



# **carter's, inc.**

**Second Quarter 2019  
Business Update**

July 25, 2019

# Second Quarter 2019 Results (GAAP Basis)



\$ in millions, except EPS

	<b>Q2 2019</b>	<i>% of Sales</i>	<b>Q2 2018</b>	<i>% of Sales</i>	<b>Increase / (Decrease)</b>
Net sales	\$734		\$696		5%
Gross profit	323	44.0%	310	44.5%	4%
Royalty income	10	1.3%	10	1.5%	(7%)
SG&A	268	36.5%	263	37.8%	2%
Operating income	64	8.8%	57	8.2%	13%
Interest and other, net	9	1.2%	9	1.2%	1%
Income before taxes	56	7.6%	48	6.9%	15%
Income taxes	12		11		7%
Net income	\$44	6.0%	\$37	5.4%	18%
<b>Diluted EPS</b>	<b>\$0.97</b>		<b>\$0.79</b>		<b>23%</b>
Weighted average shares outstanding	45		47		(4%)
EBITDA <sup>1</sup>	\$88	11.9%	\$78	11.2%	13%

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

# First Half 2019 Results (GAAP Basis)



\$ in millions, except EPS

	<b>1H 2019</b>	<i>% of Sales</i>	<b>1H 2018</b>	<i>% of Sales</i>	<b>Increase / (Decrease)</b>
Net sales	\$1,475		\$1,452		2%
Gross profit	639	43.3%	642	44.2%	(1%)
Royalty income	18	1.2%	18	1.3%	(1%)
SG&A	532	36.0%	544	37.4%	(2%)
Operating income	125	8.5%	117	8.1%	7%
Loss on extinguishment of debt	8	0.5%	-	0.0%	N/A
Interest and other, net	18	1.2%	16	1.1%	11%
Income before taxes	99	6.7%	101	7.0%	(2%)
Income taxes	21		21		(2%)
Net income	\$78	5.3%	\$80	5.5%	(2%)
<b>Diluted EPS</b>	<b>\$1.72</b>		<b>\$1.68</b>		<b>2%</b>
Weighted average shares outstanding	45		47		(4%)
EBITDA <sup>1</sup>	\$164	11.1%	\$161	11.1%	2%

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

\$ in millions, except EPS

## Net Sales

+5%

\$734

\$696

2018

2019

## Adjusted Operating Income\* (Adjusted Operating Margin)

+12%

\$64

\$57

8.2%  
of  
Net Sales

2018

2019

## Adjusted EPS\*

+21%

\$0.95

\$0.79

2018

2019

- **Net sales +5%**
  - Growth driven by U.S. Retail & U.S. Wholesale businesses
  - Strong U.S. Retail comp: +3.8%
- **Adjusted operating profit +12%**
  - Adjusted operating margin +50 bps, reflecting sales growth and expense leverage
- **Strong EPS growth +21%**

# Second Quarter 2019 Adjusted Results\*



\$ in millions, except EPS

	<b>Q2 2019</b>	<i>% of Sales</i>	<b>Q2 2018</b>	<i>% of Sales</i>	<b>Increase / (Decrease)</b>
Net sales	\$734		\$696		5%
Gross profit	323	44.0%	310	44.5%	4%
Royalty income	10	1.3%	10	1.5%	(7%)
Adjusted SG&A	269	36.6%	263	37.8%	2%
Adjusted operating income	64	8.7%	57	8.2%	12%
Interest and other, net	9	1.2%	9	1.2%	1%
Income before taxes	55	7.5%	48	6.9%	14%
Income taxes	12		11		5%
Adjusted net income	\$43	5.9%	\$37	5.4%	16%
<b>Adjusted diluted EPS</b>	<b>\$0.95</b>		<b>\$0.79</b>		<b>21%</b>
Weighted average shares outstanding	45		47		(4%)
Adjusted EBITDA	\$87	11.8%	\$78	11.2%	12%

\*Results are stated as indicated on an adjusted basis, a non-GAAP presentation; see reconciliation to GAAP in appendix.  
Note: Results may not be additive due to rounding.

# First Half 2019 Adjusted Results\*



\$ in millions, except EPS

	<b>1H 2019</b>	% of Sales	<b>1H 2018</b>	% of Sales	<b>Increase / (Decrease)</b>
Net sales	\$1,475		\$1,452		2%
Adjusted gross profit	637	43.2%	642	44.2%	(1%)
Royalty income	18	1.2%	18	1.3%	(1%)
Adjusted SG&A	531	36.0%	531	36.6%	(0%)
Adjusted operating income	124	8.4%	130	8.9%	(4%)
Adjusted interest and other, net	18	1.2%	16	1.1%	11%
Income before taxes	106	7.2%	114	7.8%	(7%)
Income taxes	23		24		(5%)
Adjusted net income	\$83	5.6%	\$89	6.1%	(7%)
Adjusted diluted EPS	\$1.82		\$1.88		(3%)
Weighted average shares outstanding	45		47		(4%)
Adjusted EBITDA	\$171	11.6%	\$173	11.9%	(1%)

\*Results are stated as indicated on an adjusted basis, a non-GAAP presentation; see reconciliation to GAAP in appendix.  
Note: Results may not be additive due to rounding.

# Balance Sheet and Cash Flow



\$ in millions

## Balance Sheet (at Q2 end)

	2019	2018
Cash	\$118	\$183
Accounts Receivable	168	153
Inventory	698	663
Accounts Payable	233	217
Long-Term Debt	604	683
Operating Lease Liabilities <sup>1</sup>	844	-

## Cash Flow (First Half)

	2019	2018
Operating Cash Flow	\$104	\$103
Capital Expenditures	(25)	(32)
Free Cash Flow <sup>2</sup>	\$79	\$71

## Return of Capital (First Half)

	2019	2018
Share Repurchases	\$92	\$89
Dividends	45	42
<b>Total</b>	<b>\$138</b>	<b>\$131</b>

- **Strong liquidity – cash on hand and available revolver capacity \$753 million**
- **Inventory +5% vs. LY**
  - Meaningfully improved excess inventory position vs. LY
  - Planning mid-single digit growth vs. LY at end of Q3 and year end
- **Forecasting operating cash flow of \$375 – \$400 million for fiscal 2019**
- **Returned \$138 million to shareholders through share repurchases and dividends in first half of 2019**
  - Have returned \$1.9 billion to shareholders since beginning of 2007

<sup>1</sup>Company adopted Financial Accounting Standards Board's Accounting Standards Codification No. 842, Leases in 2019; amount presented reflects sum of current and long-term operating lease liabilities. <sup>2</sup>Non-GAAP measure.

Note: Results may not be additive due to rounding.



## **Business Segment Performance**

# Second Quarter 2019 Adjusted Business Segment Performance\*



\$ in millions

	Net Sales			Adjusted Operating Income*			Adjusted Operating Margin*	
	2019	2018	\$ Growth	2019	2018	\$ Growth	2019	2018
<b>U.S. Retail (a)</b>	\$423	\$402	\$21	\$50	\$45	\$5	11.9%	11.3%
<b>U.S. Wholesale</b>	229	209	20	35	30	5	15.4%	14.5%
<b>International (b)</b>	82	85	(3)	4	4	(0)	5.2%	5.1%
Total before corporate expenses	734	696	38	90	80	10	12.3%	11.5%
<b>Corporate expenses</b>				(26)	(23)	(3)	(3.6%)	(3.3%)
<b>Total</b>	<b>\$734</b>	<b>\$696</b>	<b>\$38</b>	<b>\$64</b>	<b>\$57</b>	<b>\$7</b>	<b>8.7%</b>	<b>8.2%</b>

(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 in appendix.

Note: Results may not be additive due to rounding.

# First Half 2019 Adjusted Business Segment Performance\*



\$ in millions

	Net Sales			Adjusted Operating Income*			Adjusted Operating Margin*	
	2019	2018	\$ Growth	2019	2018	\$ Growth	2019	2018
<b>U.S. Retail (a)</b>	\$800	\$786	\$14	\$74	\$75	(\$0)	9.3%	9.5%
<b>U.S. Wholesale</b>	504	490	14	91	93	(3)	18.0%	19.0%
<b>International (b)</b>	171	176	(5)	7	8	(1)	4.2%	4.6%
Total before corporate expenses	1,475	1,452	23	172	176	(4)	11.7%	12.1%
<b>Corporate expenses</b>				(48)	(46)	(2)	(3.3%)	(3.2%)
<b>Total</b>	<b>\$1,475</b>	<b>\$1,452</b>	<b>\$23</b>	<b>\$124</b>	<b>\$130</b>	<b>(\$6)</b>	<b>8.4%</b>	<b>8.9%</b>

(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 in appendix.

Note: Results may not be additive due to rounding.

\$ in millions

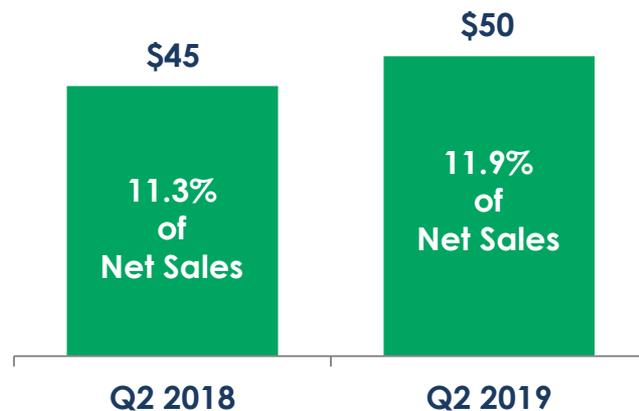
## Segment Net Sales



Total Sales  
+5.3%

Retail<sup>1</sup> Comp  
+3.8%

## Segment Adj. Operating Income\*



## Q2 Highlights

- **Strong Q2 Retail comparable sales +3.8%**
  - Easter shift estimated to have benefited Q2 comps by ~2 points
- **Store portfolio optimization**
  - Opened 9 stores, closed 20 in first half of 2019
  - Co-branded and mall stores best performing store types in Q2 and first half
- **Enhanced customer experience**
  - Launched private label credit card
  - 'Same day' buy online, pickup in store now available nationwide
  - Piloting fulfillment of online orders from store in second half of year
- **Q2 adjusted operating margin 11.9%, +60 bps**
  - Reflects expense leverage on higher sales, lower marketing spend, and higher product costs
- **Full year expectations**
  - Low-single digit growth in net sales
  - Operating margin improvement

<sup>1</sup>Retail Comp is defined as the combination of store and eCommerce comparable sales.

\*Results are stated on an adjusted basis, a non-GAAP presentation; see reconciliation to GAAP in appendix.







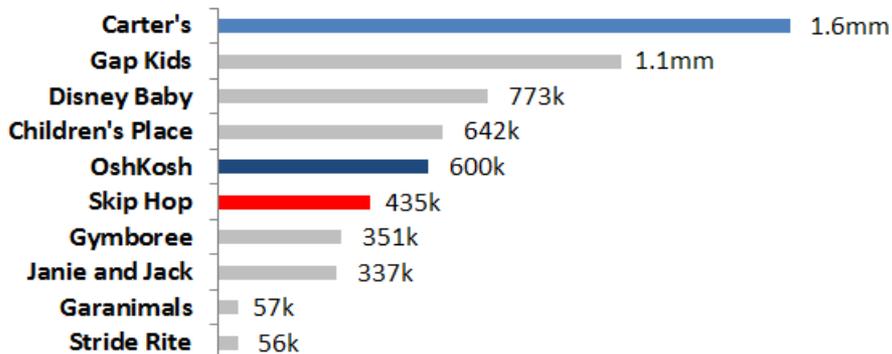
- Opportunity to strengthen overall relationship with customers, drive incremental sales and margin, and reduce credit card fees
- Developed in response to customer demand
- Launched program in stores and online nationwide in June
- Enhances our *Rewarding Moments* loyalty program (~11 million active members)
- Provides consumers even more opportunities to earn rewards when shopping for their favorite children's brands
  - Free shipping on every order
  - Double points
  - Exclusive cardholder-only events
- Good customer response to date

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

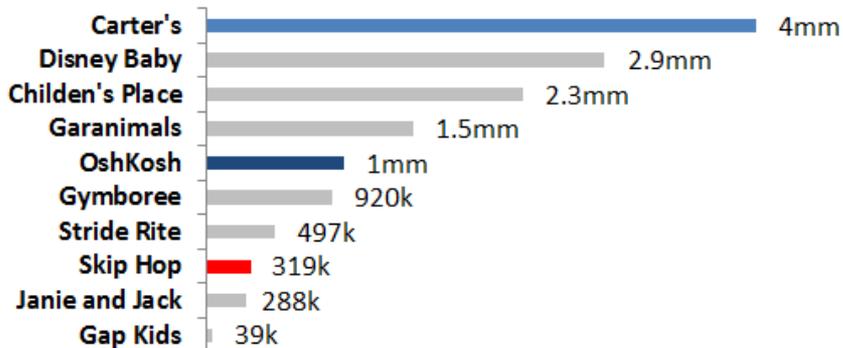


Our Brands Have a Strong Consumer Following on Instagram and Facebook<sup>1</sup>

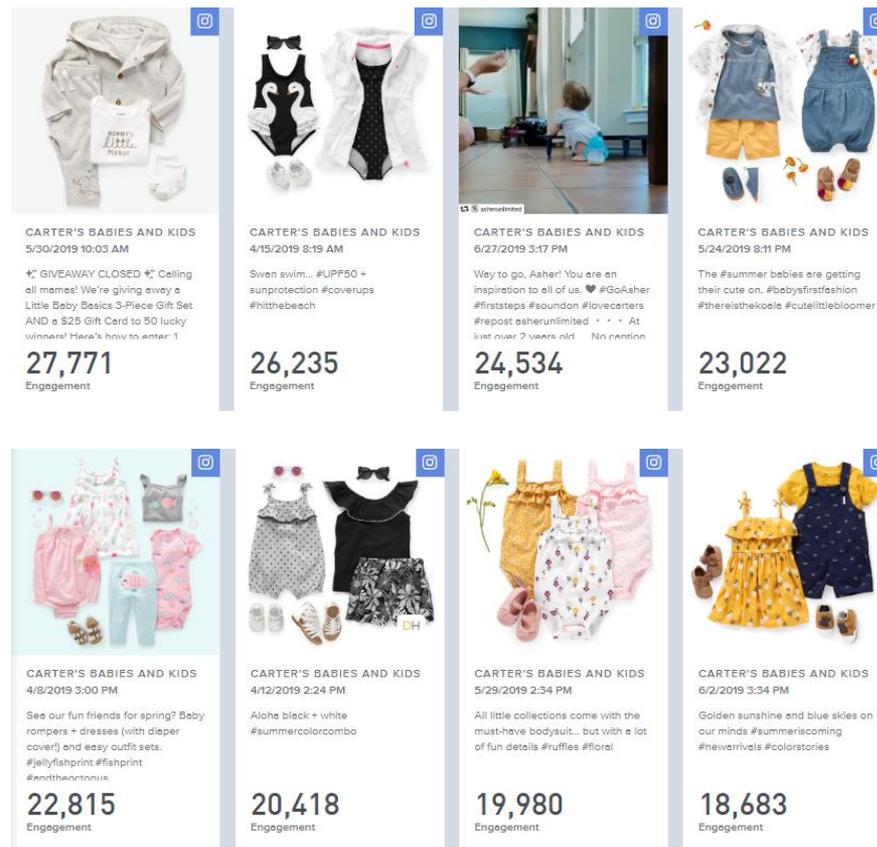
## Instagram Followers



## Facebook Followers



CRI Earned 24 of the Top 25 Most Engaged Posts Among Peers on Instagram in Q2<sup>2</sup>



<sup>1</sup>Source: Instagram and Facebook (as of 7/15/19)

<sup>2</sup>Third-party engagement scoring on Instagram April - June 2019. Engagement peer set includes Carter's, OshKosh B'gosh, The Children's Place, Hanna Andersson & Gap Kids

**50% off**  
+ use your coupon!

## short stuff!

His go-to combos for school and play.

Polos, henleys, tees + shorts sizes 3m-14



KID up  
to size  
**14**



### preschool prep!

- 1 tops with flair** they want to wear
- 2 easy-up bottoms** for potty breaks (and school days)
- 3 made to match** for smooth mornings



**50% off**  
+ use your coupon!

## the toddler twos!

It's like a magical personal stylist for your toddler... plus, they can dress themselves.

**2-piece sets** sizes 3m-5t, sizes 4-8 available online



Scan to shop it all

BUY ONLINE, PICK UP TODAY!



## HELLO, INDIGO!

True to our roots, our first-day looks start with denim. Meet iconic overalls, rip-&-repair jeans and denim jackets.



BUY ONLINE. PICK UP TODAY!

DRESS-CODE READY. **OSHKOSH** school UNIFORM BASICS.

Scan to shop the full lineup!

## HER DRESS CODE

School-approved lengths, soft stretch fabrics... and color (check!!!)

polos & shorts  
**\$5 & UP**  
DOORBUSTER



NEW!  
More sizes  
= more  
perfect fits



HER WEEK,  
COLOR  
CODED



BUY ONLINE, PICK UP TODAY!

# Skip Hop Back to School

carter's

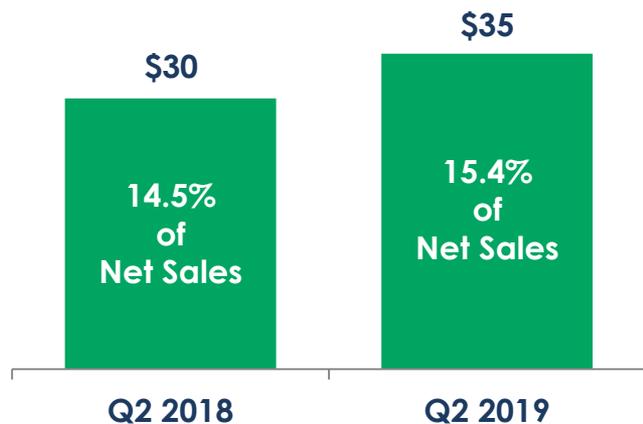


\$ in millions

## Segment Net Sales



## Segment Adj. Operating Income\*



## Q2 Highlights

- **U.S. Wholesale sales growth: +9% vs. LY;**  
**Strong demand for:**
  - Exclusive brands: *Child of Mine, Just One You, Simple Joys*
  - Spring and summer seasonal products
- **Improved profitability vs. LY (+90 bps)**
  - Reflects lower inventory provisions, marketing spend, and bad debt expense, partially offset by changes in customer mix and lower royalty income
- **Areas of focus:**
  - Strong in-store presentation of our brands
  - Support customers' eCommerce growth
  - Grow Toddler age segment
- **Full year 2019 outlook**
  - Low single-digit growth in net sales
  - Comparable earnings

# Carter's Little Baby Basics at Kohl's





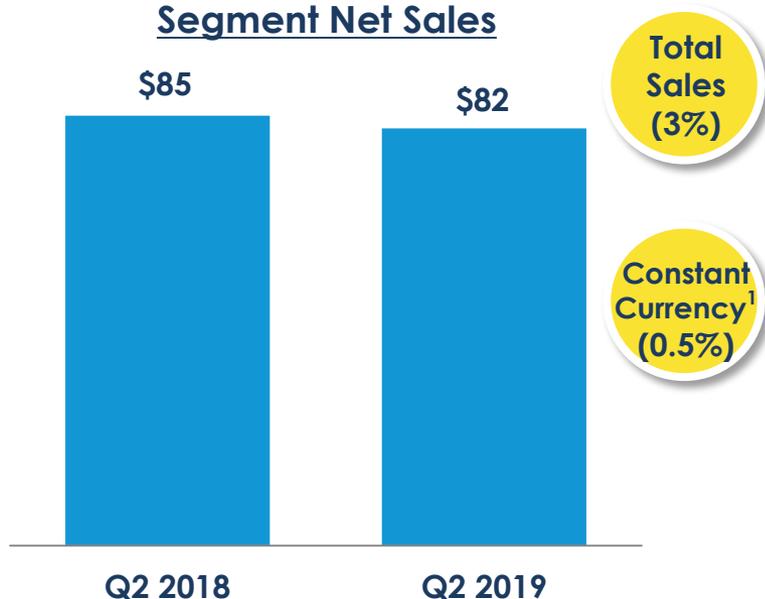
**OSHKOSH**  
*B'gosh*

- Launched *OshKosh* with Target in over 600 doors and online
- Initial selling exceeding expectations
- Planning expanded presence to >1,000 doors by year end
- Represents new growth opportunity in Toddler



\$ in millions

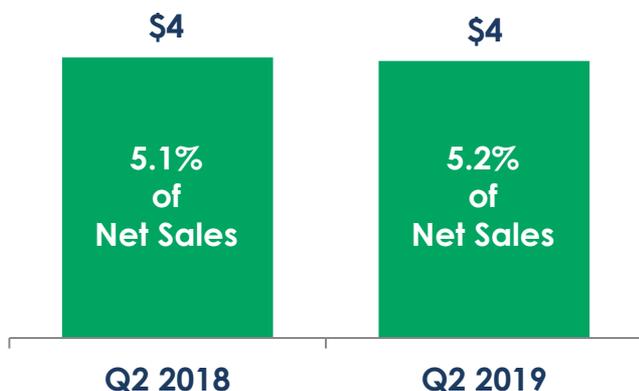
## Segment Net Sales



## Q2 Highlights

- **International segment net sales: -3% vs. LY**
  - Sales roughly comparable on a constant currency basis
  - Decline includes change in business model in China
- **Canada**
  - Total retail comp +1%
  - Persistent cold weather affected store traffic
  - Strong eCommerce growth
- **Mexico**
  - Strong sales growth (>30%) driven by both wholesale and retail channels
- **Q2 segment adj. operating margin 5.2%, +10bps vs. LY**
  - Reflects elimination of operating loss in China, partly offset by lower contribution from Canada
- **Full year 2019 outlook**
  - Net sales comparable vs. 2018
  - Improved profitability

## Segment Adj. Operating Income\*



<sup>1</sup>See reconciliation to reported segment sales in appendix.

\*Results are stated on an adjusted basis, a non-GAAP presentation; see reconciliation to GAAP in appendix.

# International Partner Store – India (Opened June 2019)

**carter's**



# International Partner Store – Argentina

(Opened July 2019)

**carter's**



# International Partner Store – Russia (Opened July 2019)

**carter's**



# Guidance



## Improved Offerings / Capabilities

- Stronger product offering
- New omni-channel capabilities ('same day' pick up of online orders)
- U.S. website enhancements
- Private label credit card

## Fleet Optimization

- Higher mix of co-branded stores
- Fewer underperforming stores
- New mall stores

## More Favorable Environment

- Gymboree share capture opportunity
- Easier comparison to soft Labor Day performance in 2018
- Forecasted stabilization of foreign exchange rates

## Other Drivers

- Improved price realization
- Greater marketing media investments
- Better inventory position (U.S. and Canada)
- Lower off-price channel sales
- Greater profit contribution from growth initiatives (e.g., Amazon, Mexico, Skip Hop, and China)
- Cumulative benefit of share repurchases

## Q3 2019

- **Net sales growth of ~1%**
  - U.S. Retail comp up low-single digits
  - Lower U.S. Wholesale sales (largely timing)
  - International segment sales comparable
- **Adjusted diluted EPS: growth of ~3% to 4% (vs. \$1.61 Q3 2018)<sup>1</sup>. Outlook reflects:**
  - Gross margin rate improvement
  - SG&A spend timing (shift from Q2 to Q3)
  - Higher interest expense (senior note refinancing)

## Fiscal Year 2019

- **Reaffirming prior guidance**
  - Net sales: growth of ~1% to 2%
  - Adjusted diluted EPS: growth of ~4% to 6% (vs. \$6.29 in 2018)<sup>1</sup>
- **Operating cash flow: ~\$375 to \$400 million**
- **CapEx: ~\$80 million**



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

thank you.



# appendix



# Second Quarter Reconciliation of Net Income Allocable to Common Shareholders



	Fiscal Quarter Ended	
	June 29, 2019	June 30, 2018
Weighted-average number of common and common equivalent shares outstanding:		
Basic number of common shares outstanding	44,706,307	46,437,093
Dilutive effect of equity awards	332,070	509,545
Diluted number of common and common equivalent shares outstanding	45,038,377	46,946,638

	Fiscal Quarter Ended			
	As reported on a GAAP Basis		As adjusted (a)	
	June 29, 2019	June 30, 2018	June 29, 2019	June 30, 2018
<i>\$ in thousands, except EPS</i>				
Basic net income per common share:				
Net income	\$43,937	\$37,268	\$43,382	\$37,268
Income allocated to participating securities	(396)	(276)	(391)	(276)
Net income available to common shareholders	\$43,541	\$36,992	\$42,991	\$36,992
Basic net income per common share	\$0.97	\$0.80	\$0.96	\$0.80
Diluted net income per common share:				
Net income	\$43,937	\$37,268	\$43,382	\$37,268
Income allocated to participating securities	(395)	(274)	(390)	(274)
Net income available to common shareholders	\$43,542	\$36,994	\$42,992	\$36,994
Diluted net income per common share	\$0.97	\$0.79	\$0.95	\$0.79

(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 \$0.6 million in after-tax expenses from these results for the fiscal quarter ended June 29, 2019.

# First Half Reconciliation of Net Income Allocable to Common Shareholders



	Two Fiscal Quarters Ended	
	June 29, 2019	June 30, 2018
Weighted-average number of common and common equivalent shares outstanding:		
Basic number of common shares outstanding	44,888,552	46,604,599
Dilutive effect of equity awards	310,479	563,137
Diluted number of common and common equivalent shares outstanding	45,199,031	47,167,736

	Two Fiscal Quarters Ended			
	As reported on a GAAP Basis		As adjusted (a)	
	June 29, 2019	June 30, 2018	June 29, 2019	June 30, 2018
<i>\$ in thousands, except EPS</i>				
Basic net income per common share:				
Net income	\$78,403	\$79,737	\$83,005	\$89,224
Income allocated to participating securities	(685)	(600)	(728)	(674)
Net income available to common shareholders	\$77,718	\$79,137	\$82,277	\$88,550
Basic net income per common share	\$1.73	\$1.70	\$1.83	\$1.90
Diluted net income per common share:				
Net income	\$78,403	\$79,737	\$83,005	\$89,224
Income allocated to participating securities	(683)	(596)	(725)	(670)
Net income available to common shareholders	\$77,720	\$79,141	\$82,280	\$88,554
Diluted net income per common share	\$1.72	\$1.68	\$1.82	\$1.88

(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 \$4.6 million and \$9.5 million in after-tax expenses from these results for the two fiscal quarters ended June 29, 2019 and June 30, 2018, respectively.

# Second Quarter Fiscal 2019 Reconciliation of Reported to Adjusted Earnings



\$ in millions, except EPS

Second Quarter of Fiscal 2019	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
<b>As reported (GAAP)</b>	<b>\$323.0</b>	44.0%	<b>\$268.2</b>	36.5%	<b>\$64.5</b>	8.8%	<b>\$43.9</b>	<b>\$0.97</b>	<b>\$51.1</b>	12.1%	<b>\$35.3</b>	15.4%	<b>\$4.3</b>	5.2%	<b>\$26.3</b>	3.6%
Store restructuring costs (b) (c)	-		0.7		(0.7)		(0.6)	(0.01)	(0.7)		-		-		-	
<b>As adjusted (a)</b>	<b>\$323.0</b>	44.0%	<b>\$268.9</b>	36.6%	<b>\$63.8</b>	8.7%	<b>\$43.4</b>	<b>\$0.95</b>	<b>\$50.4</b>	11.9%	<b>\$35.3</b>	15.4%	<b>\$4.3</b>	5.2%	<b>(\$26.3)</b>	(3.6%)

- (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 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.
- (b) Reversal of retail store restructuring costs previously recorded during the third quarter of fiscal 2017.
- (c) 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.

# First Half Reconciliation of Reported to Adjusted Earnings



\$ in millions, except EPS

First Half 2019	Sales	Gross Margin	% of net sales	SG&A	% of net sales	Operating Income	% of net sales	Net Income	Diluted EPS
<b>As reported (GAAP)</b>	<b>\$1,475.4</b>	<b>\$638.9</b>	43.3%	<b>\$531.8</b>	36.0%	<b>\$125.2</b>	8.5%	<b>\$78.4</b>	<b>1.72</b>
Debt extinguishment loss (b)	-	-	-	-	-	-	-	6.0	0.13
Organizational restructuring costs (c) (d)	-	-	-	(1.6)	-	1.6	-	1.3	0.03
Store restructuring costs (c) (e)	-	-	-	0.7	-	(0.7)	-	(0.6)	(0.01)
China business model change (f)	-	(2.1)	-	-	-	(2.1)	-	(2.1)	(0.05)
<b>As adjusted (a)</b>	<b>\$1,475.4</b>	<b>\$636.8</b>	43.2%	<b>\$530.9</b>	36.0%	<b>\$124.1</b>	8.4%	<b>\$83.0</b>	<b>\$1.82</b>

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
<b>\$75.1</b>	9.4%	<b>\$90.8</b>	18.0%	<b>\$9.2</b>	5.4%	<b>(\$49.9)</b>	(3.4%)
-	-	-	-	-	-	-	-
(0.7)	-	-	-	-	-	-	-
-	-	-	-	(2.1)	-	-	-
<b>\$74.4</b>	9.3%	<b>\$90.8</b>	18.0%	<b>\$7.1</b>	4.2%	<b>(\$48.2)</b>	(3.3%)

First Half 2018	Sales	Gross Margin	% of net sales	SG&A	% of net sales	Operating Income	% of net sales	Net Income	Diluted EPS
<b>As reported (GAAP)</b>	<b>\$1,452.0</b>	<b>\$642.4</b>	44.2%	<b>\$543.5</b>	37.4%	<b>\$117.3</b>	8.1%	<b>\$79.7</b>	<b>\$1.68</b>
Customer bankruptcy charges (c) (g)	-	-	-	(12.8)	-	12.8	-	9.8	0.21
Store restructuring costs (c) (h)	-	-	-	0.4	-	(0.4)	-	(0.3)	(0.01)
<b>As adjusted (a)</b>	<b>\$1,452.0</b>	<b>\$642.4</b>	44.2%	<b>\$531.1</b>	36.6%	<b>\$129.7</b>	8.9%	<b>\$89.2</b>	<b>\$1.88</b>

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
<b>\$74.9</b>	9.5%	<b>\$80.6</b>	16.4%	<b>\$8.1</b>	4.6%	<b>(\$46.4)</b>	(3.2%)
-	-	12.8	-	-	-	-	-
(0.4)	-	-	-	-	-	-	-
<b>\$74.6</b>	9.5%	<b>\$93.4</b>	19.0%	<b>\$8.1</b>	4.6%	<b>(\$46.4)</b>	(3.2%)

- (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 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.
- (b) Related to the redemption of the \$400 million aggregate principal amount of senior notes due 2021 in March 2019 that were previously issued by a wholly-owned subsidiary of the Company.
- (c) 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).
- (d) Costs associated with severance as a result of an organizational restructuring.
- (e) Reversal of retail store restructuring costs previously recorded during the third quarter of fiscal 2017.
- (f) Net costs associated with transitioning to a full licensing model in China.
- (g) Related to the Toys "R" Us bankruptcy.
- (h) Insurance recovery associated with unusual storm-related store closures.

Note: Results may not be additive due to rounding.

# Reconciliation of Net Income to Adjusted EBITDA



\$ in millions

	Fiscal Quarter Ended		Two Fiscal Quarters Ended		Four Fiscal Quarters Ended
	June 29, 2019	June 30, 2018	June 29, 2019	June 30, 2018	June 29, 2019
Net income	\$43.9	\$37.3	\$78.4	\$79.7	\$280.7
Interest expense	9.1	7.9	18.7	15.9	37.3
Interest income	(0.5)	(0.2)	(0.7)	(0.4)	(0.9)
Tax expense	11.8	11.0	21.1	21.4	73.5
Depreciation and amortization	23.3	21.8	46.9	43.8	92.7
<b>EBITDA</b>	<b>\$87.6</b>	<b>\$77.8</b>	<b>\$164.3</b>	<b>\$160.5</b>	<b>\$483.4</b>
<b>Adjustments to EBITDA</b>					
Debt extinguishment loss (a)	\$ -	\$ -	\$7.8	\$ -	\$7.8
China business model change, net (b)	-	-	(2.1)	-	3.2
Organizational restructuring costs (c)	-	-	1.6	-	1.6
Store restructuring costs (d)	(0.7)	-	(0.7)	(0.4)	(0.7)
Customer bankruptcy charges, net (e)	-	-	-	12.8	(1.9)
<b>Adjusted EBITDA</b>	<b>\$86.8</b>	<b>\$77.8</b>	<b>\$170.9</b>	<b>\$172.9</b>	<b>\$493.5</b>

- (a) Related to the redemption of the \$400 million aggregate principal amount of senior notes due 2021 in March 2019 that were previously issued by a wholly-owned subsidiary of the Company.
- (b) Net costs associated with transitioning to a full licensing model in China.
- (c) Costs associated with severance as a result of an organizational restructuring.
- (d) Fiscal periods ended June 29, 2019 include a reversal of retail store restructuring costs previously recorded during the third quarter of fiscal 2017. Two fiscal quarters ended June 30, 2018 includes insurance recovery associated with unusual storm-related closures.
- (e) Related to the Toys "R" Us bankruptcy.

Note: Results may not be additive due to rounding.

# Third Quarter Fiscal 2018 Reconciliation of Reported to Adjusted Earnings



\$ in millions, except EPS

Third 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
<b>As reported (GAAP)</b>	<b>\$387.5</b>	41.9%	<b>\$294.1</b>	31.8%	<b>\$103.6</b>	11.2%	<b>\$71.8</b>	<b>\$1.53</b>	<b>\$47.1</b>	10.3%	<b>\$67.8</b>	20.0%	<b>\$12.4</b>	9.9%	<b>(\$23.8)</b>	(2.6%)
China business model change (b)	2.5		(1.1)		3.5		3.5	0.08	-		-		3.5		-	
<b>As adjusted (a)</b>	<b>\$389.9</b>	42.2%	<b>\$293.0</b>	31.7%	<b>\$107.1</b>	11.6%	<b>\$75.3</b>	<b>\$1.61</b>	<b>\$47.1</b>	10.3%	<b>\$67.8</b>	20.0%	<b>\$16.0</b>	12.7%	<b>(\$23.8)</b>	(2.6%)

- (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 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.
- (b) Costs associated with changes to the Company's business model in China.

# Full Year Fiscal 2018 Reconciliation of Reported to Adjusted Earnings



\$ in millions, except EPS

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

- (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 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.
- (b) 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).
- (c) Related to the Toys "R" Us bankruptcy.
- (d) Net costs associated with transitioning to a full licensing model in China.
- (e) Insurance recovery associated with unusual storm-related closures.

Note: Results may not be additive due to rounding.

# Constant Currency Reconciliation



\$ in millions

	Fiscal Quarter Ended					
	Reported Net Sales June 29, 2019	Impact of Foreign Currency Translation	Constant- Currency Net Sales June 29, 2019	Reported Net Sales June 30, 2018	Reported Net Sales % Change	Constant- Currency Net Sales % Change
<b>Consolidated net sales</b>	\$734.4	(\$2.1)	\$736.5	\$696.2	5.5%	5.8%
<b>International segment net sales</b>	\$82.2	(\$2.1)	\$84.2	\$84.7	(3.0%)	(0.5%)

	Two Fiscal Quarters Ended					
	Reported Net Sales June 29, 2019	Impact of Foreign Currency Translation	Constant- Currency Net Sales June 29, 2019	Reported Net Sales June 30, 2018	Reported Net Sales % Change	Constant- Currency Net Sales % Change
<b>Consolidated net sales</b>	\$1,475.4	(\$5.1)	\$1,480.5	\$1,452.0	1.6%	2.0%
<b>International segment net sales</b>	\$170.8	(\$5.1)	\$175.9	\$175.9	(2.9%)	- %

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.

# Store Count Data



	Single-brand	Dual-brand		Total U.S. Retail	Dual-brand	Mexico <sup>1</sup>	Total International	Total Consolidated Retail Stores
	U.S. Stand-alone Format	U.S. Side-by-Side Format	U.S. Co-branded Format		Canada Co-branded Format			
<b>Store count at June 30, 2018</b>	<b>545</b>	<b>162</b>	<b>119</b>	<b>826</b>	<b>181</b>	<b>42</b>	<b>223</b>	<b>1,049</b>
Openings	9	1	36	46	10	-	10	56
Closings	(34)	(4)	(1)	(39)	(2)	-	(2)	(41)
Conversions to dual-brand formats	(19)	-	19	-	-	-	-	-
<b>Store count at June 29, 2019</b>	<b>501</b>	<b>159</b>	<b>173</b>	<b>833</b>	<b>189</b>	<b>42</b>	<b>231</b>	<b>1,064</b>

<sup>1</sup>Includes single brand and co-branded formats.

# 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 July 25, 2019 which is available at [www.carters.com](http://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 third 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.