



carter's, inc.

**Fourth Quarter/Fiscal Year 2019 Results
&
Business Update**

February 24, 2020

Fourth Quarter 2019 Results (GAAP Basis)



\$ in millions, except EPS

	Q4 2019	<i>% of Sales</i>	Q4 2018	<i>% of Sales</i>	Increase / (Decrease)
Net sales	\$1,101		\$1,086		1%
Gross profit	467	42.5%	468	43.0%	-
Royalty income	7	0.7%	10	1.0%	(30%)
SG&A	312	28.3%	307	28.3%	2%
Operating income	163	14.8%	171	15.7%	(5%)
Interest and other, net	8	0.7%	10	0.9%	(18%)
Income before taxes	155	14.1%	161	14.8%	(4%)
Income taxes	30		30		(2%)
Net income	\$125	11.4%	\$131	12.0%	(4%)
Diluted EPS	\$2.82		\$2.83		-
Weighted average shares outstanding	44		46		(4%)
EBITDA ¹	\$189	17.1%	\$193	17.8%	(2%)

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

Fiscal Year 2019 Results (GAAP Basis)



\$ in millions, except EPS

	Fiscal 2019	<i>% of Sales</i>	Fiscal 2018	<i>% of Sales</i>	Increase / (Decrease)
Net sales	\$3,519		\$3,462		2%
Gross profit	1,509	42.9%	1,497	43.3%	1%
Royalty income	35	1.0%	39	1.1%	(11%)
SG&A	1,141	32.4%	1,145	33.1%	-
Intangible asset impairment	31	0.9%	-	-	N/A
Operating income	372	10.6%	391	11.3%	(5%)
Loss on extinguishment of debt	8	0.2%	-	-	N/A
Interest and other, net	36	1.0%	35	1.0%	2%
Income before taxes	328	9.3%	356	10.3%	(8%)
Income taxes	64		74		(13%)
Net income	\$264	7.5%	\$282	8.1%	(6%)
Diluted EPS	\$5.85		\$6.00		(3%)
Weighted average shares outstanding	45		47		(4%)
EBITDA ¹	\$460	13.1%	\$480	13.9%	(4%)

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



Financial Results

- 31st consecutive year of sales growth: +2% vs. 2018
- Record adjusted EPS, \$6.46, +3% vs. 2018
- Record operating cash flow (\$387 million) and free cash flow (\$326 million)¹
- Returned \$287 million to shareholders (share repurchases & dividends)

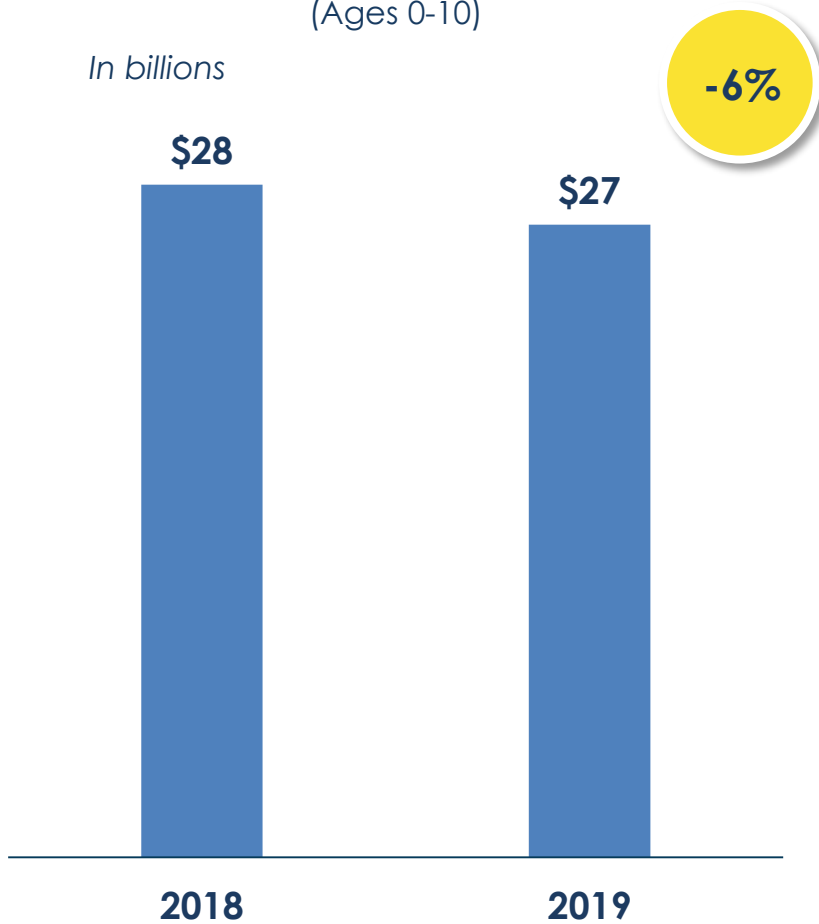
Highlights

- Increased #1 market share position in both the U.S. and Canada²
- Carter's #1 online share of children's apparel in the U.S.²
- 13th consecutive year of positive U.S. Retail comparable sales
- Strengthened U.S. omni-channel capabilities
- Continued strong growth in eCommerce channel
- Achieved record sales with top 4 accounts in U.S. Wholesale; strong performance of exclusive brands at Target, Walmart, and Amazon
- Good progress with Carter's Age-Up (sizes 4 – 14) initiative
- Significantly reduced exposure to China tariffs
- Opened 35 net new stores in North America³

U.S. Children's Apparel Market

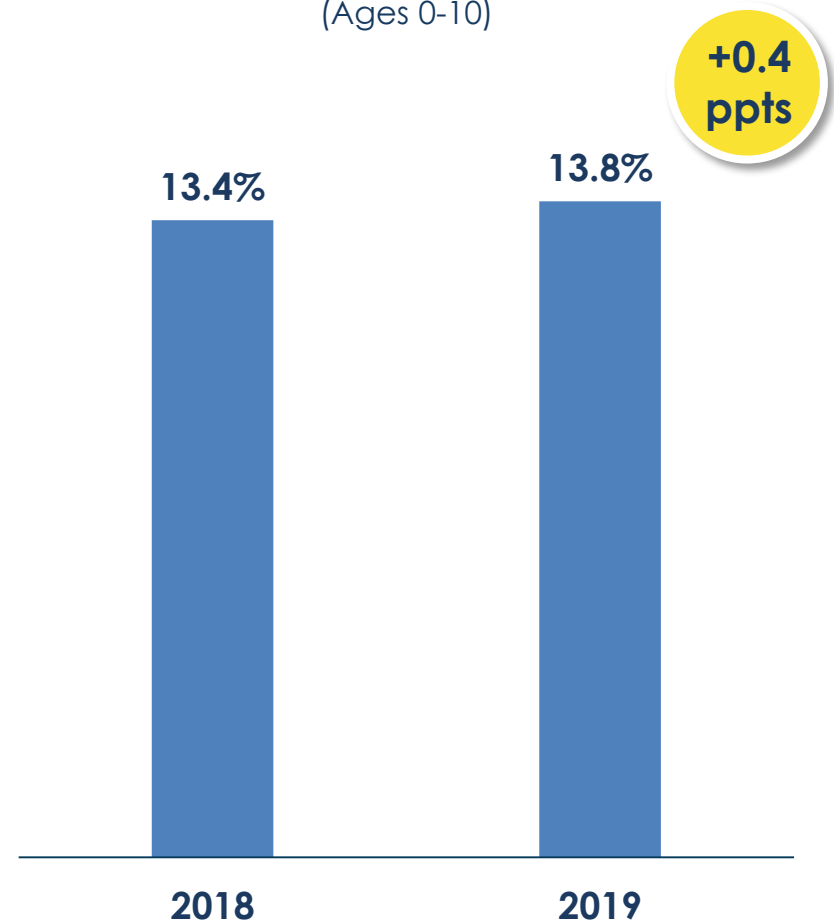
(Ages 0-10)

In billions



Carter's, Inc. U.S. Market Share

(Ages 0-10)



Fiscal Year 2019 Adjusted Results¹



\$ in millions, except EPS

	Fiscal 2019	<i>% of Sales</i>	Fiscal 2018	<i>% of Sales</i>	Increase / (Decrease)
Net sales	\$3,519		\$3,462		2%
Adjusted gross profit	1,506	42.8%	1,501	43.4%	-
Royalty income	35	1.0%	39	1.1%	(11%)
Adjusted SG&A	1,140	32.4%	1,133	32.7%	1%
Adjusted operating income	401	11.4%	407	11.8%	(2%)
Interest and other, net	36	1.0%	35	1.0%	2%
Adjusted income before taxes	365	10.4%	372	10.7%	(2%)
Adjusted income taxes	73		76		(4%)
Adjusted net income	\$292	8.3%	\$295	8.5%	(1%)
Adjusted diluted EPS	\$6.46		\$6.29		3%
Weighted average shares outstanding	45		47		(4%)
Adjusted EBITDA	\$497	14.1%	\$496	14.3%	-

¹ Results are stated on an adjusted basis, a non-GAAP presentation; see reconciliation to GAAP in appendix.
Note: Results may not be additive due to rounding.

Fourth Quarter 2019 Adjusted Results¹



\$ in millions, except EPS

	Q4 2019	<i>% of Sales</i>	Q4 2018	<i>% of Sales</i>	Increase / (Decrease)
Net sales	\$1,101		\$1,086		1%
Adjusted gross profit	467	42.5%	469	43.2%	-
Royalty income	7	0.7%	10	1.0%	(30%)
Adjusted SG&A	313	28.4%	309	28.4%	1%
Adjusted operating income	162	14.7%	171	15.7%	(5%)
Interest expense, net	9	0.8%	9	0.8%	(2%)
Foreign exchange (gain) loss and other, net	(1)	(0.1%)	1	0.1%	N/M
Adjusted income before taxes	154	14.0%	161	14.8%	(4%)
Adjusted income taxes	30		30		(1%)
Adjusted net income	\$125	11.3%	\$131	12.1%	(5%)
Adjusted diluted EPS	\$2.81		\$2.84		(1%)
Weighted average shares outstanding	44		46		(4%)
Adjusted EBITDA	\$188	17.1%	\$193	17.8%	(3%)

¹ Results are stated as indicated on an adjusted basis, a non-GAAP presentation; see reconciliation to GAAP in appendix.
Note: Results may not be additive due to rounding.

Balance Sheet and Cash Flow



\$ in millions

		2019	2018
Balance Sheet (at Q4 end)	Cash	\$214	\$170
	Accounts Receivable	251	258
	Inventory	594	574
	Accounts Payable	184	199
	Long-Term Debt	595	593
	Operating Lease Liabilities ¹	825	-

		2019	2018
Cash Flow (FY 2019)	Operating Cash Flow	\$387	\$356
	Capital Expenditures	(61)	(64)
	Free Cash Flow ²	\$326	\$292

		2019	2018
Return of Capital (FY 2019)	Share Repurchases	\$197	\$193
	Dividends	90	84
	Total	\$287	\$277

- **Strong liquidity – cash on hand and available revolver capacity \$645 million**
- **Inventory +3% vs. LY (units comparable)**
- **Record cash flows**
 - Operating cash flow: \$387 million
 - Free cash flow: \$326 million
- **Returned \$287 million to shareholders through share repurchases and dividends in fiscal year 2019**
 - Over \$2 billion returned to shareholders and 42% of outstanding shares retired since beginning of 2007

¹ Company adopted Financial Accounting Standards Board's Accounting Standards Codification No. 842, Leases in 2019; amount presented reflects sum of current and long-term operating lease liabilities. ² Non-GAAP measure.
Note: Results may not be additive due to rounding.

Fourth Quarter Business Performance



Fourth Quarter 2019 Adjusted Business Segment Performance¹



\$ in millions

	Net Sales			Adjusted Operating Income			Adjusted Operating Margin	
	2019	2018	\$ Growth	2019	2018	\$ Growth	2019	2018
U.S. Retail	\$620	\$606	\$14	\$101	\$103	(\$1)	16.3%	16.9%
U.S. Wholesale	349	351	(2)	67	74	(7)	19.2%	21.0%
International	132	129	3	21	21	1	16.2%	16.0%
Total before corporate expenses	1,101	1,086	14	189	197	(8)	17.2%	18.1%
Corporate expenses				(27)	(27)	(1)	(2.5%)	(2.5%)
Total	\$1,101	\$1,086	\$14	\$162	\$171	(\$8)	14.7%	15.7%

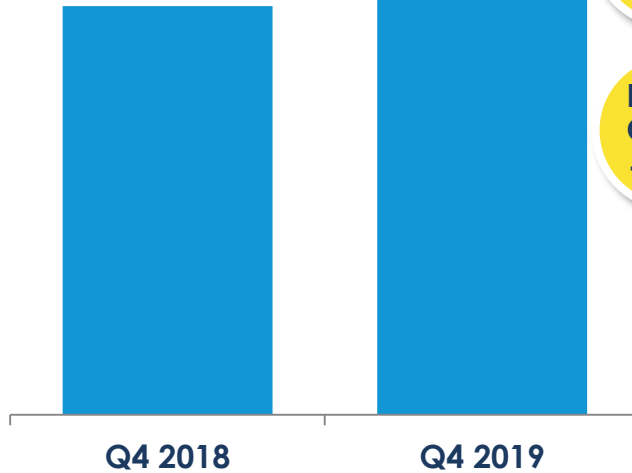
¹ Results are stated on an adjusted basis, a non-GAAP presentation; see reconciliation to GAAP in appendix.
Note: Results may not be additive due to rounding.

\$ in millions

Segment Net Sales

\$606

\$620



Total Sales
+2%

Retail¹
Comp
+1.6%

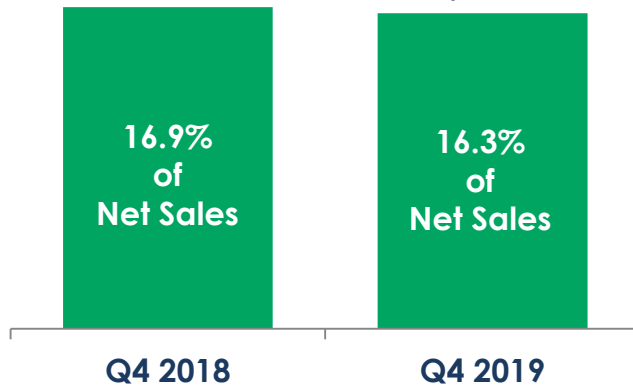
Q4 Highlights

- **Retail comparable sales: +1.6%**
 - Strong eCommerce performance
 - Good holiday demand; November/December comp +2.1%
- **Store portfolio optimization**
 - Opened 43 stores, closed 25 in fiscal year 2019
 - Mall and co-branded best performing store models
- **Adjusted operating margin 16.3% vs. 16.9% LY**
 - Reflects higher product costs and inventory provisions, partially offset by improved price realization and expense leverage
- **Full year 2019 results**
 - Net sales +2%
 - Retail comp +0.4%; 13th consecutive year of positive comps

Segment Adj. Operating Income²

\$103

\$101



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

² Results are stated on an adjusted basis, a non-GAAP presentation; see reconciliation to GAAP in appendix.



- **Comprehensive omni-channel capabilities**
 - Buy online, ship to store
 - Buy online, pick up in store
 - Deliver from store
 - Endless aisle (access to full assortment from store)
- **Increasing customer utilization of omni-channel**
 - Drove estimated 1 million visits to our stores in 2019
 - Represented 15% of online orders in Q4 2019 (vs. 10% Q4 2018)
- **Consumer response to Carter's credit card program ahead of plan**

Baby Girl
Preemie - 24m

Baby Boy
Preemie - 24m

Toddler Girl
2t - 5t

Toddler Boy
2t - 5t

Girl
4 - 14

Boy
4 - 14

Shoes
NB - 3Y

Clearance



Congrats, you have \$10 in rewards to use!



baby + toddler
SALE

dream dealzzz

50% OFF

ALL JAMMIES

New Co-branded Store – Atlanta
(Opened November 2019)

carter's



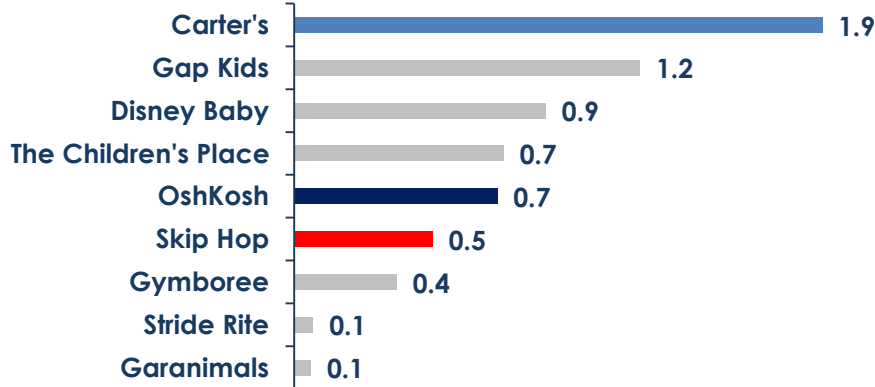
Carter's Continues to Lead in Consumer Engagement in Social Media



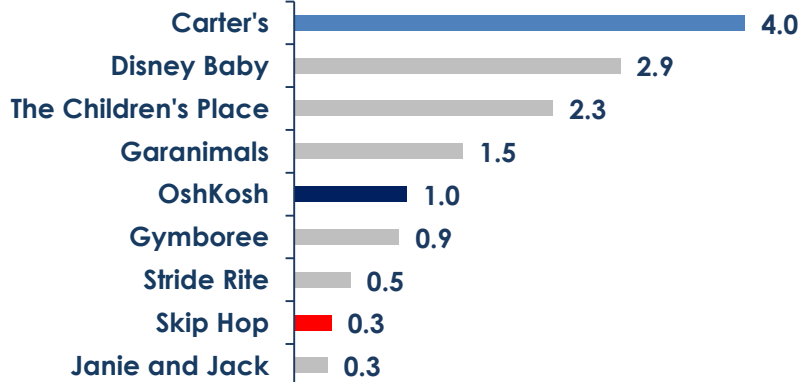
Our Brands Have a Strong Consumer Following on Instagram and Facebook¹

In millions

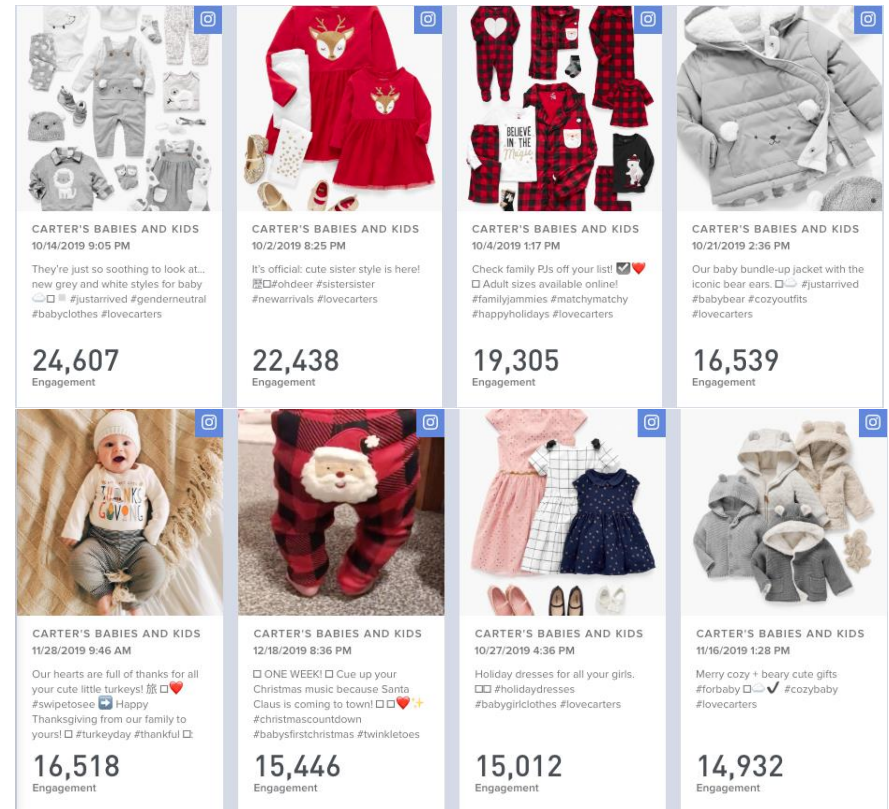
Instagram Followers



Facebook Followers



Carter's Earned 23 of the Top 25 Most Engaged Posts Among Peers on Instagram in Q4²



¹ Source: Instagram and Facebook as of 2/18/20.

² Third party engagement scoring on Instagram October – December 2019. Peer set includes Carter's, OshKosh B'gosh, The Children's Place, Hanna Andersson & Gap Kids.



easy peasy baby loves



Easter dress-up

**NEW SEASON
NEW STYLES!**

warm weather is on the way
and more time to play



America's favorite jammies



spring break swim



play all day style

HOW WE SPRING!



with color

Bright and easy styles
are our BFFs.



with fun

Fun prints, fun details,
fun times!



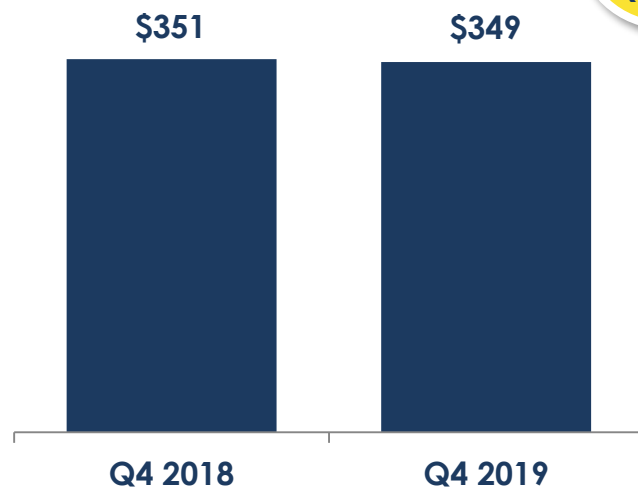
with denim

Our favorite styles
start with denim.

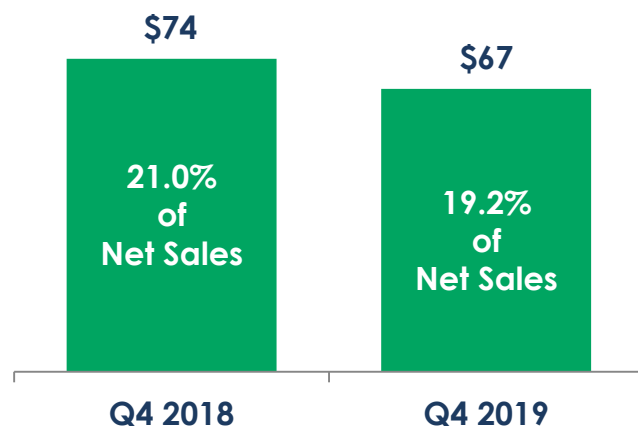
\$ in millions

Segment Net Sales

Total Sales (-1%)



Segment Adj. Operating Income¹



Q4 Highlights

- **Net sales -1% vs. LY**
 - Performance reflects decline in off-price channel sales and growth in exclusive brands

- **Adjusted operating margin 19.2% vs. 21.0% LY**
 - Reflects higher inventory & bad debt provisions, changes in customer mix, and lower royalty income

- **Full year 2019 results**
 - Net sales +2%, driven by growth in exclusive brands
 - Achieved record sales with top 4 accounts

- **Areas of focus:**
 - Win in Baby
 - Grow Toddler age segment
 - Strong in-store presentation of our brands
 - Support customers' eCommerce growth

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

Target navigation bar with links: Categories, Deals, What's New, Same Day Delivery, Search, Sign In, and shopping cart icon. Store location: Smyrna. Utility links: Registries & Lists, Weekly Ad, RedCard, Gift Cards, Find Stores, Orders, and More.

Just One You made by carter's

Just One You made by carter's (459)



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

New for toddlers

Extended sizes are now available for your growing kiddo.



Navigation bar with icons for search, home, account, location, and cart. Text: All Departments Search, NextDay delivery, Delivering to 30309

child of mine
made by carter's

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

[Shop baby girls'](#) [Shop baby boys'](#)
[Shop toddler girls'](#) [Shop toddler boys'](#)

- Clothing, Shoes & Accessories
- Women
- Men
- Kids & Baby
- Jewelry & Watches
- Premium Beauty
- Luggage & Travel
- Savings
- Trending

Clothing / Fashion Brands / Child of Mine by Carter's

Child of Mine by Carter's

1 - 48 of 329 products

Refine by | Price | Top Brands | Store Availability

Sort by | Best Sellers

Category

- Baby Unisex (0-24 Months)
- Baby Girls (0-24 Months)
- Toddler Girls (2T-5T)
- Baby Boys (0-24 Months)
- Toddler Boys (2T-5T)

Child of Mine by Carter's

- Pajamas 0-5T
- Baby Boy 0-24M
- Baby Girl 0-24M
- Toddler Boy 2T-5T
- Toddler Girl 2T-5T
- Coats & Outerwear...
- Socks 0-12M
- All Child of Mine by...
- Clearance

<p>baby+ preemie - 24m</p>	<p>baby boy</p> 	<p>baby girl</p> 	<p>baby neutral</p> 
<p>toddler+ 2t - 5t</p>	<p>toddler boy</p> 	<p>toddler girl</p> 	<p>swimwear 3m - 5t</p> 
<p>pajamas + more newborn - 8</p>	<p>boys pajamas</p> 		
<p>girl pajamas</p> 	<p>shoes + accessories</p> 	<p>SLEEP AND PLAY new! 2-way zipper 2-way zipper zips up from the feet to keep baby warm + snuggly during diaper changes</p> <p>See products</p> <p><small>select styles</small></p>	

simplejoys
by carter's™

\$ in millions

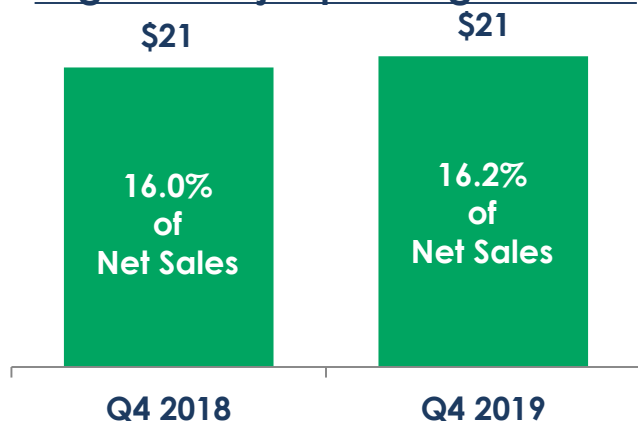
Segment Net Sales



Q4 Highlights

- **Net sales: +2% vs. LY**
 - Reflects growth in Canada and markets outside North America, partially offset by business model transition in China
- **Canada**
 - Retail comp: +7.9%
 - Growth in both store and eCommerce comparable sales
 - Increased #1 market share position in 2019²
- **Mexico**
 - Strong consumer response to new larger format co-branded retail stores (4 opened in 2019)
 - Launched eCommerce in Q4
- **Adjusted operating margin 16.2%, +20 bps vs. LY**
 - Reflects elimination of operating loss in China

Segment Adj. Operating Income¹



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

² The NPD Group/Consumer Tracking Service, 12 months-ending December 2019, ages 0-10 children's apparel.

carter's | **OSHKOSH**
Byrd

SEARCH:

BEBÉ NIÑA 0 - 24M **BEBÉ NIÑO** 0 - 24M **PREESCOLAR NIÑA** 2T - 5T **PREESCOLAR NIÑO** 2T - 5T **NIÑA** 4 - 14 **NIÑO** 4 - 14 **SKIP-HOP**

¡nueva mercancía!
¡colúmpiate!
a la primavera
hasta **20%** de descuento
EN ARTÍCULOS SELECCIONADOS

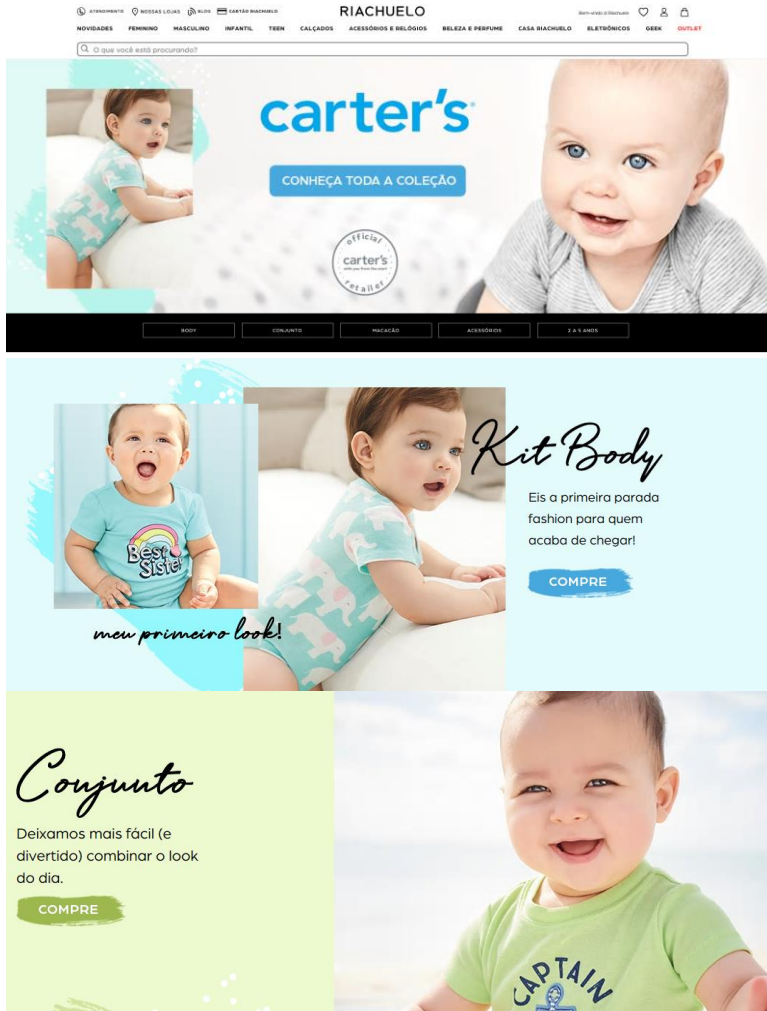
BEBÉ NIÑA **BEBÉ NIÑO** **PREESCOLAR NIÑA** **PREESCOLAR NIÑO**

HASTA 20% DE DESCUENTO
shorts + tops isin complicaciones!

BEBÉ NIÑA **PREESCOLAR NIÑA** **NIÑA**

HASTA 20% DE DESCUENTO
shorts + tops isúper cool!

BEBÉ NIÑO **PREESCOLAR NIÑO** **NIÑO**



• Large and attractive market

- \$6 billion annual consumer sales¹
- ~3 million annual births²

• Executed exclusive 10 year licensing agreement with Riachuelo

- One of the largest fashion retailers in Brazil (300+ stores)
- Currently offers Carter's through ~180 shop-in-shops and online
- Opportunity to open ~60 stand alone Carter's stores in the years ahead

Long-Term Outlook



Mission / Vision

Mission

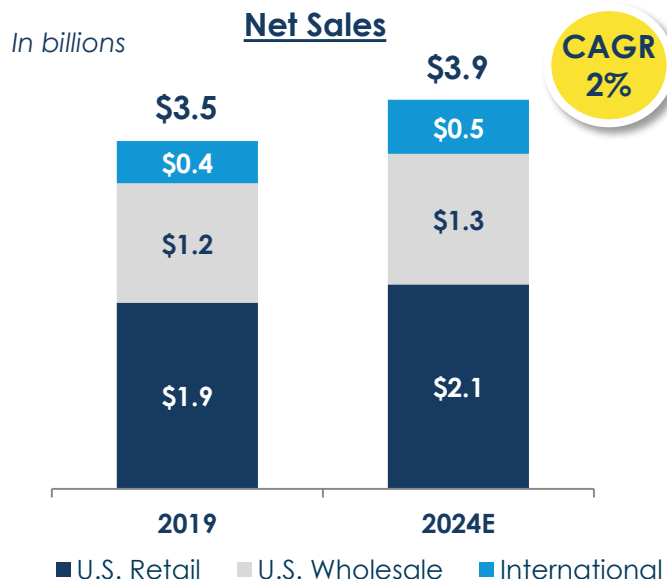
To serve the needs of all families with young children

Vision

To be the world's favorite brands in young children's apparel and related products

Five Year Growth Objectives

(2019 – 2024)
(Adjusted Basis)



Target CAGR

Net Sales	+2%
Operating Income	+4%
EPS	+7%

Priorities

- Profitable sales growth
- Margin expansion
- Return of capital

Winning Product

- **Win in Baby: market-leading baby assortment**
- **Age Up: Toddler and Kid market expansion**
- **Exceptional value: #1 for quality and value**

Extensive Market Presence

- **U.S. Retail**
 - Best in-store presentation of *Carter's* and *OshKosh*
 - Leading eCommerce capabilities
 - Superior omni-channel consumer experience
- **U.S. Wholesale**
 - Compelling assortments at leading retailers
 - Impactful branding and product presentation
- **International**
 - Grow profitably outside the U.S.
 - Leverage strong partners in key international markets: Brazil, Russia, India, China

Sales Drivers

- **Growth will be driven by U.S. eCommerce**
 - Industry leading website
 - New mobile app
- **More productive U.S. Retail store portfolio**
 - Co-branded assortment in all stores
 - Fewer legacy, unproductive stores
 - New point-of-sale capabilities
- **U.S. Wholesale growth**
 - Exclusive brands
 - Toddler expansion
 - eCommerce
 - *Skip Hop*
- **International**
 - Canada eCommerce
 - Mexico market development (stores, eCommerce, wholesale)
 - Global expansion with Amazon
 - Brazil, Russia, India, China
- **New consumer segmentation and personalization initiatives**

Margin Drivers

Gross Margin Improvement

- Inventory productivity
- Improved price realization

Improved Profit Contribution

- *Skip Hop*
- *OshKosh*
- *Simple Joys*
- Mexico
- Carter's credit card

Productivity & Efficiency

- Marketing effectiveness
- Continued evolution of direct sourcing capabilities
- eCommerce cost to serve
- Stronger indirect procurement disciplines
- Technology-enabled efficiencies (e.g., greater automation)
- Organizational efficiencies

Key Elements

- **Reorganization of staffing models across multiple areas to drive labor savings and efficiencies**
 - U.S. / Canada Retail field organization
 - Distribution centers
 - Asia sourcing operations
- **Consolidation of certain functions and teams into Atlanta**

Restructuring Cost & Benefit

- **Planning pre-tax charge of ~\$10 – \$12 million in Q1 2020**
- **Expecting related savings of ~\$15 million annually**

- **Planning over \$2 billion in cumulative operating cash flow over the next 5 years (2020 – 2024)**
- **Board of Directors has approved:**
 - **A new \$500 million share repurchase authorization**
 - **A 20% increase in our quarterly dividend to \$0.60/share effective with March 2020 payment**

Since 2007...

In billions

Share Repurchases	\$1.7
Dividends	<u>0.4</u>
Total Return of Capital	<u>\$2.1</u>
Operating Cash Flow	\$3.1
CapEx	<u>(0.9)</u>
Free Cash Flow¹	<u>\$2.2</u>
Return of Capital as % of Free Cash Flow	96%

¹ Non-GAAP measure.

2020 Outlook



2020 Outlook

(Adjusted Basis & Exclusive of Possible Coronavirus-related Supply Chain Disruptions)



Fiscal Year 2020

(53 week
year)

- **Net sales: growth of ~2% to 3%**
- **Adjusted diluted EPS: growth of ~4% to 6% (vs. \$6.46 in 2019)¹**
- **Operating cash flow: ~\$375 to \$400 million**
- **CapEx: ~\$75 million**

Q1 2020

- **Net sales comparable vs. Q1 2019**
- **Adjusted diluted EPS: ~\$0.60 (vs. \$0.87 Q1 2019)¹**
 - **Increased investments in technology, new stores, and marketing**
 - **Lower royalty income reflecting business model changes**



¹ See reconciliation to GAAP in appendix.

Thank you!



Appendix



Fiscal Year 2019 Adjusted Business Segment Performance¹



\$ in millions

	Net Sales			Adjusted Operating Income			Adjusted Operating Margin	
	2019	2018	\$ Growth	2019	2018	\$ Growth	2019	2018
U.S. Retail	\$1,884	\$1,851	\$33	\$226	\$224	\$2	12.0%	12.1%
U.S. Wholesale	1,206	1,181	25	231	235	(4)	19.2%	19.9%
International	429	430	(1)	45	45	-	10.5%	10.4%
Total before corporate expenses	3,519	3,462	57	503	504	(2)	14.3%	14.6%
Corporate expenses				(102)	(97)	(5)	(2.9%)	(2.8%)
Total	\$3,519	\$3,462	\$57	\$401	\$407	(\$6)	11.4%	11.8%

¹ Results are stated on an adjusted basis, a non-GAAP presentation; see reconciliation to GAAP in appendix.
Note: Results may not be additive due to rounding.

Fourth Quarter Reconciliation of Net Income Allocable to Common Shareholders



	Fiscal Quarter Ended	
	December 28, 2019	December 29, 2018
Weighted-average number of common and common equivalent shares outstanding:		
Basic number of common shares outstanding	43,688,514	45,437,536
Dilutive effect of equity awards	318,434	348,316
Diluted number of common and common equivalent shares outstanding	44,006,948	45,785,852

	Fiscal Quarter Ended			
	As reported on a GAAP Basis		As adjusted (a)	
	December 28, 2019	December 29, 2018	December 28, 2019	December 29, 2018
<i>\$ in thousands, except EPS</i>				
Basic net income per common share:				
Net income	\$125,147	\$130,561	\$124,725	\$130,921
Income allocated to participating securities	(1,219)	(1,004)	(1,215)	(1,009)
Net income available to common shareholders	\$123,928	\$129,557	\$123,510	\$129,912
Basic net income per common share	\$2.84	\$2.85	\$2.83	\$2.86
Diluted net income per common share:				
Net income	\$125,147	\$130,561	\$124,725	\$130,921
Income allocated to participating securities	(1,212)	(998)	(1,208)	(1,002)
Net income available to common shareholders	\$123,935	\$129,563	\$123,517	\$129,919
Diluted net income per common share	\$2.82	\$2.83	\$2.81	\$2.84

(a) In addition to the results provided in this earnings release in accordance with GAAP, the Company has provided adjusted, non-GAAP financial measurements that present per share data excluding the adjustments discussed in following slides. The Company has excluded \$0.4 million and \$0.4 million in after-tax expenses from these results for the fiscal quarters ended December 28, 2019 and December 29, 2018, respectively.

Fiscal Year Reconciliation of Net Income Allocable to Common Shareholders



	Fiscal Year Ended	
	December 28, 2019	December 29, 2018
Weighted-average number of common and common equivalent shares outstanding:		
Basic number of common shares outstanding	44,402,438	46,160,935
Dilutive effect of equity awards	305,514	487,485
Diluted number of common and common equivalent shares outstanding	44,707,952	46,648,420

	Fiscal Year Ended			
	As reported on a GAAP Basis		As adjusted (a)	
	December 28, 2019	December 29, 2018	December 28, 2019	December 29, 2018
<i>\$ in thousands, except EPS</i>				
Basic net income per common share:				
Net income	\$263,802	\$282,068	\$291,663	\$295,445
Income allocated to participating securities	(2,430)	(2,148)	(2,696)	(2,253)
Net income available to common shareholders	\$261,372	\$279,920	\$288,967	\$293,192
Basic net income per common share	\$5.89	\$6.06	\$6.51	\$6.35
Diluted net income per common share:				
Net income	\$263,802	\$282,068	\$291,663	\$295,445
Income allocated to participating securities	(2,419)	(2,132)	(2,683)	(2,236)
Net income available to common shareholders	\$261,383	\$279,936	\$288,980	\$293,209
Diluted net income per common share	\$5.85	\$6.00	\$6.46	\$6.29

(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 \$27.9 million and \$13.4 million in after-tax expenses from these results for the fiscal years ended December 28, 2019 and December 29, 2018, respectively.

Fourth Quarter Reconciliation of Reported to Adjusted Earnings



\$ in millions, except EPS

Fourth Quarter of Fiscal 2019	Gross Profit	% of net sales	SG&A	% of net sales	Operating Income	% of net sales	Income Taxes	Net Income	Diluted EPS
As reported (GAAP)	\$467.5	42.5%	\$312.0	28.3%	\$162.8	14.8%	\$29.7	\$125.1	\$2.82
Customer bankruptcy recovery (b)	-		0.6		(0.6)		(0.1)	(0.4)	(0.01)
As adjusted (a)	\$467.5	42.5%	\$312.5	28.4%	\$162.2	14.7%	\$29.6	\$124.7	\$2.81

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
\$101.3	16.3%	\$67.4	19.3%	\$21.3	16.2%	(\$27.2)	(2.5%)
-		(0.6)		-		-	
\$101.3	16.3%	\$66.8	19.2%	\$21.3	16.2%	(\$27.2)	(2.5%)

Segment Reporting

Fourth Quarter of Fiscal 2018	Gross Profit	% of net sales	SG&A	% of net sales	Operating Income	% of net sales	Income Taxes	Net Income	Diluted EPS
As reported (GAAP)	\$467.6	43.0%	\$307.4	28.3%	\$170.6	15.7%	\$30.4	\$130.6	\$2.83
China business model change (c)	1.5		(0.3)		1.8		-	1.8	0.04
Customer bankruptcy recovery (b)	-		1.9		(1.9)		(0.4)	(1.4)	(0.03)
As adjusted (a)	\$469.1	43.2%	\$308.9	28.4%	\$170.5	15.7%	\$30.0	\$130.9	\$2.84

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
\$102.7	16.9%	\$75.8	21.6%	\$18.7	14.6%	(\$26.6)	(2.5%)
-		-		1.8		-	
-		(1.9)		-		-	
\$102.7	16.9%	\$73.9	21.0%	\$20.5	16.0%	(\$26.6)	(2.5%)

(a) In addition to the results provided in this earnings release in accordance with GAAP, the Company has provided adjusted, non-GAAP financial measurements that present gross margin, SG&A, operating income, net income, and net income on a diluted share basis excluding the adjustments discussed above. The Company believes these adjustments provide a meaningful comparison of the Company's results and 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 Toys "R" Us bankruptcy.

(c) Net costs associated with transitioning to a full licensing model in China.

Fiscal Year Reconciliation of Reported to Adjusted Earnings



\$ in millions, except EPS

Segment Reporting

Fiscal 2019	Gross Profit	% of net sales	SG&A	% of net sales	Operating Income	% of net sales	Income Taxes	Net Income	Diluted EPS
As reported (GAAP)	\$1,508.6	42.9%	\$1,140.5	32.4%	\$371.9	10.6%	\$64.2	\$263.8	\$5.85
Intangible asset impairment (b)	-	-	-	-	30.8	-	7.1	23.7	0.52
Debt extinguishment loss (c)	-	-	-	-	-	-	1.8	6.0	0.13
Organizational restructuring costs (d)	-	-	(1.6)	-	1.6	-	0.3	1.3	0.03
Customer bankruptcy recovery (e)	-	-	0.6	-	(0.6)	-	(0.2)	(0.4)	(0.01)
Store restructuring (f)	-	-	0.7	-	(0.7)	-	(0.1)	(0.6)	(0.01)
China business model change (g)	(2.1)	-	-	-	(2.1)	-	-	(2.1)	(0.05)
As adjusted (a)	\$1,506.5	42.8%	\$1,140.1	32.4%	\$401.0	11.4%	\$73.2	\$291.7	\$6.46

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
\$225.9	12.0%	\$212.6	17.6%	\$36.7	8.5%	(\$103.2)	(2.9%)
1.2	-	19.1	-	10.5	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	1.6	-
-	-	(0.6)	-	-	-	-	-
(0.7)	-	-	-	-	-	-	-
-	-	-	-	(2.1)	-	-	-
\$226.4	12.0%	\$231.1	19.2%	\$45.0	10.5%	(\$101.6)	(2.9%)

Segment Reporting

Fiscal 2018	Gross Profit	% of net sales	SG&A	% of net sales	Operating Income	% of net sales	Income Taxes	Net Income	Diluted EPS
As reported (GAAP)	\$1,497.5	43.3%	\$1,145.0	33.1%	\$391.4	11.3%	\$73.9	\$282.1	\$6.00
Customer bankruptcy charges, net (e)	-	-	(10.9)	-	10.9	-	2.6	8.3	0.18
China business model change (g)	3.9	-	(1.4)	-	5.3	-	-	5.3	0.11
Store restructuring (f)	-	-	0.4	-	(0.4)	-	(0.1)	(0.3)	(0.01)
As adjusted (a)	\$1,501.4	43.4%	\$1,133.1	32.7%	\$407.3	11.8%	\$76.4	\$295.4	\$6.29

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
\$224.8	12.1%	\$224.2	19.0%	\$39.3	9.1%	(\$96.8)	(2.8%)
-	-	10.9	-	-	-	-	-
-	-	-	-	5.3	-	-	-
(0.4)	-	-	-	-	-	-	-
\$224.4	12.1%	\$235.1	19.9%	\$44.6	10.4%	(\$96.8)	(2.8%)

- (a) In addition to the results provided in this earnings release in accordance with GAAP, the Company has provided adjusted, non-GAAP financial measurements that present gross margin, SG&A, operating income, net income, and net income on a diluted share basis excluding the adjustments discussed 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 write-down of the Skip Hop tradename asset.
- (c) Related to the redemption of the \$400 million aggregate principal amount of senior notes due 2021 in March 2019 that were previously issued by a wholly-owned subsidiary of the Company.
- (d) Costs associated with severance as a result of an organizational restructuring.
- (e) Related to the Toys "R" Us bankruptcy.
- (f) Fiscal year 2019 includes a reversal of retail store restructuring costs previously recorded during the third quarter of fiscal 2017. Fiscal year 2018 includes an insurance recovery associated with storm-related store closures.
- (g) Net costs associated with transitioning to a full licensing model in China.

Reconciliation of Net Income to Adjusted EBITDA



\$ in millions

	Fiscal Quarter Ended		Fiscal Year Ended	
	December 28, 2019	December 29, 2018	December 28, 2019	December 29, 2018
Net income	\$125.1	\$130.6	\$263.8	\$282.1
Interest expense	9.0	8.8	37.6	34.6
Interest income	(0.4)	(0.1)	(1.3)	(0.5)
Tax expense	29.7	30.4	64.2	73.9
Depreciation and amortization	25.1	23.4	96.0	89.7
EBITDA	\$188.6	\$193.1	\$460.2	\$479.7
Adjustments to EBITDA				
Intangible asset impairment (a)	-	-	30.8	-
Debt extinguishment loss (b)	-	-	7.8	-
Organizational restructuring costs (c)	-	-	1.6	-
Customer bankruptcy charges, net (d)	(0.6)	(1.9)	(0.6)	10.9
Store restructuring costs (e)	-	-	(0.7)	(0.4)
China business model change, net (f)	-	1.8	(2.1)	5.3
Adjusted EBITDA	\$188.0	\$193.1	\$497.1	\$495.5

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

(b) Related to the redemption of the \$400 million aggregate principal amount of senior notes due 2021 in March 2019 that were previously issued by a wholly-owned subsidiary of the Company.

(c) Costs associated with severance as a result of an organizational restructuring.

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

(e) Fiscal year ended December 28, 2019 includes a reversal of retail store restructuring costs previously recorded during the third quarter of fiscal 2017. Fiscal year ended December 29, 2018 includes an insurance recovery associated with storm-related store closures.

(f) Net costs associated with transitioning to a full licensing model in China.

First Quarter Fiscal 2019 Reconciliation of Reported to Adjusted Earnings



\$ in millions, except EPS

First Quarter of Fiscal 2019	Net Sales	Gross Profit	% of net sales	SG&A	% of net sales	Operating Income	% of net sales	Net Income	Diluted EPS
As reported (GAAP)	\$741.1	\$315.9	42.6%	\$263.7	35.6%	\$60.8	8.2%	\$34.5	\$0.75
Debt extinguishment loss (b)	-	-		-		-		6.0	0.13
Organizational restructuring costs (c)	-	-		(1.6)		1.6		1.3	0.03
China business model change (d)	-	(2.1)		-		(2.1)		(2.1)	(0.05)
As adjusted (a) (e)	\$741.1	\$313.8	42.3%	\$262.0	35.4%	\$60.3	8.1%	\$39.6	\$0.87

- (a) In addition to the results provided in this earnings release in accordance with GAAP, the Company has provided adjusted, non-GAAP financial measurements that present gross margin, SG&A, operating income, net income, and net income on a diluted share basis excluding the adjustments discussed above. The Company believes these adjustments provide a meaningful comparison of the Company's results and afford investors a view of what management considers to be the Company's core performance. The adjusted, non-GAAP financial measurements included in this earnings release should not be considered as an alternative to net income or as any other measurement of performance derived in accordance with GAAP. The adjusted, non-GAAP financial measurements are presented for informational purposes only and are not necessarily indicative of the Company's future condition or results of operations.
- (b) Related to the redemption of the \$400 million aggregate principal amount of senior notes due 2021 in March 2019 that were previously issued by a wholly-owned subsidiary of the Company.
- (c) Costs associated with severance as a result of an organizational restructuring.
- (d) Net costs associated with transitioning to a full licensing model in China.
- (e) The difference between the impacts on operating income and net income represents the income taxes related to the adjustment item (calculated using the applicable tax rate of the underlying jurisdiction).

Constant Currency Reconciliation



\$ in millions

	Fiscal Quarter Ended					
	Reported Net Sales December 28, 2019	Impact of Foreign Currency Translation	Constant- Currency Net Sales December 28, 2019	Reported Net Sales December 29, 2018	Reported Net Sales % Change	Constant- Currency Net Sales % Change
Consolidated net sales	\$1,100.5	\$0.3	\$1,100.2	\$1,086.4	1.3%	1.3%
International segment net sales	\$131.7	\$0.3	\$131.4	\$128.6	2.4%	2.2%

	Fiscal Year Ended					
	Reported Net Sales December 28, 2019	Impact of Foreign Currency Translation	Constant- Currency Net Sales December 28, 2019	Reported Net Sales December 29, 2018	Reported Net Sales % Change	Constant- Currency Net Sales % Change
Consolidated net sales	\$3,519.3	(\$6.1)	\$3,525.4	\$3,462.3	1.6%	1.8%
International segment net sales	\$429.5	(\$6.1)	\$435.6	\$430.4	(0.2%)	1.2%

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

Store Count Data



	<u>Single-brand</u>	<u>Dual-brand</u>		<u>Total U.S. Retail</u>	<u>Dual-brand</u>	<u>Mexico</u> ¹	<u>Total International</u>	<u>Total Consolidated Retail Stores</u>
	<u>U.S. Stand-alone Format</u>	<u>U.S. Side-by-Side Format</u>	<u>U.S. Co-branded Format</u>		<u>Canada Co-branded Format</u>			
Store count at December 29, 2018	528 ²	163	153	844	188	42	230	1,074
Openings	2	-	41	43	15	4	19	62
Closings	(20)	(4)	(1)	(25)	(2)	-	(2)	(27)
Conversions to dual-brand formats	(17)	-	17	-	-	-	-	-
Store count at December 28, 2019	493	159	210	862	201	46	247	1,109

¹ Includes single brand and co-branded formats.

² Excludes five temporary Skip Hop stores that were closed in January 2019.

Results provided in this presentation are preliminary and unaudited. This presentation should be read in conjunction with the audio broadcast or transcript of the Company's earnings call, held on February 24, 2020 which is available at ir.carters.com. This presentation contains forward-looking statements within the meaning of the federal securities laws relating to our future performance, including statements with respect to our anticipated financial results for the first quarter of fiscal 2020 and fiscal year 2020, and estimates and drivers of our sales and earnings growth. Such statements are based on current expectations only, and are subject to certain risks, uncertainties, and assumptions. Should one or more of these risks or uncertainties materialize or not materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those anticipated, estimated, or projected. Certain of the risks and uncertainties that could cause actual results and performance to differ materially are described in the Company's most recently filed Annual Report on Form 10-K and other reports filed with the Securities and Exchange Commission from time to time under the headings "Risk Factors". Included among those risks are those related to: 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 (including as a result of the recent novel coronavirus outbreak); 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.