss on extinguishment of debt[(3)]	—		—	—	—	—		4.8	15.2	0.38
Intangible asset impairment[(4)]	—		—	—	—	9.0		2.1	6.9	0.17
As adjusted	**$ 327.8**	**11.1 %**	**$ 69.1**	**$ 230.6**	**$ 6.19**	**$ 388.2**	**12.1 %**	**$ 73.6**	**$ 272.0**	**$ 6.90**

(1) Related to charges for organizational restructuring and related corporate office lease amendment actions in fiscal 2023.

(2) In fiscal 2023, a pre-tax adjustment of approximately $6.9 million ($5.3 million net of tax, or $0.14 per diluted share) was made related to a gain on a court-approved settlement in December 2023.

(3) In fiscal 2022, a pre-tax adjustment of approximately $19.9 million ($15.2 million net of tax, or $0.38 per diluted share) was made related to a loss on extinguishment of debt in fiscal 2022.

(4) Related to the write-down of the *Skip Hop* tradename asset in fiscal 2022.

Note: Results may not be additive due to rounding.

LIQUIDITY AND CAPITAL RESOURCES

Our ongoing cash needs are primarily for working capital (consisting primarily of inventory), 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, in our risk factors, as discussed under the heading “Risk Factors” in Part I, Item 1A of this 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 “Known or Anticipated Trends” in Part II, Item 7 of this Annual Report on Form 10-K, we expect continued pressure on consumer sentiment in fiscal 2024, which may adversely impact our financial results in fiscal 2024. We cannot predict the timing and amount of such impact.

As of December 30, 2023, we had approximately $351.2 million of cash and cash equivalents held at major financial institutions, including approximately $79.0 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 December 30, 2023 were $183.8 million compared to $198.6 million at December 31, 2022. The decrease of $14.8 million, or 7.5%, was driven by decreased net sales and the timing of wholesale customer shipments and associated payments.

Inventories at December 30, 2023 were $537.1 million compared to $744.6 million at December 31, 2022. The decrease of $207.4 million, or 27.9%, was due to decreased “pack and hold” inventory, decreased days of supply, and decreased product costs. We are currently experiencing stable inventory levels, inventory transit times, and flow of seasonal product in line with our historical experience. As a result, we expect inventory levels in the first quarter of fiscal 2024 to be lower than those in the first quarter of fiscal 2023, and we expect inventory levels in the remainder of fiscal 2024 to be relatively consistent with those in the same periods in fiscal 2023.

Accounts payable at December 30, 2023 were $242.1 million compared to $264.1 million at December 31, 2022. The decrease of $21.9 million, or 8.3%, is driven by the timing of payments to our vendors and a decrease in open capital expenditures projects at the end of the year.

Cash Flow

Net Cash Provided by Operating Activities

Net cash provided by operating activities increased $440.8 million, or 498.9%, to $529.1 million. Our cash flow provided by operating activities is driven by net income and changes in our net working capital. The increase in operating cash flows in fiscal 2023 was primarily due to favorable changes in working capital, including a 27.9% reduction 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 increased $19.5 million, or 48.3%, to $59.9 million. This increase in net cash used in investing activities is primarily due to increased capital expenditures. Capital expenditures in fiscal 2023 primarily included $42.2 million for our U.S. and international retail store openings and remodels, $9.0 million for information technology, and $7.2 million for our distribution facilities.

We plan to invest approximately $80 million in capital expenditures in fiscal 2024, 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 decreased $486.6 million, or 59.4%, to $332.6 million. This change in cash flow used in 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 commons stock share repurchases, partially offset by payments on our secured revolving credit facility.

Share Repurchases

On February 24, 2022, our Board of Directors authorized share repurchases up to $1.00 billion, inclusive of $301.9 million remaining under previous authorizations. The total remaining capacity under outstanding repurchase authorizations as of December 30, 2023 was approximately $649.5 million, based on settled repurchase transactions. The share repurchase authorizations have no expiration dates.

In fiscal 2023, we repurchased and retired 1,446,269 shares in open market transactions for approximately $100.0 million, at an average price of $69.17 per share. In fiscal 2022, we repurchased and retired 3,747,187 shares in open market transactions for approximately $299.7 million, at an average price of $79.97 per share.

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, excise taxes, and other factors.

Dividends

On February 26, 2024, the Company's Board of Directors declared a quarterly cash dividend payment of $0.80 per common share, payable on March 29, 2024 to shareholders of record at the close of business on March 11, 2024.

In each quarter 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 $3.00 for fiscal 2023). In 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 $3.00 for fiscal 2022). Our Board of Directors will evaluate future dividend declarations based on a number of factors, including restrictions under our secured revolving credit facility, business conditions, our 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 Item 8 “Financial Statements and Supplementary Data” under Note 10, *Long-Term Debt*, to the consolidated financial statements.

Financing Activities

Secured Revolving Credit Facility

As of December 30, 2023, we had no outstanding borrowings under our secured revolving credit facility, exclusive of $4.4 million of outstanding letters of credit. As of December 31, 2022, we had $120.0 million outstanding borrowings under our secured revolving credit facility, exclusive of $3.5 million of outstanding letters of credit. As of December 30, 2023 and December 31, 2022, there was approximately $845.6 million and $726.5 million available for future borrowing, respectively. Any outstanding borrowings under our secured revolving credit facility are classified as non-current liabilities on our 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.

Terms of the Secured Revolving Credit Facility

Our 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 April 11, 2022, the Company, through TWCC entered into Amendment No. 4 to its fourth amended and restated credit agreement (“Amendment No. 4”) that, among other things, increased the borrowing capacity of the secured revolving credit facility to $850.0 million (combined U.S. dollar and multicurrency facility borrowings), extended the maturity of the secured revolving credit facility from September 2023 to April 2027, and reduced the number of financial maintenance covenants from two to one.

In particular, Amendment No. 4 provides for the following:

- increases the borrowing capacity of the secured revolving credit facility from $750 million to $850 million - the U.S. Dollar facility commitment increases to $750 million from $650 million and the multicurrency facility commitment remains at $100 million;
- extends the maturity of the secured revolving credit facility from September 2023 to April 2027;
- adds a springing maturity date component, which states that if the Company has not redeemed or refinanced at least $250 million of the senior notes due 2027 prior to the 91st day before the maturity of the senior notes due March 15, 2027, then the maturity date of the secured revolving credit facility will be the 91st day before the original maturity of the senior notes due 2027;
- reduces the number of financial maintenance covenants from two to one - the Lease Adjusted Leverage Ratio has been simplified to a Consolidated Total Leverage Ratio and the Consolidated Fixed Charge Coverage Ratio has been eliminated. The Consolidated Total Leverage Ratio maximum permitted shall be 3.50:1.00 and temporarily increases to 4.00:1:00 in the event of a Material Acquisition;
- Term Benchmark Loans bear interest at a rate determined by reference to the Adjusted Term SOFR (Secured Overnight Financing Rate), CDOR (Canadian Dollar Offered Rate), or the Adjusted EURIBOR (Euro Interbank

Offered Rate). Each Term Benchmark Loan is subject to interest charges equal to the per annum respective benchmark rate plus an initial applicable rate of 1.375% which may be adjusted from 1.125% to 1.625% based upon a leverage-based pricing schedule; and

- Other Base, Prime, and Overnight Rate Loans are subject to interest charges equal to the per annum, respective, benchmark rate plus an initial applicable rate of 0.375% which may be adjusted from 0.125% to 0.625% based upon a leverage-based pricing schedule. An Applicable Commitment Fee initially equal to 0.20% per annum and ranging from 0.15% per annum to 0.25% per annum, based upon a leverage-based pricing grid, is payable quarterly in arrears with respect to the average daily unused portion of the revolving loan commitments. Capitalized items are Defined Terms pursuant to Amendment No. 4, dated as of April 11, 2022.

Approximately $2.4 million, including both bank fees and other third-party expenses, was capitalized in fiscal 2022 in connection with Amendment No. 4 and is being amortized over the remaining term of the secured revolving credit facility.

As of December 30, 2023, the interest rate margins applicable to the amended revolving credit facility were 1.375% for adjusted term SOFR rate loans and 0.375% for base rate loans.

Weighted-average borrowings were $45.6 million and $106.6 million for fiscal 2023 and fiscal 2022, respectively. The effective interest rate for borrowings under the secured revolving credit facility during fiscal 2023 was 6.07%. As of December 30, 2023, any U.S. dollar borrowings outstanding under the secured revolving credit facility would have accrued interest at an adjusted term SOFR rate plus the applicable margin, which would have resulted in a borrowing rate of 6.82%. There were no Canadian dollar or other foreign currency borrowings outstanding on December 30, 2023.

As of December 30, 2023, the Company was in compliance with the financial and other covenants under the secured revolving credit facility.

Senior Notes

As of December 30, 2023, TWCC had $500.0 million principal amount of senior notes outstanding, bearing interest at a rate of 5.625% per annum, and maturing on March 15, 2027. On our consolidated balance sheet, the $500.0 million of outstanding senior notes as of December 30, 2023 is reported net of $2.6 million of unamortized issuance-related debt costs, and the $500.0 million of outstanding senior notes as of December 31, 2022 is reported net of $3.4 million of unamortized issuance-related debt costs.

The senior notes mentioned above are unsecured and are fully and unconditionally guaranteed by Carter’s, Inc. and certain domestic subsidiaries of TWCC. The guarantor subsidiaries are 100% owned directly or indirectly by Carter’s, Inc. and all guarantees are joint, several and unconditional.

The indentures governing the senior notes provides that upon the occurrence of specific kinds of changes of control, unless a redemption notice with respect to all the outstanding senior notes has previously or concurrently been mailed or delivered, we will be required to make an offer to purchase the senior notes at 101% of their principal amount, plus accrued and unpaid interest to (but excluding) the date of purchase.

The indentures governing the senior notes include a number of covenants, that, among other things and subject to certain exceptions, restrict TWCC’s ability and the ability of certain of its subsidiaries to: (a) incur certain types of indebtedness that is secured by a lien; (b) enter into certain sale and leaseback transactions; and (c) consolidate or merge with or into, or sell substantially all of the issuer’s assets to, another person, under certain circumstances. Terms of the notes contain customary affirmative covenants and provide for events of default which, if certain of them occur, would permit the trustee or the holders of at least 25.0% in principal amount of the then total outstanding senior notes to declare all amounts owning under the notes to be due and payable. Carter’s, Inc. is not subject to these covenants.

Contractual Obligations and Commitments

We enter into contractual obligations and commitments in the ordinary course of business that may require future cash payments. Such obligations include: 1) debt repayments and letters of credit (as described in Item 8 “Financial Statements and Supplementary Data” under Note 10, *Long-Term Debt*, to the consolidated financial statements), 2) operating lease liabilities (as described in Item 8 “Financial Statements and Supplementary Data” under Note 5, *Leases*, to the consolidated financial statements) and 3) liabilities related to employee benefit plans (as described in Item 8 “Financial Statements and Supplementary Data” under Note 17, *Employee Benefit Plans*, to the consolidated financial statements).

In addition, we have commitments to purchase inventory in the normal course of business, which are cancelable (with or without penalty, depending on the stage of production) and span a period of one year or less. Our estimate as of December 30, 2023 for commitments to purchase inventory was between $400 million and $500 million.

We are unable to reasonably predict future reserves for income taxes, as these are contingent on the ultimate amount or timing of settlement.

Liquidity Outlook

Based on our current outlook, we believe that cash and cash equivalents on hand, cash flow generated from operations, and available borrowing capacity under our secured revolving credit facility, will be adequate to meet our working capital needs and capital expenditure requirements for our longer-term strategic plans, although no assurance can be given in this regard.

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 significant accounting policies are described in our accompanying consolidated financial statements. The following discussion addresses our critical accounting policies and estimates, which are those policies that require management's most difficult and subjective judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain.

Revenue Recognition and Accounts Receivable Allowance

Our revenues, which are reported as Net sales, consist of sales to customers, net of returns, discounts, chargebacks, and cooperative advertising. We recognize revenue when (or as) the performance obligation is satisfied. Generally, the performance obligation is satisfied when we transfer control of the goods to the customer.

Our retail store revenues, also reported as Net sales, are recognized at the point of sale. Retail sales through our online channels are recognized at time of delivery to the customer. Revenue from omni-channel sales, including buy-online and pick-up in-store, buy-online, ship-to-store, and buy-online, deliver-from-store, are recognized when the product has been picked up by the customer at the store or when the product is physically delivered to the customer. We recognize retail sales returns at the time of transaction by recording adjustments to both revenue and cost of goods sold. Additionally, we maintain an asset, representing the goods we expect to receive from the customer, and a liability for estimated sales returns. There are no accounts receivable associated with our retail customers.

Our accounts receivable reserves for wholesale customers include an allowance for expected credit losses and an allowance for chargebacks. The allowance for expected credit losses includes estimated losses resulting from the inability of our customers to make payments. If the financial condition of a customer were to deteriorate, resulting in an impairment of its ability to make payments, an additional allowance could be required. Our credit and collections department reviews all past due balances regularly. Account balances are charged off against the allowance when it is probable that the receivable will not be recovered. The allowance for chargebacks is based on historical experience and includes estimated losses resulting from pricing adjustments, short shipments, handling charges, returns, and freight. Provisions for the allowance for expected credit losses are reflected in Selling, general and administrative expenses on our consolidated statement of operations and provisions for chargebacks are reflected as a reduction in Net sales on our consolidated statement of operations.

Cooperative advertising arrangements reimburse customers for marketing activities for certain of our products. For arrangements in which the Company receives a distinct good or service, we record these reimbursements under cooperative

advertising arrangements with certain of our major wholesale customers at fair value. Fair value is determined based upon, among other factors, comparable market analysis for similar advertisements when fair value is determinable. We have included the fair value of these arrangements of approximately $0.6 million for fiscal 2022 and $0.2 million for fiscal 2021 as a component of SG&A expenses on the Company's consolidated statements of operations, rather than as a reduction of Net sales. There were no amounts for cooperative advertising arrangements recorded as a component of SG&A expenses for fiscal 2023. Amounts determined to be in excess of the fair value of these arrangements are recorded as a reduction of net sales. For arrangements in which the Company does not receive a distinct good or service, we record these reimbursements as a reduction of net sales. The majority of the Company's digital cooperative advertising arrangements are recorded as a reduction of net sales as there was no distinct good or service received by the Company.

Except in very limited circumstances, we do not allow our wholesale customers to return goods to us.

Inventory

Our inventories, which consist primarily of finished goods, are stated approximately at the lower of cost (first-in, first-out basis for wholesale inventory and average cost for retail inventories) or net realizable value. Obsolete, damaged, and excess inventory is carried at net realizable value by establishing reserves after assessing historical recovery rates, current market conditions, and future marketing and sales plans. Adjustments to bring inventory to net realizable value as a result of obsolete, damaged, and excess inventory decreased $10.3 million, or 53.3%, to $9.0 million as of December 30, 2023. This decrease is primarily due to the decrease in inventory balances, including decreased "pack and hold" inventory. Rebates, discounts and other cash consideration received from a vendor related to inventory purchases are reflected as reductions in the cost of the related inventory item and are therefore reflected in Cost of goods sold when the related inventory item is sold.

The Company also has minimum inventory purchase commitments, including fabric commitments, with our suppliers which secure a portion of our raw material needs for future seasons. In the event anticipated market sales prices are lower than these committed costs or customer orders are canceled, the Company records an estimated liability reserve for these adverse inventory and fabric purchase commitments. Increases to this reserve are reflected in Costs of goods sold on our consolidated statement of operations. We have recast the consolidated statement of operations for the fiscal year ended December 31, 2022 and January 1, 2022 to conform to our current presentation of combining Adverse purchase commitments within Cost of goods sold.

Impairment of Goodwill and Other Indefinite-Lived Intangible Assets

The carrying values of the goodwill and indefinite-lived tradename assets are subject to annual impairment reviews which are performed as of the last day of each fiscal year. Additionally, a review for potential impairment is performed whenever significant events or changes in circumstances indicate that the carrying value of the assets may not be recoverable. The impairment models included in our analysis utilize significant estimates and assumptions to determine asset fair values. A deterioration of macroeconomic factors may negatively impact these estimates and assumptions and result in future impairment charges.

Goodwill

The Company performs impairment tests of its goodwill at the reporting unit level. Qualitative and quantitative methods are used to assess for impairment, including the use of discounted cash flows ("income approach") and relevant data from guideline public companies ("market approach").

Under a qualitative assessment, we estimate if it is "more likely than not" that the fair value of the reporting unit is less than its carrying value. Qualitative factors may include but are not limited to: macroeconomic conditions; industry and market considerations; cost factors that may have a negative effect on earnings; overall financial performance; and other relevant entity-specific events. If the results of a qualitative test determine that it is "more likely than not" that the fair value of a reporting unit is less than its carrying value, then a goodwill impairment test using quantitative assessments must be performed. If it is determined that it is not "more likely than not" that the fair value of the reporting unit is less than its carrying value, then no further testing is required.

Under a quantitative assessment for goodwill, we compare the fair value of a reporting unit to its carrying value, including goodwill. We use a 50% weighting of the income approach and a 50% weighting of the market approach to determine the fair value of a reporting unit. The assumptions used in these approaches include revenue growth and profitability, terminal growth rates, discount rates, market multiples, and an implied control premium. Discount rates are dependent upon interest rates and the cost of capital at a point in time. These assumptions are consistent with those we believe hypothetical marketplace

participants would use. An impairment is recorded for any excess carrying value above the fair value of the reporting unit, not to exceed the carrying value of goodwill.

In fiscal 2022, the Company performed a quantitative impairment test on the goodwill ascribed to each of the Company's reporting units and on the value of its indefinite-lived intangible tradename assets as of December 31, 2022 due to increased discount rates, decreased actual and projected sales and profitability, and the announcement of the substantial doubt of a *Skip Hop* wholesale customer's ability to continue to operate as a going concern. Based upon this assessment, there were no impairments on the value of goodwill.

Based upon our most recent annual assessment, performed as of December 30, 2023, using a qualitative assessment, there were no impairments to the value of goodwill.

Indefinite-Lived Intangible Assets

A tradename is considered impaired if the estimated fair value of the tradename is less than the carrying amount. Impairment reviews for an indefinite-lived tradename can be conducted using qualitative analysis, and if necessary, by a quantitative impairment test. If a tradename is considered impaired, we recognize a loss equal to the difference between the carrying amount and the estimated fair value of the tradename. The process of estimating the fair value of a tradename incorporates the relief-from-royalty valuation method, which requires us to make assumptions and to apply judgment, including forecasting revenue growth and profitability and selecting the appropriate terminal growth rate, discount rate, and royalty rate.

As discussed above, the Company performed quantitative impairment assessments on the value of the Company's indefinite-lived intangible tradename assets as of December 31, 2022. Based on these assessments, a non-cash pre-tax impairment charge of $9.0 million was recorded during the fourth quarter of fiscal 2022 on our indefinite-lived *Skip Hop* tradename asset to write-down the carrying value to $6.0 million. The charge recorded on our indefinite-lived *Skip Hop* tradename asset included charges of $5.6 million, $3.0 million, and $0.4 million 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. Sensitivity tests on the *Skip Hop* indefinite-lived tradename asset showed that a 100 basis point increase in the discount rate or a 10% decrease in forecasted revenues would result in further impairment charges of approximately $1.0 million, and a 25 basis point decrease in the royalty rate would result in further impairment charges of approximately $3.0 million.

The assessment in fiscal 2022 also indicated that the *OshKosh* indefinite-lived tradename asset's fair value exceeded its carrying value by approximately 27%. Sensitivity tests on the *OshKosh* indefinite-lived tradename asset showed that a 100 basis point increase in the discount rate, a 10% decrease in forecasted revenues, or a 25 basis point decrease in the royalty rate would not change the conclusion and would not result in an impairment charge.

Due to favorable changes in certain of our key assumptions, we elected to utilize a qualitative assessment to perform our most recent annual assessment, as of December 30, 2023. Based on these assessments, there were no impairments in the value of our indefinite-lived tradenames. Although the Company determined that no impairment exists for the *OshKosh* or *Skip Hop* indefinite-lived tradename assets, these assets could be at risk for impairment should macroeconomic factors, including declining consumer sentiment, adversely affect the Company's financial results.

Impairment of Other Long-Lived Assets

We review other long-lived assets, including right of use ("ROU") lease assets, property, plant, and equipment, definite-lived tradename assets, and customer relationship assets, for impairment whenever events or changes in circumstances indicate that the carrying amount of such an asset may not be recoverable. To determine whether there has been a permanent impairment on such assets, a recoverability test is performed by comparing anticipated undiscounted future cash flows from the use and eventual disposition of the asset or asset group to the carrying value of the asset. If the undiscounted cash flows are less than the related carrying value of the other long-lived asset, they are written down to their fair value. The process of estimating the fair value requires us to make assumptions and to apply judgement including forecasting revenue growth and profitability, utilizing external market participant assumptions, including estimated market rents, and selecting the appropriate discount rate. Long-lived assets that meet the definition of held for sale will be valued at the lower of carrying amount or fair value, less costs to sell.

We review all stores leases that have been opened for greater than 14 months for impairment on at least an annual basis, or sooner if circumstances so dictate. In determining undiscounted future cash flows for the recoverability test of store leases, we take various factors into account, including the continued market acceptance of our current products, the development of new products, changes in merchandising strategy, retail store cost controls, store traffic, competition, and the effects of

macroeconomic factors such as consumer spending. In determining the fair value of store leases, we utilize external market participant assumptions, including market rents per square foot and market rent growth rates.

A deterioration of macroeconomic factors may not only negatively impact the estimated future cash flows used in our cash flow models but may also negatively impact other assumptions used in our analysis, including, but not limited to, the estimated discount rates. Changes in these estimates and assumptions may have a significant impact on our assessment of fair value and result in future impairment charges.

Accrued Expenses

Accrued expenses for workers' compensation, incentive compensation, health insurance, 401(k), and other outstanding obligations are assessed based on actual commitments, statistical trends, and/or estimates based on projections and current expectations, and these estimates are updated periodically as additional information becomes available.

Loss Contingencies

We record accruals for various contingencies including legal exposures as they arise in the normal course of business. We determine whether to disclose and accrue for loss contingencies based on an assessment of whether the risk of loss is remote, reasonably possible, or probable and whether the loss can be reasonably estimated. Our assessment is developed in consultation with our internal and external counsel and other advisers and is based on an analysis of possible outcomes under various strategies. Loss contingency assumptions involve judgments that are inherently subjective and can involve matters that are in litigation, which, by their nature are unpredictable. We believe that our assessment of the probability of loss contingencies is reasonable.

Accounting For Income Taxes

As part of the process of preparing the accompanying consolidated financial statements, we are required to estimate our actual current tax exposure (state, federal, and foreign). We assess our income tax positions and record tax benefits for all years subject to examination based upon management's evaluation of the facts, circumstances, and information available at the reporting dates. We recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. If it is more likely than not that a tax position would not be sustained, then no tax benefit would be recognized. Where applicable, associated interest related to unrecognized tax benefits is recognized as a component of interest expense and associated penalties related to unrecognized tax benefits are recognized as a component of income tax expense.

We also assess permanent and temporary differences resulting from differing basis and treatment of items for tax and accounting purposes, such as the carrying value of intangibles, deductibility of expenses, depreciation of property, plant, and equipment, stock-based compensation expense, and valuation of inventories. Temporary differences result in deferred tax assets and liabilities, which are included within our consolidated balance sheets. We must then assess the likelihood that our deferred tax assets will be recovered from future taxable income. Actual results could differ from this assessment if sufficient taxable income is not generated in future periods. To the extent we determine the need to establish a valuation allowance or increase such allowance in a period, we must include an expense within the tax provision in the accompanying consolidated statements of operations.

Based on our results for fiscal 2023, a hypothetical 1% increase in our effective tax rate would have resulted in an increase in our income tax expense of $3.0 million.

Employee Benefit Plans

We sponsor a frozen defined benefit pension plan and other unfunded post-retirement plans. The defined benefit pension and post-retirement plans require an actuarial valuation to determine plan obligations and related periodic costs. Plan valuations require economic assumptions, including expected rates of return on plan assets, discount rates to value plan obligations and employee demographic assumptions including mortality rates. Plan valuations based on the actuarial assumptions used may differ materially from actual results due to changing market and economic conditions. Actual results that differ from the plan valuations are reflected as deferred gains and losses in Accumulated other comprehensive income (loss) within shareholder's equity. Deferred gains and losses that exceed 10% of the greater of the plan's projected benefit obligations or market value of assets are amortized to earnings over the average remaining life of inactive plan participants.

Any future obligation under our pension plan not funded from returns on plan assets is expected to be funded from cash flows from operations.

The most significant assumption used to determine the Company's projected benefit obligation under its defined benefit plans is the discount rate. For further details on rates and assumptions, see Item 8 "Financial Statements and Supplementary Data" under Note 17, *Employee Benefit Plans*, to the consolidated financial statements.

Stock-Based Compensation Arrangements

We recognize the cost resulting from all stock-based compensation arrangements in the financial statements at grant date fair value. The fair value of stock awards is determined based on the quoted closing price of our common stock on the date of grant. The fair value of stock options is determined based on the Black-Scholes option pricing model, which requires the use of subjective assumptions. There have been no issuances of stock options since 2018, and there are no unrecognized compensation costs remaining on outstanding stock options.

Subjective assumptions include a forfeiture rate assumption for all restricted stock awards and an estimate for the probability that the performance criteria will be achieved for performance awards. We estimate forfeitures of restricted stock awards based on historical experience and expected future activity. We account for performance-based awards over the vesting term of the awards that are expected to vest based on whether it is probable that the performance criteria will be achieved. We reassess the probability of vesting at each reporting period for awards with performance criteria and adjust stock-based compensation expense based on the probability assessments.

Changes in the subjective assumptions can materially affect the estimate of fair value of stock-based compensation and, consequently, the related amount recognized in the accompanying consolidated statements of operations.

During the requisite service period, we recognize a deferred income tax benefit for the expense recognized for U.S. GAAP. At time of subsequent vesting, exercise, forfeiture, or expiration of an award, the difference between our actual income tax deduction, if any, and the previously accrued income tax benefit is recognized in our income tax expense/benefit during the current period.

ITEM 7A. 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 to purchase product from 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 contracted manufacturers. 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. The changes in foreign currency exchange rates used for translation in fiscal 2023 had an immaterial impact on our consolidated net sales.

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 December 30, 2023, there were no 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 not result in a material amount of additional interest expense over a 12-month period.

Other Risks

We enter into various purchase order commitments with our suppliers. We 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 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

CARTER'S, INC.

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of Carter's, Inc.

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of Carter's, Inc. and its subsidiaries (the "Company") as of December 30, 2023 and December 31, 2022, and the related consolidated statements of operations, of comprehensive income, of changes in shareholders' equity and of cash flows for each of the three years in the period ended December 30, 2023, including the related notes (collectively referred to as the "consolidated financial statements"). We also have audited the Company's internal control over financial reporting as of December 30, 2023, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 30, 2023 and December 31, 2022, and the results of its operations and its cash flows for each of the three years in the period ended December 30, 2023 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 30, 2023, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the COSO.

Basis for Opinions

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on the Company's consolidated financial statements and on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Critical Audit Matters

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that (i) relates to accounts or disclosures that are material to the consolidated financial statements and (ii) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Revenue Recognition - U.S. Wholesale

As described in Notes 2 and 3 to the consolidated financial statements, the Company's U.S. wholesale revenue was $1,014,584 thousand for the year ended December 30, 2023. The Company relies on shipping terms to determine when performance obligations are satisfied. The Company recognizes the revenue once control passes to the customer. When goods are shipped to wholesale customers "FOB Shipping Point," control of the goods is transferred to the customer at the time of shipment. When goods are shipped to wholesale customers "FOB Destination," control of the goods is transferred to the customer when the goods reach the customer. The transaction price is the amount of consideration the Company expects to receive under the arrangement. The Company is required to estimate variable consideration (if any) and to factor that estimation into the determination of the transaction price. The Company may offer sales incentives to wholesale customers including discounts.

The principal consideration for our determination that performing procedures relating to U.S. wholesale revenue recognition is a critical audit matter is a high degree of auditor effort in performing procedures related to the Company's revenue recognition.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to the revenue recognition process, including controls over the recording of U.S. wholesale revenue at the transaction price once control passes to the customer. These procedures also included, among others (i) testing U.S. wholesale revenue transactions by evaluating the issuance and settlement of invoices and credit memos, tracing transactions not settled to a detailed listing of accounts receivable, and testing the completeness and accuracy of data provided by management; (ii) testing the completeness, accuracy, and occurrence of a sample of sales incentive transactions by obtaining and inspecting source documents, including support for the nature of the incentive, amount, and agreement with the customer; and (iii) confirming a sample of outstanding customer invoice balances as of December 30, 2023, and for confirmations not returned, obtaining and inspecting source documents, such as invoices, proof of shipment, and subsequent cash receipts.

/s/ PricewaterhouseCoopers LLP

Atlanta, Georgia
February 27, 2024

We have served as the Company's auditor since at least 1968. We have not been able to determine the specific year we began serving as auditor of the Company.

CARTER'S, INC.
CONSOLIDATED BALANCE SHEETS
(dollars in thousands, except for share data)

	December 30, 2023	December 31, 2022
ASSETS		
Current assets:		
Cash and cash equivalents	$ 351,213	$ 211,748
Accounts receivable, net of allowance for credit losses of $4,754 and $7,189, respectively	183,774	198,587
Finished goods inventories	537,125	744,573
Prepaid expenses and other current assets	29,131	33,812
Total current assets	1,101,243	1,188,720
Property, plant, and equipment, net	183,111	189,822
Operating lease assets	528,407	492,335
Tradenames, net	298,186	298,393
Goodwill	210,537	209,333
Customer relationships, net	27,238	30,564
Other assets	29,891	30,548
Total assets	$ 2,378,613	$ 2,439,715
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 242,149	$ 264,078
Current operating lease liabilities	135,369	142,432
Other current liabilities	134,344	122,439
Total current liabilities	511,862	528,949
Long-term debt, net	497,354	616,624
Deferred income taxes	41,470	41,235
Long-term operating lease liabilities	448,810	421,741
Other long-term liabilities	33,867	34,757
Total liabilities	$ 1,533,363	$ 1,643,306
Commitments and contingencies - Note 19		
Shareholders' 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; 36,551,221 and 37,692,132 shares issued and outstanding, respectively	366	377
Additional paid-in capital	—	—
Accumulated other comprehensive loss	(23,915)	(34,338)
Retained earnings	868,799	830,370
Total shareholders' equity	845,250	796,409
Total liabilities and shareholders' equity	$ 2,378,613	$ 2,439,715

See accompanying notes to the consolidated financial statements.

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

	For the fiscal year ended		
	December 30, 2023	December 31, 2022	January 1, 2022
Net sales	$ 2,945,594	$ 3,212,733	$ 3,486,440
Cost of goods sold	1,549,659	1,740,375	1,824,166
Gross profit	1,395,935	1,472,358	1,662,274
Royalty income, net	21,410	25,820	28,681
Selling, general, and administrative expenses	1,093,940	1,110,007	1,193,876
Intangible asset impairment	—	9,000	—
Operating income	323,405	379,171	497,079
Interest expense	33,973	42,781	60,294
Interest income	(4,776)	(1,261)	(1,096)
Other (income) expense, net	(8,034)	975	(409)
Loss on extinguishment of debt	—	19,940	—
Income before income taxes	302,242	316,736	438,290
Income tax provision	69,742	66,698	98,542
Net income	$ 232,500	$ 250,038	$ 339,748
Basic net income per common share	$ 6.24	$ 6.34	$ 7.83
Diluted net income per common share	$ 6.24	$ 6.34	$ 7.81
Dividend declared and paid per common share	$ 3.00	$ 3.00	$ 1.40

See accompanying notes to the consolidated financial statements.

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

	For the fiscal year ended		
	December 30, 2023	December 31, 2022	January 1, 2022
Net income	$ 232,500	$ 250,038	$ 339,748
Other comprehensive income:			
Unrealized gain on OshKosh defined benefit plan, net of tax of $(50), $(540), and $(1,220) for the fiscal years 2023, 2022, and 2021, respectively	160	1,739	3,973
Unrealized (loss) gain on Carter's post-retirement benefit obligation, net of tax of $100, $(100), and $40 for fiscal years 2023, 2022, and 2021, respectively	(330)	344	(115)
Foreign currency translation adjustments	10,593	(7,524)	5
Total other comprehensive income (loss)	10,423	(5,441)	3,863
Comprehensive income	$ 242,923	$ 244,597	$ 343,611

See accompanying notes to the consolidated financial statements.

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

	For the fiscal year ended		
	December 30, 2023	**December 31, 2022**	**January 1, 2022**
Cash flows from operating activities:			
Net income	$ 232,500	$ 250,038	$ 339,748
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation of property, plant, and equipment	60,407	61,543	90,378
Amortization of intangible assets	3,732	3,733	3,730
(Recoveries of) provisions for excess and obsolete inventory, net	(10,439)	5,039	4,042
Intangible asset impairment	—	9,000	—
Gain on partial termination of corporate lease	(4,366)	—	—
Other asset impairments and loss on disposal of property, plant and equipment, net of recoveries	3,078	372	213
Amortization of debt issuance costs	1,586	1,950	3,052
Stock-based compensation expense	19,463	21,879	21,029
Unrealized foreign currency exchange (gain) loss, net	(207)	(78)	371
Provisions for doubtful accounts receivable from customers	471	75	1,345
Loss on extinguishment of debt	—	19,940	—
Unrealized (gain) loss on investments	(2,237)	2,475	(2,279)
Deferred income tax benefit	(600)	(740)	(13,532)
Other	—	919	—
Effect of changes in operating assets and liabilities:			
Accounts receivable	15,453	32,683	(46,480)
Finished goods inventories	222,920	(106,763)	(52,914)
Prepaid expenses and other assets	4,317	14,897	20,665
Accounts payable and other liabilities	(16,946)	(228,601)	(101,110)
Net cash provided by operating activities	$ 529,132	$ 88,361	$ 268,258
Cash flows from investing activities:			
Capital expenditures	$ (59,860)	$ (40,364)	$ (37,442)
Proceeds from sale of investments	—	—	5,000
Net cash used in investing activities	$ (59,860)	$ (40,364)	$ (32,442)
Cash flows from financing activities:			
Payment of senior notes due 2025	$ —	$ (500,000)	$ —
Premiums paid to extinguish debt	—	(15,678)	—
Payments of debt issuance costs	—	(2,420)	(223)
Borrowings under secured revolving credit facility	70,000	240,000	—
Payments on secured revolving credit facility	(190,000)	(120,000)	—
Repurchases of common stock	(100,034)	(299,667)	(299,339)
Dividends paid	(112,005)	(118,113)	(60,124)
Withholdings from vesting of restricted stock	(5,024)	(6,930)	(4,019)
Proceeds from exercise of stock options	4,418	4,457	10,995
Other	—	(919)	—
Net cash used in financing activities	$ (332,645)	$ (819,270)	$ (352,710)
Net effect of exchange rate changes on cash and cash equivalents	2,838	(1,273)	(1,135)
Net increase (decrease) in cash and cash equivalents	$ 139,465	$ (772,546)	$ (118,029)
Cash and cash equivalents, beginning of fiscal year	211,748	984,294	1,102,323
Cash and cash equivalents, end of fiscal year	$ 351,213	$ 211,748	$ 984,294

See accompanying notes to the consolidated financial statements.

CARTER'S, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(dollars in thousands)

	Common stock - shares	Common stock - $	Additional paid-in capital	Accumulated other comprehensive (loss) income	Retained earnings	Total shareholders' equity
Balance at January 2, 2021	43,780,075	$ 438	$ 17,752	$ (32,760)	$ 952,603	$ 938,033
Exercise of stock options	178,803	1	10,994	—	—	10,995
Withholdings from vesting of restricted stock	(41,523)	—	(4,019)	—	—	(4,019)
Restricted stock activity	199,134	2	(2)	—	—	—
Stock-based compensation expense	—	—	21,029	—	—	21,029
Repurchases of common stock	(2,967,619)	(30)	(45,754)	—	(253,555)	(299,339)
Cash dividends declared and paid of $1.40 per common share	—	—	—	—	(60,124)	(60,124)
Comprehensive income	—	—	—	3,863	339,748	343,611
Balance at January 1, 2022	41,148,870	$ 411	$ —	$ (28,897)	$ 978,672	$ 950,186
Exercise of stock options	76,550	—	4,457	—	—	4,457
Withholdings from vesting of restricted stock	(74,307)	—	(6,930)	—	—	(6,930)
Restricted stock activity	288,206	3	(3)	—	—	—
Stock-based compensation expense	—	—	21,879	—	—	21,879
Repurchases of common stock	(3,747,187)	(37)	(19,403)	—	(280,227)	(299,667)
Cash dividends declared and paid of $3.00 per common share	—	—	—	—	(118,113)	(118,113)
Comprehensive income	—	—	—	(5,441)	250,038	244,597
Balance at December 31, 2022	37,692,132	$ 377	$ —	$ (34,338)	$ 830,370	$ 796,409
Exercise of stock options	64,700	1	4,417	—	—	4,418
Withholdings from vesting of restricted stock	(64,952)	(1)	(4,652)	—	(371)	(5,024)
Restricted stock activity	305,610	3	(3)	—	—	—
Stock-based compensation expense	—	—	19,463	—	—	19,463
Repurchases of common stock	(1,446,269)	(14)	(18,325)	—	(81,695)	(100,034)
Cash dividends declared and paid of $3.00 per common share	—	—	—	—	(112,005)	(112,005)
Comprehensive income	—	—	—	10,423	232,500	242,923
Other	—	—	(900)	—	—	(900)
Balance at December 30, 2023	36,551,221	$ 366	$ —	$ (23,915)	$ 868,799	$ 845,250

See accompanying notes to the consolidated financial statements.

CARTER'S, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Carter's, Inc. and its wholly owned subsidiaries. All intercompany transactions and balances have been eliminated in consolidation.

We have recast the consolidated statement of operations for the fiscal year ended December 31, 2022 and January 1, 2022 to conform to our current presentation of combining Adverse purchase commitments within Cost of goods sold.

Fiscal Year

The Company's fiscal year ends on the Saturday in December or January nearest December 31. Every five or six years, our fiscal year includes an additional 53rd week of results. Fiscal 2023 ended on December 30, 2023, fiscal 2022 ended on December 31, 2022, and fiscal 2021 ended on January 1, 2022. All three fiscal years contained 52 calendar weeks.

Use of Estimates in the Preparation of the Consolidated Financial Statements

The preparation of these consolidated financial statements in conformity with accounting principles generally accepted in the United States ("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 period. Actual results could differ from those estimates.

Foreign Currency Translation and Transactions

Translation Adjustments

The functional currency of substantially all of the Company's foreign operations is the local currency in each foreign country. Assets and liabilities are translated into U.S. dollars using the current exchange rates in effect at the balance sheet date, while revenues and expenses are translated at the average exchange rates for the period. The resulting translation adjustments are recorded as a component of Accumulated other comprehensive income (loss) within the accompanying consolidated balance sheets.

Transaction Adjustments

The Company also recognizes gains and losses on transactions that are denominated in a currency other than the respective entity's functional currency. Foreign currency transaction gains and losses also include the impact of intercompany loans with foreign subsidiaries. Foreign currency transaction gains and losses are recognized in earnings, as a separate component of Other expense (income), net, within the consolidated statements of operations. 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) within the accompanying consolidated balance sheets.

Cash and Cash Equivalents

The Company considers all highly liquid investments that have original maturities of three months or less to be cash equivalents. Cash and cash equivalents consist of deposit accounts and cash management funds invested in U.S. government instruments. These investments are stated at cost, which approximates fair value. Cash equivalents also include amounts due from third-party financial institutions for credit and debit card transactions; these amounts typically settle in less than five days. Money market funds held in a rabbi trust that are being used as investments to satisfy the Company's obligations under its

deferred compensation plans are treated as investments and recorded in Other assets on the accompanying consolidated balance sheets.

Concentration of Cash Deposits Risk

As of December 30, 2023, the Company had approximately $351.2 million of cash and cash equivalents in major financial institutions, including approximately $79.0 million in financial institutions located outside of the U.S. The Company maintains cash deposits with major financial institutions that exceed the insurance coverage limits provided by the Federal Deposit Insurance Corporation in the U.S. and by similar insurers for deposits located outside the U.S. To mitigate this risk, the Company utilizes a policy of allocating cash deposits among major financial institutions that have been evaluated by the Company and third-party rating agencies as having acceptable risk profiles.

Accounts Receivable

Concentration of Credit Risk

In fiscal 2023, our largest wholesale customer accounted for approximately 10.4% of the Company's consolidated net sales. No other customer accounted for 10% or more of the Company's consolidated net sales in fiscal 2023. In fiscal 2022 and 2021, no customer accounted for 10% or more of the Company's consolidated net sales.

At December 30, 2023, three wholesale customers each had individual receivable balances in excess of 10% of gross accounts receivable, and the total receivable balances due from these three wholesale customers in the aggregate equaled approximately 56% of total gross trade receivables outstanding. At December 31, 2022, three wholesale customers each had individual receivable balances in excess of 10% of gross accounts receivable, and the total receivable balances due from these three wholesale customers in the aggregate equaled approximately 56% of total gross trade receivables outstanding.

Valuation Accounts for Wholesale Accounts Receivable

Accounts Receivable Reserves

The Company's accounts receivable reserves for wholesale customers include an allowance for expected credit losses and an allowance for chargebacks. The allowance for expected credit losses includes estimated losses resulting from the inability of our customers to make payments. If the financial condition of a customer were to deteriorate, resulting in an impairment of its ability to make payments, an additional allowance could be required. Past due balances over 90 days are reviewed individually for collectability. The Company's credit and collections department reviews all other balances regularly. Account balances are charged off against the allowance when it is probable that the receivable will not be recovered. The allowance for chargebacks is based on historical experience and includes estimated losses resulting from pricing adjustments, short shipments, handling charges, returns, and freight. Provisions for the allowance for expected credit losses are reflected in Selling, general, and administrative ("SG&A") expenses on the consolidated statement of operations and provisions for chargebacks are reflected as a reduction in Net sales on the consolidated statement of operations.

Sales Returns Reserves

Except in very limited instances, the Company does not allow its wholesale customers to return goods to the Company.

Inventories

Inventories, which consist primarily of finished goods, are stated approximately at the lower of cost (using first-in, first-out basis for wholesale inventory and average cost for retail inventory) or net realizable value. Costs of finished goods inventories include all costs incurred to bring inventory to its current condition, including inbound freight, duties, and other costs. Obsolete, damaged, and excess inventory is carried at net realizable value by establishing reserves after assessing method of cost determination, historical recovery rates, current market conditions, and future marketing and sales plans. Rebates, discounts, and other cash consideration received from a vendor related to inventory purchases are reflected as reductions in the cost of the related inventory item and are therefore reflected in cost of sales when the related inventory item is sold.

Adjustments to bring inventory to net realizable value as a result of obsolete, damaged, and excess inventory decreased $10.3 million, or 53.3%, to $9.0 million as of December 30, 2023. This decrease is primarily due to the decrease in inventory balances, including decreased "pack and hold" inventory.

Leases

The Company has operating leases for retail stores, distribution centers, corporate offices, data centers, and certain equipment.

Financial Presentation

The Company determines if an arrangement is a lease at its inception. Operating leases are included in operating lease assets, current operating lease liabilities, and long-term operating lease liabilities in our consolidated balance sheets.

Right of use ("ROU") assets represent our right to use an underlying asset for the lease term, and lease liabilities represent our obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. Our lease terms may include options to extend or terminate the lease when it is reasonably certain that we will exercise that option.

The operating lease ROU asset also includes initial direct costs and excludes lease incentives. Lease expense is recognized on a straight-line basis over the lease term.

Certain of our lease agreements include variable rental payments based on a percentage of retail sales over contractual levels and others include variable rental payments adjusted periodically for inflation. Our lease agreements do not contain any material residual value guarantees or material restrictive covenants.

Policy Elections

Portfolio approach - In general, the Company accounts for the underlying leased asset and applies a discount rate at the lease level. However, there are certain non-real estate leases for which the Company utilizes the portfolio method by aggregating similar leased assets based on the underlying lease term.

Non-lease component - The Company has lease agreements with lease and non-lease components. The Company has elected a policy to account for lease and non-lease components as a single component for all asset classes.

Short-term lease - Leases with an initial term of 12 months or less are not recorded on the balance sheets.

Discount rate - As most of the Company's leases do not provide an implicit rate, the Company uses the incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments.

Renewal options - The Company evaluates the inclusion of renewal options on a lease by lease basis. In general, for leased retail real estate, the Company does not include renewal options in the underlying lease term. In fiscal 2023, the Company determined that it was reasonably certain to exercise the lease renewal options associated with the Braselton, Georgia distribution center. As a result, the Company remeasured the operating lease liability to include the impact of the renewal option, which increased both the operation lease liability and operating lease assets by approximately $21.5 million.

Property, Plant, and Equipment

Property, plant, and equipment are stated at cost, less accumulated depreciation and amortization. When fixed assets are sold or otherwise disposed of, the accounts are relieved of the original cost of the assets and the related accumulated depreciation or amortization and any resulting gain or loss is credited or charged to income. For financial reporting purposes, depreciation and amortization are computed on the straight-line method over the estimated useful lives of the assets as follows: buildings and improvements from 15 to 26 years, retail store fixtures, equipment, and computers from 3 to 10 years. Leasehold improvements and fixed assets purchased under capital leases are amortized over the lesser of the asset life or the related lease term. The Company capitalizes the cost of its fixtures designed and purchased for use at major wholesale accounts. The cost of these fixtures is amortized over 3 years.

Internal-Use Software

The Company purchases software licenses from external vendors and also develops software internally using Company employees and consultants. Software license costs, as well as development-stage costs for internally-developed software, are capitalized within Property, plant, and equipment, net on the consolidated balance sheets. All other costs, including preliminary project costs and post-implementation costs for internally-developed software, are expensed as incurred. Capitalized software is depreciated or amortized on the straight-line method over its estimated useful lives, from 3 to 10 years.

If a software application does not include a purchased license for the software, such as a cloud-based software application, the arrangement is accounted for as a service contract. Implementation costs incurred in the development stage of such software

applications are capitalized and reported in Prepaid expenses and other current assets on the consolidated balances sheets. All other costs, including preliminary project costs and post-implementation costs for these software applications, are expensed as incurred. Any capitalized costs are amortized over the term of the hosting arrangement, and the expense is presented in the same line item within the consolidated statements of operations as the expense for the service contract's fees.

Goodwill and Other Indefinite-Lived Intangible Assets

Annual Impairment Reviews

The carrying values of the goodwill and indefinite-lived tradename assets are subject to annual impairment reviews, which are performed as of the last day of each fiscal year. Additionally, a review for potential impairment is performed whenever significant events or changes in circumstances indicate that the carrying value of the assets may not be recoverable. These impairment reviews are performed in accordance with ASC 350, "*Intangibles--Goodwill and Other"* ("ASC 350"). Significant assumptions in the impairment models include estimates of revenue growth and profitability, terminal growth rates, discount rates, market multiples, an implied control premium, and, in the case of tradenames, royalty rates. Discount rates are dependent upon interest rates and the cost of capital at a point in time.

Goodwill

The Company performs impairment tests of its goodwill at the reporting unit level. Qualitative and quantitative methods are used to assess for impairment, including the use of discounted cash flows ("income approach") and relevant data from guideline public companies ("market approach").

Under a qualitative assessment, the Company determines if it is "more likely than not" that the fair value of the reporting unit is less than its carrying value. Qualitative factors may include but are not limited to: macroeconomic conditions, industry and market considerations, cost factors that may have a negative effect on earnings, overall financial performance, and other relevant entity-specific events. If the Company determines that it is "more likely than not" that the fair value of the reporting unit is less than its carrying value, then a goodwill impairment test using quantitative assessments must be performed. If it is determined that it is "not more likely than not" that the fair value of the reporting unit is less than its carrying value, then no further testing is required and the Company documents the relevant qualitative factors that support the strength in the fair value.

Under a quantitative assessment for goodwill, the Company compares the fair value of a reporting unit to its carrying value, including goodwill. The Company uses a 50% weighting of the income approach and a 50% weighting of the market approach to determine the fair value of a reporting unit. The assumptions used in these approaches include revenue growth and profitability, terminal growth rates, discount rates, market multiples and an implied control premium. These assumptions are consistent with those of hypothetical marketplace participants. An impairment is recorded for any excess carrying value above the fair value of the reporting unit, not to exceed the carrying value of goodwill.

In fiscal 2022, the Company performed a quantitative impairment test on the goodwill ascribed to each of the Company's reporting units and on the value of its indefinite-lived intangible tradename assets as of December 31, 2022 due to increased discount rates, decreased actual and projected sales and profitability, and the announcement of the substantial doubt of a *Skip Hop* wholesale customer's ability to continue to operate as a going concern. Based upon this assessment, there were no impairments to the value of goodwill.

Based upon our most recent annual assessment, performed as of December 30, 2023, using a qualitative assessment, there were no impairments to the value of our goodwill.

Indefinite-Lived Intangible Assets

For indefinite-lived tradenames, the Company may utilize a qualitative assessment, as described above, to determine whether the fair value of an indefinite-lived asset is less than its carrying value. If a quantitative assessment is necessary, the Company determines fair value using the relief-from-royalty valuation method, which examines the hypothetical cost savings that accrue as a result of not having to license the tradename from another owner. The relief-from-royalty valuation method involves two steps: (1) estimation of reasonable royalty rates for the tradename assets and (2) the application of these royalty rates to a forecasted net revenue stream and discounting the resulting cash flows to determine a fair value. If the carrying amount exceeds the fair value of the tradename, an impairment charge is recognized in the amount of the excess.

As discussed above, the Company performed quantitative impairment assessments on the value of the Company's indefinite-lived intangible tradename assets as of December 31, 2022. Based upon this assessment, a non-cash pre-tax impairment charge of $9.0 million was recorded during the fourth quarter of fiscal 2022 on our indefinite-lived *Skip Hop* tradename asset to write-down the carrying value to $6.0 million. The charge recorded on our indefinite-lived *Skip Hop* tradename asset included

charges of $5.6 million, $3.0 million, and $0.4 million 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.

Based upon our most recent annual assessment, performed as of December 30, 2023, using a qualitative assessment, there were no impairments to the value of our indefinite-lived tradenames.

Impairment of Other Long-Lived Assets

The Company reviews other long-lived assets, including right of use ("ROU") lease assets, property, plant, and equipment, definite-lived tradename assets, and customer relationship assets, for impairment whenever events or changes in circumstances indicate that the carrying amount of such an asset may not be recoverable. To determine whether there has been a permanent impairment on such assets, a recoverability test is performed by comparing anticipated undiscounted future cash flows from the use and eventual disposition of the asset or asset group to the carrying value of the asset. If the undiscounted cash flows are less than the related carrying value of the other long-lived asset, they are written down to their fair value. The process of estimating the fair value requires us to make assumptions and to apply judgement including forecasting revenue growth and profitability, utilizing external market participant assumptions, including estimated market rents, and selecting the appropriate discount rate. Long-lived assets that meet the definition of held for sale will be valued at the lower of carrying amount or fair value, less costs to sell.

Deferred Debt Issuance Costs

Debt issuance costs associated with the Company's secured revolving credit facility and senior notes are deferred and amortized to interest expense over the term of the related debt using the effective interest method. Debt issuance costs associated with Company's senior notes are presented on the Company's consolidated balance sheet as a direct reduction in the carrying value of the associated debt liability. Fees paid to lenders by the Company to obtain its secured revolving credit facility are included within Other assets on the Company's consolidated balance sheets and classified as either current or non-current based on the expiration date of the credit facility.

Fair Value Measurements

The fair value framework requires the Company to categorize certain assets and liabilities into three levels, based upon the assumptions used to price those assets or liabilities. The three levels are defined as follows:

Level 1:	Quoted prices in active markets for identical assets or liabilities.
Level 2:	Quoted prices for similar assets and liabilities in active markets or inputs that are observable.
Level 3:	Unobservable inputs reflecting management's own assumptions about the inputs used in pricing the asset or liability.

The Company measures its pension assets, deferred compensation plan investment assets, and any unsettled foreign currency forward contracts at fair value. The Company's cash and cash equivalents, accounts receivable, and accounts payable are short-term in nature. As such, their carrying value approximates fair value.

The carrying values of the Company's outstanding borrowings are not required to be remeasured and adjusted to the then-current fair values at the end of each reporting period. Instead, the fair values of the Company's outstanding borrowings are disclosed at the end of each reporting period in Note 14, *Fair Value Measurements*, to the consolidated financial statements. Had the Company been required to remeasure and adjust the carrying values of its outstanding borrowings to fair value at the end of each reporting period, such fair value measurements would have been disclosed as a Level 2 liability in the fair value hierarchy.

Revenue Recognition

In accordance with ASC 606, "*Revenue from Contracts with Customers"*, the Company uses the five-step model to recognize revenue:

1) Identify the contract with the customer;
2) Identity the performance obligation(s);
3) Determine the transaction price;
4) Allocate the transaction price to each performance obligation if multiple obligations exist; and
5) Recognize the revenue when (or as) the performance obligations are satisfied.

Performance Obligations

The Company identifies each distinct performance obligation to transfer goods (or bundle of goods). Revenue transactions associated with the sale of products to customers through wholesale and international channels and to retail customers that are not members of the *My Rewarding Moments* loyalty program comprise of a single performance obligation. Revenue transactions associated with the sale of products to retail customers that are members of the *My Rewarding Moments* loyalty program comprise of two performance obligations: the transfer of control of the goods to the customer and the option for members to earn loyalty points that accumulate towards earning reward certificates. Other than inbound and outbound freight and shipping arrangements, the Company does not use third parties to satisfy its performance obligations in revenue arrangements with customers.

When Performance Obligations Are Satisfied

Wholesale Revenues - The Company has a single performance obligation in its wholesale arrangements, including replenishment orders. The Company typically satisfies its performance obligation when it transfers control of the goods to the customer upon shipment. However, in certain arrangements where the Company retains the risk of loss during shipment, satisfaction of the performance obligation occurs when the goods reach the customer. To ensure proper timing of revenue recognition, the Company defers the recognition of revenue for shipments that originated at the end of the reporting period in which the Company retains the risk of loss during shipment. "Pack and hold" inventories are not yet associated with any purchase order or purchase commitment. Therefore, these inventories are treated consistently with the rest of our wholesale inventory, and no deferral of revenue has been recognized.

Retail Revenues - For transactions in stores, the Company satisfies its performance obligation at point of sale when the customer takes possession of the goods and tenders payment. For purchases made through the Company's eCommerce channel, revenue is recognized when the goods are physically delivered to the customer or picked up in store. To ensure proper timing of revenue recognition, the Company defers the recognition of revenue for eCommerce channel shipments that originated at the end of the reporting period.

Loyalty Program - U.S. retail customers can earn loyalty points that accumulate towards earning reward certificates that are redeemable for a specified amount off of future purchases. Loyalty points expire six months from the day they were earned, and reward certificates expire 45 days after issuance. Points and reward certificates earned by retail customers under *My Rewarding Moments*, the Company's loyalty program, represent a separate performance obligation. For transactions where a customer earns loyalty points, the Company allocates revenue between the goods sold and the loyalty points expected to be earned towards a reward certificate based upon the relative standalone selling price. The revenue that is deferred is recorded within Other current liabilities on the Company's consolidated balance sheets and then recognized as revenue upon redemption of the reward certificate. Loyalty program breakage is recognized as revenue based on the customer redemption pattern.

Gift Cards - Customer purchases of gift cards are not recognized as revenue until the gift card is redeemed. The revenue that is deferred is recorded within Other current liabilities on the Company's consolidated balance sheets. Gifts cards do not have an expiration date however, gift card breakage is recognized as revenue based upon the historical customer redemption pattern.

Credit Card Revenues - The Company's private label credit card is issued to customers for use exclusively at the Company's U.S. stores and U.S. eCommerce sites. Credit is extended to such customers by a third-party financial institution without recourse to the Company. The Company's performance obligations under the private label credit card agreement include providing program marketing and intellectual property to the third-party financial institution in support of the private label credit card program, as well as operating a loyalty program. The upfront bonus paid to the Company is recognized as revenue on a straight-line basis over the term of the agreement. Usage-based royalties are primarily recognized as revenue in the period of usage and an amount is recognized on a point-in-time basis as redemptions under the loyalty program occur. Revenue

associated with the establishment of new credit accounts is recognized in the period the activity occurred. Revenues related to the Company's private label credit card program are recorded as Net sales on the Company's consolidated statement of operations.

Royalty Revenues - The Company has a single performance obligation in its licensing agreements with domestic and international licensees: to grant licensees the right to access certain trademarks in return for royalty payments or licensing fees. The Company satisfies its performance obligations with licensees over time as customers have the right to use the intellectual property over the contract period. Royalty revenues are included within Royalty income, net on the Company's consolidated statements of operations.

Significant Payment Terms

Retail customers tender a form of payment, such as cash or a credit/debit card, at point of sale. For wholesale customers and licensees, payment is due based on established terms, which is generally sixty days or less from date of shipment.

Returns and Refunds

The Company establishes return provisions for retail customers in the period the sales occur. Return provisions are calculated based on historical return data and are recorded within Accounts receivable, net on the Company's consolidated balance sheets. Except in very limited instances, the Company does not allow its wholesale customers to return goods to the Company.

Significant Judgments

Sale of Goods - The Company relies on shipping terms to determine when performance obligations are satisfied. The Company recognizes the revenue once control passes to the customer. When goods are shipped to wholesale customers "FOB Shipping Point," control of the goods is transferred to the customer at the time of shipment. When goods are shipped to wholesale customers "FOB Destination," control of the goods is transferred to the customer when the goods reach the customer. For most retail transactions in stores, no significant judgments are involved since revenue is recognized at the point of sale when tender is exchanged and the customer receives the goods. For retail transactions made through the Company's eCommerce channel, revenue is recognized when the goods are physically delivered to the customer. The Company recognizes revenue from omni-channel sales, including buy-online and pick-up in-store, buy-online, ship-to-store, and buy-online, deliver-from-store, when the product has been picked up by the customer at the store or when the product is physically delivered to the customer.

Royalty Revenues - The Company transfers the right-to-use benefit to the licensee for the contract term and therefore the Company satisfies its performance obligation over time. Revenue recognized for each reporting period is based on the greater of: 1) the royalties owed on actual net sales by the licensee and 2) a minimum royalty guarantee, if applicable.

Transaction Price - The transaction price is the amount of consideration the Company expects to receive under the arrangement. The Company is required to estimate variable consideration (if any) and to factor that estimation into the determination of the transaction price. The Company may offer sales incentives to wholesale and retail customers, including discounts. Additionally, the Company recognizes an allowance for chargebacks for wholesale customers that is based on historical experience and includes estimated losses resulting from pricing adjustments, short shipments, handling charges, returns, and freight. For retail transactions, the Company has significant experience with return patterns and relies on this experience to estimate expected returns when determining the transaction price.

Standalone Selling Prices - For arrangements that contain multiple performance obligations, including sales through our *My Rewarding Moments* loyalty program, the Company allocates the transaction price to each performance obligation on a relative standalone selling price basis.

Costs Incurred to Obtain a Contract - Incremental costs to obtain contracts are not material to the Company.

Policy Elections

In addition to those previously disclosed, the Company has made the following accounting policy elections and practical expedients:

- Portfolio Approach - The Company uses the portfolio approach when multiple contracts or performance obligations are involved in the determination of revenue recognition. This approach is primarily used to estimate the redemption of loyalty points, loyalty point breakage, and gift card breakage.
- Taxes - The Company excludes from the transaction price any taxes collected from customers that are remitted to taxing authorities.

- Shipping and Handling Charges - Charges that are incurred before and after the customer obtains control of goods are deemed to be fulfillment costs and are included in Cost of goods sold when the related revenues are recognized.
- Time Value of Money - The Company's payment terms are less than one year from the transfer of goods. Therefore, the Company does not adjust promised amounts of consideration for the effects of the time value of money.
- Disclosure of Remaining Performance Obligations - The Company does not disclose the aggregate amount of the transaction price allocated to remaining performance obligations for contracts that are one year or less in term.

Cooperative advertising arrangements reimburse customers for marketing activities for certain of our products. The Company records these reimbursements under cooperative advertising arrangements with certain of its major wholesale customers at fair value. Fair value is determined based upon, among other factors, comparable market analysis for similar advertisements. The Company has included the fair value of these arrangements of approximately $0.6 million for fiscal 2022 and $0.2 million for fiscal 2021 as a component of SG&A expenses on the Company's consolidated statements of operations, rather than as a reduction of Net sales. There were no amounts for cooperative advertising arrangements recorded as a component of SG&A expenses for fiscal 2023. Amounts determined to be in excess of the fair value of these arrangements are recorded as a reduction of Net sales. For arrangements in which the Company does not receive a distinct good or service, we record these reimbursements as a reduction of net sales. The majority of the Company's digital cooperative advertising arrangements are recorded as a reduction of net sales as there was no distinct good or service received by the Company.

Costs of Goods Sold and Selling, General and Administrative Expenses

In addition to the cost of product, cost of goods sold include changes to our inventory reserve and 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 product to end consumers. For omni-channel transactions, costs of goods sold include the costs of shipping product to end customers or to retail stores.

Retail store occupancy costs, distribution expenses, and generally all expenses other than interest and income taxes are included in 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. Distribution expenses included in SG&A totaled $183.4 million, $216.2 million, and $206.6 million for fiscal years 2023, 2022, and 2021, respectively.

Gross Profit

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. Our gross profit and gross margin may not be comparable to other entities that define their metrics differently.

Income from Royalties and License Fees

We license our *Carter's*, *OshKosh*, *Child of Mine*, *Just One You*, *Simple Joys*, and *Little Planet* brands to various license partners in order to expand our product offerings into footwear, outerwear, accessories (such as hair accessories and jewelry), toys, paper goods, home décor, cribs and baby furniture, and bedding. These royalties are recorded as earned, based upon the sales of licensed products by licensees and reported as royalty income on the Company's consolidated statements of operations.

Advertising Expenses

Advertising production costs and costs associated with communicating advertising that has been produced are expensed when the advertising event takes place. Certain other advertising costs where it is uncertain when the expected benefits would occur are expensed in the period incurred. Advertising expenses were $74.1 million, $96.0 million, and $102.8 million for fiscal years 2023, 2022, and 2021, respectively, and are included in SG&A expenses on the Company's consolidated statement of operations. Deferred advertising costs for advertisements that have not yet occurred or for advertising services that have not yet been received were $1.2 million and $1.9 million at December 30, 2023 and December 31, 2022, respectively, and are included in Prepaid expenses and other current assets on the Company's consolidated balance sheets.

Stock-Based Compensation Arrangements

The Company recognizes the cost resulting from all stock-based compensation arrangements in the financial statements at grant date fair value. Stock-based compensation expense is recognized over the requisite service period, net of estimated forfeitures. Subjective assumptions include a forfeiture rate assumption for all restricted stock awards and an estimate for the probability

that the performance criteria will be achieved for performance awards. We estimate forfeitures of restricted stock awards based on historical experience and expected future activity.

Changes in the subjective assumptions can materially affect the estimate of fair value of stock-based compensation and consequently, the related amount recognized in the accompanying consolidated statements of operations.

During the requisite service period, the Company also recognizes a deferred income tax benefit for the expense recognized for U.S. GAAP. At time of subsequent vesting, exercise, forfeiture, or expiration of an award, the difference between the Company's actual income tax deduction, if any, and the previously accrued income tax benefit is recognized in income tax expense/benefit during the current period.

Stock Options

The fair value of stock options is determined based on the Black-Scholes option pricing model, which requires the use of subjective assumptions. There has been no issuances of stock options since 2018, and there are no unrecognized compensation costs remaining related to stock options.

Time-Based Restricted Stock Awards

The fair value of time-based restricted stock awards is determined based on the quoted closing price of the Company's common stock on the date of grant and is recognized as compensation expense over the vesting term of the awards, net of estimated forfeitures.

Performance-Based Restricted Stock Awards

The Company accounts for its performance-based restricted stock awards based on the quoted closing price of the Company's common stock on the date of grant and records stock-based compensation expense over the vesting term of the awards based on the probability that the performance criteria will be achieved, net of estimated forfeitures. The Company reassesses the probability of vesting at each reporting period and adjusts stock-based compensation expense based on its probability assessment.

Stock Awards

The fair value of stock granted to non-management board members is determined based on the quoted closing price of the Company's common stock on the date of grant. The Company records the stock-based compensation expense immediately as there are no vesting terms.

Income Taxes

The accompanying consolidated financial statements reflect current and deferred tax provisions, in accordance with ASC 740, *Income Taxes*. The deferred tax provision is determined under the liability method. Deferred tax assets and liabilities are recognized based on differences between the book and tax basis of assets and liabilities using presently enacted tax rates. Deferred tax assets are a component of non-current Other assets in the Company's consolidated balance sheet. Valuation allowances are established when it is "more likely than not" that a deferred tax asset will not be recovered. The provision for income taxes is the sum of the amount of income taxes paid or payable for the year as determined by applying the provisions of enacted tax laws to the taxable income for that year, the net change during the year in deferred tax assets and liabilities, and the net change during the year in any valuation allowances.

The Company assesses its income tax positions and records tax benefits for all years subject to examination based upon management's evaluation of the facts, circumstances, and information available at the reporting dates. A company may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. If it is more likely than not that a tax position would not be sustained, then no tax benefit would be recognized. Where applicable, associated interest and penalties are also recorded. Interest is recorded as a component of Interest expense and penalties, if any, are recorded within the provision for incomes taxes in the consolidated statements of operations and are classified on the consolidated balance sheets with the related liability for uncertain tax contingency liabilities.

Supplemental Cash Flow Information

Interest paid in cash approximated $32.3 million, $41.2 million, and $59.0 million for fiscal years 2023, 2022, and 2021, respectively. Income taxes paid in cash approximated $76.5 million, $64.0 million, and $115.3 million for fiscal years 2023, 2022, and 2021, respectively.

Additions to property, plant and equipment of approximately $1.6 million, $10.1 million, and $15.4 million were excluded from capital expenditures on the Company's consolidated statements of cash flows for fiscal years 2023, 2022, and 2021, respectively, since these amounts were accrued and unpaid at the end of each respective fiscal year.

Earnings Per Share

The Company calculates basic and diluted net income per common share under the two-class method for unvested share-based payment awards that contain participating rights to dividends or dividend equivalents (whether paid or unpaid).

Basic net income per share is calculated by dividing net income for the period by the weighted-average common shares outstanding for the period. Diluted net income per share includes the effect of dilutive instruments (primarily stock options) and uses the average share price for the period in determining the number of shares that are to be added to the weighted-average number of shares outstanding.

Open Market Repurchases of Common Stock

Shares of the Company's common stock that are repurchased by the Company through open market transactions are retired. Through the end of fiscal 2023, all such open market repurchases have been at prices that exceeded the par value of the repurchased common stock, and the amounts of the purchase prices that exceeded par value were charged to additional paid-in capital or to retained earnings if the balance in additional paid-in capital was not sufficient.

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 2023, the Company reflected the applicable excise tax in Additional paid-in capital on the Company's 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 consolidated balance sheets.

Employee Benefit Plans

The Company has several defined benefit plans. Various actuarial methods and assumptions are used in determining net pension and post-retirement costs and obligations. Key assumptions include the discount rate used to determine the present value of future benefits and the expected long-term rate of return on plan assets. The over-funded or under-funded status of the defined benefit plans is recorded as an asset or liability on the consolidated balance sheet. Any service costs that arise during the period are presented in the same statement line item as other employee compensation on the consolidated statement of operations. All other components of current period costs related to defined benefit plans, such as prior service costs and actuarial gains and losses, are presented in Other (income) expense, net on the consolidated statement of operations. The actuarial gains or losses that arise during the period are recognized as a component of comprehensive income or loss, net of tax. These costs or income are then subsequently recognized as components of net periodic benefit cost in the consolidated statements of operations. Under the provisions of ASU No. 2015-04, *Practical Expedient for the Measurement Date of an Employer's Defined Benefit Obligation and Plan Assets*, the Company is permitted to use December 31 of each year, as opposed to the Company's last day of each fiscal year, as an alternate measurement date for its defined benefit plans.

Facility Closure and Severance Costs

The Company records severance costs when the appropriate notifications have been made to affected employees or when the decision is made, if the one-time benefits are contractual. When employees are required to work for a period before termination, the severance costs are recognized over the required service period. For operating leases, lease termination costs are recognized at fair value at the date the Company ceases to use the leased property. Useful lives assigned to fixed assets at the facility to be closed are revised based on the specifics of the exit plan, resulting in accelerated depreciation expense.

Seasonality

The Company experiences seasonal fluctuations in its sales and profitability due to the timing of certain holidays and key retail shopping periods, typically resulting in lower sales and gross profit in the first half of its fiscal year. Accordingly, the Company's results of operations during the first half of the year may not be indicative of the results for the full year.

Recent Accounting Pronouncements

Adopted in Fiscal 2023

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 Company adopted the annual disclosure requirements, except for the rollforward of annual activity, in fiscal 2023. The Company expects to adopt the rollforward of annual activity requirement in fiscal 2024. The effect of the adoption of ASU 2022-04 was not material to the Company's consolidated financial statements.

To Be Adopted After Fiscal 2023

Segment Reporting - Improvements to Reportable Segment Disclosures (ASU 2023-07)

In November 2023, the FASB issued *ASU No. 2023-07, Segment Reporting - Improvements to Reportable Segment Disclosures.* This new guidance is designed to improve the disclosures about a public entity's reportable segments and address requests from investors for more detailed information about a reportable segment's expenses in an interim and annual basis. ASU 2023-07 is effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024. Public entities must adopt the changes to the segment reporting guidance on a retrospective basis. Early adoption is permitted. The Company is currently evaluating the impact of this amendment on its consolidated financial statements but does not expect the effect of the adoption of ASU 2023-07 to be material.

Income Taxes - Improvements to Income Tax Disclosures (ASU 2023-09)

In December 2023, the FASB issued *ASU No. 2023-09, Income Taxes - Improvements to Income Tax Disclosures.* This new guidance requires consistent categories and greater disaggregation of information in the rate reconciliation and greater disaggregation of income taxes paid by jurisdiction. ASU 2023-09 is effective for fiscal years beginning after December 15, 2024. Early adoption is permitted. The Company is currently evaluating the impact of this amendment on its consolidated financial statements but does not expect the effect of the adoption of ASU 2023-09 to be material.

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. The Company also earns royalties from certain of its licensees. Disaggregated revenues from these sources for the fiscal years presented were as follows:

	Fiscal year ended December 30, 2023			
(dollars in thousands)	U.S. Retail	U.S. Wholesale	International	Total
Direct-to-consumer	$ 1,501,780	$ —	$ 268,596	$ 1,770,376
Wholesale channel	—	1,014,584	160,634	1,175,218
	$ 1,501,780	$ 1,014,584	$ 429,230	$ 2,945,594
Royalty income, net	$ 6,549	$ 11,660	$ 3,201	$ 21,410

	Fiscal year ended December 31, 2022			
(dollars in thousands)	U.S. Retail	U.S. Wholesale	International	Total
Direct-to-consumer	$ 1,680,159	$ —	$ 279,903	$ 1,960,062
Wholesale channel	—	1,080,471	172,200	1,252,671
	$ 1,680,159	$ 1,080,471	$ 452,103	$ 3,212,733
Royalty income, net	$ 8,815	$ 12,915	$ 4,090	$ 25,820

(dollars in thousands)	Fiscal year ended January 1, 2022			
	U.S. Retail	U.S. Wholesale	International	Total
Direct-to-consumer	$ 1,899,262	$ —	$ 289,060	$ 2,188,322
Wholesale channel	—	1,126,415	171,703	1,298,118
	$ 1,899,262	$ 1,126,415	$ 460,763	$ 3,486,440
Royalty income, net	$ 8,541	$ 15,808	$ 4,332	$ 28,681

Accounts Receivable from Customers and Licensees

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

(dollars in thousands)	December 30, 2023	December 31, 2022
Trade receivables from wholesale customers, net	$ 172,106	$ 195,078
Royalties receivable, net	4,753	5,386
Other receivables[1]	20,032	14,571
Total receivables	$ 196,891	$ 215,035
Less: Wholesale accounts receivable reserves[2][3]	(13,117)	(16,448)
Accounts receivable, net	$ 183,774	$ 198,587

(1) Includes tax, payroll, gift card and other receivables. Increase primarily relates to receivable for a $6.9 million court approved settlement in December 2023 related to payment card interchange fees.

(2) Includes allowance for chargebacks of $8.4 million and $9.3 million for the periods ended December 30, 2023 and December 31, 2022, respectively.

(3) Includes allowance for credit losses of $4.8 million and $7.2 million for the periods ended December 30, 2023 and December 31, 2022, respectively.

Information regarding Wholesale accounts receivable reserves is as follows:

(dollars in thousands)	Wholesale accounts receivable reserves
Balance at January 2, 2021	$ 12,366
Additional provisions	13,282
Charges to reserve	(6,953)
Balance at January 1, 2022	$ 18,695
Additional provisions	9,280
Charges to reserve	(11,527)
Balance at December 31, 2022	$ 16,448
Additional provisions	5,220
Charges to reserve	(8,551)
Balance at December 30, 2023	$ 13,117

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)	December 30, 2023	December 31, 2022
Contract liabilities - current:		
Unredeemed gift cards	$ 25,162	$ 23,303
Unredeemed customer loyalty rewards	3,355	5,276
Carter's credit card - upfront bonus[1]	714	714
Total contract liabilities - current[2]	$ 29,231	$ 29,293
Contract liabilities - non-current[3]	$ 714	$ 1,429
Total contract liabilities	$ 29,945	$ 30,722

(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 within Other current liabilities on the Company's consolidated balance sheet.

(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 consolidated balance sheet.

Composition of Contract Liabilities

Unredeemed gift cards - the Company is obligated to transfer goods in the future to customers who have purchased gift cards. Periodic changes in the gift card contract liability result from the purchase of gift cards, the redemption of gift cards by customers and the recognition of estimated breakage revenue for those gift card balances that are not expected to be redeemed. The majority of our gift cards do not have an expiration date; however, all outstanding gift card balances are classified by the Company as current liabilities since gift cards are redeemable on demand by the valid holder. The majority of the Company's gift cards are redeemed within one year of issuance. During fiscal 2023 and fiscal 2022, the Company recognized revenue of $9.4 million and $8.5 million related to the gift card liability balance that existed at December 31, 2022 and January 1, 2022, respectively.

Unredeemed loyalty rewards - points and reward certificates earned by customers under the Company's loyalty program represent obligations of the Company to transfer goods to the customer upon redemption. Periodic changes in the loyalty program contract liability result from new rewards earned, reward certificate redemptions and expirations. The earning and redemption cycles for our loyalty program are under one year in duration.

Carter's credit card - upfront bonus - the Company received an upfront bonus from a third-party financial institution, which will be recognized as revenue on a straight-line basis over the term of the agreement.

NOTE 4 – PROPERTY, PLANT, AND EQUIPMENT

Property, plant, and equipment, net consists of the following:

(dollars in thousands)	December 30, 2023	December 31, 2022
Land, building, and leasehold improvements	$ 357,029	$ 332,971
Fixtures, equipment, and computer hardware	302,747	281,830
Computer software	129,685	115,706
Construction in progress[*]	9,557	28,843
	799,018	759,350
Accumulated depreciation and amortization	(615,907)	(569,528)
Total	$ 183,111	$ 189,822

(*) Decrease relates primarily to retail store openings and remodels placed in service during fiscal 2023.

Depreciation and amortization expense related to property, plant, and equipment was approximately $60.4 million, $61.5 million, and $90.4 million for fiscal years 2023, 2022, and 2021, respectively.

NOTE 5 - LEASES

The Company has operating leases for retail stores, distribution centers, corporate offices, data centers, and certain equipment. The Company's leases generally have initial terms ranging from 3 year to 10 years, some of which may include options to extend the leases for up to 5 years, and some of which may include options to early terminate the lease.

As of the periods presented, the Company's finance leases were not material to the consolidated balance sheets, consolidated statements of operations, or statement of cash flows.

The following components of lease expense are included in Selling, general, and administrative expenses on the Company's consolidated statements of operations for the fiscal periods indicated:

	For the fiscal year ended		
(dollars in thousands)	December 30, 2023	December 31, 2022	January 1, 2022
Operating lease cost	$ 171,072	$ 160,210	$ 166,481
Variable lease cost(*)	56,089	66,400	64,410
Net lease cost	$ 227,161	$ 226,610	$ 230,891

(*) Includes short-term leases, which are not material, and any operating lease impairment charges.

Supplemental balance sheet information related to leases was as follows:

	December 30, 2023	December 31, 2022
Weighted average remaining operating lease term (years)	5.8	4.7
Weighted average discount rate for operating leases	4.63%	3.72%

Cash paid for amounts included in the measurement of operating lease liabilities in fiscal 2023 and fiscal 2022 was $177.8 million and $172.9 million, respectively.

Operating lease assets obtained in exchange for operating lease liabilities in fiscal 2023 and fiscal 2022 were $184.6 million and $144.9 million, respectively. Operating lease assets obtained primarily consist of new or modified leases. In December 2023, the Company determined that it was reasonably certain to exercise the lease renewal options associated with the Braselton distribution center. As a result, the Company remeasured the operating lease to include the impact of renewal lease options, which increased both the operation lease liability and operating lease assets by approximately $21.5 million.

As of December 30, 2023, the maturities of lease liabilities were as follows:

(dollars in thousands)	Operating leases
2024	$ 151,446
2025	140,412
2026	103,389
2027	75,562
2028	55,867
After 2028	155,003
Total lease payments	$ 681,679
Less: Interest	(97,500)
Present value of lease liabilities(*)	$ 584,179

(*) As most of our leases do not provide an implicit rate, we use our incremental borrowing rate based on the information available at commencement date to determine the present value of lease payments.

As of December 30, 2023, the minimum rental commitments for additional operating lease contracts, primarily for retail stores, that have not yet commenced are $15.5 million. These operating leases will commence in fiscal year 2024 with lease terms of 10 years.

NOTE 6 – GOODWILL AND OTHER INTANGIBLE ASSETS

The balances and changes in the carrying amount of Goodwill attributable to each segment were as follows:

(dollars in thousands)	U.S. Retail	U.S. Wholesale	International	Total
Balance at January 1 2022(*)	$ 83,934	$ 74,454	$ 53,635	$ 212,023
Foreign currency impact	—	—	(2,690)	(2,690)
Balance at December 31, 2022	$ 83,934	$ 74,454	$ 50,945	$ 209,333
Foreign currency impact	—	—	1,204	1,204
Balance at December 30, 2023	$ 83,934	$ 74,454	$ 52,149	$ 210,537

(*) Goodwill for the International reporting unit is net of accumulated impairment losses of $17.7 million.

A summary of the carrying value of the Company's intangible assets were as follows:

		December 30, 2023			December 31, 2022		
(dollars in thousands)	Weighted-average useful life	Gross amount	Accumulated amortization	Net amount	Gross amount	Accumulated amortization	Net amount
Carter's tradename	Indefinite	$ 220,233	$ —	$ 220,233	$ 220,233	$ —	$ 220,233
OshKosh tradename	Indefinite	70,000	—	70,000	70,000	—	70,000
Skip Hop tradename(1)	Indefinite	6,000	—	6,000	6,000	—	6,000
Finite-life tradenames(2)	5 - 20 years	3,911	1,958	1,953	3,911	1,751	2,160
Total tradenames, net		$ 300,144	$ 1,958	$ 298,186	$ 300,144	$ 1,751	$ 298,393
Skip Hop customer relationships	15 years	$ 47,300	$ 21,363	$ 25,937	$ 47,300	$ 18,187	$ 29,113
Carter's Mexico customer relationships	10 years	3,324	2,023	1,301	3,125	1,674	1,451
Total customer relationships, net		$ 50,624	$ 23,386	$ 27,238	$ 50,425	$ 19,861	$ 30,564

(1) In 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.

(2) Relates to the acquisition of rights to the Carter's brand in Chile in December 2014 and the acquisition of the Skip Hop brand in February 2017.

The carrying values of goodwill and indefinite-lived tradename assets are subject to annual impairment reviews as of the last day of each fiscal year. Between annual assessments, impairment reviews may also be triggered by any significant events or changes in circumstances affecting our business. These impairment reviews are performed in accordance with ASC 350, "*Intangibles--Goodwill and Other"* ("ASC 350").

In fiscal 2022, the Company performed a quantitative impairment test on the goodwill ascribed to each of the Company's reporting units and on the value of its indefinite-lived intangible tradename assets as of December 31, 2022 due to increased discount rates, decreased actual and projected sales and profitability, and the announcement of the substantial doubt of a *Skip Hop* wholesale customer's ability to continue to operate as a going concern.

The goodwill impairment assessment for each reporting unit was performed in accordance with ASC 350 and compares the carrying value of each reporting unit to its fair value. Consistent with prior practice, the Company uses a 50% weighting of the income approach and a 50% weighting of the market approach to determine the fair value of a reporting unit. Based upon this assessment, there were no impairments on the value of goodwill.

The indefinite-lived tradename asset assessments were performed in accordance with ASC 350 and were determined using a discounted cash flow analysis which examined the hypothetical cost savings that accrue as a result of not having to license the tradename from another owner. Based on these assessments, a non-cash pre-tax impairment charge of $9.0 million was recorded during the fourth quarter of fiscal 2022 on our indefinite-lived *Skip Hop* tradename asset to write-down the carrying value to $6.0 million. The charge recorded on our indefinite-lived *Skip Hop* tradename asset included charges of $5.6 million, $3.0 million, and $0.4 million 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.

Based upon our most recent annual assessment, performed as of December 30, 2023, using a qualitative assessment, there were no impairments to the value of goodwill or our indefinite-lived tradename assets.

Changes in the carrying values between comparative periods for goodwill related to the International segment were due to fluctuations in the foreign currency exchange rates between the Canadian and U.S. dollar that were used in the remeasurement process for preparing the Company's consolidated financial statements. The changes in the carrying value of customer relationships for Carter's Mexico, including the related accumulated amortization, that were not attributable to amortization expense was also impacted by foreign currency exchange rate fluctuations.

Amortization expense for intangible assets subject to amortization was approximately $3.7 million for each of fiscal years 2023, 2022, and 2021. Amortization expense is included in SG&A expenses on the Company's consolidated statements of operations

The estimated amortization expense for the next five fiscal years is as follows:

(dollars in thousands)	Amortization expense
2024	$ 3,717
2025	$ 3,717
2026	$ 3,717
2027	$ 3,566
2028	$ 3,354

NOTE 7 – PREPAID EXPENSES AND OTHER CURRENT ASSETS

Prepaid expenses and other current assets at the end of any comparable period, were as follows:

(dollars in thousands)	December 30, 2023	December 31, 2022
Prepaid information technology-related contracts(*)	11,504	12,652
Prepaid income taxes	2,563	1,110
Prepaid insurance	1,962	2,133
Other	13,102	17,917
Prepaid expenses and other current assets	$ 29,131	$ 33,812

(*) Primarily related to cloud computing arrangements and software maintenance contracts.

NOTE 8 – OTHER CURRENT LIABILITIES

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

(dollars in thousands)	December 30, 2023	December 31, 2022
Unredeemed gift cards	$ 25,162	$ 23,303
Accrued bonuses and incentive compensation(*)	20,817	7,244
Accrued employee benefits	17,928	16,356
Accrued taxes	12,909	10,445
Income taxes payable	12,697	17,484
Accrued salaries and wages	12,458	11,519
Accrued other	32,373	36,088
Other current liabilities	$ 134,344	$ 122,439

(*) Increase primarily related to lower than forecasted financial performance in fiscal 2022.

NOTE 9 – SUPPLIER FINANCE 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 December 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. Payment terms for most of our suppliers are 60 days, regardless of participation in the SCF program. The Company does not provide any guarantees 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 consolidated balance sheets. As of December 30, 2023

and December 31, 2022, amounts under the SCF program included in Accounts payable were $14.8 million and $16.5 million, 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.

NOTE 10 – LONG-TERM DEBT

Long-term debt consisted of the following:

(dollars in thousands)	December 30, 2023	December 31, 2022
$500 million, 5.625% Senior Notes due 2027	$ 500,000	$ 500,000
Less: unamortized issuance-related costs for senior notes	(2,646)	(3,376)
Senior notes, net	$ 497,354	$ 496,624
Secured revolving credit facility	—	120,000
Total long-term debt, net	$ 497,354	$ 616,624

Secured Revolving Credit Facility

As of December 30, 2023, the Company had no outstanding borrowings under its secured revolving credit facility, exclusive of $4.4 million of outstanding letters of credit. As of December 31, 2022, the Company had $120.0 million outstanding borrowings under its secured revolving credit facility, exclusive of $3.5 million of outstanding letters of credit. As of December 30, 2023 and December 31, 2022, there was approximately $845.6 million and $726.5 million available for future borrowing, respectively. All outstanding borrowings under the Company's secured revolving credit facility are classified as non-current liabilities on the Company's consolidated balance sheets due to contractual repayment terms under the credit facility.

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.

Terms of the Secured Revolving Credit Facility

The Company's secured revolving credit facility provides for an aggregate credit line of $850.0 million which includes a $750.0 million U.S. dollar facility and a $100.0 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 April 11, 2022, the Company, through TWCC entered into Amendment No. 4 to its fourth amended and restated credit agreement ("Amendment No. 4") that, among other things, increased the borrowing capacity of the secured revolving credit facility to $850.0 million (combined U.S. dollar and multicurrency facility borrowings), extended the maturity of the secured revolving credit facility from September 2023 to April 2027, and reduced the number of financial maintenance covenants from two to one.

In particular, Amendment No. 4 provides for the following:

- increases the borrowing capacity of the secured revolving credit facility from $750 million to $850 million (the U.S. Dollar facility commitment increases to $750 million from $650 million and the multicurrency facility commitment remains at $100 million);
- extends the maturity of the secured revolving credit facility from September 2023 to April 2027;
- adds a springing maturity date component, which states that if the Company has not redeemed or refinanced at least $250 million of the senior notes due 2027 prior to the 91st day before the maturity of the senior notes due March 15, 2027, then the maturity date of the secured revolving credit facility will be the 91st day before the original maturity of the senior notes due 2027;
- reduces the number of financial maintenance covenants from two to one. The Lease Adjusted Leverage Ratio has been simplified to a Consolidated Total Leverage Ratio and the Consolidated Fixed Charge Coverage Ratio has been eliminated. The Consolidated Total Leverage Ratio maximum permitted shall be 3.50:1.00 and temporarily increases to 4.00:1:00 in the event of a Material Acquisition;
- Term Benchmark Loans bear interest at a rate determined by reference to the Adjusted Term SOFR (Secured Overnight Financing Rate), CDOR (Canadian Dollar Offered Rate), or the Adjusted EURIBOR (Euro Interbank

Offered Rate). Each Term Benchmark Loan is subject to interest charges equal to the per annum respective benchmark rate plus an initial applicable rate of 1.375% which may be adjusted from 1.125% to 1.625% based upon a leverage-based pricing schedule; and

- Other Base, Prime, and Overnight Rate Loans are subject to interest charges equal to the per annum, respective, benchmark rate plus an initial applicable rate of 0.375% which may be adjusted from 0.125% to 0.625% based upon a leverage-based pricing schedule. An Applicable Commitment Fee initially equal to 0.20% per annum and ranging from 0.15% per annum to 0.25% per annum, based upon a leverage-based pricing grid, is payable quarterly in arrears with respect to the average daily unused portion of the revolving loan commitments. Capitalized items are Defined Terms pursuant to Amendment No. 4, dated as of April 11, 2022.

Approximately $2.4 million, including both bank fees and other third-party expenses, was capitalized in fiscal 2022 in connection with Amendment No. 4 and is being amortized over the remaining term of the secured revolving credit facility.

As of December 30, 2023, the interest rate margins applicable to the amended revolving credit facility were 1.375% for adjusted term SOFR rate loans and 0.375% for base rate loans. As of December 30, 2023, any U.S. dollar borrowings outstanding under the secured revolving credit facility would have accrued interest at an adjusted term SOFR rate plus the applicable margin, which would have resulted in a borrowing rate of 6.82%. There were no foreign currency borrowings outstanding on December 30, 2023 or December 31, 2022.

As of December 30, 2023, the Company was in compliance with its financial and other covenants under the secured revolving credit facility.

Senior Notes

2022 Redemption of Senior Notes due 2025

On April 4, 2022, the Company, through its wholly-owned subsidiary, TWCC redeemed $500 million principal amount of senior notes, bearing interest at a rate of 5.500% per annum, and originally maturing on May 15, 2025. Pursuant to the optional redemption provisions described in the Indenture dated as of May 11, 2020, TWCC paid the outstanding principal plus accrued interest and an Applicable Premium as defined in the Indenture. This debt redemption resulted in a loss on extinguishment of debt of approximately $19.9 million, primarily consisting of $15.7 million of the Applicable Premium and $4.3 million related to the write-off of unamortized debt issuance costs.

Senior Notes due 2027

On March 14, 2019, TWCC issued $500 million principal amount of senior notes at par, bearing interest at a rate of 5.625% per annum, and maturing on March 15, 2027. On and after March 15, 2022, TWCC may redeem all or part of the senior notes at the redemption prices (expressed as percentages of principal amount of the senior notes to be redeemed) set forth below, plus accrued and unpaid interest. The redemption price is applicable when the redemption occurs during the twelve-month period beginning on March 15 of each of the years indicated is as follows:

Year	Percentage
2023	101.406 %
2024 and thereafter	100.000 %

The senior notes mentioned above are unsecured and are fully and unconditionally guaranteed by Carter's, Inc. and certain domestic subsidiaries of TWCC. The guarantor subsidiaries are 100% owned directly or indirectly by Carter's, Inc. and all guarantees are joint, several and unconditional.

The indenture governing the senior notes provides that upon the occurrence of specific kinds of changes of control, unless a redemption notice with respect to all the outstanding senior notes has previously or concurrently been mailed or delivered, TWCC will be required to make an offer to purchase the senior notes at 101% of their principal amount, plus accrued and unpaid interest to (but excluding) the date of purchase.

The indenture governing the senior notes includes a number of covenants, that, among other things and subject to certain exceptions, restrict TWCC's ability and the ability of certain of its subsidiaries to: (a) incur certain types of indebtedness that is secured by a lien; (b) enter into certain sale and leaseback transactions; and (c) consolidate or merge with or into, or sell substantially all of the issuer's assets to, another person, under certain circumstances. Terms of the notes contain customary affirmative covenants and provide for events of default which, if certain of them occur, would permit the trustee or the holders

of at least 25.0% in principal amount of the then total outstanding senior notes to declare all amounts owning under the notes to be due and payable. Carter’s, Inc. is not subject to these covenants.

NOTE 11 – 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:

	For the fiscal year ended		
	December 30, 2023	December 31, 2022	January 1, 2022
Number of shares repurchased[1]	1,446,269	3,747,187	2,967,619
Aggregate cost of shares repurchased *(dollars in thousands)*[2]	$ 100,034	$ 299,667	$ 299,339
Average price per share[2]	$ 69.17	$ 79.97	$ 100.87

(1) Share repurchases were made in compliance with all applicable rules and regulations and in accordance with the share repurchase authorizations.

(2) 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.

On February 24, 2022, the Company’s Board of Directors authorized share repurchases up to $1.00 billion, inclusive of $301.9 million remaining under previous authorizations. The total remaining capacity under outstanding repurchase authorizations as of December 30, 2023 was approximately $649.5 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, market conditions, stock price, other investment priorities, excise taxes, and other factors.

Dividends

On February 26, 2024, the Company’s Board of Directors declared a quarterly cash dividend payment of $0.80 per common share, payable on March 29, 2024 to shareholders of record at the close of business on March 11, 2024.

In each quarter 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 $3.00 for fiscal 2023). In 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 $3.00 for fiscal 2022). In fiscal 2021, the Board of Directors declared and the Company paid, a cash dividend per common share of $0.40 in each of the second and third quarters of fiscal 2021 and $0.60 in the fourth quarter of fiscal 2021 (for an aggregate cash dividend per common share of $1.40 for fiscal 2021). As a result of actions taken in connection with the COVID-19 pandemic, the Board of Directors did not declare and the Company did not pay cash dividends for the first quarter of 2021.

Our Board of Directors will evaluate future dividend declarations based on a number of factors, including restrictions under the Company’s 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 10*, Long-Term Debt,* to the consolidated financial statements.

NOTE 12 – STOCK-BASED COMPENSATION

Under the Company’s Amended and Restated Equity Incentive Plan (the “Plan”), the Compensation Committee of the Board of Directors may award incentive stock options, stock appreciation rights, restricted stock, unrestricted stock, stock deliverable on a deferred basis (including restricted stock units), and performance-based stock awards.

As of December 30, 2023, the maximum number of shares of stock available under the Plan was 18,778,392, and there were 2,221,612 remaining shares available for grant under the Plan. The Plan makes a provision for the treatment of awards upon termination of service or in the case of a merger or similar corporate transaction. Participation in the Plan is limited to members of the Company’s Board of Directors, executive officers and other key employees.

The limit on shares available under the Plan, the individual limits, and other award terms are subject to adjustment to reflect stock splits or stock dividends, combinations, and certain other events. All stock options issued under the Plan expire no later than ten years from the date of grant. The Company believes that the current level of authorized shares is sufficient to satisfy future grants for the foreseeable future.

The Company recorded stock-based compensation cost as follows:

	For the fiscal years ended		
(dollars in thousands)	December 30, 2023	December 31, 2022	January 1, 2022
Stock options	$ —	$ 189	$ 1,347
Restricted stock:			
Time-based awards	17,243	17,893	14,756
Performance-based awards(*)	670	2,091	3,608
Stock awards	1,550	1,706	1,318
Total	$ 19,463	$ 21,879	$ 21,029

(*) Decrease in fiscal 2023 relates to the downward revision of estimates for the achievement of performance targets related to certain performance-based grants.

As of December 30, 2023, and December 31, 2022, there was no unrecognized compensation costs remaining related to stock options.

Stock Options

Stock options vest in equal annual installments over a four-year period. The Company issues new shares to satisfy stock option exercises. There were no stock options granted in fiscal 2023, 2022, and 2021.

Changes in the Company's stock options for the fiscal year ended December 30, 2023 were as follows:

	Number of shares	Weighted- average exercise price	Weighted-average remaining contractual terms (years)	Aggregate intrinsic value (in thousands)
Outstanding, December 31, 2022	563,048	$ 92.99		
Granted(*)	—	$ —		
Exercised	(64,700)	$ 68.29		
Forfeited	—	$ —		
Expired	(51,517)	$ 96.18		
Outstanding, December 30, 2023	446,831	$ 96.20	2.95	$ —
Vested and expected to vest, December 30, 2023	446,831	$ 96.20	2.95	$ —
Exercisable, December 30, 2023	446,831	$ 96.20	2.95	$ —

(*) The Company did not grant any stock options in fiscal 2023.

The intrinsic value of stock options exercised during the fiscal years ended December 30, 2023, December 31, 2022, and January 1, 2022 was approximately $0.3 million, $1.4 million, and $7.8 million, respectively.

Restricted Stock Awards

Restricted stock awards issued under the Plan vest based upon: 1) continued service (time-based) or 2) a combination of continued service and performance targets (performance-based).

The following table summarizes activity related to all restricted stock awards during the fiscal year ended December 30, 2023:

	Restricted stock awards	Weighted-average grant-date fair value
Outstanding, December 31, 2022	629,686	$ 94.71
Granted	408,643	$ 73.33
Vested	(184,803)	$ 91.84
Forfeited	(98,237)	$ 88.70
Outstanding, December 30, 2023	755,289	$ 84.63

During fiscal 2022, a total of 205,120 shares of restricted stock vested with a weighted-average fair value of $95.54 per share. During fiscal 2021, a total of 116,238 shares of restricted stock vested with a weighted-average fair value of $99.32 per share.

At December 30, 2023, there was approximately $31.1 million of unrecognized compensation cost (net of estimated forfeitures) related to all restricted stock awards which is expected to be recognized over a weighted-average period of approximately 2.3 years.

Time-based Restricted Stock Awards

Time-based restricted stock awards vest in equal annual installments or cliff vest after a three-year or four-year period. During fiscal years 2023, 2022, and 2021, a total of 184,803 shares, 162,508 shares, and 116,238 shares, respectively, of time-based restricted stock vested with a weighted-average fair value of $91.84 per share, $97.29 per share, and $99.32 per share, respectively. At December 30, 2023, there was approximately $26.7 million of unrecognized compensation cost (net of estimated forfeitures) related to time-based restricted stock which is expected to be recognized over a weighted-average period of approximately 2.4 years.

Performance-based Restricted Stock Awards

Fiscal year	Number of shares granted	Weighted-average fair value per share
2021(*)	—	$ —
2022	89,760	$ 91.12
2023	112,284	$ 74.06

(*) The Company did not grant any performance-based restricted stock awards in fiscal 2021.

Performance-based restricted stock awards cliff vest after a three-year period, subject to the achievement of the performance target. During the fiscal year ended December 30, 2023, no performance shares vested. As of December 30, 2023, a total of 184,008 performance shares were unvested with a weighted-average fair value of $81.21 per share. Vesting of these 184,008 performance shares is based on the performance targets for the shares granted in fiscal 2023 and 2022. As of December 30, 2023, there was $4.4 million unrecognized compensation cost (net of estimated forfeitures) related to the unvested performance-based restricted stock awards based which is expected to be recognized over a weighted-average period of approximately 2.0 years. 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.

Stock Awards

Included in restricted stock awards are grants to non-management members of the Company's Board of Directors. At issuance, these awards were fully vested and issued as shares of the Company's common stock. The Company records the stock-based compensation expense immediately as there are no vesting terms. During fiscal years 2023, 2022, and 2021, such awards were as follows:

Fiscal year	Number of shares issued	Fair value per share	Aggregate value (in thousands)
2021	13,037	$ 101.09	$ 1,318
2022	21,725	$ 78.51	$ 1,706
2023	23,850	$ 65.01	$ 1,550

The Company received no proceeds from the issuance of these shares.

NOTE 13 – ACCUMULATED OTHER COMPREHENSIVE (LOSS) INCOME

The components of Accumulated other comprehensive (loss) income consisted of the following:

(dollars in thousands)	Pension liability adjustments	Post-retirement liability adjustments	Cumulative translation adjustments	Accumulated other comprehensive (loss) income
Balance at January 2, 2021	$ (12,893)	$ 1,440	$ (21,307)	$ (32,760)
Fiscal year 2021 change	3,973	(115)	5	3,863
Balance at January 1, 2022	(8,920)	1,325	(21,302)	(28,897)
Fiscal year 2022 change	1,739	344	(7,524)	(5,441)
Balance at December 31, 2022	(7,181)	1,669	(28,826)	(34,338)
Fiscal year 2023 change	160	(330)	10,593	10,423
Balance at December 30, 2023	$ (7,021)	$ 1,339	$ (18,233)	$ (23,915)

As of December 30, 2023 and December 31, 2022, the cumulative tax effect on the pension liability adjustments were each $2.2 million. As of December 30, 2023 and December 31, 2022, the cumulative tax effect on the post-retirement liability adjustments were approximately $0.4 million and $0.5 million, respectively.

For the fiscal years ended December 30, 2023 and December 31, 2022, amounts reclassified from Accumulated other comprehensive loss to the consolidated statements of operations consisted of amortization of actuarial gains and losses related to the Company's defined benefit pension plan and defined benefit post-retirement plans. Such amortization amounts are included in the net periodic cost or benefit recognized for these plans during the respective fiscal year. For additional information, see Note 17*, Employee Benefit Plans*, to the consolidated financial statements.

NOTE 14 – FAIR VALUE MEASUREMENTS

Investments

The Company invests comparable amounts in marketable securities, principally equity-based mutual funds, to approximate the participant's investment return on employee deferrals of compensation. All of the marketable securities are included in Other assets on the accompanying consolidated balance sheets, and their aggregate fair values were approximately $17.3 million and $15.1 million at the end of fiscal 2023 and fiscal 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 $2.2 million for fiscal 2023. Losses on the investments in marketable securities were $2.5 million for fiscal 2022. These amounts are included in Other expense (income), net on the Company's consolidated statement of operations.

The fair value of the Company's pension plan assets at December 30, 2023 and December 31, 2022, by asset category, are disclosed in Note 17, *Employee Benefits Plans*, to the consolidated financial statements.

Borrowings

As of December 30, 2023, the Company had no outstanding borrowings under its secured revolving credit facility.

The fair value of the Company's senior notes at December 30, 2023 was approximately $493.7 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 Other Long-Lived 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 other long-lived 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 fiscal 2022, the Company performed a quantitative impairment test on the goodwill ascribed to each of the Company's reporting units and on the value of its indefinite-lived intangible tradename assets as of December 31, 2022 due to increased discount rates, decreased actual and projected sales and profitability, and the announcement of the substantial doubt of a *Skip Hop* wholesale customer's ability to continue to operate as a going concern.

The goodwill impairment assessment for each reporting unit was performed in accordance with ASC 350 and compares the carrying value of each reporting unit to its fair value. Consistent with prior practice, the Company uses a 50% weighting of the income approach and a 50% weighting of the market approach to determine the fair value of a reporting unit. Based upon this assessment, there were no impairments on the value of goodwill.

The indefinite-lived tradename asset assessments were performed in accordance with ASC 350 and were determined using a discounted cash flow analysis which examined the hypothetical cost savings that accrue as a result of not having to license the tradename from another owner. Based on these assessments, a non-cash pre-tax impairment charge of $9.0 million was recorded during the fourth quarter of fiscal 2022 on our indefinite-lived *Skip Hop* tradename asset to write-down the carrying value to $6.0 million. The charge recorded on our indefinite-lived *Skip Hop* tradename asset included charges of $5.6 million, $3.0 million, and $0.4 million 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.

NOTE 15 – INCOME TAXES

Provision for Income Taxes

The provision for income taxes consisted of the following:

	For the fiscal year ended		
(dollars in thousands)	**December 30, 2023**	**December 31, 2022**	**January 1, 2022**
Current tax provision:			
Federal	$ 47,643	$ 43,569	$ 75,408
State	8,943	8,307	16,905
Foreign	13,756	15,562	19,761
Total current provision	$ 70,342	$ 67,438	$ 112,074
Deferred tax (benefit) provision:			
Federal	$ (148)	$ (1,484)	$ (10,541)
State	(512)	425	(2,428)
Foreign	60	319	(563)
Total deferred (benefit) provision	(600)	(740)	(13,532)
Total provision	$ 69,742	$ 66,698	$ 98,542

The foreign portion of the tax position substantially relates to the Company's international operations in Canada, Hong Kong and Mexico, in addition to foreign tax withholdings related to the Company's foreign royalty income.

The Company plans to repatriate undistributed earnings from Hong Kong and has provided for deferred income taxes related to these earnings. Since the current U.S. tax regime taxes foreign earnings in the year earned, taxes associated with repatriation are not material. Deferred income taxes have not been provided for undistributed foreign earnings from Canada or Mexico, or any additional outside basis difference inherent in all foreign entities, as these amounts continue to be indefinitely reinvested in foreign operations. Total undistributed earnings from the Company's subsidiaries in Canada and Mexico amounted to approximately $106.9 million. Unrecognized deferred tax liability related to undistributed earnings from the Company's subsidiaries in Canada and Mexico is estimated to be approximately $4.9 million, based on applicable withholding taxes, levels of foreign income previously taxed in the U.S. and applicable foreign tax credit limitations. The company accounts for the additional U.S. income tax on its foreign earnings under Global Intangible Low-Taxed Income ("GILTI") as a period expense in the period in which additional tax is due.

The components of income before income taxes were as follows:

	For the fiscal year ended		
(dollars in thousands)	December 30, 2023	December 31, 2022	January 1, 2022
Domestic	$ 240,627	$ 227,929	$ 333,900
Foreign	61,615	88,807	104,390
Total	$ 302,242	$ 316,736	$ 438,290

Effective Rate Reconciliation

The difference between the Company's effective income tax rate and the federal statutory tax rate is reconciled below:

	For the fiscal year ended		
	December 30, 2023	December 31, 2022	January 1, 2022
Statutory federal income tax rate	21.0 %	21.0 %	21.0 %
State income taxes, net of federal income tax benefit	3.0 %	2.8 %	3.0 %
Impact of foreign operations	(0.8)%	(2.0)%	(1.8)%
Settlement of uncertain tax positions	(0.6)%	(0.7)%	(0.3)%
Benefit from stock-based compensation	— %	(0.1)%	(0.3)%
Goodwill impairments and other	0.5 %	0.1 %	0.9 %
Total	23.1 %	21.1 %	22.5 %

The Company and its subsidiaries file a consolidated United States federal income tax return, as well as separate and combined income tax returns in numerous state and foreign jurisdictions. In most cases, the Company is no longer subject to U.S. tax authority examinations for years prior to fiscal 2020.

Deferred Taxes

The following table reflects the Company's calculation of the components of deferred tax assets and liabilities as of December 30, 2023 and December 31, 2022.

(dollars in thousands)	December 30, 2023	December 31, 2022
Deferred tax assets:	Assets (Liabilities)	
Accounts receivable allowance	$ 5,263	$ 6,715
Inventory	14,271	16,902
Accrued liabilities	11,208	8,230
Equity-based compensation	3,511	4,397
Deferred employee benefits	3,397	3,247
Leasing liabilities	105,756	83,886
Other	4,771	3,724
Total deferred tax assets	148,177	127,101
Deferred tax liabilities:		
Depreciation	(19,654)	(18,560)
Leasing assets	(93,943)	(72,162)
Tradename and licensing agreements	(71,361)	(73,534)
Other	(2,516)	(1,614)
Total deferred tax liabilities	(187,474)	(165,870)
Net deferred tax liability	$ (39,297)	$ (38,769)

Amounts recognized in the consolidated balance sheets:

(dollars in thousands)	December 30, 2023	December 31, 2022
	Assets (Liabilities)	
Deferred tax assets	$ 2,173	$ 2,466
Deferred tax liabilities	(41,470)	(41,235)
Net deferred tax liability	$ (39,297)	$ (38,769)

Uncertain Tax Positions

The following is a reconciliation of the beginning and ending amount of unrecognized tax benefits:

(dollars in thousands)	
Balance at January 2, 2021	$ 12,523
Additions based on tax positions related to fiscal 2021	810
Reductions for prior year tax positions	(2,207)
Reductions for lapse of statute of limitations	(2,270)
Balance at January 1, 2022	$ 8,856
Additions based on tax positions related to fiscal 2022	1,040
Reductions for prior year tax positions	—
Reductions for lapse of statute of limitations	(2,803)
Balance at December 31, 2022	$ 7,093
Additions based on tax positions related to fiscal 2023	1,545
Reductions for prior year tax positions	—
Reductions for lapse of statute of limitations	(2,373)
Balance at December 30, 2023	$ 6,265

As of December 30, 2023, the Company had gross unrecognized tax benefits of approximately $6.3 million, of which $5.6 million, if ultimately recognized, will affect the Company's effective tax rate in the period 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. Because of deferred tax accounting, changes in the timing of these deductions would not affect the annual effective tax rate but would accelerate the payment of cash to the taxing authorities.

Included in the reserves for unrecognized tax benefits are approximately $1.7 million of reserves for which the statute of limitations is expected to expire within the next fiscal year. If these tax benefits are ultimately recognized, such recognition, net of federal income taxes, may affect the annual effective tax rate for fiscal 2024 and the effective 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 penalties related to unrecognized tax benefits as a component of income tax expense. During fiscal 2023, expense recorded on uncertain tax positions was not material. Expense recorded on uncertain tax positions was approximately $0.4 million for each of the fiscal years 2022 and 2021. The Company had accrued interest on uncertain tax positions of approximately $1.5 million and $1.5 million as of December 30, 2023 and December 31, 2022, respectively.

NOTE 16 – EARNINGS PER SHARE

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

	For the fiscal year ended		
	December 30, 2023	**December 31, 2022**	**January 1, 2022**
Weighted-average number of common and common equivalent shares outstanding:			
Basic number of common shares outstanding	36,589,922	38,822,737	42,853,009
Dilutive effect of equity awards	3,344	27,908	149,619
Diluted number of common and common equivalent shares outstanding	36,593,266	38,850,645	43,002,628
Earnings per share:			
(dollars in thousands, except per share data)			
Basic net income per common share:			
Net income	$ 232,500	$ 250,038	$ 339,748
Income allocated to participating securities	(4,285)	(3,714)	(4,113)
Net income available to common shareholders	$ 228,215	$ 246,324	$ 335,635
Basic net income per common share	$ 6.24	$ 6.34	$ 7.83
Diluted net income per common share:			
Net income	$ 232,500	$ 250,038	$ 339,748
Income allocated to participating securities	(4,285)	(3,712)	(4,102)
Net income available to common shareholders	$ 228,215	$ 246,326	$ 335,646
Diluted net income per common share	$ 6.24	$ 6.34	$ 7.81
Anti-dilutive shares excluded from dilutive earnings per share calculations (*)	477,373	526,618	176,475

(*) The volume of antidilutive shares is, in part, due to the related unamortized compensation costs.

The Company grants shares of its common stock in the form of restricted stock awards to certain key employees under the Company's Amended and Restated Equity Incentive Plan (see Note 12, *Stock-based Compensation*, to the consolidated financial statements). Prior to vesting of the restricted stock awards, the grant recipients are entitled to receive non-forfeitable cash dividends if the Company declares and pays dividends on the Company's common stock. Accordingly, unvested shares of the Company's restricted stock awards are deemed to be participating securities for purposes of computing diluted earnings per share (EPS), and therefore the Company's diluted EPS represents the lower of the amounts calculated under the treasury stock method or the two-class method of calculating diluted EPS.

NOTE 17 – EMPLOYEE BENEFIT PLANS

The Company maintains defined contribution plans, a deferred compensation plan, and two defined benefit plans. The two defined benefit plans include the OshKosh B'Gosh pension plan and a post-retirement life and medical plan.

OshKosh B'Gosh Pension Plan

Funded Status

The retirement benefits under the OshKosh B'Gosh pension plan were frozen as of December 31, 2005. A reconciliation of changes in the projected pension benefit obligation and plan assets is as follows:

(dollars in thousands)	For the fiscal year ended December 30, 2023	For the fiscal year ended December 31, 2022
Change in projected benefit obligation:		
Projected benefit obligation at beginning of year	$ 53,847	$ 70,875
Interest cost	2,617	1,909
Actuarial loss (gain)	1,376	(16,021)
Benefits paid	(3,055)	(2,916)
Projected benefit obligation at end of year	$ 54,785	$ 53,847
Change in plan assets:		
Fair value of plan assets at beginning of year	$ 55,245	$ 68,689
Actual return on plan assets	3,769	(10,528)
Benefits paid	(3,055)	(2,916)
Fair value of plan assets at end of year	$ 55,959	$ 55,245
Funded status	$ 1,174	$ 1,398

The accumulated benefit obligation is equal to the projected benefit obligation as of December 30, 2023 and December 31, 2022 because the plan is frozen. The Company does not expect to make any contributions to the OshKosh B'Gosh pension plan during fiscal 2024 as the plan's funding exceeds the minimum funding requirements.

The actuarial loss in fiscal 2023 was primarily attributable to decreased discount rates, and the actuarial gain in fiscal 2022 was primarily attributable to increased discount rates. The plan became fully funded in fiscal 2022. The funded status asset is included in Other assets in the Company's consolidated balance sheet.

Net Periodic Pension Cost and Changes Recognized in Other Comprehensive Income

The components of net periodic pension cost recognized in the statement of operations and changes recognized in other comprehensive income were as follows:

	For the fiscal year ended		
(dollars in thousands)	**December 30, 2023**	**December 31, 2022**	**January 1, 2022**
Recognized in the statement of operations:			
Interest cost	$ 2,617	$ 1,909	$ 1,818
Expected return on plan assets	(2,372)	(3,432)	(3,577)
Amortization of net loss(*)	189	217	428
Net periodic pension cost (benefit)	$ 434	$ (1,306)	$ (1,331)
Changes recognized in other comprehensive income:			
Net gain arising during the fiscal year	$ (21)	$ (2,062)	$ (4,765)
Amortization of net loss(*)	(189)	(217)	(428)
Total changes recognized in other comprehensive income	$ (210)	$ (2,279)	$ (5,193)
Total net periodic pension cost (benefit) and changes recognized in other comprehensive income	$ 224	$ (3,585)	$ (6,524)

(*) Represents pre-tax amounts reclassified from accumulated other comprehensive loss. For fiscal 2024, approximately $0.2 million is expected to be reclassified from accumulated other comprehensive loss to a component of net periodic pension cost.

Assumptions

The actuarial assumptions used in determining the benefit obligation and net periodic pension cost for our pension plan is presented in the following table:

Benefit obligation	**2023**	**2022**
Discount rate	4.75%	5.00%

Net periodic pension cost	**2023**	**2022**	**2021**
Discount rate	5.00%	2.75%	2.50%
Expected long-term rate of return on plan assets	5.00%	5.50%	6.00%

The discount rates used at December 30, 2023, December 31, 2022, and January 1, 2022 were determined with consideration given to the FTSE Pension Liability Index and the Bloomberg US Aggregate AA Bond Index, adjusted for the timing of expected plan distributions. The Company believes these indexes reflect a risk-free rate consistent with a portfolio of high quality debt instruments with maturities that are comparable to the timing of the expected payments under the plan. The expected long-term rate of return assumption is equal to the assumed discount rate. Refer to "Plan Assets" below in Note 17, *Employee Benefit Plans* for further discussion.

The decreased discount rate assumption at December 30, 2023 resulted in an increase in the amount of the pension plan's projected benefit obligation of approximately $1.4 million. A 0.25% change in the assumed discount rate as of December 30, 2023 would result in an increase or decrease in the amount of the pension plan's projected benefit obligation of approximately $1.5 million.

The Company currently expects benefit payments for its defined benefit pension plan as follows for the next ten fiscal years:

(dollars in thousands)	
2024	$ 3,210
2025	$ 3,220
2026	$ 3,340
2027	$ 3,610
2028	$ 3,710
2029-2033	$ 20,030

Plan Assets

The Company conducts periodic asset-liability studies for our defined benefit pension plan to develop a policy glide path which adjusts the asset allocation with funded status. During fiscal 2022, the plan became fully funded, and the Company allocated its investments to fixed income securities as a result. These fixed income securities include funds holding corporate bonds of companies from diverse industries and U.S. Treasuries. The expected long-term rate of return on plan assets is 4.75%.

The fair value of the Company's pension plan assets at December 30, 2023 and December 31, 2022, by asset category, were as follows:

(dollars in thousands)	December 30, 2023			December 31, 2022		
Asset category	Total	Level 1	Level 2	Total	Level 1	Level 2
Cash and cash equivalents	$ —	$ —	$ —	$ 2,204	$ 2,204	$ —
Fixed income securities:						
Corporate bonds(*)	55,959	55,959	—	53,041	52,805	236
	$ 55,959	$ 55,959	$ —	$ 55,245	$ 55,009	$ 236

(*) This category invests in both U.S. Treasuries and corporate debt from U.S. issuers from diverse industries.

Post-retirement Life and Medical Plan

Under a defined benefit plan frozen in 1991, the Company offers a comprehensive post-retirement medical plan to current and certain future retirees and their spouses. The Company also offers life insurance to current and certain future retirees. Employee contributions are required as a condition of participation for both medical benefits and life insurance and the Company's liabilities are net of these expected employee contributions.

Accumulated Post-Retirement Benefit Obligation

The following is a reconciliation of the accumulated post-retirement benefit obligation ("APBO") under this plan:

	For the fiscal years ended	
(dollars in thousands)	December 30, 2023	December 31, 2022
APBO at beginning of fiscal year	$ 1,745	$ 2,662
Service cost	6	14
Interest cost	78	63
Actuarial loss (gain)	3	(763)
Plan participants' contribution	—	15
Benefits paid	(195)	(246)
APBO at end of fiscal year	$ 1,637	$ 1,745

Approximately $1.4 million and $1.5 million of the APBO at the end of fiscal 2023 and 2022, respectively, were classified as Other long term liabilities in the Company's consolidated balance sheets.

Net Periodic Post-Retirement Benefit Cost and Changes Recognized in Other Comprehensive Income

The components of net periodic post-retirement benefit cost recognized in the statement of operations and changes recognized in other comprehensive income were as follows:

	For the fiscal year ended		
(dollars in thousands)	**December 30, 2023**	**December 31, 2022**	**January 1, 2022**
Recognized in the statement of operations:			
Service cost	$ 6	$ 14	$ 15
Interest cost	78	63	57
Amortization of net gain(*)	(428)	(320)	(295)
Net periodic post-retirement benefit (income) cost	$ (344)	$ (243)	$ (223)
Changes recognized in other comprehensive income:			
Net loss (gain) arising during the fiscal year	$ 3	$ (763)	$ (140)
Amortization of net gain(*)	428	320	295
Total changes recognized in other comprehensive income	$ 431	$ (443)	$ 155
Total net periodic post-retirement benefit (income) cost and changes recognized in other comprehensive income	$ 87	$ (686)	$ (68)

(*) Represents pre-tax amounts reclassified from accumulated other comprehensive loss. For fiscal 2024, approximately $0.4 million is expected to be reclassified from accumulated other comprehensive loss to a component of net periodic post-retirement benefit (income) cost.

Assumptions

The actuarial computations utilized the following assumptions, using year-end measurement dates:

Post-retirement benefit obligation	2023	2022	
Discount rate	4.75%	4.75%	
Net periodic post-retirement benefit cost	**2023**	**2022**	**2021**
Discount rate	4.75%	2.50%	2.00%

The discount rates used at December 30, 2023, December 31, 2022, and January 1, 2022, were determined with primary consideration given to the FTSE Pension Discount Curve and Liability Index adjusted for the timing of expected plan distributions. The Company believes this index reflects a risk-free rate with maturities that are comparable to the timing of the expected payments under the plan.

The effects on the Company’s plan of all future increases in health care costs are borne primarily by employees; accordingly, increasing medical costs are not expected to have any material effect on the Company’s future financial results.

The Company’s contribution for these post-retirement benefit obligations was approximately $0.2 million for fiscal years 2023 and 2022 and approximately $0.3 million for fiscal year 2021. The Company expects that its contribution and benefit payments for post-retirement benefit obligations will be approximately $0.2 million for fiscal years 2024, 2025, 2026, 2027, and 2028. For the five years subsequent to fiscal 2028, the aggregate contributions and benefit payments for post-retirement benefit obligations is expected to be approximately $0.6 million. The Company does not pre-fund this plan and as a result there are no plan assets.

Deferred Compensation Plan

The Company maintains a deferred compensation plan allowing voluntary salary and incentive compensation deferrals for qualifying employees as permitted by the Internal Revenue Code. Participant deferrals earn investment returns based on a select number of investment options, including equity, debt, and real estate mutual funds. Deferred compensation plan liabilities are recognized in Other long term liabilities on the Company’s consolidated balance sheets. Changes in the balance, excluding those related to contributions or payments, are included in Other expense (income), net on the Company’s consolidated statement of operations. The Company invests comparable amounts in marketable securities to approximate the participant’s return on selected investment options.

Defined Contribution Plan

The Company also sponsors defined contribution savings plans in the United States and Canada. The U.S. plan covers employees who are at least 21 years of age and have completed one calendar month of service and, if part-time, work a minimum of one thousand hours of service within the one-year period following the commencement of employment or during any subsequent calendar year. The plan provides for a discretionary employer match of employee contributions. The Company's expense for the U.S. defined contribution savings plan totaled approximately $8.1 million, $8.2 million, and $16.1 million for the fiscal years ended December 30, 2023, December 31, 2022, and January 1, 2022, respectively.

NOTE 18 – SEGMENT INFORMATION

The Company reports segment information based upon a "management approach." The management approach refers to the internal reporting that is used by management for making operating decisions and assessing the performance of the Company's reportable segments. The Company reports its corporate expenses separately as they are not included in the internal measures of segment operating performance used by the Company to measure the underlying performance of its reportable segments.

Segment results include the direct costs of each segment and all other costs are allocated based upon detailed estimates and analysis of actual time and expenses incurred to support the operations of each segment or units produced or sourced to support each segment's revenue. Certain costs, including incentive compensation for certain employees, and various other general corporate costs that are not specifically allocable to segments, are included in corporate expenses below. Intersegment sales and transfers are recorded at cost and are treated as a transfer of inventory. The Company does not evaluate performance or allocate resources based on segment asset data, and therefore total segment assets are not presented. The accounting policies of the segments are the same as those described in Note 2, *Summary of Significant Accounting Policies*, to the consolidated financial statements.

The table below presents certain segment information for our reportable segments and unallocated corporate expenses for the periods indicated:

	For the fiscal year ended					
(dollars in thousands)	**December 30, 2023**	**% of consolidated net sales**	**December 31, 2022**	**% of consolidated net sales**	**January 1, 2022**	**% of consolidated net sales**
Net sales:						
U.S. Retail	$ 1,501,780	51.0 %	$ 1,680,159	52.3 %	$ 1,899,262	54.5 %
U.S. Wholesale	1,014,584	34.4 %	1,080,471	33.6 %	1,126,415	32.3 %
International	429,230	14.6 %	452,103	14.1 %	460,763	13.2 %
Consolidated net sales	$ 2,945,594	100.0 %	$ 3,212,733	100.0 %	$ 3,486,440	100.0 %
Operating income:		**% of segment net sales**		**% of segment net sales**		**% of segment net sales**
U.S. Retail	$ 190,620	12.7 %	$ 252,497	15.0 %	$ 368,221	19.4 %
U.S. Wholesale	198,849	19.6 %	161,659	15.0 %	195,369	17.3 %
International	44,940	10.5 %	56,617	12.5 %	63,806	13.8 %
Unallocated corporate expenses(*)	(111,004)	n/a	(91,602)	n/a	(130,317)	n/a
Consolidated operating income	$ 323,405	11.0 %	$ 379,171	11.8 %	$ 497,079	14.3 %

(*) 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.

The tables below present additional segment information for our reportable segments for the periods presented:

(dollars in millions)	December 30, 2023		
Charges:	**U.S. Retail**	**U.S. Wholesale**	**International**
Organizational restructuring[*]	$ —	$ 0.1	$ 0.2

(*) The fiscal year ended December 30, 2023 includes a corporate charge of $4.1 million, related to organizational restructuring and related corporate office lease amendment actions.

(dollars in millions)	December 31, 2022			January 1, 2022		
Charges:	**U.S. Retail**	**U.S. Wholesale**	**International**	**U.S. Retail**	**U.S. Wholesale**	**International**
Organizational restructuring[(1)]	$ —	$ —	$ —	$ (0.6)	$ 0.1	$ 2.3
Skip Hop tradename impairment charge	0.4	5.6	3.0	—	—	—
Incremental costs associated with COVID-19 pandemic	—	—	—	2.0	1.7	0.2
Retail store operating leases and other long-lived asset impairments, net of gain[(2)]	—	—	—	(2.6)	—	—
Total charges	$ 0.4	$ 5.6	$ 3.0	$ (1.2)	$ 1.8	$ 2.5

(1) The fiscal year ended January 1, 2022 also includes corporate charges related to organizational restructuring of $0.7 million,

(2) Related to gains on the modification of previously impaired retail store leases.

Additional Data by Segment

Significant expenses

The table below represents cost of goods sold by segment:

	For the fiscal year ended					
(dollars in thousands)	**December 30, 2023**	**% of consolidated net sales**	**December 31, 2022**	**% of consolidated net sales**	**January 1, 2022**	**% of consolidated net sales**
Cost of goods sold:						
U.S. Retail	$ 602,152	20.4 %	$ 689,543	21.5 %	$ 760,100	21.8 %
U.S. Wholesale	717,936	24.4 %	800,974	24.9 %	819,028	23.5 %
International	229,571	7.8 %	249,858	7.8 %	245,038	7.0 %
Total cost of goods sold[(*)]	$ 1,549,659	52.6 %	$ 1,740,375	54.2 %	$ 1,824,166	52.3 %

(*) Amounts for the fiscal year ended December 31, 2022 and January 1, 2022 have been recast to conform to our current presentation of combining Adverse purchase commitments within Cost of goods sold.

Note: Percentages may not be additive due to rounding.

The table below represents SG&A expenses by segment:

	For the fiscal year ended					
(dollars in thousands)	**December 30, 2023**	**% of consolidated net sales**	**December 31, 2022**	**% of consolidated net sales**	**January 1, 2022**	**% of consolidated net sales**
SG&A expenses:						
U.S. Retail	$ 715,558	24.3 %	$ 746,575	23.2 %	$ 779,482	22.4 %
U.S. Wholesale	109,459	3.7 %	125,173	3.9 %	127,826	3.7 %
International	157,919	5.4 %	146,657	4.6 %	156,251	4.5 %
Corporate expenses	111,004	n/a	91,602	n/a	130,317	n/a
Total SG&A expenses	$ 1,093,940	37.1 %	$ 1,110,007	34.6 %	$ 1,193,876	34.2 %

Inventory

The table below represents inventory by segment:

	For the fiscal year ended	
(dollars in thousands)	**December 30, 2023**	**December 31, 2022**
U.S. Wholesale(*)	$ 381,146	$ 580,918
U.S. Retail	73,366	57,518
International	82,613	106,137
Total	$ 537,125	$ 744,573

(*) U.S. Wholesale inventories also include inventory produced and warehoused for the U.S. Retail segment.

The table below represents consolidated net sales by product:

	For the fiscal year ended		
(dollars in thousands)	**December 30, 2023**	**December 31, 2022**	**January 1, 2022**
Baby	$ 1,098,304	$ 1,103,023	$ 1,124,961
Playclothes	992,726	1,125,352	1,261,622
Sleepwear	411,678	492,152	500,596
Other(*)	442,886	492,206	599,261
Total net sales	$ 2,945,594	$ 3,212,733	$ 3,486,440

(*) Other product offerings include bedding, outerwear, swimwear, shoes, socks, diaper bags, gift sets, toys, and hair accessories.

Geographical Data

Revenue

The Company's international sales principally represent sales to customers in Canada. Such sales were 61.5%, 64.0%, and 65.0% of total international net sales in fiscal 2023, 2022, and 2021, respectively.

Long-Lived Assets

The following represents Property, plant, and equipment, net, and Operating lease assets by geographic area:

	For the fiscal year ended	
(dollars in thousands)	**December 30, 2023**	**December 31, 2022**
United States	$ 582,049	$ 580,171
International	129,469	101,986
Total	$ 711,518	$ 682,157

Long-lived assets in the international segment primarily relate to Canada. Long-lived assets in Canada were 51.0% and 63.3% of total international long-lived assets at the end of fiscal 2023 and 2022, respectively.

Major Customer

Sales to our largest customer, all through the U.S. Wholesale segment, represented 10.4% of consolidated net sales in fiscal 2023. Sales to this customer did not exceed 10% in fiscal 2022 or in fiscal 2021.

NOTE 19 – 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 effect 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.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not applicable.

ITEM 9A. 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 (the "Exchange Act") as of the end of the period covered by this report. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures are effective as of December 30, 2023.

Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f). Our internal control over financial reporting is a process designed by, or under the supervision of, our Chief Executive Officer and Chief Financial Officer, 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. Internal control over financial reporting includes those policies and procedures that:

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management, including our Chief Executive Officer and Chief Financial Officer, assessed the effectiveness of the Company's internal control over financial reporting as of December 30, 2023. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in the 2013 *Internal Control-Integrated Framework*. Based on this assessment, management has concluded that the Company's internal control over financial reporting was effective as of December 30, 2023.

The effectiveness of Carter's, Inc. and its subsidiaries' internal control over financial reporting as of December 30, 2023 has been audited by PricewaterhouseCoopers LLP, the independent registered public accounting firm that audited the financial statements included in this Annual Report on Form 10-K. PricewaterhouseCoopers LLP has issued an attestation report on Carter's, Inc.'s internal control over financial reporting containing the required disclosures, which appears herein.

Changes in Internal Control over Financial Reporting

There were no changes in the Company's internal control over financial reporting during the fourth quarter of fiscal 2023 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

Securities Trading Plans of Directors and Executive Officers

During the fiscal quarter ended December 30, 2023, none of the Company's directors or officers, as defined in Section 16 of the Exchange Act, adopted, modified, or terminated any contract, instruction or written plan for the purchase or sale of Company

securities that was intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) or any “non-Rule 10b5-1 trading arrangement” as defined under Item 408(a) of Regulation S-K.

Consulting Agreement with Former Executive Officer

In its Current Report on Form 8-K filed with the SEC on January 12, 2024, the Company announced that Brian Lynch, President and Chief Operating Officer, will retire on March 1, 2024 (the “Retirement Date”). In connection with Mr. Lynch’s retirement, the Company and Mr. Lynch have entered into a Consulting Services Agreement dated February 21, 2024 (the “Consulting Agreement”), pursuant to which Mr. Lynch will serve as a consultant to the Company following the Retirement Date to support the planned transition in leadership. The Consulting Agreement provides for, among other things: (i) a term of twelve months beginning on March 1, 2024 and concluding on February 28, 2025 (the “Consulting Period”); and (ii) a consulting fee of $125,000 per month payable by the Company to Mr. Lynch for the consulting services provided to the Company during the Consulting Period, which consulting services are to include advisory services and consultations with executive officers and other management personnel of the Company. The foregoing description of the Consulting Agreement is not complete and is subject to and qualified in its entirety by the complete text of the Consulting Agreement, which is filed herewith as Exhibit 10.10 and incorporated herein by reference.

ITEM 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS

Not applicable.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information called for by Item 10 is incorporated herein by reference to the definitive proxy statement relating to the Annual Meeting of Shareholders of Carter's, Inc. scheduled to be held on May 16, 2024. We intend to file such definitive proxy statement with the SEC pursuant to Regulation 14A within 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K.

ITEM 11. EXECUTIVE COMPENSATION

The information called for by Item 11 is incorporated herein by reference to the definitive proxy statement referenced above in Item 10.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Equity Compensation Plan Information

The following table provides information about our equity compensation plan as of our most recent fiscal year end:

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants, and rights	Weighted-average exercise price of outstanding options, warrants, and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in first column)
Equity compensation plans approved by security holders(*)	446,831	$ 96.20	2,221,612
Equity compensation plans not approved by security holders	—	—	—
Total	446,831	$ 96.20	2,221,612

(*) Represents stock options that are outstanding or that are available for future issuance pursuant to the Carter's, Inc. Amended and Restated Equity Incentive Plan.

Additional information called for by Item 12 is incorporated herein by reference to the definitive proxy statement referenced above in Item 10.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information called for by Item 13 is incorporated herein by reference to the definitive proxy statement referenced above in Item 10.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information called for by Item 14 is incorporated herein by reference to the definitive proxy statement referenced above in Item 10.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

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2.	Financial Statement Schedules: None	

(B) Exhibits:

Exhibit Number	Exhibit Description	Incorporated by Reference			Filed Herewith
		Form	Exhibit Number	Filing Date	
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	
4.1	Specimen Certificate of Common Stock	S-1/A	4.1	October 10, 2003	
4.2	Indenture, dated March 14, 2019, by and among The William Carter Company, certain guarantors from time to time party thereto and Wells Fargo Bank, National Association, as Trustee	8-K	4.1	March 14, 2019	
4.2.1	Form of 5.625% Senior Notes due 2027 (included in Exhibit 4.2).	8-K	4.1	March 14, 2019	
4.3	Description of Securities	10-K	4.3	February 24, 2020	

Exhibit Number	Exhibit Description	Incorporated by Reference			Filed Herewith
		Form	Exhibit Number	Filing Date	
10.1	Fourth Amended and Restated Credit Agreement, dated as of August 25, 2017, by and among The William Carter Company, as U.S. Borrower, The Genuine Canadian Corp., as Canadian Borrower, Carter's Holdings B.V., as Dutch Borrower, JPMorgan Chase Bank, N.A., as Administrative Agent, U.S. Dollar Facility Swing Line Lender, U.S. Dollar Facility L/C Issuer and Collateral Agent, JPMorgan Chase Bank, N.A., Toronto Branch, as Canadian Agent, a Multicurrency Facility Swing Line Lender and a Multicurrency Facility L/C Issuer, J.P. Morgan Europe Limited, as European Agent, JPMorgan Chase Bank, N.A., London Branch, as a Multicurrency Facility Swing Line Lender and a Multicurrency Facility L/C Issuer, Bank of America, N.A. and Bank of Montreal, as Co-Syndication Agents, JPMorgan Chase Bank, N.A., Merrill Lynch, Pierce, Fenner & Smith Incorporated and BMO Capital Markets Corp., as Joint Lead Arrangers and Bookrunners, Branch Banking & Trust Company, HSBC Securities (USA) Inc., Royal Bank of Canada, SunTrust Bank, U.S. Bank National Association and Wells Fargo Bank, National Association, as Co-Documentation Agents and certain other lenders party thereto	8-K	10.1	August 31, 2017	
10.1.1	Amendment No. 1, dated as of September 21, 2018, to the Fourth Amended and Restated Credit Agreement dated as of August 25, 2017, by and among The William Carter Company, as U.S. Borrower, The Genuine Canadian Corp., as Canadian Borrower, Carter's Holdings B.V., as Dutch Borrower, JPMorgan Chase Bank, N.A., as Administrative Agent, Collateral Agent, U.S. Dollar Facility Swing Line Lender and U.S. Dollar Facility L/C Issuer, JPMorgan Chase Bank, N.A., Toronto Branch, as Canadian Agent, a Multicurrency Facility Swing Line Lender and a Multicurrency Facility L/C Issuer, J.P. Morgan Europe Limited, as European Agent, JPMorgan Chase Bank, N.A., London Branch, as a Multicurrency Facility Swing Line Lender and a Multicurrency Facility L/C Issuer, each lender from time to time party thereto and the other parties party thereto	8-K	10.1	September 26, 2018	
10.1.2	Amendment No. 2, dated as of May 4, 2020, to the Fourth Amended and Restated Credit Agreement dated as of August 25, 2017, by and among The William Carter Company, as U.S. Borrower, The Genuine Canadian Corp., as Canadian Borrower, Carter's Holdings B.V., as Dutch Borrower, JPMorgan Chase Bank, N.A., as Administrative Agent, Collateral Agent, U.S. Dollar Facility Swing Line Lender and U.S. Dollar Facility L/C Issuer, JPMorgan Chase Bank, N.A., Toronto Branch, as Canadian Agent, a Multicurrency Facility Swing Line Lender and a Multicurrency Facility L/C Issuer, J.P. Morgan Europe Limited, as European Agent, JPMorgan Chase Bank, N.A., London Branch, as a Multicurrency Facility Swing Line Lender and a Multicurrency Facility L/C Issuer, each lender from time to time party thereto and the other parties party thereto	10-Q	10.1	July 24, 2020	

Exhibit Number	Exhibit Description	Incorporated by Reference			Filed Herewith
		Form	Exhibit Number	Filing Date	
10.1.3	Amendment No. 3, dated as of April 21, 2021, to the Fourth Amended and Restated Credit Agreement dated as of August 25, 2017, by and among The William Carter Company, as U.S. Borrower, The Genuine Canadian Corp., as Canadian Borrower, Carter's Holdings B.V., as Dutch Borrower, JPMorgan Chase Bank, N.A., as Administrative Agent, Collateral Agent, U.S. Dollar Facility Swing Line Lender and U.S. Dollar Facility L/C Issuer, JPMorgan Chase Bank, N.A., Toronto Branch, as Canadian Agent, a Multicurrency Facility Swing Line Lender and a Multicurrency Facility L/C Issuer, JPMorgan Chase Bank, N.A., as European Agent, JPMorgan Chase Bank, N.A., London Branch, as a Multicurrency Facility Swing Line Lender and a Multicurrency Facility L/C Issuer, each lender from time to time party thereto and the other parties party thereto	8-K	10.1	April 26, 2021	
10.1.4	AMENDMENT NO. 4 TO FOURTH AMENDED AND RESTATED CREDIT AGREEMENT AND SECOND AMENDMENT TO AMENDED AND RESTATED SECURITY AGREEMENT, dated as of April 11, 2022 (this “Amendment No. 4”), relating to (i) the Fourth Amended and Restated Credit Agreement dated as of August 25, 2017, among THE WILLIAM CARTER COMPANY, a Massachusetts corporation (the “U.S. Borrower”), The Genuine Canadian Corp., an Ontario corporation (the “Canadian Borrower”), CARTER’S HOLDINGS B.V., having its official seat (statutaire zetel) in Amsterdam, the Netherlands, registered with the Dutch trade register under number 63530201 (“Dutch Borrower” and, together with the U.S. Borrower and the Canadian Borrower, the “Borrowers”), each lender from time to time party thereto (collectively, the “Lenders” and individually, a “Lender”), JPMORGAN CHASE BANK, N.A., as Administrative Agent (in such capacity, the “Administrative Agent”), Collateral Agent (in such capacity, the “Collateral Agent”), U.S. Dollar Facility Swing Line Lender and U.S. Dollar Facility L/C Issuer, JPMORGAN CHASE BANK, N.A., TORONTO BRANCH, as Canadian Agent, a Multicurrency Facility Swing Line Lender and a Multicurrency Facility L/C Issuer, J.P. MORGAN SE, as European Agent, JPMORGAN CHASE BANK, N.A., LONDON BRANCH, as a Multicurrency Facility Swing Line Lender and a Multicurrency Facility L/C Issuer and the other parties party thereto	8-K	10.1	April 14, 2022	

Exhibit Number	Exhibit Description	Incorporated by Reference			Filed Herewith
		Form	Exhibit Number	Filing Date	
10.2 *	Form of Severance Agreement entered into from time to time between The William Carter Company and executive officers	10-Q	10.2	October 29, 2015	
10.3 *	Amended and Restated Equity Incentive Plan (Effective May 17, 2018)	DEF 14A	Appendix B	April 4, 2018	
10.4 *	Amended and Restated Equity Incentive Plan (Effective February 15, 2024)	8-K	10.1	February 16, 2024	
10.5 *	Amended and Restated Annual Incentive Compensation Plan	DEF 14A	Appendix C	March 31, 2016	
10.6 *	The William Carter Company Severance Plan, amended and restated effective January 1, 2020	10-K	10.5	February 24, 2020	
10.7 *	The William Carter Company Deferred Compensation Plan, dated as of November 10, 2010	10-K	10.20	March 2, 2011	
10.8 *	FORM OF Restricted Stock Award Agreement (Time Vesting) (2023 Awards)	10-Q	10.1	April 28, 2023	
10.9 *	FORM OF Performance-Based Restricted Stock Agreement (2023 Awards)	10-Q	10.2	April 28, 2023	
10.10 *	Consulting Agreement, effective March 1, 2024, between The William Carter Company and Brian J. Lynch				x
10.11	Lease Agreement dated March 29, 2012, between The William Carter Company and Duke Secured Financing 2009-1 ALZ, LLC (Braselton Distribution Center)	10-Q	10.21	April 27, 2012	
10.12	First Amendment to Lease Agreement dated December 4, 2013, between The William Carter Company and Duke Secured Financing 2009-1 ALZ, LLC (Braselton Distribution Center)				x
10.13	Second Amendment to Lease Agreement dated December 17, 2014, between The William Carter Company and Duke Secured Financing 2009-1 ALZ, LLC (Braselton Distribution Center)				x
10.14	Lease Agreement dated December 14, 2012, between The William Carter Company and Phipps Tower Associates, LLC	8-K	10.1	December 14, 2012	

10.15	First Amendment to Lease Agreement dated February 28, 2013, between The William Carter Company and Phipps Tower Associates, LLC				x
10.16	Second Amendment to Lease Agreement dated June 17, 2013, between The William Carter Company and Phipps Tower Associates, LLC	10-Q	10.19	October 24, 2013	
10.17	Third Amendment to Lease Agreement dated August 31, 2016, between The William Carter Company and John Hancock Life Insurance Company (U.S.A.)				x
10.18	Fourth Amendment to Lease Agreement dated December 1, 2021, between The William Carter Company and Hancock S-REIT ATL Phipps LLC				x
10.19	Fifth Amendment to Lease Agreement dated February 9, 2023, between The William Carter Company and Hancock S-REIT ATL Phipps LLC				x
21	Subsidiaries of Carter's, Inc.				x
23	Consent of Independent Registered Public Accounting Firm.				x
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
97.1	Carter's, Inc. Clawback Policy Adopted on August 4, 2023				x

Exhibit Number	Exhibit Description	Incorporated by Reference			Filed Herewith
		Form	Exhibit Number	Filing Date	
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-K formatted as Inline XBRL				x

* Indicates a management contract or compensatory plan.

** Furnished herewith as an Exhibit.

ITEM 16. FORM 10-K SUMMARY

Omitted at registrant's option.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on their behalf by the undersigned, thereunto duly authorized.

CARTER'S, INC.

/s/ MICHAEL D. CASEY
Michael D. Casey
Chief Executive Officer

Date: February 27, 2024

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Name	Title	Date
/s/ MICHAEL D. CASEY Michael D. Casey	Chairman and Chief Executive Officer (Principal Executive Officer)	February 27, 2024
/s/ RICHARD F. WESTENBERGER Richard F. Westenberger	Executive Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)	February 27, 2024
/s/ ROCHESTER (ROCK) ANDERSON, JR. Rochester (Rock) Anderson, Jr.	Director	February 27, 2024
/s/ JEFFREY H. BLACK Jeffrey H. Black	Director	February 27, 2024
/s/ HALI BORENSTEIN Hali Borenstein	Director	February 27, 2024
/s/ LUIS A. BORGEN Luis A. Borgen	Director	February 27, 2024

/s/ JEVIN S. EAGLE Jevin S. Eagle	Director	February 27, 2024
/s/ MARK P. HIPP Mark P. Hipp	Director	February 27, 2024
/s/ WILLIAM J. MONTGORIS William J. Montgoris	Director	February 27, 2024
/s/STACEY S. RAUCH Stacey S. Rauch	Director	February 27, 2024
/s/ GRETCHEN W. SCHAR Gretchen W. Schar	Director	February 27, 2024
/s/ STEPHANIE P. STAHL Stephanie P. Stahl	Director	February 27, 2024

Exhibit 10.10

CONSULTING AGREEMENT

This Consulting Agreement (this “**Agreement**”) is entered into as of February 21, 2024, by and among The William Carter Company (the “**Company**”), and Brian J. Lynch (“**Consultant**”). This Agreement shall become effective on the date on which the closing occurs pursuant to Section 4 of this Agreement (the “**Effective Date**”).

Recitals

WHEREAS, following the Consultant's resignation of employment with the Company, the Company desires to continue to benefit from the Consultant's knowledge and advice to support the Company's planned leadership transition. For the consideration described in this Agreement, the Company desires to retain the Consultant, acting as an independent contractor, to perform services described herein, and the Consultant agrees to provide such services to the Company on the terms and conditions set forth herein. In connection with such services, the Consultant, during the Consulting Period (as defined below), will have access to certain Confidential Information (as defined below).

WHEREAS, the parties amended Consultant’s March 2, 2011 Amended and Restated Severance Agreement by execution of an Amendment No. 1 on or about May 14, 2013 (the Amended and Restated Severance Agreement, as amended by Amended No. 1, the “**Amended Severance Agreement**”); and

WHEREAS, the parties desire to enter into the form of release agreement attached hereto as Exhibit A (the “**Release Agreement**”) as a condition to closing; and

WHEREAS, the parties wish to incorporate the restrictive covenants and provisions regarding COBRA as contained in the Amended Severance Agreement and agree that termination of the remainder of the Amended Severance Agreement, and Consultant’s retirement from the Company, shall not be considered a termination without “Cause” or resignation for “Good Reason” under the Amended Severance Agreement;

NOW, THEREFORE, intending to be legally bound, and in consideration of the mutual promises and representations set forth in this Agreement and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Company and the Consultant hereby agree as follows:

1. Consulting Engagement. Subject to the terms and conditions of this Agreement, commencing on the Effective Date and ending on the one-year anniversary of the Effective Date (“**Initial Period**”) or an earlier termination date as provided herein, the Parties agree that Consultant will provide services to Company as outlined in Section 2 below. The consulting period during which the Consultant is engaged by the Company, including the Initial Period and any extension as may be mutually agreed in writing by the Company and the Consultant, is referred to in this Agreement as the “**Consulting Period**.”

2. Consulting Services. During the Consulting Period, the Consultant shall furnish the Company advisory or consulting services, including consultations with executive officers and other management personnel of the Company and its affiliates, related to the business of Carter’s, Inc. and its affiliates. The Consultant shall be free to determine the methods and means of performing his obligations under this Agreement, provided the Consultant shall confer with and obtain the consent of the Company before engaging any employees or consultants to assist in the performance of such obligations, which consultants, if any, will be at the Consultant’s expense (absent the Company’s consent to the contrary). The Consultant shall not be required to devote all the Consultant’s working time to the performance of services to the Company and may engage in other business activities, except to the extent otherwise prohibited by Section 10 of the Amended Severance Agreement (the “**Restrictive Covenants**”) and in all cases subject to compliance with the Restrictive Covenants. The Consultant agrees to perform the services hereunder diligently and timely. The Consultant shall be responsible for providing at the Consultant’s expense any equipment, office space, or tools needed to perform the services contemplated by this Agreement, provided that if the Company requests that the Consultant conduct any travel on behalf of the Company or its affiliates, the Company will, in accordance with its applicable expense reimbursement policy, reimburse the Consultant for the reasonable and documented out-of-pocket expenses incurred by the Consultant in connection with the services hereunder (the “**Reimbursable Expenses**”).

3. Compensation. As compensation for the consulting services provided hereunder, the Company shall pay the Consultant a consulting fee at the rate of $125,000 per month during the Consulting Period (the "**Consulting Fee**"). Each monthly installment of the Consulting Fee shall be paid monthly during the Consulting Period on the first day of the month immediately following the prior month of service. By way of example, and for the avoidance of doubt, the payment for Consultant's service during the month of March 2024 shall be due and payable on April 1, 2024, subject to the terms and conditions of this Agreement. In addition, the Company will reimburse the Consultant for the reasonable and documented out-of-pocket Reimbursable Expenses. Reimbursement will be made within 30 days of receipt by the Company of an invoice from the Consultant accompanied by supporting documentation reasonably acceptable to the Company.

4. Condition to Closing. Subject to the terms and conditions of this Agreement, this Agreement shall not become effective until the date that the following condition has been satisfied or waived: Consultant has executed the Release Agreement and the Release Agreement is final and binding (including, but not limited to, all required revocation and/or waiting periods have lapsed).

5. Termination.

(a) This Agreement may be terminated by the Company upon notice: (i) in the event of a permanent mental or physical disability or incapacity of Consultant as determined by an independent qualified physician selected by the Senior Vice President, Human Resources & Talent Development executive officer of the Company (the "**Officer**") and reasonably acceptable to Consultant (or his personal representative), (ii) in the event of the Consultant's breach of this Agreement (which breach, if curable, is not cured within 20 days of the Consultant's receipt of written notice thereof) or of the Restrictive Covenants, (iii) in the event of the Consultant's conviction or plea of nolo contendere in respect of a felony, or (iv) in the event of the Consultant's willful or grossly negligent misconduct that has a material adverse effect on the property or business of the Company;

(b) This Agreement may be terminated by the Consultant upon notice: (i) in the event of the Company's breach of this Agreement (which breach, if curable, is not cured within 20 days of the Company's receipt of written notice thereof); or (ii) upon a Change in Control of the Company or Carter's, Inc., and the successor company does not assume the obligations of the Company under this Agreement. Notwithstanding anything herein to the contrary, for purposes of this Section 5(b), an event shall only constitute a Change in Control if it would also constitute a change in ownership or effective control of the Company or a change in the ownership of a substantial portion of the assets of the Company within the meaning of Section 409A of the Internal Revenue Code;

(c) This Agreement shall automatically terminate upon the death of the Consultant;

(d) In the event this Agreement is (i) validly terminated by the Company pursuant to Section 5(a)(i), (ii) validly terminated by the Consultant pursuant to Section 5(b), or (iii) terminated pursuant to Section 5(c), then the Company shall pay the Consultant (or the Consultant's designated beneficiary or estate, in the event of termination pursuant to Section 5(c)): (1) if the Agreement is terminated prior to the end of the Initial Period, a lump sum cash payment equal to the Consulting Fee that would have been payable to the Consultant for the remainder of the Initial Period had the Consultant's services continued until the end of the Initial Period, payable within 30 days following the date of termination; and (2) all Consulting Fees and any Reimbursable Expenses incurred through the effective date of such termination, payable within 30 days following the date of termination.

6. Representations, Warranties and Covenants of the Consultant.

(a) Authority. The Consultant represents and warrants to the Company that he is not obligated or restricted under any agreement (including any non-competition or confidentiality agreement), judgment, decree, order or other restraint of any kind that could reasonably be expected to impair the Consultant's ability to perform the duties and obligations required of the Consultant hereunder.

(b) Compliance with Laws. In the performance of the Consultant's obligations under this Agreement, the Consultant covenants and agrees that he will comply with all applicable laws.

(c) Confidential Information; Confidentiality.

(i) The Consultant acknowledges that, as a result of, and in the course of providing, services to the Company, he will receive and retain access to confidential information of the Company and its affiliates and/or relating to the business and assets of the Company, including information relating to customers, clients, suppliers, distributors, investors, lenders, consultants, independent contractors and employees of the Company and its affiliates; price lists and pricing policies; financial statements and information; budgets and projections; business plans; production costs; market research; marketing, sales and distribution strategies; manufacturing techniques; processes and business methods; technical information; pending projects and proposals; new business plans and initiatives; research and development projects; inventions, discoveries, ideas, technologies, trade secrets, know-how, formulae, designs, patterns, marks, names, improvements, industrial designs, mask works, works of authorship and other intellectual property; devices; samples; plans, drawings and specifications; photographs and digital images; computer software and programming; all other confidential information and materials relating to the businesses of the Company and its affiliates; and all notes, analyses, compilations, studies, summaries, reports, manuals, documents and other materials prepared by or for the Company or its affiliates containing or based in whole or in part on any of the foregoing (all of the foregoing, whether communicated in verbal, written, graphic, electronic or any other form, whether or not conceived, developed or prepared in whole or in part by the Consultant and whether received by the Consultant before or after the Effective Date, collectively, "**Confidential Information**").

(ii) The Consultant acknowledges that the Confidential Information is owned or licensed by the Company or its affiliates; is unique, valuable, proprietary and confidential; and derives independent actual or potential commercial value from not being generally known or available to the public. Consultant hereby relinquishes, and agrees he will not at any time claim, any right, title or interest of any kind in or to any Confidential Information.

(iii) The Consultant agrees that he will maintain the confidentiality of the Confidential Information at all times during the Consulting Period with the Company and for a period of five (5) years following the expiration or termination thereof and will not, at any time, directly or indirectly, use any Confidential Information for his own benefit or for the benefit of any other Person, reveal or disclose any Confidential Information to any Person other than authorized representatives of the Company, or remove or aid in the removal from the Company's or its affiliates' premises of any Confidential Information, except (A) in the performance of the Consultant's services in the furtherance of the business of the Company or (B) with the prior written consent of the Company; provided, however, that Confidential Information which constitutes a trade secret shall be kept confidential indefinitely. The Consultant further agrees that he shall not copy or save any files or records containing any Confidential Information on any electronic or storage device not owned and controlled by the Company, or a "cloud" site or remote server that is not controlled by the Company, without first receiving the Company's written permission. The covenants in this Section 5(c)(iii) will not restrict disclosure of information that (x) is or becomes available to the general public through no breach of this Agreement by the Consultant or breach by any other Person of a duty of confidentiality to the Company or its affiliates, (y) the Consultant is required to disclose by applicable law or court order; provided, however, that the Consultant will notify the Company in writing of such required disclosure as much in advance as practicable in the circumstances and cooperate with the Company to limit the scope of such disclosure; or (z) is or becomes available to the Consultant from a source other than the Company or its affiliates; provided, that such source is not known by the Consultant to be subject to an obligation of confidentiality to, or for the benefit of, the Company or its affiliates.

(iv) Upon the expiration or termination of the Consulting Period for any reason, the Consultant will turn over and return to the Company all Confidential Information in any form (including all copies and reproductions thereof) and all other property whatsoever of the Company or its affiliates in or under his possession or control. If the Consultant has any Confidential Information stored on any computer, storage device, smart phone, or electronic device, then the Consultant agrees to permit a computer and IT forensic examiner of the Company's selection to examine such devices at the Company's sole cost and expense and remove and delete any files or items containing Confidential Information from such devices in a manner that will prevent the Confidential Information from being accessed in the future.

(d) Ownership of Intellectual Property.

(i) With regard solely to the Company's products, the Consultant will promptly disclose in writing to the Company all inventions, discoveries, ideas, technologies, trade secrets, know-how, formulae, designs, patterns, marks, names, improvements, industrial designs, mask works, works of authorship and other intellectual property conceived or developed in whole or in part by the Consultant during the term of this Agreement (collectively, "**Intellectual Property**").

(ii) The Consultant does hereby, and will from time to time promptly upon the conception or development of any Intellectual Property, assign to the Company all of the Consultant's right, title and interest in and to all such Intellectual Property (whether or not patentable, registrable, recordable or protectable by copyright and regardless of whether the Company pursues any of the foregoing). If any Intellectual Property falls within the definition of "work made for hire", as such term is defined in 17 U.S.C. § 101, such Intellectual Property will be considered "work made for hire" and the copyright of such Intellectual Property will be owned solely and exclusively by the Company. If any Intellectual Property does not fall within such definition of "work made for hire", then the Consultant's right, title and interest in and to such Intellectual Property will be assigned to the Company pursuant to the first sentence of this Section 5(d)(ii). The Consultant will execute and deliver any assignment instruments and do all other things reasonably requested by the Company, at the Company's sole cost and expense, (both during and after the Consulting Period) to more fully vest in the Company sole and exclusive right, title and interest in and to all Intellectual Property.

(e) Affirmation of Restrictive Covenants. Consultant affirms all of Consultants' obligations pursuant to the Restrictive Covenants of the Amended Severance Agreement. Such Restrictive Covenants shall continue in full force and effect notwithstanding the termination of the Amended Severance Agreement, as set forth in Section 9(k) herein.

7. Authority of the Consultant; Independent Contractor.

(a) Authority. The Consultant shall not hold himself out as an officer or employee of the Company as having, any right, power or authority (i) to create any contract or obligation, either express or implied, on behalf of, in the name of, or binding upon the Company or any of its affiliates or (ii) to accept legal process on behalf of the Company or any of its affiliates.

(b) Independent Contractor. The parties acknowledge and agree that the Consultant is acting hereunder as an independent contractor and not as an employee of the Company, and the terms and conditions of this Agreement shall be interpreted and construed accordingly. In no event shall this Agreement be construed as establishing a partnership or joint venture or similar relationship between the Consultant, on the one hand, and the Company, on the other hand, and nothing herein contained shall be construed to authorize any party to act as agent for another party. The Consultant shall be liable for his own debts, obligations, acts and omissions, including the payment of all Social Security and other taxes and benefits. As an independent contractor, the Consultant is responsible for filing such tax returns and paying such self-employment taxes as may be required by law or any applicable federal, state or municipal regulations. In the event that this independent contractor relationship is determined by tax authorities to constitute an employment relationship, the Consultant hereby waives any and all claims to coverage under any pension, profit-sharing, health, dental, welfare or similar type plans which are generally limited to the Company's employees.

8. No Liability for Company Actions. The Company agrees to indemnify and hold harmless the Consultant from any and all claims arising out of any actions or ommissions of the Consultant in connection with the performance of the consulting services provided hereunder in compliance with this Agreement, except to the extent that any such claim results from the gross negligence, willful misconduct or bad faith of the Consultant.

9. Miscellaneous.

(a) Entire Agreement. This Agreement, including Exhibit A, constitutes the entire agreement between the Company, on the one hand, and the Consultant, on the other hand, with respect to the

matters covered hereby and thereby and supersedes all prior agreements (whether written or oral and whether express or implied) between the parties and their affiliates to the extent related to such subject matter.

(b) Successors and Assigns. This Agreement will be binding upon and inure to the benefit of the parties and their respective successors, permitted assigns and, in the case of the Consultant, personal representatives. Except in the case of the death of the Consultant and resulting termination as set forth in Sections 5(c) and 5(d)(iii), the Consultant may not assign, delegate or otherwise transfer any of the Consultant's rights, interests or obligations in this Agreement without the prior written approval of the Company.

(c) Counterparts. This Agreement may be executed in one or more counterparts, each of which will be deemed an original but all of which together will constitute one and the same agreement. Signatures delivered by facsimile, PDF, or similar technology shall have the same force and effect as original signatures.

(d) Notices. Any notice pursuant to this Agreement must be in writing and will be deemed effectively given to the other party on the earliest of the date (i) three business days after such notice is sent by registered U.S. mail, return receipt requested, (ii) one business day after delivery of such notice into the custody and control of an overnight courier service for next day delivery, (iii) one business day after delivery of such notice in person and (iv) such notice is received by that party; in each case to the appropriate address below (or to such other address as a party may designate by notice to the other party):

If to the Consultant:

Attention: Brian Lynch,
Address and Email Address on File with the Company

If to the Company:

Attention: Jill A. Wilson, Senior Vice President, Human Resources & Talent Development
3438 Peachtree Road NE, Suite 1800
Atlanta, GA 30326
Email: Jill.Wilson@carters.com

A "business day" for purposes of this Agreement means any day that is not a Saturday, Sunday or any other day on which banks are required or authorized by law to be closed in Georgia.

(e) Amendments and Waivers. No amendment of any provision of this Agreement will be valid unless the amendment is in writing and signed by the Company and the Consultant. No waiver of any provision of this Agreement will be valid unless the waiver is in writing and signed by the waiving party. The failure of a party at any time to require performance of any provision of this Agreement will not affect such party's rights at a later time to enforce such provision. No waiver by a party of any breach of this Agreement will be deemed to extend to any other breach hereunder or affect in any way any rights arising by virtue of any other breach.

(f) Severability. Each provision of this Agreement is severable from every other provision of this Agreement. Any provision of this Agreement that is determined by any court of competent jurisdiction to be invalid or unenforceable will not affect the validity or enforceability of any other provision hereof or the invalid or unenforceable provision in any other situation or in any other jurisdiction. Any provision of this Agreement held invalid or unenforceable only in part or degree will remain in full force and effect to the extent not held invalid or unenforceable.

(g) Construction. The section headings in this Agreement are inserted for convenience only and are not intended to affect the interpretation of this Agreement. Any reference in this Agreement to any Section refers to the corresponding Section of this Agreement. The word "including" in this Agreement means "including without limitation." This Agreement will be construed as if drafted jointly by the Company, on the one hand, and the Consultant, on the other hand, and no presumption or burden of proof

will arise favoring or disfavoring the Company, on the one hand, or the Consultant, on the other hand, by virtue of the authorship of any provision in this Agreement. All words in this Agreement will be construed to be of such gender or number as the circumstances require.

(h) Survival. The terms of Sections 5, 6, 7, and 8 will survive the expiration or termination of this Agreement for any reason.

(i) Remedies Cumulative. The rights and remedies of the parties under this Agreement are cumulative (not alternative) and in addition to all other rights and remedies available to such parties at law, in equity, by contract or otherwise.

(j) Governing Law. This Agreement will be governed by the laws of the State of Georgia without giving effect to any choice or conflict of law principles of any jurisdiction.

(k) Termination of Amended Severance Agreement. Upon the Effective Date of this Agreement, the Amended Severance Agreement shall be immediately terminated and shall no longer be in force, except for the Restrictive Covenants, which shall continue for the term of this Agreement, and Section 4(b)(iii) (Participation in COBRA), which will continue and be paid pursuant to the terms of the Release Agreement. The parties hereto agree that such termination of the Amended Severance Agreement, as well as the Consultant's retirement as an employee of the Company, shall not be considered a termination without "Cause" or resignation for "Good Reason" under the Amended Severance Agreement.

(l) Compliance with Company Policies. Consultant shall, during the term of this Agreement, remain subject to, and comply with, the Company's various policies, including, but not limited to, the Company's Code of Ethics and the Insider Trading Policy, copies of which has been provided to the Consultant in connection with the execution of this Agreement.

(m) Jurisdiction; Service of Process; Waiver of Jury Trial.

(i) EACH PARTY (A) CONSENTS TO THE NON-EXCLUSIVE PERSONAL JURISDICTION OF THE STATE COURTS OF THE STATE OF GEORGIA OR, TO THE EXTENT THERE IS EXCLUSIVE FEDERAL JURISDICTION, ANY FEDERAL COURT IN THE STATE OF GEORGIA (AND, IN EACH CASE, THE APPELLATE COURTS THEREFROM) (AND, IN EACH CASE, THE APPELLATE COURTS THEREFROM) IN ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT, OR THE NEGOTIATION, VALIDITY OR PERFORMANCE OF THIS AGREEMENT, (B) WAIVES ANY VENUE OR INCONVENIENT FORUM DEFENSE TO ANY PROCEEDING MAINTAINED IN SUCH COURTS, (C) EXCEPT AS OTHERWISE PROVIDED IN THIS AGREEMENT, AGREES NOT TO INITIATE ANY PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT IN ANY OTHER COURT OR FORUM AND (D) IF ANY ACTION OR PROCEEDING IS ARISING OUT OF OR RELATING TO THIS AGREEMENT, OR THE NEGOTIATION, VALIDITY OR PERFORMANCE OF THIS AGREEMENT, IS COMMENCED IN ANY OTHER COURT OR FORUM, AGREES NOT TO OBJECT TO THE REMOVAL OF SUCH ACTION OR PROCEEDING TO THE AFOREMENTIONED COURTS. PROCESS IN ANY SUCH PROCEEDING MAY BE SERVED ON ANY PARTY ANYWHERE IN THE WORLD.

(ii) TO THE FULLEST EXTENT PERMITTED BY LAW, EACH PARTY HEREBY WAIVES ALL RIGHTS TO A TRIAL BY JURY IN ANY LEGAL ACTION TO ENFORCE OR INTERPRET THE PROVISIONS OF THIS AGREEMENT OR THAT OTHERWISE RELATES TO THIS AGREEMENT.

[Signature page follows]

IN WITNESS WHEREOF, the parties hereto have executed and delivered this Agreement as of the Effective Date.

Consultant:

/s/ Brian J. Lynch

Company:

By: /s/Jill A. Wilson
Name: Jill A. Wilson
Title: Senior Vice President, Human Resources &
Talent Development

[*Signature Page to Consulting Agreement*]

EXHIBIT A

RELEASE AGREEMENT

THIS RELEASE AGREEMENT ("Agreement") is made by and between Brian J. Lynch ("Executive"), Carter's, Inc. ("Carter's") and its subsidiary The William Carter Company ("TWCC" and, together with Carter's, the "Company"). Capitalized terms used in this Agreement and not otherwise defined are defined in the Consulting Agreement between TWCC and the Company.

WHEREAS, TWCC and Executive have executed the Consulting Agreement, entered into as of February 21, 2024 (the "Consulting Agreement"), as part of Executive's retirement from the Company, with the effectiveness of the Consulting Agreement conditioned, among other things, on the effectiveness of the Agreement;

WHEREAS, as part of entering into the Consulting Agreement, TWCC and Executive desire to terminate that certain March 2, 2011 Amended and Restated Severance Agreement (the "Severance Agreement"), which was amended by execution of an Amendment No. 1 on or about May 15, 2013 (the Severance Agreement, as amended by Amended No. 1, the "Amended Severance Agreement");

WHEREAS, the Executive has provided the Company valuable service during his employment;

WHEREAS, the Company and the Executive desire to enter into this Agreement with respect to their respective rights and obligations regarding the payment of Severance Benefits (as defined herein) under the Amended Severance Agreement; and

WHEREAS, the Company and the Executive wish to memorialize the terms and conditions of their agreement;

NOW, THEREFORE, in consideration of the foregoing premises and the mutual promises, terms, provisions, and conditions set forth in this Agreement, the receipt and sufficiency of which are hereby acknowledged, the parties hereby agree as follows:

1. Separation from Service.

(a) Except as provided herein, each of the Executive and the Company hereby waive any notice that might otherwise be required from the other in connection with the Executive's retirement from the Company, whether under the Severance Agreement or otherwise, and the parties hereby confirm that the Executive's employment by the Company will terminate, effective as of February 29, 2024 (the "Retirement Date").

(b) Executive and the Company also hereby confirm that, effective as of the Retirement Date, Executive shall resign, and the Company shall accept his resignation, from the Executive's occupancy of all offices and directorships for any of the Company's subsidiaries or other affiliates. Executive shall execute such additional confirmations of the foregoing resignations as the Company may reasonably request.

2. Compensation and Benefits. In consideration of Executive's promises, covenants, and release of claims contained herein, the Company shall pay to Executive the payments required under Section 4(b)(iii) (Participation in COBRA) of the Amended Severance Agreement (the "Severance Benefits") in full satisfaction of any rights Executive may have under the Amended Severance Agreement, subject to the other terms and conditions of this Agreement and the Amended Severance Agreement.

3. Withholding. All Severance Benefits provided directly or indirectly by the Company under this Agreement shall be reduced by any tax or other amounts required to be withheld under applicable law, and all such withheld amounts shall be deemed to have been paid to Executive hereunder. The Company may withhold, or cause to be withheld, from any source of payments owed to Executive; or, if the cash portion of amounts paid contemporaneously with the withholding obligation are not sufficient, the Company

may require Executive to pay (and Executive upon notice thereof shall promptly pay) by separate check, all amounts required to be withheld in respect of any such payments or benefits.

4. Acknowledgment of Full Payment. Executive hereby acknowledges and agrees that the Severance Benefits are in complete satisfaction of all compensation due to Executive from the Company, whether for services provided to the Company or otherwise, through the Retirement Date, and that no further compensation of any kind is owed or will be paid to the Executive. Notwithstanding the foregoing, subject to the terms and conditions of the Consulting Agreement, the Executive shall be entitled to further payments under the Consulting Agreement after the Retirement Date.

5. Status of Employee Benefits. Executive's participation in all employee benefit plans of the Company will cease in accordance with the terms of those plans.

6. Surviving Obligations. Sections 4(b)(iii) and 10 of the Amended Severance Agreement, and such other provisions of the Severance Agreement as are necessary or desirable for the enforcement by the Company of its rights under those enumerated paragraphs, shall survive execution of this Agreement and the retirement of Executive and the termination of the Amended Severance Agreement as set forth in the Consulting Agreement.

7. Release of Claims.

(a) In exchange for the Severance Benefits, and for other good and valuable consideration, to which Executive would not otherwise be entitled, Executive agrees completely and irrevocably to release all claims, obligations, causes of action and demands which he has or ever had, from the beginning of time to the Retirement Date, against the Company, its parents, subsidiaries, divisions, joint ventures, partnerships and/or affiliated entities, their predecessors, successors and assigns, and all of their present and/or former officers, directors, managers, supervisors, employees, shareholders, agents, representatives, and employee benefit or pension plans or funds (and the trustees, administrators, fiduciaries and insurers of such programs) (collectively, the "Released Parties"). Executive agrees that any person acting by, through or under his, such as his heirs, executors, administrators, representatives and assigns, are also bound by his release of claims.

(b) Executive understands that these are the claims his release includes but are not limited to: (i) any claims under Title VII of the Civil Rights Act of 1964, the Civil Rights Act of 1866, the Civil Rights Act of 1991, the Americans With Disabilities Act, the Age Discrimination in Employment Act of 1967, the Older Workers Benefit Protection Act, the Equal Pay Act, the National Labor Relations Act, the Pregnancy Discrimination Act, the Genetic Information and Discrimination Act of 2008, the Employee Retirement Income Security Act of 1974, Sections 503 and 504 of the Rehabilitation Act of 1973, the Worker Adjustment Retraining and Notification Act, and the Sarbanes Oxley Act of 2002, all as amended; (ii) any claims under any state or local labor law and/or discrimination law, and all other federal, state and local discrimination, labor or employment laws or regulations; (iii) any other claims relating to or arising out of his employment, the terms and conditions of his employment and/or the termination of his employment, in law or in equity, including, without limitation, claims for discrimination, retaliation, or harassment (on the basis of age, race, color, religion, national origin, gender, sexual orientation, marital status, citizenship status, genetic predisposition, veteran status or any other basis protected by law), whistle-blowing, breach of contract (oral or written, express or implied) or of policy or practice, constructive discharge, wrongful discharge, detrimental reliance, negligence, emotional distress, pain and suffering, compensatory and punitive damages and all other torts, including any intentional torts, such as defamation; (iv) any claims subject to federal, state and local occupational safety and health laws and regulations; (v) claims under any other federal, state or local Constitution, statute, regulation, or agreement or duty; and (vi) any claims for attorneys' fees, costs, disbursements and/or the like, or for equitable relief and reinstatement.

(c) Executive understands that he is releasing all claims, whether or not they are known to his at the time he signs this Agreement.

(d) Executive understands this Agreement does not apply to any claims or rights (i) that may arise after the date that Executive signs this Agreement, (ii) for the consideration for or breach of this Agreement, (iii) for reimbursement of business expenses incurred on behalf of the Company under the Company's expense reimbursement policies, (iv) for vested rights under any Company ERISA-covered employee benefit plans as applicable on the date Executive signs this Agreement, (v) for any claims that

controlling law clearly states may not be released by settlement, such as, but not limited to, claims for Worker's Compensation benefits for job-related illness or injury, (vi) for any right of indemnification that the Executive has pursuant to the Articles of Incorporation or By-Laws of the Company, or (vii) to challenge the validity of this Agreement under the Older Workers Benefit Protection Act ("OWBPA").

(e) Executive further understands that nothing in this Agreement prevents him from filing a charge or complaint with or from participating in an investigation or proceeding conducted by the Equal Employment Opportunity Commission ("EEOC"), National Labor Relations Board ("NLRB"), the U.S. Securities and Exchange Commission ("SEC"), or any other federal, state or local agency charged with the enforcement of any employment or securities laws, although by signing this Agreement Executive is waiving his right to individual relief from the Company based on claims asserted in such a charge or complaint, regardless of whether he or another party has filed it.

(f) This Agreement, including the release of claims set forth above, creates legally binding obligations, and the Company therefore advises Executive to consult an attorney before signing this Agreement. By signing this Agreement, Executive gives the Company assurance that Executive has signed it voluntarily and with a full understanding of its terms; that Executive has had sufficient opportunity, before signing this Agreement, to consider its terms and to consult with an attorney, if Executive wished to do so, or to consult with any other person of his choosing; and that, in signing this Agreement, Executive has not relied on any promises or representations, express or implied, that are not set forth expressly in this Agreement.

1. Conditions for Receiving Severance. Executive agrees and acknowledges that he has maintained, and shall maintain, complete compliance with all the following representations, warranties, and conditions to be eligible to receive the Severance Benefits. In the event Executive fails to fulfill any of the following material representations, warranties, or conditions, as determined by the Company in its discretion, the Company shall, with notice to Executive, cease payment of all Severance Benefits, and shall likewise be entitled to the immediate forfeiture and recapture of all Severance Benefits paid to Executive prior to its discovery of the same.

Executive represents and warrants that:

(a) At all times during the pendency of his employment, Executive complied with all state and federal laws and conducted himself with the highest degree of fidelity to the Company, committing no acts of bribery, corruption, theft, embezzlement, misappropriation, insider trading, or other forms of substantial misconduct contrary to the interests of the Company. Executive further represents that he is unaware of any acts of other Company employees or agents in violation of the Company's *Code of Ethics*, any state or federal laws or acts of bribery, corruption, theft, embezzlement, misappropriation, insider trading or other forms of misconduct contrary to the interests of the Company.

(b) At all times during the pendency of his employment, Executive complied with each of his obligations under Paragraphs 8, 9 and 10 of the Severance Agreement with respect to Confidential Information, Work Product, and Non-Competition Non-Solicitation, Non- Disparagement and Compliance, respectively.

(c) Executive's obligations herein and pursuant to Paragraphs 4(b)(iii) and 10 of the Amended Severance Agreement shall continue in full force and effect from the date hereof, and that Executive's full compliance with such obligations shall be a condition to Executive's eligibility to accept this Agreement and to receive or retain its benefits and to the performance of the Company hereunder.

(d) Executive shall or has returned to the Company all Confidential Information (as defined below), work product, and all other Company property, on or before the Retirement Date, including, but not limited to, keys, credit cards, documents, records, identification cards, office equipment, portable computers, mobile telephones, pagers, handheld electronic devices, and parking cards.

2. Voluntary Agreement. Executive acknowledges that:

(a) Executive has read this entire document, and he fully understands it. Executive understands its legal and binding effect. Executive is acting voluntarily and of his own free will in executing this Agreement.

(b) The benefits the Company is providing Executive in return for signing this Agreement are in addition to anything of value to which he is already entitled. Specifically, the Executive acknowledges that he is not otherwise entitled to the benefits of this Agreement from the Company.

(c) The Executive has had the opportunity to seek, and the Executive was advised in writing to seek, legal counsel prior to signing this Agreement.

(d) The Severance Benefits provide valid and sufficient consideration for his undertakings in this Agreement, including the release of claims in Section 8, and his obligations under Paragraph 10 of the Amended Severance Agreement with respect to Non-Competition, Non-Solicitation, Non-Disparagement, and Compliance.

(e) This Agreement will be void if the Executive does not sign it within the 21 days he has been given to consider it, or if he revokes it as provided below.

(f) The Executive has been given at least 21 days to consider the terms of this Agreement before signing it. If the Executive signs this Agreement before the full 21-day consideration period expires, he is knowingly and voluntarily waiving the remainder of the 21- day consideration period. The Executive has not been asked by the Company to shorten his time to consider whether to sign this Agreement. The Company has not threatened to withdraw or alter the benefits due the Executive prior to the expiration of the 21-day consideration period.

(g) The Company has not promised or provided different terms to the Executive for signing this Agreement prior to the expiration of the 21-day consideration period.

(h) The Executive agrees with the Company that changes to this Agreement, whether material or immaterial, do not restart the running of the 21-day consideration period.

(i) The Executive has (a) received all compensation due as a result of services performed for the Company; (b) reported to the Company any and all work-related injuries incurred by his during his employment with the Company; (c) been properly provided any leave of absence because of his or a family member's health condition and has not been subjected to any improper treatment, conduct, or actions due to a request for or taking such leave, and (d) previously disclosed any potential violations of the Company's *Code of Ethics*.

3. Revocation.

(a) The Executive understands that if he signs this Agreement, he can change his mind and revoke it within seven (7) days after signing it by returning it with a written revocation notice to Jill Wilson, Senior Vice President of Human Resources & Talent Development, 3438 Peachtree Road, Suite 1800, Atlanta, Georgia 30326, Phone: (678) 399-4466. The Executive understands that this Agreement will not be effective until after this seven-day period has expired ("Revocation Period"), and he will receive no Severance Benefits before the eighth day after he signs this Agreement. The Executive understands and agrees that he will begin receiving Severance Benefits in accordance with the terms of the Severance Agreement.

(b) If Executive decides to revoke, his written revocation notice should clearly state that "I hereby revoke my agreement to the Agreement that I signed on [date]." The Executive should type or print his name so the Company knows who he is, and the Executive must sign his name to the notice. The Executive understands that, to revoke this Agreement, he must deliver the signed revocation notice to Jill Wilson. To be effective, the notice of revocation must be sent to Jill Wilson no later than the seventh day after the Executive has signed the Agreement.

4. Binding Agreement.

(a) The Executive understands that following the seven-day Revocation Period, this Agreement will be final and binding. The Executive promises that he will not pursue any claim that he has settled by this Agreement. If the Executive breaks this promise, the Executive agrees to pay all the Company's costs and expenses (including reasonable attorneys' fees) related to the defense of any claims. This paragraph does not apply to claims that the Executive may have under the OWBPA and the Age Discrimination in Employment Act of 1967 ("ADEA"). Such claims are covered by the next paragraph.

(b) Although the Executive is releasing claims that he may have under the OWBPA and the ADEA, the Executive understands that he may challenge the knowing and voluntary nature of this Agreement under the OWBPA and the ADEA before a court, the EEOC, the NLRB, or any other federal, state or local agency charged with the enforcement of any employment laws. The Executive understands, however, that if he pursues a claim against the Company under the OWBPA and/or the ADEA, a court has the discretion to determine whether the Company is entitled to restitution, recoupment, or set off (hereinafter "Reduction") against a monetary award obtained by the Executive in the court proceeding. A reduction never can exceed the amount the Executive recovers, or the severance he received for signing this Agreement, whichever is less. The Executive also recognizes that the Company may be entitled to recover costs and attorneys' fees incurred by the Company as specifically authorized under applicable law.

(c) Executive further understands that nothing in this Agreement generally prevents his from filing a charge or complaint with or from participating in an investigation or proceeding conducted by the EEOC, NLRB, or any other federal, state or local agency charged with the enforcement of any employment laws, although by signing this Agreement the Executive is waiving his right to individual relief based on claims asserted in such a charge or complaint.

8. No Admission of Liability. This Agreement is not an admission by the Released Parties of any liability or wrongdoing or a violation of any statute, regulation, duty, law, contract, right, or order. The Released Parties disclaim any liability the Executive or any other person for any alleged violation of any statute, regulation, duty, law, contract or order.

9. Entire Agreement. The Amended Severance Agreement, the Consulting Agreement, and this Agreement constitute the complete and total agreement between the Company and the Executive with respect to issues addressed in this Agreement. However, the Executive agrees this Agreement will not in any way affect, modify, or nullify any agreement(s) he may have entered into with the Company that obligates his to refrain from competitive activity, to protect the Company's confidential information, and/or refrain from soliciting the Company's employees after his employment is terminated, and that any such obligations contained in those agreement(s) remain in full force and effect. Specifically, those paragraphs of the Amended Severance Agreement that survive have been incorporated by reference.

10. No Reliance. The Executive represents that in signing this Agreement, he is not relying on any other agreements or representations not fully expressed in this document.

11. Modification. This Agreement shall not be modified, altered, or discharged except by written agreement signed by an authorized Company representative and the Executive.

12. Headings. The headings in this document are for reference only and shall not in any way affect the meaning of this Agreement.

13. Use of this Agreement in Subsequent Proceedings. The Executive further agrees that this Agreement may be used as evidence in a subsequent proceeding in which the Company or the Executive alleges a breach of this Agreement or as a complete defense to any lawsuit or claim. Other than this exception, or disclosure to the EEOC or NLRB or any other federal, state, or local agency charged with the enforcement of any employment laws, as provided in Section 8 above, the Executive agrees he will not offer or introduce this Agreement as evidence in any administrative proceeding, arbitration, or lawsuit.

14. Enforcement. It is understood and agreed that if, at any time, a violation of any term of this Agreement is asserted by any party hereto, that said party shall have the right to seek specific performance of that term and/or any other necessary and proper relief, including but not limited to damages, from any federal or state court of competent jurisdiction within the State of Georgia. The failure of either party to insist upon strict adherence to any term of this Agreement shall not be considered a waiver of that term or of any other

term of this Agreement and shall not deprive that party of the right to later insist upon strict adherence to that term or any other term of the Agreement.

15. Severability. The Executive agrees that should any part of this Agreement be found to be void or unenforceable by a court of competent jurisdiction, that determination will not affect the remainder of this Agreement.

16. Governing Law/Venue. This Agreement shall be governed and construed in accordance with the laws of the State of Georgia and any applicable federal laws. All disputes relating to this Agreement shall be resolved exclusively in the state or federal courts of Georgia, to whose jurisdiction the parties hereto expressly consent.

[REMAINDER OF PAGE INTENTIONALLY BLANK]

THE UNDERSIGNED EXECUTIVE HEREBY AFFIRMS THAT HE HAS CAREFULLY READ THE FOREGOING RELEASE AGREEMENT, KNOWS THE CONTENTS THEREOF, AND SIGNS THE SAME OF HIS IS OWN FREE ACT.

This Agreement may be executed in one or more counterparts. Carter's, Inc. and The William Carter Company

By: __
Name: Jill Wilson
Title: SVP Human Resources & Talent Development

Date: ____________________________

I, Brian J. Lynch, hereby accept the Consulting Agreement payments upon the terms and conditions set forth in this Agreement.

__

Date: ________________________________

[Signature Page to Release Agreement]

Exhibit 10.12

FIRST AMENDMENT TO LEASE

THIS FIRST AMENDMENT TO LEASE (this "Amendment") is made as of the 4th day of December, 2013, by and between DUKE SECURED FINANCING 2009-1 ALZ, LLC, a Delaware limited liability company ("Landlord"), and THE WILLIAM CARTER COMPANY, a Massachusetts corporation ("Tenant").

WITNESSETH:

WHEREAS, Landlord and Tenant heretofore entered into that certain Lease dated March 29, 2012 (the "Lease") for the lease of approximately 1,061,663 square feet of space, located at 625 Braselton Parkway, Braselton, Georgia 30517, located within Park 85 at Braselton, said space being more particularly described therein (the "Leased Premises"); and

WHEREAS, Landlord and Tenant desire to amend the Lease to, among other things, extend the Lease Term, upon the terms and conditions set forth herein.

NOW, THEREFORE, for and in consideration of Ten and No/100 Dollars ($10.00) and other good and valuable consideration in hand paid by each party hereto to the other, the receipt and sufficiency of which are hereby acknowledged, the parties hereto do hereby agree as follows:

1. Incorporation of Recitals and Definitions. The above recitals are hereby incorporated into this Amendment as if fully set forth herein. All capitalized terms used herein but undefined shall have the meaning as defined in the Lease.

2. Term. The Lease Term is hereby extended through and including September 30, 2026.

3. Minimum Annual Rent. Section 1.01(d) of the Lease is hereby modified to reflect that, commencing as of October 1, 2023 (the "Extension Date"), Minimum Annual Rent shall be as follows:

10/01/2023 – 09/30/2024	$2,930,189.88
10/01/2024 – 09/30/2025	$3,003,444.60
10/01/2025 – 09/30/2026	$3,078,530.76

4. Monthly Rental Installments. Section 1.01(e) of the Lease is hereby modified to reflect that, commencing as of the Extension Date, Monthly Rental Installments shall be as follows:

10/01/2023 – 09/30/2024	$244,182.49
10/01/2024 – 09/30/2025	$250,287.05
10/01/2025 – 09/30/2026	$256,544.23

5. Condition of Leased Premises. Tenant acknowledges and agrees that Tenant is accepting possession of the Leased Premises for the extension term in **"AS-IS"** condition and except as expressly provided herein, no free rent, moving allowances, tenant improvement allowances or other financial concessions contained in the Lease shall apply to the Lease Term, as extended hereby.

6. Flooring Work.

(a) Landlord acknowledges that, following the date hereof, Tenant intends to grind the warehouse floor within the Leased Premises (the "Flooring Work") in accordance with the scope of work

attached hereto as **Exhibit A** and made a part hereof. Tenant acknowledges and agrees that (i) the quantity of such Flooring Work shall not exceed a maximum of fifty-three (53) aisles with the maximum dimensions of each aisle not to exceed three hundred fifty (350) feet in length by five (5) feet in width, and (ii) all slurry created in connection with such Flooring Work shall be disposed of in accordance with applicable laws and regulations. Landlord shall reimburse Tenant for all expenses incurred in connection with the Flooring Work up to the amount (the "Flooring Allowance") that is the lesser of (A) Five Hundred Thousand and No/100 Dollars ($500,000.00), or (B) fifty percent (50%) of Tenant's actual third party out of pocket expenses incurred in connection with such Flooring Work. Tenant acknowledges and agrees that the Flooring Work shall otherwise be made in accordance with the provisions of Section 7.03 of the Lease; provided, however, that Landlord acknowledges that it has approved the Flooring Work and that the cost of the Flooring Work shall not count against any monetary limitation for alteration to the Leased Premises as set forth in Section 7.03(a) of the Lease. Said reimbursement shall be paid by Landlord to Tenant within thirty (30) days following Tenant's written request therefor (which request shall be accompanied by reasonable evidence of such expenses), provided that Tenant requests all such reimbursements on or before December 31, 2014. If Tenant fails to exercise such right as aforesaid, Tenant shall be deemed to have waived its rights pursuant to this Section 6.

(b) Landlord and Tenant acknowledge and agree that upon the expiration or earlier termination of the Lease, (i) Landlord shall be responsible for the repair and restoration of the portion of the warehouse floor impacted by the Flooring Work which repair and restoration shall consist of saw cutting, demolishing and removing the existing six (6) to seven (7) inch slab on grade, re-pouring the six (6) to seven (7) inch slab on grade flush with the existing slab, and filling joints with MM80 joint filler (the "Restoration Work"), and (ii) Tenant shall reimburse Landlord for fifty percent (50%) of the actual cost of the Restoration Work within thirty (30) following receipt of Landlord's invoice for the same, which may, at Landlord's option, be in the form of monthly progress billings. The parties acknowledge that the warehouse floor of the Leased Premises ranges in thickness from six (6) to seven (7) inches, depending on location, and that the Restoration Work is only intended to restore the thickness of the floor that existed as of the date of the Lease.

7. Option to Extend. Sections 17.04(a) and (b) of the Lease is hereby deleted in their entirety and replaced with the following:

"(a) Grant and Exercise of Option. Provided that (i) Tenant exercises the Expansion Option pursuant to Section 17.01 above, (ii) no default has occurred and is then continuing (provided that if there is a default hereunder that has occurred, but the cure period related thereto has not expired, Tenant's exercise of this option to extend shall be valid provided that Tenant does cure such default within such cure period), and (iii) subject to subsection (d) below, the tangible net worth of Tenant is then equal to or greater than $25,000,000.00, Tenant shall have the option to extend the Lease Term for one (1) additional period of five (5) years and one (1) additional period of either two (2) or five (5) years (each an "Extension Term"). Each Extension Term shall be upon the same terms and conditions contained in the Lease except (A) this provision giving two (2) extension options shall be amended to reflect the remaining options to extend, if any, (B) any improvement allowances or other concessions applicable to the Leased Premises under the Lease shall not apply to the Extension Term, and (C) the Minimum Annual Rent shall be adjusted as set forth below (the "Rent Adjustment"). Tenant shall exercise each option by delivering to Landlord, no later than nine (9) months prior to the expiration of the preceding term, written notice of Tenant's desire to extend the Lease Term, together with a copy of Tenant's most recent audited financial statements to the extent not publicly available (the "Extension Notice"). Tenant's failure to timely exercise such option shall be deemed a waiver of such option and any succeeding option. If Tenant properly exercises its first option to extend, Landlord and Tenant

shall execute an amendment to the Lease reflecting the terms and conditions of the first Extension Term within thirty (30) days after Landlord's receipt of the Extension Notice; provided, however, that this Section 17.04 shall be fully effective on the terms and conditions set forth herein, whether or not such amendment is executed and delivered. If Tenant properly exercises its second option to extend, Landlord shall notify Tenant of the amount of the Rent Adjustment for the third (3rd) year of the second Extension Term (the "Third Year Rate") no later than ten (10) days after Landlord's receipt of the Extension Notice. If Landlord and Tenant agree upon the Third Year Rate, Landlord and Tenant shall execute an amendment to the Lease reflecting the terms and conditions of the second Extension Term within thirty (30) days after the parties' determination of the Third Year Rate. If Tenant objects to Landlord's determination of the Third Year Rate, Landlord and Tenant shall have twenty (20) days to negotiate the Third Year Rate in good faith. In the event that Landlord and Tenant cannot agree upon the Third Year Rate within said 20-day period, Tenant shall have the option to elect the two (2) year extension option for the second Extension Term, or Tenant may choose arbitration to determine the Third Year Rate. If Tenant chooses arbitration, Tenant shall give Landlord written notice of its desire to seek arbitration within three (3) days after expiration of such 20-day period ("Arbitration Notice"). Within ten (10) days after Tenant provides Landlord with its Arbitration Notice, the parties shall each appoint an appraiser to determine the Third Year Rate for the Leased Premises. Each appraiser so selected shall be a MAI appraiser or a licensed real estate broker, each having at least ten (10) years prior experience in the appraisal or leasing of comparable space in the metropolitan area in which the Leased Premises are located and with a working knowledge of current rental rates and practices. If the two appraisers cannot agree upon the Third Year Rate for the Leased Premises within twenty (20) days after their appointment, then, within ten (10) days after the expiration of such twenty (20) day period, the two appraisers shall select a third appraiser meeting the above criteria. Once the third appraiser has been selected as provided for above, then such third appraiser shall within ten (10) days after appointment make its determination of the Third Year Rate. The average of the two closest determinations of the Third Year Rate shall be used for the second Extension Term and shall be binding on Landlord; provided, however, that if Tenant does not agree with the appraisers determination of the Third Year Rate, Tenant shall have the option to elect the two (2) year extension option for the second Extension Term. Landlord and Tenant shall each bear the cost of its appraiser and shall share the cost of the third. If Tenant fails to provide the Arbitration Notice as provided above, then Tenant shall be deemed to have elected the two (2) year extension option for the second Extension Term, and Landlord and Tenant shall execute an amendment to the Lease reflecting the terms and conditions of the second Extension Term within thirty (30) days thereof; provided, however, that this Section 17.04 shall be fully effective on the terms and conditions set forth herein, whether or not such amendment is executed and delivered. For the purpose of this Section 17.04, "tangible net worth" shall mean the excess of the value of tangible assets (i.e. assets excluding those which are intangible such as goodwill, patents and trademarks) over liabilities.

(b) Rent Adjustment.

(i) The Minimum Annual Rent for the first Extension Term shall be calculated as follows: For the first (1st) year of the first Extension Term, the Minimum Annual Rent shall be an amount equal to one hundred two and one-half percent (102.5%) of the Minimum Annual Rent per square foot for the period immediately preceding the first Extension Term. Thereafter, the Minimum Annual Rent per square foot shall increase by two and one-half percent (2.5%) for each successive one (1) year period of the first Extension Term. The Monthly Rental Installments shall be an amount equal to one-twelfth (1/12) of the Minimum Annual Rent

for each year of the first Extension Term and shall be paid at the same time and in the same manner as provided in the Lease.

(ii) The Minimum Annual Rent for the second Extension Term shall be calculated as follows: For the first (1st) year of the second Extension Term, the Minimum Annual Rent shall be an amount equal to one hundred two and one-half percent (102.5%) of the Minimum Annual Rent per square foot for the period immediately preceding the second Extension Term. For the second (2nd) year of the second Extension Term, the Minimum Annual Rent per square foot shall increase by two and one-half percent (2.5%). If applicable, for the third (3rd) year of the second Extension Term, the Minimum Annual Rent per square foot shall be reasonably determined by Landlord based on the monthly rent charged to tenants for comparable buildings (e.g., buildings of comparable age, physical condition, number of stories, total size, comparable location) in the area in which the Leased Premises are located, taking into account all financial terms, including without limitation, base rent, free rent, escalations, work contributions and allowances and leasing and brokerage commissions; provided, however, that in no event shall the Minimum Annual Rent during the third (3rd) year of the second Extension Term be less than the Minimum Annual Rent payable during the second (2nd) year of the second Extension Term. Thereafter, if applicable, the Minimum Annual Rent per square foot shall increase by two and one-half percent (2.5%) for each successive one (1) year period of the second Extension Term. The Monthly Rental Installments shall be an amount equal to one-twelfth (1/12) of the Minimum Annual Rent for each year of the second Extension Term and shall be paid at the same time and in the same manner as provided in the Lease."

8. Lease Guaranty. Duke Realty Limited Partnership shall also execute this Amendment for the sole purpose of guarantying the obligations of Duke Secured Financing 2009-1 ALZ, LLC hereunder to the extent that Duke Secured Financing 2009-1 ALZ, LLC is responsible under the Amendment for the payment of the Flooring Allowance as set forth in Section 6 of this Amendment.

9. Brokers. Landlord and Tenant each represents and warrants to the other that, except for CBRE, Inc. representing Tenant, and Duke Realty Service, LLC representing Landlord, neither party has engaged or had any conversations or negotiations with any broker, finder or other third party concerning the matters set forth in this Amendment who would be entitled to any commission or fee based on the execution of this Amendment. Landlord and Tenant each hereby indemnifies the other against and from any claims for any brokerage commissions and all costs, expenses and liabilities in connection therewith, including, without limitation, reasonable attorneys' fees and expenses, for any breach of the foregoing. The foregoing indemnification shall survive the termination of the Lease for any reason.

10. Examination of Amendment. Submission of this instrument for examination or signature to Tenant does not constitute a reservation or option, and it is not effective until execution by and delivery to both Landlord and Tenant.

11. Incorporation. This Amendment shall be incorporated into and made a part of the Lease, and all provisions of the Lease not expressly modified or amended hereby shall remain in full force and effect. As amended hereby, the Lease is hereby ratified and confirmed by Landlord and Tenant. To the extent the terms hereof are inconsistent with the terms of the Lease, the terms hereof shall control.

(SIGNATURES CONTAINED ON THE FOLLOWING PAGE)

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed as of the date first set forth above.

LANDLORD:

DUKE SECURED FINANCING 2009-1 ALZ, LLC, a Delaware limited liability company

By: Duke Realty Limited Partnership, an Indiana limited partnership, sole member and manager

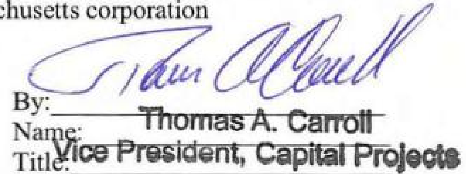
By: Duke Realty Corporation, its General Partner

By: ____________________
Name: J. Christopher Brown
Title: Senior Vice President
Georgia Operations

Dated: 12/4/13

TENANT:

THE WILLIAM CARTER COMPANY, a Massachusetts corporation



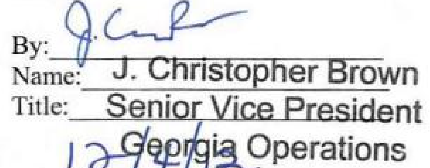
By: ____________________
Name: Thomas A. Carroll
Title: Vice President, Capital Projects

Dated: November 26, 2013

Duke Realty Limited Partnership is executing this Amendment for the sole purpose of guarantying the obligations of Duke Secured Financing 2009-1 ALZ, LLC hereunder to the extent Duke Secured Financing 2009-1 ALZ, LLC is responsible under the Amendment for the payment of the Flooring Allowance as set forth in <u>Section 6</u> of this Amendment.

Duke Realty Limited Partnership, an Indiana limited partnership, sole member and manager

By: Duke Realty Corporation, its General Partner



By: ____________________
Name: J. Christopher Brown
Title: Senior Vice President
Georgia Operations

Dated: 12/4/13

EXHIBIT A

Carter's Braselton Floor Repair Scope of Work

Floor Flattening

Project Description

Address unsafe aisles for lift vehicle operation in the Braselton facility by laser grinding to improve floor flatness.

Scope

All unsafe aisles for lift vehicle traffic and operation in the Braselton facility are included in scope. Estimated to be at least 35% of aisles.

Approach

Laser grinding will be used to minimize the amount and depth of grinding required to meet the specification by only correcting errors in floor surface regularity, rather than grinding the whole aisle from end to end. For narrow aisles, we expect to limit grinding to a 2 wheel track. For our few wide aisles, we expect to grind the whole aisle width.

Projected Cost

$1,200,000 to address unsafe aisles in Buildings 1, 2, and 3.

Building 2 is currently operational excluding 13 unsafe aisles which are not currently in use.

Proposed Vendor Information

www.concrete-grinding.com

Concrete Grinding Ltd was first established in 1989, as a small manual floor grinding service, operating traditional single-headed, trolley-mounted grinding machines. As the demand for our services grew, we needed to find a cleaner, more efficient method of grinding in an operational warehouse environment. There was no suitable equipment available to hire or buy, so we decided to design and build our own. In 1991 we were granted the Patent for the first automated floor grinding system in the world. This early prototype machine was developed into the unique world-leading Laser Grinder® technology that we have at our disposal today.

We now have 15 Laser Grinders®, operating globally, and based at our main offices in the UK, Mainland Europe, Singapore, Korea, the Middle East, the Far East and Australia. The current version is a far cry from the initial design, and Concrete Grinding Ltd. continues to develop and fine-tune the Laser Grinder®. Each time an improvement is made, the Laser Grinders® are upgraded. We have developed a large international client base of highly satisfied customers and secure a large proportion of repeat business. All recently developed floor grinding systems have originated from the idea of the Laser Grinder®.

The Laser Grinder® System

The Laser Grinder®, manufactured and operated worldwide by Concrete Grinding Ltd, is the most technologically advanced narrow aisle floor grinding system in the World; There is no need for a client to re-locate or protect stock in the racking aisles as the process has been specifically developed for use in a fully operational warehouse situation. The Laser Grinder® uses one of the world's cleanest lean burning diesel engines to power the hydraulic system that in turn drives the grinding equipment. A catalytic converter ensures that a negligible amount of harmful exhaust fumes are emitted into the workplace allowing normal warehouse activity to continue in the immediate vicinity of our work. For

EXHIBIT A

extremely sensitive environments, such as food storage facilities, there is also the option to fit an additional exhaust fume filtration unit. Throughout the grinding process, the Laser Grinder® uses water from its on board water tanks to totally prevent any airborne dust. The waste product - a mixture of finely ground concrete dust and water, is collected in a mobile waste container by the Laser Grinder's vacuum system. This unique grinding process can be safely used in operational food and pharmaceutical storage facilities - even in sub-zero temperatures. Whilst working in one aisle the remainder of the warehouse can operate as normal and, as each aisle is completed, they are immediately returned to normal use.

We guarantee the Laser Grinder® will achieve the following international industry standards;

- TR34 and TR34
- CEN 15620
- DIN 15185
- ACI Fmin
- VDMA

SECOND AMENDMENT TO LEASE

THIS SECOND AMENDMENT TO LEASE (this "Amendment") is made as of the 17 day of December, 2014, by and between DUKE SECURED FINANCING 2009-1 ALZ, LLC, a Delaware limited liability company ("Landlord"), and THE WILLIAM CARTER COMPANY, a Massachusetts corporation ("Tenant").

WITNESSETH:

WHEREAS, Landlord and Tenant heretofore entered into that certain Lease dated March 29, 2012, as amended by that certain First Amendment to Lease dated December 4, 2013 (the "First Amendment") (together, the "Lease") for the lease of approximately 1,061,663 square feet of space, located at 625 Braselton Parkway, Braselton, Georgia 30517, located within Park 85 at Braselton, said space being more particularly described therein (the "Leased Premises"); and

WHEREAS, Landlord and Tenant desire to amend the Lease to, among other things, extend the period of time during which Tenant may use the Flooring Allowance (as the same is defined in the First Amendment), upon the terms and conditions set forth herein.

NOW, THEREFORE, for and in consideration of Ten and No/100 Dollars ($10.00) and other good and valuable consideration in hand paid by each party hereto to the other, the receipt and sufficiency of which are hereby acknowledged, the parties hereto do hereby agree as follows:

1. Incorporation of Recitals and Definitions. The above recitals are hereby incorporated into this Amendment as if fully set forth herein. All capitalized terms used herein but undefined shall have the meaning as defined in the Lease.

2. Flooring Work. Paragraph 6(a) of the First Amendment is hereby amended by (i) deleting "Five Hundred Thousand and No/100 Dollars ($500,000.00)" in clause (A) of the third (3rd) sentence and substituting "Four Hundred Thousand and No/100 Dollars ($400,000.00)" in lieu thereof and (ii) deleting "December 31, 2014" at the end of the fifth (5th) sentence and substituting "December 31, 2015" in lieu thereof.

3. Expenditures. Landlord and Tenant acknowledge and agree that as of November 21, 2014, Tenant has submitted $504,825.00 in expenses for the Flooring Work, and Landlord has reimbursed Tenant in the amount of $252,412.50.

4. Lease Guaranty. Duke Realty Limited Partnership shall also execute this Amendment for the sole purpose of guarantying the obligations of Duke Secured Financing 2009-1 ALZ, LLC hereunder to the extent that Duke Secured Financing 2009-1 ALZ, LLC is responsible under the Amendment for the payment of the Flooring Allowance, as defined in Section 6 of the First Amendment as hereby amended.

5. Brokers. Landlord and Tenant each represents and warrants to the other that, except for Duke Realty Service, LLC representing Landlord, neither party has engaged or had any conversations or negotiations with any broker, finder or other third party concerning the matters set forth in this Amendment who would be entitled to any commission or fee based on the execution of this Amendment. Landlord and Tenant each hereby indemnifies the other against and from any claims for any brokerage commissions and all costs, expenses and liabilities in connection therewith, including, without limitation, reasonable attorneys' fees and expenses, for any breach of the foregoing. The foregoing indemnification shall survive the termination of the Lease for any reason.

6. Examination of Amendment. Submission of this instrument for examination or signature to Tenant does not constitute a reservation or option, and it is not effective until execution by and delivery to both Landlord and Tenant.

7. Incorporation. This Amendment shall be incorporated into and made a part of the Lease, and all provisions of the Lease not expressly modified or amended hereby shall remain in full force and effect. As amended hereby, the Lease is hereby ratified and confirmed by Landlord and Tenant. To the extent the terms hereof are inconsistent with the terms of the Lease, the terms hereof shall control.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed as of the date first set forth above.

LANDLORD:

DUKE SECURED FINANCING 2009-1 ALZ, LLC, a Delaware limited liability company

By: Duke Realty Limited Partnership, an Indiana limited partnership, sole member and manager

By: Duke Realty Corporation, its General Partner

By: [signature]
Name: J. Christopher Brown
Title: SVP Southeast Region

Dated: 12/17/2014

TENANT:

THE WILLIAM CARTER COMPANY, a Massachusetts corporation

By: [signature]
Name: Richard Westenberger
Title: EVP & CFO

Dated: 12/9/2014

Duke Realty Limited Partnership is executing this Amendment for the sole purpose of guarantying the obligations of Duke Secured Financing 2009-1 ALZ, LLC hereunder to the extent Duke Secured Financing 2009-1 ALZ, LLC is responsible under the Amendment for the payment of the Flooring Allowance, as defined in Section 6 of the First Amendment as hereby amended.

Duke Realty Limited Partnership, an Indiana limited partnership, sole member and manager

By: Duke Realty Corporation, its General Partner

By:__________
Name: J. Christopher Brown
Title: SVP Southeast Region

Dated: 12/17/2014

FIRST AMENDMENT TO LEASE AGREEMENT

THIS FIRST AMENDMENT TO LEASE AGREEMENT (this "**Amendment**") is made and entered into as of the 28th day of February, 2013 (the "**Effective Date**"), by and between **PHIPPS TOWER ASSOCIATES, LLC**, a Delaware limited liability company ("**Landlord**"), and **THE WILLIAM CARTER COMPANY**, a Massachusetts corporation, doing business as **Carter's** ("**Tenant**").

WITNESSETH:

WHEREAS, Landlord and Tenant entered into that certain Lease Agreement dated December 14, 2012 (the "**Lease**"), for certain premises in the building known as Phipps Tower and located at 3438 Peachtree Road, Atlanta, Georgia 30326 (the "**Building**"), which premises are more particularly described in Paragraph 1 of the Lease (entitled "**Leased Premises**") (such premises being referred to herein as the "**Leased Premises**" or the "**initial Leased Premises**");

WHEREAS, Tenant has exercised its First Refusal Right to lease an additional 16,709 square feet of Rentable Area in the Building as part of the initial Leased Premises, except as set forth herein, pursuant to Special Stipulation No. 4 of Schedule "G" attached to the Lease (entitled "Right of First Refusal"); and

WHEREAS, Landlord and Tenant desire to evidence such expansion of the initial Leased Premises and to amend certain other terms and conditions of the Lease and evidence their agreements and other matters by means of this Amendment.

NOW, THEREFORE, in consideration of the mutual covenants contained herein, and other good and valuable consideration, the receipt, adequacy and sufficiency of which are hereby acknowledged, the Lease is hereby amended and the parties hereto do hereby agree as follows:

1. Recitals; Capitalized Terms. The recitals set forth above are incorporated herein by reference as if stated in their entireties. All capitalized terms used herein and not otherwise defined herein shall have the meanings ascribed to them in the Lease.

2. Grant of Additional Leased Premises; Adjustment of Leased Premises.

(a) In accordance with the terms of Special Stipulation No. 4 of Schedule "G" attached to the Lease, as the Effective Date, Landlord hereby leases to Tenant, and Tenant hereby leases from Landlord, an additional 16,709 square feet of Rentable Area on Floor 8 of the Building as shown on Schedule "A" attached hereto and by this reference made a part hereof (the "**Additional Leased Premises**"), being deemed a part of the "Leased Premises" and the "initial Leased Premises" as set forth herein. Schedule "A" attached hereto is hereby added to the Lease as Schedule "B10" and is hereby incorporated therein. As of the Effective Date, the total square feet of Rentable Area leased pursuant to the Lease shall be amended to include the Additional Leased Premises and shall thereupon contain a total of approximately 239,439 square feet of Rentable Area, subject to Landlord's and Tenant's re-measurement rights set forth in

Schedule "B" attached to the Lease. The Additional Leased Premises shall be delivered by Landlord to Tenant upon Tenant's written request following the full execution and delivery of this Amendment by both parties hereto in order for Tenant to complete the Leasehold Improvements thereto and shall thereupon become either a part of the Phase I Premises or the Phase II Premises, as applicable.

(b) In furtherance of the foregoing, the parties hereby agree that the 2nd and 3rd sentences of Section 1 of the Lease are hereby deleted in their entirety and are replaced with the following new sentences:

> "Landlord and Tenant agree that the rentable square feet ("**Rentable Area**") of the Leased Premises as measured in accordance with Schedule "B" attached hereto shall contain a total of approximately 239,439 square feet of Rentable Area, and shall consist of the following: (i) approximately 133,349 square feet of Rentable Area on Floors 16 through 20, inclusive, of the Building (subject to the Landlord's and the Tenant's re-measurement rights set forth in Schedule "B" attached hereto), (ii) approximately 11,102 square feet of Rentable Area on Floor 10 (also identified as the "**Crossover Floor**") known as Suite 1050 (subject to the Landlord's and the Tenant's re-measurement rights set forth in Schedule "B" attached hereto), (iii) 16,709 square feet of Rentable Area on Floor 8 ("**Floor 8**"), and (iv) approximately 78,279 square feet of Rentable Area on Floors 5 through 7, inclusive, of the Building (subject to the Landlord's and the Tenant's re-measurement rights set forth in Schedule "B" attached hereto) and the approximate locations are depicted on the Building "Stacking Plan" attached hereto as Schedule "G-1" and on the plans marked Schedules "B1" through "B10", inclusive, attached hereto. The parties agree that the Rentable Area of the Leased Premises will be determined by space planning and programming and that Tenant may, at its sole election, increase the Rentable Area of the Leased Premises by up to 15% or decrease the Rentable Area by no more than 16,709 square feet of Rentable Area (which reduction will not, in any event, include Floor 8), written notice of which must be provided to Landlord by March 18, 2013, failing which, Tenant will be deemed to be leasing the above described and defined Leased Premises."

3. Terms of the Lease. Except as set forth herein, the Additional Leased Premises shall be subject to all terms and conditions of the Lease, as amended herein, including without limitation the following: (a) the Term of the Lease with respect to the Additional Leased Premises shall commence on the Commencement Date and expire on the Expiration Date, unless sooner terminated or extended pursuant to the terms of the Lease, as amended herein, (b) Basic Rent, Tenant's Proportionate Share, Abatement, and the Advance Monthly Rental Payment to be paid by Tenant to Landlord for the Leased Premises shall be deemed to include, and shall include, the Additional Leased Premises, (c) the Allocated Permits in the Building's Parking Facility shall be adjusted by Landlord (or Landlord's designee) to include the Additional Leased Premises in accordance with the terms of Paragraph 28 of the Lease, and (d) all terms and conditions of Schedule "F" attached to the Lease (entitled "Leasehold Improvements") shall be applicable to the Additional Leased Premises, including, without limitation, application of the Allowance.

4. Brokers. Tenant represents and warrants to Landlord that neither it nor its officers or agents nor anyone acting on its behalf has dealt with any real estate broker other than Crescent, which represented Landlord, and Cushman & Wakefield, which represented Tenant in the negotiating and making of this Amendment, and Tenant agrees to indemnify and hold Landlord, its agents, employees, partners, directors, shareholders and independent contractors harmless from all liabilities, costs, demands, judgments, settlements, claims, and losses, including reasonable attorneys' fees and costs, incurred by Landlord in conjunction with any such claim or claims of any other broker or brokers claiming to have interested Tenant in the Building, the Leased Premises or the Additional Leased Premises, or claiming to have caused Tenant to enter into this Amendment.

5. No Defaults. Tenant hereby agrees that there are, as of the date hereof, regardless of the giving of notice or the passage of time, or both, no defaults or breaches on the part of Landlord or Tenant under the Lease.

6. Headings. The headings used herein are provided for convenience only and are not to be considered in construing this Amendment.

7. Entire Agreement. This Amendment represents the entire agreement between the parties with respect to the subject matter hereof. Landlord and Tenant agree that there are no collateral or oral agreements or understandings between them with respect to the Leased Premises, the Additional Leased Premises or the Building other than the Lease and this Amendment. This Amendment supersedes all prior negotiations, agreements, letters or other statements with respect to the matters addressed herein.

8. Binding Effect. This Amendment shall not be valid and binding on Landlord and Tenant unless and until it has been completely executed by and delivered to both parties.

9. Confirmation of Lease. Except as expressly amended and modified by this Amendment, the Lease shall otherwise remain unmodified and in full force and effect, and the parties hereto hereby ratify and confirm the same. To the extent of any inconsistency between the Lease and this Amendment, the terms of this Amendment shall control.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK;
SIGNATURES COMMENCE ON THE FOLLOWING PAGE]

IN WITNESS WHEREOF, the undersigned parties have duly executed this Amendment under seal as of the day and year first above written.

LANDLORD:

PHIPPS TOWER ASSOCIATES, LLC,
a Delaware limited liability company

By: John Hancock Life Insurance Company (U.S.A.),
a Michigan corporation, its Manager

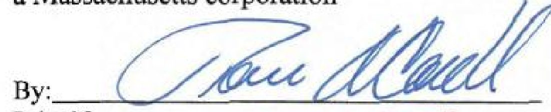
By: Terry L. Gilliam
Terry L. Gilliam
Managing Director, Southeastern U.S.

[SIGNATURES CONTINUE ON THE FOLLOWING PAGE]

[SIGNATURES CONTINUED FROM PREVIOUS PAGE]

TENANT:

THE WILLIAM CARTER COMPANY,
a Massachusetts corporation



By:__________________________
Print Name: Thomas A. Carroll
Title: VP - Real Estate

SCHEDULE "A"

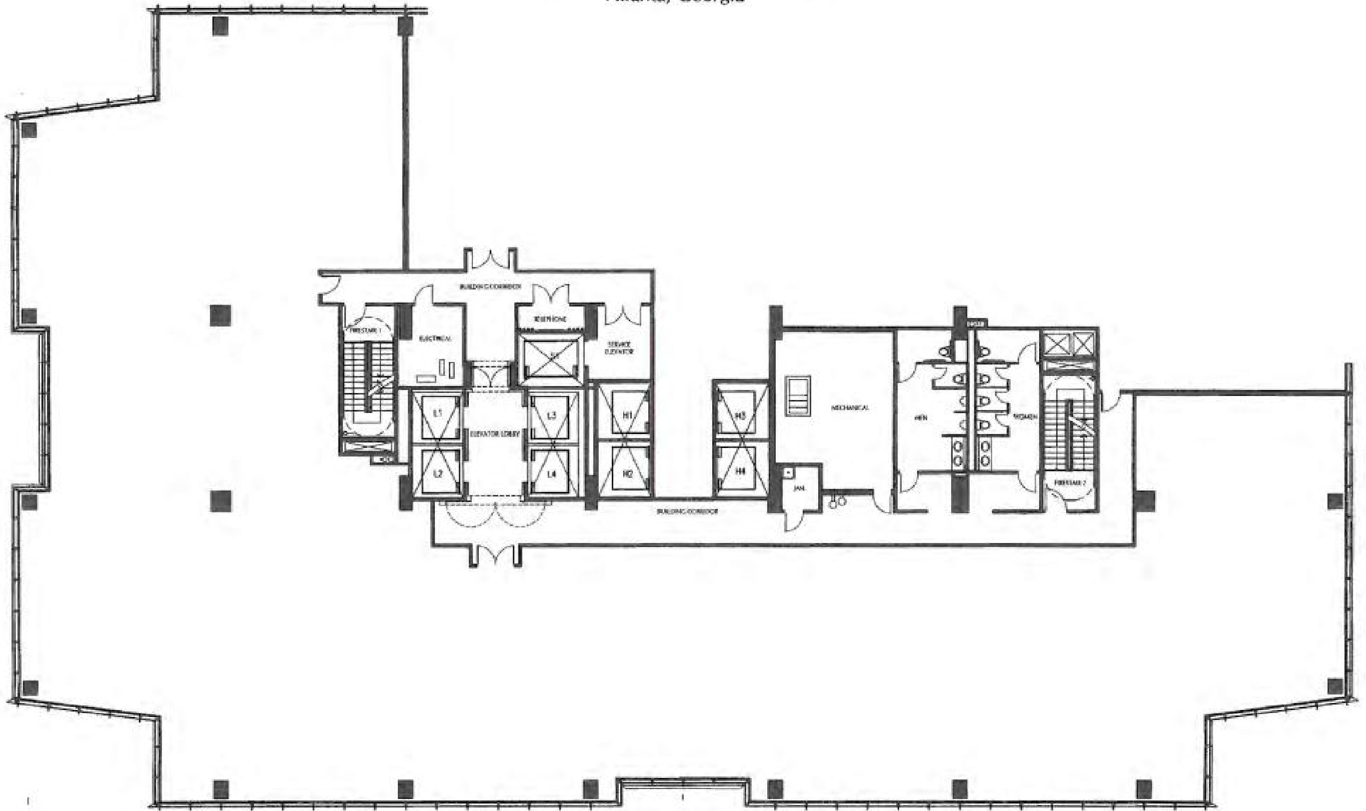
(Location of Additional Leased Premises cross-hatched)

This Schedule is for identification purposes only and is not to be interpreted as being a representation or warranty on the part of the Landlord as to the exact location, area, configuration and layout.

[TO BE PROVIDED]

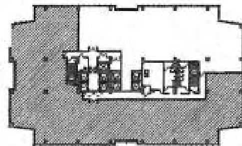
PHIPPS TOWER

Atlanta, Georgia



Available Space

8th Floor - Suite 800
16,709 RSF



CRESCENT RESOURCES LLC

Exhibit 10.17

THIRD AMENDMENT TO LEASE AGREEMENT

THIS THIRD AMENDMENT TO LEASE AGREEMENT (this "**Amendment**") is made and entered into as of the 31st day of August, 2016, with the intent to be bound hereby as of May 1, 2016, by and between **JOHN HANCOCK LIFE INSURANCE COMPANY (U.S.A.)**, a wholly owned subsidiary of Manulife Financial Corporation ("**Landlord**"), and **THE WILLIAM CARTER COMPANY**, a Massachusetts corporation doing business as Carter's ("**Tenant**").

WITNESSETH:

WHEREAS, Phipps Tower Associates, LLC ("**Original Landlord**") and Tenant entered into that certain Lease Agreement (the "**Original Lease**") dated December 14, 2012, as amended by that certain First Amendment to Lease Agreement dated February 28, 2013, as further amended by that certain Second Amendment to Lease Agreement (the "**Second Amendment**") dated June 17, 2013, as further amended by that certain letter agreement dated November 13, 2013, and as further amended by that certain letter agreement dated March 11, 2014 (collectively, as so amended, the "**Existing Lease**"; the Existing Lease, as amended by this Amendment, the "**Lease**"), for certain premises in the building known as Phipps Tower and located at 3438 Peachtree Road, Atlanta, Georgia (the "**Building**"), consisting of approximately 291,610 square feet of Rentable Area (the "**Existing Premises**");

WHEREAS, Tenant has exercised its First Expansion Option for the 2nd Floor Option Space (as defined in the Second Amendment), being Suite 200 consisting of approximately 12,403 square feet of Rentable Area, as more particularly shown on Schedule "G-6" to the Second Amendment (the "**2nd Floor Expansion Space**"); and

WHEREAS, Landlord and Tenant desire to evidence the expansion of the Existing Premises pursuant to the First Expansion Option and to amend certain other terms and conditions of the Existing Lease by means of this Amendment.

NOW, THEREFORE, in consideration of the mutual covenants contained herein, and other good and valuable consideration, the receipt, adequacy and sufficiency of which are hereby acknowledged, the Existing Lease is hereby amended and the parties hereto do hereby agree as follows:

1. Recitals; Capitalized Terms. The recitals set forth herein above are incorporated herein as if restated in their entirety. All capitalized terms used herein and not otherwise defined herein shall have the meanings ascribed to them in the Existing Lease.

2. Premises. The parties acknowledge and agree that the Premises have been and are comprised of the following:

(a) Effective as of May 1, 2014, Tenant leased a total of 274,901 square feet of Rentable Area on floors 3-7, 10, and 16-20 of the Building, pursuant to the Lease. The Rentable Area is comprised of 144,451 square feet on floors 10-20 and 130,450 square feet on floors 3-7 (collectively, the "**Initial Premises**").

(b) Effective as of May 1, 2015, Tenant leased an additional 16,708 square feet of Rentable Area on the 8th floor of the Building pursuant to Special Stipulation I.3. of Schedule "G" to the Original Lease, as amended by Section 5 of the Second Amendment. Therefore, the total Rentable Area of the Premises increased to 291,610 square feet, comprised of 144,451 square feet on floors 10-20 and 147,159 square feet on floors 3-8 (collectively, the "**Existing Premises**").

(c) Pursuant to **Paragraph 3** below, effective as of May 1, 2016, Tenant leases an additional 12,403 square feet of Rentable Area on the 2nd floor of the Building pursuant to Special Stipulation I.1. of Schedule "G" to the Original Lease, as amended by Section 5 of the Second Amendment (as amended, the "**First Expansion Option**"), including but not limited to Tenant's rights to an Allowance and an Abatement in the amounts set forth in this Amendment (calculated in accordance with the First Expansion Option). Therefore, the total Rentable Area increases to 304,013 square feet, divided into 144,451 square feet on floors 10-20 and 159,562 square feet on floors 2-8.

3. Grant of 2nd Floor Expansion Space. Effective as of May 1, 2016 (the "**2nd Floor Commencement Date**"), Landlord agrees to lease to Tenant and Tenant agrees to lease from Landlord, for the entire Term, as may be extended, and subject to and in accordance with the terms of the Lease, the 2nd Floor Expansion Space. As of the 2nd Floor Commencement Date, and subject to the terms of the Lease: (a) the 2nd Floor Expansion Space shall be subject to all of the terms and conditions of the Lease (including the insurance and indemnity provisions of the Lease) for the entire Term, as may be extended; (b) all references in the Lease to the "Premises" or the "Leased Premises" shall be deemed to include the Existing Premises and the 2nd Floor Expansion Space; (c) the total Rentable Area of space leased on floors 2-20 of the Building pursuant to the Lease shall be 304,013 square feet of Rentable Area in the Building; (d) the Allocated Permits in the Building's Parking Facility shall be adjusted by Landlord (or Landlord's designee) to include the 2nd Floor Expansion Space in accordance with the terms of Paragraph 28 of the Original Lease (i.e., the Allocated Permits shall be increased by 30 parking spaces in the Parking Facility). Landlord and Tenant acknowledge and agree that the foregoing expansion is pursuant to an exercise by Tenant of the First Expansion Option. Landlord and Tenant further acknowledge and agree that any further expansion pursuant to the First Expansion Option requires notice on or before December 31, 2015, that Tenant has not given any such notice to Landlord (except with respect to the 2nd Floor Expansion Space), and that therefore such provision is of no further force or effect and is hereby deleted from the Lease (subject only to the expansion hereunder respecting the 2nd Floor Expansion Space). The parties acknowledge that Landlord gave, and Tenant accepted, possession of the 2nd Floor Expansion Space on May 1, 2016, and that Tenant may commence construction of its leasehold improvements at any time thereafter.

4. Basic Rent. Tenant shall continue to pay Basic Rent with respect to the Existing Premises pursuant to the terms of the Existing Lease. From and after the 2nd Floor Commencement Date, Basic Rent with respect to the 2nd Floor Expansion Space shall be as follows (which shall be paid in addition to, and concurrent with, Basic Rent for the Existing Premises):

Period	Annual Rate/RSF	Annual Basic Rent	Monthly Basic Rent
May 1, 2016 – April 30, 2017	$20.00	$248,060.04	$20,671.67

Period	Annual Rate/RSF	Annual Basic Rent	Monthly Basic Rent
May 1, 2017 – April 30, 2018	$20.80	$257,982.36	$21,498.53
May 1, 2018 – April 30, 2019	$20.80	$257,982.36	$21,498.53
May 1, 2019 – April 30, 2020	$20.80	$257,982.36	$21,498.53
May 1, 2020 – April 30, 2021	$21.63	$268,276.92	$22,356.41
May 1, 2021 – April 30, 2022	$21.63	$268,276.92	$22,356.41
May 1, 2022 – April 30, 2023	$21.63	$268,276.92	$22,356.41
May 1, 2023 – April 30, 2024	$22.50	$279,067.56	$23,255.63
May 1, 2024 – April 30, 2025	$22.50	$279,067.56	$23,255.63
May 1, 2025 – April 30, 2026	$22.50	$279,067.56	$23,255.63
May 1, 2026 – April 30, 2027	$23.40	$290,230.20	$24,185.85
May 1, 2027 – April 30, 2028	$23.40	$290,230.20	$24,185.85
May 1, 2028 – April 30, 2029	$23.40	$290,230.20	$24,185.85
May 1, 2029 – April 30, 2030	$24.34	$301,889.04	$25,157.42

Notwithstanding the foregoing Basic Rent schedule, pursuant to the terms of the First Expansion Option, Tenant shall be entitled to (i) an abatement of monthly Basic Rent for the 2nd Floor Expansion Space for the initial ten and one-half (10.5) months from and after the 2nd Floor Commencement Date (the "**Expansion Abatement Period**"), plus (ii) an abatement of Tenant's payments of Additional Rent attributable to the 2nd Floor Expansion Space during the Expansion Abatement Period and (iii) an abatement of Tenant's 30 Allocated Permits attributable to the 2nd Floor Expansion Space during the Expansion Abatement Period (items (i) through (iii), collectively, the "**Expansion Abatement**"). In the event of a monetary Event of Default by Tenant under the Lease during the initial Term beyond any applicable notice and cure periods, which results in an early termination of the Lease, the foregoing Expansion Abatement shall be amortized on a straight-line basis over the period commencing upon May 1, 2016, and running through and including the last day of the initial Term, and any unamortized amounts of the Expansion Abatement at the time of such early termination of the Lease shall become a component of Landlord's damages under the Lease.

5. Additional Rent/Taxes and Operating Expenses. Tenant shall continue to pay Additional Rent pursuant to the terms of the Existing Lease; provided, however, that as of the 2nd Floor Commencement Date (and subject to the Expansion Abatement as set forth in **Paragraph 4 above**), the following definitions in Section 2(d) of Schedule "C" of the Original Lease are amended as follows:

(a) Tenant's Proportionate Share = 304,013 ÷ 481,703 = 0.63112 = 63.112%.

(b) Fitness Facility Proportionate Share of the Building = 4,000 ÷ 481,703 = 0.0083 = 0.83%.

(c) Tenant's Proportionate Share plus its Proportionate Share of the Fitness Facility = 0.63112 + (0.0083 x 0.63112) = 0.636358 = 63.6358%.

6. Acceptance of Premises; Improvements to 2nd Floor Expansion Space.

(a) The parties acknowledge that Landlord gave possession of the 2nd Floor Expansion Space to Tenant on May 1, 2016, and Tenant accepted possession on such date.

(b) Tenant shall have the right to make improvements to the 2nd Floor Expansion Space subject to and in accordance with the terms and conditions of Schedule "F" of the Original Lease, *mutatis mutandis*; provided, however, that (i) Tenant shall not have any right to utilize the Staging Area during construction of the Leasehold Improvements in and to the 2nd Floor Expansion Space, (ii) the list of pre-approved contractors attached to the Original Lease as Schedule "F-2" is hereby deleted and replaced with **Schedule "F-2"** attached hereto and incorporated herein by this reference, (iii) pursuant to the terms of the First Expansion Option, all references to the "Allowance" shall refer to a sum equal to $73.0625 per square foot of Rentable Area of the 2nd Floor Expansion Space (i.e., $906,194.19 in the aggregate), (iv) pursuant to the terms of the First Expansion Option, all references to the "Discretionary Portion of the Allowance" shall refer to a sum equal to $17.50 per square foot of Rentable Area of the 2nd Floor Expansion Space (i.e., $217,052.50 in the aggregate), (v) all references in Paragraph 6 of Schedule "F" to "2015" are hereby deleted and replaced with "2017", (vi) there shall be no Test Fit Allowance, and (vii) with respect to Paragraph 16 of Schedule "F", (1) Landlord shall be responsible for ensuring that upon delivery of the 2nd Floor Expansion Space to Tenant, that all mechanical and electrical systems including all existing VAV units are installed and are in proper working order, (2) Landlord represents and warrants that the common corridor on the 2nd floor has already been created and the corridor and elevator lobby have already been improved using Building standard finishes, and no further Partial Floor Work is required, and (3) the parties agree that there is no Cross-Over Floor Work applicable to Tenant's expansion hereunder.

7. Brokers. Each party represents and warrants to the other that neither it nor its officers or agents nor anyone acting on its behalf has dealt with any real estate broker other than Cushman & Wakefield, which represented Tenant in the negotiating and making of this Amendment (and shall be paid a commission by Landlord in accordance with a separate agreement), and each party agrees to indemnify and hold the other party and such other party's agents, employees, partners, directors, shareholders and independent contractors harmless from all liabilities, costs, demands, judgments, settlements, claims, and losses, including reasonable attorneys' fees and costs, incurred by such other party in conjunction with any such claim or claims of any other broker or brokers claiming to have represented the indemnifying party in connection with this Amendment.

8. Headings. The headings used herein are provided for convenience only and are not to be considered in construing this Amendment.

9. Entire Agreement. This Amendment represents the entire agreement between the parties with respect to the subject matter hereof. Landlord and Tenant agree that there are no collateral or oral agreements or understandings between them with respect to the Existing Premises, the Expansion Space or the Building other than the Existing Lease and this Amendment. This Amendment supersedes all prior negotiations, agreements, letters or other statements with respect to the matters addressed herein.

10. Binding Effect. This Amendment shall not be valid and binding on Landlord and Tenant unless and until it has been completely executed by and delivered to both parties.

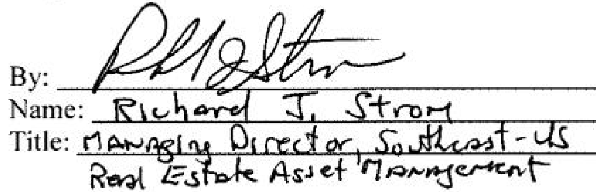
11. Confirmation of Lease. Except as expressly amended and modified by this Amendment, the Existing Lease shall otherwise remain unmodified and in full force and effect, and the parties hereto hereby ratify and confirm the same. To the extent of any inconsistency between the Existing Lease and this Amendment, the terms of this Amendment shall control.

*[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK;
SIGNATURES BEGIN ON THE FOLLOWING PAGE]*

IN WITNESS WHEREOF, the undersigned parties have duly executed this Amendment under seal as of the day and year first above written.

LANDLORD:

JOHN HANCOCK LIFE INSURANCE COMPANY (U.S.A.), a Michigan corporation, and wholly owned subsidiary of Manulife Financial Corporation



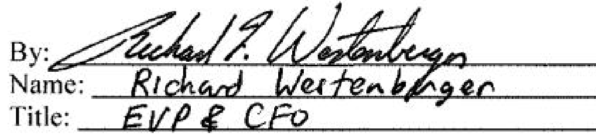
By: ______________________
Name: Richard J. Strom
Title: Managing Director, Southeast-US Real Estate Asset Management

[SIGNATURES CONTINUE ON THE FOLLOWING PAGE]

[SIGNATURES CONTINUED FROM PREVIOUS PAGE]

TENANT:

THE WILLIAM CARTER COMPANY,
a Massachusetts corporation



By: ______________________
Name: Richard Westenberger
Title: EVP & CFO

SCHEDULE "F-2"

APPROVED SUBCONTRACTORS

Mechanical	Maxair Mechanical & McKenney's Mechanical
Plumbing	Maxair Mechanical & McKenney's Mechanical
Air Conditioning	Maxair Mechanical & McKenney's Mechanical
Sheet Metal	Maxair Mechanical & McKenney's Mechanical
BAS Controls	Waypoint Systems
Air Balancing	Research Air Flo, Inc.
Water Treatment	Momar/Aquatrol
Electrical	Allison-Smith, Pirkle Electric & MacLean Riggins
Lighting Control	Allison-Smith, Pirkle Electric & MacLean Riggins
Tenant Metering	Pirkle Electric
Fire Systems	Advantage Fire Sprinkler & Century Fire Protection
Mill Work	Onsite
Voice/Data Cabling	ATS Cabling
Windows and Glass Doors	Atlanta Contract Glazing
Elevators	Otis USA Inc.
Parking	Laz Parking
Fire Alarm System	Convergint Technologies
Security Systems	Innovative Electronic Controls
Cleaning	Allied Cleaning

FOURTH AMENDMENT TO LEASE AGREEMENT

This Fourth Amendment to Lease Agreement (the "**Fourth Amendment**") is made and entered into as of Dec-01-2021, with the intent to be bound hereby on June 30, 2021 (the "**Fourth Amendment Effective Date**"), by and between **HANCOCK S-REIT ATL PHIPPS LLC**, a Delaware limited liability company (the "**Landlord**"), successor by assignment to John Hancock Life Insurance Company (U.S.A); and **THE WILLIAM CARTER COMPANY**, a Massachusetts corporation, doing business as "Carter's" (the "**Tenant**").

WHEREAS, Landlord and Tenant are parties to that certain Lease Agreement dated December 14, 2012 (the "**Original Lease**"), as amended by the First Amendment to Lease Agreement dated February 28, 2013 (the "**First Amendment**"), the Second Amendment to Lease Agreement dated June 17, 2013 (the "**Second Amendment**"), letter agreements dated November 13, 2013 and March 11, 2014 (the "**Letter Agreements**"), and the Third Amendment to Lease Agreement dated August 31, 2016 (the "**Third Amendment**"; the Original Lease, the First Amendment, the Second Amendment, the Letter Agreements, and the Third Amendment are hereinafter collectively referred to as the "**Lease**"), whereby Landlord leases to Tenant an aggregate of approximately 304,013 square feet of Rentable Area in the building commonly known as Phipps Tower, located at 3438 Peachtree Road, NE, Atlanta, Georgia 30326 (the "**Building**"), comprised of approximately 159,562 square feet of Rentable Area located on Floors 2 – 8 of the Building (such floors being located on the lower elevator bank of the Building), and approximately 144,451 square feet of Rentable Area located on Floors 10 and 16– 20 of the Building (such floors being located on the upper elevator bank of the Building) (collectively, the "**Premises**") for a term that is scheduled to expire on April 30, 2030, unless extended or sooner terminated in accordance with the terms of the Lease;

WHEREAS, the Original Lease contains an option for Tenant to contract the Premises (the "**Contraction Option**"); Tenant has timely exercised the Contraction Option; and the parties desire to amend the Lease to document the reduction in the Rentable Area of the Premises and amend certain other terms and conditions of the Lease as set forth herein;

NOW THEREFORE, in consideration of the above premises, the parties agree as follows:

1. Definitions. Unless otherwise defined herein, the capitalized terms used in this Fourth Amendment shall have the same definitions set forth in the Lease.

2. Effective Date. Unless otherwise set forth herein, the agreements contained herein shall be effective as of the Fourth Amendment Effective Date.

3. Reduction of Premises.

   (a) *Contraction Space.* In accordance with the terms of the Contraction Option, Tenant specified that the space to be eliminated from the Premises is the portion of the Premises comprised of the entire rentable area of the Fourth (4th) Floor of the Building, containing approximately 26,093 rentable square feet of space (the "**Contraction Space**").

(b) *Reduction of Premises.* Effective June 30, 2021, specified in the Contraction Option as the "**Contraction Space Termination Date,**" the Contraction Space shall no longer be a part of the Premises. Tenant shall continue to be liable for its obligations under the Lease to and through the Contraction Space Termination Date, including, without limitation, any reconciliation of Tenant's Proportionate Share of the amount of Landlord's Taxes and Tenant's Proportionate Share of the amount of Operating Costs with respect to the Contraction Space. From and after the Contraction Space Termination Date, the Premises shall consist of an aggregate of approximately 277,920 square feet of Rentable Area comprised of approximately 133,469 square feet of Rentable Area located on Floors 2-3 and 5-8 of the Building (such floors being located on the lower elevator bank of the Building), and approximately 144,451 square feet of Rentable Area located on Floors 10 and 16 – 20 of the Building (such floors being located on the upper elevator bank of the Building. The spaces comprising the Premises following the Contraction Space Termination Date are shown below:

Suites Comprising Premises as of July 1, 2021

Suite	RSF
200	12,403
300	26,078
500	26,093
600	26,093
700	26,093
800	16,709
1050	11,102
1600	26,793
1700	26,793
1800	26,793
1900	26,793
2000	26,177
Total RSF	**277,920**

(c) *Contraction Fee.* The parties acknowledge and agree that the Contraction Fee due in accordance with the terms of the Contraction Option is in the amount of Three Million, One Hundred Sixty-five Thousand, Eight Hundred Fifty and 94/100 Dollars ($3,165,850.94) and has been paid in full by Tenant to Landlord prior to the Fourth Amendment Effective Date hereof.

(d) *Adjustment to Basic Rent.* Subject to the terms of Paragraph 3(f) below, effective July 1, 2021, the Contraction Space shall be eliminated from the Premises in

determining the Basic Rent owed by Tenant. As a result, the Basic Rent applicable to the portions of the Premises located on Floors 2-3 and 5-8 (which are located on the lower elevator bank), is set forth in the below chart:

Basic Rent
Suites 200, 300, 500, 600, 700 and 800
133,469 RSF
As of July 1, 2021

Period	Months	Annual Rate/RSF	Monthly Basic Rent
07/01/21 – 04/30/23	22	$21.63	$240,577.87
05/01/23 – 04/30/26	36	$22.50	$250,254.38
05/01/26 – 04/30/29	36	$23.40	$260,264.55
05/01/29 – 04/30/30	12	$24.34	$270,719.62

Nothing contained herein shall affect the Basic Rent applicable to Floors 10 and 16-20 (which are located on the upper elevator bank), which shall be and remain calculated in accordance with the terms of the Lease in effect prior to the Fourth Amendment Effective Date hereof.

(e) *Adjustment to Additional Rent.* Subject to the terms of Paragraph 3(f) below, effective July 1, 2021, Tenant's Proportionate Share shall be reduced to reflect the reduction in Rentable Area of the Premises. Tenant shall continue to be liable for its obligations under the Lease to and through the Contraction Space Termination Date, including, without limitation, any reconciliation of Tenant's Proportionate Share of the amount of Landlord's Taxes and Tenant's Proportionate Share of the amount of Operating Costs with respect to the Contraction Space. Accordingly, in the event that Landlord's Statement of Tenant's Additional Rent for the Fiscal Period including any period of time during which the Contraction Space was part of the Premises shows that Tenant has underpaid Additional Rent applicable to such Fiscal Period, then Tenant shall be responsible for the portion of the additional amount owed by Tenant that is attributable to the Contraction Space during such portion of such Fiscal Period; and, if such Statement shows that Tenant has overpaid Additional Rent applicable to such Fiscal Period, then Tenant shall be entitled to a refund of the amount of such overpayment that is attributable to the Contraction Space during such portion of such Fiscal Period. Subject to the foregoing, Tenant's Proportionate Share shall be adjusted on July 1, 2021 as shown below:

(i) Tenant's Proportionate Share: 57.695% [277,920/481,703 = 0.57695].

(ii) Fitness Facility Proportionate Share of the Building: 0.83% [0.0083]

(iii) Tenant's Proportionate Share plus Tenant Proportionate Share of the Fitness Facility: 58.174% [0.57695 + (0.0083 x 0.57695) = 0.58174]

(f) *Surrender of Contraction Space*. Landlord and Tenant acknowledge and agree that Tenant has surrendered possession of the Contraction Space unto Landlord as of the Contraction Space Termination Date. Except for the supplemental HVAC system, which may remain in the Contraction Space, and the Furnishings, defined in Section 3(g) below, which shall remain in the Contraction Space subject to the provisions of Section 3(g), Landlord and Tenant acknowledge and agree that, as of the Contraction Space Termination Date, the Contraction Space has been returned to Landlord (a) free of all of Tenant's computers, copiers, servers, trade fixtures, equipment and other items of personal property, (b) broom clean and free of debris, (c) with the card readers on the elevator lobby fire doors and stairwell doors within the Contraction Space remaining in place but with Tenant's access thereto deactivated, and (d) in the condition required under the Lease for the surrender of the Premises upon the expiration of the term of the Lease.

(g) *Furnishings*. "**Furnishings**" shall mean all items of furniture and workstations of Tenant located in the Contraction Space and listed on **Exhibit A**, attached hereto and incorporated herein by reference thereto. Tenant warrants unencumbered title to the Furnishings and represents that no party other than Tenant has any lien, security or other interest in the Furnishings. Subject to Tenant's express representations provided in the prior sentence, Landlord shall accept the Furnishings in "AS IS, WHERE IS" condition with no express or implied warranties of any kind whatsoever. From and after the Contraction Space Termination Date, the Furnishings shall belong to Landlord to be used by Landlord or any subsequent tenant of Landlord, disposed of in any manner, or transferred by Landlord to any third-party, at Landlord's sole discretion. By its execution hereof, Tenant hereby conveys all of the right, title and interest of Tenant in and to the Furnishings unto Landlord effective from and after the Contraction Space Termination Date. Except as otherwise provided herein, if Landlord desires to dispose of or remove the Furnishings from the Premises, Tenant, within thirty (30) days' after receiving written notice thereof from Landlord (the "**Notice**"), shall pay Landlord all third party costs actually incurred by Landlord in removing and disposing of the Furnishings (the "**Furnishings Removal Cost**") not to exceed Fifty Thousand Dollars ($50,000.00) (the "**Cap**"), so long as Landlord provides Tenant with the Notice no later than June 30, 2022; provided, however, prior to sending the Notice to Tenant, Landlord agrees to exert Commercially Reasonable Efforts, defined below, to sell the Furnishings, the proceeds of which (the "**Furnishings Proceeds**") shall belong solely to Landlord; provided, however, any Furnishings Proceeds received by Landlord in excess of any third party costs

actually incurred by Landlord in selling the Furnishings shall be credited (the **"Proceeds Credit"**) to any amounts Tenant may owe Landlord for the Furnishings Removal Cost. **"Commercially Reasonable Efforts"** shall mean that Landlord shall contact no fewer than three (3) office furniture vendors, one of whom shall be DeKalb Office Environments, Inc., to solicit offers to purchase the Furnishings. If any Furnishings remain unsold after Landlord has exercised Commercially Reasonable Efforts and provided Tenant with the Notice, Tenant shall pay Landlord the Furnishings Removal Costs, reduced by the Proceeds Credit, if any, and not exceeding the Cap.

(h) *Parking Spaces.* Effective July 1, 2021, the number of Allocated Permits made available to Tenant shall be reduced to the number of Allocated Permits resulting from the application of the parking ratio stated in Section 28 of the Lease to the reduced Rentable Area of the Premises applicable after the Contraction Space Termination Date.

4. Address for Rental Payments. All payments of Rent shall be made payable to Landlord and shall be sent to Landlord at the following lockbox address:

JHUSA Hancock S-REIT ATL Phipps, LLC (SRTAT2)
P.O. Box 412333
Boston, MA 02241-2333

Courier Delivery for Overnight Mail:

Bank of America Lockbox Services
JHUSA Hancock S-REIT ATL Phipps LLC (SRTAT2)
Lockbox#412333
MA5-527-02-07
2 Morrissey Blvd.
Dorchester, MA 02125

5. Addresses for Notices. Landlord's addresses for notices set forth in Section 22 of the Original Lease are hereby deleted; the following addresses shall be substituted therefor; and all other and further notices to the Landlord shall be addressed to Landlord at the following addresses:

[*Addresses for notices appear on next page*]

Hancock S-REIT ATL Phipps LLC
c/o John Hancock Real Estate
Atlanta Real Estate Office
3438 Peachtree Road, Suite 230
Atlanta, Georgia 30326
Attention: Property Manager

with a copy to:

Hancock S-REIT ATL Phipps LLC
c/o John Hancock Real Estate
Atlanta Real Estate Office
1170 Peachtree Street, Suite 1865
Atlanta, Georgia 30309
Attention: Lease Administration

6. Agency Disclosure. Landlord has been represented in this transaction by John Hancock Life Insurance Company (U.S.A.), d/b/a John Hancock Real Estate ("**Landlord's Broker**"), and, to the extent that any commission is owed to Landlord's Broker in connection with this transaction, such commission shall be paid by Landlord pursuant to a separate agreement by and between Landlord and Landlord's Broker. Tenant warrants and represents that it is not represented by any broker in connection with the negotiation or execution of this Fourth Amendment.

7. Multiple Counterparts; Electronic Signatures. This Fourth Amendment may be executed in multiple counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same agreement. The counterparts of this Fourth Amendment may be executed by electronic signatures and may be delivered electronically by either party to the other party and the receiving party may rely on the receipt of such document so executed and delivered by electronic means as if the executed original had been received; provided, however, that each party agrees, if requested by the other party, to execute a hard-copy original of this Fourth Amendment and to deliver such executed hard-copy original to the other party.

8. Lease in Effect. Except as modified herein, all terms and conditions of the Lease in effect as of the Fourth Amendment Effective Date shall be and remain in full force and effect, and the same are hereby ratified and affirmed by Landlord and Tenant.

IN WITNESS WHEREOF, the undersigned have sealed and executed this Fourth Amendment as of the Fourth Amendment Effective Date stated above.

"LANDLORD":

HANCOCK S-REIT ATL PHIPPS LLC,
a Delaware limited liability company

By: John Hancock Life Insurance Company (U.S.A.), as agent for Landlord

By: Richard J. Strom
Richard J. Strom
Managing Director, Southeast-US
Real Estate Asset Management

[*Signatures continue on next page*]

TENANT:

THE WILLIAM CARTER COMPANY,
a Massachusetts corporation

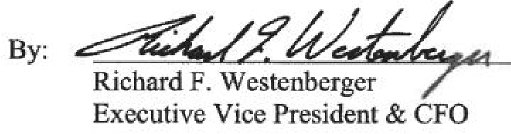
By: 
Richard F. Westenberger
Executive Vice President & CFO

EXHIBIT A

List of Furnishings

(1) 156 workstations (consisting of desk, credenza, and storage cabinet)
(2) Furnishings in 7 offices (consisting of desk, credenza, and storage cabinet)
(3) 1 permanent conference room table
(4) 8 tall parsons tables

Exhibit 10.19

FIFTH AMENDMENT TO LEASE

This Fifth Amendment to Lease (the "**Fifth Amendment**") is made and entered into on February 9, 2023 (the "**Fifth Amendment Effective Date**"), by and between **HANCOCK S-REIT ATL PHIPPS LLC**, a Delaware limited liability company (the "**Landlord**"); and **THE WILLIAM CARTER COMPANY**, a Massachusetts corporation, doing business as "Carter's" (the "**Tenant**").

WHEREAS, Landlord and Tenant are parties to that certain Lease Agreement dated December 14, 2012 (the "**Original Lease**"), as amended by the First Amendment to Lease Agreement dated February 28, 2013 (the "**First Amendment**"), the Second Amendment to Lease Agreement dated June 17, 2013 (the "**Second Amendment**"), letter agreements dated November 13, 2013 and March 11, 2014 (the "**Letter Agreements**"), the Third Amendment to Lease Agreement dated August 31, 2016 (the "**Third Amendment**"), and the Fourth Amendment to Lease Agreement dated December 1, 2021 (the "**Fourth Amendment**"; the Original Lease, the First Amendment, the Second Amendment, the Letter Agreements, the Third Amendment, and the Fourth Amendment are hereinafter collectively referred to as the "**Lease**"), whereby Landlord leases to Tenant an aggregate of approximately 277,920 square feet of Rentable Area (the "**Premises**") in the building commonly known as Phipps Tower, located at 3438 Peachtree Road, NE, Atlanta, Georgia 30326 (the "**Building**"), for a term that commenced on May 1, 2014 and is scheduled to expire on April 30, 2030 (the "**Term**"), the Premises being comprised of the following Suites in the Building:

Suites comprising Premises
as of Fifth Amendment Effective Date

Suite	RSF
200	12,403
300	26,078
500	26,093
600	26,093
700	26,093
800	16,709
1050	11,102
1600	26,793
1700	26,793
1800	26,793
1900	26,793
2000	26,177
Total RSF	**277,920**

WHEREAS, the parties desire to extend the Term, to provide for a reduction in the Rentable Area of the Premises, and to otherwise amend certain terms of the Lease;

NOW THEREFORE, in consideration of the above premises, the parties agree as follows:

1. Definitions. Unless otherwise defined herein, the capitalized terms used in this Fifth Amendment shall have the same definitions set forth in the Lease.

2. Effective Date. Unless otherwise set forth herein, the agreements contained herein shall be effective as of the Fifth Amendment Effective Date.

3. Extension of Term. The Term of the Lease is hereby extended through July 31, 2035.

4. Reduction of Premises. Effective January 1, 2023 (the "**Reduction Date**"), the Premises shall be reduced by eliminating approximately 68,880 square feet of Rentable Area from the Premises, comprised of the following Suites of the Building: Suite 300 (26,078 rentable square feet ("**RSF**"), Suite 500 (26,093 RSF), and Suite 800 (16,709 RSF) (collectively, the "**Relinquished Space**"). Tenant shall continue to be responsible for its obligations under the Lease as to the Relinquished Space through December 31, 2022, including, without limitation, payment of all Rent applicable to the Relinquished Space, including Tenant's Proportionate Share of Landlord's Taxes and Tenant's Proportionate Share of the amount of Operating Costs attributable to the Relinquished Space, although reconciliation of such amounts will occur after the Reduction Date. From and after the Reduction Date, the Premises shall contain approximately 209,040 square feet of Rentable Area (the "**Retained Space**"), comprised of the following Suites of the Building:

Suites comprising Premises as of Reduction Date

Suite	**RSF**
200	12,403
600	26,093
700	26,093
1050	11,102
1600	26,793
1700	26,793
1800	26,793
1900	26,793
2000	26,177
Total RSF	**209,040**

5. Surrender of Relinquished Space. Tenant shall surrender possession of the Relinquished Space unto Landlord no later than March 31, 2023 (the "**Surrender Date**"); provided, the Surrender Date shall be extended by one (1) day for each day that Landlord's delivery of this fully executed Fifth Amendment to Tenant extends beyond February 10, 2023.

Tenant's occupancy of the Relinquished Space for the period of time commencing on the Reduction Date and expiring on the Surrender Date (the "**Extended Occupancy Period**") shall be governed by all terms of the Lease applicable to Tenant's occupancy of the Premises; provided, however, that no Rent shall be assessed to Tenant for Tenant's continued occupancy of the Relinquished Space during the Extended Occupancy Period. The Relinquished Space shall be returned to Landlord free of all debris and items of Tenant's personal property, broom clean, in good condition, ordinary wear and tear excepted, and otherwise in the condition required under the Lease for Tenant's surrender of the Premises upon the expiration of the Term. Notwithstanding the foregoing, except for the items listed on Exhibit A to this Amendment which Tenant may elect to remove from the Relinquished Space, Tenant shall leave in place in the Relinquished Space all of the workstations and cubicles, chairs, appliances, and office furniture that are located in the Relinquished Space as of the Fifth Amendment Effective Date. If Tenant shall remain in possession of the Relinquished Space beyond the Surrender Date, then notwithstanding anything to the contrary in the Lease, Tenant shall be a holdover tenant at sufferance as to the Relinquished Space; Rent shall be assessed to Tenant at one hundred fifty percent (150%) of the rates in effect on the Surrender Date (provided however, that payment of such Rent shall not extend the Extended Occupancy Period); and Landlord shall be entitled to exercise all remedies available under applicable law to recover possession of the Relinquished Space from Tenant.

6. Rent for Retained Space.

(a) *Basic Rent - Retained Space as of Reduction Date.* Until the Rent Adjustment Date, defined below, Tenant shall continue to be responsible for the payment of Rent for the Retained Space which shall be calculated as provided in the Lease, based on the reduced Rentable Area of the Premises, as shown in the chart below:

Basic Rent for Retained Space
209,040 RSF
As of January 1, 2023

Period	Annual Rate/RSF	Monthly Basic Rent
01/01/23 – 04/30/23	$22.38	$389,896.60
05/01/23 – 04/30/24	$23.27	$405,363.40
05/01/24 – 04/30/25	$23.27	$405,363.40

Landlord and Tenant acknowledge and agree that, prior to the Fifth Amendment Effective Date, Tenant paid rent to Landlord in the amount of Four Hundred Fifty-nine Thousand, Seven Hundred and 02/100 Dollars ($459,700.02) ("**January/February Rent**") for the Relinquished Space for the months of January and February 2023. Immediately following the Fifth Amendment Effective Date,

Landlord shall credit the January/February Rent to Tenant's obligation for payment of Basic Rent for the Retained Space.

(b) *Additional Rent – Retained Space as of Reduction Date.* Tenant shall continue to be responsible throughout the Term, as extended herein, for the payment of Additional Rent for the Premises as provided in the Lease. Effective on the Reduction Date, Tenant's Proportionate Share shall be adjusted as shown below:

(i) Tenant's Proportionate Share: 43.396% [209,040/481,703 = 0.43396].

(ii) The Fitness Facility Proportionate Share of the Building: 1.22% [5,857 (the rentable area of the Fitness Center)/481,703 = 0.0122].

(iii) Tenant's Proportionate Share plus Tenant Proportionate Share of the Fitness Facility: 43.925% [0.43396 + (0.0122 x 0.43396) = 0.43925].

(c) *Basic Rent – Retained Space as of Rent Adjustment Date.* Effective May 1, 2025 (the "**Rent Adjustment Date**"), Basic Rent for the Retained Space shall be calculated as provided below:

Basic Rent for Retained Space
209,040 RSF
As of May 1, 2025

Period	Annual Rate/RSF	Monthly Basic Rent
05/01/25 – 04/30/26	$28.50	$496,470.00
05/01/26 – 04/30/27	$29.21	$508,882.00
05/01/27 – 04/30/28	$29.94	$521,604.00
05/01/28 – 04/30/29	$30.69	$534,644.00
05/01/29 – 04/30/30	$31.46	$548,010.00
05/01/30 – 04/30/31	$32.25	$561,710.00*
05/01/31 – 04/30/32	$33.05	$575,753.00
05/01/32 – 04/30/33	$33.88	$590,147.00
05/01/33 – 04/30/34	$34.72	$604,900.00
05/01/34 – 04/30/35	$35.59	$620,023.00
05/01/35 – 07/31/35	$36.48	$635,524.00

**Subject to Abated Rent provision provided below*

(d) *Abated Rent.* Provided that no uncured event of default exists at the time of the abatement set forth below, the Basic Rent and Additional Rent applicable to the Retained Space shall be abated during the three (3) full month period commencing on May 1, 2030 and expiring on July 31, 2030 (the "**Abatement Period**"). Nothing

contained herein shall be construed to abate any other sums becoming due under the Lease during the Abatement Period, other than the Basic Rent and Additional Rent applicable to the Retained Space during the Abatement Period specified above (the "**Abated Rent**"). In the event that the Lease, or Tenant's right to possession of the Premises, is terminated at any time during the Term as a result of an uncured event of default by Tenant under the Lease, as amended herein, then the Abated Rent shall, at Landlord's election, be amortized on a straight-line basis over the remaining unexpired Term of Lease existing as of the expiration of the Abatement Period, and the unamortized portion of the Abated Rent existing at the time of such termination shall become immediately due and payable to Landlord.

(e) *Exchange of Allowance for Additional Abatement.* The parties acknowledge that, prior to the Effective Date, Landlord agreed to provide Tenant with an allowance for improvements to be made to the Retained Space in the amount of Thirty-three and 49/100 Dollars ($33.49) per rentable square foot of the Retained Space (the "**Allowance**"). In lieu of providing such Allowance, the parties agree that the entire amount of the Allowance is hereby exchanged for an equal dollar amount of additional rental abatement (the "**Additional Abatement**") to be applied to the Rent accruing under the Lease for the periods of January 1, 2030, through April 30, 2030, and re-commencing on August 1, 2030 and continuing until the entire amount of such exchanged Allowance (the "**Exchanged Allowance**") has been fully exhausted, the parties hereby acknowledging that the Exchanged Allowance is separate and in addition to the Abated Rent. All terms set forth above applicable to the Abated Rent shall also apply to the Additional Abatement, including but not limited to Landlord's ability to recover the Additional Abatement in the event of an uncured default by Tenant under the Lease, as amended herein; provided however, that the Additional Abatement shall be amortized on a straight-line basis over the remaining unexpired Term existing as of the date such Exchanged Allowance has been exhausted.

7. Acceptance of Retained Space. Tenant accepts the Retained Space in its existing "as is" condition, and Landlord shall have no obligation to alter, improve or otherwise modify the Retained Space for Tenant's continued occupancy of such space during the Term, as extended herein; provided, however, the foregoing shall not affect Landlord's obligations under the Lease with respect to the Retained Space. All improvements to the Retained Space desired by Tenant shall be made by Tenant, at Tenant's expense, in accordance with the terms of the Lease regarding Alterations to the Premises made by or on behalf of Tenant.

8. Refurbishment Allowance. The parties acknowledge that, pursuant to Section XII of Exhibit G to the Original Lease, Tenant is entitled to receive, on May 1, 2024, a Refurbishment Allowance in the amount of Ten Dollars ($10.00) per square foot of the Premises as the same exist on such date. In lieu of providing such Refurbishment

Allowance, the parties agree that the entire amount of the Refurbishment Allowance, calculated on May 1, 2024, is hereby exchanged for an equal dollar amount of additional rental abatement (the "**Second Additional Abatement**") to be applied to the Rent accruing under the Lease commencing on May 1, 2024, and continuing until the entire amount of such exchanged Refurbishment Allowance (the "**Exchanged Refurbishment Allowance**") has been exhausted. All terms set forth above applicable to the Abated Rent shall also apply to the Second Additional Abatement, including but not limited to Landlord's ability to recover the Second Additional Abatement in the event of an uncured default by Tenant under the Lease, as amended herein; provided, however, that such Second Additional Abatement shall be amortized over the period commencing the date such Second Additional Abatement has been exhausted and expiring on April 30, 2030.

9. Parking Spaces.

(a) *Tenant's Allocated Permits.* Effective on the Reduction Date, the number of Tenant's Allocated Permits shall be reduced to the number resulting from the application of the parking ratio stated in Section 28 of the Original Lease (the "**Parking Ratio**") to the reduced Rentable Area of the Premises applicable as of the Reduction Date. The parties acknowledge that Tenant is permitted to use, and pay for, less than the number of Allocated Permits available to Tenant under the Lease. Subject to any applicable charge if Tenant elects for Landlord or Landlord's parking operator to issue parking access cards, Landlord shall issue and activate such parking cards as may be requested by Tenant; provided, however, that the issuance of such cards shall not entitle Tenant to the use of parking spaces in excess of the spaces allocated to Tenant by the Parking Ratio, nor affect either the Projected Daily Parking Spaces, defined below, or the Daily Excess Spaces, also defined below.

(b) *Additional Spaces.* Subject to availability in the Parking Facility, Tenant may elect to be provided with permits for additional spaces in the Parking Facility in excess of Tenant's Allocated Permits ("**Additional Permits**"). All Additional Permits shall be subject to the same charges as Tenant's Allocated Permits. Provided, however, that upon thirty (30) days' prior written notice from Landlord, Landlord may terminate some or all of the Additional Permits issued to Tenant in excess of Tenant's Allocated Permits.

(c) *Tenant's Projected Daily Use of Parking Spaces.* Subject to the foregoing, Tenant may, from time to time, but not more frequently than once per month, designate (in such manner as is acceptable to Landlord or Landlord's garage operator, if applicable) the number of parking spaces Tenant anticipates its employees and workers will use on a daily basis ("**Projected Daily Parking Spaces**"), with the number of such Projected Daily Parking Spaces to be effective on the first (1st) day of the month following receipt of such designation by Landlord or Landlord's

garage operator, if applicable. Notwithstanding anything in the Lease or this Fifth Amendment to the contrary, Tenant's parking charges under the Lease shall be based on the number of Projected Daily Parking Spaces and any Daily Excess Spaces (as defined below), rather than the number of activated parking access cards.

(d) *Tenant's Actual Usage of Parking Spaces.* To the extent that Tenant commits to pay for a number of Projected Daily Parking Spaces that is less than the number of Tenant's Allocated Permits and any Additional Permits Tenant may be authorized to use under the Lease, but the number of Actual Utilized Spaces (as defined below) being used by Tenant on any day exceeds the Projected Daily Parking Spaces ("**Daily Excess Spaces**"), then, subject to Paragraph 9(b) above, Tenant shall within ten (10) days after Tenant's receipt of the Parking Report, defined below, at Tenant's sole option, either (i) reimburse Landlord for, or pay to Landlord's garage operator if applicable, the daily parking rate in effect from time to time for each such Daily Excess Space, or (ii) increase appropriately the number of Projected Daily Parking Spaces for which Tenant has committed to pay to Landlord on a monthly basis, with such increase to be retroactive to the first day of such calendar month.

(e) *Report of Tenant's Actual Usage of Parking Spaces.* On at least a monthly basis, Landlord shall provide Tenant, or cause Landlord's parking garage operator if applicable to provide to Tenant, a written report indicating the number of parking spaces actually used by Tenant's employees and workers on a daily basis ("**Actual Utilized Spaces**").

(f) *Reserved Permits.* The provisions of Paragraph 9(a)-(e) shall not apply to the Reserved Permits.

(g) *Waiver of Certain Parking Charges.* On the Fifth Amendment Effective Date, Landlord shall cause all liability of Tenant for Tenant's outstanding balance for parking expenses that accumulated during the calendar years 2015 through 2018 to be waived and forever forgiven. Landlord confirms that there is no outstanding balance for parking expenses for calendar years 2019 through 2021, and the outstanding parking expenses for the calendar year 2022 are $43,064.50.

10. Extension Options. The Extension Options contained in Section IV of Schedule G of the Original Lease ("**Schedule G**") shall be and remain in full force and effect and in accordance with the terms thereof; provided, however, that (i) the first Extension Term shall commence upon the expiration of the Term, as extended herein, and the second Extension Term shall commence upon the expiration of the first Extension Term; (ii) if Tenant elects to exercise the first of such Extension Options, Tenant shall provide Landlord with written notice thereof not less than sixteen (16) months and not more than twenty-four (24) months prior to the expiration of the Term, as extended in Paragraph 3 above,

specifying in such notice the duration of such Extension Term; (iii) if Tenant elects to exercise the second of such Extension Options, Tenant shall provide Landlord with written notice thereof not less than sixteen (16) months and not more than twenty-four (24) months prior to the expiration of the first Extension Term, specifying in such notice the duration of such Extension Term; and (iv) the following phrase that begins Section IV of Schedule G, "*Provided that Landlord [sic] has not exercised its Termination Option in Special Stipulation III above, and so long as*..." is hereby deleted, and replaced with the following phrase: "*So long as*...."

11. Eyebrow Signage. Section 11(f) of the Original Lease regarding eyebrow signage is hereby deleted, and the provisions of this Paragraph shall apply in lieu thereof. Subject to the terms of this Paragraph, Landlord shall have the right to offer to one (1) existing tenant in of the Building, including but not limited to CoStar Group, Inc., the right to install one (1) sign on the exterior of the Building identifying such tenant as a tenant in the Building ("**Eyebrow Signage**"); provided in no event shall such Eyebrow Signage shall be installed higher than the Second Floor of the Building, or be installed on the face of the center of the Building, or hinder or otherwise affect Tenant's views from the Premises. All Eyebrow Signage, and Substituted Eyebrow Signage, defined below, shall be (i) reasonable in terms of the size, font, and location for such signage, (ii) shall otherwise be consistent with the first-class nature and appearance of the Building; and shall be subject to Tenant's prior approval, which shall not be unreasonably withheld or conditioned. If Landlord desires to install Eyebrow Signage, or after installing Eyebrow Signage in accordance with this provision, Landlord desires to remove such existing Eyebrow Signage and either replace same with different Eyebrow Signage, or install Eyebrow Signage for a different then-existing tenant of the Building (in either event, "**Substitute Eyebrow Signage**"), then Landlord shall request Tenant's approval of such signage, which request shall include a drawing of such Substitute Eyebrow Signage, detailed to show the size, font, and proposed location of such signage, to Tenant for Tenant's approval. Tenant shall have ten (10) business days after Tenant's receipt of such request within which to either approve such proposed Eyebrow Signage (or Substitute Eyebrow Signage), or to provide Landlord with written notice that such approval is being withheld, including a reasonable basis for Tenant's withholding such requested approval. Tenant's failure to respond to such request within such ten (10) business day period shall constitute Tenant's approval of such signage.

12. Fitness Center. The following additional changes are hereby made to Section IX of Schedule G to the Original Lease:

    (a) Landlord shall no longer be required to utilize a professional fitness facility operator for the Fitness Facility, and Tenant shall no longer be required to share with Landlord the cost of maintaining, operating and staffing the Fitness Facility. Accordingly, Paragraphs (d) and (e) of Section IX of Schedule G are hereby deleted from the Lease and shall be of no further force or effect.

(b) The third (3rd) sentence of Paragraph (k) of Section IX of Schedule G [*that begins with, "Tenant will also be responsible for paying..."*] is hereby deleted from the Lease and in lieu thereof, the following shall apply during the period commencing on the Reduction Date and expiring on April 30, 2025:

Tenant will also be responsible for paying a fee, the annual amount of which is equal to the per rentable square foot rate of the Basic Rental applicable to the Retained Space from time to time under the Lease, as amended herein, multiplied by 1,857 rentable square feet (which is the Total FF RSF in excess of 4,000 square feet of Rentable Area of the Fitness Facility), such annual fee to be paid in monthly installments equal to one twelfth (1/12th) of such annual fee, such installments to be paid at the same time and in the same manner as Tenant's payment of monthly Basic Rental for the Retained Space.

(c) Effective May 1, 2025, Tenant shall no longer be responsible for the fee referenced in subparagraph (b) above. Accordingly, effective May 1, 2025, Paragraph (k) of Section IX of Schedule G shall be deleted.

(d) The remaining provisions of Section IX of Schedule G shall be and remain in full force and effect, specifically including but not limited to the provisions of Paragraph (g) of Section IX of Schedule G.

13. Additional Modifications to Lease. The following options are hereby deleted from the Lease and shall be of no further force or effect: (i) Termination Option contained in Section III of Schedule G; and (ii) the Second Expansion Option contained Section 2 of Paragraph 5 of the Second Amendment.

14. Nondisclosure. Unless otherwise required by law, Tenant will not make any public announcement or other public disclosure regarding the subject matter of this Amendment; that the terms of this Amendment have been agreed to by the parties; or that this Amendment has been executed by the parties, until five (5) business days after the Fifth Amendment Effective Date.

15. Agency Disclosure. Cushman & Wakefield represents Landlord's interests in connection with this transaction and shall be paid by Landlord for its services pursuant to a separate, written agreement fully executed by Cushman & Wakefield, as Landlord's authorized broker, and Landlord prior to full execution of this Amendment. Cushman & Wakefield also represents Tenant's interests in connection with this transaction, and shall be paid by Landlord for its services pursuant to a separate, written agreement fully executed by Cushman & Wakefield, as Tenant's authorized broker, and Landlord prior to the full execution of this Amendment. Each party represents to the other party that they have dealt with no broker in connection with the negotiation or execution of this Amendment other than Cushman & Wakefield. Except as expressly provided above, Landlord will not be

responsible for, and Tenant will indemnify, defend, and hold Landlord harmless from and against, any brokerage or leasing commission or finder's fee claimed by any party in connection with this Amendment.

16. Multiple Counterparts; Electronic Signatures. This Fifth Amendment may be executed in multiple counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same agreement. The counterparts of this Fifth Amendment may be executed by electronic signatures and may be delivered electronically by either party to the other party and the receiving party may rely on the receipt of such document so executed and delivered by electronic means as if the executed original had been received; provided, however, that each party agrees, if requested by the other party, to execute a hard-copy original of this Fifth Amendment and to deliver such executed hard-copy original to the other party.

17. Lease in Effect. Except as modified herein, all terms and conditions of the Lease in effect as of the Fifth Amendment Effective Date shall be and remain in full force and effect, and the same are hereby ratified and affirmed by Landlord and Tenant.

IN WITNESS WHEREOF, the undersigned have sealed and executed this Fifth Amendment as of the Fifth Amendment Effective Date stated above.

"LANDLORD":

HANCOCK S-REIT ATL PHIPPS LLC,
a Delaware limited liability company

By: John Hancock Life Insurance Company (U.S.A.), as agent for Landlord

By: Erik Gustafson
Erik T. Gustafson
Global Chief Operating Officer, Real Estate

[*Signatures continued on next pate*]

TENANT:

THE WILLIAM CARTER COMPANY,
a Massachusetts corporation

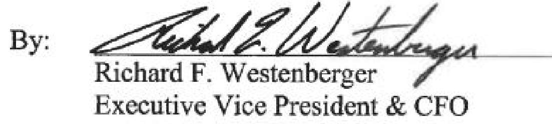
By: 
Richard F. Westenberger
Executive Vice President & CFO

EXHIBIT A

Tenant may, at Tenant's election, remove the following items from the Relinquished Space and the Fourth Floor of the Building:

1) All electronic equipment off 3rd,5th, and 8th floors
2) 6 offices sets from the fourth floor
3) All mobile peds from the 4th floor
4) All barstools from the 3rd, 5th and 8th floors
5) 2 office sets from the 3rd floor
6) 4 office sets from the 8th floor
7) Internal file cabinets on the 3rd floor. All of them or some of them
8) Everything in the IT Lab
9) Everything out of the IDF rooms on the 3rd, 5th and 8th floors

Exhibit 21

Subsidiaries of Carter's, Inc.

The William Carter Company is incorporated in Massachusetts

OshKosh B'Gosh, Inc. is incorporated in Delaware

Carter's Retail, Inc. is incorporated in Delaware

TWCC Product Development and Sales, Inc. is incorporated in Delaware

Carter's Giftcard Company, Inc. is incorporated in Florida

Skip Hop Holdings, Inc. is incorporated in Delaware

Skip Hop, Inc. is incorporated in New York

The Genuine Canadian Corp. is incorporated in Ontario, Canada

Carter's Global Sourcing Limited is formed in Hong Kong

Skip Hop (Shenzhen) Trading Company Limited is formed in China

Carter's Vietnam Company limited is formed in Vietnam

Carter's Mexico LLC is incorporated in Delaware

Carters Brands, S.A. de C.V. is formed in Mexico

Exhibit 23

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statement on Form S-8 (Nos. 333-177724, 333-168446, 333-125306, and 333-225144) of Carter’s, Inc. of our report dated February 27, 2024 relating to the financial statements and the effectiveness of internal control over financial reporting, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP
Atlanta, Georgia
February 27, 2024

Exhibit 31.1

CERTIFICATION

I, Michael D. Casey, certify that:

1. I have reviewed this annual report on Form 10-K 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.

February 27, 2024

/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 annual report on Form 10-K 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.

February 27, 2024

/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 Annual Report on Form 10-K for the fiscal year ended December 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.

February 27, 2024	/s/ MICHAEL D. CASEY
	Michael D. Casey *Chief Executive Officer*
February 27, 2024	/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 Annual Report on Form 10-K or as a separate disclosure document.

Exhibit 97.1

Carter's, Inc. Clawback Policy
(adopted August 4, 2023 and Effective as of the Effective Date)

The Board of Directors (the "**Board**") of Carter's, Inc. (the "**Company**") believes that it is in the best interests of the Company and its shareholders to create and maintain a culture that encourages strong financial performance on an annual and long-term basis without encouraging excessive risks, while also emphasizing integrity and accountability, and reconfirming the Company's pay-for-performance compensation philosophy. The Board has therefore adopted this policy which provides for the recoupment of certain executive compensation in the event of an Accounting Restatement (this "**Policy**"). This Policy is designed to comply with Section 10D of the Securities Exchange Act of 1934 (the "**Exchange Act**"), Rule 10D-1 under the Exchange Act, and the listing standards of the New York Stock Exchange ("**NYSE**") or any other national securities exchange on which the Company's securities are listed. Capitalized terms used in this Policy shall have the meanings as set forth in **Appendix A**.

1. Administration & Interpretation; Effective Date

This Policy shall be administered and interpreted by the Committee. The Committee is authorized to interpret and construe this Policy and to make all determinations necessary, appropriate, or advisable for the administration of this Policy. This Policy shall be binding and enforceable against all Executive Officers and their beneficiaries, heirs, executors or other legal representatives. Any interpretations or determinations made by the Committee shall be final and binding on all affected individuals. The effective date of this policy shall be October 2, 2023 (the "**Effective Date**").

2. Repayment of Erroneously Awarded Compensation.

(a) In the event of an Accounting Restatement, the Committee shall determine the amount of any Erroneously Awarded Compensation for each Executive Officer in connection with such Accounting Restatement and thereafter, provide each Executive Officer with a written notice containing the amount of Erroneously Awarded Compensation and a demand for repayment or return, as applicable. For Incentive-based Compensation based on (or derived from) stock price or total shareholder return where the amount of Erroneously Awarded Compensation is not subject to mathematical recalculation directly from the information in the applicable Accounting Restatement, the amount shall be determined by the Committee based on a reasonable estimate of the effect of the Accounting Restatement on the stock price or total shareholder return upon which the Incentive-based Compensation was Received (in which case, the Company shall maintain documentation of such determination of that reasonable estimate and provide such documentation to the NYSE).

(b) The Committee shall take such action as it deems appropriate to recover Erroneously Awarded Compensation reasonably promptly after such obligation is incurred and shall have broad discretion to determine the appropriate means of recovery of such Erroneously Awarded Compensation based on all applicable facts and circumstances. The Committee may seek recoupment in the manner it chooses, in its sole discretion, which may include, without limitation, one or a combination of the following: (i) direct reimbursement from the Executive Officer of Incentive-based Compensation previously paid, (ii) deduction of the recouped amount from unpaid compensation otherwise owed by the Company to the Covered Executive, (iii) set-off, (iv) rescinding or cancelling vested or unvested equity or cash based awards, and (v) any other remedial and recovery action permitted by law, as determined by the Committee. For the avoidance of doubt, except as set forth in Section 2(d) below, in no event may the Company Group accept an amount that is less than the amount of Erroneously

Awarded Compensation in satisfaction of an Executive Officer's obligations hereunder.

(c) To the extent that an Executive Officer fails to repay all Erroneously Awarded Compensation to the Company Group when due (as determined in accordance with Section 2(b) above), the Company shall, or shall cause one or more other members of the Company Group to, take all actions reasonable and appropriate to recover such Erroneously Awarded Compensation from the applicable Executive Officer. The applicable Executive Officer shall be required to reimburse the Company Group for any and all expenses reasonably incurred (including legal fees) by the Company Group in recovering such Erroneously Awarded Compensation in accordance with the immediately preceding sentence.

(d) Notwithstanding anything herein to the contrary, the Company shall not be required to take the actions contemplated by Section 2(b) above if the following conditions are met and the Committee determines that recovery would be impracticable:

(i) The direct expenses paid to a third party to assist in enforcing the Policy against an Executive Officer would exceed the amount to be recovered, after the Company has made a reasonable attempt to recover the applicable Erroneously Awarded Compensation, documented such attempts and provided such documentation to the NYSE; or

(ii) Recovery would likely cause an otherwise tax-qualified retirement plan, under which benefits are broadly available to employees of the Company Group, to fail to meet the requirements of 26 U.S.C. 401(a)(13) or 26 U.S.C. 411(a) and regulations thereunder.

3. Reporting and Disclosure

The Company shall file all disclosures with respect to this Policy in accordance with the requirement of the Federal securities laws, including the disclosure required by the applicable SEC filings.

4. No Indemnification

No member of the Company Group shall be permitted to indemnify any Executive Officer against (i) the loss of any Erroneously Awarded Compensation that is repaid, returned or recovered pursuant to the terms of this Policy, or (ii) any claims relating to the Company Group's enforcement of its rights under this Policy. Further, no member of the Company Group shall enter into any agreement that exempts any Incentive-based Compensation from the application of this Policy or that waives the Company Group's right to recovery of any Erroneously Awarded Compensation and this Policy shall supersede any such agreement (whether entered into before, on or after the Effective Date).

5. Amendment; Termination

The Committee may amend this Policy from time to time in its discretion and shall amend this Policy as it deems necessary, including as and when it determines that it is legally required by any Federal securities laws, SEC rules or the rules of any national securities exchange or national securities association on which the Company's securities are listed. The Committee may terminate this Policy at any time. Notwithstanding anything in this Section 5 to the contrary, no amendment or termination of this Policy shall be effective if such amendment or termination would (after taking into account any actions taken by the Company contemporaneously with such amendment or termination) cause the Company to violate any Federal securities laws, SEC rules or the rules of any national securities exchange or national securities association on which the Company's securities are listed.

6. Other Recoupment Rights; No Additional Payments

The Committee intends that this Policy will be applied to the fullest extent of the law. This Policy shall be incorporated by reference into and shall apply to all incentive, bonus, equity, equity-based and compensation plans, agreements, and awards outstanding as of the Effective Date or entered into on or after the Policy's Effective Date. The Committee may require that any employment agreement, equity award agreement, or any other agreement entered into on or after the Effective Date shall, as a condition to the grant of any benefit thereunder, require an Executive Officer to agree to abide by the terms of this Policy. Any right of recoupment under this Policy is in addition to, and not in lieu of, any other remedies or rights of recoupment that may be available to the Company Group under applicable law, regulation or rule or pursuant to the terms of any similar policy in any employment agreement, equity award agreement, or similar agreement and any other legal remedies available to the Company Group, including, but not limited to, the inclusion of provisions related to the recoupment of any incentive compensation by an employee who commits fraud or any material violation of the Company's Code of Ethics.

7. Entire Agreement; Successors

This Policy supersedes, replaces and merges any and all previous agreements and understandings regarding the Company's policy on the recovery of compensation, and this Policy constitutes the entire agreement between the Company and the Executive Officers with respect to such terms and conditions. This Policy shall be binding and enforceable against all Executive Officers and their respective beneficiaries, heirs, executors, administrators or other legal representatives.

APPENDIX A – DEFINITIONS

Definitions. For purposes of this Policy, the following capitalized terms shall have the meanings set forth below.

(e) "***Accounting Restatement***" shall mean an accounting restatement due to the material noncompliance of the Company with any financial reporting requirement under the securities laws, including any required accounting restatement (i) to correct an error in previously issued financial restatements that is material to the previously issued financial statements, or (ii) that corrects an error that is not material to previously issued financial statements, but would result in a material misstatement if the error were corrected in the current period or left uncorrected in the current period.

(f) "***Clawback Eligible Incentive Compensation***" shall mean, in connection with an Accounting Restatement and with respect to each individual who served as an Executive Officer at any time during the applicable performance period for any Incentive-based Compensation (whether or not such Executive Officer is serving at the time the Erroneously Awarded Compensation is required to be repaid to the Company Group), all Incentive-based Compensation Received by such Executive Officer (i) on or after the Effective Date, (ii) after beginning service as an Executive Officer, (iii) who served as an Executive Officer at any time during the performance period for the Incentive-based Compensation, (iv) while the Company has a class of securities listed on a national securities exchange or a national securities association and (v) during the applicable Clawback Period.

(g) "***Clawback Period***" shall mean, with respect to any Accounting Restatement, the three completed fiscal years of the Company immediately preceding the Restatement Date and any transition period (that results from a change in the Company's fiscal year) of less than nine months within or immediately following those three completed fiscal years.

(h) "***Committee***" shall mean the Compensation and Human Capital Committee of the Board.

(i) "***Company Group***" shall mean the Company, together with each of its direct and indirect subsidiaries.

(j) "***Erroneously Awarded Compensation***" shall mean, with respect to each Executive Officer in connection with an Accounting Restatement, the amount of Clawback Eligible Incentive Compensation that exceeds the amount of Incentive-based Compensation that otherwise would have been Received had it been determined based on the restated amounts, computed without regard to any taxes paid.

(k) "***Executive Officer***" shall mean the Company's current and former president, principal financial officer, principal accounting officer (or if there is no principal accounting officer, the controller), any vice-president in charge of a principal business unit, division or function (such as sales, administration, or finance), any other officer who performs a policy-making function for the Company, or any other person who performs similar policy-making functions for the Company, as determined by the Committee in accordance with Federal securities laws, SEC rules or the rules of any national securities exchange or national securities association on which the Company's securities are listed. Identification of an executive officer for purposes of this Policy includes at a minimum executive officers identified pursuant to 17 C.F.R. 229.401(b).

(l) "***Financial Reporting Measures***" shall mean measures that are determined and presented in accordance with the accounting principles used in preparing the Company's financial statements, and all other measures that are derived wholly or in part from such measures. Stock price and total shareholder return (and any measures that are derived wholly or in part from stock price or total shareholder return) shall for purposes of this Policy be considered Financial Reporting Measures. For the avoidance of doubt, a Financial Reporting Measure need not be presented in the Company's financial statements or included in a filing with the SEC.

(m) "***Incentive-based Compensation***" shall mean any compensation that is granted, earned or vested based wholly or in part upon the attainment of a Financial Reporting Measure. Incentive-based Compensation does not include: (i) bonuses paid solely at the discretion of the Board or the Committee that are not paid from a bonus pool that is determined by satisfying a financial reporting measure performance goal or solely upon satisfying one or more subjective standards and/or completion of a specified employment period, (ii) non-equity incentive plan awards earned solely upon satisfying one or more strategic or operational measures, (iii) equity awards not contingent upon achieving any financial reporting measure performance goal and vesting is contingent solely upon the completion of a specified employment period and/or attaining one or more non-financial reporting measures or (iv) any Incentive-based Compensation received before the Company had a class of securities listed on a national securities exchange.

(n) "***Received***" shall, with respect to any Incentive-based Compensation, mean actual or deemed receipt, and Incentive-based Compensation shall be deemed received in the Company's fiscal period during which the Financial Reporting Measure specified in the Incentive-based Compensation award is attained, even if payment or grant of the Incentive-based Compensation occurs after the end of that period.

(o) "***Restatement Date***" shall mean the earlier to occur of (i) the date the Board, a committee of the Board or the officers of the Company authorized to take such action if Board action is not required, concludes, or reasonably should have concluded, that the issuer is required to prepare an Accounting Restatement, or (ii) the date of court, regulator or other legally authorized body directs the issuer to prepare an Accounting Restatement.

(p) "***SEC***" shall mean the U.S. Securities and Exchange Commission.