



carter's[®]

**Fourth Quarter /
Fiscal Year 2023 Results
& Business Update**

February 27, 2024

Fourth Quarter 2023 Results

(GAAP Basis)



\$ in millions, except EPS

	Fourth Quarter 2023	<i>% of Sales</i>	Fourth Quarter 2022	<i>% of Sales</i>	Change
Net sales	\$858		\$912		(6%)
Gross profit	418	48.7%	416	45.6%	1%
Royalty income	5	0.6%	5	0.6%	(12%)
SG&A	287	33.4%	302	33.2%	(5%)
Intangible asset impairment	-		9		(100%)
Operating income	136	15.9%	110	12.0%	24%
Interest and other, net	5	0.6%	9	1.0%	(44%)
Benefit from credit card settlement	(7)		-		N/M
Income before taxes	138	16.1%	100	11.0%	37%
Income tax provision	31		20		55%
Net income	\$107	12.4%	\$80	8.8%	33%
Diluted EPS	\$2.90		\$2.11		37%
Weighted-average shares outstanding	36		37		(4%)
EBITDA ¹	\$159	18.6%	\$126	13.8%	26%

¹ Non-GAAP measure; see reconciliation to GAAP in appendix.
Note: Results may not be additive due to rounding.

Fiscal Year 2023 Results

(GAAP Basis)



\$ in millions, except EPS

	Fiscal 2023	<i>% of Sales</i>	Fiscal 2022	<i>% of Sales</i>	Change
Net sales	\$2,946		\$3,213		(8%)
Gross profit	1,396	47.4%	1,472	45.8%	(5%)
Royalty income	21	0.7%	26	0.8%	(17%)
SG&A	1,094	37.1%	1,110	34.6%	(1%)
Intangible asset impairment	-		9		(100%)
Operating income	323	11.0%	379	11.8%	(15%)
Interest and other, net	28	1.0%	42	1.3%	(34%)
Loss on extinguishment of debt	-		20		(100%)
Benefit from credit card settlement	(7)		-		N/M
Income before taxes	302	10.3%	317	9.9%	(5%)
Income tax provision	70		67		5%
Net income	\$233	7.9%	\$250	7.8%	(7%)
Diluted EPS	\$6.24		\$6.34		(2%)
Weighted-average shares outstanding	37		39		(6%)
EBITDA ¹	\$396	13.4%	\$424	13.2%	(7%)

¹ Non-GAAP measure; see reconciliation to GAAP in appendix.
Note: Results may not be additive due to rounding.

Non-GAAP Adjustments¹



\$ in millions, except EPS

	Fourth Quarter									
	2023					2022				
	Operating Income	% Net Sales	Pre-Tax Income	Net Income	Diluted EPS	Operating Income	% Net Sales	Pre-Tax Income	Net Income	Diluted EPS
As reported (GAAP)	\$136.1	15.9%	\$138.0	\$106.5	\$2.90	\$109.5	12.0%	\$100.5	\$80.2	\$2.11
Benefit from credit card settlement	-		(6.9)	(5.3)	(0.14)	-		-	-	-
Intangible asset impairment	-		-	-	-	9.0		9.0	6.9	0.18
Total adjustments	-		(6.9)	(5.3)	(0.14)	9.0		9.0	6.9	0.18
As adjusted	\$136.0	15.9%	\$131.0	\$101.2	\$2.76	\$118.5	13.0%	\$109.5	\$87.0	\$2.29

	Fiscal Year									
	2023					2022				
	Operating Income	% Net Sales	Pre-Tax Income	Net Income	Diluted EPS	Operating Income	% Net Sales	Pre-Tax Income	Net Income	Diluted EPS
As reported (GAAP)	\$323.4	11.0%	\$302.2	\$232.5	\$6.24	\$379.2	11.8%	\$316.7	\$250.0	\$6.34
Benefit from credit card settlement	-		(6.9)	(5.3)	(0.14)	-		-	-	-
Organizational restructuring	4.4		4.4	3.4	0.09	-		-	-	-
Loss on extinguishment of debt	-		-	-	-	-		19.9	15.2	0.38
Intangible asset impairment	-		-	-	-	9.0		9.0	6.9	0.17
Total adjustments	4.4		(2.5)	(1.9)	(0.05)	9.0		28.9	22.0	0.56
As adjusted	\$327.8	11.1%	\$299.7	\$230.6	\$6.19	\$388.2	12.1%	\$345.7	\$272.0	\$6.90

¹ Certain measures are presented on an adjusted basis, a non-GAAP presentation; see reconciliation to GAAP in appendix.

Note: Results may not be additive due to rounding.

Sales

- **Net sales \$858M (-6%)**
- **Slow start to quarter (record warm weather)**
- **Sales improved sequentially each month as more seasonal weather arrived and consumers began holiday shopping in November**
- **Stronger & earlier than planned Wholesale demand for Spring 2024 product offerings**

Profitability¹

- **Gross margin 48.7% (+310 bps)**
- **Operating income \$136M (+15%)**
 - Operating margin 15.9% (+290 bps)
 - Operating margin expansion in all segments
- **Diluted EPS \$2.76 (+21%)**
- **Strongest growth in profitability since 2021**

Balance Sheet / Cash Flow

- **Total liquidity \$1.2B**
- **Inventory \$537M (-28%)**
 - Profitably sold through substantially all pack & hold inventory
- **Full year**
 - Operating cash flow \$529M
 - Returned \$212M to shareholders through dividends and share repurchases

¹ Results presented on an adjusted basis, a non-GAAP presentation; see reconciliation to GAAP in appendix.

Fourth Quarter 2023 Adjusted Results¹



\$ in millions, except EPS

	Fourth Quarter 2023	<i>% of Sales</i>	Fourth Quarter 2022	<i>% of Sales</i>	Change
Net sales	\$858		\$912		(6%)
Gross profit	418	48.7%	416	45.6%	1%
Royalty income	5	0.6%	5	0.6%	(12%)
Adjusted SG&A	287	33.5%	302	33.2%	(5%)
Adjusted operating income	136	15.9%	119	13.0%	15%
Interest and other, net	5	0.6%	9	1.0%	(44%)
Adjusted income before taxes	131	15.3%	109	12.0%	20%
Adjusted provision for income taxes	30		22		33%
Adjusted net income	\$101	11.8%	\$87	9.5%	16%
Adjusted diluted EPS	\$2.76		\$2.29		21%
Weighted-average shares outstanding	36		37		(4%)
Adjusted EBITDA	\$152	17.7%	\$135	14.8%	13%

¹ Certain measures are presented on an adjusted basis, a non-GAAP presentation; see reconciliation to GAAP in appendix.

Note: Results may not be additive due to rounding.

Fourth Quarter Adjusted Segment Performance

(2023 vs. 2022)



\$ in millions

*Strong consolidated operating margin of 15.9%, +290 bps vs. 2022;
margin expansion in each segment*

	Net Sales			Adjusted Operating Income ¹			Adjusted Operating Margin ¹	
	2023	2022	\$ Change	2023	2022	\$ Change	2023	2022
U.S. Retail	\$480	\$526	(\$47)	\$88	\$90	(\$2)	18.2%	17.0%
U.S. Wholesale	247	261	(13)	52	33	19	21.0%	12.7%
International	131	125	6	22	20	2	16.6%	16.0%
Total before corporate expenses	858	912	(54)	161	143	18	18.8%	15.7%
Corporate expenses				(25)	(24)	(1)	(2.9%)	(2.7%)
Total	\$858	\$912	(\$54)	\$136	\$119	\$17	15.9%	13.0%

¹ Certain measures are presented on an adjusted basis, a non-GAAP presentation; see reconciliation to GAAP in appendix.

Note: Results may not be additive due to rounding.

Fourth Quarter Segment Performance¹

(2023 vs. 2022)



U.S. Retail

- **Net sales: -9%**
 - Slow start to quarter (record warm weather); demand trend improved beginning Thanksgiving
 - Inflation weighed on consumer demand
- **Comparable sales: -11%**
 - Lower traffic; sequential monthly improvement in both channels
 - Better price realization
 - Higher avg. transaction values in stores & eCommerce
 - Stores stronger than eCommerce
- **Operating margin 18.2% (+120 bps vs. LY)¹**
 - Lower product costs
 - Expense deleverage

U.S. Wholesale

- **Net sales: -5%**
 - Conservative inventory commitments by customers, partially offset by improved replenishment demand and lower order cancelations
 - Stronger and earlier than planned demand for new Spring product
 - 2H 2023 sales comparable to prior year
- **Operating margin 21.0% (+830 bps vs. LY)¹**
 - Lower product costs
 - Lower inventory charges
 - Lower bad debt expense

International

- **Net sales: +5%**
 - Strong growth in Mexico and Brazil
 - Lower demand in Canada (late arrival of cooler weather)
 - Inflation weighed on consumer demand
- **Net sales constant currency: +3%**
- **Operating margin 16.6% (+60 bps vs. LY)¹**
 - Lower product costs
 - Better price realization
 - Expense deleverage

¹ Results presented on an adjusted basis, a non-GAAP presentation; see reconciliation to GAAP in appendix.

Fiscal Year 2023 Adjusted Results¹



\$ in millions, except EPS

	Fiscal 2023	<i>% of Sales</i>	Fiscal 2022	<i>% of Sales</i>	Change
Net sales	\$2,946		\$3,213		(8%)
Gross profit	1,396	47.4%	1,472	45.8%	(5%)
Royalty income	21	0.7%	26	0.8%	(17%)
Adjusted SG&A	1,090	37.0%	1,110	34.6%	(2%)
Adjusted operating income	328	11.1%	388	12.1%	(16%)
Interest and other, net	28	1.0%	42	1.3%	(34%)
Adjusted income before taxes	300	10.2%	346	10.8%	(13%)
Adjusted provision for income taxes	69		74		(6%)
Adjusted net income	\$231	7.8%	\$272	8.5%	(15%)
Adjusted diluted EPS	\$6.19		\$6.90		(10%)
Weighted-average shares outstanding	37		39		(6%)
Adjusted EBITDA	\$393	13.3%	\$452	14.1%	(13%)

¹ Certain measures are presented on an adjusted basis, a non-GAAP presentation; see reconciliation to GAAP in appendix.

Note: Results may not be additive due to rounding.

Fiscal Year Adjusted Segment Performance

(2023 vs. 2022)



\$ in millions

Achieved double-digit operating margin on a consolidated basis and in all segments in 2023

	Net Sales			Adjusted Operating Income ¹			Adjusted Operating Margin ¹	
	2023	2022	\$ Change	2023	2022	\$ Change	2023	2022
U.S. Retail	\$1,502	\$1,680	(\$178)	\$191	\$253	(\$62)	12.7%	15.0%
U.S. Wholesale	1,015	1,080	(66)	199	167	32	19.6%	15.5%
International	429	452	(23)	45	60	(15)	10.5%	13.2%
Total before corporate expenses	2,946	3,213	(267)	435	480	(45)	14.8%	14.9%
Corporate expenses				(107)	(92)	(15)	(3.6%)	(2.9%)
Total	\$2,946	\$3,213	(\$267)	\$328	\$388	(\$60)	11.1%	12.1%

¹ Certain measures are presented on an adjusted basis, a non-GAAP presentation; see reconciliation to GAAP in appendix.

Note: Results may not be additive due to rounding.

Liquidity

- **Strong liquidity: \$1.2 billion**
 - Cash: \$351 million
 - Credit facility availability: \$846 million
- **No revolver borrowings at year end**
- **No near-term debt maturities (Sr. Notes mature March 2027)**

Near Record Cash Flow

- **Operating cash flow: \$529 million**
 - Improvement vs. LY driven by lower inventories

Great Progress Reducing Inventories

- **Meaningful reduction in inventory vs. LY (-28%)**
 - Sold through substantially all pack & hold inventory (~\$100M) at good margins
 - High inventory quality at year end; meaningfully less excess vs. LY
 - Inventory well aligned with forecasted demand

Continued Return of Capital to Shareholders

- **\$212 million returned to shareholders in FY 2023**
 - \$100 million share repurchases
 - \$112 million dividends
- **Board declared Q1 2024 dividend of \$0.80 / share (+7% increase)**

Carter's is the Market Leader in Young Children's Apparel

carter's

carter's
— child of mine —
carter's
— just one you —

simple joys
by carter's

little planet
by carter's

OSHKOSH
B'gosh

SKIP*HOP



Significant Brand Equity with Consumers

- **#1 share in \$32B North American childrenswear market (ages 0-10)**
 - Carter's brand #1 (20%) share in Baby (U.S. ages 0 – 2)
- **High consumer sentiment for our brands across multiple generations – quality, value, brand awareness, friendliness of store associates**



Unparalleled Global Distribution

- **>20,000 points of distribution globally**
 - >1,000 Company-operated retail stores in North America with integrated omnichannel capabilities
 - >19,000 wholesale locations in North America
 - Wholesale relationships in over 90 markets outside of North America (~1,200 retail stores and over 100 websites)



Resilient Business Model

- **Double-digit operating margins, strong cash flow, low leverage & substantial liquidity**
- **Over the last 10 years:**
 - Generated \$3.5B in operating cash flow & \$2.8B in free cash flow¹
 - Returned \$2.5B to shareholders through dividends & share repurchases

¹ Non-GAAP measure; see reconciliation to GAAP in appendix.

2024 Outlook



Product Innovation & Brand Marketing

- **Focus on style and value**
- **Select price reductions to improve value proposition & unit volume**
- **Increasing mix of high-margin, opening price point and premium-priced offerings**
- **Improved marketing effectiveness to drive traffic**
 - Engaged new media & creative partners
 - Relaunch of rewards/loyalty program
 - Personalization capabilities

U.S. Retail

- **Opening 40 stores**
- **Accelerating pace of store remodels**
- **Innovating store formats and customer experiences**
- **New inventory allocation tools**
- **Improving digital capabilities**
 - Website & mobile app enhancements
 - Search engine optimization

U.S. Wholesale

- **Continued momentum with Exclusive Brands**
- **New processes / models with other customers**

International

- **Open 7 stores in Canada**
- **Open 8 stores in Mexico**
- **Growth with Riachuelo in Brazil**

Deliver Market-Leading Style

- Shifting product mix to lean into style and fashion across all categories
- Distort investment in higher-priced special event and "must-have" collections
- Grow new brands, driving new customer acquisition and increased average spend



Enhance Value Proposition

- Invested in product fits and fabrics to deliver stronger value
- Select price reductions on market competitive items to drive unit growth

NEW EVERYDAY VALUE IS HERE

Our promise: Predictable pricing on our most-loved, stock-up styles – every single day.



Digital Media

- **Engaged new media & creative agencies**
- **Industry leading presence across key platforms: Instagram, TikTok & Facebook**
- **Continuing to scale our partnerships with influencers and social media creators**



- **Drive retention & frequency with redesigned loyalty program launching in April**
- **Enhanced benefits**
 - Earn rewards faster
 - New VIP tier
 - Personalized offers
 - Early & exclusive access

Personalization Capabilities

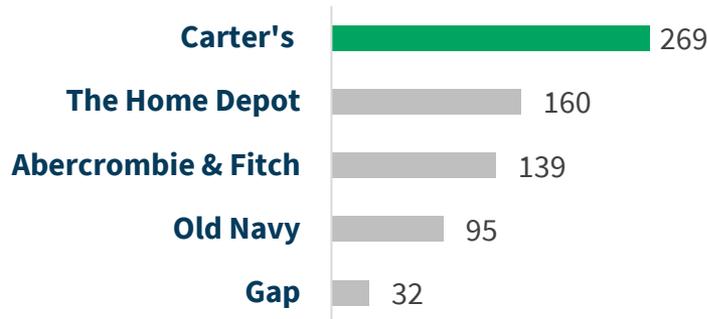
- **Implementing new personalization tools powered by AI & machine learning**
- **Integrating across consumer touch points**
 - SMS / text
 - Mobile app push notifications
 - Email
 - In store
 - Site and App

Carter's is the Market Leader in Social Media¹



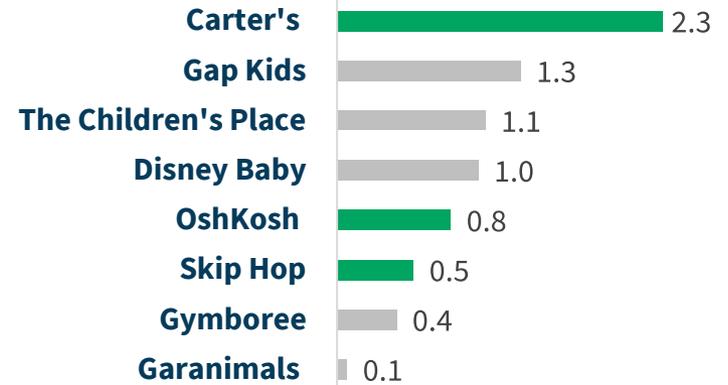
TOTAL TIKTOK FOLLOWERS

in thousands



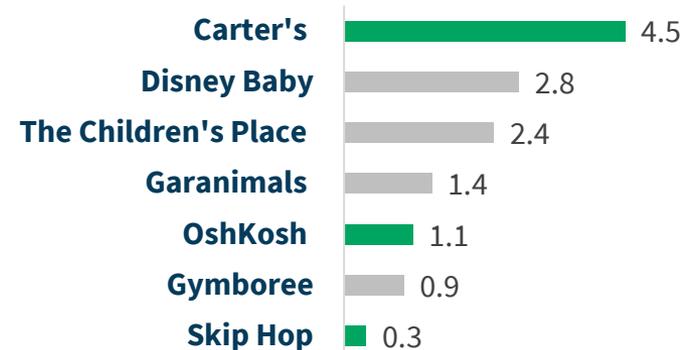
TOTAL INSTAGRAM FOLLOWERS

in millions



TOTAL FACEBOOK FOLLOWERS

in millions



¹ Source: Instagram, Facebook, and TikTok (02/07/24).

Peer set includes Carter's, Gap Kids, Disney Baby, The Children's Place, OshKosh B'gosh, Skip Hop, Gymboree, Garanimals, Gap, The Home Depot, Abercrombie & Fitch and Old Navy.

Innovating Store Formats & Customer Experiences

- **Side-by-side stores redesigned to differentiate Baby / Toddler & Kid presentations (~150 doors)**
- **Currently testing new formats**
 - ‘Best of Baby’ (0 – 5T)
 - *Little Planet* shop-in-shops



Continued Store Openings

(~70% of children's apparel purchased in stores)

- **#1 source of new customer acquisition**
- **High return investments**
 - Low-teens ROIC; 30%+ IRR
 - ~30 month average payback
- **~40 new stores planned in 2024**
- **~280 openings planned (2024 – 2028)**
 - ~200 net openings



Improved Store Productivity

- **Increased marketing investments to drive traffic**
- **New allocation tools**
- **Accelerated pace of store remodels**

New Side-by-Side Store Redesign – Baby / Toddler



New Side-by-Side Store Redesign – Kid





little planet.
by carter's

Testing New Shop-in-Shop Concept



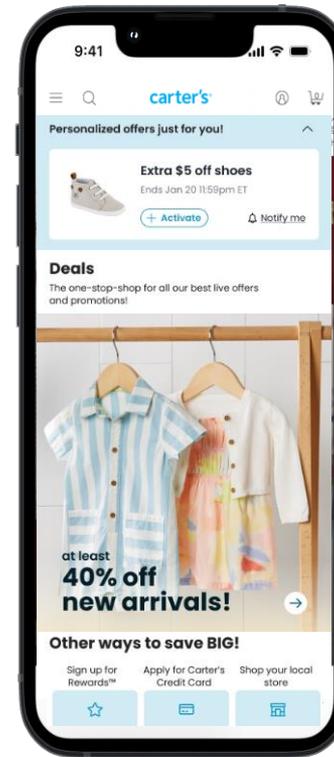
- **Enhancing user experience**

- Strengthened Mobile App
- Personalized homepage & offers
- Consolidated deals destination
- Always-on gifting

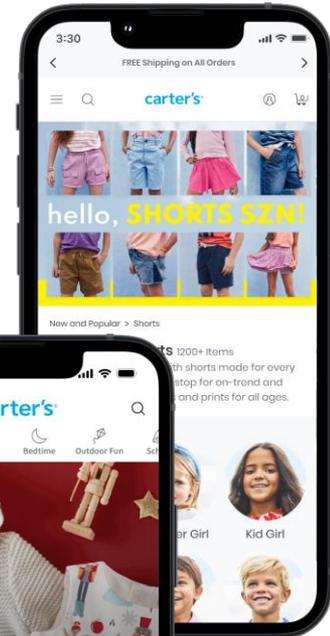
- **Expanding our capabilities**

- Optimizing product recommendations & search
- Strengthening omnichannel & 'buy it again' functionality
- Scaling behavior-based marketing programs (e.g., abandoned cart emails)

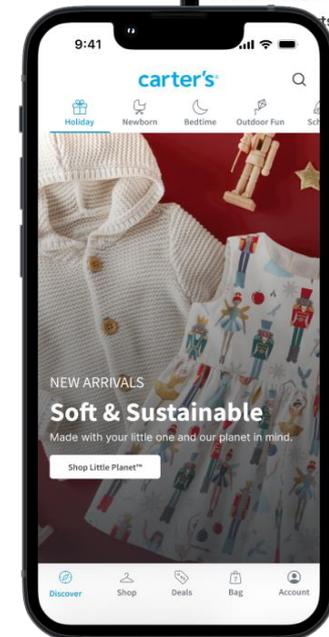
Personalized Deals



Stock Up Focus



New Arrivals



Unparalleled Market Distribution Capabilities

- **Largest supplier of young children's apparel to the largest retailers in the U.S. with over 17,000 points of distribution**
- **Strongest relationships with the leading eCommerce retailers of young children's apparel**
- **Exclusive Brand presence where most consumers shop for young children's apparel (Target, Walmart, Amazon)**

Growth Drivers

- **Growth to be led by Exclusive Brands**

carter's
— child of mine —

carter's
— just one you. —

simplejoys
by carter's™

- **Tailored strategies for flagship *Carter's* brand customers to drive growth**
- **Differentiated and complementary product offerings through *Little Planet*, *PurelySoft* and *Skip Hop***

Just One You

New Spring Fashion at Target



carter's
— just one you —



Child of Mine

New Baby & Toddler Brand Marketing
Launching in >1,600 Walmart stores





Simple Joys

Fresh Spring styles for Baby, Toddler and Kids on Amazon



Canada

- **#1 market share**
- **Benefit from full rollout of omnichannel capabilities**
- **Opening 7 co-branded stores & increasing eCommerce penetration in 2024**
- **Market share opportunity as competitors rationalize store fleets**



Toronto, Canada

Mexico

- **Opening 8 larger co-branded stores in 2024**
- **Store square footage expected to more than double by 2028**
- **Replicating success of omnichannel capabilities built in the U.S. & Canada**



Cuernavaca, Mexico

Beyond North America

- **Wholesale relationships with ~40 partners in nearly 100 countries**
- **Meaningful growth opportunity in Brazil with Riachuelo**
 - Largest specialty retailer of young children's apparel in Brazil
 - Expanding through Carter's stores, shop-in shops, and eCommerce



Sao Paulo, Brazil

Net Sales

- **Net sales: low single-digit growth to ~\$3.0 billion** (\$2.95 billion in fiscal 2023)

<u>U.S. Retail</u>	<u>U.S. Wholesale</u>	<u>International</u>
+LSD	+LSD	Comparable to 2023
<i>Comparable sales +LSD</i>		

Profitability Cash Flow Investments

<u>Adjusted</u>			
<u>Operating Income</u>	<u>Diluted EPS</u>	<u>Operating Cash Flow</u>	<u>CapEx</u>
+MSD	+MSD	>\$250 million	~\$80 million
<i>(\$328 million FY2023)</i>	<i>(\$6.19 FY2023)</i>		

Key Assumptions

- **Improving macroeconomic environment and consumer demand as year progresses**
- **Sales and earnings growth weighted to second half**
- **Continued conservative inventory commitments by wholesale customers**
- **Gross margin expansion**
 - Lower ocean freight rates, lower product costs & growth in higher margin retail sales
- **Increased SG&A**
 - Growth-related investments and inflation, partially offset by productivity initiatives
- **Higher interest expense & effective tax rate**
- **Lower average number of shares outstanding**

¹ See Fiscal Year 2023 reconciliations to GAAP in appendix. Forward-looking adjusted operating income and adjusted diluted EPS have not been reconciled to their most directly comparable GAAP measures – see page 40.

Net Sales

- **Net sales: ~\$620 – \$645 million** (\$696 million Q1 2023)

U.S. Retail	U.S. Wholesale	International
Down MSD to HSD <i>Comparable sales down MSD to HSD</i>	Down mid-teens <i>(Timing of demand)</i>	Down LSD to MSD

Profitability

Adjusted Operating Income	Adjusted Diluted EPS
~\$35 to \$40 million <i>(\$58 million Q1 2023)</i>	~\$0.60 to \$0.70 <i>(\$0.98 Q1 2023)</i>

Key Assumptions

- **Gross margin expansion**
 - Lower inbound freight rates, lower product costs & favorable channel mix
- **Increased SG&A**
 - New store openings & higher performance-based compensation provisions
- **Lower interest expense & effective tax rate**
- **Lower average number of shares outstanding**

¹ See Q1 2023 reconciliations to GAAP in appendix. Forward-looking adjusted operating income and adjusted diluted EPS have not been reconciled to their most directly comparable GAAP measures – see page 40.

Thank You!



Appendix



SKIP*HOP®

Fourth Quarter Reconciliation of Adjusted Net Income Allocable to Common Shareholders



	Fiscal Quarter Ended	
	December 30, 2023	December 31, 2022
Weighted-average number of common and common equivalent shares outstanding:		
Basic number of common shares outstanding	35,992,362	37,453,066
Dilutive effect of equity awards	3,172	11,001
Diluted number of common and common equivalent shares outstanding	<u>35,995,534</u>	<u>37,464,067</u>

<i>\$ in thousands, except EPS</i>	Fiscal Quarter Ended			
	As reported on a GAAP Basis		As adjusted (a)	
	December 30, 2023	December 31, 2022	December 30, 2023	December 31, 2022
Basic net income per common share:				
Net income	\$106,511	\$80,179	\$101,199	\$87,039
Income allocated to participating securities	(2,076)	(1,251)	(1,969)	(1,362)
Net income available to common shareholders	<u>\$104,435</u>	<u>\$78,928</u>	<u>\$99,230</u>	<u>\$85,677</u>
Basic net income per common share	\$2.90	\$2.11	\$2.76	\$2.29
Diluted net income per common share:				
Net income	\$106,511	\$80,179	\$101,199	\$87,039
Income allocated to participating securities	(2,076)	(1,251)	(1,969)	(1,362)
Net income available to common shareholders	<u>\$104,435</u>	<u>\$78,928</u>	<u>\$99,230</u>	<u>\$85,677</u>
Diluted net income per common share	\$2.90	\$2.11	\$2.76	\$2.29

(a) In addition to the results provided in this presentation 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 approximately \$5.3 million in after-tax benefits and \$6.9 million in after-tax expenses for the fiscal quarters ended December 30, 2023 and December 31, 2022, respectively.

Note: Results may not be additive due to rounding.

Fiscal Year Reconciliation of Adjusted Net Income Allocable to Common Shareholders



	Fiscal Year Ended	
	December 30, 2023	December 31, 2022
Weighted-average number of common and common equivalent shares outstanding:		
Basic number of common shares outstanding	36,589,922	38,822,737
Dilutive effect of equity awards	3,344	27,908
Diluted number of common and common equivalent shares outstanding	<u>36,593,266</u>	<u>38,850,645</u>

<i>\$ in thousands, except EPS</i>	Fiscal Year Ended			
	As reported on a GAAP Basis		As adjusted (a)	
	December 30, 2023	December 31, 2022	December 30, 2023	December 31, 2022
Basic net income per common share:				
Net income	\$232,500	\$250,038	\$230,605	\$272,049
Income allocated to participating securities	(4,285)	(3,714)	(4,249)	(4,056)
Net income available to common shareholders	<u>\$228,215</u>	<u>\$246,324</u>	<u>\$226,356</u>	<u>\$267,993</u>
Basic net income per common share	\$6.24	\$6.34	\$6.19	\$6.90
Diluted net income per common share:				
Net income	\$232,500	\$250,038	\$230,605	\$272,049
Income allocated to participating securities	(4,285)	(3,712)	(4,248)	(4,055)
Net income available to common shareholders	<u>\$228,215</u>	<u>\$246,326</u>	<u>\$226,357</u>	<u>\$267,994</u>
Diluted net income per common share	\$6.24	\$6.34	\$6.19	\$6.90

(a) In addition to the results provided in this presentation 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 \$1.9 million in after-tax benefits and \$22.0 million in after-tax expenses from these results for the fiscal years ended December 30, 2023 and December 31, 2022, respectively.

Note: Results may not be additive due to rounding.

Reconciliation of Adjusted to Reported Earnings



\$ in millions, except EPS

								Segment Reporting							
	SG&A	% of net sales	Operating Income	% of net sales	Income Tax Provision	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
Fourth Quarter of Fiscal 2023															
As reported (GAAP)	\$287.0	33.4%	\$136.1	15.9%	\$31.4	\$106.5	\$2.90	\$87.5	18.2%	\$51.8	21.0%	\$21.7	16.6%	(\$25.0)	(2.9%)
Benefit from credit card settlement (b)	-		-		(1.7)	(5.3)	(0.14)	-		-		-		-	
As adjusted (a)	\$287.0	33.5%	\$136.0	15.9%	\$29.8	\$101.2	\$2.76	\$87.5	18.2%	\$51.8	21.0%	\$21.7	16.6%	(\$25.0)	(2.9%)
								Segment Reporting							
	SG&A	% of net sales	Operating Income	% of net sales	Income Tax Provision	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
Fiscal Year 2023															
As reported (GAAP)	\$1,093.9	37.1%	\$323.4	11.0%	\$69.7	\$232.5	\$6.24	\$190.6	12.7%	\$198.8	19.6%	\$44.9	10.5%	(\$111.0)	(3.8%)
Organizational restructuring (c)	(4.4)		4.4		1.0	3.4	0.09	-		0.1		0.2		4.1	
Benefit from credit card settlement (b)	-		-		(1.7)	(5.3)	(0.14)	-		-		-		-	
As adjusted (a)	\$1,089.5	37.0%	\$327.8	11.1%	\$69.1	\$230.6	\$6.19	\$190.6	12.7%	\$198.9	19.6%	\$45.1	10.5%	(\$106.9)	(3.6%)
								Segment Reporting							
	SG&A	% of net sales	Operating Income	% of net sales	Income Tax Provision	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
Fourth Quarter of Fiscal 2022															
As reported (GAAP)	\$302.5	33.2%	\$109.5	12.0%	\$20.3	\$80.2	\$2.11	\$89.2	16.9%	\$27.6	10.6%	\$17.0	13.6%	(\$24.2)	(2.7%)
Intangible asset impairment (d)	-		9.0		2.1	6.9	0.18	0.4		5.6		3.0		-	
As adjusted (a)	\$302.5	33.2%	\$118.5	13.0%	\$22.4	\$87.0	\$2.29	\$89.6	17.0%	\$33.2	12.7%	\$20.0	16.0%	(\$24.2)	(2.7%)
								Segment Reporting							
	SG&A	% of net sales	Operating Income	% of net sales	Income Tax Provision	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
Fiscal Year 2022															
As reported (GAAP)	\$1,110.0	34.6%	\$379.2	11.8%	\$66.7	\$250.0	\$6.34	\$252.5	15.0%	\$161.7	15.0%	\$56.6	12.5%	(\$91.6)	(2.9%)
Loss on extinguishment of debt (e)	-		-		4.8	15.2	0.38	-		-		-		-	
Intangible asset impairment (d)	-		9.0		2.1	6.9	0.17	0.4		5.6		3.0		-	
As adjusted (a)	\$1,110.0	34.6%	\$388.2	12.1%	\$73.6	\$272.0	\$6.90	\$252.9	15.0%	\$167.2	15.5%	\$59.7	13.2%	(\$91.6)	(2.9%)
								Segment Reporting							
	SG&A	% of net sales	Operating Income	% of net sales	Income Tax Provision	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
First Quarter of Fiscal 2023															
As reported (GAAP)	\$259.6	37.3%	\$56.4	8.1%	\$11.7	\$36.0	\$0.95	\$26.9	8.3%	\$52.1	18.6%	\$3.1	3.4%	(\$25.8)	(3.7%)
Organizational restructuring (c)	(1.2)		1.2		0.3	0.9	0.03	(0.8)		(0.5)		(0.1)		2.4	
As adjusted (a)	\$258.5	37.1%	\$57.5	8.3%	\$12.0	\$36.9	\$0.98	\$26.2	8.1%	\$51.6	18.4%	\$3.1	3.3%	(\$23.4)	(3.4%)

Note: Results may not be additive due to rounding.

Reconciliation of Adjusted to Reported Earnings

(Continued)



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- (a) In addition to the results provided in this earnings release in accordance with GAAP, the Company has provided adjusted, non-GAAP financial measurements that present gross profit, SG&A, operating income, income tax, net income, and net income on a diluted share basis excluding the adjustments discussed above. The Company believes these adjustments provide a meaningful comparison of the Company's results and afford investors a view of what management considers to be the Company's core performance. 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) Benefit resulting from a court-approved settlement related to payment card interchange fees.
 - (c) Net expenses related to organizational restructuring and related corporate office lease amendment actions.
 - (d) Related to the write-down of the *Skip Hop* tradename asset.
 - (e) Related to the redemption of the \$500 million aggregate principal amount of senior notes due 2025 in April 2022 that were previously issued by a wholly-owned subsidiary of the Company.

Reconciliation of Net Income to Adjusted EBITDA



\$ in millions

	Fiscal Quarter Ended		Fiscal Year Ended	
	December 30, 2023	December 31, 2022	December 30, 2023	December 31, 2022
Net income	\$106.5	\$80.2	\$232.5	\$250.0
Interest expense	7.6	9.3	34.0	42.8
Interest income	(2.0)	(0.4)	(4.8)	(1.3)
Tax expense	31.4	20.3	69.7	66.7
Depreciation and amortization	15.6	16.5	64.1	65.3
EBITDA	\$159.1	\$125.8	\$395.6	\$423.5
Adjustments to EBITDA				
Benefit from credit card settlement (a)	(\$6.9)	\$ -	(\$6.9)	\$ -
Organizational restructuring (b)	-	-	4.4	-
Intangible asset impairment (c)	-	9.0	-	9.0
Loss on extinguishment of debt (d)	-	-	-	19.9
Total adjustments	(\$6.9)	\$9.0	(\$2.5)	\$28.9
Adjusted EBITDA	\$152.2	\$134.8	\$393.0	\$452.5

(a) Benefit resulting from court-approved settlement related to payment card interchange fees.

(b) Net expenses related to organizational restructuring and related corporate office lease amendment actions.

(c) Related to the write-down of the *Skip Hop* tradename asset.

(d) Related to the redemption of the \$500 million aggregate principal amount of senior notes due 2025 in April 2022 that were previously issued by a wholly-owned subsidiary of the Company.

Net Sales Constant Currency Reconciliation



\$ in millions

	Fiscal Quarter Ended					
	Reported Net Sales December 30, 2023	Impact of Foreign Currency Translation	Constant-Currency Net Sales December 30, 2023	Reported Net Sales December 31, 2022	Reported Net Sales % Change	Constant-Currency Net Sales % Change
Consolidated net sales	\$857.9	\$2.2	\$855.6	\$912.1	(5.9%)	(6.2%)
International segment net sales	\$130.7	\$2.2	\$128.5	\$124.9	4.6%	2.8%

	Fiscal Year Ended					
	Reported Net Sales December 30, 2023	Impact of Foreign Currency Translation	Constant-Currency Net Sales December 30, 2023	Reported Net Sales December 31, 2022	Reported Net Sales % Change	Constant-Currency Net Sales % Change
Consolidated net sales	\$2,945.6	\$0.1	\$2,945.5	\$3,212.7	(8.3%)	(8.3%)
International segment net sales	\$429.2	\$0.1	\$429.2	\$452.1	(5.1%)	(5.1%)

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.

Reconciliation of Operating Cash Flow to Free Cash Flow



\$ in millions

	Fiscal Year										Cumulative (2014 - 2023)
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	
Operating Cash Flow	\$282	\$308	\$369	\$330	\$356	\$387	\$588	\$268	\$88	\$529	\$3,507
Capital Expenditures	(103)	(103)	(89)	(69)	(64)	(61)	(33)	(37)	(40)	(60)	(661)
Free Cash Flow	<u>\$179</u>	<u>\$204</u>	<u>\$281</u>	<u>\$260</u>	<u>\$292</u>	<u>\$326</u>	<u>\$556</u>	<u>\$231</u>	<u>\$48</u>	<u>\$469</u>	<u>\$2,846</u>

	<u>U.S.</u>	<u>Canada</u>	<u>Mexico</u>	<u>Total</u>
Store count at December 31, 2022	757	187	49	993
Openings	48	4	13	65
Closings	(13)	(3)	(8)	(24)
Store count at December 30, 2023	792	188	54	1,034
<i>2024 Forecast</i>				
Openings	40	7	8	55
Closings	(30)	(7)	(3)	(40)
Estimated store count at December 28, 2024	802	188	59	1,049

Statements contained in this presentation that are not historical fact and use predictive words such as “estimates”, “outlook”, “guidance”, “expect”, “believe”, “intend”, “designed”, “target”, “plans”, “may”, “will”, “are confident” and similar words are forward-looking statements (as such term is defined in the Private Securities Litigation Reform Act of 1995). These forward-looking statements and related assumptions involve risks and uncertainties that could cause actual results and outcomes to differ materially from any forward-looking statements or views expressed in this press release. These risks and uncertainties include, but are not limited to, the factors disclosed in Part I, Item 1A. “Risk Factors” of the Company’s most recently filed Annual Report on Form 10-K, and otherwise in our reports and filings with the Securities and Exchange Commission, as well as the following factors: the continuing effects of the novel coronavirus (COVID-19) pandemic; changes in global economic and financial conditions, and the resulting impact on consumer confidence and consumer spending, as well as other changes in consumer discretionary spending habits; continued inflationary pressures with respect to labor and raw materials and global supply chain constraints that have, and could continue, to affect freight, transit, and other costs; risks related to geopolitical conflict, including ongoing geopolitical challenges between the United States and China, the ongoing hostilities in Ukraine and Israel, acts of terrorism, mass casualty events, social unrest, civil disturbance or disobedience; risks related to a shutdown of the U.S. government; financial difficulties for one or more of our major customers; an overall decrease in consumer spending, including, but not limited to, decreases in birth rates; our products not being accepted in the marketplace and our failure to manage our inventory; increased competition in the market place; diminished value of our brands; the failure to protect our intellectual property; the failure to comply with applicable quality standards or regulations; unseasonable or extreme weather conditions; pending and threatened lawsuits; a breach of our information technology systems and the loss of personal data; increased margin pressures, including increased cost of materials and labor and our inability to successfully increase prices to offset these increased costs; our foreign sourcing arrangements; disruptions in our supply chain, including increased transportation and freight costs; the management and expansion of our business domestically and internationally; the acquisition and integration of other brands and businesses; changes in our tax obligations, including additional customs, duties or tariffs; fluctuations in foreign currency exchange rates; risks associated with corporate responsibility issues; our ability to achieve our forecasted financial results for the fiscal year; our continued ability to declare and pay a dividend and conduct share repurchases in future periods; our planned opening and closing of stores during the fiscal year; and other risks detailed in the Company’s periodic reports as filed in accordance with the Securities Exchange Act of 1934, as amended. The Company does not undertake any obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.

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