

**carter's®**

**Third Quarter Fiscal 2022 Results  
&  
Business Update**

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October 28, 2022



# Third Quarter 2022 Results

(GAAP Basis)



\$ in millions, except EPS

	<b>Q3 2022</b>	<i>% of Sales</i>	<b>Q3 2021</b>	<i>% of Sales</i>	<b>Change</b>
Net sales	\$819		\$891		(8%)
Gross profit	371	45.3%	409	45.9%	(9%)
Royalty income	7	0.9%	8	0.9%	(14%)
SG&A	286	35.0%	293	32.9%	(2%)
Operating income	92	11.2%	124	13.9%	(26%)
Interest and other, net	11	1.3%	16	1.8%	(32%)
Income before taxes	81	9.9%	108	12.2%	(25%)
Income tax provision	16		23		(32%)
Net income	\$65	7.9%	\$85	9.5%	(24%)
<b>Diluted EPS</b>	<b>\$1.67</b>		<b>\$1.93</b>		<b>(13%)</b>
Weighted-average shares outstanding	38		43		(12%)
EBITDA <sup>1</sup>	\$107	13.1%	\$145	16.3%	(26%)

<sup>1</sup> 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.

# Third Quarter Year-to-Date 2022 Results

(GAAP Basis)



	\$ in millions, except EPS				Change
	Q3 YTD 2022	% of Sales	Q3 YTD 2021	% of Sales	
Net sales	\$2,301		\$2,424		(5%)
Gross profit	1,057	45.9%	1,169	48.2%	(10%)
Royalty income	20	0.9%	23	0.9%	(10%)
SG&A	808	35.1%	833	34.4%	(3%)
Operating income	270	11.7%	359	14.8%	(25%)
Interest and other, net	33	1.5%	44	1.8%	(25%)
Loss on extinguishment of debt	20	0.9%	-	- %	N/M
Income before taxes	216	9.4%	315	13.0%	(31%)
Income tax provision	46		72		(36%)
Net income	\$170	7.4%	\$243	10.0%	(30%)
<b>Diluted EPS</b>	<b>\$4.26</b>		<b>\$5.51</b>		<b>(23%)</b>
Weighted-average shares outstanding	39		44		(10%)
EBITDA <sup>1</sup>	\$298	12.9%	\$428	17.7%	(30%)

<sup>1</sup> 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.

# Non-GAAP Adjustments<sup>1</sup>



\$ in millions, except EPS

	Third Quarter									
	2022					2021				
	Operating Income	% Net Sales	Pre-Tax Income	Net Income	Diluted EPS	Operating Income	% Net Sales	Pre-Tax Income	Net Income	Diluted EPS
<b>As reported (GAAP)</b>	<b>\$91.6</b>	<b>11.2%</b>	<b>\$80.9</b>	<b>\$65.0</b>	<b>\$1.67</b>	<b>\$124.0</b>	<b>13.9%</b>	<b>\$108.3</b>	<b>\$85.0</b>	<b>\$1.93</b>
COVID-19 expenses	-		-	-	-	0.3		0.3	0.2	-
Restructuring costs	-		-	-	-	(0.2)		(0.2)	(0.1)	-
Store lease impairment benefit	-		-	-	-	(0.3)		(0.3)	(0.2)	-
Total adjustments	-		-	-	-	(0.1)		(0.1)	(0.1)	-
<b>As adjusted</b>	<b>\$91.6</b>	<b>11.2%</b>	<b>\$80.9</b>	<b>\$65.0</b>	<b>\$1.67</b>	<b>\$123.9</b>	<b>13.9%</b>	<b>\$108.2</b>	<b>\$84.9</b>	<b>\$1.93</b>

	First Three Quarters									
	2022					2021				
	Operating Income	% Net Sales	Pre-Tax Income	Net Income	Diluted EPS	Operating Income	% Net Sales	Pre-Tax Income	Net Income	Diluted EPS
<b>As reported (GAAP)</b>	<b>\$269.6</b>	<b>11.7%</b>	<b>\$216.3</b>	<b>\$169.9</b>	<b>\$4.26</b>	<b>\$359.1</b>	<b>14.8%</b>	<b>\$314.8</b>	<b>\$242.8</b>	<b>\$5.51</b>
Loss on extinguishment of debt	-		19.9	15.2	0.38	-		-	-	-
COVID-19 expenses	-		-	-	-	3.5		3.5	2.6	0.06
Restructuring costs	-		-	-	-	2.5		2.5	1.9	0.04
Store lease impairment benefit	-		-	-	-	(2.2)		(2.2)	(1.7)	(0.04)
Total adjustments	-		19.9	15.2	0.38	3.8		3.8	2.8	0.07
<b>As adjusted</b>	<b>\$269.6</b>	<b>11.7%</b>	<b>\$236.2</b>	<b>\$185.0</b>	<b>\$4.64</b>	<b>\$362.9</b>	<b>15.0%</b>	<b>\$318.6</b>	<b>\$245.6</b>	<b>\$5.58</b>

<sup>1</sup> 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.

# Third Quarter 2022 Performance

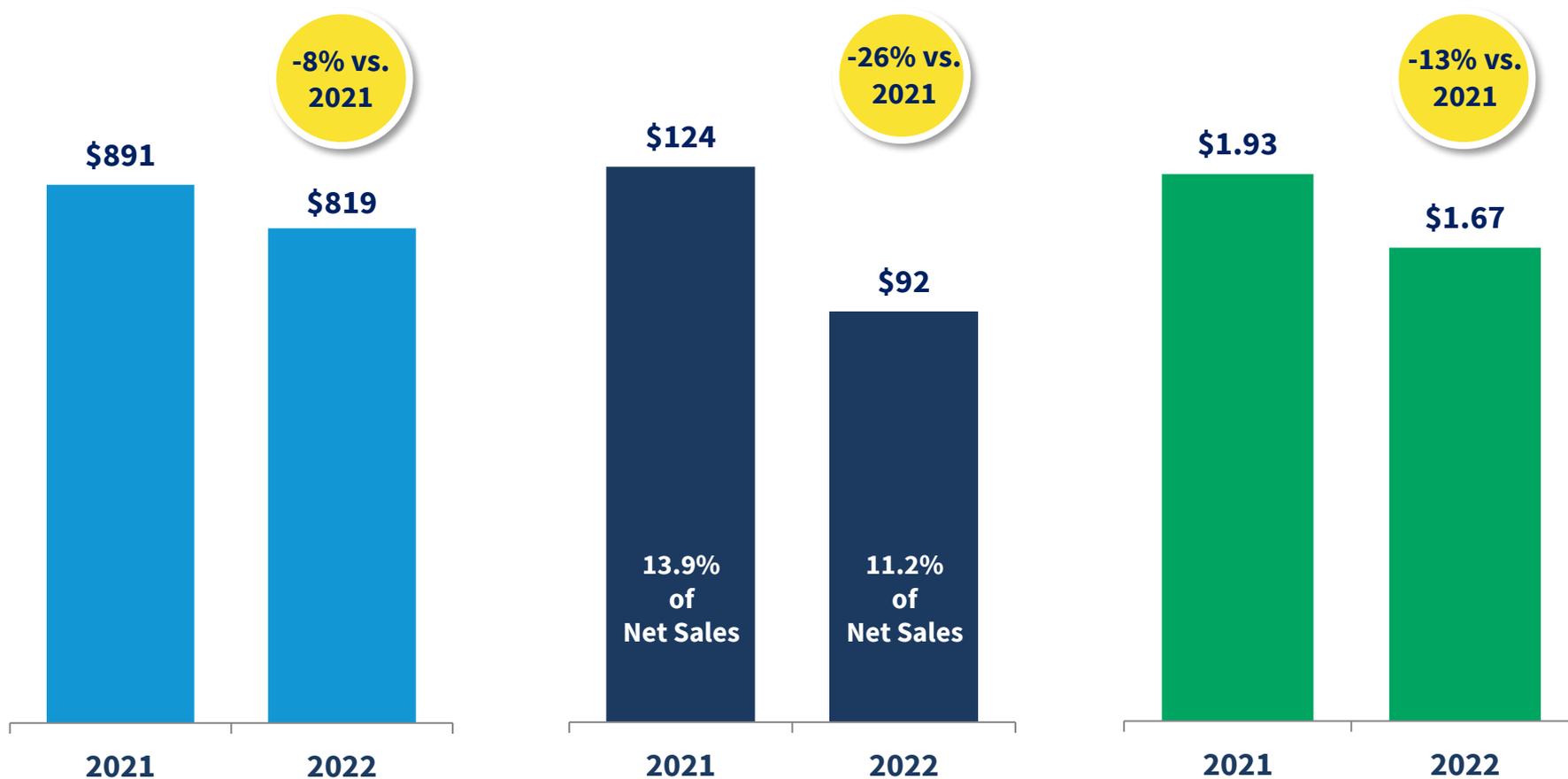


\$ in millions, except EPS

## Net Sales

## Adjusted Operating Income<sup>1</sup> (Adjusted Operating Margin)

## Adjusted Diluted EPS<sup>1</sup>

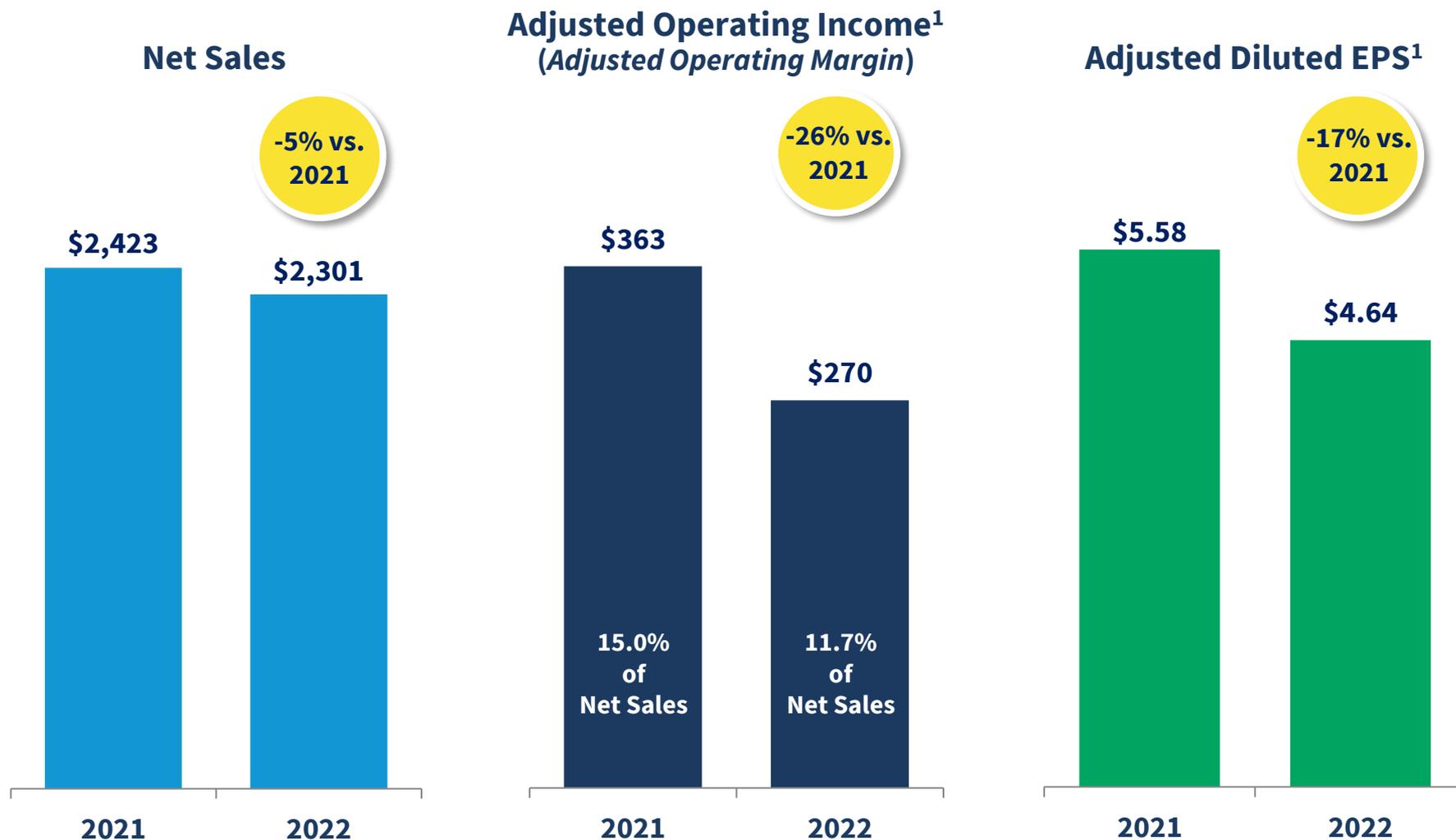


<sup>1</sup> Certain measures are presented on an adjusted basis, a non-GAAP presentation; see reconciliation to GAAP in appendix.

# Third Quarter Year-to-Date 2022 Performance



\$ in millions, except EPS



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

# Third Quarter 2022 Adjusted Results<sup>1</sup>



\$ in millions, except EPS

	<b>Q3 2022</b>	<i>% of Sales</i>	<b>Q3 2021</b>	<i>% of Sales</i>	<b>Change</b>
Net sales	\$819		\$891		(8%)
Gross profit	371	45.3%	409	45.9%	(9%)
Royalty income	7	0.9%	8	0.9%	(14%)
Adjusted SG&A	286	35.0%	293	32.9%	(2%)
Adjusted operating income	92	11.2%	124	13.9%	(26%)
Interest and other, net	11	1.3%	16	1.8%	(32%)
Adjusted income before taxes	81	9.9%	108	12.2%	(25%)
Adjusted provision for income taxes	16		23		(32%)
Adjusted net income	\$65	7.9%	\$85	9.5%	(23%)
<b>Adjusted diluted EPS</b>	<b>\$1.67</b>		<b>\$1.93</b>		<b>(13%)</b>
Weighted-average shares outstanding	38		43		(12%)
Adjusted EBITDA	\$107	13.1%	\$145	16.2%	(26%)

<sup>1</sup> 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.

# Third Quarter Year-to-Date 2022 Adjusted Results<sup>1</sup>



\$ in millions, except EPS

	<b>Q3 YTD 2022</b>	<i>% of Sales</i>	<b>Q3 YTD 2021</b>	<i>% of Sales</i>	<b>Change</b>
Net sales	\$2,301		\$2,424		(5%)
Gross profit	1,057	45.9%	1,169	48.2%	(10%)
Royalty income	20	0.9%	23	0.9%	(10%)
Adjusted SG&A	808	35.1%	829	34.2%	(3%)
Adjusted operating income	270	11.7%	363	15.0%	(26%)
Interest and other, net	33	1.5%	44	1.8%	(25%)
Adjusted income before taxes	236	10.3%	319	13.1%	(26%)
Adjusted provision for income taxes	51		73		(30%)
Adjusted net income	\$185	8.0%	\$246	10.1%	(25%)
<b>Adjusted diluted EPS</b>	<b>\$4.64</b>		<b>\$5.58</b>		<b>(17%)</b>
Weighted-average shares outstanding	39		44		(10%)
Adjusted EBITDA	\$318	13.8%	\$431	17.8%	(26%)

<sup>1</sup> 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.

# Balance Sheet & Cash Flow



\$ in millions

## Balance Sheet (Q3 End)

	2022	2021
Cash	\$122	\$943
Accounts receivable	266	261
Inventory	899	722
Accounts payable	318	389
Long-term debt	736	991
Operating lease liabilities	586	618

## Cash Flow (Q3 Year to Date)

	2022	2021
Operating cash flow	(\$217)	\$7
Capital expenditures	(27)	(29)
Free cash flow <sup>1</sup>	(\$244)	(\$21)
	2022	2021
Share repurchases	\$242	\$110
Dividends	90	35
Total	\$331	\$145

- Strong liquidity at end of Q3: \$728 million
- Inventory – see next page
- Accounts payable reflects timing of inventory payments
- Lower debt vs. LY
  - \$500 million pandemic-related financing retired Q2 2022
  - \$240 million revolver borrowings Q3 2022
- Lower operating lease liabilities reflect closure of low-margin stores

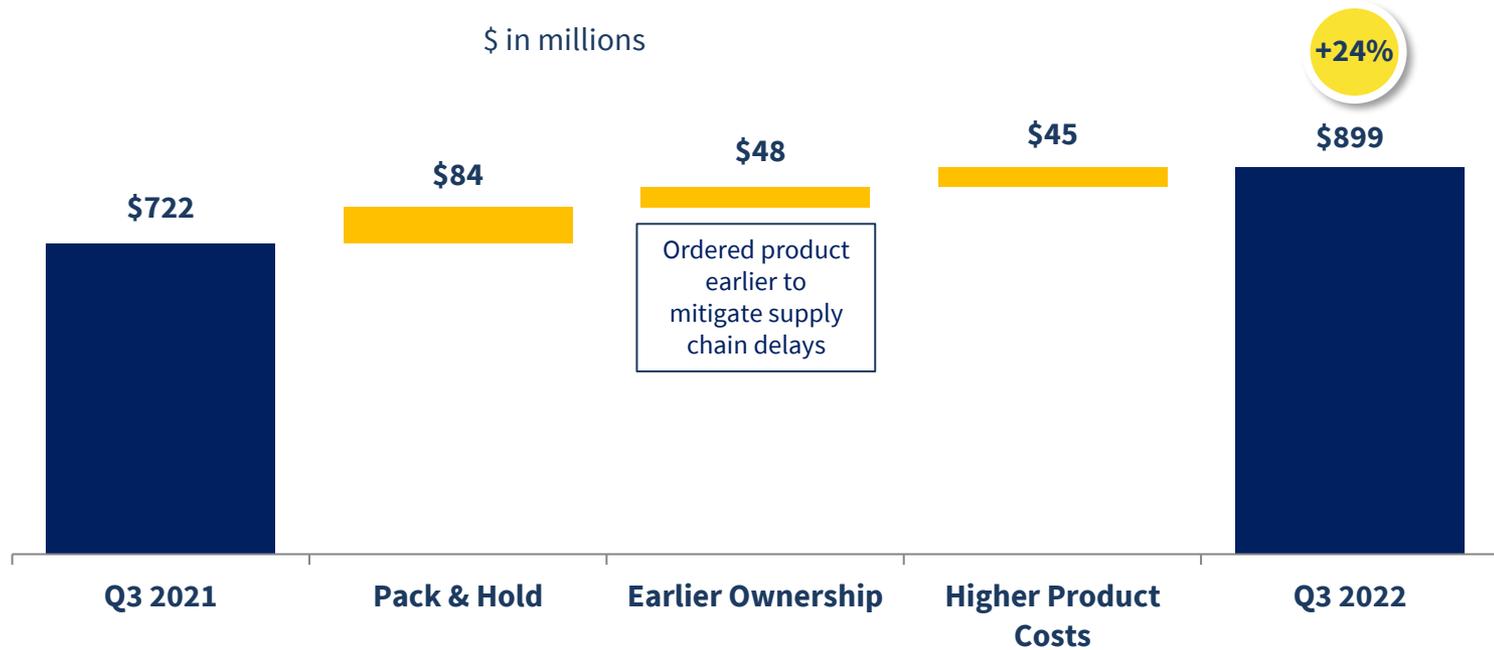
- Operating cash flow reflects lower earnings and growth in inventory
- Forecasting strong operating cash flow in Q4; full year operating cash flow ~\$40 to \$50 million
- \$331 million capital returned to shareholders Q3 YTD
  - \$90 million dividends (\$0.75 / share quarterly)
  - \$242 million share repurchases Q3 YTD (7% of shares outstanding as of the beginning of FY 2022)

<sup>1</sup> Non-GAAP measure.

# Third Quarter 2022 Results – Inventory

\$ in millions

Q3 Net Inventory vs. LY



Focus of Inventory Management

- **Actions taken to align inventory with planned demand**
  - Canceled/reduced inventory purchases
  - Selective use of pack & hold
- **Managing to maximize return on inventory investment**
  - Employing pack & hold strategy to sell through inventory profitably in 2023
  - Continuing to use our retail channels to liquidate excess inventory
- **Quality of inventory remains strong**
- **Inventory growth planned to moderate at Q4 end: +20 – 25% vs. LY**



## **Business Segment Performance**

# Third Quarter Adjusted Segment Performance

(2022 vs. 2021)



\$ in millions

*Decrease in profitability vs. 2021 reflects lower consumer demand and expense deleverage*

	Net Sales			Adjusted Operating Income <sup>1</sup>			Adjusted Operating Margin <sup>1</sup>	
	2022	2021	\$ Change	2022	2021	\$ Change	2022	2021
<b>U.S. Retail</b>	\$408	\$466	(\$58)	\$58	\$87	(\$29)	14.1%	18.7%
<b>U.S. Wholesale</b>	288	294	(6)	40	40	-	13.9%	13.7%
<b>International</b>	122	131	(9)	17	23	(6)	14.0%	17.4%
<b>Total before corporate expenses</b>	819	891	(72)	115	150	(35)	14.0%	16.8%
<b>Corporate expenses</b>				(23)	(26)	3	(2.8%)	(2.9%)
<b>Total</b>	<u>\$819</u>	<u>\$891</u>	<u>(\$72)</u>	<u>\$92</u>	<u>\$124</u>	<u>(\$32)</u>	<u>11.2%</u>	<u>13.9%</u>

<sup>1</sup> 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.

# Third Quarter 2022 Segment Performance

(vs. 2021)



## U.S. Retail

- **Net sales -12%**
  - Macro conditions adversely affected demand
- **Total comp sales -11%**
  - Better price realization (AUR +HSD%)
  - Lower store & site traffic
  - Lower units per transaction
- **Operating margin 14.1% (-460 bps vs. LY)<sup>1</sup>**
  - Better price realization (achieved pricing objectives)
  - Lower performance-based compensation
  - Expense deleverage
  - Higher product costs & freight rates

## U.S. Wholesale

- **Net sales -2%**
  - Exclusive Brands +5%
  - Lower replenishment demand
  - Supply chain delays led to higher cancellations
- **Operating margin 13.9% (+20 bps vs. LY)<sup>1</sup>**
  - Better price realization
  - Lower air freight costs
  - Lower performance-based compensation
  - Higher product costs & ocean freight rates
  - DC transition expenses

## International

- **Net sales -7%**
  - Canada -11%
  - Mexico +13%
  - Other Wholesale -3%
- **Net sales constant currency -5%**
- **Operating margin 14.0% (-340 bps vs. LY)<sup>1</sup>**
  - Better price realization
  - Lower performance-based compensation
  - Lower mix of high-margin eCommerce sales in Canada
  - Higher ocean freight rates

<sup>1</sup> Results presented on an adjusted basis, a non-GAAP presentation; see reconciliation to GAAP in appendix. No adjustments were made to 2022 segment GAAP results.

# Expanded *Little Planet* Distribution in Q3



*Eco-friendly brand presence has grown to over 750 stores in U.S. and Canada*





Carter's Just One You



Visit

Making a list? Checking it twice? Cross cuteness off the list with Carter's Just One You. Get Christmas-themed jammies that will keep little ones comfy & cozy throughout the holidays.

# New Carter's Child of Mine Brand Marketing at Walmart

**carter's**



**carter's**  
— child of mine —

## Sweet holiday dreams

Bundle up in warm pj styles  
with Carter's Child of Mine.

Shop now

**Walmart** 

# Simple Joys Prominently Featured in Amazon's October Prime Early Access Sale



**Prime Early Access Sale is here Oct. 11-12**

Included with your Prime Membership

Special deals on Home Audio

**Kids & baby deals from Our Brands**

Save on most-loved home

Amazon Homepage

simple joys by carter's

holiday pj styles for magical dreams

shop holiday sleep

shop baby

shop pajamas

shop playwear

shop gear and toys

Simple Joys Brand Store

# Exciting Collaboration With Hilary Duff



# Planning ~20 New U.S. Store Openings in Q4



**NORRIDGE, IL**

## JUST GOT 2X BETTER!

Check out our brand new spot.  
Now shop your fave Carter's + OshKosh  
styles all under one roof!

**NorrIDGE Co-Brand Store**  
4104 Harlem Avenue, Space C  
NorrIDGE, IL 60706



The best of both brands from **preemie to 5T!**



[GET DIRECTIONS](#)

— COME SEE WHAT'S NEW —

 **ORDER ONLINE.  
PICK UP TODAY.**  
Wear it tomorrow.

[SHOP NOW](#)

- **Stores are an important component of our DTC growth agenda**
  - Plan to open ~100 stores (net) over next 5 years
- **~70% of children's apparel in U.S. market is sold in stores**
- **#1 source of our new customer acquisition**
- **Stores play a key role in our omnichannel offering**
  - Buy online, ship to store
  - Same day pickup in store / curbside
  - Deliver from store
- **New stores deliver attractive financial returns**

**carter's**

**THE 2022  
GIFT  
GUIDE**

**OSHKOSH *B'gosh*** | **SKIP\*HOP** | **little planet**  
by carter's

**carter's**

**PICK YOUR FAMILY MATCHING**

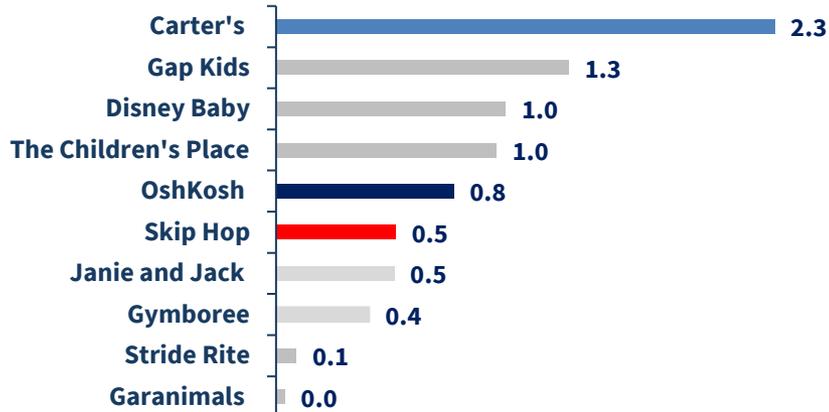
*jammies*

<b>MERRY FAIRISLE</b>	<b>PINK SANTA SQUAD</b>	<b>BUFFALO CHECK</b>	<b>CAP &amp; STOCKING</b>	<b>GREEN SANTA SQUAD</b>

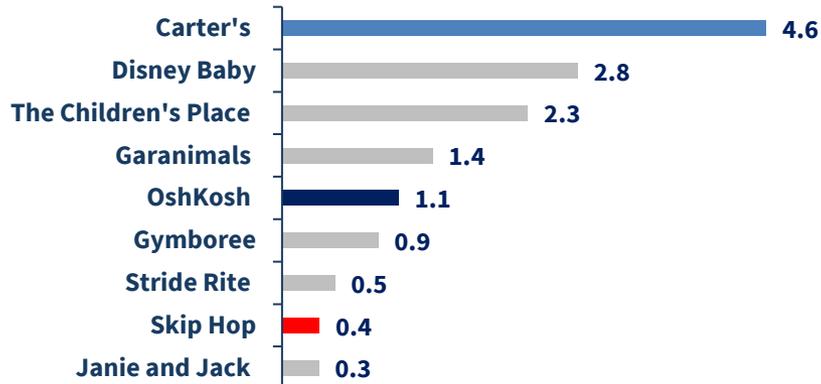
## Our Brands Have a Strong Following on Social Media<sup>1</sup>

In millions

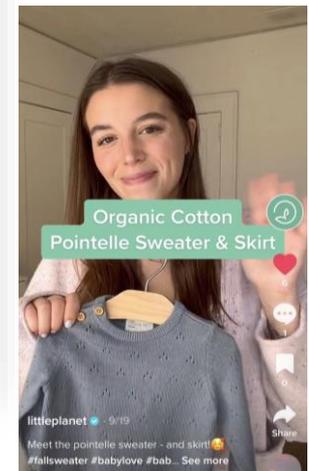
### Instagram Followers



### Facebook Followers



## Growing Engagement on TikTok<sup>2</sup>



<sup>1</sup> Source: Instagram and Facebook, 10/25/22. <sup>2</sup> Source: TikTok, July - September 2022.

Note: Peer set includes Carter's, Gap Kids, Disney Baby, The Children's Place, OshKosh B'gosh, Skip Hop, Gymboree, Stride Rite, Garanimals, & Janie and Jack



## Company Operations

- Q3 net sales +13%
- Multi-channel operations (stores, eCommerce, wholesale)
- 44 stores at Q3 end
- Plan to triple store square footage by end of 2026 by opening larger, co-branded stores



## 2022 Outlook



## Challenges

- **Demand may continue to be challenging as consumers struggle with historic and persistent inflation**
- **Improved supply chain performance but not yet back to pre-pandemic level**
  - Delay in product receipts
  - Elevated transportation costs
  - Higher distribution costs related to elevated inventories
- **High levels of inventories across industry; increased promotional activity by some retailers**

## Encouraged By

- **Holiday product and marketing**
- **Meaningfully improved mix and level of inventory position vs. LY**
- **Growth in omni-channel sales**
- **Progress with price realization**
- **Expense control**
- **Lower interest expense and cumulative benefit of share repurchases**

## Q4

- **Net sales: ~\$845 million to \$885 million**
  - U.S. Retail comparable sales decline of 10 – 15%
  - Lower U.S. Wholesale sales, reflecting risk of lower demand & supply chain delays
  - Lower International sales, driven largely by lower demand in Canada and lower wholesale demand
- **Adjusted operating income: ~\$85 million to \$115 million** (vs. \$138 million LY)
  - Adjusted operating margin 10.1% to 13.0% (vs. 13.0% LY)
- **Adjusted diluted EPS: ~\$1.40 to \$2.00** (vs. \$2.31 LY)

## Fiscal Year 2022

- **Net sales: ~\$3.145 billion to \$3.185 billion**
- **Adjusted operating income: ~\$355 million to \$385 million** (vs. \$501 million LY)
  - Adjusted operating margin 11.3% to 12.1% (vs. 14.4% LY)
- **Adjusted diluted EPS: ~\$6.05 to \$6.65** (vs. \$7.87 LY)

<sup>1</sup> See appendix for historical adjusted operating income and adjusted diluted EPS reconciliations to GAAP. Fiscal year 2022 outlook excludes a ~\$15 million after-tax charge related to early extinguishment of debt in Q2. Forward-looking adjusted operating income and adjusted diluted EPS have not been reconciled to their most directly comparable GAAP measures – see page 36.

**Thank You!**



# Appendix



# Third Quarter Year-to-Date Adjusted Segment Performance vs. 2021



\$ in millions

	Net Sales			Adjusted Operating Income <sup>1</sup>			Adjusted Operating Margin <sup>1</sup>	
	2022	2021	\$ Change	2022	2021	\$ Change	2022	2021
<b>U.S. Retail</b>	\$1,154	\$1,296	(\$143)	\$163	\$250	(\$86)	14.2%	19.3%
<b>U.S. Wholesale</b>	820	809	11	134	152	(18)	16.4%	18.8%
<b>International</b>	327	319	8	40	44	(4)	12.1%	13.8%
<b>Total before corporate expenses</b>	2,301	2,424	(124)	337	446	(109)	14.6%	18.4%
<b>Corporate expenses</b>				(67)	(83)	16	(2.9%)	(3.4%)
<b>Total</b>	<u>\$2,301</u>	<u>\$2,424</u>	<u>(\$124)</u>	<u>\$270</u>	<u>\$363</u>	<u>(\$93)</u>	<u>11.7%</u>	<u>15.0%</u>

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

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# Third Quarter Reconciliation of Adjusted Net Income Allocable to Common Shareholders



	<b>Fiscal Quarter Ended</b>	
	<b>October 1, 2022</b>	<b>October 2, 2021</b>
Weighted-average number of common and common equivalent shares outstanding:		
Basic number of common shares outstanding	38,222,151	43,260,471
Dilutive effect of equity awards	23,222	155,575
Diluted number of common and common equivalent shares outstanding	<u>38,245,373</u>	<u>43,416,046</u>

	<b>Fiscal Quarter Ended</b>			
	<b>As reported on a GAAP Basis</b>		<b>As adjusted (a)</b>	
<i>\$ in thousands, except EPS</i>	<b>October 1, 2022</b>	<b>October 2, 2021</b>	<b>October 1, 2022</b>	<b>October 2, 2021</b>
Basic net income per common share:				
Net income	\$64,957	\$84,976	\$64,957	\$84,892
Income allocated to participating securities	(1,013)	(1,024)	(1,013)	(1,022)
Net income available to common shareholders	<u>\$63,944</u>	<u>\$83,952</u>	<u>\$63,944</u>	<u>\$83,870</u>
Basic net income per common share	\$1.67	\$1.94	\$1.67	\$1.94
Diluted net income per common share:				
Net income	\$64,957	\$84,976	\$64,957	\$84,892
Income allocated to participating securities	(1,012)	(1,021)	(1,012)	(1,019)
Net income available to common shareholders	<u>\$63,945</u>	<u>\$83,955</u>	<u>\$63,945</u>	<u>\$83,873</u>
Diluted net income per common share	\$1.67	\$1.93	\$1.67	\$1.93

(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 \$0.1 million in after-tax expenses from these results for the fiscal quarter ended October 2, 2021.

# Third Quarter Year-to-Date Reconciliation of Adjusted Net Income Allocable to Common Shareholders



	Three Fiscal Quarters Ended	
	October 1, 2022	October 2, 2021
Weighted-average number of common and common equivalent shares outstanding:		
Basic number of common shares outstanding	39,279,293	43,358,998
Dilutive effect of equity awards	34,835	153,252
Diluted number of common and common equivalent shares outstanding	<u>39,314,128</u>	<u>43,512,250</u>

	Three Fiscal Quarters Ended			
	As reported on a GAAP Basis		As adjusted (a)	
<i>\$ in thousands, except EPS</i>	October 1, 2022	October 2, 2021	October 1, 2022	October 2, 2021
Basic net income per common share:				
Net income	\$169,859	\$242,775	\$185,010	\$245,579
Income allocated to participating securities	(2,478)	(2,919)	(2,711)	(2,953)
Net income available to common shareholders	<u>\$167,381</u>	<u>\$239,856</u>	<u>\$182,299</u>	<u>\$242,626</u>
Basic net income per common share	\$4.26	\$5.53	\$4.64	\$5.60
Diluted net income per common share:				
Net income	\$169,859	\$242,775	\$185,010	\$245,579
Income allocated to participating securities	(2,477)	(2,910)	(2,710)	(2,944)
Net income available to common shareholders	<u>\$167,382</u>	<u>\$239,865</u>	<u>\$182,300</u>	<u>\$242,635</u>
Diluted net income per common share	\$4.26	\$5.51	\$4.64	\$5.58

(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 \$15.2 million and \$2.8 million in after-tax expenses from these results for the three fiscal quarters ended October 1, 2022 and October 2, 2021, respectively.

# Reconciliation of Adjusted to Reported Earnings<sup>1</sup>



\$ in millions, except EPS

										Segment Reporting							
	Gross Profit	% of net sales	SG&A	% of net sales	Operating Income	% of net sales	Income Taxes	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>First Three Quarters of Fiscal 2022</b>																	
As reported (GAAP)	\$1,056.8	45.9%	\$807.5	35.1%	\$269.6	11.7%	\$46.4	\$169.9	\$4.26	\$163.3	14.2%	\$134.1	16.4%	\$39.7	12.1%	(\$67.4)	(2.9%)
Loss on extinguishment of debt (b)	-	-	-	-	-	-	4.8	15.2	0.38	-	-	-	-	-	-	-	-
As adjusted (a)	\$1,056.8	45.9%	\$807.5	35.1%	\$269.6	11.7%	\$51.2	\$185.0	\$4.64	\$163.3	14.2%	\$134.1	16.4%	\$39.7	12.1%	(\$67.4)	(2.9%)
<b>Third Quarter of Fiscal 2021</b>																	
As reported (GAAP)	\$408.8	45.9%	\$293.2	32.9%	\$124.0	13.9%	\$23.4	\$85.0	\$1.93	\$87.2	18.7%	\$40.1	13.6%	\$22.8	17.4%	(\$25.9)	(2.9%)
COVID-19 expenses (c)	-	-	(0.3)	-	0.3	-	0.1	0.2	-	0.2	-	0.1	-	-	-	-	-
Retail store operating leases and other long-lived asset impairments, net of gain	-	-	0.3	-	(0.3)	-	(0.1)	(0.2)	-	(0.3)	-	-	-	-	-	-	-
Restructuring costs (d)	-	-	0.2	-	(0.2)	-	-	(0.1)	-	(0.1)	-	-	-	-	-	(0.1)	-
As adjusted (a)	\$408.8	45.9%	\$293.3	32.9%	\$123.9	13.9%	\$23.3	\$84.9	\$1.93	\$87.0	18.7%	\$40.2	13.7%	\$22.8	17.4%	(\$26.0)	(2.9%)
<b>First Three Quarters of Fiscal 2021</b>																	
As reported (GAAP)	\$1,169.4	48.2%	\$832.9	34.4%	\$359.1	14.8%	\$72.1	\$242.8	\$5.51	\$250.8	19.3%	\$150.7	18.6%	\$41.5	13.0%	(\$83.9)	(3.5%)
COVID-19 expenses (c)	-	-	(3.5)	-	3.5	-	0.9	2.6	0.06	1.7	-	1.5	-	0.3	-	-	-
Restructuring costs (d)	-	-	(2.5)	-	2.5	-	0.7	1.9	0.04	(0.6)	-	0.1	-	2.3	-	0.8	-
Retail store operating leases and other long-lived asset impairments, net of gain	-	-	2.2	-	(2.2)	-	(0.5)	(1.7)	(0.04)	(2.2)	-	-	-	-	-	-	-
As adjusted (a) (e)	\$1,169.4	48.2%	\$829.1	34.2%	\$362.9	15.0%	\$73.0	\$245.6	\$5.58	\$249.7	19.3%	\$152.3	18.8%	\$44.0	13.8%	(\$83.1)	(3.4%)
<b>Fourth Quarter of Fiscal 2021</b>																	
As reported (GAAP)	\$492.8	46.4%	\$361.0	34.0%	\$138.0	13.0%	\$26.5	\$97.0	\$2.31	\$117.5	19.5%	\$44.6	14.1%	\$22.3	15.7%	(\$46.5)	(4.4%)
COVID-19 expenses (c)	-	-	(\$0.4)	-	\$0.4	-	\$0.1	\$0.3	\$0.01	\$0.2	-	\$0.2	-	-	-	-	-
Restructuring costs (d)	-	-	0.1	-	(0.1)	-	-	(0.1)	-	-	-	-	-	-	-	(0.1)	-
Retail store operating leases and other long-lived asset impairments, net of gain	-	-	0.4	-	(0.4)	-	(0.1)	(0.3)	(0.01)	(0.4)	-	-	-	-	-	-	-
As adjusted (a)	\$492.8	46.4%	\$361.1	34.0%	\$137.9	13.0%	\$26.5	\$96.9	\$2.31	\$117.3	19.5%	\$44.8	14.1%	\$22.3	15.7%	(\$46.6)	(4.4%)

<sup>1</sup>No adjustments to Q3 2022 GAAP financial measures were made.

Note: Results may not be additive due to rounding.

# Reconciliation of Adjusted to Reported Earnings

(Continued)



\$ in millions, except EPS

Fiscal Year 2021	Gross Profit	% of net sales	SG&A	% of net sales	Operating Income	% of net sales	Income Taxes	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>\$1,662.3</b>	47.7%	<b>\$1,193.9</b>	34.2%	<b>\$497.1</b>	14.3%	<b>\$98.5</b>	<b>\$339.7</b>	<b>\$7.81</b>	<b>\$368.2</b>	19.4%	<b>\$195.4</b>	17.3%	<b>\$63.8</b>	13.8%	<b>(\$130.3)</b>	(3.7%)
COVID-19 expenses (c)	-		(3.9)		3.9		1.0	3.0	0.07	2.0		1.7		0.2		-	
Restructuring costs (d)	-		(2.4)		2.4		0.6	1.8	0.04	(0.6)		0.1		2.3		0.7	
Retail store operating leases and other long-lived asset impairments, net of gain	-		2.6		(2.6)		(0.6)	(2.0)	(0.05)	(2.6)		-		-		-	
<b>As adjusted (a) (e)</b>	<b>\$1,662.3</b>	47.7%	<b>\$1,190.2</b>	34.1%	<b>\$500.8</b>	14.4%	<b>\$99.5</b>	<b>\$342.5</b>	<b>\$7.87</b>	<b>\$367.0</b>	19.3%	<b>\$197.1</b>	17.5%	<b>\$66.4</b>	14.4%	<b>(\$129.7)</b>	(3.7%)

- (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) 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.
- (c) Net expenses incurred due to the COVID-19 pandemic, including incremental employee-related costs, costs associated with additional protective equipment and cleaning supplies, restructuring costs, and a payroll tax benefit.
- (d) Certain lease exit, severance and related costs resulting from restructuring actions (not related to COVID-19).
- (e) Adjusted results exclude a customer bankruptcy recovery of \$38,000.

# Reconciliation of Net Income to Adjusted EBITDA



\$ in millions

	Fiscal Quarter Ended		Three Fiscal Quarters Ended		Four Fiscal
	October 1, 2022	October 2, 2021	October 1, 2022	October 2, 2021	Quarters Ended October 1, 2022
Net income	\$65.0	\$85.0	\$169.9	\$242.8	\$266.8
Interest expense	9.7	15.2	33.5	45.8	48.0
Interest income	(0.3)	(0.3)	(0.9)	(0.8)	(1.2)
Tax expense	15.9	23.4	46.4	72.1	72.9
Depreciation and amortization	17.1	21.6	48.8	68.1	74.8
<b>EBITDA</b>	<b>\$107.4</b>	<b>\$144.8</b>	<b>\$297.7</b>	<b>\$428.0</b>	<b>\$461.3</b>
<b>Adjustments to EBITDA</b>					
Loss on extinguishment of debt (a)	\$ -	\$ -	\$19.9	\$ -	\$19.9
COVID-19 expenses (b)	-	0.3	-	3.5	0.4
Restructuring costs (c)	-	(0.2)	-	1.4	(0.1)
Store lease impairment benefit	-	(0.3)	-	(2.2)	(0.4)
Total adjustments	\$ -	(\$0.2)	\$19.9	\$2.6	\$19.8
<b>Adjusted EBITDA (d)</b>	<b>\$107.4</b>	<b>\$144.6</b>	<b>\$317.6</b>	<b>\$430.6</b>	<b>\$481.2</b>

- (a) 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.
- (b) Expenses incurred due to the COVID-19 pandemic.
- (c) Certain lease exit, severance and related costs resulting from restructuring actions (not related to COVID-19). Amounts for fiscal quarter and three fiscal quarters ended October 2, 2021 exclude \$0.1 million, \$1.2 million, respectively, of depreciation expense included in the corresponding depreciation and amortization line item.
- (d) Adjusted EBITDA for three fiscal quarters ended October 2, 2021 excludes a customer bankruptcy recovery of \$38,000.

# Constant Currency Reconciliation



\$ in millions

	Fiscal Quarter Ended					
	Reported Net Sales October 1, 2022	Impact of Foreign Currency Translation	Constant- Currency Net Sales October 1, 2022	Reported Net Sales October 2, 2021	Reported Net Sales % Change	Constant- Currency Net Sales % Change
<b>Consolidated net sales</b>	\$818.6	(\$2.9)	\$821.6	\$890.6	(8.1%)	(7.7%)
<b>International segment net sales</b>	\$122.0	(\$2.9)	\$124.9	\$130.7	(6.7%)	(4.4%)

	Three Fiscal Quarters Ended					
	Reported Net Sales October 1, 2022	Impact of Foreign Currency Translation	Constant- Currency Net Sales October 1, 2022	Reported Net Sales October 2, 2021	Reported Net Sales % Change	Constant- Currency Net Sales % Change
<b>Consolidated net sales</b>	\$2,300.6	(\$5.4)	\$2,306.0	\$2,424.3	(5.1%)	(4.9%)
<b>International segment net sales</b>	\$327.2	(\$5.4)	\$332.6	\$318.8	2.6%	4.3%

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.

# Company-Operated Store Count



	<u>U.S.</u>	<u>Canada</u>	<u>Mexico</u>	<u>Total</u>
<b>Store count at October 2, 2021</b>	<b>755</b>	<b>188</b>	<b>41</b>	<b>984</b>
Openings	-	-	2	2
Closings	(4)	(2)	-	(6)
<b>Store count at January 1, 2022</b>	<b>751</b>	<b>186</b>	<b>43</b>	<b>980</b>
Openings	6	-	6	12
Closings	(16)	(1)	(5)	(22)
<b>Store count at October 1, 2022</b>	<b>741</b>	<b>185</b>	<b>44</b>	<b>970</b>
<i>Balance of year forecast</i>				
Openings	22	2	6	30
Closings	(1)	-	(4)	(5)
<b>Estimated store count at December 31, 2022</b>	<b>762</b>	<b>187</b>	<b>46</b>	<b>995</b>

This presentation contains forward-looking statements within the meaning of the federal securities laws relating to our future performance, including statements with respect to the potential effects of macroeconomic conditions, the COVID-19 pandemic, and the Company's future outlook, financial results, liquidity, strategy, financings, and investments. 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 those risks are those related to: the effects of the COVID-19 pandemic; financial difficulties for one or more of our major customers; an overall decrease in consumer spending; our products not being accepted in the marketplace; 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; our foreign sourcing arrangements; disruptions in our supply chain; the management and expansion of our business domestically and internationally; the acquisition and integration of other brands and businesses; and changes in our tax obligations, including additional customs, duties or tariffs. 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.