



carter's[®]

**Second Quarter 2023 Results
&
Business Update**

July 28, 2023

Second Quarter 2023 Results

(GAAP Basis)



\$ in millions, except EPS

	Q2 2023	<i>% of Sales</i>	Q2 2022	<i>% of Sales</i>	Change
Net sales	\$600		\$701		(14%)
Gross profit	292	48.6%	331	47.3%	(12%)
Royalty income	4	0.7%	6	0.8%	(23%)
SG&A	259	43.1%	261	37.3%	(1%)
Operating income	38	6.3%	75	10.8%	(50%)
Interest expense and other, net	6	1.1%	8	1.2%	(25%)
Loss on extinguishment of debt	-		20	2.8%	(100%)
Income before taxes	31	5.2%	47	6.7%	(34%)
Income tax provision	7		10		(27%)
Net income	\$24	4.0%	\$37	5.3%	(35%)
Diluted EPS	\$0.64		\$0.93		(31%)
Weighted average shares outstanding	37		39		(6%)
EBITDA ¹	\$55	9.2%	\$73	10.4%	(24%)

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

Note: Results may not be additive due to rounding.

First Half 2023 Results

(GAAP Basis)



	\$ in millions, except EPS				Change
	First Half 2023	% of Sales	First Half 2022	% of Sales	
Net sales	\$1,296		\$1,482		(13%)
Gross profit	601	46.4%	686	46.3%	(12%)
Royalty income	11	0.8%	13	0.9%	(17%)
SG&A	518	40.0%	521	35.2%	(1%)
Operating income	94	7.2%	178	12.0%	(47%)
Interest expense and other, net	15	1.2%	23	1.5%	(34%)
Loss on extinguishment of debt	-		20	1.3%	(100%)
Income before taxes	79	6.1%	135	9.1%	(42%)
Income tax provision	19		31		(38%)
Net income	\$60	4.6%	\$105	7.1%	(43%)
Diluted EPS	\$1.59		\$2.59		(39%)
Weighted average shares outstanding	37		40		(7%)
EBITDA ¹	\$127	9.8%	\$190	12.8%	(33%)

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

		Second 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)		\$37.6	6.3%	\$31.3	\$23.9	\$0.64	\$75.4	10.8%	\$47.1	\$37.0	\$0.93
Organizational restructuring		0.4		0.4	0.3	0.01	-		-	-	-
Loss on extinguishment of debt		-		-	-	-	-		19.9	15.2	0.38
Total adjustments		0.4		0.4	0.3	0.01	-		19.9	15.2	0.38
As adjusted		<u>\$37.9</u>	<u>6.3%</u>	<u>\$31.6</u>	<u>\$24.2</u>	<u>\$0.64</u>	<u>\$75.4</u>	<u>10.8%</u>	<u>\$67.0</u>	<u>\$52.1</u>	<u>\$1.30</u>
		First Half									
		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)		\$93.9	7.2%	\$78.9	\$59.9	\$1.59	\$178.0	12.0%	\$135.4	\$104.9	\$2.59
Organizational restructuring		1.5		1.5	1.2	0.03	-		-	-	-
Loss on extinguishment of debt		-		-	-	-	-		19.9	15.2	0.37
Total adjustments		1.5		1.5	1.2	0.03	-		19.9	15.2	0.37
As adjusted		<u>\$95.5</u>	<u>7.4%</u>	<u>\$80.5</u>	<u>\$61.0</u>	<u>\$1.62</u>	<u>\$178.0</u>	<u>12.0%</u>	<u>\$155.4</u>	<u>\$120.1</u>	<u>\$2.97</u>

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

Note: Results may not be additive due to rounding.

We Achieved Our Q2 Sales and Earnings Objectives (Adjusted Basis¹)



\$ in millions, except EPS

	Guidance²	Actual Results
Net Sales	\$590 - \$605	\$600
U.S. Retail Comparable Sales	Down mid-teens	Down 16%
U.S. Wholesale	Down 20% to 25%	Down 17%
International	Down mid-single digits	Down 8%
Operating Income	\$30 - \$35	\$38
<i>Operating Margin</i>	<i>5.1% - 5.8%</i>	<i>6.3%</i>
Diluted EPS	\$0.40 - \$0.50	\$0.64

¹ Operating income, operating margin and diluted EPS presented on an adjusted basis, a non-GAAP presentation; see reconciliation to GAAP in appendix.

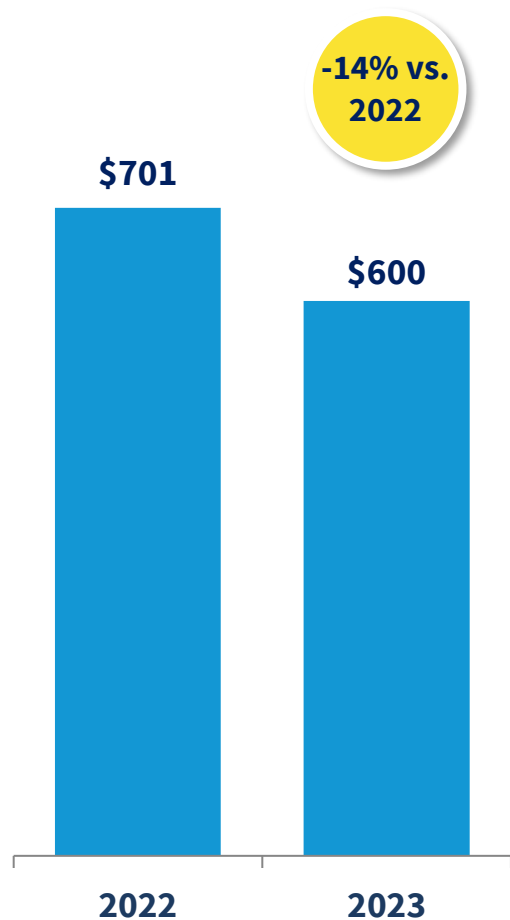
² Guidance provided on Q1 2023 earnings call on 4/28/2023.

Second Quarter 2023 Performance

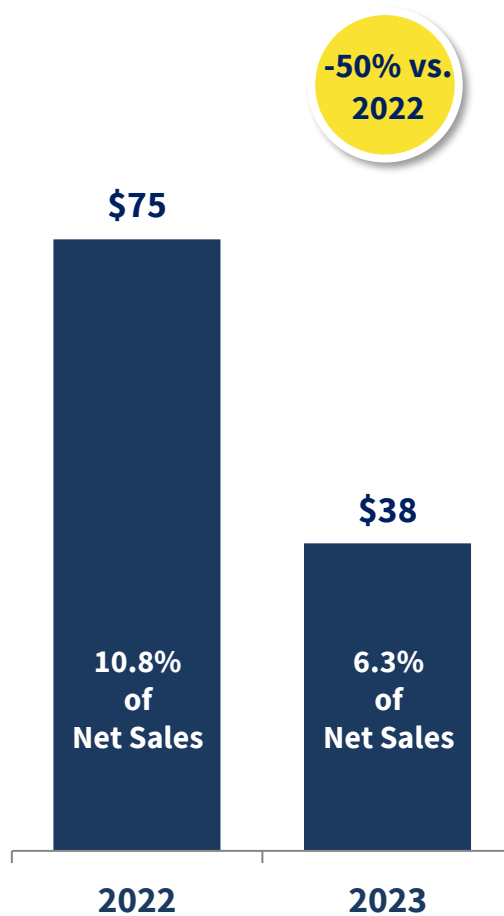


\$ in millions, except EPS

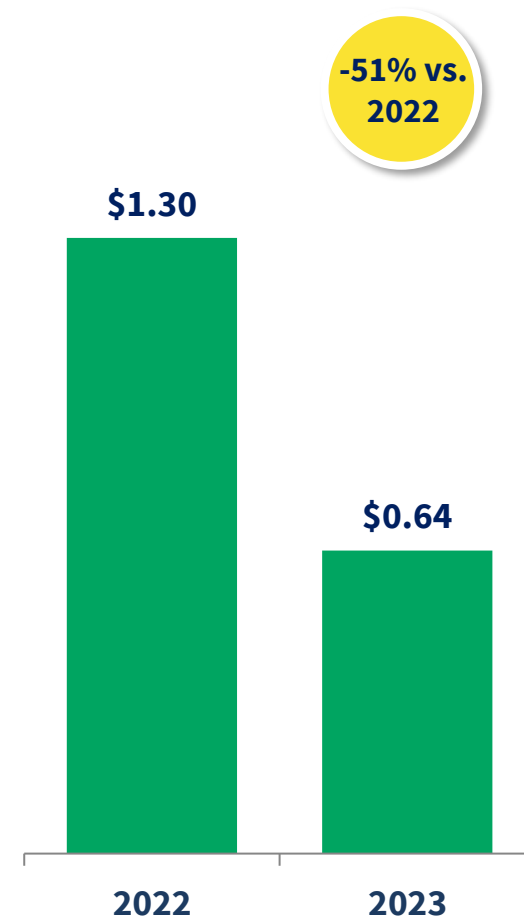
Net Sales



Adjusted Operating Income¹ (Adjusted Operating Margin)



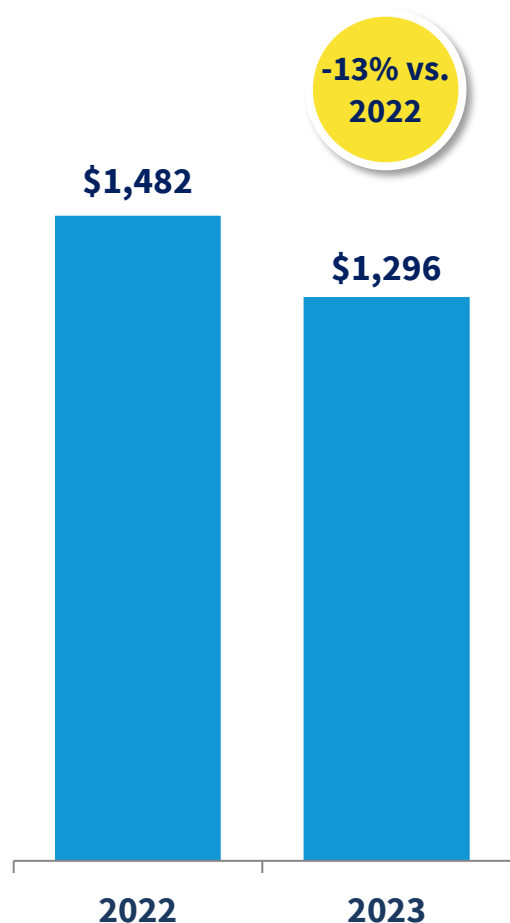
Adjusted Diluted EPS¹



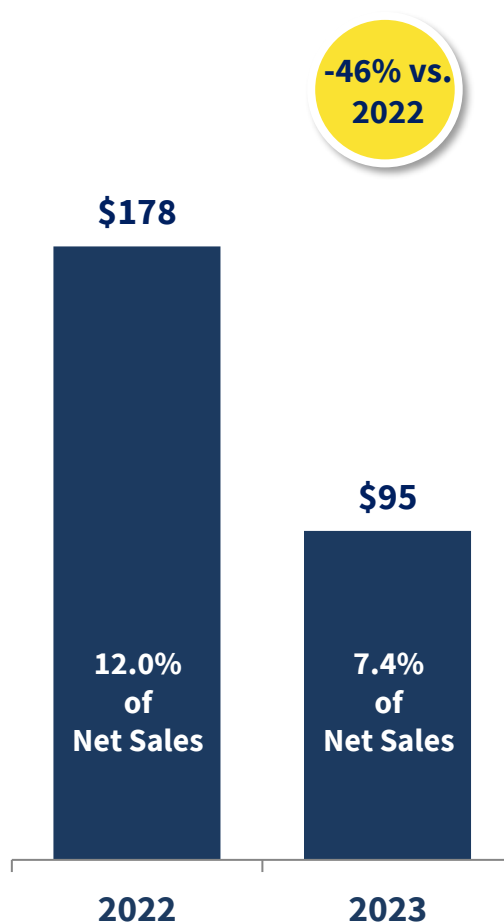
¹ Non-GAAP measure; see reconciliation to GAAP in appendix.

\$ in millions, except EPS

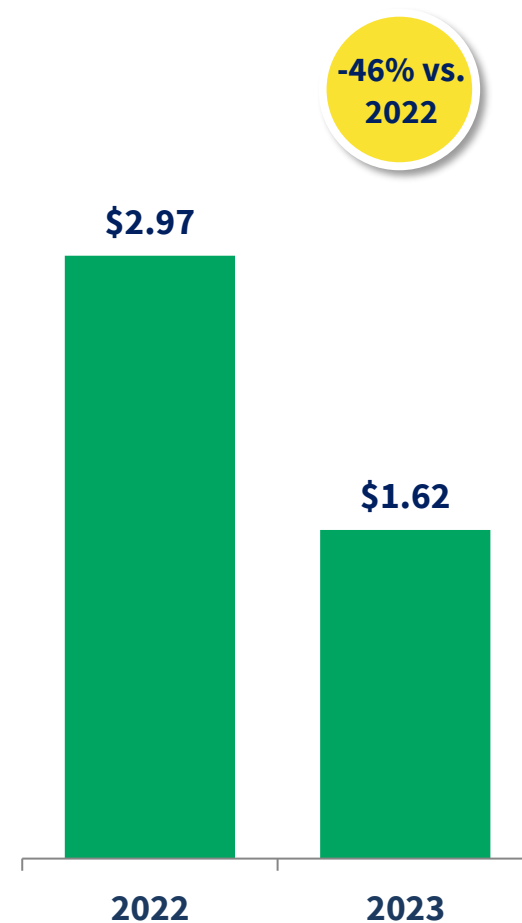
Net Sales



Adjusted Operating Income¹ (Adjusted Operating Margin)



Adjusted Diluted EPS¹



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

Second Quarter 2023 Adjusted Results¹



\$ in millions, except EPS

	Q2 2023	<i>% of Sales</i>	Q2 2022	<i>% of Sales</i>	Change
Net sales	\$600		\$701		(14%)
Gross profit	292	48.6%	331	47.3%	(12%)
Royalty income	4	0.7%	6	0.8%	(23%)
Adjusted SG&A	258	43.0%	261	37.3%	(1%)
Adjusted operating income	38	6.3%	75	10.8%	(50%)
Interest expense and other, net	6	1.1%	8	1.2%	(25%)
Adjusted income before taxes	32	5.3%	67	9.6%	(53%)
Adjusted provision for income taxes	7		15		(50%)
Adjusted net income	\$24	4.0%	\$52	7.4%	(54%)
Adjusted diluted EPS	\$0.64		\$1.30		(51%)
Weighted average shares outstanding	37		39		(6%)
Adjusted EBITDA	\$56	9.2%	\$93	13.3%	(40%)

¹ Certain metrics presented 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 2023 Adjusted Results¹



\$ in millions, except EPS

	First Half 2023	<i>% of Sales</i>	First Half 2022	<i>% of Sales</i>	Change
Net sales	\$1,296		\$1,482		(13%)
Adjusted gross profit	601	46.4%	686	46.3%	(12%)
Royalty income	11	0.8%	13	0.9%	(17%)
Adjusted SG&A	517	39.9%	521	35.2%	(1%)
Adjusted operating income	95	7.4%	178	12.0%	(46%)
Interest expense and other, net	15	1.2%	23	1.5%	(34%)
Adjusted income before taxes	80	6.2%	155	10.5%	(48%)
Adjusted provision for income taxes	19		35		(45%)
Adjusted net income	\$61	4.7%	\$120	8.1%	(49%)
Adjusted diluted EPS	\$1.62		\$2.97		(46%)
Weighted average shares outstanding	37		40		(7%)
Adjusted EBITDA	\$129	10.0%	\$210	14.2%	(39%)

¹ Certain metrics 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 (Q2 End)

	2023	2022
Cash	\$175	\$231
Accounts receivable	133	184
Inventory	682	858
Accounts payable	281	408
Long-term debt, net	497	616
Operating lease liabilities	558	530

- **Strong liquidity: \$1.0 billion¹**
- **Inventory down 21% (units -25%)**
 - Q3 & Q4 inventories planned lower vs. LY
- **Accounts payable reflects timing of inventory payments**
- **Long-term debt reflects \$120 million paydown of revolving credit facility borrowings**

Cash Flow (First Half)

	2023	2022
Operating cash flow	\$209	(\$94)
Capital expenditures	(26)	(16)
Free cash flow ²	\$183	(\$110)
	2023	2022
Share repurchases	\$40	\$ 176
Dividends	57	60
Total	\$97	\$237

- **Operating cash flow improvement reflects:**
 - Favorable changes in working capital, primarily lower inventories
 - Lower net income
- **Projecting operating cash flow >\$300 million for FY '23, driven by inventory management and other working capital initiatives**
- **\$97 million returned to shareholders through share repurchases and dividends in 1H '23**

¹ Comprised of \$175 million cash and cash equivalents plus \$846 million undrawn availability on revolving credit facility. ² Non-GAAP measure.



Business Segment Performance

Second Quarter 2023 Adjusted Segment Performance



\$ in millions

	Net Sales			Adjusted Operating Income ¹			Adjusted Operating Margin ¹	
	2023	2022	\$ Change	2023	2022	\$ Change	2023	2022
U.S. Retail	\$323	\$379	(\$56)	\$28	\$56	(\$27)	8.8%	14.7%
U.S. Wholesale	187	224	(37)	29	34	(4)	15.7%	15.0%
International	90	98	(8)	7	12	(5)	7.5%	12.5%
Total before corporate expenses	600	701	(100)	64	101	(37)	10.7%	14.5%
Corporate expenses				(26)	(26)	(1)	(4.4%)	(3.7%)
Total	\$600	\$701	(\$100)	\$38	\$75	(\$37)	6.3%	10.8%

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

U.S. Retail

- **Net sales: -15%**
 - Macroeconomic factors adversely affected demand
 - Sales trends stronger since Memorial Day (and continued through July)
- **Comparable sales: -16%**
 - Lower traffic
 - Better price realization
 - Higher average transaction
- **Adjusted operating margin 8.8% (vs. 14.7% LY)¹**
 - Expense deleverage on lower sales
 - Higher product costs
 - Lower inventory charges & transportation costs
 - Better price realization

U.S. Wholesale

- **Net sales: -17%**
 - Wholesale customers buying inventory conservatively
 - Discontinued shipments to buybuy BABY
 - Lower cancellations driven by better on-time shipments
- **Adjusted operating margin 15.7% (vs. 15.0% LY)¹**
 - Better price realization
 - Lower inventory charges
 - Lower transportation costs
 - Higher product costs

International

- **Net sales: -8%**
 - Lower demand in Canada
 - Growth in Mexico (comparable on constant currency basis)
 - Lower wholesale shipments (largely timing related)
- **Net sales constant currency: -7%**
- **Adjusted operating margin 7.5% (vs. 12.5% LY)¹**
 - Expense deleverage on lower sales
 - Higher product costs
 - Better price realization
 - Lower inventory charges
 - Lower transportation costs

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

First Half 2023 Adjusted Segment Performance



\$ in millions

	Net Sales			Adjusted Operating Income ¹			Adjusted Operating Margin ¹	
	2023	2022	\$ Change	2023	2022	\$ Change	2023	2022
U.S. Retail	\$647	\$745	(\$98)	\$55	\$106	(\$51)	8.4%	14.2%
U.S. Wholesale	467	531	(64)	81	94	(13)	17.3%	17.7%
International	182	205	(23)	10	23	(13)	5.4%	11.0%
Total before corporate expenses	1,296	1,482	(186)	145	222	(77)	11.2%	15.0%
Corporate expenses				(50)	(44)	(6)	(3.8%)	(3.0%)
Total	\$1,296	\$1,482	(\$186)	\$95	\$178	(\$83)	7.4%	12.0%

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



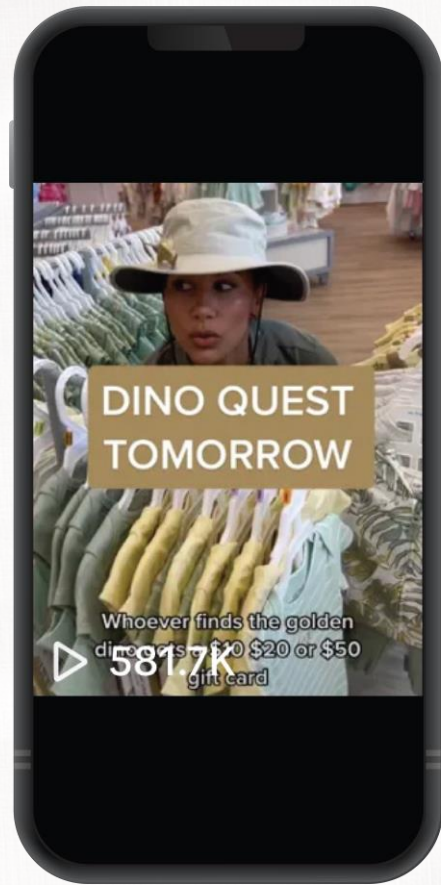
Carter's
is the Leader in
Young Children's Apparel

**Carter's Brand Attributes
Ranked #1 by Consumers¹**

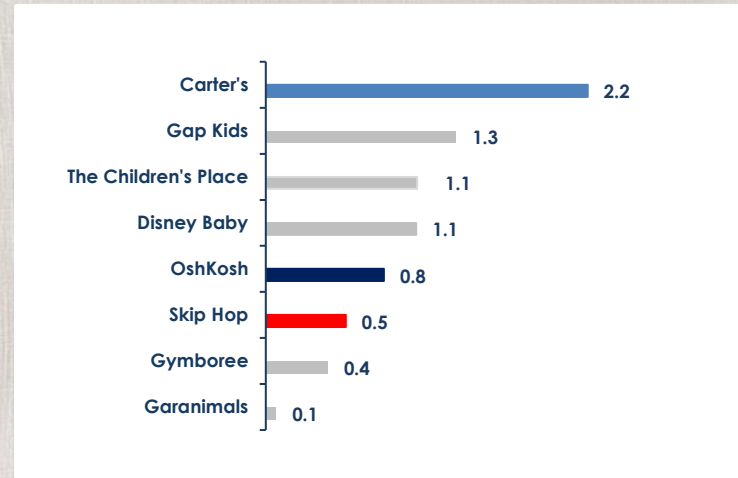
- Brand I would recommend
- Trustworthy
- Most top-of-mind brand
- Comfortable
- Proud to give as a gift

¹ Based on Carter's Q3 2022 – Q2 2023 survey of children's clothing buyers in the U.S.

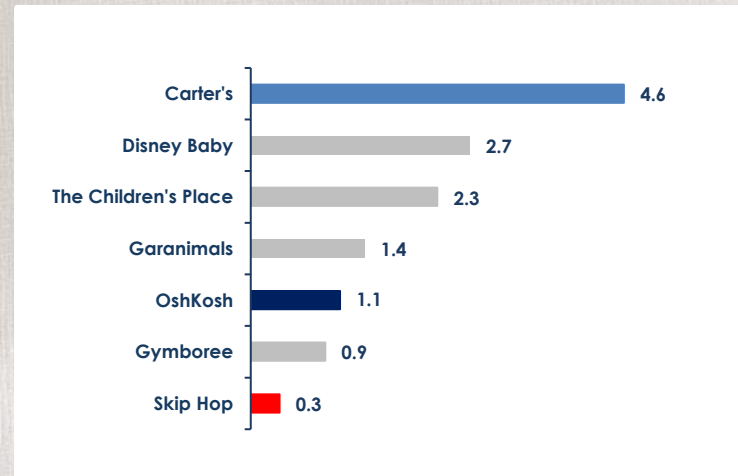
Carter's leads the category in Social Followers on TikTok¹



TOTAL INSTAGRAM FOLLOWERS *in millions*



TOTAL FACEBOOK FOLLOWERS *in millions*



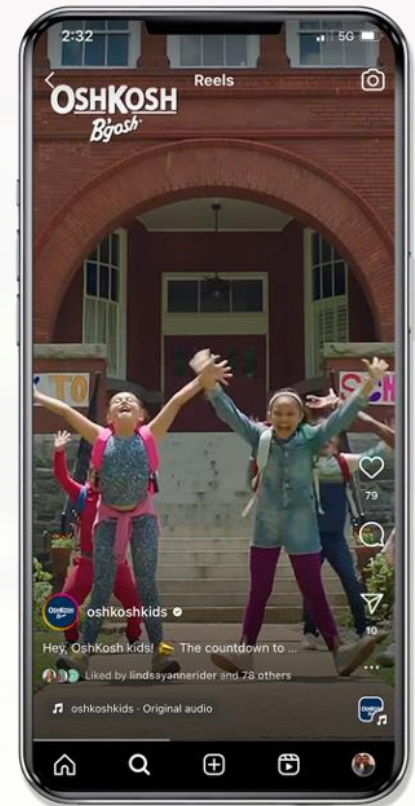
¹ Source: Instagram, Facebook, and TikTok (7/10/23). Peer set includes Carter's, Gap Kids, Disney Baby, The Children's Place, OshKosh B'gosh, Skip Hop, Gymboree, & Garanimals.

Good Start to
Back-to-School
Selling



New Back-to-School Brand Campaign

OSHKOSH *B'gosh*®



OshKosh Collaboration With Gucci



SKIP*HOP®



Skip Hop Leads the Market in Multiple Categories



#1 in Diaper Bags & 4 of the top 5 diaper/travel bags¹



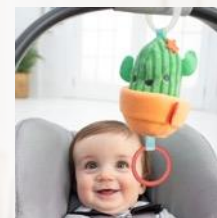
#1 Portable Changing Pad



#3 Car Seat Cover/Protector²



#1 Bath Product Line³



#10 Top Selling Infant Toy under \$10



Top Selling Infant Toys 2 of the top 10 preschool musical instruments



#2 Changing Pad



#1 & #3 Activity Centers

Source: Circana/Retail Tracking Service/USA/Annual 2022.

¹ Diaper Travel Bag Type. ² Travel Accessory Attribute. ³ Bath defined as Tubs, Toys & Accessories

~70 Store Openings Planned in North America in 2023

United States

Canada

Mexico



Macon, Georgia



Woodstock, Ontario



Tijuana



little planet

Little Planet

Continued Strong Growth

- Eco-friendly, accessible premium brand
- Sales doubled in Q2 vs. LY
- New category launches
- Expanding from 785 to over 2000 doors in 2023



carter's

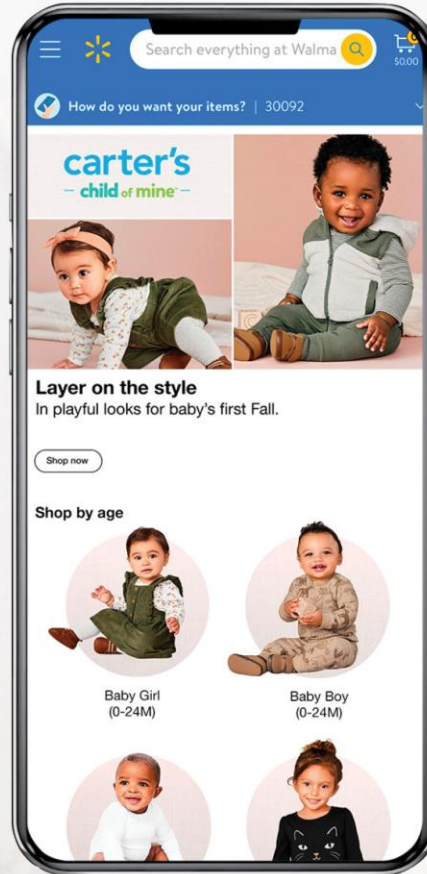


New Fall Fashion Just One You





Rolling out our Fall & Holiday Product Offerings at **Walmart**



carter's
— child of mine —

Little ghouls unite!

Get your boo crew ready for
Halloween.

Shop now

Walmart 

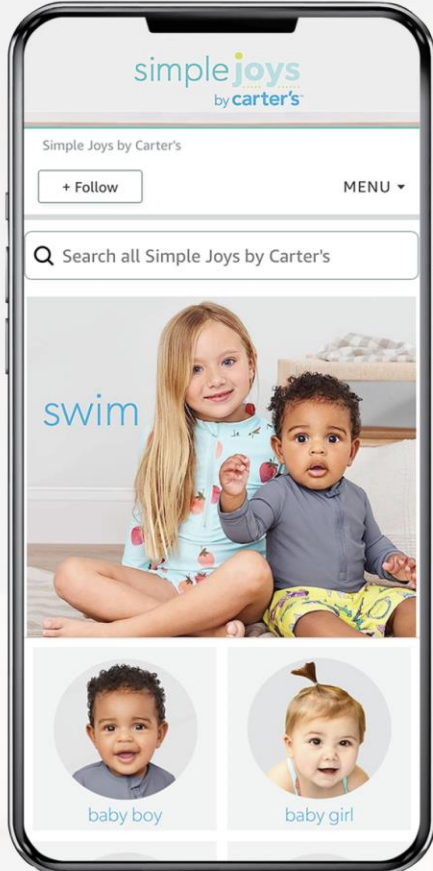
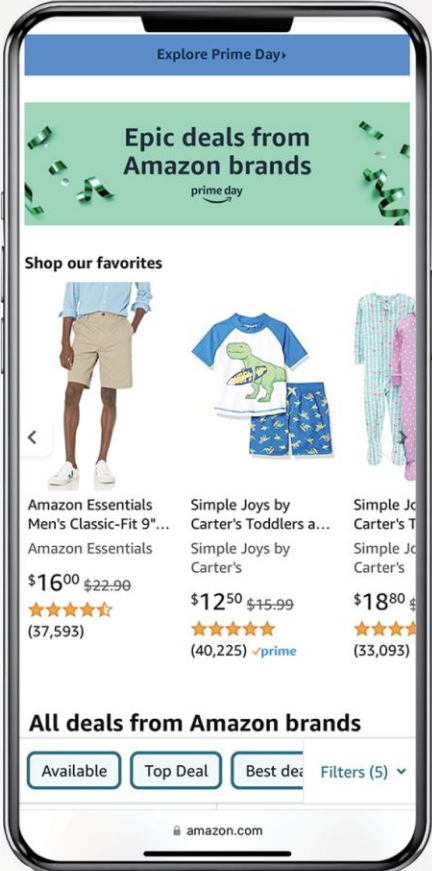
Walmart 

carter's
— child of mine —



Modern Digital Experience

Simple Joys



Continued Expansion in Mexico

- ~\$3 billion market
- Plan to open 12 co-branded stores in 2023 (53 stores by year end)



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Expansion in Brazil with Riachuelo

- Largest Carter's market outside of North America
- Carter's shop-in-shops in 260+ Riachuelo stores
- Opening 14 free-standing Carter's specialty stores in 2023 (62 by year end)

New Market Expansion

Ecuador & Vietnam



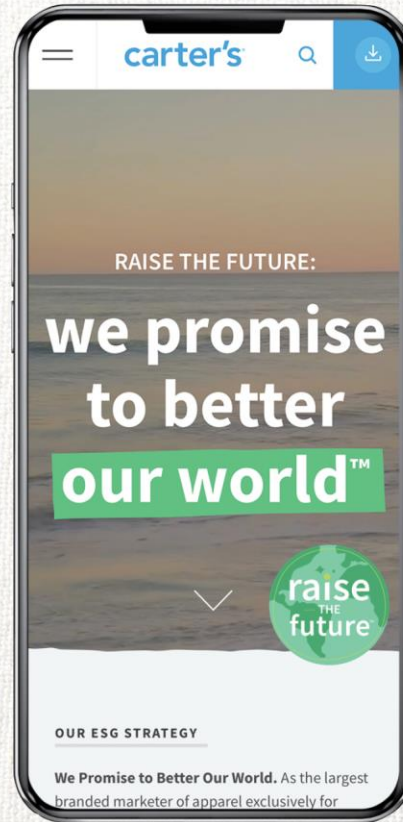
Ecuador



Vietnam



2022 CSR Report



Our Commitments

Product
Grow Our Sustainable Offerings

Planet
Reduce Our Carbon Footprint

People
Uplift Our Workers and Communities



2023 Outlook



Sales

- **Strength of product offering**
- **Inflation moderating; improving trend in consumer demand**
- **Contribution of new stores in North America (~70)**
- **Expanded *Little Planet* product offering and distribution**
- **Comping up against wholesale customer aggressive inventory destocking 2H '22**
- **Significant improvement in on-time shipping performance**

Earnings

- **Higher mix of omni-channel sales**
- **Contribution from new high-margin stores**
- **Closure of low-margin stores**
- **Conservative inventory commitments & better sell-throughs**
- **Improved price realization**
- **Lower product costs & ocean freight rates**
- **Lower share count**

Fiscal Year 2023 Objectives

- **Net sales: ~\$2.95 to \$3.00 billion**
((\$3.21 billion FY 2022))
 - U.S. Retail: down high single-digits
(comparable sales down low double-digits)
 - U.S. Wholesale: down high single-digits
 - International: comparable
- **Adjusted operating income: ~\$325 to \$340 million** (\$388 million FY 2022)
- **Adjusted diluted EPS: ~\$5.95 to \$6.15**
((\$6.90 FY 2022))
- **Operating cash flow: >\$300 million**
((\$88 million FY 2022))
- **CapEx: ~\$75 million**
((\$40 million FY 2022))



¹ See reconciliations to GAAP in Appendix. The Company's forecast for fiscal year 2023 excludes charges of approximately \$1.5 million related to organizational restructuring. Forward-looking adjusted operating income and adjusted diluted EPS have not been reconciled to their most directly comparable GAAP measures – see page 44.

- **Outlook assumes:**
 - Continued macroeconomic pressure on consumer demand & cautious wholesale customer inventory commitments
 - Better price realization and lower ocean freight & product costs driving improved gross margin
 - SG&A rate deleverage on lower sales
 - Comparable interest expense
 - Higher tax rate
 - Lower shares outstanding
- **Net sales: ~\$770 – \$790 million** (\$819 million Q3 2022)
 - U.S. Retail down mid single-digits (comparable sales down high single-digits)
 - U.S. Wholesale sales down low single-digits
 - International sales comparable
- **Adjusted operating income: ~\$80 – \$85 million** (\$92 million Q3 2022)
- **Adjusted diluted EPS: ~\$1.45 – \$1.55** (\$1.67 Q3 2022)



¹ See 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 44.

Planning a Strong Second Half



\$ in millions

	First Half	Second Half	Year
Net Sales (vs. 2022)			
U.S. Retail	(13%)	Down HSD to MSD	Down HSD
U.S. Wholesale	(12%)	Down MSD to LSD	Down HSD
International	(11%)	Up HSD	Comparable
Consolidated Net Sales	\$1,296 (13%)	\$1,654 - \$1,704 (4%) to (2%)	\$2,950 - \$3,000 (8%) to (7%)
Adjusted Operating Income¹	\$95	\$230 - \$245	\$325 - \$340
<i>Adjusted Operating Margin¹</i>	<i>7.4%</i>	<i>13.9% - 14.3%</i>	<i>11.0% - 11.3%</i>

Note: LSD = low single-digits; MSD = mid single-digits; HSD = high single-digits.

¹ Operating income and operating margin presented on an adjusted basis, a non-GAAP presentation; see reconciliation to GAAP in appendix.

Thank You!





Second Quarter 2023 Reconciliation of Adjusted Net Income Allocable to Common Shareholders



	Fiscal Quarter Ended	
	July 1, 2023	July 2, 2022
Weighted-average number of common and common equivalent shares outstanding:		
Basic number of common shares outstanding	36,824,490	39,344,834
Dilutive effect of equity awards	127	29,153
Diluted number of common and common equivalent shares outstanding	<u>36,824,617</u>	<u>39,373,987</u>

	Fiscal Quarter Ended			
	As reported on a GAAP Basis		As adjusted (a)	
	July 1, 2023	July 2, 2022	July 1, 2023	July 2, 2022
<i>\$ in thousands, except EPS</i>				
Basic net income per common share:				
Net income	\$23,867	\$36,970	\$24,165	\$52,121
Income allocated to participating securities	(426)	(536)	(431)	(774)
Net income available to common shareholders	<u>\$23,441</u>	<u>\$36,434</u>	<u>\$23,734</u>	<u>\$51,347</u>
Basic net income per common share	\$0.64	\$0.93	\$0.64	\$1.31
Diluted net income per common share:				
Net income	\$23,867	\$36,970	\$24,165	\$52,121
Income allocated to participating securities	(426)	(536)	(431)	(774)
Net income available to common shareholders	<u>\$23,441</u>	<u>\$36,434</u>	<u>\$23,734</u>	<u>\$51,347</u>
Diluted net income per common share	\$0.64	\$0.93	\$0.64	\$1.30

(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 the appendix. The Company has excluded \$0.3 million and \$15.2 million in after-tax expenses from these results for the fiscal quarters ended July 1, 2023, and July 2, 2022, respectively.

First Half 2023 Reconciliation of Adjusted Net Income Allocable to Common Shareholders



	Two Fiscal Quarters Ended	
	July 1, 2023	July 2, 2022
Weighted-average number of common and common equivalent shares outstanding:		
Basic number of common shares outstanding	36,964,509	39,807,354
Dilutive effect of equity awards	3,850	48,274
Diluted number of common and common equivalent shares outstanding	<u>36,968,359</u>	<u>39,855,628</u>

	Two Fiscal Quarters Ended			
	As reported on a GAAP Basis		As adjusted (a)	
	July 1, 2023	July 2, 2022	July 1, 2023	July 2, 2022
<i>\$ in thousands, except EPS</i>				
Basic net income per common share:				
Net income	\$59,863	\$104,903	\$61,044	\$120,053
Income allocated to participating securities	(1,018)	(1,480)	(1,040)	(1,705)
Net income available to common shareholders	<u>\$58,845</u>	<u>\$103,423</u>	<u>\$60,004</u>	<u>\$118,348</u>
Basic net income per common share	\$1.59	\$2.60	\$1.62	\$2.97
Diluted net income per common share:				
Net income	\$59,863	\$104,903	\$61,044	\$120,053
Income allocated to participating securities	(1,018)	(1,479)	(1,040)	(1,704)
Net income available to common shareholders	<u>\$58,845</u>	<u>\$103,424</u>	<u>\$60,004</u>	<u>\$118,349</u>
Diluted net income per common share	\$1.59	\$2.59	\$1.62	\$2.97

(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 the appendix. The Company has excluded \$1.2 million and \$15.2 million in after-tax expenses from these results for the two fiscal quarters ended July 1, 2023, and July 2, 2022, respectively.

Reconciliation of Adjusted to Reported Earnings¹



\$ in millions, except EPS

								Segment Reporting							
	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
Second Quarter of Fiscal 2023															
As reported (GAAP)	\$258.7	43.1%	\$37.6	6.3%	\$7.4	\$23.9	\$0.64	\$28.2	8.7%	\$29.2	15.6%	\$6.7	7.4%	(\$26.5)	(4.4%)
Organizational restructuring (b)	(0.4)		0.4		0.1	0.3	0.01	0.2		0.1		-		0.1	
As adjusted (a)	\$258.3	43.0%	\$37.9	6.3%	\$7.5	\$24.2	\$0.64	\$28.4	8.8%	\$29.3	15.7%	\$6.7	7.5%	(\$26.5)	(4.4%)
Second Quarter of Fiscal 2022															
As reported (GAAP)	\$261.4	37.3%	\$75.4	10.8%	\$10.1	\$37.0	\$0.93	\$55.5	14.7%	\$33.6	15.0%	\$12.2	12.5%	(\$25.9)	(3.7%)
Loss on extinguishment of debt (c)	-		-		4.8	15.2	0.38	-		-		-		-	
As adjusted (a)	\$261.4	37.3%	\$75.4	10.8%	\$14.9	\$52.1	\$1.30	\$55.5	14.7%	\$33.6	15.0%	\$12.2	12.5%	(\$25.9)	(3.7%)
First Half of Fiscal 2023															
As reported (GAAP)	\$518.3	40.0%	\$93.9	7.2%	\$19.1	\$59.9	\$1.59	\$55.2	8.5%	\$81.3	17.4%	\$9.8	5.4%	(\$52.4)	(4.0%)
Organizational restructuring (b)	(1.5)		1.5		0.4	1.2	0.03	(0.6)		(0.4)		-		2.5	
As adjusted (a)	\$516.8	39.9%	\$95.5	7.4%	\$19.4	\$61.0	\$1.62	\$54.6	8.4%	\$81.0	17.3%	\$9.8	5.4%	(\$49.8)	(3.8%)
First Half of Fiscal 2022															
As reported (GAAP)	\$521.3	35.2%	\$178.0	12.0%	\$30.5	\$104.9	\$2.59	\$105.5	14.2%	\$94.1	17.7%	\$22.6	11.0%	(\$44.1)	(3.0%)
Loss on extinguishment of debt (c)	-		-		4.8	15.2	0.37	-		-		-		-	
As adjusted (a)	\$521.3	35.2%	\$178.0	12.0%	\$35.3	\$120.1	\$2.97	\$105.5	14.2%	\$94.1	17.7%	\$22.6	11.0%	(\$44.1)	(3.0%)
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 (c)	-		-		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%)

¹No adjustments were made to Q3 fiscal 2022 GAAP financial measures.

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 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) Net expenses related to organizational restructuring and related corporate office lease amendment actions.
 - (c) 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.
 - (d) Related to the write-down of the *Skip Hop* tradename asset.

Reconciliation of Net Income to Adjusted EBITDA



\$ in millions

	Fiscal Quarter Ended		Two Fiscal Quarters Ended		Four Fiscal Quarters Ended
	July 1, 2023	July 2, 2022	July 1, 2023	July 2, 2022	July 1, 2023
Net income	\$23.9	\$37.0	\$59.9	\$104.9	\$205.0
Interest expense	8.1	8.7	17.7	23.8	36.7
Interest income	(1.0)	(0.3)	(1.7)	(0.6)	(2.4)
Tax expense	7.4	10.1	19.1	30.5	55.2
Depreciation and amortization	16.8	17.5	32.5	31.7	66.1
EBITDA	\$55.1	\$73.0	\$127.5	\$190.3	\$360.7
Adjustments to EBITDA					
Organizational restructuring (a)	\$0.4	\$ -	\$1.5	\$ -	\$1.5
Loss on extinguishment of debt (b)	-	19.9	-	19.9	-
Intangible asset impairment (c)	-	-	-	-	9.0
Total adjustments	\$0.4	\$19.9	\$1.5	\$19.9	\$10.5
Adjusted EBITDA	\$55.5	\$92.9	\$129.0	\$210.2	\$371.2

- (a) Net expensed related to organizational restructuring and related corporate office lease amendment actions.
- (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) Related to the write-down of the *Skip Hop* tradename asset.

Constant Currency Reconciliation



\$ in millions

	Fiscal Quarter Ended					
	Reported Net Sales July 1, 2023	Impact of Foreign Currency Translation	Constant- Currency Net Sales July 1, 2023	Reported Net Sales July 2, 2022	Reported Net Sales % Change	Constant- Currency Net Sales % Change
Consolidated net sales	\$600.2	(\$1.2)	\$601.4	\$700.7	(14.3%)	(14.2%)
International segment net sales	\$89.9	(\$1.2)	\$91.0	\$97.6	(7.9%)	(6.7%)

	Two Fiscal Quarters Ended					
	Reported Net Sales July 1, 2023	Impact of Foreign Currency Translation	Constant- Currency Net Sales July 1, 2023	Reported Net Sales July 2, 2022	Reported Net Sales % Change	Constant- Currency Net Sales % Change
Consolidated net sales	\$1,296.1	(\$3.3)	\$1,299.4	\$1,482.0	(12.5%)	(12.3%)
International segment net sales	\$182.0	(\$3.3)	\$185.4	\$205.2	(11.3%)	(9.7%)

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.

Planning Continued Store Growth in North America in 2023



	<u>U.S.</u>	<u>Canada</u>	<u>Mexico</u>	<u>Total</u>
Store count at July 2, 2022	738	185	43	966
Openings	24	2	7	33
Closings	(5)	-	(1)	(6)
Store count at December 31, 2022	757	187	49	993
Openings	17	-	8	25
Closings	(11)	(1)	(7)	(19)
Store count at July 1, 2023	763	186	50	999
<i>Balance of year forecast</i>				
Openings	36	7	4	47
Closings	(1)	(3)	(1)	(5)
Estimated store count at December 30, 2023	798	190	53	1,041

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 Annual Report on Form 10-K for the fiscal year ended December 31, 2022, 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; macroeconomic factors, including inflationary pressures; the impact of supply chain delays; 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; 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; 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.