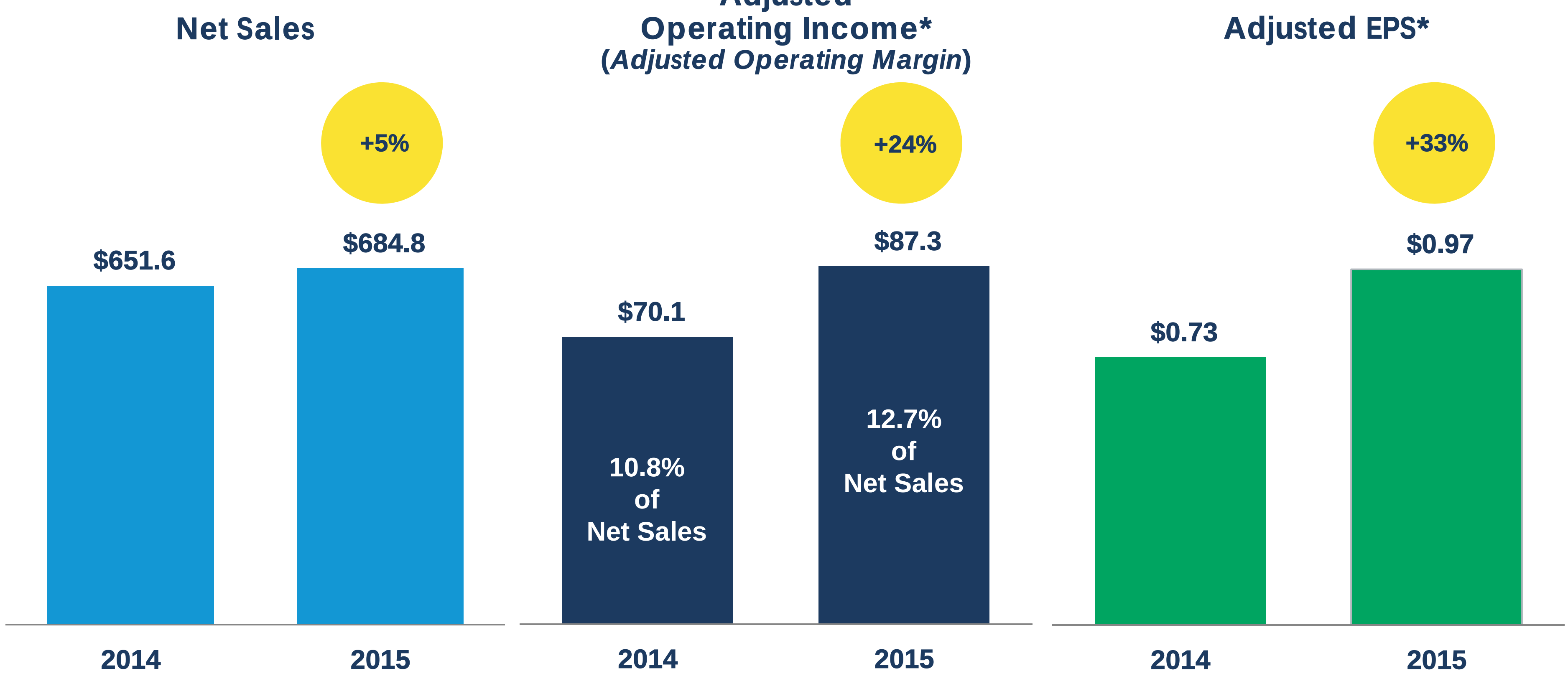
carter's, inc.

First Quarter 2015
Business Update

April 29, 2015

First Quarter 2015 Highlights

$ in millions, except EPS

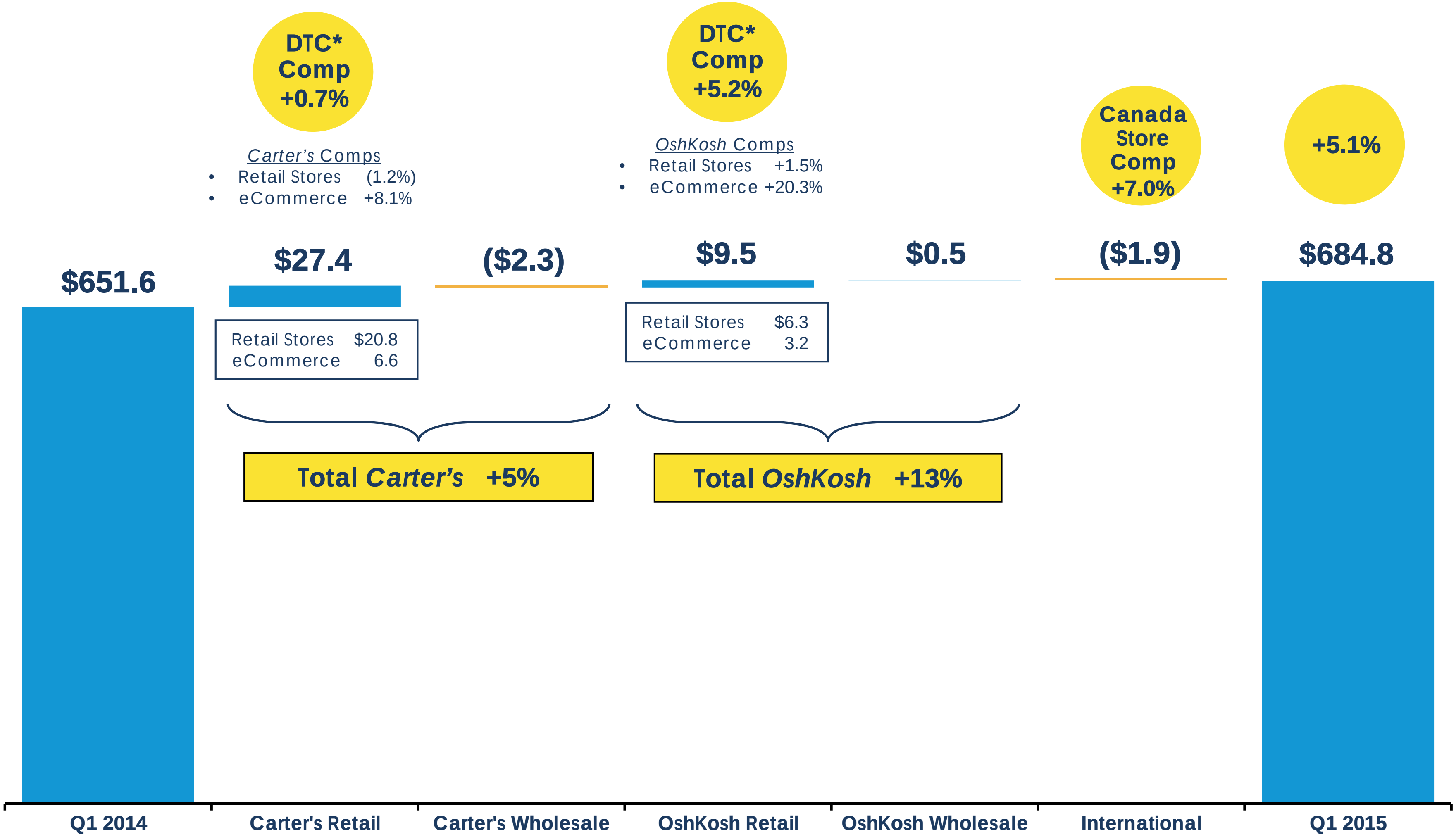


- **Net sales growth +5%**
  - Constant currency growth +6% ($6 million unfavorable FX impact)
  - Growth driven by *Carter's* and *OshKosh* U.S. direct-to-consumer businesses
- **Strong earnings growth reflecting improved gross margin and expense leverage**

** Results are stated on an adjusted basis; see reconciliation to GAAP on page 26.*

First Quarter 2015 Net Sales

$ in millions



	Carter's Retail	Carter's Wholesale	OshKosh Retail	OshKosh Wholesale	International	Q1 2015
Growth vs. 2014	+11.9%	(0.9%)	+14.9%	+3.0%	(2.7%)	+5.1%
Constant Currency					+5.2%	+6.0%

** Direct-to-Consumer ("DTC") Comp is defined as the combination of retail store and eCommerce comparable sales.*
Note: Results may not be additive due to rounding.

First Quarter 2015 Adjusted Results*

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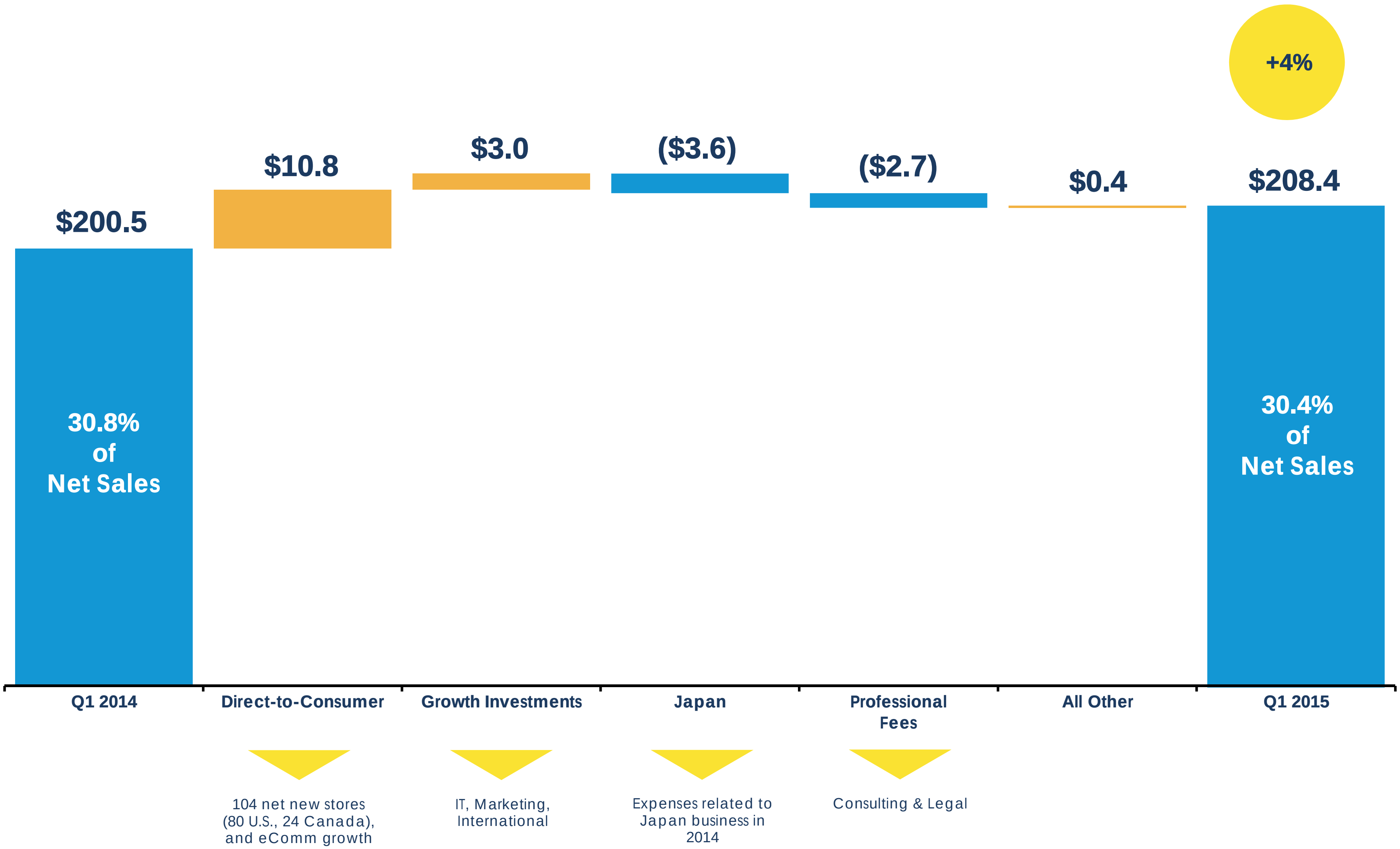
$ in millions, except EPS

	Q1 2015	% of Sales	Q1 2014	% of Sales	Increase / (Decrease)
Net sales	**$684.8**		$651.6		**5%**
Gross profit	**284.1**	*41.5%*	260.7	*40.0%*	**9%**
Adjusted SG&A*	**208.4**	*30.4%*	200.5	*30.8%*	**4%**
Royalty income	**(11.6)**	*(1.7%)*	(9.9)	*(1.5%)*	**18%**
Adjusted operating income*	**87.3**	*12.7%*	70.1	*10.8%*	**24%**
Interest and other, net	**8.5**	*1.2%*	7.4	*1.1%*	**16%**
Income taxes	**27.0**	*3.9%*	22.9	*3.5%*	**18%**
Adjusted net income*	**$51.7**	*7.6%*	$39.9	*6.1%*	**30%**
Adjusted diluted EPS*	**$0.97**		$0.73		**33%**
Weighted average shares outstanding	**52.6**		53.7		**(2%)**
Adjusted EBITDA*	**$100.2**	*14.6%*	$84.3	*12.9%*	**19%**

** Results are stated on an adjusted basis; see reconciliation to GAAP on pages 25-27.*
Note: Results may not be additive due to rounding.

First Quarter 2015 Adjusted SG&A*

$ in millions, except EPS



** Results are stated on an adjusted basis; see reconciliation to GAAP on page 26.*
Note: Results may not be additive due to rounding.

Balance Sheet and Cash Flow

$ in millions

Balance Sheet (at Q1 end)

	2015	2014
Cash	$377	$277
Accounts Receivable	196	205
Inventory	358	363
Accounts Payable	94	103
Long-Term Debt	586	586

Cash Flow (Q1)

	2015	2014
Operating Cash Flow	$87	$31
Capital Expenditures	(21)	(32)
Free Cash Flow	$66	($2)

- **Strong liquidity**
  - $377 million cash on hand
  - $181 million revolver availability
- **Inventory comparable to LY with improved quality**
- **$14 million in share repurchase in Q1**
  - Ending share count (-2%) vs. LY
  - ~$163 million remains under current $300 million authorizations
  - Open market purchases:

2015	Shares	Average Price	Total
Q1	157,900	$89.43	$14,120,944
Q2 QTD	82,500	$93.33	7,700,122
YTD	240,400	$90.77	$21,821,066

- **Dividend payment of $12 million in Q1 ($0.22/share)**
- **Since 2013 have returned a total of $638 million to shareholders in dividends and share repurchases**
- **Free cash flow improved due to higher earnings, favorable movements in net working capital, and lower CapEx**

Note: Results may not be additive due to rounding.

Business Segment Performance

First Quarter Adjusted Business Segment Performance*

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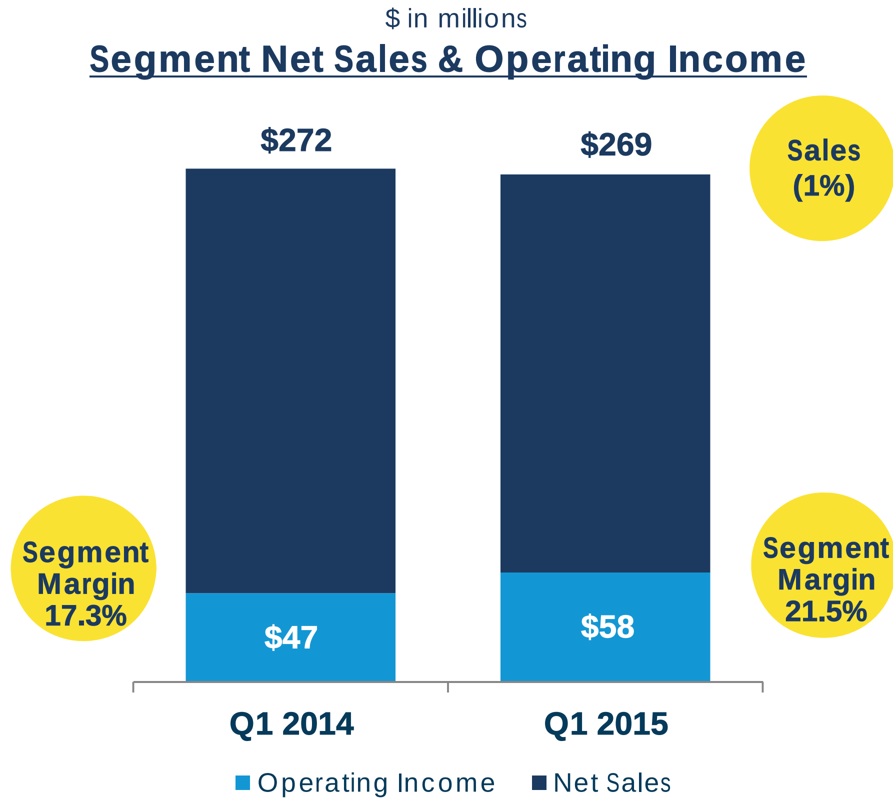
$ in millions

	Net Sales			Adjusted Operating Income (Loss)*			Adjusted Operating Margin*	
	2015	2014	$ Growth	2015	2014	$ Growth	2015	2014
Carter's Wholesale (a)	**$269**	**$272**	**($2)**	**$58**	**$47**	**$11**	**21.5%**	**17.3%**
Carter's Retail (b)	**258**	**230**	**27**	**44**	**43**	**2**	**17.3%**	**18.7%**
Total Carter's	527	502	25	102	90	13	19.4%	17.9%
OshKosh Wholesale	**16**	**16**	**0**	**3**	**2**	**1**	**18.6%**	**13.0%**
OshKosh Retail (b)	**73**	**64**	**9**	**(1)**	**(4)**	**4**	**(1.3%)**	**(7.1%)**
Total OshKosh	89	79	10	2	(2)	4	2.3%	(3.1%)
International (c)(d)	**69**	**71**	**(2)**	**7**	**4**	**3**	**10.2%**	**5.7%**
Total before corporate expenses	685	652	33	111	91	20	16.3%	14.0%
Corporate expenses (d)				**(24)**	**(21)**	**(3)**	**(3.5%)**	**(3.3%)**
Total (d)	**$685**	**$652**	**$33**	**$87**	**$70**	**$17**	**12.7%**	**10.8%**

(a) Includes U.S. wholesale sales of *Carter's, Child of Mine, Just One You*, and *Precious Firsts*.
(b) Includes U.S. retail stores and eCommerce results.
(c) Includes international retail, eCommerce and wholesale sales. Adjusted operating income includes international licensing income.
(d) See reconciliation of reported (GAAP) results to adjusted results.

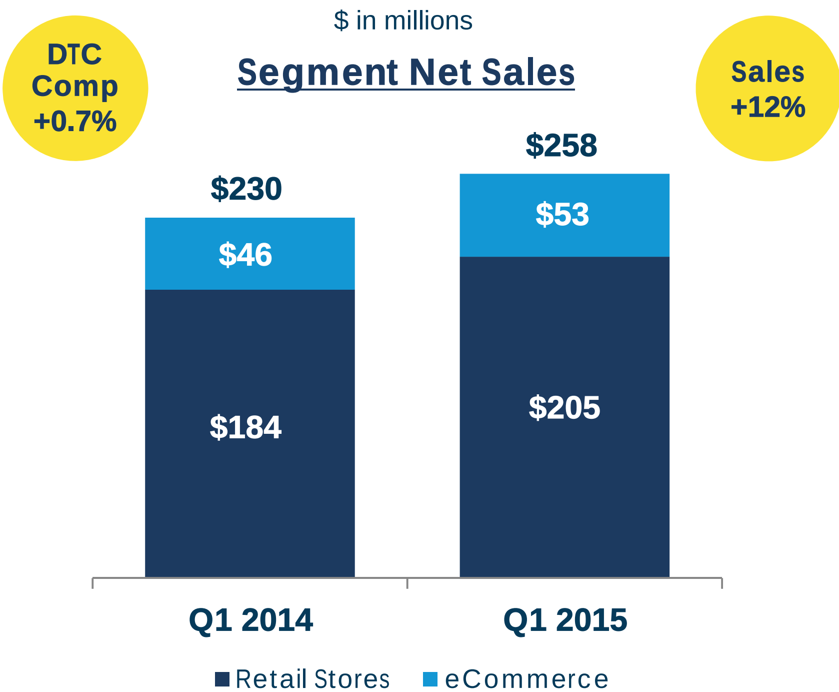
** Results are stated on an adjusted basis; see reconciliation to GAAP on page 26.*
Note: Results may not be additive due to rounding.

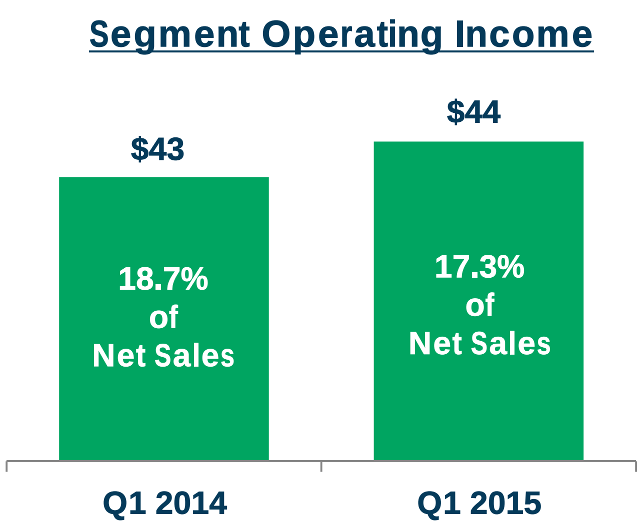
First Quarter Highlights – *Carter's* Wholesale



- Q1 net sales down modestly; anticipate mid-single digit net sales growth in Q2
- Spring 2015 over-the-counter selling at top accounts up mid-single digits vs. LY
- Segment operating margin increase reflects improved inventory performance, favorable distribution costs, and lower bad debt expense
- Fall 2015 bookings up mid-single digits
- 2015 full-year net sales outlook: modest growth vs. 2014 (YOY growth affected by 53rd week, Spring shipment timing)

First Quarter Highlights – *Carter's* Retail





Retail Stores

- Total sales +11%
  - Opened 20 new stores and closed 2 in Q1
- Comp sales (1.2%)
  - Comp reflects higher conversion rate more than offset by lower store traffic and higher promotions due to West Coast port delays
  - Brand stores comped positively
  - Strong performance in March aided by Easter shift
- Q1 ending store count: 549
  - 362 Brand (38 Side-by-Side)
  - 187 Outlet (22 Side-by-Side)

eCommerce

- Solid eCommerce growth, +14%
- Q1 eCommerce sales 20% of retail segment sales (vs. 20% LY)

Segment Operating Income

- Segment operating margin reflects gross margin decline due to higher product costs and lower AURs
- AURs adversely impacted by delayed inventory receipts due to West Coast port delays (shorter selling period)

Note: Results may not be additive due to rounding.

Carter's Summer Direct Marketing


LOOKING
GOOD!
25% OFF
LITTLE COLLECTIONS®
New! Stylish looks for babies who like to make waves.
Shop the complete Little Collections® at carters.com
ISLAND CUTIE
3-PIECE SETS (nb-24m)
SALE $28.50 MSRP** $38
SURF'S UP
2-PIECE SETS (nb-24m)
SALE $25.50 MSRP** $34
BABY SHOES (0-18m)
SALE $15 MSRP** $20
HATS (0-24m)
SALE $12 MSRP** $16
10

First Quarter Highlights – *OshKosh* Retail

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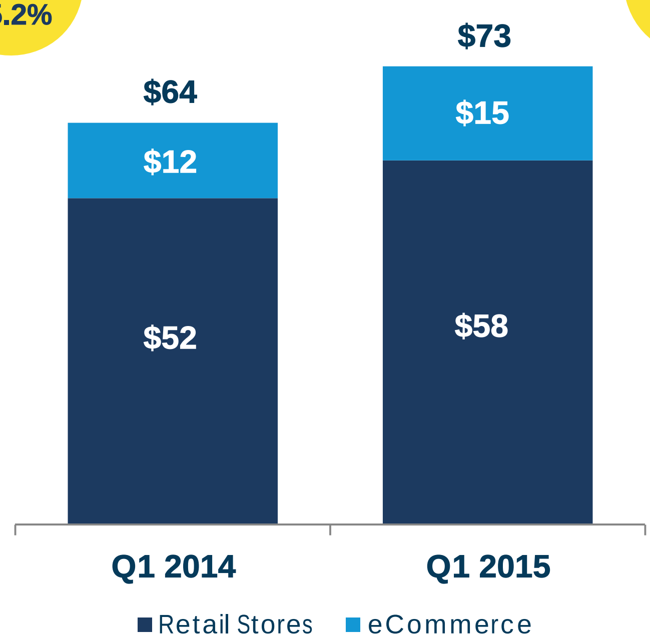
DTC Comp +5.2%

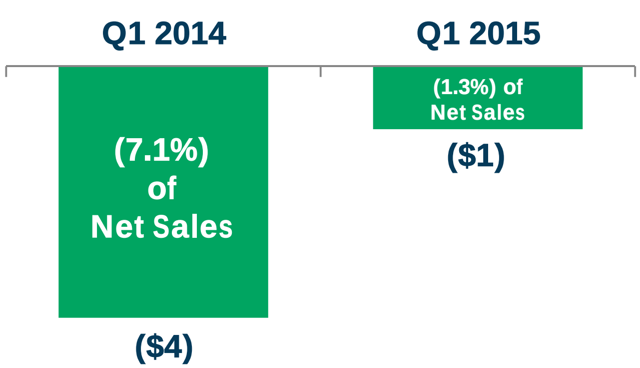
$ in millions

Segment Net Sales

Sales +15%



Segment Operating Loss



Retail Stores

- Total sales +12%
  - Opened 9 new stores and closed 1 in Q1
  - All new stores in Side-by-Side format
- Comp sales +1.5%
  - Positive comp reflects increased traffic
  - Continued strong growth from our new Side-by-Side store format
  - Strong March results aided by Easter shift
- Q1 ending store count: 208
  - 57 Brand (38 Side-by-Side)
  - 151 Outlet (22 Side-by-Side)

eCommerce

- Strong eCommerce growth, +27%
- Q1 eCommerce sales 21% of retail segment sales (vs. 19% LY)

Segment Operating Loss

- Segment operating margin improvement driven by expense leverage

Note: Results may not be additive due to rounding.


JUST LANDED: FRESH T.L.C.
Meet the Tunics & Leggings Collection, with endless combos for easy outfitting!
TUNICS & LEGGINGS
50% OFF
CAPRI LEGGINGS
SALE $8–9
6m–12, MSRP* $16–18
TUNICS
SALE $11–13
6m–12, MSRP* $22–26
BRACELETS
SALE $4.50–7.50
MSRP* $7.50–12.50
Surf
oshkosh.com/TLC
to shop the complete
Tunics & Leggings
Collection
8
EASY-TO-FIND EASY-TO-SHOP AT OSHKOSH.COM
9

BEACH TO BOARDWALK
Give him a taste of all-American style he can take anywhere.
BOYS FASHION
40% OFF
HERITAGE TEES
SALE $9.60–12
6m–12, MSRP* $16–20
FRENCH TERRY SHORTS
SALE $9.60–12
6m–12, MSRP* $16–20
JERSEY POLOS
SALE $10.80–13.20
6m–12, MSRP* $18–22
BUTTON-FRONT SHIRTS
SALE $13.20–15.60
6m–12, MSRP* $22–26
AMERICAN FLAG HOODIES
SALE $18–20.40
6m–12, MSRP* $30–34
SUNGLASSES
SALE $8.40
infant/toddler, 4–12, MSRP* $14
FAUX LEATHER FLIP FLOPS
SALE $18
5–12, MSRP* $30
22
EASY-TO-FIND EASY-TO-SHOP AT OSHKOSH.COM 23

Side-by-Side Store – El Paso, TX

First Quarter Highlights – *OshKosh* Wholesale

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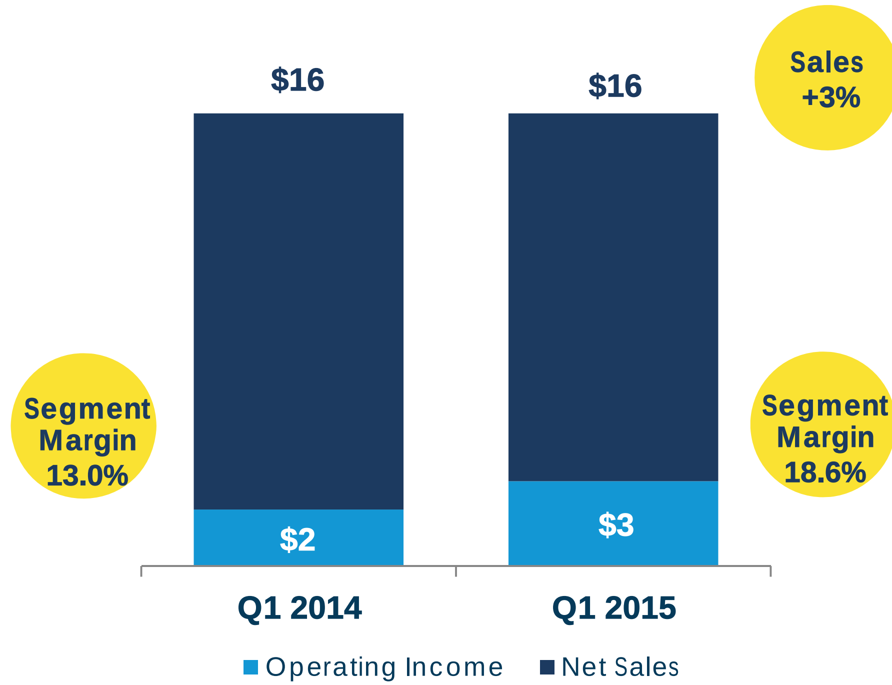
$ in millions

Segment Net Sales & Operating Income



- Q1 sales growth driven by timing of demand vs. LY
- Strong Spring 2015 over-the-counter selling at top accounts
- Operating margin improvement reflects distribution expense leverage and higher royalty income
- Fall 2015 bookings planned down low single digits
- 2015 net sales planned down approximately 10%

First Quarter Highlights – International*

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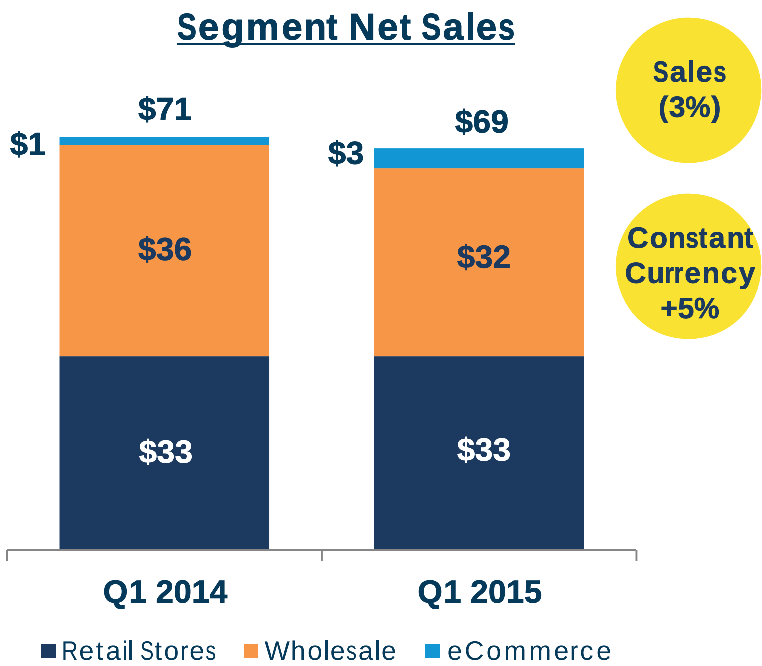
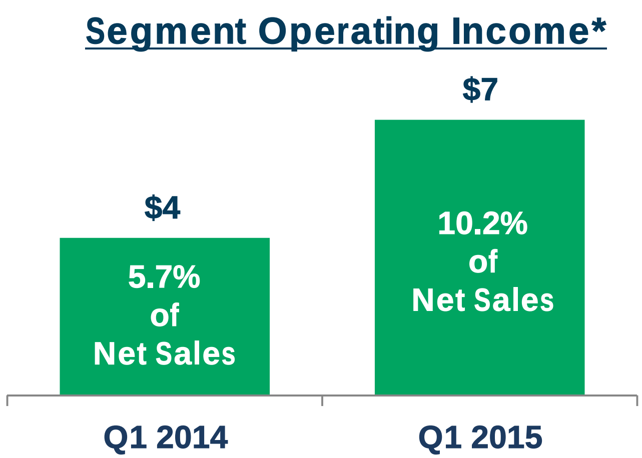
$ in millions





Segment Net Sales

	Q1 2014	Q1 2015	% Change
Reported	$71	$69	(3%)
Adjustments:			
Japan	(4)	-	
Target Canada	(3)	-	
Unfavorable F/X	-	6	
Pro Forma	**$63**	**$74**	**18%**

Canada Retail Stores

- Net sales +15% (+30% constant currency)
- Store comp +7.0%, reflecting strength in both *Carter's* and *OshKosh* brands
- Opened 3 new stores in Q1; ending store count 127

eCommerce

- Good growth in Canadian eCommerce net sales

Wholesale

- Lower net sales principally due to discontinuation of sales to Target Canada

Segment Operating Margin

- Operating margin reflects improved gross margin and expense leverage in Canada and the elimination of the operating loss in Japan

** Results are stated on an adjusted basis; see reconciliation to GAAP on page 26.*
Note: Results may not be additive due to rounding.

Saudi Arabia – Riyadh (Tala Mall)

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- Opened Q1 2015
- ~1,300 selling square feet
- Partner operates 9 stores in Saudi Arabia & 31 total stores in the Middle East
- Saudi Arabia represents ~$2B market opportunity (children ages 0-7)

Lebanon – Beirut (Saida Mall)

- Opened Q1 2015
- ~1,000 selling square feet
- Partner operates 8 stores in Lebanon

Turkey – Co-branded Website (www.cartersoshkosh.com.tr)

- Launched Q1 2015
- Complements partner's existing multi-channel presence in this market
  - Partner operates 10 stores
  - Manages wholesale presence with major retailer
- Turkey represents ~$2B market opportunity (children ages 0-7)

Outlook

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Fiscal Year 2015

- Outlook consistent with prior guidance
- Net sales increase of approximately 5%
  - Unfavorable FX and 53rd week comparison & West Coast port delays are estimated to reduce expected growth by approximately three percentage points
- Adjusted EPS growth of approximately 10% to 14% (vs. $3.93 LY)
- New retail stores:
  - *Carter's ~65*
  - *OshKosh* ~45
  - Canada ~20
- Operating Cash Flow $275 to $300 million
- CapEx approximately $130 million

Q2 2015

- Net sales growth of approximately 6%
- Adjusted EPS approximately comparable to LY (~$0.61)


thank you.


appendix

First Quarter Reconciliation of Net Income Allocable to Common Shareholders

	Fiscal Quarter Ended	
	April 4, 2015	March 29, 2014
Weighted-average number of common and common equivalent shares outstanding:		
Basic number of common shares outstanding	52,119,215	53,172,459
Dilutive effect of equity awards	495,386	501,322
Diluted number of common and common equivalent shares outstanding	52,614,601	53,673,781

	As reported on a GAAP Basis		As adjusted (a)	
$ in thousands, except EPS	April 4, 2015	March 29, 2014	April 4, 2015	March 29, 2014
Basic net income per common share:				
Net income	$ 49,792	$ 34,297	$ 51,713	$ 39,866
Income allocated to participating securities	(560)	(469)	(582)	(547)
Net income available to common shareholders	$ 49,232	$ 33,827	$ 51,131	$ 39,319
Basic net income per common share	$0.94	$0.64	$0.98	$0.74
Diluted net income per common share:				
Net income	$ 49,792	$ 34,297	$51,713	$39,866
Income allocated to participating securities	(556)	(466)	(577)	(543)
Net income available to common shareholders	$ 49,236	$ 33,830	$ 51,136	$ 39,323
Diluted net income per common share	$0.94	$0.63	$0.97	$0.73

(a) In addition to the results provided in this earnings release in accordance with GAAP, the Company has provided adjusted, non-GAAP financial measurements that present the information above excluding $1.9 million and $5.6 million in after-tax expenses from these results for the fiscal quarters ended April 5, 2015 and March 29, 2014, respectively.

Note: Results may not be additive due to rounding.

First Quarter Reconciliation of Reported to Adjusted Earnings

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$ in millions, except EPS

First Quarter of Fiscal 2015	Gross Margin	% of sales	SG&A	% of sales	Operating Income	% of sales	Net Income	Diluted EPS	Segment Reporting: International Operating Income	% of segment net sales	Corporate Operating Expenses	% of total net sales
As reported (GAAP)	**$284.1**	*41.5%*	**$211.2**	*30.8%*	**$84.5**	*12.3%*	**$49.8**	**$0.94**	**$6.5**	**9.5%**	**($26.4)**	**(3.9%)**
Amortization of acquired tradenames *(a)*	-		(2.3)		2.3		1.4	0.03	-		2.3	
Revaluation of contingent consideration *(b)*	-		(0.5)		0.5		0.5	0.01	0.5		-	
	-		(2.8)		2.8		1.9	0.04	0.5		2.3	
As adjusted	**$284.1**	*41.5%*	**$208.4**	*30.4%*	**$87.3**	*12.7%*	**$51.7**	**$0.97**	**$7.0**	**10.2%**	**(24.2)**	**(3.5%)**

First Quarter of Fiscal 2014	Gross Margin	% of sales	SG&A	% of sales	Operating Income	% of sales	Net Income	Diluted EPS	Segment Reporting: International Operating Income	% of segment net sales	Corporate Operating Expenses	% of total net sales
As reported (GAAP)	**$261.7**	*40.2%*	**$210.1**	*32.2%*	**$61.5**	*9.4%*	**$34.3**	**$0.63**	**$4.0**	**5.7%**	**($29.9)**	**(4.6%)**
Amortization of acquired tradenames *(a)*	-		(6.3)		6.3		4.0	0.07	-		6.3	
Office consolidation costs (c)	-		(2.0)		2.0		1.2	0.02	-		2.0	
Revaluation of contingent consideration *(b)*	-		(0.5)		0.5		0.5	0.01	0.5		-	
Closure of distribution facility in Hogansville, GA	-		(0.3)		0.3		0.2	0.00	-		0.3	
Japan retail operations exit (d)	(1.0)		(0.6)		(0.4)		(0.3)	(0.01)	(0.4)		-	
	(1.0)		(9.6)		8.6		5.6	0.10	0.0		8.6	
As adjusted	**$260.7**	*40.0%*	**$200.5**	*30.8%*	**$70.1**	*10.8%*	**$39.9**	**0.73**	**$4.0**	**5.7%**	**(21.3)**	**(3.3%)**

(a) Amortization of H.W. Carter and Sons tradenames acquired in 2013.
(b) Revaluation of contingent consideration liability associated with the Company's 2011 acquisition of Bonnie Togs.
(c) Costs associated with the office consolidation including severance, relocation, accelerated depreciation, and other charges.
(d) Reflects a favorable recovery on inventory related to the exit of the Company's retail business in Japan.

Note: Results may not be additive due to rounding.

Reconciliation of Net Income to Adjusted EBITDA

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$ in millions

	First Quarter Ended		Four Fiscal Quarters Ended
	April 4, 2015	March 29, 2014	April 4, 2015
Net income	$49.8	$34.3	$210.2
Interest expense	6.7	6.9	27.4
Interest income	(0.1)	(0.1)	(0.4)
Tax expense	26.2	19.9	114.6
Depreciation and amortization (a)	17.2	21.6	70.6
EBITDA	**$99.7**	**$82.5**	**$422.3**
Adjustments to EBITDA			
Office consolidation costs *(b)(c)*	$ -	$2.0	$4.6
Revaluation of contingent consideration *(d)*	0.5	0.5	1.4
Closure of distribution facility in Hogansville, GA (c)	-	0.3	0.6
Japan retail operations exit *(c)(e)*	-	(1.0)	0.7
Adjusted EBITDA	**$100.2**	**$84.3**	**$429.6**

(a) Includes amortization of acquired tradenames.
(b) Costs associated with office consolidation including severance, relocation, and other charges.
(c) Amounts exclude costs related to accelerated depreciation as such amounts are included in the total of depreciation and amortization above.
(d) Revaluation of contingent consideration liability associated with the Company's 2011 acquisition of Bonnie Togs.
(e) Fiscal quarter ended March 29, 2014 reflects a favorable recovery of inventory.

Note: Results may not be additive due to rounding.

Forward-looking Statements and Other Information

Results provided in this presentation are preliminary and unaudited. This presentation should be read in conjunction with the audio broadcast or transcript of the Company's earnings call, held on April 29, 2015, which is available at www.carters.com. Also, this presentation contains forward-looking statements within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 relating to the Company's future performance, including, without limitation, statements with respect to the Company's anticipated financial results for the second quarter of fiscal 2015 and fiscal year 2015, or any other future period, assessment of the Company's performance and financial position, and drivers of the Company's sales and earnings growth. Such statements are based on current expectations only, and are subject to certain risks, uncertainties, and assumptions. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those anticipated, estimated, or projected. Factors that could cause actual results to materially differ include the risks of: losing one or more major customers, vendors, or licensees or financial difficulties for one or more of our major customers, vendors, or licensees; the Company's products not being accepted in the marketplace; changes in consumer preference and fashion trends; negative publicity; the Company failing to protect its intellectual property; incurring costs in connection with cooperating with regulatory investigations and proceedings; the breach of the Company's consumer databases, systems or processes; deflationary pricing pressures; decreases in the overall level of consumer spending; disruptions resulting from the Company's dependence on foreign supply sources; foreign currency risks due to the Company's operations outside of the United States; the Company's use of a small number of vendor's over whom it has little control; the Company's foreign supply sources not meeting the Company's quality standards or regulatory requirements; disruptions in the Company's supply chain, including distribution centers or in-sourcing capabilities or otherwise, and the risk of slow-downs, disruptions or strikes in the event that the new tentative agreement between the Pacific Maritime Association, which represents the operator of the port through which we source substantially all of our products, and the International Longshore and Warehouse Union is not finalized and approved in a timely manner; the loss of the Company's principal product sourcing agent; increased competition in the baby and young children's apparel market; the Company being unable to identify new retail store locations or negotiate appropriate lease terms for the retail stores; the Company's failure to successfully manage its eCommerce business; the Company not adequately forecasting demand, which could, among other things, create significant levels of excess inventory; failure to achieve sales growth plans, cost savings, and other assumptions that support the carrying value of the Company's intangible assets; increased leverage, not being able to repay its indebtedness and being subject to restrictions on operations by the Company's debt arrangements; increased production costs; not attracting and retaining key individuals within the organization; failure to properly manage strategic projects; failure to implement needed upgrades to the Company's information technology systems; disruptions of distribution functions in its Braselton, Georgia facility; being unsuccessful in expanding into international markets and failing to successfully manage legal, regulatory, political and economic risks of international operations, including maintaining compliance with worldwide anti-bribery laws; fluctuations in the Company's tax obligations and effective tax rate; incurring substantial costs as a result of various claims or pending or threatened lawsuits; and the failure to declare future quarterly dividends. Many of these risks are further described in the most recently filed Annual Report on Form 10-K and other reports filed with the Securities and Exchange Commission under the headings "Risk Factors" and "Forward-Looking Statements." All information is provided as of April 29, 2015. The Company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.