

carter's, inc.

Fourth Quarter 2018 Business Update

February 25, 2019



Fourth Quarter 2018 Results (GAAP Basis)



\$ in millions, except EPS

	Q4 2018	<i>% of Sales</i>	Q4 2017	<i>% of Sales</i>	Increase / (Decrease)
Net sales	\$1,086		\$1,028		6%
Gross profit	468	43.0%	461	44.8%	1%
Royalty income	10	1.0%	11	1.1%	(6%)
SG&A	307	28.3%	326	31.7%	(6%)
Operating income	171	15.7%	146	14.2%	17%
Interest and other, net	10	0.9%	8	0.8%	20%
Income before taxes	161	14.8%	138	13.5%	16%
Income taxes	30		2		N/M
Net income	\$131	12.0%	\$136	13.2%	(4%)
Diluted EPS	\$2.83		\$2.85		(1%)
Weighted average shares outstanding	46		47		(4%)
EBITDA ¹	\$193	17.8%	\$168	16.4%	15%

¹ Non-GAAP measure; see reconciliation to net income on page 41.
 Note: Results may not be additive due to rounding. N/M = Not Meaningful for comparison

2018 Full Year Results (GAAP Basis)



\$ in millions, except EPS

	Fiscal 2018	<i>% of Sales</i>	Fiscal 2017	<i>% of Sales</i>	Increase / (Decrease)
Net sales	\$3,462		\$3,401		2%
Gross profit	1,497	43.3%	1,483	43.6%	1%
Royalty income	39	1.1%	43	1.3%	(10%)
SG&A	1,145	33.1%	1,107	32.6%	3%
Operating income	391	11.3%	420	12.3%	(7%)
Interest and other, net	35	1.0%	29	0.8%	24%
Income before taxes	356	10.3%	391	11.5%	(9%)
Income taxes	74		88		(16%)
Net income	\$282	8.1%	\$303	8.9%	(7%)
Diluted EPS	\$6.00		\$6.24		(4%)
Weighted average shares outstanding	47		48		(3%)
EBITDA ¹	\$480	13.9%	\$505	14.9%	(5%)

¹ Non-GAAP measure; see reconciliation to net income on page 41.
Note: Results may not be additive due to rounding.

Fourth Quarter / Fiscal 2018 Highlights

(Adjusted Basis)

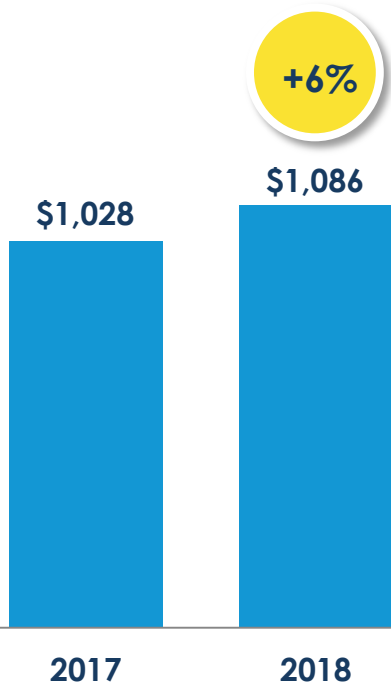


Q4

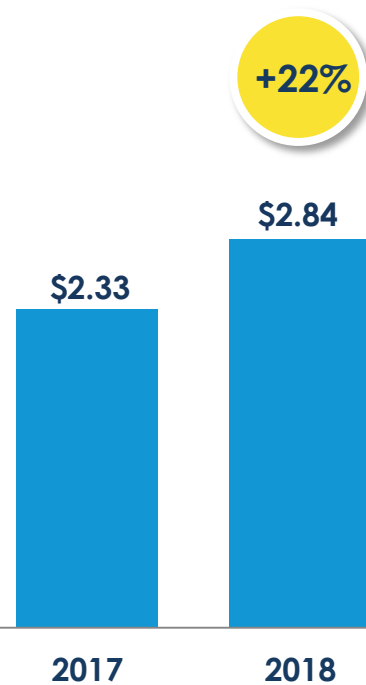
\$ in millions, except EPS

Full Year

Net Sales



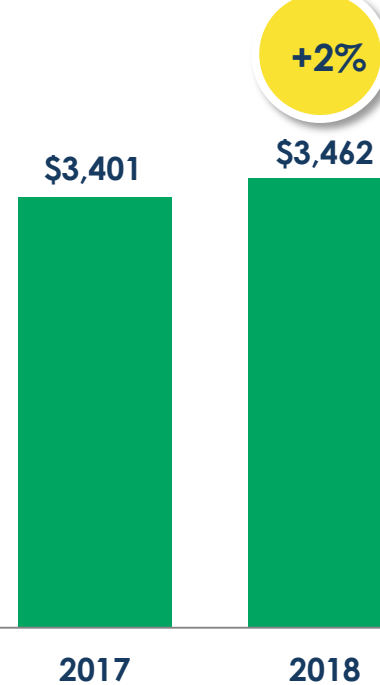
Adjusted EPS*



Q4 Highlights*

- Net sales +6%; strong growth in U.S. Retail and U.S. Wholesale business segments
- Adjusted EPS +22%; driven by lower effective tax rate and benefit of share repurchases

Net Sales



Adjusted EPS*



Fiscal 2018 Highlights*

- Net sales +2%; 30th consecutive year of growth
- Adjusted EPS +9%; lower effective tax rate and benefit of share repurchases more than offset decline in operating income
- \$277 million returned to shareholders through dividends and share repurchases

* Results are stated on an adjusted basis, a non-GAAP presentation; see reconciliation to GAAP on pages 37 - 40.

Fourth Quarter 2018 Net Sales



+6%

Retail¹
Comp
+5.7%

\$1,028

\$40

\$22

(\$3)

\$1,086

Q4 2017

U.S. Retail

U.S. Wholesale

International

Q4 2018

Growth vs. 2017

+7.1%

+6.5%

(2.4%)

+5.7%

Constant
Currency²

+0.6%

+6.1%

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

²See reconciliation to constant currency on page 44.

Note: Results may not be additive due to rounding.

Fourth Quarter 2018 Adjusted Results*



\$ in millions, except EPS

	Q4 2018	<i>% of Sales</i>	Q4 2017	<i>% of Sales</i>	Increase / (Decrease)
Net sales	\$1,086		\$1,028		6%
Adjusted gross profit*	469	43.2%	461	44.9%	2%
Royalty income, net	10	1.0%	11	1.1%	(6%)
Adjusted SG&A*	309	28.4%	304	29.6%	2%
Adjusted operating income*	171	15.7%	168	16.3%	1%
Interest and other, net	10	0.9%	8	0.8%	20%
Income before taxes	161	14.8%	160	15.6%	1%
Income taxes	30		49		(38%)
Adjusted net income*	\$131	12.1%	\$111	10.8%	17%
Adjusted diluted EPS*	\$2.84		\$2.33		22%
Weighted average shares outstanding	46		47		(4%)
Adjusted EBITDA*	\$193	17.8%	\$190	18.5%	2%

* Results are stated on an adjusted basis, a non-GAAP presentation; see reconciliation to GAAP on pages 37, 38 and 41.
Note: Results may not be additive due to rounding.

Balance Sheet and Cash Flow



\$ in millions

		2018	2017
Balance Sheet (at Q4 end)	Cash	\$170	\$178
	Accounts Receivable	258	241
	Inventory	574	549
	Accounts Payable	199	182
	Long-Term Debt	593	617

		2018	2017
Cash Flow (Full Year 2018)	Operating Cash Flow	\$356	\$330
	Capital Expenditures	(64)	(69)
	Free Cash Flow ¹	\$292	\$260

		2018	2017
Return of Capital (Full Year 2018)	Share Repurchases	\$193	\$189
	Dividends	84	71
	Total	\$277	\$260

- **Strong liquidity**
 - Cash on hand + available revolver capacity \$719 million
 - Repatriated \$79 million in FY18
- **Inventory +5% vs. LY (units +3% vs. LY)**
- **Operating cash flow reflects reduction in federal income taxes, partially offset by higher working capital needs**
- **Returned \$277 million to shareholders through share repurchases and dividends in FY18**
 - \$1.8 billion returned to shareholders and 38% of outstanding shares retired since beginning of FY07
- **Quarterly dividend increased to \$0.50 per share (+11%) beginning in Q1 2019**

¹ Non-GAAP measure.
Note: Results may not be additive due to rounding.

Business Segment Performance



Fourth Quarter 2018 Adjusted Business Segment Performance*



\$ in millions

	Net Sales			Adjusted Operating Income*			Adjusted Operating Margin*	
	2018	2017	\$ Growth	2018	2017	\$ Growth	2018	2017
U.S. Retail (a)	\$606	\$566	\$40	\$103	\$101	\$2	16.9%	17.8%
U.S. Wholesale	351	330	22	74	71	2	21.0%	21.7%
International (b)	129	132	(3)	21	21	-	16.0%	15.8%
Total before corporate expenses	1,086	1,028	58	197	193	4	18.1%	18.8%
Corporate expenses				(27)	(25)	(1)	(2.5%)	(2.5%)
Total	\$1,086	\$1,028	\$58	\$171	\$168	\$2	15.7%	16.3%

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

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

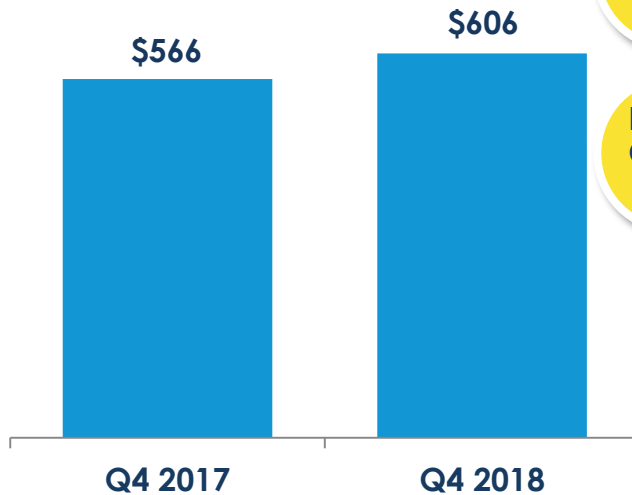
* Results are stated on an adjusted basis, a non-GAAP presentation; see reconciliation to GAAP on page 38.

Note: Results may not be additive due to rounding.

Q4 Highlights

\$ in millions

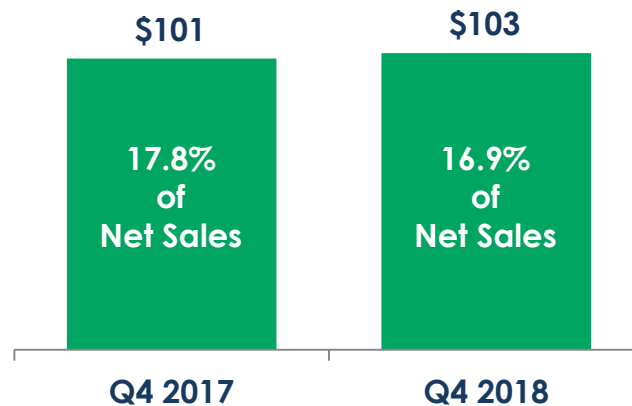
Segment Net Sales



Total Sales +7.1%

Retail¹ Comp +5.7%

Segment Adj. Operating Income*



- **Q4 Retail comp +5.7%**
 - Best Q4 comp since 2013
 - Positive comp in stores
 - Double digit growth in eCommerce business
 - Stronger U.S. Dollar continues to impact international demand (high single-digit decline)
- **Co-branded and mall stores – best performing store formats**
- **Portfolio optimization initiative on track**
 - Opened 55 stores, closed 41 in 2018
 - Continued strong sales transfer from closed doors (~20%)
 - Q4 ending store count: 844²
 - 2019 plan: open ~30 stores, close ~23 (+7 net)
- **Segment adj. operating margin 16.9% vs. 17.8% LY**
 - Reflects higher shipping & distribution costs and eCommerce promotional activity
- **Full year 2018 results**
 - Full year 2018 sales +4.3%; comp +2.8%
- **Full year 2019 outlook: low single-digit growth**

¹Retail Comp is defined as the combination of store and eCommerce comparable sales. ² See store count reconciliation on page 43.

* Results are stated on an adjusted basis, a non-GAAP presentation; see reconciliation to GAAP on page 38.

carter's
babies and kids

OSHKOSH
B'gosh



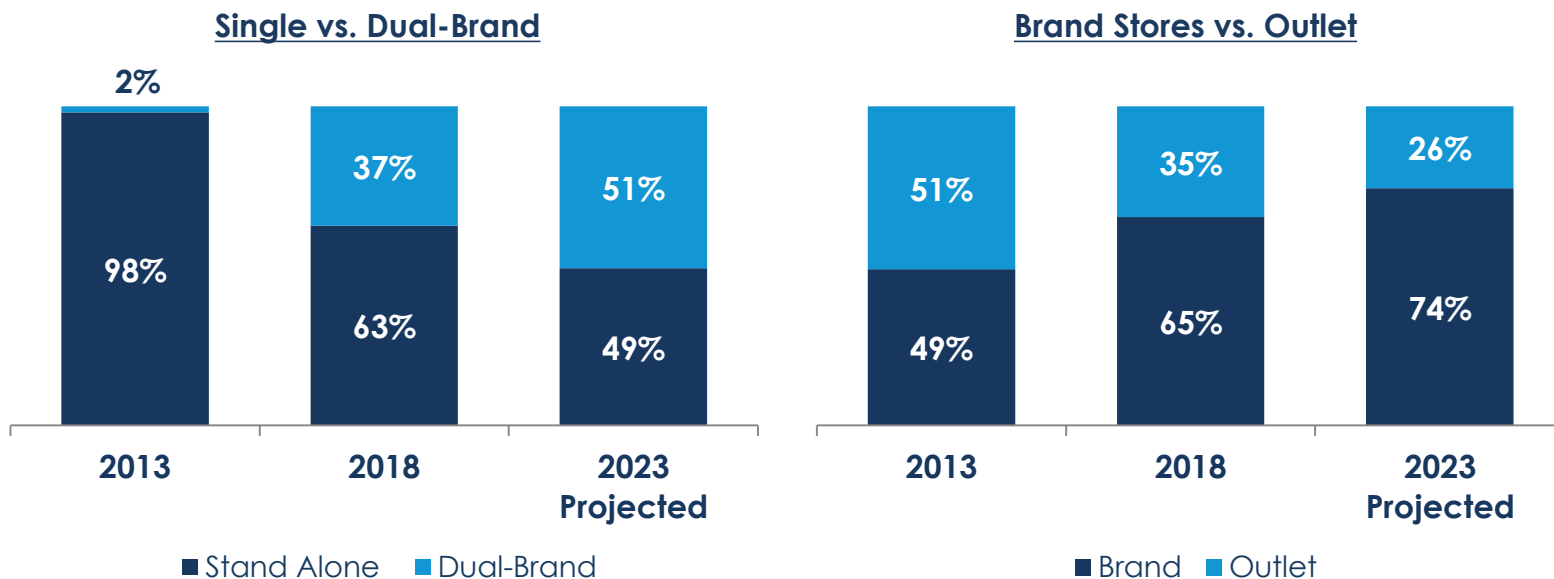


little baby basics
simple sizing

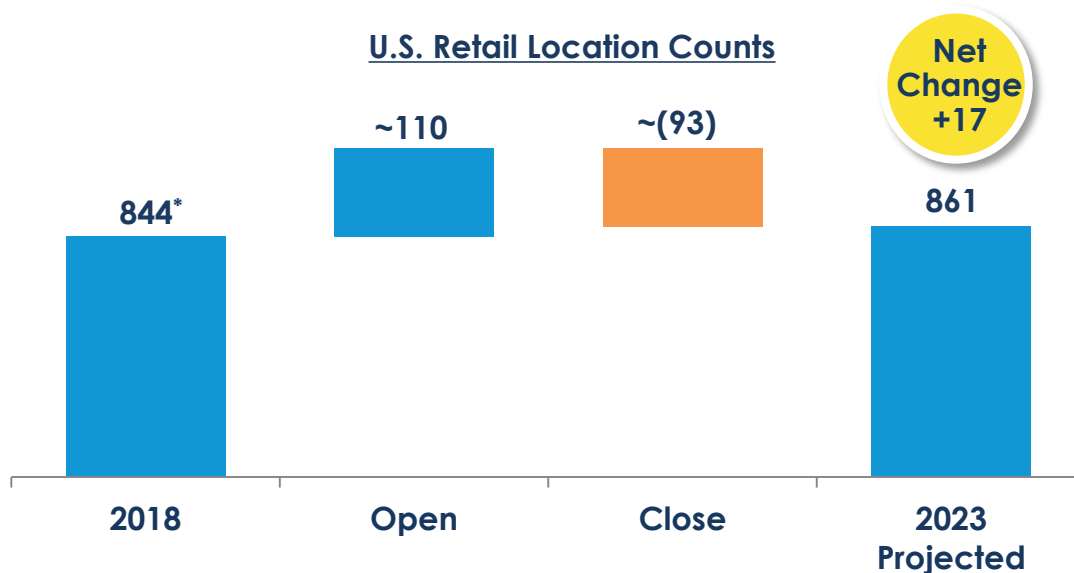
P	10.5 lb. 48-50.5 in.
nb	8 lb. 46-48 in.
3	13.5 lb. 50-52 in.
6	15.5 lb. 52-54 in.
9	17 lb. 54-56 in.
12	21.5 lb. 58-60 in.
18	24.5 lb. 60-62 in.
24	28.5 lb. 64-66 in.

little collections
Big style in the baby sizes from supersoft knits to outfit sets with extra special details.
sizes newborn-24m

Portfolio Composition



U.S. Retail Store Growth Plan



- Continued focus on portfolio optimization
- Selectively open new stores and close underperforming locations
- Opened 55 stores and closed 41 in FY2018
- Sales transfer rate to date: ~20%

* See store count reconciliation on page 43.

50% off
Easter collection
hoppy Easter

Snap-ready **sibling style** ready for all the hashtags. Tag @carters while you're at it.
sizes newborn-14

carter's

better together
they'll look cute smiles and all!



50% off
dresses
give it a twirl

Just like her best friend, **dresses** make her day. sizes 2t-14

toddler
sizes 2t-5t

KID
sizes 4-14

\$8
DOORBUSTERS
baby dresses + jumpsuits

baby
sizes 3m-24m

DORESSES + JUMPSUITS (2174) SALE \$12-19 MSRP \$14-38
BABY DRESSES + SUNSHIRTS (46-246) DOORBUSTER \$8 MSRP \$18



★★★★★
 "Always love these polos...
 all the comfort of a
 tee but still look sharp
 enough for church."
 -Isho mom

THE RAW HEM
 PULL-ON

 made with triple stitching
 so they're as durable as
 they are cool



sizes 6m - 14
 polos
50% off*

JERSEY POLOS SALE \$10-11 6M-14, MSRP \$20-22

MIX, MATCH & GET GOING!

sizes 6m - 14
 tanks, shorts
 & skirts
\$7 & UP
 DOORBUSTER

GIRLS & BOYS TANKS, SHORTS, SKIRTS DOORBUSTER \$7-8 6M-14, MSRP \$14-18





SKIP*HOP

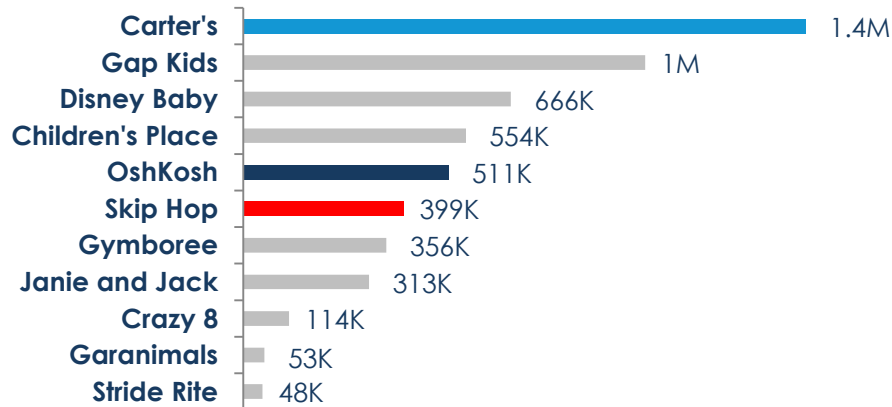


Leading Social Media Engagement¹

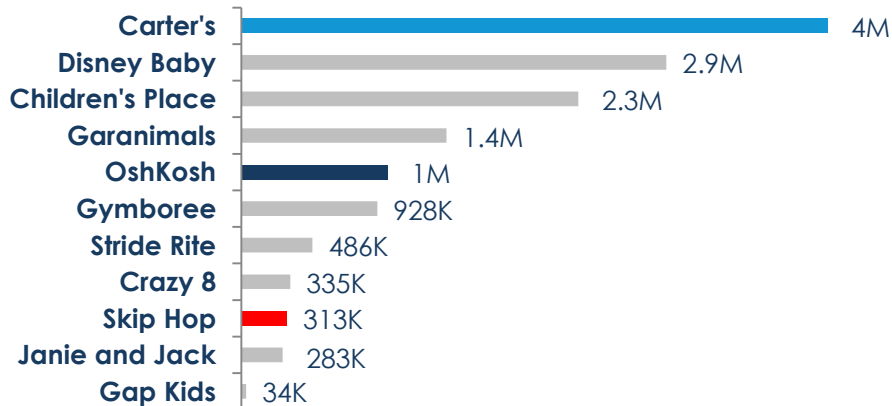


Carter's, OshKosh, and Skip Hop Continue Strong Consumer Following on Instagram & Facebook¹

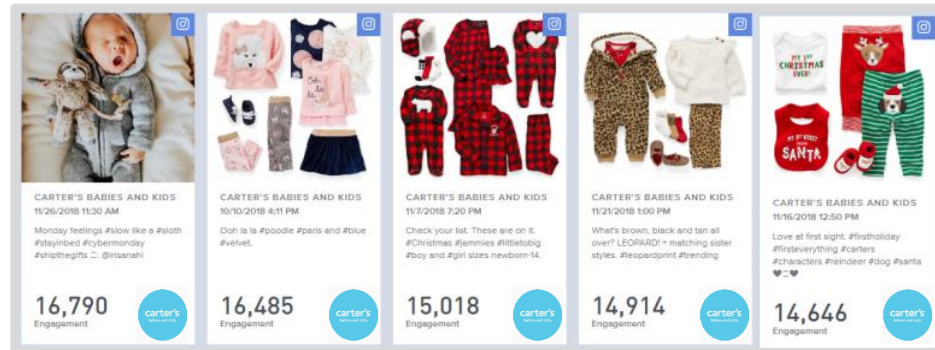
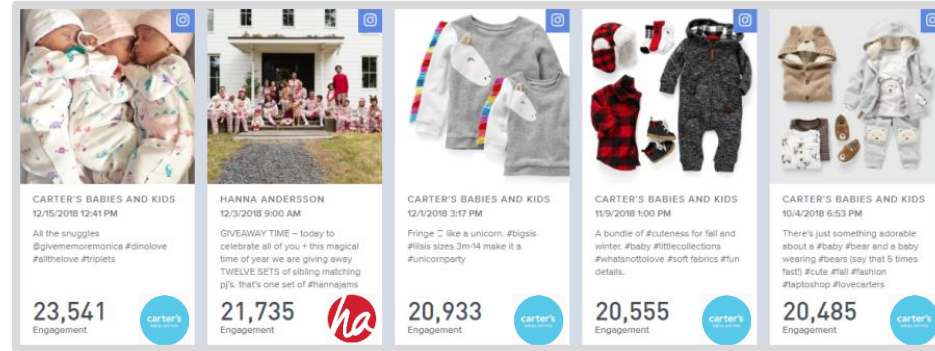
Instagram Followers



Facebook Followers



Carter's Attained 9 of the Top 10 Instagram Consumer Engagement Scores Among Peers during Q4 2018²



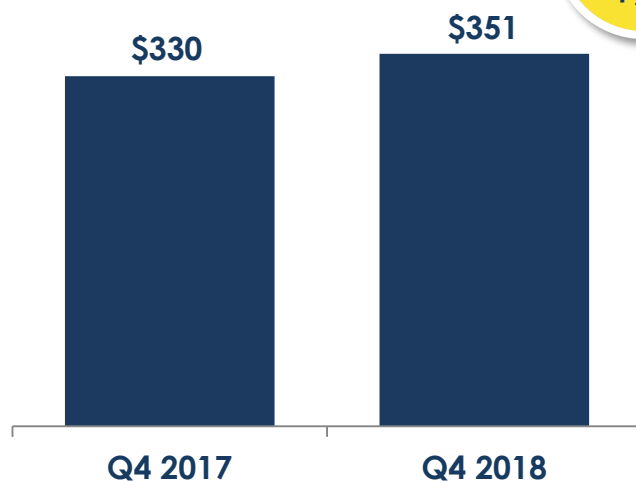
¹ Instagram and Facebook (followers as of 2/21/19)

² Third-party engagement scoring on Instagram from 9/30/18 through 12/29/18. Peer set includes Carter's, OshKosh B'gosh, The Children's Place, Gymboree, Hanna Andersson & Gap Kids

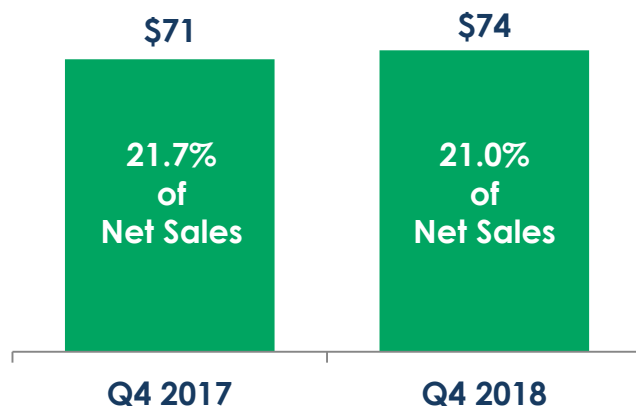
\$ in millions

Segment Net Sales

Total Sales
+7%



Segment Adj. Operating Income*



Q4 Highlights

- **U.S. Wholesale segment net sales +7%**
 - Solid growth in exclusive brands
 - Achieved 85% of \$40M sales recapture assumption¹ (lost sales to Toys “R” Us and Bon-Ton in 2018)
 - \$34M in combined sales to Toys “R” Us, Bon-Ton, and Sears in Q4 ‘17
- **Q4 segment adj. operating margin 21.0% vs. 21.7% LY**
 - Reflects changes in customer mix and higher shipping costs, partially offset by lower SG&A
- **Full year 2018 segment performance**
 - Net sales decline of 2% reflects discontinued sales to Toys “R” Us, Bon-Ton, and Sears
 - \$16M in combined sales in FY18
 - \$115M in combined sales in FY17
- **Full year 2019 outlook: low single-digit growth**

* Results are stated on an adjusted basis, a non-GAAP presentation; see reconciliation to GAAP on page 38.

¹ Recapture across U.S. Wholesale and U.S. Retail segments based on Company estimates.



KOHL'S

Just One You Made by Carter's

Target / Kids / Kids Ways to Shop / Just One You Made by Carter's (602)

just
one
you.
made by
carter's

Adorable clothes & accessories for preemie to toddler, made exclusively for Target by Carter's.

Everyday faves



from
7⁹⁹

Pajamas

Snuggle-ready in sweet PJ sets, plus sleep 'n plays from \$7.99.



from
8⁹⁹

Multipacks

Stock up & save on always-need-'em bodysuits. Packs from \$8.99.



Cute outfits

Easy ways to keep Baby cute & coordinated for a day of play.

Welcome, Baby!



Baby Registry

Start your registry & help your loved ones find your faves, including must-haves from Just One You.



Gifts

Whether you want to help 'em stock up on essentials or give a super-cute outfit, we've got you covered.



child
of
mine
made by
carter's

Explore toddlers' fashion, newborn essentials & more kids' styles.



Child of Mine by Carter's
Long Sleeve Bodysuit, T-Shirt & Pants, 3pc Outfit Set (Baby Boys)
★★★★ 10
\$9.44
2-day shipping
Free pickup today



Child of Mine by Carter's
Fashion Sock Set, Stripe and Character Crew Designs, 12 Pack (Baby Boys)
★★★★★
\$13.88
2-day shipping
Free pickup



Child of Mine by Carter's
Pants, 2-pack (Baby Boys)
★★★★★
\$7.24
2-day shipping
Free pickup today



Child of Mine by Carter's
Short Sleeve T-Shirt & Sleeveless Top, 2-Pack (Toddler Girls)
★★★★★ 1
\$9.94
2-day shipping
Free pickup



Child of Mine by Carter's
Long Sleeve Bodysuit, T-Shirt & Pants, 3pc Outfit Set (Baby Girls)
★★★★★ 5
\$8.50 ~~\$9.44~~
2-day shipping
Free pickup today



Child of Mine by Carter's
Short Sleeve T-Shirt, Bodysuit, and Pants Outfit Set, 3 pc set (Baby Girls)
★★★★★ 1
\$8.94
2-day shipping
Free pickup



Child of Mine by Carter's
Short Sleeve Bodysuits, 3-pack (Baby Boys)
★★★★★ 4
\$6.50 ~~\$7.24~~
2-day shipping
Free pickup today



Child of Mine by Carter's
Microfleece Footed Blanket Sleeper, 2-pack (Baby Girls & Toddler Girls)
★★★★★ 6
\$10.50 ~~\$14.88~~
2-day shipping





amazon  

simple joys by carter's 

Introducing our newest collection of clothing for newborns and toddlers (preemie-5T)! It's as easy to love as it is simple to buy: fresh new styles from America's most trusted brand in baby clothing.

Simple Joys by Carter's > Toddler Girl

MENU ▾

 <p>Simple Joys by Carter's Toddler Girls' 4-Piece Short-Playwear \$23⁹⁹ ✓prime ★★★★★ 62 SEE BUYING OPTIONS</p>	 <p>Simple Joys by Carter's Baby Girls' Infant 4-Piece Playwear \$21⁹⁹ ★★★★★ 52 SEE BUYING OPTIONS</p>
 <p>Simple Joys by Carter's Baby and Toddler Girls' 12-Pack Socks \$15⁹⁹ ★★★★★ 129 SEE BUYING OPTIONS</p>	 <p>Simple Joys by Carter's Toddler Girls' 3-Pack Short-Playwear \$25⁹⁹ ✓prime ★★★★★ 59 SEE BUYING OPTIONS</p>

amazon prime 

simple joys by carter's 

Introducing our newest collection of clothing for newborns and toddlers (preemie-5T)! It's as easy to love as it is simple to buy: fresh new styles from America's most trusted brand in baby clothing.

Simple Joys by Carter's
[HOME](#) [BABY BOY](#) [BABY GIRL](#) [NEUTRAL](#) [GIRLS PAJAMAS](#) [BOYS PAJAMAS](#) [TODDLER BOYS](#) [TODDLER GIRL](#)



baby boy +
preemie-24m



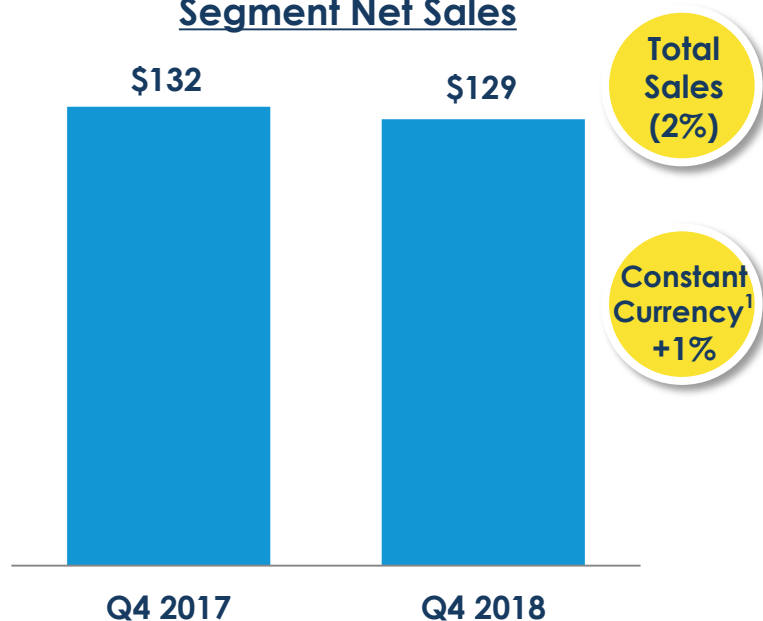
baby girl +
preemie-24m

simple joys by carter's™

amazon

\$ in millions

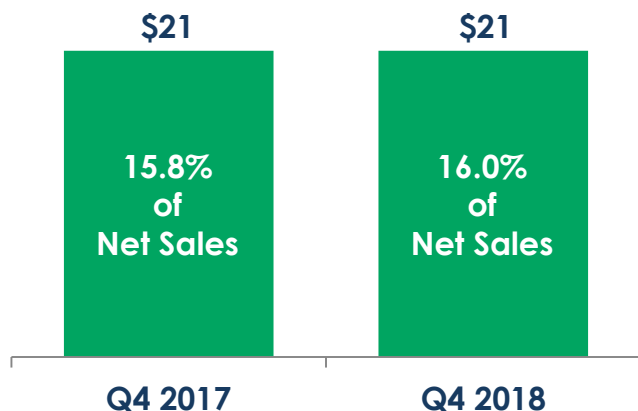
Segment Net Sales



Q4 Highlights

- **International segment Q4 net sales (2%)**
 - Lower demand in China partially offset by contribution from Mexico
 - Unfavorable effect of foreign currency exchange rate movements (net sales +1% constant currency)
 - Full year 2018 net sales +4%
- **Canada**
 - Q4 retail comp down 2%; strong eCommerce growth
 - FY18 retail comp +0.5%
- **Mexico**
 - Q4 total market sales \$15M
- **Q4 segment adj. operating margin 16.0% vs. 15.8% LY**
 - Reflects improved profitability in Mexico, partially offset by higher promotions and expense deleverage in Canada
- **Full year 2019 outlook: low single-digit growth**
 - China eCommerce and wholesale business transitioning to licensed model early 2019

Segment Adj. Operating Income*



¹See reconciliation to constant currency on page 44.

* Results are stated on an adjusted basis, a non-GAAP presentation; see reconciliation to GAAP on page 38.

International Partner Store – Istanbul, Turkey

(Opened October 2018)

carter's



- BABY GIRL (0-24M)
- BABY BOY (0-24M)
- GIRL (2Y-8Y)
- BOY (2Y-8Y)
- BODYSUITS, ROMPERS & MORE

NEW ARRIVALS

carter's
SPRING SUMMER'19

FLAT 30% OFF*

COUPON: CARTERSNEW30 **EXPLORE**

*GST extra on discounted price | T&C Apply



YOU'LL THIS [new baby checklist](#) **TAKE A PEEK**

little baby basics™
sets, sleepers and more for baby's first everything

ATENDIMENTO | BLOG | CARTÃO RIACHUELO

RIACHUELO

Bem-vindo à Riachuelo

NOVIDADES | FEMININO | MASCULINO | INFANTIL | TEEN | CALÇADOS | ACESSÓRIOS E RELÓGIOS | BELEZA E PERFUME | MODA CASA | ELETRÔNICOS | GEEK | OFERTAS

🔍 O que você está procurando?

🏠 🧑 🛒

carter's
A PARTIR DE R\$45,90
+
R\$ 15 OFF*
com o cupom
QUERO15

*Contra condições



COMPRE NO SITE e RETIRE NA LOJA com FRETE GRÁTIS*



Faça seu [login](#) para consultar o status do seu pedido e ter uma experiência personalizada.

ילדים
2T - 8

ילדות
2T - 8

בייבי בנים
NB - 24M

בייבי בנות
NB-24M

תחפושות
עד 79.9

SALE
WINTER

50%
PRE-SALE SUMMER

NEW ARRIVAL
SPRING 19

חדש! משלוח חינם בקניה ב-99 ₪ ומעלה

carter's® VALENTINE'S DAY!

♥ NEW ♥
COLLECTION
SPRING 2019

לרכישה

לרכישה

משלוח חינם בקניה ב-99 ₪ ומעלה



The advertisement features two smiling babies. On the left, a baby girl is wearing a pink zip-up hoodie and leopard-print pants. On the right, a baby boy is wearing a plaid shirt and brown corduroy overalls. In the center, the brand logos are displayed: 'carter's' in blue, 'OSHKOSH' in dark blue, and 'B'gosh' in a script font. Below the logos is the Russian text 'в два раза дороже' (two times more expensive) next to a blue heart icon. At the bottom, there are two white boxes with black text: 'CARTER'S' and 'OSHKOSH'.



Financial Results

- 30th consecutive year of sales growth: +2% vs. 2017
- Record adjusted EPS, \$6.29, +9% vs. 2017
- Record free cash flow, \$292 million
- Returned \$277 million to shareholders (share repurchases & dividends)

Highlights

- #1 market share in the U.S. and Canada – 2x share of the nearest competitor in each market¹
- Carter's #1 online share of branded children's apparel in the U.S.¹
- Meaningful contributions from new businesses – Amazon, Skip Hop, and Mexico
- Launched Carter's Age-Up initiative
- Increased direct sourcing mix to over 75% (vs. over 60% LY)
- Opened 14 net new stores in the U.S. and 9 in Canada²
- Charted new path forward in China

¹The NPD Group/Consumer Tracking Service, 12 months-ending December 2018, ages 0-7 children's apparel. Please see our annual report on form 10-K for fiscal 2018 for further information.

² See store count reconciliation on page 43.

Full Year 2018 Adjusted Results*

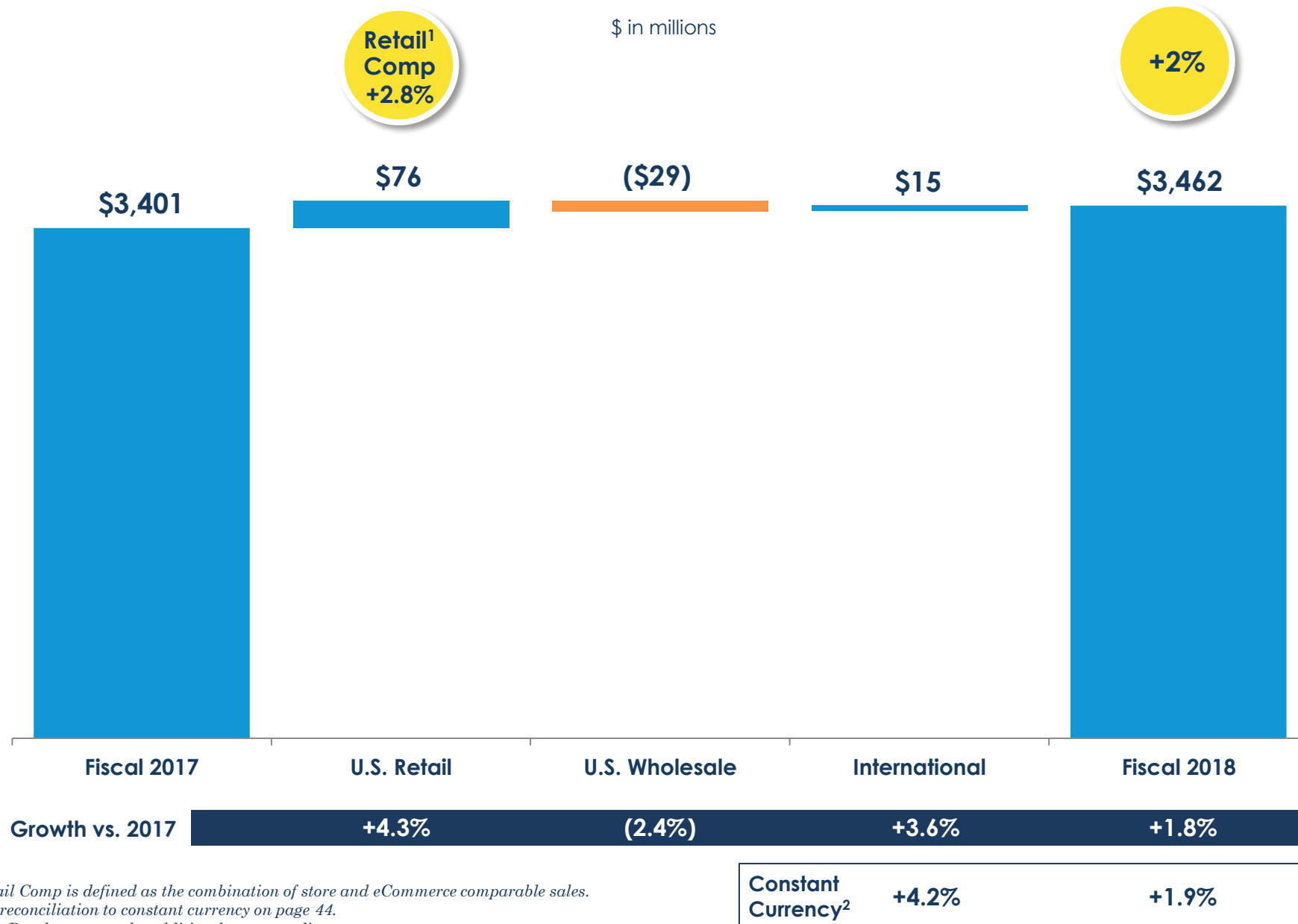


\$ in millions, except EPS

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Net sales	\$3,462		\$3,401		2%
Adjusted gross profit*	1,501	43.4%	1,485	43.7%	1%
Royalty income	39	1.1%	43	1.3%	(10%)
Adjusted SG&A*	1,133	32.7%	1,083	31.8%	5%
Adjusted operating income*	407	11.8%	445	13.1%	(8%)
Interest and other, net	35	1.0%	29	0.8%	24%
Income before taxes	372	10.7%	416	12.2%	(11%)
Income taxes	76		136		(44%)
Adjusted net income*	\$295	8.5%	\$280	8.2%	6%
Adjusted diluted EPS*	\$6.29		\$5.77		9%
Weighted average shares outstanding	47		48		(3%)
Adjusted EBITDA*	\$496	14.3%	\$530	15.6%	(7%)

* Results are stated on an adjusted basis, a non-GAAP presentation; see reconciliation to GAAP on pages 39, 40 and 41.
Note: Results may not be additive due to rounding.

Fiscal 2018 Net Sales



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

²See reconciliation to constant currency on page 44.

Note: Results may not be additive due to rounding.

Full Year 2018 Adjusted Business Segment Performance*



\$ in millions

	Net Sales			Adjusted Operating Income*			Adjusted Operating Margin*	
	2018	2017	\$ Growth	2018	2017	\$ Growth	2018	2017
U.S. Retail (a)	\$1,851	\$1,775	\$76	\$224	\$231	(\$7)	12.1%	13.0%
U.S. Wholesale	1,181	1,210	(29)	235	256	(21)	19.9%	21.2%
International (b)	430	415	15	45	49	(5)	10.4%	11.8%
Total before corporate expenses	3,462	3,401	62	504	536	(32)	14.6%	15.8%
Corporate expenses				(97)	(91)	(5)	(2.8%)	(2.7%)
Total	\$3,462	\$3,401	\$62	\$407	\$445	(\$38)	11.8%	13.1%

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

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

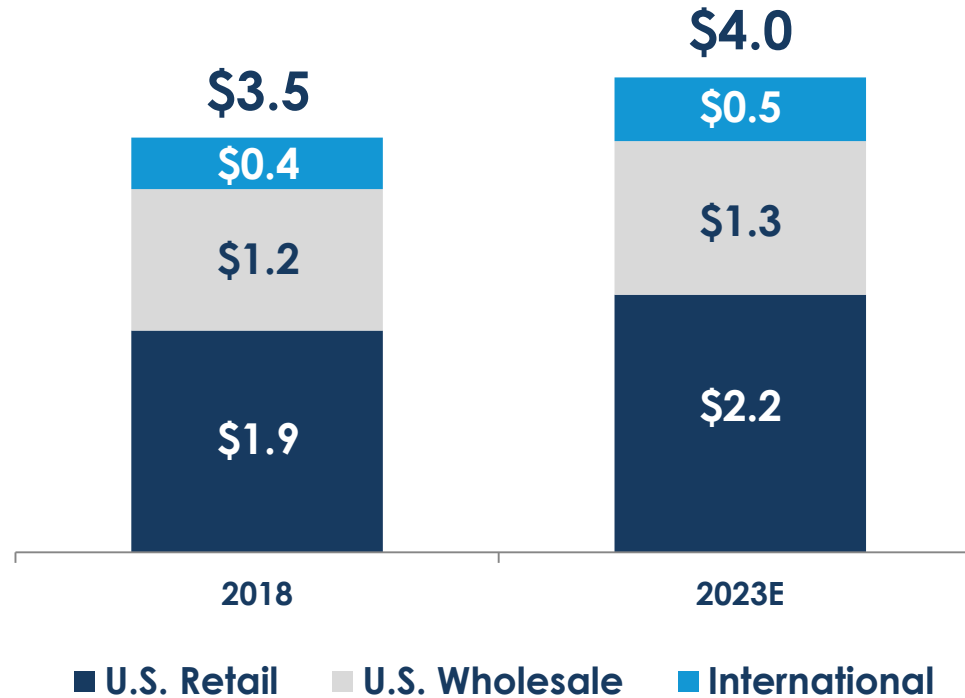
* Results are stated on an adjusted basis, a non-GAAP presentation; see reconciliation to GAAP on page 40.

Note: Results may not be additive due to rounding.

Longer-Term Growth Opportunities (2018 – 2023)

In billions

**Net Sales
Objective:
\$4 Billion by
2023**



**CRI
CAGR
3%**

EPS Objective & Drivers

- **EPS growth (2018 - 2023): ~7% CAGR**
- **Earnings growth drivers:**
 - Net sales growth
 - Operating margin expansion driven by: strength of product offering; improved profit contributions from new growth initiatives (Skip Hop, Simple Joys / Amazon, and Mexico) and new China model; improved sourcing, pricing, and inventory management disciplines; and expense leverage
 - Return of capital to shareholders through share repurchases

Guidance



Q1 2019

- **Net sales decline of approximately 4% to 5%**
 - QTD results below expectations
 - Easter holiday demand expected to shift into Q2 (vs. Q1 in 2018)
 - Impact of discontinued sales to Toys “R” Us, Bon-Ton, and Sears (~\$13M in Q1 '18)
- **Adjusted diluted EPS: ~\$0.65 to \$0.70 (vs. \$1.09 Q1 2018¹)**

Fiscal Year 2019

- **Net sales growth of approximately 1% to 2%**
- **Adjusted diluted EPS growth of ~4% to 6% (vs. \$6.29 in 2018¹)**
 - Operating cash flow: ~\$375 to \$400 million
 - CapEx: ~\$85 million



thank you.





Fourth Quarter Reconciliation of Net Income Allocable to Common Shareholders



	Fiscal Quarter Ended	
	December 29, 2018	December 30, 2017
Weighted-average number of common and common equivalent shares outstanding:		
Basic number of common shares outstanding	45,437,536	46,883,462
Dilutive effect of equity awards	348,316	575,843
Diluted number of common and common equivalent shares outstanding	45,785,852	47,459,305

	Fiscal Quarter Ended			
	As reported on a GAAP Basis		As adjusted (a)	
	December 29, 2018	December 30, 2017	December 29, 2018	December 30, 2017
<i>\$ in thousands, except EPS</i>				
Basic net income per common share:				
Net income	\$130,561	\$136,144	\$130,921	\$111,438
Income allocated to participating securities	(1,004)	(1,094)	(1,009)	(893)
Net income available to common shareholders	\$129,557	\$135,050	\$129,912	\$110,545
Basic net income per common share	\$2.85	\$2.88	\$2.86	\$2.36
Diluted net income per common share:				
Net income	\$130,561	\$136,144	\$130,921	\$111,438
Income allocated to participating securities	(998)	(1,082)	(1,002)	(884)
Net income available to common shareholders	\$129,563	\$135,062	\$129,919	\$110,554
Diluted net income per common share	\$2.83	\$2.85	\$2.84	\$2.33

(a) In addition to the results provided in this earnings release in accordance with GAAP, the Company has provided adjusted, non-GAAP financial measurements that present per share data excluding the adjustments discussed in following slides. The Company has excluded \$0.4 million in after-tax expenses and \$15.3 million in after-tax income from these results for the fiscal quarters ended December 29, 2018 and December 30, 2017, respectively. In addition, a \$40.0 million preliminary income tax benefit related to the accounting for the implementation of the Tax Cuts and Jobs Act of 2017 was excluded from these results for the fiscal quarter ended December 30, 2017.

Note: Results may not be additive due to rounding.

Fourth Quarter Reconciliation of Reported to Adjusted Earnings



\$ in millions, except EPS

Fourth Quarter of Fiscal 2018	Gross Margin	% of net sales	SG&A	% of net sales	Operating Income	% of net sales	Net Income	Diluted EPS	Segment Reporting							
									U.S. Retail Operating Income	% of segment net sales	U.S. Wholesale Operating Income	% of segment net sales	International Operating Income	% of segment net sales	Corporate Operating Expenses	% of total net sales
As reported (GAAP) (a)	\$467.6	43.0%	\$307.4	28.3%	\$170.6	15.7%	\$130.6	\$2.83	\$102.7	16.9%	\$75.8	21.6%	\$18.7	14.6%	(\$26.6)	(2.5%)
China business model change (c) (i)	\$1.5		(\$0.3)		\$1.8		\$1.8	\$0.04	-		-		1.8		-	
Customer bankruptcy charges (d) (i)	-		1.9		(1.9)		(1.4)	(0.03)	-		(1.9)		-		-	
As adjusted (b)	\$469.1	43.2%	\$308.9	28.4%	\$170.5	15.7%	\$130.9	\$2.84	\$102.7	16.9%	\$73.9	21.0%	\$20.5	16.0%	(\$26.6)	(2.5%)

Fourth Quarter of Fiscal 2017	Gross Margin	% of net sales	SG&A	% of net sales	Operating Income	% of net sales	Net Income	Diluted EPS	Segment Reporting							
									U.S. Retail Operating Income	% of segment net sales	U.S. Wholesale Operating Income	% of segment net sales	International Operating Income	% of segment net sales	Corporate Operating Expenses	% of total net sales
As reported (GAAP) (a)	\$460.8	44.8%	\$325.5	31.7%	\$146.4	14.2%	\$136.1	\$2.85	\$88.2	15.6%	\$68.0	20.6%	\$18.4	14.0%	(\$28.2)	(2.7%)
Special employee compensation provision (e) (i)	-		(21.2)		21.2		15.1	0.32	12.7		3.3		2.3		2.9	
Acquisition costs (f) (i)	0.4		(0.1)		0.5		0.3	0.01	0.1		0.2		0.1		0.1	
Store restructuring costs (g) (i)	-		-		-		(0.2)	(0.01)	-		-		-		-	
Tax reform (h)	-		-		-		(40.0)	(0.84)	-		-		-		-	
As adjusted (b)	\$461.2	44.9%	\$304.3	29.6%	\$168.0	16.3%	\$111.4	\$2.33	\$101.0	17.8%	\$71.5	21.7%	\$20.8	15.8%	(\$25.2)	(2.5%)

- (a) Beginning in fiscal 2018, the Company adopted the Financial Accounting Standards Board's Accounting Standards Codification No. 606, *Revenue from Contracts with Customers*, and related amendments ("ASC 606") using the full retrospective adoption method. All periods in fiscal 2017 and fiscal 2016 were amended to reflect these provisions, and retained earnings at January 2, 2016 (beginning of fiscal 2016) were adjusted for the cumulative effect of periods prior to fiscal 2016. The adoption of ASC 606 had no material effect on the Company's consolidated financial position, results of operations, and cash flows.
- (b) In addition to the results provided in this earnings release in accordance with GAAP, the Company has provided adjusted, non-GAAP financial measurements that present gross margin, SG&A, operating income, net income, and net income on a diluted share basis excluding the adjustments discussed below. The Company believes these adjustments provide a meaningful comparison of the Company's results and afford investors a view of what management considers to be the Company's core performance. The adjusted, non-GAAP financial measurements included in this earnings release should not be considered as an alternative to net income or as any other measurement of performance derived in accordance with GAAP. The adjusted, non-GAAP financial measurements are presented for informational purposes only and are not necessarily indicative of the Company's future condition or results of operations.
- (c) Costs associated with transitioning retail and wholesale operations to a full licensing model in China.
- (d) Related to the Toys "R" Us bankruptcy.
- (e) Special employee compensation provision related to significant benefit related to the enactment of the Tax Cuts and Jobs Act of 2017.
- (f) Non-recurring costs related to the Skip Hop and Mexico acquisitions.
- (g) Tax credit received for certain payroll costs incurred during unusual storm-related closures.
- (h) Reflects the net benefit of the Tax Cuts and Jobs Act of 2017.
- (i) The difference between the impacts on operating income and net income represents the income taxes related to the adjustment item (calculated using the applicable tax rate of the underlying jurisdiction).
- Note: Results may not be additive due to rounding.*

Full Year 2018 Reconciliation of Net Income Allocable to Common Shareholders



	Fiscal Year Ended	
	December 29, 2018	December 30, 2017
Weighted-average number of common and common equivalent shares outstanding:		
Basic number of common shares outstanding	46,160,935	47,593,211
Dilutive effect of equity awards	487,485	552,864
Diluted number of common and common equivalent shares outstanding	46,648,420	48,146,075

	Four Fiscal Quarters Ended			
	As reported on a GAAP Basis		As adjusted (a)	
	December 29, 2018	December 30, 2017	December 29, 2018	December 30, 2017
<i>\$ in thousands, except EPS</i>				
Basic net income per common share:				
Net income	\$282,068	\$302,848	\$295,445	\$279,806
Income allocated to participating securities	(2,148)	(2,407)	(2,253)	(2,220)
Net income available to common shareholders	\$279,920	\$300,441	\$293,192	\$277,586
Basic net income per common share	\$6.06	\$6.31	\$6.35	\$5.83
Diluted net income per common share:				
Net income	\$282,068	\$302,848	\$295,445	\$279,806
Income allocated to participating securities	(2,132)	(2,386)	(2,236)	(2,201)
Net income available to common shareholders	\$279,936	\$300,462	\$293,209	\$277,605
Diluted net income per common share	\$6.00	\$6.24	\$6.29	\$5.77

(a) In addition to the results provided in this earnings release in accordance with GAAP, the Company has provided adjusted, non-GAAP financial measurements that present per share data excluding the adjustments discussed in following slides. The Company has excluded \$13.4 million and \$17.0 million in after-tax expenses from these results for the fiscal years ended December 29, 2018 and December 30, 2017, respectively. In addition, a \$40.0 million preliminary income tax benefit related to the accounting for the implementation of the Tax Cuts and Jobs Act of 2017 was excluded from these results for the fiscal year ended December 30, 2017.

Note: Results may not be additive due to rounding.

Fiscal 2018 Reconciliation of Reported to Adjusted Earnings



\$ in millions, except EPS

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

Fiscal 2017									Segment Reporting							
	Gross Margin	% of net sales	SG&A	% of net sales	Operating Income	% of net sales	Net Income	Diluted EPS	U.S. Retail Operating Income	% of segment net sales	U.S. Wholesale Operating Income	% of segment net sales	International Operating Income	% of segment net sales	Corporate Operating Expenses	% of total net sales
As reported (GAAP) (a)	\$1,483.4	43.6%	\$1,106.9	32.6%	\$419.6	12.3%	\$302.8	\$6.24	\$215.6	12.1%	\$252.1	20.8%	\$46.4	11.2%	(\$94.5)	(2.8%)
Special employee compensation provision (f) (j)	-		(21.2)		21.2		15.1	0.31	12.7		3.3		2.3		2.9	
Store restructuring costs (e) (j)	-		(2.7)		2.7		1.5	0.03	2.7		-		-		-	
Acquisition costs (g) (j)	1.2		0.2		1.0		0.2	-	0.1		0.7		0.4		(0.2)	
Direct sourcing initiative (h) (j)	-		(0.3)		0.3		0.2	-	-		-		-		0.3	
Tax reform (i)	-		-		-		(40.0)	(0.83)	-		-		-		-	
As adjusted (b)	\$1,484.6	43.7%	\$1,082.9	31.8%	\$444.8	13.1%	\$279.8	\$5.77	\$231.2	13.0%	\$256.0	21.2%	\$49.1	11.8%	(\$91.5)	(2.7%)

- (a) Beginning in fiscal 2018, the Company adopted the Financial Accounting Standards Board's Accounting Standards Codification No. 606, *Revenue from Contracts with Customers*, and related amendments ("ASC 606") using the full retrospective adoption method. All periods in fiscal 2017 and fiscal 2016 were amended to reflect these provisions, and retained earnings at January 2, 2016 (beginning of fiscal 2016) were adjusted for the cumulative effect of periods prior to fiscal 2016. The adoption of ASC 606 had no material effect on the Company's consolidated financial position, results of operations, and cash flows.
- (b) In addition to the results provided in this earnings release in accordance with GAAP, the Company has provided adjusted, non-GAAP financial measurements that present gross margin, SG&A, operating income, net income, and net income on a diluted share basis excluding the adjustments discussed below. The Company believes these adjustments provide a meaningful comparison of the Company's results and afford investors a view of what management considers to be the Company's core performance. The adjusted, non-GAAP financial measurements included in this earnings release should not be considered as an alternative to net income or as any other measurement of performance derived in accordance with GAAP. The adjusted, non-GAAP financial measurements are presented for informational purposes only and are not necessarily indicative of the Company's future condition or results of operations.
- (c) Related to the Toys "R" Us bankruptcy.
- (d) Costs associated with transitioning retail and wholesale operations to a full licensing model in China.
- (e) Insurance recovery associated with unusual storm-related closures.
- (f) Special employee compensation provision related to significant benefit related to the enactment of the Tax Cuts and Jobs Act of 2017.
- (g) Non-recurring costs related to the Skip Hop and Mexico acquisitions.
- (h) Costs associated with the Company's direct sourcing initiative, which include severance and relocation.
- (i) Reflects the net benefit of the Tax Cuts and Jobs Act of 2017.
- (j) The difference between the impacts on operating income and net income represents the income taxes related to the adjustment item (calculated using the applicable tax rate of the underlying jurisdiction).

Note: Results may not be additive due to rounding.

Reconciliation of Net Income to Adjusted EBITDA



\$ in millions

	Fiscal Quarter Ended		Fiscal Year Ended	
	December 29, 2018	December 30, 2017	December 29, 2018	December 30, 2017
Net income	\$130.6	\$136.1	\$282.1	\$302.8
Interest expense	8.8	7.7	34.6	30.0
Interest income	(0.1)	(0.1)	(0.5)	(0.3)
Tax expense	30.4	2.2	73.9	88.2
Depreciation and amortization	23.4	22.3	89.7	84.4
EBITDA	\$193.1	\$168.2	\$479.7	\$505.2
Adjustments to EBITDA				
China business model change (a)	\$1.8	\$ -	\$5.3	\$ -
Customer bankruptcy charges (b)	(1.9)	-	10.9	-
Revaluation of contingent consideration (c)	-	-	-	(3.6)
Store restructuring costs (d)	-	-	(0.4)	2.7
Special employee compensation provision (e)	-	21.2	-	21.2
Direct sourcing initiative (f)	-	-	-	0.3
Acquisition-related costs (g)	-	0.5	-	4.6
Adjusted EBITDA	\$193.1	\$189.9	\$495.5	\$530.4

(a) Costs associated with transitioning retail and wholesale operations to a full licensing model in China.

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

(c) Revaluation of the contingent consideration liability associated with the Company's acquisition of Skip Hop.

(d) Net costs arising from unusual storm damage and related store closures.

(e) Special employee compensation provision related to significant benefit related to the enactment of the Tax Cuts and Jobs Act of 2017; includes \$1.2 million in related payroll taxes.

(f) Costs associated with the Company's direct sourcing initiative, which include severance and relocation.

(g) Non-recurring costs incurred in connection with the Skip Hop and Mexico business acquisitions.

Note: Results may not be additive due to rounding.

2018 First Quarter Reconciliation of Reported to Adjusted Earnings



\$ in millions, except EPS

First Quarter of Fiscal 2018									Segment Reporting							
	Gross Margin	% of net sales	SG&A	% of net sales	Operating Income	% of net sales	Net Income	Diluted EPS	U.S. Retail Operating Income	% of segment net sales	U.S. Wholesale Operating Income	% of segment net sales	International Operating Income	% of segment net sales	Corporate Operating Expenses	% of total net sales
As reported (GAAP)	\$332.5	44.0%	\$280.2	37.1%	\$60.3	8.0%	\$42.5	0.89	\$29.5	7.7%	\$50.3	17.9%	\$3.8	4.1%	(\$23.2)	(3.1%)
Customer bankruptcy charges (b) (d)	-		(12.8)		12.8		9.8	0.20	-		12.8		-		-	
Store restructuring costs (c) (d)	-		0.4		(0.4)		(0.3)	(0.01)	(0.4)		-		-		-	
As adjusted (a)	\$332.5	44.0%	\$267.8	35.4%	\$72.7	9.6%	\$52.0	1.09	\$29.1	7.6%	\$63.0	22.4%	\$3.8	4.1%	(\$23.2)	(3.1%)

(a) In addition to the results provided in this earnings release in accordance with GAAP, the Company has provided adjusted, non-GAAP financial measurements that present gross margin, SG&A, operating income, net income, and net income on a diluted share basis excluding the adjustments discussed above. The Company believes these adjustments provide a meaningful comparison of the Company's results and affords investors a view of what management considers to be the Company's core performance. The adjusted, non-GAAP financial measurements included in this earnings release should not be considered as an alternative to net income or as any other measurement of performance derived in accordance with GAAP. The adjusted, non-GAAP financial measurements are presented for informational purposes only and are not necessarily indicative of the Company's future condition or results of operations.

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

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

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

Note: Results may not be additive due to rounding.

Store Count Data



	<u>Single-brand</u>	<u>Dual-brand</u>		<u>Total U.S. Retail</u>	<u>Dual-brand Canada</u>	<u>Mexico</u> ¹	<u>Total International</u>	<u>Total Consolidated Retail Stores</u>
	<u>U.S. Stand-alone Format</u>	<u>U.S. Side-by-Side Format</u>	<u>U.S. Co-branded Format</u>		<u>Co-branded Format</u>			
Store count at December 30, 2017	597	159	74	830	179	41	220	1,050
Openings	9	3	43	55	9	1	10	65
Closings	(41)	-	-	(41)	-	-	-	(41)
Conversions to dual-brand formats	(37)	1	36	-	-	-	-	-
Store count at December 29, 2018	528*	163	153	844*	188	42	230	1,074

¹ Includes single brand and co-branded formats.

* Excludes five temporary Skip Hop stores that were closed in January 2019.

Constant Currency Reconciliation



\$ in millions

Fiscal Quarter Ended

	Reported Net Sales December 29, 2018	Impact of Foreign Currency Translation	Constant- Currency Net Sales December 29, 2018	Reported Net Sales December 30, 2017	Reported Net Sales % Change	Constant- Currency Net Sales % Change
Consolidated net sales	\$1,086.4	(\$3.9)	\$1,090.3	\$1,027.9	5.7%	6.1%
International segment net sales	\$128.6	(\$3.9)	\$132.5	\$131.8	(2.4%)	0.6%

Fiscal Year Ended

	Reported Net Sales December 29, 2018	Impact of Foreign Currency Translation	Constant- Currency Net Sales December 29, 2018	Reported Net Sales December 30, 2017	Reported Net Sales % Change	Constant- Currency Net Sales % Change
Consolidated net sales	\$3,462.3	(\$2.6)	\$3,464.9	\$3,400.5	1.8%	1.9%
International segment net sales	\$430.4	(\$2.6)	\$433.0	\$415.5	3.6%	4.2%

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

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 February 25, 2019 which is available at www.carters.com. This presentation contains forward-looking statements within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 relating to the Company's future performance, including, without limitation, statements with respect to the Company's anticipated financial results for the first quarter of fiscal 2019 and fiscal year 2019, or any other future period, assessments of the Company's performance and financial position, and drivers of the Company's sales and earnings growth. Such statements are based on current expectations only, and are subject to certain risks, uncertainties, and assumptions. Should one or more of these risks or uncertainties materialize or not materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those anticipated, estimated, or projected. Certain of the risks and uncertainties that could cause actual results and performance to differ materially are described in the Company's most recently filed Annual Report on Form 10-K and other reports filed with the Securities and Exchange Commission from time to time under the headings "Risk Factors". Included among the risks and uncertainties that may impact future results are the risks of: financial difficulties for one or more of the Company's major customers, vendors, or licensees, or an overall decrease in consumer spending; our products not being accepted in the marketplace due to quality concerns, changes in consumer preference and fashion trends, or otherwise; losing one or more major customers, vendors, or licensees due to competition, inadequate quality of the Company's products, or otherwise; negative publicity, including as a result of product recalls or otherwise; a failure to protect the Company's intellectual property; a failure to meet regulatory requirements, including those relating to product quality and safety; extreme or unseasonable weather conditions; various types of litigation, including class action litigation brought under various consumer protection, employment, and privacy and information security laws; a breach of the Company's consumer databases, systems, or processes; deflationary pressures on our selling price and increases in production costs; unsuccessful expansion into international markets or failure to successfully manage legal, regulatory, political and economic risks of the Company's existing operations, including unexpected changes in regulatory requirements and maintaining compliance with worldwide anti-bribery laws; disruptions, slow-downs, or strikes in the Company's supply chain, including disruptions resulting from increases in the cost of raw materials or labor, foreign supply sources, the Company's distribution centers, or in-sourcing capabilities; failure to successfully integrate acquired businesses; fluctuations in foreign currency exchange rates; the imposition of new regulations relating to imports, tariffs, duties, or taxes; and an inability to obtain additional financing on favorable terms. The Company does not undertake any obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.