UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the quarterly period ended September 27, 2025

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from _____to _____

Commission file number: 001-31829

CARTER'S, INC.

(Exact name of registrant as specified in its charter)

Delaware	**13-3912933**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

Phipps Tower,
3438 Peachtree Road NE, Suite 1800
Atlanta, Georgia 30326
(Address of principal executive offices, including zip code)
(678) 791-1000
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common stock, par value $0.01 per share	CRI	New York Stock Exchange
Series A Preferred Stock Purchase Rights	-	New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See definition of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☒ Accelerated filer ☐

Non-accelerated filer ☐ Smaller reporting company ☐

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).Yes ☐ No ☒

As of October 22, 2025, there were 36,447,868 shares of the registrant's common stock outstanding.

CARTER'S, INC.

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PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

CARTER'S, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(*dollars in thousands, except per share data*)
(unaudited)

	September 27, 2025	December 28, 2024	September 28, 2024
ASSETS			
Current assets:			
Cash and cash equivalents	$ 184,190	$ 412,926	$ 175,536
Accounts receivable, net of allowance for credit losses of $12,026, $5,663, and $8,303, respectively	237,866	194,834	247,013
Finished goods inventories, net of inventory reserves of $12,347, $8,257, and $17,135, respectively	656,149	502,332	607,384
Prepaid expenses and other current assets	55,576	32,580	41,577
Total current assets	1,133,781	1,142,672	1,071,510
Property, plant, and equipment, net of accumulated depreciation of $599,467, $602,670, and $642,420, respectively	189,012	180,956	182,292
Operating lease assets	611,569	577,133	560,246
Tradenames, net	268,718	268,008	298,053
Goodwill	208,351	206,875	209,384
Customer relationships, net	20,993	23,543	24,440
Other assets	37,015	33,980	32,460
Total assets	$ 2,469,439	$ 2,433,167	$ 2,378,385
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Accounts payable	$ 240,235	$ 248,200	$ 273,909
Current operating lease liabilities	150,548	130,564	130,140
Other current liabilities	110,907	130,052	80,059
Total current liabilities	501,690	508,816	484,108
Long-term debt, net	498,738	498,127	497,930
Deferred income taxes	41,200	38,210	48,890
Long-term operating lease liabilities	529,139	501,503	485,613
Other long-term liabilities	34,030	31,949	32,504
Total liabilities	$ 1,604,797	$ 1,578,605	$ 1,549,045
Commitments and contingencies - Note 16			
Shareholders' equity:			
Preferred stock; par value $0.01 per share; 100,000 shares authorized; none issued or outstanding	$ —	$ —	$ —
Common stock, voting; par value $0.01 per share; 150,000,000 shares authorized; 36,518,637, 36,041,995, and 36,038,814 shares issued and outstanding, respectively	365	360	360
Additional paid-in capital	18,029	3,856	—
Accumulated other comprehensive loss	(28,107)	(43,678)	(32,361)
Retained earnings	874,355	894,024	861,341
Total shareholders' equity	864,642	854,562	829,340
Total liabilities and shareholders' equity	$ 2,469,439	$ 2,433,167	$ 2,378,385

See accompanying notes to the unaudited condensed consolidated financial statements.

CARTER'S, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(*dollars in thousands, except per share data*)
(unaudited)

	Fiscal quarter ended		Three fiscal quarters ended	
	September 27, 2025	**September 28, 2024**	**September 27, 2025**	**September 28, 2024**
Net sales	$ 757,836	$ 758,464	$ 1,972,975	$ 1,984,390
Cost of goods sold	416,208	402,450	1,058,497	1,030,249
Gross profit	341,628	356,014	914,478	954,141
Royalty income, net	5,428	5,740	14,008	14,959
Selling, general, and administrative expenses	317,963	284,714	869,246	797,572
Operating income	29,093	77,040	59,240	171,528
Interest expense	7,173	7,381	22,849	23,156
Interest income	(2,573)	(2,370)	(10,007)	(8,644)
Other expense (income), net(*)	882	350	(265)	1,028
Pension plan settlement(*)	8,777	949	8,777	949
Income before income taxes	14,834	70,730	37,886	155,039
Income tax provision	3,241	12,410	10,308	31,047
Net income	$ 11,593	$ 58,320	$ 27,578	$ 123,992
Basic net income per common share	$ 0.32	$ 1.62	$ 0.75	$ 3.41
Diluted net income per common share	$ 0.32	$ 1.62	$ 0.75	$ 3.41
Dividend declared and paid per common share	$ 0.25	$ 0.80	$ 1.30	$ 2.40

(*) Pension plan settlement charges for the fiscal quarter and three fiscal quarters ended September 28, 2024 have been reclassified to the Pension plan settlement line item. These charges were previously included in Other expense (income), net.

See accompanying notes to the unaudited condensed consolidated financial statements.

CARTER'S, INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(*dollars in thousands*)
(unaudited)

	Fiscal quarter ended		Three fiscal quarters ended	
	September 27, 2025	**September 28, 2024**	**September 27, 2025**	**September 28, 2024**
Net income	$ 11,593	$ 58,320	$ 27,578	$ 123,992
Other comprehensive income (loss):				
Reclassification related to pension plan settlement, net of tax of $1,279 and $224 for the third quarter and first three quarters of fiscal 2025 and fiscal 2024, respectively	4,117	725	4,117	725
Gain on OshKosh B'Gosh defined benefit plan, net of tax of $281 and $476 for the third quarter and first three quarters of fiscal 2025 and fiscal 2024, respectively	905	1,539	905	1,539
Foreign currency translation adjustments	(312)	(1,811)	10,549	(10,710)
Total other comprehensive income (loss)	4,710	453	15,571	(8,446)
Comprehensive income	$ 16,303	$ 58,773	$ 43,149	$ 115,546

See accompanying notes to the unaudited condensed consolidated financial statements.

CARTER'S, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(*amounts in thousands, except share amounts*)
(unaudited)

	Common stock - shares	Common stock - $	Additional paid-in capital	Accumulated other comprehensive loss	Retained earnings	Total shareholders' equity
Balance at December 28, 2024	36,041,995	$ 360	$ 3,856	$ (43,678)	$ 894,024	$ 854,562
Withholdings from vesting of restricted stock	(93,538)	(1)	(4,221)	—	—	(4,222)
Restricted stock activity	288,657	3	(3)	—	—	—
Stock-based compensation expense	—	—	9,753	—	—	9,753
Cash dividends declared and paid of $0.80 per common share	—	—	—	—	(28,999)	(28,999)
Comprehensive income	—	—	—	612	15,539	16,151
Balance at March 29, 2025	36,237,114	$ 362	$ 9,385	$ (43,066)	$ 880,564	$ 847,245
Withholdings from vesting of restricted stock	(3,233)	—	(110)	—	—	(110)
Restricted stock activity	233,190	3	(3)	—	—	—
Stock-based compensation expense	—	—	5,188	—	—	5,188
Cash dividends declared and paid of $0.25 per common share	—	—	—	—	(9,116)	(9,116)
Comprehensive income	—	—	—	10,249	446	10,695
Balance at June 28, 2025	36,467,071	$ 365	$ 14,460	$ (32,817)	$ 871,894	$ 853,902
Withholdings from vesting of restricted stock	(6,238)	—	(157)	—	—	(157)
Restricted stock activity	57,804	—	—	—	—	—
Stock-based compensation expense	—	—	3,726	—	—	3,726
Cash dividends declared and paid of $0.25 per common share	—	—	—	—	(9,132)	(9,132)
Comprehensive income	—	—	—	4,710	11,593	16,303
Balance at September 27, 2025	36,518,637	$ 365	$ 18,029	$ (28,107)	$ 874,355	$ 864,642

CARTER'S, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (Continued)
(*amounts in thousands, except share amounts*)
(unaudited)

	Common stock - shares	Common stock - $	Additional paid-in capital	Accumulated other comprehensive loss	Retained earnings	Total shareholders' equity
Balance at December 30, 2023	36,551,221	$ 366	$ —	$ (23,915)	$ 868,799	$ 845,250
Exercise of stock options	4,408	—	367	—	—	367
Withholdings from vesting of restricted stock	(90,922)	(1)	(5,535)	—	(1,842)	(7,378)
Restricted stock activity	243,120	2	(2)	—	—	—
Stock-based compensation expense	—	—	5,170	—	—	5,170
Repurchase of common stock	(107,795)	(1)	—	—	(8,998)	(8,999)
Cash dividends declared and paid of $0.80 per common share	—	—	—	—	(29,338)	(29,338)
Comprehensive income	—	—	—	(1,752)	38,033	36,281
Balance at March 30, 2024	36,600,032	$ 366	$ —	$ (25,667)	$ 866,654	$ 841,353
Withholdings from vesting of restricted stock	(839)	—	(58)	—	—	(58)
Restricted stock activity	34,956	1	(1)	—	—	—
Stock-based compensation expense	—	—	4,120	—	—	4,120
Repurchase of common stock	(354,093)	(4)	(3,854)	—	(20,920)	(24,778)
Cash dividends declared and paid of $0.80 per common share	—	—	—	—	(29,172)	(29,172)
Comprehensive income	—	—	—	(7,147)	27,639	20,492
Other	—	—	(207)	—	—	(207)
Balance at June 29, 2024	36,280,056	$ 363	$ —	$ (32,814)	$ 844,201	$ 811,750
Withholdings from vesting of restricted stock	(2,187)	—	(133)	—	—	(133)
Restricted stock activity	35,480	—	—	—	—	—
Stock-based compensation expense	—	—	4,686	—	—	4,686
Repurchase of common stock	(274,535)	(3)	(4,401)	—	(12,345)	(16,749)
Cash dividends declared and paid of $0.80 per common share	—	—	—	—	(28,835)	(28,835)
Comprehensive income	—	—	—	453	58,320	58,773
Other	—	—	(152)	—	—	(152)
Balance at September 28, 2024	36,038,814	$ 360	$ —	$ (32,361)	$ 861,341	$ 829,340

See accompanying notes to the unaudited condensed consolidated financial statements.

CARTER'S, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(*dollars in thousands*)
(unaudited)

	Three fiscal quarters ended	
	September 27, 2025	**September 28, 2024**
Cash flows from operating activities:		
Net income	$ 27,578	$ 123,992
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Depreciation of property, plant, and equipment	37,797	40,893
Amortization of intangible assets	2,781	2,778
Provision for excess and obsolete inventory, net	3,912	8,348
Loss on disposal of property, plant and equipment	21	235
Amortization of debt issuance costs	1,253	1,218
Stock-based compensation expense	18,667	13,976
Unrealized foreign currency exchange (gain) loss, net	(393)	307
Provision for credit losses	6,864	3,689
Unrealized gain on investments	(1,477)	(1,678)
Pension plan settlement	8,777	949
Deferred income taxes expense	879	6,416
Effect of changes in operating assets and liabilities:		
Accounts receivable	(48,893)	(68,035)
Finished goods inventories	(153,621)	(83,268)
Prepaid expenses and other assets	(25,509)	(12,376)
Accounts payable and other liabilities	(14,946)	(26,125)
Net cash (used in) provided by operating activities	$ (136,310)	$ 11,319
Cash flows from investing activities:		
Capital expenditures	$ (42,662)	$ (39,637)
Net cash used in investing activities	$ (42,662)	$ (39,637)
Cash flows from financing activities:		
Dividends paid	$ (47,247)	$ (87,345)
Repurchases of common stock	—	(50,526)
Withholdings from vesting of restricted stock	(4,489)	(7,569)
Proceeds from exercises of stock options	—	367
Other	(370)	—
Net cash used in financing activities	$ (52,106)	$ (145,073)
Net effect of exchange rate changes on cash and cash equivalents	2,342	(2,286)
Net decrease in cash and cash equivalents	$ (228,736)	$ (175,677)
Cash and cash equivalents, beginning of period	412,926	351,213
Cash and cash equivalents, end of period	$ 184,190	$ 175,536

See accompanying notes to the unaudited condensed consolidated financial statements.

CARTER'S, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

NOTE 1 – THE COMPANY

Carter's, Inc. and its wholly owned subsidiaries (collectively, the "Company") design, source, and market branded childrenswear under the *Carter's, OshKosh B'gosh (or "OshKosh"), Skip Hop, Child of Mine, Just One You, Simple Joys, Little Planet, Otter Avenue,* and other brands. The Company's products are sourced through contractual arrangements with manufacturers worldwide for sale in the Company's retail stores, eCommerce sites, and mobile app, which offer the Company's brand name merchandise and other licensed products manufactured by other companies. The Company also distributes its products to wholesale customers, which include leading department stores, national chains, and specialty retailers domestically and internationally.

Our trademarks that are referred to in this Quarterly Report on Form 10-Q, including *Carter's*, *OshKosh B'gosh*, *OshKosh*, *Skip Hop, Child of Mine*, *Just One You*, *Simple Joys*, *Little Planet*, *Otter Avenue*, *PurelySoft*, and *Carter's Rewards*, many of which are registered in the United States and in over 100 other countries and territories, are each the property of one or more subsidiaries of Carter's, Inc.

NOTE 2 – BASIS OF PRESENTATION, RECENT ACCOUNTING PRONOUNCEMENTS, AND OTHER

The accompanying unaudited condensed consolidated financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States ("U.S. GAAP") for interim financial information and the rules and regulations of the U.S. Securities and Exchange Commission (the "SEC"). All intercompany transactions and balances have been eliminated in consolidation.

In the opinion of management, the accompanying unaudited condensed consolidated financial statements contain all normal and recurring adjustments necessary to state fairly the condensed consolidated financial condition, results of operations, comprehensive income, statement of shareholders' equity, and cash flows of the Company for the interim periods presented. Except as otherwise disclosed, all such adjustments consist only of those of a normal recurring nature. Operating results for the fiscal quarter ended September 27, 2025 are not necessarily indicative of the results that may be expected for the current fiscal year ending January 3, 2026.

The preparation of these unaudited condensed consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

The accompanying condensed consolidated balance sheet as of December 28, 2024 was derived from the Company's audited consolidated financial statements included in its most recently filed Annual Report on Form 10-K. Certain information and footnote disclosure normally included in financial statements prepared in accordance with U.S. GAAP have been condensed or omitted pursuant to the rules and regulations of the SEC and the instructions to Form 10-Q.

The Company operates on a 52 or 53 week fiscal calendar. Fiscal 2025 will end on January 3, 2026 and includes 53 weeks. Fiscal 2024 ended on December 28, 2024 and included 52 weeks. The fiscal quarters ended September 27, 2025 and September 28, 2024 each included 13 weeks.

Accounting Policies

The accounting policies the Company follows are set forth in its most recently filed Annual Report on Form 10-K. There have been no material changes to these accounting policies.

Goodwill and Tradename Assets

During the second quarter of fiscal 2025, the Company identified a triggering event related to the new tariffs enacted by the Trump Administration and the resulting unfavorable impact on the Company's financial forecasts, as well as a sustained decrease in the Company's stock price since the last impairment test conducted in the fourth quarter of fiscal 2024. As a result, the Company performed a quantitative impairment test on the goodwill ascribed to each of the Company's reporting units and on the value of its indefinite-lived intangible tradename assets.

Additionally, during the third quarter of fiscal 2025, the Company identified a triggering event related to the sustained decrease in the Company's stock price since the last impairment test conducted in the second quarter of fiscal 2025. As a result, the Company performed a quantitative impairment test on the goodwill ascribed to each of the Company's reporting units and on the value of its indefinite-lived intangible tradename assets.

Goodwill

The goodwill impairment assessments for each reporting unit were performed in accordance with ASC 350, "*Intangibles--Goodwill and Other*" ("ASC 350") and compares the carrying value of each reporting unit to its fair value. Consistent with prior practice, the Company uses a 50% weighting of the income approach and a 50% weighting of the market approach to determine the fair value of a reporting unit. The assumptions used in these approaches include revenue growth and profitability, terminal growth rates, discount rates, market multiples, and a control premium. Discount rates are dependent upon interest rates and the cost of capital at a point in time. These assumptions are consistent with those we believe hypothetical marketplace participants would use. An impairment is recorded for any excess carrying value above the fair value of the reporting unit, not to exceed the carrying value of goodwill.

Based on these assessments, there were no impairments to the value of goodwill in the second quarter or third quarter of fiscal 2025. The assessment performed in the third quarter of fiscal 2025 indicated that the fair value of assets exceeded its carrying value for the U.S. Wholesale reporting unit by over 100%. The assessment indicated that the fair value of assets for the U.S. Retail, Canada, and Other International reporting units exceeded its carrying values by approximately 4%, 7%, and 4%, respectively.

Tradename Assets

The indefinite-lived tradename asset assessments were performed in accordance with ASC 350 and were determined using the relief-from-royalty valuation method, which examines the hypothetical cost savings that accrue as a result of not having to license the tradename from another owner. The relief-from-royalty valuation method involves two steps: (1) estimation of reasonable royalty rates for the tradename assets and (2) the application of these royalty rates to a forecasted net revenue stream and discounting the resulting cash flows to determine a fair value. If the carrying amount exceeds the fair value of the tradename, an impairment charge is recognized in the amount of the excess.

Based on these assessments, there were no impairments to the value of our indefinite-lived tradename assets in the second quarter or third quarter of fiscal 2025.

Related Party Transaction

In August 2025, the Company appointed Emily D. Evert to its executive leadership team as Chief Strategy Officer. Prior to joining the Company, Emily was a managing director and partner at The Boston Consulting Group, Inc. ("BCG").

The Company engaged BCG to provide general consulting services in fiscal 2024 and to support operating model improvement initiatives in fiscal 2025. The aggregate fees paid to BCG were approximately $13.6 million in the first three quarters of fiscal 2025 and $1.7 million in the first three quarters of fiscal 2024. As of September 27, 2025, December 28, 2024, and September 28, 2024, outstanding payables to BCG under these engagements were $0.5 million, $0.1 million, and $0.1 million, respectively.

These arrangements were entered into with BCG prior to Ms. Evert's joining the Company and the engagements with BCG were entered into on terms Management believes to be consistent with those negotiated in an arm's-length transaction with an unrelated third party.

Shareholder Right's Plan

On September 22, 2025, the Board of Directors (the "Board") of the Company adopted a limited duration shareholder rights agreement (the "Rights Agreement") in response to the rapid accumulation of a significant amount of the common stock of the Company by a third party. The agreement is intended to reduce the likelihood that any entity, person or group is able to gain control of the Company through open market accumulation without paying all stockholders an appropriate control premium or providing the Board sufficient opportunity to make informed judgments and take actions that are in the best interests of all shareholders. Pursuant to the agreement, the Company issued, by means of a "dividend", one preferred share purchase right (a "Right") for each outstanding share of the Company's common stock to shareholders of record on the close of business on October 3, 2025. Initially, these Rights are not exercisable and trade with, and are represented by, the shares of the Company's common stock. The Rights Agreement will expire on September 21, 2026, or earlier, as provided in the Right's Agreement.

Under the Rights Agreement, if a person or group (each, an "acquiring person") acquires beneficial ownership of 15% (or 20% in the case of investors eligible to file Schedule 13Gs) or more of the outstanding shares of the Company's common stock in a transaction not approved by the Board, the Board, at its option, may exchange each Right (other than Rights owned by the acquiring person that will become void and will not be exercisable) in whole or in part, at an exchange ratio of one share of the Company's common stock, or one ten-thousandth of a share of Series A Junior Participating Preferred Stock (the "Preferred Stock") (or of a share of a class or series of the Company's preferred stock having equivalent rights, preferences and privileges), per outstanding right, subject to adjustment.

Adoption of the Rights Plan did not have an impact on the Company's condensed consolidated financial statements, including basic and diluted earnings per share. Additional information is included in the Company's current report on Form 8-K filed September 24, 2025, which is not incorporated herein by reference.

Recent Accounting Pronouncements

Income Taxes - Improvements to Income Tax Disclosures (ASU 2023-09)

In December 2023, the FASB issued *ASU No. 2023-09, Income Taxes - Improvements to Income Tax Disclosures.* This new guidance requires consistent categories and greater disaggregation of information in the rate reconciliation and greater disaggregation of income taxes paid by jurisdiction. ASU 2023-09 is effective for fiscal years beginning after December 15, 2024. Early adoption is permitted. The Company is currently evaluating the impact of this amendment on its consolidated financial statements but does not expect the effect of the adoption of ASU 2023-09 to be material.

Disaggregation of Income Statement Expenses (ASU 2024-03)

In November 2024, the FASB issued *ASU No. 2024-03, Disaggregation of Income Statement Expenses*. This new guidance is intended to increase transparency and comparability of financial statements by requiring disclosure of significant expense components for certain expenses on the face of the consolidated statement of operations. The ASU is effective for fiscal years beginning after December 15, 2026 and for interim periods within fiscal years beginning after December 15, 2027, with early adoption permitted. The Company is currently evaluating the impact that this standard will on its consolidated financial statements but does not expect the effect of the adoption of ASU 2024-03 to be material.

NOTE 3 - REVENUE RECOGNITION

The Company's revenues are earned from contracts or arrangements with retail and wholesale customers and licensees. Contracts include written agreements, as well as arrangements that are implied by customary practices or law.

Disaggregation of Revenue

The Company sells its products directly to consumers ("direct-to-consumer") and to other retail companies and partners that subsequently sell the products directly to their own retail customers ("wholesale channel"). The Company also earns royalties from certain of its licensees. Disaggregated revenues from these sources for the fiscal periods indicated were as follows:

	Fiscal quarter ended September 27, 2025			
(dollars in thousands)	U.S. Retail	U.S. Wholesale	International	Total
Direct-to-consumer	$ 362,307	$ —	$ 70,209	$ 432,516
Wholesale channel	—	283,805	41,515	325,320
	$ 362,307	$ 283,805	$ 111,724	$ 757,836
Royalty income, net	$ 2,434	$ 2,239	$ 755	$ 5,428

	Three fiscal quarters ended September 27, 2025			
(dollars in thousands)	U.S. Retail	U.S. Wholesale	International	Total
Direct-to-consumer	$ 956,288	$ —	$ 184,651	$ 1,140,939
Wholesale channel	—	726,899	105,137	832,036
	$ 956,288	$ 726,899	$ 289,788	$ 1,972,975
Royalty income, net	$ 4,359	$ 7,680	$ 1,969	$ 14,008

	Fiscal quarter ended September 28, 2024			
(dollars in thousands)	U.S. Retail	U.S. Wholesale	International	Total
Direct-to-consumer	$ 352,987	$ —	$ 67,172	$ 420,159
Wholesale channel	—	298,980	39,325	338,305
	$ 352,987	$ 298,980	$ 106,497	$ 758,464
Royalty income, net	$ 2,539	$ 2,884	$ 317	$ 5,740

	Three fiscal quarters ended September 28, 2024			
(dollars in thousands)	U.S. Retail	U.S. Wholesale	International	Total
Direct-to-consumer	$ 950,877	$ —	$ 176,583	$ 1,127,460
Wholesale channel	—	756,022	100,908	856,930
	$ 950,877	$ 756,022	$ 277,491	$ 1,984,390
Royalty income, net	$ 4,581	$ 8,727	$ 1,651	$ 14,959

Accounts Receivable from Customers and Licensees

The components of Accounts receivable, net were as follows:

(dollars in thousands)	September 27, 2025	December 28, 2024	September 28, 2024
Trade receivables from wholesale customers, net	$ 239,417	$ 187,715	$ 243,085
Royalties receivable	4,960	3,728	5,237
Other receivables[(1)]	8,957	13,444	12,030
Total gross receivables	$ 253,334	$ 204,887	$ 260,352
Less: Wholesale accounts receivable reserves[(2)(3)]	(15,468)	(10,053)	(13,339)
Accounts receivable, net	$ 237,866	$ 194,834	$ 247,013

(1) Includes receivables related to tax recoveries, shipping volume rebates, healthcare-related rebates, amounts due from third-party gift card program partners, and recoveries related to provisional anti-dumping duties in Mexico.

(2) Includes allowance for chargebacks of $3.4 million, $4.4 million, and $5.0 million for the periods ended September 27, 2025, December 28, 2024, and September 28, 2024, respectively.

(3) Includes allowance for credit losses of $12.0 million, $5.7 million, and $8.3 million for the periods ended September 27, 2025, December 28, 2024, and September 28, 2024, respectively.

Contract Assets and Liabilities

The Company’s contract assets are not material.

Contract Liabilities

The Company recognizes a contract liability when it has received consideration from a customer and has a future obligation to transfer goods to the customer. Total contract liabilities consisted of the following amounts:

(dollars in thousands)	September 27, 2025	December 28, 2024	September 28, 2024
Contract liabilities - current:			
Unredeemed gift cards[1]	$ 25,318	$ 25,043	$ 24,638
Unredeemed customer loyalty rewards	2,232	2,552	2,362
Carter's credit card - upfront bonus[2]	179	714	714
Total contract liabilities - current[3]	$ 27,729	$ 28,309	$ 27,714
Contract liabilities - non-current[4]	$ —	$ —	$ 179
Total contract liabilities	$ 27,729	$ 28,309	$ 27,893

(1) During the third quarters of fiscal 2025 and fiscal 2024, the Company recognized revenue of $1.3 million and $1.4 million related to the gift card liability balance that existed at June 28, 2025 and June 29, 2024, respectively. Additionally, during the first three quarters of fiscal 2025 and fiscal 2024, the Company recognized revenue of $6.8 million and $7.1 million related to the gift card liability balance that existed at December 28, 2024 and December 30, 2023, respectively.

(2) The Company received an upfront signing bonus from a third-party financial institution, which will be recognized as revenue on a straight-line basis over the term of the agreement. The amount as of September 27, 2025 reflects the current portion of this bonus and will be recognized as revenue through the end of fiscal 2025. The amounts as of December 28, 2024 and September 28, 2024 reflected the current portion of this bonus and were recognized as revenue over the subsequent twelve months.

(3) Included with Other current liabilities on the Company's condensed consolidated balance sheets.

(4) This amount reflects the non-current portion of the Carter's credit card signing bonus and is included within Other long-term liabilities on the Company's condensed consolidated balance sheets.

NOTE 4 – OTHER CURRENT LIABILITIES

Other current liabilities at the end of any comparable period were as follows:

(dollars in thousands)	September 27, 2025	December 28, 2024	September 28, 2024
Unredeemed gift cards	$ 25,318	$ 25,043	$ 24,638
Accrued employee benefits	17,180	20,824	14,995
Accrued bonuses and incentive compensation[1]	13,851	2,757	2,866
Accrued taxes	10,671	14,455	10,512
Income taxes payable	7,286	13,820	1,099
Accrued salaries and wages	6,203	12,345	5,999
Other[2]	30,398	40,808	19,950
Other current liabilities	$ 110,907	$ 130,052	$ 80,059

(1) Increase as of September 27, 2025 relates to a higher projected attainment of annual incentive objectives relative to the prior periods.

(2) Includes accruals for severance and other termination benefits, freight, and interest on long-term debt.

NOTE 5 – SUPPLY CHAIN FINANCE PROGRAM

We have established a voluntary supply chain finance ("SCF") program through participating financial institutions. This SCF program enables participating suppliers to accelerate payments for receivables due from the Company by selling them directly to the participating financial institutions at their discretion. As of September 27, 2025, the SCF program has a $70.0 million revolving capacity. We are not a party to the agreements between the participating financial institutions and the suppliers in connection with the SCF program. Payment terms for most of our suppliers are 60 days, regardless of participation in the SCF program. The Company does not provide any guarantees under the SCF program.

The Company's liability related to amounts payable to the participating financial institution for suppliers who voluntarily participate in the SCF program are included in Accounts payable on our condensed consolidated balance sheets. As of September 27, 2025, December 28, 2024, and September 28, 2024, amounts under the SCF program included in Accounts payable were $24.5 million, $19.0 million, and $14.3 million, respectively. Payments made in connection with the SCF program, like payments of other accounts payable, are reflected as a reduction to our operating cash flow.

NOTE 6 – LONG-TERM DEBT

Long-term debt consisted of the following:

(dollars in thousands)	September 27, 2025	December 28, 2024	September 28, 2024
$500 million 5.625% senior notes due March 15, 2027	$ 500,000	$ 500,000	$ 500,000
Less unamortized issuance-related costs for senior notes	(1,262)	(1,873)	(2,070)
Senior notes, net	$ 498,738	$ 498,127	$ 497,930
Secured revolving credit facility	—	—	—
Long-term debt, net	$ 498,738	$ 498,127	$ 497,930

Secured Revolving Credit Facility

As of September 27, 2025, December 28, 2024, and September 28, 2024, the Company had no outstanding borrowings under its secured revolving credit facility, exclusive of $6.9 million, $4.7 million, and $5.7 million of outstanding letters of credit, respectively.

As of September 27, 2025, December 28, 2024, and September 28, 2024, there was $843.1 million, $845.3 million, and $844.3 million available for future borrowing. Any outstanding borrowings under the Company's secured revolving credit facility are classified as non-current liabilities on the Company's condensed consolidated balance sheets due to the contractual repayment terms under the credit facility. However, these repayment terms also allow us to repay some or all of the outstanding borrowings at any time.

Terms of the Secured Revolving Credit Facility

The Company's secured revolving credit facility provides for an aggregate credit line of $850 million which includes a $750 million U.S. dollar facility and a $100 million multicurrency facility. The credit facility matures in April 2027. The facility contains covenants that restrict the Company's ability to, among other things: (i) create or incur liens, debt, guarantees or other investments, (ii) engage in mergers and consolidations, (iii) pay dividends or other distributions to, and redemptions and repurchases from, equity holders, (iv) prepay, redeem or repurchase subordinated or junior debt, (v) amend organizational documents, and (vi) engage in certain transactions with affiliates.

The Company's secured revolving credit facility provides for a leverage-based pricing grid which determines an interest rate for borrowings, calculated as the applicable floating benchmark rate plus a credit spread adjustment, if any, plus an amount ranging from 1.125% to 1.625%, based on leverage. As of September 27, 2025, the borrowing rate for an adjusted term Secured Overnight Financing Rate ("SOFR") loan would have been 5.39%, which includes a leverage-based adjustment of 1.125%.

As of September 27, 2025, the Company was in compliance with its financial and other covenants under the secured revolving credit facility.

In October 2025, the Company's wholly-owned subsidiaries, The William Carter Company and The Genuine Canadian Corp., obtained commitments for a new five-year asset-based revolving credit facility with initial borrowing commitments of no less than $750 million, subject to the borrowing base under the new facility. Additionally, the Company is evaluating opportunities to refinance our $500.0 million principal amount of senior notes outstanding that mature on March 15, 2027.

NOTE 7 – COMMON STOCK

Open Market Share Repurchases

The Company repurchased and retired shares in open market transactions in the following amounts for the fiscal periods indicated:

	Fiscal quarter ended		Three fiscal quarters ended	
	September 27, 2025	September 28, 2024	September 27, 2025	September 28, 2024
Number of shares repurchased[1]	—	274,535	—	736,423
Aggregate cost of shares repurchased *(dollars in thousands)*[2]	$ —	$ 16,749	$ —	$ 50,526
Average price per share[2]	$ —	$ 61.01	$ —	$ 68.61

(1) Share repurchases were made in compliance with all applicable rules and regulations and in accordance with the share repurchase authorizations.

(2) The aggregate cost of share repurchases and average price paid per share exclude excise tax on share repurchases.

The total aggregate remaining capacity under outstanding repurchase authorizations as of September 27, 2025 was $599.0 million, based on settled repurchase transactions. The share repurchase authorizations have no expiration date.

Future repurchases may occur from time to time in the open market, in privately negotiated transactions, or otherwise. The timing and amount of any repurchases will be at the discretion of the Company subject to restrictions under the Company's secured revolving credit facility, market conditions, stock price, other investment priorities, and other factors.

Dividends

In the first, second, and third quarters of fiscal 2025, the Board of Directors declared, and the Company paid, a cash dividend per common share of $0.80, $0.25, and $0.25, respectively (for an aggregate cash dividend per common share of $1.30 for the first three quarters of fiscal 2025). Additionally, in each of the first three quarters of fiscal 2024, the Board of Directors declared, and the Company paid, a cash dividend per common share of $0.80 (for an aggregate cash dividend per common share of $2.40 for the first three quarters of fiscal 2024). The Board of Directors will evaluate future dividend declarations based on a number of factors, including restrictions under the Company's secured revolving credit facility, business conditions, the Company's financial performance, and other considerations.

Provisions in the Company's secured revolving credit facility could have the effect of restricting the Company's ability to pay cash dividends on, or make future repurchases of, its common stock, as further described in Note 6, *Long-term Debt*, to the condensed consolidated financial statements.

NOTE 8 – STOCK-BASED COMPENSATION

The Company recorded stock-based compensation expense as follows:

	Fiscal quarter ended		Three fiscal quarters ended	
(dollars in thousands)	**September 27, 2025**	**September 28, 2024**	**September 27, 2025**	**September 28, 2024**
Restricted stock:				
Time-based awards[1]	$ 2,919	$ 4,005	$ 15,260	$ 12,437
Performance-based awards[2]	694	444	1,125	(605)
Market-based awards	113	237	682	544
Stock awards	—	—	1,600	1,600
Total	$ 3,726	$ 4,686	$ 18,667	$ 13,976

(1) Increase in the first three quarters of fiscal 2025 was primarily due to the accelerated vesting of outstanding time-based restricted stock awards related to the retirement of our former CEO in the first quarter of fiscal 2025.

(2) During the first three quarters of fiscal 2024, the achievement of performance target estimates related to certain performance-based grants were revised resulting in a reversal of previously recognized stock-based compensation expense.

The Company recognizes compensation cost ratably over the applicable performance periods based on the estimated probability of achievement of its performance targets at the end of each period.

On April 3, 2025, the Company granted the following awards to Douglas C. Palladini in connection with his appointment as CEO and President of the Company and a member of the Board of Directors: 98,400 shares of time-based restricted stock awards and 98,400 shares of market-based restricted stock awards. The number of shares granted was based on the closing price of the Company's stock on the grant date, which was $35.57, with the time-based restricted stock awards having a grant-date fair value of $35.57 per share and the market-based restricted stock awards having a grant-date fair value of $10.67 per share. A Monte-Carlo simulation was utilized to determine the grant-date fair value of the market-based restricted stock awards.

The market-based restricted stock awards issued to Mr. Palladini are eligible to be earned upon achieving share price hurdles for 20 consecutive trading days over a three-year period, starting on the award grant date. The share price hurdles were set based on growth rates of 30%, 60%, and 90% above the closing stock price on grant date, which was $35.57. One-third of the award will be earned upon achievement of each of the applicable share price hurdles, but no earned shares will vest until the end of the three-year period, subject to Mr. Palladini's continued employment through the end of the three-year period.

NOTE 9 – ACCUMULATED OTHER COMPREHENSIVE LOSS

The components of Accumulated other comprehensive loss consisted of the following:

(dollars in thousands)	September 27, 2025	December 28, 2024	September 28, 2024
Cumulative foreign currency translation adjustments	$ (29,173)	$ (39,722)	$ (28,943)
Pension and post-retirement obligations(*)	1,066	(3,956)	(3,418)
Total accumulated other comprehensive loss	$ (28,107)	$ (43,678)	$ (32,361)

(*) Net of income taxes of $0.3 million, $1.2 million, and $1.1 million for the periods ended September 27, 2025, December 28, 2024, and September 28, 2024, respectively.

Pension Plan Settlements

During the third quarter of fiscal 2025, the Company substantially completed the process of settling its pension obligations under the frozen OshKosh B'Gosh, Inc. Pension Plan (the "pension plan"). In August 2025, the pension plan used existing pension plan assets to purchase non-participating annuity contracts from an insurance company and to make single-sum payments to certain plan participants, thereby settling its existing pension benefit obligations. The Company expects to distribute surplus plan assets to plan participants in fiscal 2026 in accordance with the terms of the plan and regulatory requirements.

As a result of the settlement, the Company remeasured the funded status of the pension plan as of August 31, 2025. In the third quarter and first three quarters of fiscal 2025, a gain on pension obligations of $0.9 million (net of income taxes of $0.3 million) was recognized in Accumulated other comprehensive (loss) income related to this remeasurement. Additionally, in the third quarter and first three quarters of fiscal 2025, $4.1 million of deferred losses on pension obligations (net of income taxes of $1.3 million) were reclassified from Accumulated other comprehensive loss to Pension plan settlement within the condensed consolidated statement of operations in connection with the settlement of the pension plan. Refer to Note 13, *Employee Benefit Plans*, to the condensed consolidated financial statements.

In the third quarter of fiscal 2024 the Company made single-sum payments to certain participants in the pension plan, thereby reducing its pension benefit obligations. As a result of the single-sum payout, the Company remeasured the funded status of the pension plan as of August 31, 2024. In the third quarter and first three quarters of fiscal 2024, a gain on pension obligations of $1.5 million (net of income taxes of $0.5 million) was recognized in Accumulated other comprehensive (loss) income related to this remeasurement. Additionally, in the third quarter and first three quarters of fiscal 2024, $0.7 million of deferred losses on pension obligations (net of income taxes of $0.2 million) were reclassified from Accumulated other comprehensive loss to Pension plan settlement within the condensed consolidated statement of operations related to the partial settlement of the pension plan.

NOTE 10 – FAIR VALUE MEASUREMENTS

Investments

In support of The William Carter Company Deferred Compensation Plan (the "Plan"), the Company invests comparable amounts in marketable securities, principally equity-based mutual funds, to approximate the participant's investment return on employee deferrals of compensation. All of the marketable securities are included in Other assets on the Company's condensed consolidated balance sheets, and their aggregate fair values were $21.0 million, $19.5 million, and $19.0 million at September 27, 2025, December 28, 2024, and September 28, 2024, respectively. These investments are classified as Level 1 within the fair value hierarchy. The change in the aggregate fair values of marketable securities is due to the net activity of gains and losses and any contributions and distributions during the period. Gains on the investments in marketable securities were $1.0 million and $1.5 million for the third quarter and the first three quarters of fiscal 2025, respectively. Gains on the investments in marketable securities were $0.6 million and $1.7 million for the third quarter and the first three quarters of fiscal 2024, respectively. These amounts are included in Other (income) expense, net on the Company's condensed consolidated statement of operations.

During the third quarter of fiscal 2025, the Board of Directors approved the termination of the Plan, effective as of September 30, 2025 (the "Termination Date"). In connection with the termination, all participants will receive a single lump-sum distribution of their account balances on a final payment date, expected to occur in the third quarter of fiscal 2026. Until the final payment date, the Plan will continue to operate in the ordinary course. This includes maintaining investment allocations and processing scheduled distributions; however, all employee contributions ceased as of the Termination Date. See Note 13, *Employee Benefit Plans* for additional information.

Borrowings

As of September 27, 2025, the Company had no outstanding borrowings under its secured revolving credit facility.

The fair value of the Company's senior notes was $500.2 million, $494.4 million, and $498.1 million at September 27, 2025, December 28, 2024, and September 28, 2024, respectively. The fair value of these senior notes with a notional value and carrying value (gross of debt issuance costs) of $500.0 million was estimated using a quoted price as provided in the secondary market, which considers the Company's credit risk and market related conditions, and is therefore within Level 2 of the fair value hierarchy.

Goodwill, Intangible Assets, and Long-Lived Tangible Assets

Some assets are not measured at fair value on a recurring basis but are subject to fair value adjustments only in certain circumstances. These assets can include goodwill, indefinite-lived intangible assets, and long-lived tangible assets that have been reduced to fair value when impaired. Assets that are written down to fair value when impaired are not subsequently adjusted to fair value unless further impairment occurs.

In the fourth quarter of fiscal 2024, the Company recorded a non-cash pre-tax impairment charge of $30.0 million to reduce the carrying value of the indefinite-lived *OshKosh* tradename asset to $40.0 million. The impairment charge was driven by decreased actual and projected sales and profitability for our *OshKosh* brand.

During the second quarter of fiscal 2025, the Company identified a triggering event related to the new tariffs enacted by the Trump Administration and the resulting unfavorable impact on the Company's financial forecasts, as well as a sustained decrease in the Company's stock price since the last impairment test conducted in the fourth quarter of fiscal 2024. As a result, the Company performed a quantitative impairment test on the goodwill ascribed to each of the Company's reporting units and on the value of its indefinite-lived intangible tradename assets.

Additionally, during the third quarter of fiscal 2025, the Company identified a triggering event related to the sustained decrease in the Company's stock price since the last impairment test conducted in the second quarter of fiscal 2025. As a result, the Company performed a quantitative impairment test on the goodwill ascribed to each of the Company's reporting units and on the value of its indefinite-lived intangible tradename assets.

The goodwill impairment assessments for each reporting unit was performed in accordance with ASC 350 and compares the carrying value of each reporting unit to its fair value. Consistent with prior practice, the Company uses a 50% weighting of the income approach and a 50% weighting of the market approach to determine the fair value of a reporting unit. The assumptions used in these approaches include revenue growth and profitability, terminal growth rates, discount rates, market multiples, and a control premium. Discount rates are dependent upon interest rates and the cost of capital at a point in time. These assumptions are consistent with those we believe hypothetical marketplace participants would use. An impairment is recorded for any excess carrying value above the fair value of the reporting unit, not to exceed the carrying value of goodwill.

Based on these assessments, there were no impairments to the value of goodwill in the second quarter or third quarter of fiscal 2025. The assessment performed in the third quarter of fiscal 2025 indicated that the fair value of assets exceeded its carrying value for the U.S. Wholesale reporting unit by over 100%. The assessment indicated that the fair value of assets for the U.S. Retail, Canada, and Other International reporting units exceeded its carrying values by approximately 4%, 7%, and 4%, respectively.

The indefinite-lived tradename asset assessments were performed in accordance with ASC 350 and were determined using the relief-from-royalty valuation method, which examines the hypothetical cost savings that accrue as a result of not having to license the tradename from another owner. The relief-from-royalty valuation method involves two steps: (1) estimation of reasonable royalty rates for the tradename assets and (2) the application of these royalty rates to a forecasted net revenue stream and discounting the resulting cash flows to determine a fair value. If the carrying amount exceeds the fair value of the tradename, an impairment charge is recognized in the amount of the excess.

Based on these assessments, there were no impairments to the value of our indefinite-lived tradename assets in the second quarter or third quarter of fiscal 2025.

NOTE 11 – INCOME TAXES

The Company's income tax provision and effective tax rates for the fiscal periods indicated were as follows:

	Fiscal quarter ended		Three fiscal quarters ended	
(dollars in thousands)	**September 27, 2025**	**September 28, 2024**	**September 27, 2025**	**September 28, 2024**
Income tax provision	$ 3,241	$ 12,410	$ 10,308	$ 31,047
Effective income tax rate	21.8 %	17.5 %	27.2 %	20.0 %

The Company's effective income tax rate was 21.8% for the third fiscal quarter ended September 27, 2025, compared to 17.5% for the third fiscal quarter ended September 28, 2024. The Company's effective income tax rate was 27.2% for the first three fiscal quarters ended September 27, 2025, compared to 20.0% for the first three fiscal quarters ended September 28, 2024. The increase in the effective tax rate was driven by lower income before income taxes in period, incremental nondeductible officers' compensation, and Hong Kong's implementation of the Pillar Two global minimum tax legislation. This was partially offset by a lower proportion of income generated in the United States, where the tax rate is higher relative to some of our international jurisdictions.

As of September 27, 2025, the Company had gross unrecognized income tax benefits of $7.9 million, of which $5.6 million, if ultimately recognized, may affect the Company's effective income tax rate in the periods settled. The Company has recorded tax positions for which the ultimate deductibility is more likely than not, but for which there is uncertainty about the timing of such deductions.

On July 4, 2025, the U.S. government enacted the One Big Beautiful Bill Act of 2025 ("OBBB"), which includes, among other provisions, changes to the U.S. corporate income tax system such as the immediate expensing of qualifying research and development costs and the permanent extension of certain provisions of the Tax Cuts and Jobs Act. Based on the Company's current evaluation of the legislation, the Company does not expect these tax law changes to have a material impact on the Company's consolidated financial statements. The Company will continue to assess the potential impacts of OBBB as additional regulatory guidance becomes available.

NOTE 12 – EARNINGS PER SHARE

The following is a reconciliation of basic common shares outstanding to diluted common and common equivalent shares outstanding:

	Fiscal quarter ended		Three fiscal quarters ended	
	September 27, 2025	September 28, 2024	September 27, 2025	September 28, 2024
Weighted-average number of common and common equivalent shares outstanding:				
Basic number of common shares outstanding	35,443,712	35,301,131	35,388,596	35,616,875
Dilutive effect of equity awards	146	619	348	1,325
Diluted number of common and common equivalent shares outstanding	35,443,858	35,301,750	35,388,944	35,618,200
Earnings per share:				
(dollars in thousands, except per share data)				
Basic net income per common share:				
Net income	$ 11,593	$ 58,320	$ 27,578	$ 123,992
Income allocated to participating securities	(305)	(1,210)	(1,118)	(2,401)
Net income available to common shareholders	$ 11,288	$ 57,110	$ 26,460	$ 121,591
Basic net income per common share	$ 0.32	$ 1.62	$ 0.75	$ 3.41
Diluted net income per common share:				
Net income	$ 11,593	$ 58,320	$ 27,578	$ 123,992
Income allocated to participating securities	(305)	(1,210)	(1,118)	(2,401)
Net income available to common shareholders	$ 11,288	$ 57,110	$ 26,460	$ 121,591
Diluted net income per common share	$ 0.32	$ 1.62	$ 0.75	$ 3.41
Anti-dilutive awards excluded from diluted earnings per share computation(*)	201,909	408,799	289,835	428,325

(*) The volume of anti-dilutive awards is, in part, due to the related unamortized compensation costs.

NOTE 13 – EMPLOYEE BENEFIT PLANS

OshKosh B'Gosh Pension Plan

In fiscal 2024, the Board of Directors authorized the termination of the pension plan, with an effective date of November 30, 2024, through lump sum distributions and the purchase of annuity contracts. During the third quarter of fiscal 2025, the Company substantially completed the process of settling its pension obligations under the pension plan. In August 2025, the pension plan used existing pension plan assets to purchase non-participating annuity contracts from an insurance company and to make single-sum payments to certain plan participants, thereby settling its existing pension benefit obligations. The Company expects to distribute surplus plan assets to plan participants in fiscal 2026 in accordance with the terms of the plan and regulatory requirements.

These settlement transactions had no cash impact on the Company but did result in a non-cash pre-tax pension settlement charge of $8.8 million in the third quarter of fiscal 2025, recorded within Pension plan settlement on the Company's condensed consolidated statement of operations. The charge reflects the recognition of $5.4 million of deferred losses associated with its pension obligations, which were released from Accumulated other comprehensive income, and a $3.4 million charge related to the recognition of prior service cost for the surplus plan assets to be distributed to plan participants in fiscal 2026.

During the third quarter of fiscal 2024, the pension plan made lump sum payments to certain participants, thereby reducing its pension benefit obligations. The transaction had no cash impact on the Company but did result in a non-cash pre-tax partial

pension settlement charge of $0.9 million, which is included in Pension plan settlement on the Company's condensed consolidated statement of operations.

Funded Status

As a result of the pension plan settlements, the Company remeasured the funded status of its pension plan as of August 31, 2025 and August 31, 2024. Presented below is the reconciliation of changes in the projected benefit obligation and plan assets as a result of this remeasurement and pension plan settlements:

	For the period ended	
(dollars in thousands)	**August 31, 2025**	**August 31, 2024**
Change in projected benefit obligation:		
Projected benefit obligation at beginning of year	$ 43,077	$ 54,785
Interest cost	1,519	1,684
Actuarial gain	(1,010)	(2,345)
Benefits paid	(2,059)	(1,981)
Settlements	(41,527)	(6,887)
Amendment to distribute excess assets to participants	3,381	—
Projected benefit obligation at end of period	$ 3,381	$ 45,256
Change in plan assets:		
Fair value of plan assets at beginning of year	$ 45,549	$ 55,959
Actual return on plan assets	1,418	1,064
Benefits paid	(2,059)	(1,981)
Settlements	(41,527)	(6,887)
Fair value of plan assets at end of period	$ 3,381	$ 48,155
Funded status	$ —	$ 2,899

The accumulated benefit obligation was equal to the projected benefit obligation as of August 31, 2025 and August 31, 2024 because the plan was frozen. The funded status asset is included in Other assets in the Company's condensed consolidated balance sheets.

Net periodic pension cost of $0.3 million was recognized in the first three quarters of fiscal 2025, exclusive of the $8.8 million non-cash pre-tax pension settlement charge described above.

Assumptions

The discount rate for determining the benefit obligation as of August 31, 2025 and August 31, 2024 was 0.00% and 5.00%, respectively. The assumption for net periodic pension cost in the first three quarters of fiscal 2025 includes a discount rate of 5.50% through August 31, 2025 and 0.00% thereafter. The assumption for net periodic pension cost in the first three quarters of fiscal 2024 includes a discount rate of 4.75% through August 31, 2024 and 5.00% thereafter. The expected rate of return on plan assets in the first three quarters of fiscal 2025 was 5.50% through August 31, 2025 and 0.00% thereafter. The expected rate of return on plan assets in the first three quarters of fiscal 2024 was 4.75% through August 31, 2024 and 5.00% thereafter.

The fair value of plan assets was $3.4 million and $48.2 million as of August 31, 2025 and August 31, 2024, respectively. Plan assets as of August 31, 2024 were invested in fixed income securities, which include funds holding corporate bonds of companies from diverse industries and U.S. Treasuries.

Deferred Compensation Plan

During the third quarter of fiscal 2025, the Board of Directors approved the termination of The William Carter Company Deferred Compensation Plan (the "Plan"), effective as of September 30, 2025 (the "Termination Date"). In connection with the termination, all participants will receive a single lump-sum distribution of their account balances on a final payment date, expected to occur in the third quarter of fiscal 2026. Until the final payment date, the Plan will continue to operate in the ordinary course. This includes maintaining investment allocations and processing scheduled distributions; however, all employee contributions ceased as of the Termination Date.

The Plan permitted eligible employees to defer salary and incentive compensation in accordance with the Internal Revenue Code. Participant deferrals earn investment returns based on a select number of investment options, including equity, debt, and real estate mutual funds. Deferred compensation plan liabilities are recognized in Other long term liabilities on the Company's condensed consolidated balance sheets. Changes in the balance, excluding those related to contributions or payments, are included in Other expense (income), net on the Company's condensed consolidated statement of operations. The Company invests comparable amounts in marketable securities to approximate the participants' return on selected investment options.

NOTE 14 – ORGANIZATIONAL RESTRUCTURING

In the third quarter of fiscal 2025, the Company initiated an organizational restructuring of our offices-based workforce to right-size its cost structure and improve future profitability. The Company currently estimates it will incur approximately $10.0 million to $11.0 million in organizational restructuring charges through the end of fiscal 2025 in connection with this initiative.

Substantially all of these charges are related to severance and other termination benefits and are recorded within Selling, general and administrative expenses. Severance and other termination benefits are expected to be paid out primarily in the first two quarters of fiscal 2026, and therefore the accrual is included in Other current liabilities in the Company's condensed consolidated balance sheets. The activity in the organizational restructuring accrual was as follows:

(dollars in thousands)	**Severance and other termination benefits**
Balance at June 28, 2025	**$ —**
Charges	6,117
Cash payments	—
Balance at September 27, 2025	**$ 6,117**

NOTE 15 – SEGMENT INFORMATION

The Company has three operating and reportable segments: U.S. Retail, U.S. Wholesale, and International. The U.S. Retail segment consists of revenue primarily from sales of products in the United States through our retail stores, eCommerce websites, and mobile app. Similarly, the U.S. Wholesale segment consists of revenue primarily from sales in the United States of products to our wholesale partners. The International segment consists of revenue primarily from sales of products outside the United States, largely through our retail stores and eCommerce websites in Canada and Mexico, and sales to our international wholesale customers and licensees. The Company sells similar products in each of its three segments.

The Company's chief operating decision maker is the Chief Executive Officer. The chief operating decision maker evaluates the operating performance of the segments based upon each segment's net sales and segment operating income. Segment operating income includes net sales, royalty income, and related cost of goods sold and selling, general, and administrative expenses attributable to each segment. Segment operating income excludes unallocated corporate expenses as well as specific charges that are not directly attributable to segment operations, including restructuring costs, operating model improvement costs, leadership transition costs, and impairment charges related to goodwill and indefinite-lived intangible assets.

In fiscal 2024, the Company changed its measure of segment profitability to segment operating income, which excludes the charges mentioned above, and which were included in our previous measure of segment profitability, to better align with management's assessment of segment performance and to provide better insights into segment performance. Prior period segment operating income for the third quarter and three fiscal quarters ended September 28, 2024 have been recast to conform to the current presentation. The Company does not evaluate performance or allocate resources based on segment asset data, and therefore total segments assets are not presented.

Certain costs, including incentive compensation for certain employees, and various other general corporate costs that are not specifically allocable to segments, are included in unallocated corporate expenses below.

Segment Performance

The table below presents certain segment information for our reportable segments for the periods indicated:

	Fiscal quarter ended September 27, 2025			
(dollars in thousands)	**U.S. Retail**	**U.S. Wholesale**	**International**	**Total**
Net sales	$ 362,307	$ 283,805	$ 111,724	$ 757,836
Cost of goods sold	152,721	205,441	58,046	416,208
Selling expenses[1]	130,217	2,245	27,930	160,392
Distribution expenses[2]	28,819	16,681	7,370	52,870
Other segment items[3]	40,574	15,440	9,206	65,220
Segment operating income	$ 9,976	$ 43,998	$ 9,172	$ 63,146

(1) Selling expenses include the costs of operating our retail stores and eCommerce channels, as well as wholesale sales management costs.

(2) Distribution expenses include payments to third-party shippers and handling costs to process product through our distribution facilities, including eCommerce fulfillment costs, and delivery to our wholesale customers and to our retail stores.

(3) Other segment items include royalty income and overhead costs that are attributable to our reportable segments and include allocated accounting, finance, human resources, and information technology expenses, occupancy costs, and other benefit and compensation programs, including performance-based compensation.

	Three fiscal quarters ended September 27, 2025			
(dollars in thousands)	**U.S. Retail**	**U.S. Wholesale**	**International**	**Total**
Net sales	$ 956,288	$ 726,899	$ 289,788	$ 1,972,975
Cost of goods sold	389,864	514,117	154,516	1,058,497
Selling expenses	378,985	7,054	78,411	464,450
Distribution expenses	66,279	47,092	18,508	131,879
Other segment items	105,108	32,267	25,789	163,164
Segment operating income	$ 16,052	$ 126,369	$ 12,564	$ 154,985

	Fiscal quarter ended September 28, 2024			
(dollars in thousands)	**U.S. Retail**	**U.S. Wholesale**	**International**	**Total**
Net sales	$ 352,987	$ 298,980	$ 106,497	$ 758,464
Cost of goods sold	140,708	205,938	55,804	402,450
Selling expenses	125,576	2,035	24,938	152,549
Distribution expenses	26,282	18,142	6,962	51,386
Other segment items	33,112	9,738	8,556	51,406
Segment operating income	$ 27,309	$ 63,127	$ 10,237	$ 100,673

	Three fiscal quarters ended September 28, 2024			
(dollars in thousands)	**U.S. Retail**	**U.S. Wholesale**	**International**	**Total**
Net sales	$ 950,877	$ 756,022	$ 277,491	$ 1,984,390
Cost of goods sold	371,124	517,681	141,444	1,030,249
Selling expenses	354,843	7,373	75,766	437,982
Distribution expenses	64,640	46,438	17,685	128,763
Other segment items	100,589	21,868	24,615	147,072
Segment operating income	$ 59,681	$ 162,662	$ 17,981	$ 240,324

	Fiscal quarter ended		Three fiscal quarters ended	
	September 27, 2025	September 28, 2024	September 27, 2025	September 28, 2024
Total segment operating income	$ 63,146	$ 100,673	$ 154,985	$ 240,324
Items not included in segment operating income:				
Unallocated corporate expenses[1]	(23,767)	(23,633)	(68,465)	(68,796)
Operating model improvement costs[2]	(3,669)	—	(13,469)	—
Leadership transition costs[3]	(500)	—	(7,694)	—
Organizational restructuring[4]	(6,117)	—	(6,117)	—
Consolidated operating income	$ 29,093	$ 77,040	$ 59,240	$ 171,528
Interest expense	7,173	7,381	22,849	23,156
Interest income	(2,573)	(2,370)	(10,007)	(8,644)
Other expense (income), net[5]	882	350	(265)	1,028
Pension plan settlement[5]	8,777	949	8,777	949
Income before income taxes	$ 14,834	$ 70,730	$ 37,886	$ 155,039

(1) Unallocated corporate expenses include corporate overhead expenses that are not directly attributable to one of our reportable segments and include unallocated accounting, finance, legal, human resources, and information technology expenses, occupancy costs for our corporate headquarters, and other benefit and compensation programs, including performance-based compensation.

(2) Primarily related to third-party consulting costs to support operating model improvement costs.

(3) Related to costs associated with the transition of our former CEO, including accelerated vesting of outstanding time-based restricted stock awards pursuant to a retirement agreement approved by the Board of Directors, executive recruiting costs, and other related costs.

(4) Related to charges for severance and other termination benefits as a result of organizational restructuring. Refer to Note 14, *Organizational Restructuring* for more information.

(5) Pension plan settlement charges for the fiscal quarter and three fiscal quarters ended September 28, 2024 have been reclassified to the Pension plan settlement line item. These charges were previously included in Other expense (income), net.

Additional Data by Segment

The tables below present additional information for our reportable segments for the periods presented:

Depreciation and amortization expense

	Fiscal quarter ended		Three fiscal quarters ended	
	September 27, 2025	September 28, 2024	September 27, 2025	September 28, 2024
U.S. Wholesale	$ 2,182	$ 2,170	$ 6,541	$ 6,588
U.S. Retail	8,667	8,883	25,426	26,749
International	2,472	2,836	7,266	8,663
Unallocated corporate	445	538	1,345	1,671
Total	$ 13,766	$ 14,427	$ 40,578	$ 43,671

NOTE 16 – COMMITMENTS AND CONTINGENCIES

The Company is subject to various claims and pending or threatened lawsuits in the normal course of business. The Company is not currently a party to any legal proceedings that it believes would have a material adverse impact on its financial position, results of operations, or cash flows.

The Company's contractual obligations and commitments include obligations associated with leases, the secured revolving credit agreement, senior notes, and employee benefit plans.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

FORWARD-LOOKING STATEMENTS

Statements in this Quarterly Report on Form 10-Q 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 Form 10-Q. These risks and uncertainties include, but are not limited to, those disclosed in Part II, Item 1A. "Risk Factors" of the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended September 27, 2025 and Part I, Item 1A. "Risk Factors" of the Company's Annual Report on Form 10-K for the fiscal year ended December 28, 2024, and otherwise in our reports and filings with the Securities and Exchange Commission, as well as the following factors: changes in global economic and financial conditions, and the resulting impact on consumer confidence and consumer spending, as well as other changes in consumer discretionary spending habits; risks related to public health crises; risks related to the organizational restructuring plan, including, but not limited to, our ability to achieve the expected savings from the plan and to fully implement the plan; risks related to consumer tastes and preferences, as well as fashion trends; the failure to protect our intellectual property; the diminished value of our brands, potentially as a result of negative publicity or unsuccessful branding and marketing efforts; delays, product recalls, or loss of revenue due to a failure to meet our quality standards; risks related to uncertainty regarding the future of international trade agreements and the United States' position on international trade, as well as significant political, trade, and regulatory developments and other circumstances beyond our control; increased competition in the marketplace; financial difficulties for one or more of our major customers; identification of locations and negotiation of appropriate lease terms for our retail stores; distinct risks facing our eCommerce business; failure to forecast demand for our products and our failure to manage our inventory; increased margin pressures, including increased cost of materials and labor and our inability to successfully increase prices to offset these increased costs; continued inflationary pressures with respect to labor and raw materials and global supply chain constraints that have, and could continue, to affect freight, transit, and other costs; fluctuations in foreign currency exchange rates; unseasonable or extreme weather conditions; risks associated with corporate responsibility issues; our foreign sourcing arrangements; a relatively small number of vendors supply a significant amount of our products; disruptions in our supply chain, including increased transportation and freight costs; our ability to effectively source and manage inventory; problems with our Braselton, Georgia distribution facility; pending and threatened lawsuits; a breach of our information technology systems and the loss of personal data or a failure to implement new information technology systems successfully; unsuccessful expansion into international markets; failure to comply with various laws and regulations; failure to properly manage strategic initiatives; retention of key individuals; acquisition and integration of other brands and businesses; failure to achieve sales growth plans and profitability objectives to support the carrying value of our intangible assets; our continued ability to meet obligations related to our debt; our ability to close our new asset based lending facility within the timeframe we previously disclosed; changes in our tax obligations, including additional customs, duties or tariffs; our continued ability to declare and pay a dividend; volatility in the market price of our common stock; and the cost or effort required for our shareholders to bring certain claims or actions against us, as a result of our designation of the Court of Chancery of the State of Delaware as the sole and exclusive forum for certain types of actions and proceedings. Except for any ongoing obligations to disclose material information as required by federal securities laws, 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. The inclusion of any statement in this Quarterly Report on Form 10-Q does not constitute an admission by the Company or any other person that the events or circumstances described in such statement are material.

OVERVIEW

We are North America's largest and most-enduring apparel company exclusively for babies and young children. Our core brands are *Carter's* and *OshKosh B'gosh* (or "*OshKosh*"), iconic and among the sector's most trusted names. Our exclusive *Carter's* brands are developed for Walmart, Target, and Amazon. Our emerging brands include *Little Planet*, crafted with organic fabrics and sustainable materials, *Otter Avenue*, a toddler-focused apparel brand, and *Skip Hop*, baby essentials from tubs to toys.

Established in 1865, our *Carter's* brand is recognized and trusted by consumers for high-quality apparel and accessories for children in sizes newborn to 14.

Established in 1895, *OshKosh* is a well-known brand, trusted by consumers for high-quality apparel and accessories for children in sizes newborn to 14, with a focus on playclothes for toddlers and young children. We acquired *OshKosh* in 2005.

Established in 2003, the *Skip Hop* brand rethinks, reenergizes, and reimagines durable necessities to create higher value, superior quality, and award-winning products for parents, babies, and toddlers. We acquired *Skip Hop* in 2017.

Launched in 2021, the *Little Planet* brand focuses on sustainable clothing through the sourcing of mostly organic cotton as certified under the Global Organic Textile Standard ("GOTS"), a global textile processing standard for organic fibers. This brand includes a wide assortment of baby and toddler apparel, accessories, and sleepwear.

Launched in July 2025, *Otter Avenue* is a toddler brand that focuses on functionality designed to encourage independence, while combining fun, sophistication, and fashion-forward styles. This brand includes a curated assortment of toddler apparel and accessories.

Additionally, *Child of Mine*, an exclusive *Carter's* brand, is sold at Walmart, *Just One You*, an exclusive *Carter's* brand, is sold at Target, and *Simple Joys*, an exclusive *Carter's* brand, is available on Amazon.

Our purpose is to embrace the wonder of childhood and uplift those shaping the future. We believe our brands are complementary to one another in product offering and aesthetic. Each brand is uniquely positioned in the marketplace and offers great value to families with young children. Our multichannel, global business model, which includes retail stores, eCommerce, mobile app, and wholesale distribution channels, as well as omni-channel capabilities in the United States and Canada, enables us to reach a broad range of consumers around the world. As of September 27, 2025, our channels included 1,065 company-operated retail stores in North America, eCommerce websites, approximately 19,500 wholesale locations in North America, as well as our international wholesale accounts and licensees who operate in over 1,100 locations outside of North America in over 90 countries.

The following is a discussion of our results of operations and current financial condition. This should be read in conjunction with the unaudited condensed consolidated financial statements and related notes included in this Form 10-Q and audited consolidated financial statements and related notes included in our Annual Report on Form 10-K for the 2024 fiscal year ended December 28, 2024.

Fiscal Periods

The Company operates on a 52 or 53 week fiscal calendar. Fiscal 2025 will end on January 3, 2026 and includes 53 weeks. Fiscal 2024 ended on December 28, 2024 and included 52 weeks. The fiscal quarters ended September 27, 2025 and September 28, 2024 each included 13 weeks.

Segments

We have three operating and reportable segments: U.S. Retail, U.S. Wholesale, and International. Our U.S. Retail segment consists of revenue primarily from sales of products in the United States through our retail stores, eCommerce websites, and mobile app. Similarly, our U.S. Wholesale segment consists of revenue primarily from sales in the United States of products to our wholesale customers. Our International segment consists of revenue primarily from sales of products outside the United States, largely through our retail stores and eCommerce websites in Canada and Mexico, and sales to our international wholesale customers and licensees. The Company sells similar products in each of its three segments.

In fiscal 2024, the Company changed its measure of segment profitability to segment operating income. Segment operating income includes net sales, royalty income, and related cost of goods sold and selling, general, and administrative ("SG&A") expenses attributable to each segment. Segment operating income excludes unallocated corporate expenses as well as specific charges that are not directly attributable to segment operations, including restructuring costs, operating model improvement costs, leadership transition costs, and impairment charges related to goodwill and indefinite-lived intangible assets, which were included in our previous measure of segment profitability. This change has no impact on our consolidated operating income. Management believes this updated presentation more accurately reflects how the business is managed and provides better insight into segment performance. Prior period segment operating income for the fiscal quarter and three fiscal quarters ended September 28, 2024 have been recast to conform to the current presentation.

Gross Profit and Gross Margin

Gross profit is calculated as consolidated net sales less cost of goods sold. Gross margin is calculated as gross profit divided by consolidated net sales. Cost of goods sold includes expenses related to the merchandising, design, and procurement of product, including inbound freight, purchasing, receiving, and inspection costs. Also included in costs of goods sold are the costs of shipping eCommerce product to end consumers. Retail store occupancy costs, distribution expenses, and generally all other expenses other than interest and income taxes are included in SG&A expenses. Distribution expenses that are included in SG&A primarily consist of payments to third-party shippers and handling costs to process product through our distribution facilities, including eCommerce fulfillment costs, and delivery to our wholesale customers and to our retail stores. Our gross profit and gross margin may not be comparable to other entities that define their metrics differently.

Comparable Sales Metrics

We present comparable sales metrics because we consider them an important supplemental measure of our U.S. Retail and International performance, and the Company uses such information to assess the performance of the U.S. Retail and

International segments. Additionally, we believe they are frequently used by securities analysts, investors, and other interested parties in the evaluation of our business.

Our comparable sales metrics include sales for all stores and eCommerce sites, including the mobile app, that were open and operated by us during the comparable fiscal period, including stand-alone format stores that converted to multi-branded format stores and certain remodeled or relocated stores. A store or site becomes comparable following 13 consecutive full fiscal months of operations. If a store relocates within the same center with no business interruption or material change in square footage, the sales of such store will continue to be included in the comparable store metrics. If a store relocates to another center more than five miles away, or there is a material change in square footage, such store is treated as a new store. Stores that are closed during the relevant fiscal period are included in the comparable store sales metrics up to the last full fiscal month of operations.

The method of calculating sales metrics varies across the retail industry. As a result, our comparable sales metrics may not be comparable to those of other retailers.

Recent Developments

Organizational Restructuring

In the third quarter of fiscal 2025, we initiated an organizational restructuring of our offices-based workforce to right-size our cost structure and improve future profitability. The plan is expected to reduce offices-based roles by approximately 15% and to generate approximately $35 million in annual savings beginning in fiscal 2026 primarily related to reduced compensation and employee benefit costs.

As a result, we recorded $6.1 million in severance and other termination benefits during the third quarter of fiscal 2025. We expect to record an additional $4.0 million to $5.0 million in severance and other termination benefits in the fourth quarter of fiscal 2025. We expect to pay substantially all of these costs in the first two quarters of fiscal 2026. Refer to Note 14, *Organizational Restructuring* in the condensed consolidated financial statements for additional information.

Operating Model Improvement

Throughout the second half of fiscal 2024 and continuing into fiscal 2025, with the assistance of external industry experts, we conducted a comprehensive assessment of our business with the goal of identifying long-term growth opportunities and to scope the strategies and investments needed to realize them in the coming years.

This review highlighted many strengths, including our brand assets, significant awareness and equity with consumers, and the unique reach of our multi-channel business model. It also identified several opportunities to improve the focus and appeal of our product offerings, enabling us to capture new customer segments and market share going forward.

Based on learnings from the review, we are pursuing enhancements to our operating model, which include improving our product and brand development processes to be faster, nimbler, and more responsive to changing consumer preferences. We believe this operating model work is very foundational to improving our capabilities and will better position us for future growth.

Operating model improvement costs, primarily related to third-party consulting fees, were $3.7 million and $13.5 million for the fiscal quarter and three fiscal quarters ended September 27, 2025, respectively. These costs were included in SG&A expenses in our condensed consolidated statement of operations. We anticipate incurring additional costs of approximately $1 million to $2 million for the remainder of fiscal 2025.

Dividend Update

In each of the second and third quarters of fiscal 2025, the Board of Directors declared, and the Company paid, a cash dividend per common share of $0.25, which represented a 69% reduction when compared to the cash dividend per common share paid of $0.80 in the first quarter of fiscal 2025. The action was taken to realign our dividend with our current level of profitability, especially against the backdrop of a challenging market environment and the significantly higher product costs the Company will incur as the result of the incremental tariffs on products imported into the United States.

Leadership Transition

On March 26, 2025, the Company announced the appointment of Douglas C. Palladini as Chief Executive Officer and President and a member of the Board of Directors, effective April 3, 2025. Mr. Palladini brings extensive leadership and brand-building

experience to the role and succeeded Richard F. Westenberger, then serving as Interim Chief Executive Officer. Mr. Westenberger continues to serve as our Chief Financial Officer & Chief Operating Officer.

Known or Anticipated Trends

Trade Policy

Following its inauguration in January 2025, the second Trump Administration has made numerous announcements and taken action to increase tariffs assessed on products imported into the United States, which introduced heightened uncertainty across the global economy. Given that we source all of our apparel and other products from a global network of third-party suppliers—primarily located in Asia—any new or increased tariffs, quotas, embargoes, or other trade barriers have the potential to adversely affect our supply chain, cost structure, margins, and competitiveness. Additionally, retaliatory actions taken by impacted countries could further disrupt global trade and create additional inflationary pressures in raw materials and logistics. We estimate that Vietnam, Cambodia, Bangladesh, and India will collectively represent approximately 75%, and China less than 3%, of our product sourcing spend in fiscal 2025. In fiscal 2024, 60% of the fabric used in the manufacture of our products was sourced from China; however, the fibers used to produce that fabric were sourced from outside of China.

While these recently announced tariffs did not have a material impact on the Company's financial results during the first three quarters of fiscal 2025, we expect incremental tariffs related to imports from Vietnam, Cambodia, Bangladesh, India, and other countries to have a net unfavorable impact to our pre-tax income of approximately $25 million to $35 million in the fourth quarter of fiscal 2025. On an annualized basis, the Company estimates gross incremental costs of approximately $200 million to $250 million related to these incremental tariffs. While the Company expects pressure on gross margin in fiscal 2026, the Company is pursuing actions to mitigate the impact, which include, but are not limited to, changes to our product assortments, cost sharing with our vendor partners, changes to the mix of production by country, and raising prices to end consumers and our wholesale customers. These actions that we take may not fully offset the impact of tariffs and, as a result, our revenues, gross margins, and overall financial performance may be materially harmed.

Refer to the risk factor under the heading "Risk Factors" in Part II, Item 1A of this Quarterly Report on Form 10-Q and the risk factors disclosed under the heading, "Risk Factors" in our most recently filed Annual Report on Form 10-K for further information on risks related to the uncertainty of future global trade relations.

Business Strategies and Outlook

Notwithstanding the factors described above, we remain focused on returning to consistent, profitable growth, recapturing market share, and creating long-term shareholder value through initiatives designed to (i) stabilize business performance, (ii) increase near-term productivity, and (iii) invest to enable long-term growth.

Stabilize Business Performance

We have prioritized stabilizing business performance in response to recent market challenges, including declining birth rates, inflationary pressures, evolving consumer preferences and the imposition of incremental tariffs. Initiatives to stabilize our business performance include revisions to our product assortments, investing in marketing to drive demand, implementing pricing strategies to reinforce our value proposition for consumers, and pursuing actions to mitigate the impact of incremental tariffs, which include, but are not limited to, changes to our product assortments, cost sharing with our vendor partners, changes to the mix of production by country, and raising prices to end consumers and our wholesale customers. We are already seeing improved trends in U.S. Retail as a result of these initiatives, achieving two consecutive quarters of positive comparable net sales, a second consecutive quarter of year-over-year growth in customer count, and continued strength in our core baby assortment.

Increase Near-Term Productivity

In order to position the Company for consistent profitable growth, we have implemented a comprehensive productivity agenda that includes the following:

- Store portfolio optimization - We have identified opportunities to rationalize our store portfolio by closing approximately 150 low-margin stores primarily at lease expiration in North America during fiscal years 2025 through 2028. We currently expect to close approximately 100 stores across fiscal 2025 and fiscal 2026. The 150 stores collectively represent approximately $110 million in annual net sales. We expect these actions, assuming anticipated sales transfer to nearby company-operated stores and our eCommerce channel and the elimination of fixed store expenses, to favorably impact our profitability. Additionally, we are suspending new store openings in the U.S. under our current store model. These actions allow us to focus on improving the productivity of our existing retail store fleet and to advance our fleet segmentation strategy to create more differentiated consumer experiences.

- Organizational restructuring - In the third quarter of fiscal 2025, we initiated an organizational restructuring of our offices-based workforce to right-size our cost structure and improve future profitability. The plan is expected to reduce offices-based roles by approximately 15% by the end of the second quarter of fiscal 2026 and to generate approximately $35 million in annual savings beginning in fiscal 2026.
- Reduction in discretionary spending - We are targeting approximately $10 million of reductions in discretionary spending, deferring non-critical expenditures where possible.
- Process efficiency - Our operating model improvement initiative has shortened our product development calendar by approximately three months, improved responsiveness to changing consumer and market trends, and reduced assortment over-development. In addition, we are rationalizing our product choices by approximately 20-30% to create a more unified, global product assortment across all of our brands.

Invest to Enable Long-term Growth

We are investing in foundational investments to drive long-term growth:

- Marketing and demand creation - We are increasing marketing spend to drive traffic and strengthen consumer loyalty, while continuously measuring our return on these investments.
- Store format testing - Although we are pausing further expansion of our current U.S. store model, we plan to invest in new store-type testing, in-store experiences, and real estate strategy development as we seek greater productivity from our retail store fleet.
- Infrastructure and Technology - We continue to invest in modernizing our distribution network and enhancing technology capabilities. These initiatives include upgrading equipment and systems, digitizing aspects of our product design and development process, migrating certain applications to cloud-based platforms, and consolidating systems and platforms.

Third Fiscal Quarter 2025 Financial Highlights

Unless otherwise stated, comparisons are to the third quarter of fiscal 2024:

- Consolidated net sales decreased $0.6 million, or 0.1%, to $757.8 million.
  - U.S. Retail sales increased $9.3 million, driven by higher average selling prices per unit. U.S. Retail comparable net sales increased 2.0%, a second consecutive quarter of positive comparable net sales.
  - U.S. Wholesale sales decreased $15.2 million, driven largely by lower sales of our *Simple Joys* brand.
  - International sales increased $5.2 million, primarily driven by growth in Mexico and higher average selling prices per unit.
- Consolidated gross profit decreased $14.4 million, or 4.0%, to $341.6 million, and consolidated gross margin decreased 180 basis points ("bps") to 45.1%, primarily due to higher average cost per unit sold driven by incremental tariffs and investments in product make.
- Consolidated SG&A expenses increased $33.2 million, or 11.7%, to $318.0 million. SG&A as a percentage of consolidated net sales ("SG&A rate") increased 450 bps to 42.0%, driven by factors that include costs related to organizational restructuring, operating model improvements and leadership transition, investments in new and remodeled retail stores, and increased performance-based compensation.
- Consolidated operating income decreased $47.9 million, or 62.2%, to $29.1 million and adjusted consolidated operating income, a non-GAAP financial measure, decreased $37.7 million, or 48.9%, to $39.4 million. Operating margin decreased 640 bps to 3.8%, and adjusted operating margin decreased 500 bps to 5.2%, driven by the factors discussed in detail below.
- Consolidated net income decreased $46.7 million, or 80.1%, to $11.6 million, driven by the factors discussed in detail below, including a pre-tax, non-cash pension settlement charge of $8.8 million.
- Diluted net income per common share decreased $1.30, or 80.2%, to $0.32, and adjusted diluted net income per common share decreased $0.90, or 54.9%, to $0.74.
- During the first three quarters of fiscal 2025, we opened 19 stores and closed 15 stores in the United States.
- As a result of our strong financial position and available liquidity, we returned $9.1 million in cash dividends to our shareholders in the third quarter of fiscal 2025.

RESULTS OF OPERATIONS

THIRD FISCAL QUARTER ENDED SEPTEMBER 27, 2025 COMPARED TO THIRD FISCAL QUARTER ENDED SEPTEMBER 28, 2024

The following table summarizes our results of operations.

	Fiscal quarter ended			
(dollars in thousands, except per share data)	**September 27, 2025**	**September 28, 2024**	**$ Change**	**% / bps Change**
Consolidated net sales	$ 757,836	$ 758,464	$ (628)	(0.1)%
Cost of goods sold	416,208	402,450	13,758	3.4 %
Gross profit	341,628	356,014	(14,386)	(4.0)%
Gross profit as % of consolidated net sales	*45.1 %*	*46.9 %*		*(180) bps*
Royalty income, net	5,428	5,740	(312)	(5.4)%
Royalty income as % of consolidated net sales	*0.7 %*	*0.8 %*		*(10) bps*
Selling, general, and administrative expenses	317,963	284,714	33,249	11.7 %
SG&A expenses as % of consolidated net sales	*42.0 %*	*37.5 %*		*450 bps*
Operating income	29,093	77,040	(47,947)	(62.2)%
Operating income as % of consolidated net sales	*3.8 %*	*10.2 %*		*(640) bps*
Interest expense	7,173	7,381	(208)	(2.8)%
Interest income	(2,573)	(2,370)	203	8.6 %
Other expense (income), net[1]	882	350	532	nm
Pension plan settlement[1]	8,777	949	7,828	nm
Income before income taxes	14,834	70,730	(55,896)	(79.0)%
Income tax provision	3,241	12,410	(9,169)	(73.9)%
Effective tax rate[2]	*21.8 %*	*17.5 %*		*430 bps*
Net income	$ 11,593	$ 58,320	$ (46,727)	(80.1)%
Basic net income per common share	$ 0.32	$ 1.62	$ (1.30)	(80.2)%
Diluted net income per common share	$ 0.32	$ 1.62	$ (1.30)	(80.2)%
Dividend declared and paid per common share	$ 0.25	$ 0.80	$ (0.55)	(68.8)%

(1) Pension plan settlement charge for the fiscal quarter ended September 28, 2024 has been reclassified to the Pension plan settlement line item. This charge was previously included in Other expense (income).

(2) Effective tax rate is calculated by dividing the provision for income taxes by income before income taxes.

Note: Results may not be additive due to rounding. If applicable, percentage changes that are not considered meaningful are denoted with "nm".

Consolidated Net Sales

Consolidated net sales decreased $0.6 million, or 0.1%, to $757.8 million. The decrease in net sales was driven by lower demand in U.S. Wholesale, offset by growth in our U.S. Retail and International segments.

Average selling prices per unit increased by a low-single digit percentage and units sold decreased by a low-single digit percentage. Changes in foreign currency exchange rates used for translation had an unfavorable effect on our consolidated net sales of $0.2 million.

Gross Profit and Gross Margin

Consolidated gross profit decreased $14.4 million, or 4.0%, to $341.6 million and consolidated gross margin decreased 180 bps to 45.1%. The decrease in consolidated gross profit and gross margin was primarily due to a high-single digit percentage increase in average cost per unit sold driven by incremental tariffs and investments in product make, partially offset by higher average selling prices per unit. Incremental tariffs unfavorably impacted product costs by approximately $20 million.

Selling, General, and Administrative Expenses

Consolidated SG&A expenses increased $33.2 million, or 11.7%, to $318.0 million and increased as a percentage of consolidated net sales by 450 bps to 42.0%. The increase in SG&A rate was driven by costs related to organizational restructuring, operating model improvements, and leadership transition, as well as continued investments in new and remodeled retail stores and higher performance-based compensation expense and marketing expense.

Operating Income

Consolidated operating income decreased $47.9 million, or 62.2%, to $29.1 million and decreased as a percentage of net sales by 640 bps to 3.8%, primarily due to the factors previously discussed.

Other Expense (Income), Net

Consolidated other expense increased $0.5 million to $0.9 million, driven by unfavorable changes in foreign currency exchange rates during the period.

Pension Plan Settlement

During the third quarter of fiscal 2025 and fiscal 2024, the Company recognized non-cash pension settlement charges of $8.8 million and $0.9 million, respectively, which were related to the settlement of obligations under the frozen OshKosh B'Gosh Pension Plan.

Income Taxes

Consolidated income tax provision decreased $9.2 million, or 73.9%, to $3.2 million and the effective tax rate increased 430 bps to 21.8%. The increase in the effective tax rate is driven by the lower level of income before income taxes in the third quarter of fiscal 2025, incremental nondeductible officers' compensation, and Hong Kong's implementation of the Pillar Two global minimum tax legislation. This was partially offset by a lower proportion of income generated in the United States, where the tax rate is higher relative to some of our international jurisdictions, compared to the third quarter of fiscal 2024.

Net Income

Consolidated net income decreased $46.7 million, or 80.1%, to $11.6 million, primarily due to the factors previously discussed.

Results by Segment - Third Quarter of Fiscal 2025 compared to Third Quarter of Fiscal 2024

The following table summarizes net sales by segment and segment operating income for the third quarter of fiscal 2025 and the third quarter of fiscal 2024:

	Fiscal quarter ended					
(dollars in thousands)	September 27, 2025	% of consolidated net sales	September 28, 2024	% of consolidated net sales	$ Change	% Change
Net sales:						
U.S. Retail	$ 362,307	47.8 %	$ 352,987	46.5 %	$ 9,320	2.6 %
U.S. Wholesale	283,805	37.4 %	298,980	39.5 %	(15,175)	(5.1)%
International	111,724	14.8 %	106,497	14.0 %	5,227	4.9 %
Consolidated net sales	$ 757,836	100.0 %	$ 758,464	100.0 %	$ (628)	(0.1)%
Segment operating income[1]:		Segment operating margin		Segment operating margin		
U.S. Retail	$ 9,976	2.8 %	$ 27,309	7.7 %	$ (17,333)	(63.5)%
U.S. Wholesale	43,998	15.5 %	63,127	21.1 %	(19,129)	(30.3)%
International	9,172	8.2 %	10,237	9.6 %	(1,065)	(10.4)%
Total segment operating income	$ 63,146	8.3 %	$ 100,673	13.3 %	$ (37,527)	(37.3)%
Items not included in segment operating income:		Consolidated operating margin		Consolidated operating margin		
Unallocated corporate expenses	$ (23,767)	n/a	$ (23,633)	n/a	$ 134	0.6 %
Operating model improvement costs[2]	(3,669)	n/a	—	n/a	n/a	n/a
Leadership transition costs[3]	(500)	n/a	—	n/a	n/a	n/a
Organizational restructuring[4]	(6,117)	n/a	—	n/a	n/a	n/a
Consolidated operating income	$ 29,093	3.8 %	$ 77,040	10.2 %	$ (47,947)	(62.2)%

(1) Segment operating income for the fiscal quarter ended September 28, 2024 has been recast to conform to the current presentation.

(2) Primarily related to third-party consulting costs to support operating model improvements.

(3) Related to costs associated with the transition of our former CEO, including executive recruiting costs, and other related costs.

(4) Related to charges for severance and other termination benefits as a result of a organizational restructuring.

U.S. Retail

U.S. Retail segment net sales increased $9.3 million, or 2.6%, to $362.3 million. The increase in net sales was driven by a mid-single digit percentage increase in average selling prices per unit, growth in our core baby assortment, and a strong Labor Day performance, resulting in a second consecutive quarter of positive comparable net sales. Other contributing factors to the increase include sales contribution of our new retail stores. These factors were partially offset by a low-single digit percentage decrease in units sold and lower traffic in both retail stores and eCommerce.

Comparable net sales, including retail store and eCommerce, increased 2.0% primarily driven by the factors mentioned above. As of September 27, 2025, we operated 808 retail stores in the U.S. compared to 804 as of December 28, 2024, and 795 as of September 28, 2024.

U.S. Retail segment operating income decreased $17.3 million, or 63.5%, to $10.0 million, primarily due to a decrease in gross profit of $2.7 million and an increase in SG&A expenses of $14.5 million. Segment operating margin decreased 490 bps to 2.8%, primarily driven by a 230 bps decrease in gross margin and a 270 bps increase in SG&A rate. The decrease in gross margin was driven by a low-teens percentage increase in average cost per unit sold as a result of incremental tariffs and investments in product make, partially offset by increased average selling prices per unit. The increase in SG&A rate was driven by continued investments in new and remodeled retail stores, higher performance-based compensation expense, increased marketing spend, and higher distribution and transportation costs.

U.S. Wholesale

U.S. Wholesale segment net sales decreased $15.2 million, or 5.1%, to $283.8 million, driven by decreased sales of our *Simple Joys* brand primarily due to changes in business model that reduced visibility, traffic, and demand for the brand. Other factors include lower replenishment and unfavorable timing of customer shipments, offset by increased demand for our other exclusive *Carter's* brands. We expect for reduced demand for *Simple Joys* to continue into fiscal 2026, which could unfavorably impact net sales and operating income in the U.S. Wholesale segment. Units sold decreased by a mid-single digit percentage. Average selling prices per unit were comparable to the third quarter of fiscal 2024.

U.S. Wholesale segment operating income decreased $19.1 million, or 30.3%, to $44.0 million, primarily due to a decrease in gross profit of $14.7 million and an increase in SG&A expenses of $3.8 million. Segment operating margin decreased 560 bps to 15.5%, driven by a 350 bps decrease in gross margin and a 190 bps increase in SG&A rate. The decrease in gross margin was driven by a mid-single digit percentage increase in average cost per unit sold as a result of incremental tariffs and investments in product make, partially offset by customer mix. The increase in the SG&A rate was driven by fixed cost deleverage on decreased net sales, higher bad debt expense, and increased performance-based compensation expense, partially offset by decreased distribution costs on lower volumes shipped.

International

International segment net sales increased $5.2 million, or 4.9%, to $111.7 million, driven by a 30.9% increase in net sales in Mexico due to the contribution of new retail stores, higher traffic, and increased wholesale shipments. Other contributing factors to the increase in net sales include a mid-single digit percentage increase in average selling prices per unit and increased shipments to our international wholesale partners. These factors were partially offset by unfavorable timing of wholesale customer shipments in Canada.

Canadian comparable net sales, including retail stores and eCommerce, decreased 1.5%, driven by decreased units sold, partially offset by increased average selling prices per unit. The decrease in units sold was primarily related to reduced availability of clearance inventory following a strong sell-through in the first half of fiscal 2025. Changes in foreign currency exchange rates used for translation had a $0.2 million unfavorable effect on International segment net sales.

As of September 27, 2025, we operated 192 stores and 65 stores in Canada and Mexico, respectively. As of December 28, 2024, we operated 191 and 62 stores in Canada and Mexico, respectively. As of September 28, 2024, we operated 188 and 56 stores in Canada and Mexico, respectively.

International segment operating income decreased $1.1 million, or 10.4%, to $9.2 million, primarily due to an increase in SG&A expenses of $4.5 million, partially offset by an increase in gross profit of $3.0 million and an increase in royalty income of $0.4 million. Segment operating margin decreased 140 bps to 8.2%, driven by a 220 bps increase in the SG&A rate, partially offset by a 40 bps increase in gross margin and a 40 bps increase in royalty income. The increase in gross margin was driven by higher average selling prices per unit and product mix, partially offset by higher average cost per unit sold. Average cost per unit sold increased by a mid-single digit percentage, reflecting the impact of incremental tariffs in Mexico and product mix. The increase in the SG&A rate was driven by increased performance-based compensation expense, retail store rent, and retail store employee costs, partially offset by decreased bad debt expense and fixed cost leverage on increased net sales.

Unallocated Corporate Expenses

Unallocated corporate expenses include corporate overhead expenses that are not directly attributable to one of our business segments and include unallocated accounting, finance, legal, human resources, and information technology expenses, occupancy costs for our corporate headquarters, and other benefit and compensation programs, including performance-based compensation.

Unallocated corporate expenses increased $0.1 million, or 0.6%, to $23.8 million. Unallocated corporate expenses were 3.1% of net sales, comparable to the third quarter of fiscal 2024, reflecting higher severance, relocation, and recruiting costs and increased performance-based compensation expense, offset by lower consulting costs.

THREE FISCAL QUARTERS ENDED SEPTEMBER 27, 2025 COMPARED TO THREE FISCAL QUARTERS ENDED SEPTEMBER 28, 2024

The following table summarizes our results of operations.

	Three fiscal quarters ended			
(dollars in thousands, except per share data)	**September 27, 2025**	**September 28, 2024**	**$ Change**	**% / bps Change**
Consolidated net sales	$ 1,972,975	$ 1,984,390	$ (11,415)	(0.6)%
Cost of goods sold	1,058,497	1,030,249	28,248	2.7 %
Gross profit	914,478	954,141	(39,663)	(4.2)%
Gross profit as % of consolidated net sales	*46.4 %*	*48.1 %*		*(170) bps*
Royalty income, net	14,008	14,959	(951)	(6.4)%
Royalty income, net as % of consolidated net sales	*0.7 %*	*0.8 %*		*(10) bps*
Selling, general, and administrative expenses	869,246	797,572	71,674	9.0 %
SG&A expenses as % of consolidated net sales	*44.1 %*	*40.2 %*		*390 bps*
Operating income	59,240	171,528	(112,288)	(65.5)%
Operating income as % of consolidated net sales	*3.0 %*	*8.6 %*		*(560) bps*
Interest expense	22,849	23,156	(307)	(1.3)%
Interest income	(10,007)	(8,644)	(1,363)	15.8 %
Other (income) expense, net[1]	(265)	1,028	(1,293)	nm
Pension plan settlement[1]	8,777	949	7,828	nm
Income before income taxes	37,886	155,039	(117,153)	(75.6)%
Income tax provision	10,308	31,047	(20,739)	(66.8)%
Effective tax rate[2]	*27.2 %*	*20.0 %*		*720 bps*
Net income	$ 27,578	$ 123,992	$ (96,414)	(77.8)%
Basic net income per common share	$ 0.75	$ 3.41	$ (2.66)	(78.0)%
Diluted net income per common share	$ 0.75	$ 3.41	$ (2.66)	(78.0)%
Dividend declared and paid per common share	$ 1.30	$ 2.40	$ (1.10)	(45.8)%

(1) Pension plan settlement charge for the three fiscal quarters ended September 28, 2024 has been reclassified to the Pension plan settlement line item. This charge was previously included in Other expense (income).

(2) Effective tax rate is calculated by dividing the provision for income taxes by income before income taxes.

Note: Results may not be additive due to rounding. Percentage changes that are not considered meaningful are denoted with "nm".

Consolidated Net Sales

Consolidated net sales decreased $11.4 million, or 0.6%, to $1.97 billion. The decrease in net sales was driven by lower sales of our *Simple Joys* brand, lower replenishment and demand with department stores, and the unfavorable impact of foreign currency exchange rates due to a stronger U.S. dollar compared to the first three quarters of fiscal 2024. These factors were partially offset by growth in our International segment and increased sales to off-price wholesale channel customers.

Average selling prices per unit decreased by a low-single digit percentage reflecting selected investments in pricing in the first half of fiscal 2025, partially offset by pricing actions in the third quarter of fiscal 2025 in response to incremental tariffs. Units sold increased by a low-single digit percentage. Changes in foreign currency exchange rates used for translation had an unfavorable effect on our consolidated net sales of $9.7 million.

Gross Profit and Gross Margin

Consolidated gross profit decreased $39.7 million, or 4.2%, to $914.5 million and consolidated gross margin decreased 170 bps to 46.4%. The decrease in consolidated gross profit and gross margin was driven by decreased net sales, higher average cost per unit sold, and increased sales to off-price wholesale channel customers, partially offset by channel mix and decreased inventory provisions driven by improved utilization of excess inventory. Average cost per unit sold increased by a low-single digit percentage driven by incremental tariffs and investments in product make.

Selling, General, and Administrative Expenses

Consolidated SG&A expenses increased $71.7 million, or 9.0%, to $869.2 million and increased as a percentage of consolidated net sales by 390 bps to 44.1%. This increase in SG&A rate was driven by fixed cost deleverage on decreased sales, costs related to operating model improvements and leadership transition, organizational restructuring, higher performance-based compensation expense, and investments in new and remodeled retail stores. Performance-based compensation expense as a percentage of net sales increased 60 bps, due to a higher projected attainment of annual incentive objectives relative to the prior period.

Operating Income

Consolidated operating income decreased $112.3 million, or 65.5%, to $59.2 million and decreased as a percentage of net sales by 560 bps to 3.0%, primarily due to the factors previously discussed.

Interest Income

Consolidated interest income increased $1.4 million to $10.0 million, due to increased cash balances during the period and interest recognized on federal tax refunds.

Other (Income) Expense, Net

Consolidated other income was $0.3 million in the first three quarters of fiscal 2025 compared to consolidated other expense of $1.0 million in the first three quarters of fiscal 2024. The change was driven by favorable changes in foreign currency exchange rates during the period.

Pension Plan Settlement

During the first three quarters of fiscal 2025 and fiscal 2024, the Company recognized non-cash pension settlement charges of $8.8 million and $0.9 million, respectively, which were related to the settlement of pension obligations under the frozen OshKosh B'Gosh Pension Plan.

Income Taxes

Consolidated income tax provision decreased $20.7 million, or 66.8%, to $10.3 million and the effective tax rate increased 720 bps to 27.2%. The increase in the effective tax rate was driven by lower income before income taxes in the first three quarters of fiscal 2025, incremental nondeductible officers' compensation, and Hong Kong's implementation of the Pillar Two global minimum tax legislation. This was partially offset by a lower proportion of income generated in the United States, where the tax rate is higher relative to some of our international jurisdictions, compared to the first three quarters of fiscal 2024.

Net Income

Consolidated net income decreased $96.4 million, or 77.8%, to $27.6 million, primarily due to the factors previously discussed.

Results by Segment - First Three Quarters of Fiscal 2025 compared to First Three Quarters of Fiscal 2024

The following table summarizes net sales and segment operating income, by segment, for the first three quarters of fiscal 2025 and fiscal 2024:

	Three fiscal quarters ended					
(dollars in thousands)	September 27, 2025	% of consolidated net sales	September 28, 2024	% of consolidated net sales	$ Change	% Change
Net sales:						
U.S. Retail	$ 956,288	48.5 %	$ 950,877	47.9 %	$ 5,411	0.6 %
U.S. Wholesale	726,899	36.8 %	756,022	38.1 %	(29,123)	(3.9)%
International	289,788	14.7 %	277,491	14.0 %	12,297	4.4 %
Consolidated net sales	$ 1,972,975	100.0 %	$ 1,984,390	100.0 %	$ (11,415)	(0.6)%
Segment operating income[1]:		Segment operating margin		Segment operating margin		
U.S. Retail	$ 16,052	1.7 %	$ 59,681	6.3 %	$ (43,629)	(73.1)%
U.S. Wholesale	126,369	17.4 %	162,662	21.5 %	(36,293)	(22.3)%
International	12,564	4.3 %	17,981	6.5 %	(5,417)	(30.1)%
Total segment operating income	$ 154,985	7.9 %	$ 240,324	12.1 %	$ (85,339)	(35.5)%
Items not included in segment operating income:		Consolidated operating margin		Consolidated operating margin		
Unallocated corporate expenses	$ (68,465)	n/a	$ (68,796)	n/a	$ (331)	(0.5)%
Operating model improvement costs[2]	(13,469)	n/a	—	n/a	n/a	n/a
Leadership transition costs[3]	(7,694)	n/a	—	n/a	n/a	n/a
Organizational restructuring[4]	(6,117)	n/a	—	n/a	n/a	n/a
Consolidated operating income	$ 59,240	3.0 %	$ 171,528	8.6 %	$ (112,288)	(65.5)%

(1) Segment operating income for the three fiscal quarters ended September 28, 2024 have been recast to conform to the current presentation.

(2) Primarily related to third-party consulting costs to support operating model improvements.

(3) Related to costs associated with the transition of our former CEO, including accelerated vesting of outstanding time-based restricted stock awards pursuant to a retirement agreement approved by the Board of Directors, executive recruiting costs, and other related costs.

(4) Related to charges for severance and other termination benefits as a result of organizational restructuring.

U.S. Retail

U.S. Retail segment net sales increased $5.4 million, or 0.6%, to $956.3 million. The increase in net sales was driven by sales contribution of our new retail stores, growth in our core baby assortment, and increased units per transaction in both our stores and eCommerce channels. These factors were partially offset by decreased traffic in our retail stores, lower demand for our kid-sized assortment, and lower average selling prices per unit. Average selling prices per unit decreased by a low-single digit percentage, reflecting product mix and selected investments in pricing in the first half of fiscal 2025, partially offset by pricing actions in the third quarter of fiscal 2025 in response to incremental tariffs. Units sold increased by a low-single digit percentage. Comparable net sales, including retail store and eCommerce, decreased 0.3%, driven by lower traffic and lower average selling prices per unit.

U.S. Retail segment operating income decreased $43.6 million, or 73.1%, to $16.1 million, primarily due to a decrease in gross profit of $13.3 million and an increase in SG&A expenses of $30.1 million. Segment operating margin decreased 460 bps to 1.7%, driven by a 180 bps decrease in gross margin and a 280 bps increase in the SG&A rate. The decrease in gross margin was driven by decreased average selling prices per unit, a mid-single digit percentage increase in average cost per unit sold driven by incremental tariffs and investments in product make, and product mix. The increase in the SG&A rate was driven by investments in new and remodeled retail stores, increased performance-based compensation expense, and higher distribution and transportation costs.

U.S. Wholesale

U.S. Wholesale segment net sales decreased $29.1 million, or 3.9%, to $726.9 million, driven by decreased sales of our *Simple Joys* brand primarily due to changes in business model that reduced visibility, traffic, and demand for brand. Other factors

include lower replenishment and demand with department stores and decreased average selling prices per unit, which were offset by increased demand with our other exclusive *Carter's* brands, higher sales to our off-price wholesale channel customers, and increased demand for our *Skip Hop* brand. Average selling prices per unit decreased by a low-single digit percentage driven by customer mix. Units sold decreased by a low-single digit percentage.

U.S. Wholesale segment operating income decreased $36.3 million, or 22.3%, to $126.4 million, primarily due to a decrease in gross profit of $25.6 million and an increase in SG&A expenses of $9.7 million. Segment operating margin decreased 410 bps to 17.4%. The drivers of the decrease in operating margin were a 220 bps decrease in gross margin and a 170 bps increase in SG&A rate. The decrease in gross margin was driven by decreased average selling prices per unit sold, a low-single digit percentage increase in average cost per unit sold, and customer mix, partially offset by decreased inventory provisions driven by improved utilization of excess inventory. Average cost per unit sold increased as a result of incremental tariffs, and investments in product make, partially offset by product mix. The increase in the SG&A rate was driven by increased bad debt expense, higher distribution and performance-based compensation costs, and fixed cost deleverage on decreased sales.

International

International segment net sales increased $12.3 million, or 4.4%, to $289.8 million, driven by improved demand with our international wholesale partners, and growth in Mexico and Canada. Growth in Mexico was driven by the contribution of new retail stores and higher traffic. Canadian comparable net sales, including retail stores and eCommerce, increased 2.5% driven by an increase in traffic and units sold. International segment units sold increased by a mid-single digit percentage.

These factors were partially offset by decreased average selling prices per unit. Average selling prices per unit decreased by a low-single digit percentage, driven by the unfavorable impact of foreign currency exchange rates and product mix. Changes in foreign currency exchange rates used for translation had a $9.7 million unfavorable effect on International segment net sales.

International segment operating income decreased $5.4 million, or 30.1%, to $12.6 million, primarily due to a decrease in gross profit of $0.8 million and an increase in SG&A expenses of $5.0 million. Segment operating margin decreased 220 bps to 4.3%, driven by a 230 bps decrease in gross margin, partially offset by a 10 bps decrease in the SG&A rate. The decrease in gross margin was due to decreased average selling prices per unit and increased average cost per unit sold. Average cost per unit sold increased by a mid-single digit percentage due to product mix. The decrease in the SG&A rate was driven by fixed cost leverage on increased net sales, partially offset by increased performance-based compensation and higher retail store rent and retail store employee costs.

Unallocated Corporate Expenses

Unallocated corporate expenses decreased $0.3 million, or 0.5%, to $68.5 million. Unallocated corporate expenses were 3.5% of net sales, comparable to the first three quarters of fiscal 2024.

RECONCILIATION OF NON-GAAP FINANCIAL MEASURES TO GAAP MEASURES

We have provided non-GAAP adjusted operating income, income taxes, net income, and diluted net income per common share measures, which exclude certain items presented below. We believe that this information provides a meaningful comparison of our results and affords investors a view of what management considers to be our core performance, and we also, from time to time, use some of these non-GAAP measures, such as adjusted operating income, as performance metrics in awards under our annual and long-term incentive compensation plans. These measures are not in accordance with, or an alternative to, generally accepted accounting principles in the U.S. (GAAP). The most comparable GAAP measures are operating income, income tax provision, net income, and diluted net income per common share, respectively. Adjusted operating income, income taxes, net income, and diluted net income per common share should not be considered in isolation or as a substitute for analysis of our results as reported in accordance with GAAP. Other companies may calculate adjusted operating income, income taxes, net income, and diluted net income per common share differently than we do, limiting the usefulness of the measure for comparisons with other companies.

	Fiscal quarter ended									
	September 27, 2025					September 28, 2024				
(dollars in millions, except earnings per share)	Operating Income	% Net Sales	Income Taxes	Net Income	Diluted Net Income per Common Share	Operating Income	% Net Sales	Income Taxes	Net Income	Diluted Net Income per Common Share
As reported (GAAP)	**$ 29.1**	**3.8 %**	**$ 3.2**	**$ 11.6**	**$ 0.32**	**$ 77.0**	**10.2 %**	**$ 12.4**	**$ 58.3**	**$ 1.62**
Organizational restructuring[1]	6.1		1.5	4.6	0.13	—		—	—	—
Operating model improvement costs[2]	3.7		0.9	2.8	0.08	—		—	—	—
Leadership transition costs[3]	0.5		0.1	0.4	0.01	—		—	—	—
Pension plan settlement[4]	—		2.1	6.7	0.18	—		0.2	0.7	0.02
Deferred compensation plan termination[5]	—		(0.8)	0.8	0.02	—		—	—	—
As adjusted	**$ 39.4**	**5.2 %**	**$ 7.1**	**$ 26.8**	**$ 0.74**	**$ 77.0**	**10.2 %**	**$ 12.6**	**$ 59.0**	**$ 1.64**

(1) Related to charges for severance and other termination benefits as a result of organizational restructuring.

(2) Primarily related to third-party consulting costs to support operating model improvements.

(3) Related to costs associated with the transition of our former CEO, including executive recruiting costs, and other related costs.

(4) Related to non-cash charges as a result of pension plan settlements.

(5) Related to the incremental income tax impact resulting from the announced termination of the Company's deferred compensation plan.

Note: Results may not be additive due to rounding.

	Three fiscal quarters ended									
	September 27, 2025					September 28, 2024				
(dollars in millions, except earnings per share)	Operating Income	% Net Sales	Income Taxes	Net Income	Diluted Net Income per Common Share	Operating Income	% Net Sales	Income Taxes	Net Income	Diluted Net Income per Common Share
As reported (GAAP)	**$ 59.2**	**3.0 %**	**$ 10.3**	**$ 27.6**	**$ 0.75**	**$ 171.5**	**8.6 %**	**$ 31.0**	**$ 124.0**	**$ 3.41**
Operating model improvement costs[1]	13.5		3.2	10.2	0.29	—		—	—	—
Leadership transition costs[2]	7.7		0.7	7.0	0.19	—		—	—	—
Organizational restructuring[3]	6.1		1.5	4.6	0.13	—		—	—	—
Pension plan settlement[4]	—		2.1	6.7	0.19	—		0.2	0.7	0.02
Deferred compensation plan termination[5]	—		(0.8)	0.8	0.02	—		—	—	—
As adjusted	**$ 86.5**	**4.4 %**	**$ 17.0**	**$ 56.9**	**$ 1.57**	**$ 171.5**	**8.6 %**	**$ 31.3**	**$ 124.7**	**$ 3.43**

(1) Primarily related to third-party consulting costs to support operating model improvements.

(2) Related to costs associated with the transition of our former CEO, including accelerated vesting of outstanding time-based restricted stock awards pursuant to a retirement agreement approved by the Board of Directors, executive recruiting costs, and other related costs.

(3) Related to charges for severance and other termination benefits as a result of organizational restructuring.

(4) Related to non-cash charges as a result of pension plan settlement.

(5) Related to the incremental income tax impact resulting from the announced termination of the Company's deferred compensation plan.

Note: Results may not be additive due to rounding.

LIQUIDITY AND CAPITAL RESOURCES

Our ongoing cash needs are primarily for working capital (consisting primarily of inventory), capital expenditures, employee compensation, interest on debt, the return of capital to our shareholders, and other general corporate purposes. We expect that our primary sources of liquidity will be cash and cash equivalents on hand, cash flow from operations, and available borrowing capacity under our secured revolving credit facility. We believe that our sources of liquidity are sufficient to meet our cash requirements for at least the next twelve months. However, these sources of liquidity may be affected by events described in "Forward-Looking Statements" section of this Form 10-Q, including, but not limited to, our risk factors discussed under the heading "Risk Factors" in Part II, Item 1A. of this Quarterly Report on Form 10-Q, the risk factors discussed under the heading "Risk Factors" in our most recently filed Annual Report on Form 10-K, and in other reports filed with the Securities and Exchange Commission from time to time.

As discussed under the heading "Known or Anticipated Trends" in this Quarterly Report on Form 10-Q, the impacts of new tariffs or trade restrictions will have an adverse impact on our cost structure and could have an adverse impact on our supply chain, which may impact our working capital needs in the near term. We are pursuing actions to mitigate the impact, but we expect some volatility in cash flows in near term. However, we believe that our sources of liquidity, including the available borrowing capacity under our secured revolving credit facility, will be sufficient to manage these recent developments.

As of September 27, 2025, we had $184.2 million of cash and cash equivalents held at major financial institutions, including $52.2 million held at financial institutions located outside of the United States. We maintain cash deposits with major financial institutions that exceed the insurance coverage limits provided by the Federal Deposit Insurance Corporation in the United States and by similar insurers for deposits located outside the United States. To mitigate this risk, we utilize a policy of allocating cash deposits among major financial institutions that have been evaluated by us and third-party rating agencies as having acceptable risk profiles.

Balance Sheet

Net accounts receivable at September 27, 2025 were $237.9 million compared to $247.0 million at September 28, 2024 and $194.8 million at December 28, 2024. The decrease of $9.1 million, or 3.7%, at September 27, 2025 compared to September 28, 2024 primarily reflects the timing of wholesale customer shipments. Due to the seasonal nature of our operations, the net accounts receivable balance at September 27, 2025 is not comparable to the net accounts receivable balance at December 28, 2024.

Inventories at September 27, 2025 were $656.1 million compared to $607.4 million at September 28, 2024 and $502.3 million at December 28, 2024. The increase of $48.8 million, or 8.0%, at September 27, 2025 compared to September 28, 2024 was driven by $34.0 million of incremental tariffs imposed on products imported into the United States and investments in product make. Days of supply were comparable to September 28, 2024. Due to the seasonal nature of our operations, the inventory balance at September 27, 2025 is not comparable to the inventories balance at December 28, 2024.

Operating lease assets at September 27, 2025 were $611.6 million compared to $560.2 million at September 28, 2024 and $577.1 million at December 28, 2024. The increase of $51.3 million or 9.2%, at September 27, 2025 compared to September 28, 2024 was driven by the renewal of one of our distribution centers in Georgia, the commencement of a new corporate office lease in New York following the expiration of the prior lease, and investments in our retail store fleet.

Cash Flow

Net Cash (Used in) Provided by Operating Activities

Net cash used in operating activities was $136.3 million for the first three quarters of fiscal 2025 compared to net cash provided by operating activities of $11.3 million in the first three quarters of fiscal 2024. Our cash flow provided by operating activities is driven by net income and changes in our working capital. The change in net cash from operating activities was primarily driven by decreased net income and increased inventory purchases driven by incremental tariffs imposed on products imported into the U.S.

Net Cash Used in Investing Activities

Net cash used in investing activities was $42.7 million for the first three quarters of fiscal 2025 compared to $39.6 million in the first three quarters of fiscal 2024. The increase in net cash used in investing activities was driven by increased capital expenditures. Capital expenditures in the first three quarters of fiscal 2025 was driven by U.S. and international retail store openings and remodels and investments in our distribution facilities.

We plan to invest $60.0 million in capital expenditures in fiscal 2025, which primarily relates to U.S. and international retail store openings and remodels, investments in our distribution facilities, and strategic information technology initiatives.

Net Cash Used in Financing Activities

Net cash used in financing activities was $52.1 million in the first three quarters of fiscal 2025 compared to $145.1 million in the first three quarters of fiscal 2024. This change in cash flow from financing activities was primarily driven by open market repurchases of common stock in the first three quarters of fiscal 2024 that did not reoccur in the first three quarters of fiscal 2025 and a decrease in cash dividends distributed to shareholders.

Share Repurchases

The Company did not repurchase and retire shares in open market transactions in the first three quarters of fiscal 2025. In the first three quarters of fiscal 2024, we repurchased and retired 736,423 shares in open market transactions for $50.5 million, at an average price of $68.61 per share.

The total remaining capacity under outstanding repurchase authorizations as of September 27, 2025 was $599.0 million, based on settled repurchase transactions. The share repurchase authorizations have no expiration dates.

Future repurchases may occur from time to time in the open market, in privately negotiated transactions, or otherwise. The timing and amount of any repurchases will be at the discretion of the Company subject to restrictions under the Company's secured revolving credit facility and considerations given to market conditions, stock price, other investment priorities, and other factors.

Dividends

In the first, second, and third quarters of fiscal 2025, the Board of Directors declared, and the Company paid, a cash dividend per common share of $0.80, $0.25, and $0.25, respectively (for an aggregate cash dividend per common share of $1.30 for the first three quarters of fiscal 2025). Additionally, in each of the first three quarters of fiscal 2024, the Board of Directors declared, and the Company paid, a cash dividend per common share of $0.80 (for an aggregate cash dividend per common share of $2.40 for the first three quarters of fiscal 2024). Our Board of Directors will evaluate future dividend declarations based on a number of factors, including restrictions under the Company's secured revolving credit facility, business conditions, the Company's financial performance, and other considerations.

Provisions in our secured revolving credit facility could have the effect of restricting our ability to pay cash dividends on, or make future repurchases of, our common stock, as further described in Note 6, *Long-term Debt*, to the condensed consolidated financial statements.

Financing Activities

Secured Revolving Credit Facility

As of September 27, 2025, December 28, 2024, and September 28, 2024, the Company had no outstanding borrowings under its secured revolving credit facility, exclusive of $6.9 million, $4.7 million, and $5.7 million of outstanding letters of credit, respectively. There were no borrowings in the first three quarters of fiscal 2025 or fiscal 2024.

As of September 27, 2025, December 28, 2024, and September 28, 2024, there was $843.1 million, $845.3 million, and $844.3 million available for future borrowing, respectively. All outstanding borrowings under our secured revolving credit facility are classified as non-current liabilities on our condensed consolidated balance sheets due to contractual repayment terms under the credit facility. However, these repayment terms also allow us to repay some or all of the outstanding borrowings at any time.

Our secured revolving credit facility provides for a leverage-based pricing grid which determines an interest rate for borrowings, calculated as the applicable floating benchmark rate plus a credit spread adjustment, if any, plus an amount ranging from 1.125% to 1.625%, based on leverage. As of September 27, 2025, the borrowing rate for an adjusted term Secured Overnight Financing Rate ("SOFR") loan would have been 5.39%, which includes a leverage-based adjustment of 1.125%.

As of September 27, 2025, the Company was in compliance with its financial and other covenants under the secured revolving credit facility.

In October 2025, the Company's wholly-owned subsidiaries, The William Carter Company and The Genuine Canadian Corp., obtained commitments for a new five-year asset-based revolving credit facility with initial borrowing commitments of no less than $750 million, subject to the borrowing base under the new facility.

Senior Notes

As of September 27, 2025, the Company had $500.0 million principal amount of senior notes outstanding, bearing interest at a rate of 5.625% per annum, and maturing on March 15, 2027. On our condensed consolidated balance sheets, the $500.0 million of outstanding senior notes as of September 27, 2025 is reported net of $1.3 million of unamortized issuance-related debt costs. We are evaluating opportunities to refinance our $500.0 million principal amount of senior notes outstanding that mature on March 15, 2027.

Seasonality

We experience seasonal fluctuations in our sales and profitability due to the timing of certain holidays and key retail shopping periods, which generally has resulted in lower sales and gross profit in the first half of our fiscal year versus the second half of the fiscal year. Accordingly, our results of operations during the first half of the year may not be indicative of the results we expect for the full year.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Our discussion and analysis of our financial condition and results of operations are based upon our condensed consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues, expenses, and related disclosure of contingent assets and liabilities. We base our estimates on historical experience and on various other assumptions that we believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

Our critical accounting policies and estimates are described under the heading "Critical Accounting Policies and Estimates" in Item 7 of our most recent Annual Report on Form 10-K for the 2024 fiscal year ended December 28, 2024. Our critical accounting policies and estimates are those policies that require management's most difficult and subjective judgments and may result in the need to make estimates about the effect of matters that are inherently uncertain. Our critical accounting policies and estimates include: revenue recognition and accounts receivable allowance, inventory, goodwill and other indefinite-lived intangible assets, accrued expenses, loss contingencies, accounting for income taxes, foreign currency, employee benefit plans, and stock-based compensation arrangements. There have been no material changes in these critical accounting policies and estimates from those described in our most recent Annual Report on Form 10-K.

Goodwill and Indefinite-lived Intangible Assets

During the second quarter of fiscal 2025, the Company identified a triggering event related to the new tariffs enacted by the Trump Administration and the resulting unfavorable impact on the Company's financial forecasts, as well as a sustained decrease in the Company's stock price since the last impairment test conducted in the fourth quarter of fiscal 2024. As a result, the Company performed a quantitative impairment test on the goodwill ascribed to each of the Company's reporting units and on the value of its indefinite-lived intangible tradename assets. Based on these assessments, there were no impairments to the value of goodwill or to our indefinite-lived tradename assets in the second quarter of fiscal 2025

Additionally, during the third quarter of fiscal 2025, the Company identified a triggering event related to the sustained decrease in the Company's stock price since the last impairment test conducted in the second quarter of fiscal 2025. As a result, the Company performed a quantitative impairment test on the goodwill ascribed to each of the Company's reporting units and on the value of its indefinite-lived intangible tradename assets.

The assumptions used in the quantitative impairment test of the goodwill of our reporting units include revenue growth and profitability, terminal growth rates, discount rates, market multiples, and a control premium. The assumptions used in the quantitative impairment test of our indefinite-lived intangible tradename assets include revenue growth and profitability, terminal growth rates, discount rates, and royalty rates.

The assessment indicated that the fair value of assets for the U.S. Wholesale reporting unit exceeded its carrying value by over 100%. Additionally, the fair value of our indefinite-lived tradename assets exceeded the carrying values by at least 25%.

The assessment indicated that the fair value of assets for the U.S. Retail, Canada, and Other International reporting units exceeded its carrying values by approximately 4%, 7%, and 4%, respectively. Sensitivity tests on the Canada reporting unit showed that a 100 bps increase in the discount rate, 50 bps decrease in the long-term revenue growth rate, a 250 bps decrease in revenue growth rates, or a 50 bps decrease in operating margins would not change the conclusion and would not result in an impairment charge.

Sensitivity tests on the U.S. Retail reporting unit showed that a 50 bps decrease in the long-term revenue growth rate would not change the conclusion and would not result in an impairment charge. However, a 250 bps decrease in the revenue growth rates, a 100 bps increase in the discount rate, or a 50 bps decrease in operating margins would indicate goodwill impairment charges of approximately $20 million, $30 million, and $50 million ascribed to the U.S. Retail reporting unit, respectively.

Sensitivity tests on the Other International reporting unit showed that a 50 bps decrease in the long-term growth rate would not change the conclusion and would not result in an impairment charge. However, a 100 bps increase in the discount rate, a 250 bps decrease in the revenue growth rates, or a 50 bps decrease in operating margins would indicate goodwill impairment charges of approximately $8 million, $3 million, and $3 million ascribed to the Other International reporting unit, respectively.

The degree of uncertainty associated with the assumptions used in our impairment tests is elevated in the current macroeconomic environment due to evolving trade policies. The Company continues to monitor these macroeconomic conditions, including the potential impacts from new tariffs or trade restrictions, which could adversely affect the financial performance of our reporting units and indefinite-lived intangible tradename assets. Should these conditions lead to a significant decline in projected financial results, there could be impairment charges to these assets mentioned above, to the goodwill ascribed to our other reporting units, or to our other indefinite-lived intangible tradename assets.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Currency and Interest Rate Risks

In the operation of our business, we have market risk exposures including those related to foreign currency risk and interest rates. These risks, and our strategies to manage our exposure to them, are discussed below.

Currency Risk

We contract for production with third parties, primarily in Asia. While these contracts are stated in U.S. dollars, there can be no assurance that the cost for the future production of our products will not be affected by exchange rate fluctuations between the U.S. dollar and the local currencies of these contractors. Due to the number of currencies involved, we cannot quantify the potential impact that future currency fluctuations may have on our results of operations in future periods.

The financial statements of our foreign subsidiaries that are denominated in functional currencies other than the U.S. dollar are translated into U.S. dollars using period-end exchange rates for assets and liabilities and weighted-average exchange rates for revenues and expenses. The resulting translation adjustments are recorded as a component of Accumulated other comprehensive income (loss) in our condensed consolidated balance sheets.

Our foreign subsidiaries typically record sales denominated in currencies other than the U.S. dollar, which are then translated into U.S. dollars using weighted-average exchange rates. The changes in foreign currency exchange rates used for translation in the third quarter of fiscal 2025, compared to the third quarter of fiscal 2024, had a $0.2 million unfavorable effect on our consolidated net sales. Changes in foreign currency exchange rates used for translation in the first three quarters of fiscal 2025, compared to the first three quarters of fiscal 2024, had a $9.7 million unfavorable effect on our consolidated net sales.

Fluctuations in exchange rates between the U.S. dollar and other currencies may affect our results of operations, financial position, and cash flows. Transactions by our foreign subsidiaries may be denominated in a currency other than the entity's functional currency. Foreign currency transaction gains and losses also include the impact of intercompany loans with foreign subsidiaries that are marked to market. In our condensed consolidated statement of operations, these gains and losses are recorded within Other (income) expense, net. Foreign currency transaction gains and losses related to intercompany loans with foreign subsidiaries that are of a long-term nature are accounted for as translation adjustments and are included in Accumulated other comprehensive income (loss) in our condensed consolidated balance sheets.

Interest Rate Risk

Our operating results are subject to risk from interest rate fluctuations on our secured revolving credit facility, which carries variable interest rates. As of September 27, 2025, there were no variable rate borrowings outstanding under the secured revolving credit facility. As a result, the impact of a hypothetical 100 bps increase in the effective interest rate would not result in a material amount of additional interest expense over a 12-month period.

Other Risks

We enter into various purchase order commitments with our suppliers. We generally can cancel these arrangements, although in some instances we may be subject to a termination charge reflecting a percentage of work performed prior to cancellation.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Our Principal Executive Officer and Principal Financial Officer have evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined under Rules 13a-15(e) and 15d-15(e) promulgated under the Securities Exchange Act of 1934, as amended) as of the end of the period covered by this Quarterly Report on Form 10-Q. Based upon that evaluation, our Principal Executive Officer and Principal Financial Officer have concluded that our disclosure controls and procedures are effective as of September 27, 2025.

Changes in Internal Control over Financial Reporting

The Principal Executive Officer and Principal Financial Officer also conducted an evaluation of the Company's internal control over financial reporting ("Internal Control") to determine whether any changes in Internal Control occurred during the fiscal quarter ended September 27, 2025 that have materially affected, or which are reasonably likely to materially affect, Internal Control.

There were no changes in the Company's Internal Control that materially affected, or were likely to materially affect, such control over financial reporting during the fiscal quarter ended September 27, 2025.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The Company is subject to various claims and pending or threatened lawsuits in the normal course of our business. The Company is not currently a party to any legal proceedings that it believes would have a material adverse effect on its financial position, results of operations, or cash flows.

ITEM 1A. RISK FACTORS

Except as noted below, there have been no material changes to the risk factors described in our Form 10-K for the 2024 fiscal year ended December 28, 2024.

We may not fully realize the expected benefits of our restructuring plans or other operating or cost-saving initiatives, which may negatively impact our profitability.

We have recently announced a restructuring plan designed to more closely align our financial resources against the critical priorities of our business and rebalance our cost base to further improve future profitability. We have also implemented several changes to our operating model and continue to refine our operating model in response to business and market conditions. We may not achieve the operational improvements and efficiencies that we targeted in our restructuring plans and operating model changes, which could adversely impact our results of operations and financial condition. Implementing any restructuring plan or operating model change presents significant potential risks including, among others, higher than anticipated implementation costs, management distraction from ongoing business activities, failure to maintain adequate controls and procedures while executing our restructuring plans and operating model changes, damage to our reputation and brand image and workforce attrition beyond planned reductions. If we fail to achieve targeted operating improvements and/or cost reductions, our profitability and results of operations could be negatively impacted, which may be dilutive to our earnings in the short term.

We face risks related to the uncertainty regarding the future of international trade agreements and the United States' position on international trade. Significant political, trade, regulatory developments, and other circumstances beyond our control, are expected to have a material impact on our business, financial condition, and results of operations if we are unable to successfully implement various mitigating actions.

We sell products outside the United States through our multichannel global business model, and we rely on a network of global suppliers, primarily located in Asia. We estimate that Vietnam, Cambodia, Bangladesh, and India will collectively represent approximately 75%, and China less than 3%, of our product sourcing spend in fiscal 2025. In addition, 60% of the fabric that was used in the manufacture of our products in fiscal 2024 was sourced from China. As a result of the tariffs announced on April 2, 2025 by the Trump Administration, we are anticipating increased supply chain challenges, cost volatility, and consumer and economic uncertainty due to rapid changes in global trade policies. We continue to analyze the impact of these tariffs on our business and actions we can take to minimize their impact. We expect these new tariffs to have a material impact on our business and results of operations in fiscal year 2025 and in the longer term if we are unable to successfully implement various mitigating actions noted below.

Uncertainty regarding policies of the Trump Administration with respect to the future of trade partnerships and relations, including as a result of the tariffs announced on April 2, 2025 and additional tariffs that may be announced or implemented in the future, are expected to impact our market share, revenue and gross margins and reduce our competitiveness in countries that will be affected by those policies. In addition, these developments may also negatively impact the carrying value of our reporting units and our indefinite-lived tradename assets.

As a result of the tariffs announced on April 2, 2025 or additional tariffs or other restrictions, quotas, embargoes, or safeguards that are placed on goods imported into the United States, or any related counter-measures that are taken by other countries, we expect to take actions which may include, but not be limited to, changes to our product assortments, cost sharing with our vendor partners, changes to the mix of production by country, and raising prices to end consumers and our wholesale customers. The actions that we take may not fully offset the impact of tariffs and, as a result, our market share, revenue, gross margins, and results of operations may be materially harmed.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Share Repurchases

The following table provides information about share repurchases during the third quarter of fiscal 2025:

Period	Total number of shares purchased[1]	Average price paid per share	Total number of shares purchased as part of publicly announced plans or programs[2]	Approximate dollar value of shares that may yet be purchased under the plans or programs[3]
June 29, 2025 through July 26, 2025	—	$ —	—	$ 598,966,271
July 27, 2025 through August 23, 2025	6,238	$ 25.21	—	$ 598,966,271
August 24, 2025 through September 27, 2025	—	$ —	—	$ 598,966,271
Total	6,238		—	

(1) All the shares purchased represent shares of our common stock surrendered by our employees to satisfy required tax withholding upon the vesting of restricted stock awards between July 27, 2025 and August 23, 2025.

(2) The Company did not repurchase shares in open market transactions during the third quarter of fiscal 2025. Refer to the open market repurchases as disclosed in Note 7, *Common Stock*, to our accompanying unaudited condensed consolidated financial statements included in Part I. Item 1 of this Quarterly Report on Form 10-Q.

(3) Under share repurchase authorizations approved by our Board of Directors. The share repurchase authorizations have no expiration date.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

N/A

ITEM 4. MINE SAFETY DISCLOSURES

N/A

ITEM 5. OTHER INFORMATION

Securities Trading Plans of Directors and Executive Officers

During the fiscal quarter ended September 27, 2025, none of the Company's directors or officers, as defined in Section 16 of the Exchange Act adopted or terminated any contract, instruction or written plan for the purchase or sale of Company securities that was intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) or any "non-Rule 10b5-1 trading arrangement" as defined under Item 408(a) of Regulation S-K.

ITEM 6. EXHIBITS

Exhibit Number	Exhibit Description	Incorporated by Reference			Filed Herewith
		Form	Exhibit Number	Filing Date	
3.1	Amended and Restated Certificate of Incorporation of Carter's, Inc.	8-K	3.1	May 23, 2017	
3.2	Amended and Restated By-Laws of Carter's, Inc.	8-K	3.1	August 18, 2023	
3.3	Certificate of Designation of the Series A Junior Participating Preferred Stock of the Company, dated September 24, 2025	8-A	3.1	September 24, 2025	
4.1	Stockholder Rights Agreement, dated as of September 22, 2025, by and between the Company and Equiniti Trust Company, LLC, as rights agent (which includes the Form of Rights Certificate as Exhibit B thereto)	8-A	4.1	September 24, 2025	
10.1	Separation Agreement effective September 3, 2025, between The William Carter Company and Kendra D. Krugman				X
31.1	Rule 13a-15(e)/15d-15(e) and 13a-15(f)/15d-15(f) Certification.				X
31.2	Rule 13a-15(e)/15d-15(e) and 13a-15(f)/15d-15(f) Certification.				X
32	Section 1350 Certification.				X
101.INS	XBRL Instance Document - the instant document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document				X
101.SCH	XBRL Taxonomy Extension Schema Document				X
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document				X
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document				X
101.LAB	XBRL Taxonomy Extension Label Linkbase Document				X
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document				X
104	The cover page from this Current Report on Form 10-Q formatted as Inline XBRL				X

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

CARTER'S, INC.

October 27, 2025 /s/ DOUGLAS C. PALLADINI

Douglas C. Palladini
Chief Executive Officer & President
(Principal Executive Officer)

October 27, 2025 /s/ RICHARD F. WESTENBERGER

Richard F. Westenberger
Chief Financial Officer & Chief Operating Officer
(Principal Financial & Accounting Officer)

SEPARATION AGREEMENT

THIS SEPARATION AGREEMENT ("Agreement") is made by and between Kendra Krugman ("Executive"), Carter's, Inc. ("Carter's") and its subsidiary The William Carter Company ("TWCC" and, together with Carter's, the "Company").

WHEREAS the Executive has been employed as the Chief Product Officer pursuant to the Amended and Restated Severance Agreement between the Executive and the Company dated July 15, 2018, by and between the Executive and TWCC ("Employment Agreement").

WHEREAS the Executive has provided the Company valuable service during her employment;

WHEREAS the Executive and the Company, pursuant to Paragraph 3(c)(ii) of the Employment Agreement, have reached agreement on the timing and other terms and conditions of the Executive's separation from employment with the Company, including without limitation the payments and benefits to be provided the Executive in connection therewith; and

WHEREAS the Company and the Executive wish to memorialize all of the aforementioned terms and conditions of their agreement;

NOW, THEREFORE, in consideration of the foregoing premises and the mutual promises, terms, provisions, and conditions set forth in this Agreement, the receipt and sufficiency of which are hereby acknowledged, the parties hereby agree as follows:

1. **Separation from Service**.

(a) Except as provided herein, each of the Executive and the Company hereby waives any notice that might otherwise be required from the other in connection with the Executive's separation from the service of the Company, whether under the Employment Agreement or otherwise, and the parties hereby confirm that the Executive's employment by the Company will terminate, effective as of October 21, 2025, or on an earlier agreed upon date ("Separation Date").

(b) The Executive and the Company also hereby confirm that, effective as of the Separation Date, the Executive shall resign, and the Company shall accept her resignation, from the Executive's occupancy of any and all offices and directorships for any of the Company's subsidiaries or other affiliates. The Executive shall execute such additional confirmations of the foregoing resignations as the Company may reasonably request.

2. **Compensation and Benefits**. The Company shall pay to the Executive the following as full compensation for the services performed by the Executive through the

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Separation Date in full satisfaction of any rights the Executive may have under the Employment Agreement, subject to the other terms and conditions of this Agreement:

(a) Following the Separation Date, the Company shall pay to the Executive her salary earned during the final payroll period of her employment, through the Separation Date, but not as yet paid, if any, and a vacation payout equivalent to two and one half (2.5) weeks of vacation. The Company shall reimburse any business expenses incurred by the Executive through the Separation Date that are eligible for reimbursement under Company policies but have not yet been reimbursed, provided that the Executive submits those expenses, with all required documentation and substantiation, within 30 days following the date such expenses were incurred. Appropriate reimbursement of the expenses shall be made promptly, but not later than the end of the calendar year following the calendar year in which the expense is incurred. Executive shall retain her right to all vested benefits in any pension, profit sharing, 401(k), or other retirement plan as of her Separation Date.

(b) Following the Separation Date, the Company will pay the Executive Two hundred and fifty thousand dollars ($250,000) as outlined in the parties Retention Agreement executed on April 1, 2025. Payment will be remitted on October 31, 2025.

(c) Following the Separation Date, the Company will pay the Executive a total of 12 months of pay ("Severance Pay Period"). This severance pay amounts to Seven hundred seventy-five thousand dollars and no/cents ($775,000), which will be paid in equal installments of $29,807.70 on a bi-weekly basis and coincide with the Company's regular pay periods commencing on December 21, 2025. Executive's first severance payment on December 21, 2025, will be a lump sum payment of $149,038.50, which represents the first five installments of severance pay in compliance with Paragraph 4(b)(i) of the Employment Agreement. The Company and the Executive acknowledge and agree that the Executive will not be eligible to receive any severance or other benefit under the Company's Severance Plan, or any other severance plan or arrangement of the Company, except as provided in this Agreement. The severance shall be subject to withholding for state and federal taxes and lawful authorized deductions for any benefit plans in which Executive continues to participate during the Severance Pay Period. The foregoing severance payments will not be treated as compensation under any pension, profit sharing, 401(k), or other benefit plan that bases benefits in whole or part on compensation received from the Company.

(d) After the Separation Date, provided the Executive and the Executive's dependents are eligible to continue to participate in the Company's group medical insurance plans following the date the Executive's employment terminates under the federal law commonly known as "COBRA" and elect to do so in a timely manner, then, until the earlier of (A) twelve (12) months following the Separation Date, (B) the date the Executive becomes eligible for coverage under the health plans of another employer, or (C) the date the Executive ceases to be eligible to continue participation in the Company's health plans under COBRA, the Company will cover the employer portion of the

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premiums for the coverage at the same rate as if the Executive remained an active employee of the Company. The premium contributions will be made directly to the Benefits administrator in this case, resulting in the Executive being charged a lower monthly rate for COBRA coverage.

(e) On the date when other bonuses, if any, are paid for fiscal 2025 to participants in the Company's Amended and Restated Annual Incentive Plan ("Bonus Plan"), but not later than March 15, 2026, the Company shall pay the Executive her prorated bonus for 2025 as if she had continued her employment through October 21, 2025, subject to approval by the Compensation Committee, in accordance with the Bonus Plan. The amount of any such bonus shall be determined by multiplying the amount of the bonus that would have been paid to the Executive pursuant to the Bonus Plan had the Executive remained employed for the full fiscal year by a fraction, the numerator, which is 294 (the days actually worked by the Executive in 2025), and the denominator, which is 365.

(f) The parties hereto acknowledge that the Executive currently holds restricted shares of, and options to acquire common stock of, Carter's that have been granted to the Executive under the Carter's, Inc. Amended and Restated Equity Incentive Plan or predecessor plans ("Equity Plan"). The parties agree that vesting of the Executive's shares and options will continue as normal through the Separation Date. The parties hereto agree that, upon the Separation Date, any unvested shares of restricted stock and any unvested stock options shall be terminated and shall be of no further force or effect. Any vested options shall continue to be exercisable until the expiration of sixty (60) days following the Separation Date and will then, to the extent not previously exercised, immediately expire; *provided*, that nothing in this Agreement shall affect the future applicability of any corporate merger, acquisition or similar provision of the plans or programs under which the vested options were granted that might result in an earlier termination or conversion of the options so referenced. Except for the restricted stock and stock options referenced in this subsection (f), the Executive has no equity or equity-based awards from the Company. Executive understands and agrees that she will not receive any additional equity grants in 2025 other than those grants already received in 2025 by Executive.

3. **Section 409A Compliance.** The Executive will be deemed to have an "involuntary separation from service," as defined in Treasury Regulation § 1.409A-1(n), on her Separation Date. Furthermore, each installment payment or benefit provided for in this Agreement is a separate payment within the meaning of Treasury Regulation section 1.409A-2(b)(2)(i). Accordingly, the payments made under this Agreement are intended to fall within the short-term deferral exemption and/or the separation pay exemption as provided under Treasury Regulation § 1.409A-1(b)(4) and -1(b)(9), respectively ("Exemptions"). If the payments under this Agreement are determined to not fall under one of the Exemptions and if the Executive is a "specified employee," as defined in section 409A of the Internal Revenue Code of 1986, as amended, the Company will delay payments provided for in this Agreement in accordance with Treasury Regulation §

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1.409A-3(i)(2). To the extent that the payments under this Agreement fall within one or both of the Exemptions, the Company in its sole discretion may choose to accelerate the payments in Section 2(b).

4. **Withholding**. All payments made and benefits provided directly or indirectly by the Company under this Agreement shall be reduced by any tax or other amounts required to be withheld under applicable law, and all such withheld amounts shall be deemed to have been paid to the Executive hereunder. The Company may withhold, or cause to be withheld, from any source of payments owed to the Executive; or, if the cash portion of amounts paid contemporaneously with the withholding obligation are not sufficient, the Company may require the Executive to pay (and the Executive upon notice thereof shall promptly pay) by separate check, all amounts required to be withheld in respect of any such payments or benefits.

5. **Acknowledgement of Full Payment**. The Executive hereby acknowledges and agrees that the payments to be provided under Section 2(a) of this Agreement are in complete satisfaction of any and all compensation due to the Executive from the Company, whether for services provided to the Company or otherwise, through the Separation Date, and that, except as expressly provided in Sections 2(b) through 2(f) hereof, no further compensation of any kind is owed or will be paid to the Executive.

6. **Status of Employee Benefits**. The Executive's participation in all employee benefit plans of the Company will cease in accordance with the terms of those plans, except as expressly provided herein.

7. **Cooperation**. The Executive shall cooperate with the Company in order to facilitate a smooth transition of the Executive's responsibilities and for other purposes as the Company deems appropriate and which are related to the Executive's employment. The Executive also agrees to cooperate with the Company and its representatives with respect to all matters arising during or related to her employment, including but not limited to, all matters in connection to international licensees, operations in Canada and Mexico, and any governmental investigation, litigation, or regulatory or other proceeding which may have arisen during her employment or which may arise following the signing of this Agreement. Executive understands that she will not receive any additional compensation for such cooperation, except that the Company will, pursuant to the Company's By-laws, provide indemnification to Executive in connection with her participation in any pending or new, civil, administrative, regulatory, or criminal cases based upon facts and events which may have occurred while Executive was employed by the Company. Executive must submit a Letter of Undertaking to the Company, subject to approval by the Board of Directors, to obtain indemnification and any advancement of Executive's legal and related expenses. Executive agrees that any testimony she provides in connection with such cooperation will be truthful.

8. **Surviving Obligations.** Paragraphs 8, 9, and 10 of the Employment Agreement, and such other provisions of the Employment Agreement as are necessary or desirable for the enforcement by the Company of its rights under those enumerated paragraphs shall

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survive execution of this Agreement and the termination of the Executive's employment and of the Employment Agreement in accordance with the terms of the aforesaid paragraphs. The parties agree that Section 10(a) of the Employment Agreement shall be amended so that the second sentence is deleted and replaced with the following sentence: Therefore, Executive agrees that, during Executive's employment and for one year following the Separation Date, regardless of the basis or timing of termination (the "Restricted Period"), Executive shall not, directly or indirectly, provide services in a Restricted Capacity (as defined in the Employment Agreement) in the Restricted Territory (as defined in the Employment Agreement) to children's specialty retail brands, including but not limited to, Justice, Children's Place, Gap Kids, Old Navy, and Hanna Anderson. The Company acknowledges that any unpaid obligations it owes Executive pursuant to this Agreement shall inure to her estate upon her death.

9. **Release of Claims**.

(a) In exchange for those payments and benefits to be provided the Executive under Sections 2(b) through 2(f) hereof in accordance with this Agreement, and for other good and valuable consideration, to which the Executive would not otherwise be entitled, the Executive agrees completely and irrevocably to release all claims, obligations, causes of action and demands which she has or ever had, from the beginning of time to the Separation date, against the Company, its parents, subsidiaries, divisions, joint ventures, partnerships and/or affiliated entities, their predecessors, successors and assigns, and all of their present and/or former officers, directors, managers, supervisors, employees, shareholders, agents, representatives, and employee benefit or pension plans or funds (and the trustees, administrators, fiduciaries and insurers of such programs) (collectively, the "Released Parties"). The Executive agrees that any person acting by, through or under her, such as her heirs, executors, administrators, representatives and assigns, are also bound by her release of claims.

(b) The Executive understands that these are the claims this release includes but are not limited to: (i) any claims under Title VII of the Civil Rights Act of 1964, the Civil Rights Act of 1866, the Civil Rights Act of 1991, the Americans With Disabilities Act, the Age Discrimination in Employment Act of 1967, the Older Workers Benefit Protection Act, the Equal Pay Act, the National Labor Relations Act, the Pregnancy Discrimination Act, the Genetic Information and Discrimination Act of 2008, the Employee Retirement Income Security Act of 1974, Sections 503 and 504 of the Rehabilitation Act of 1973, the Worker Adjustment Retraining and Notification Act, and the Sarbanes Oxley Act of 2002, all as amended; (ii) any claims under any state or local labor law and/or discrimination law, and all other federal, state and local discrimination, labor or employment laws or regulations; (iii) any other claims relating to or arising out of her employment, the terms and conditions of her employment and/or the termination of her employment, in law or in equity, including, without limitation, claims for discrimination, retaliation, or harassment (on the basis of age, race, color, religion, national origin, gender, sexual orientation, marital status, citizenship status, genetic predisposition, veteran status or any other basis protected by law), whistle-blowing, breach of contract (oral or written,

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express or implied) or of policy or practice, constructive discharge, wrongful discharge, detrimental reliance, negligence, emotional distress, pain and suffering, compensatory and punitive damages and all other torts, including any intentional torts, such as defamation; (iv) any claims subject to federal, state and local occupational safety and health laws and regulations; (v) claims under any other federal, state or local Constitution, statute, regulation, or agreement or duty; and (vi) any claims for attorneys' fees, costs, disbursements and/or the like, or for equitable relief and reinstatement.

(c) The Executive understands that she is releasing all claims, whether or not they are known to his at the time he signs this Agreement.

(d) The Executive understands this Agreement does not apply to any claims or rights (i) that may arise after the date that the Executive signs this Agreement, (ii) for the consideration for or breach of this Agreement, (iii) for reimbursement of business expenses incurred on behalf of the Company under the Company's expense reimbursement policies, (iv) for vested rights under any Company ERISA-covered employee benefit plans as applicable on the date Executive signs this Agreement, (v) for any claims that controlling law clearly states may not be released by settlement, such as, but not limited to, claims for Worker's Compensation benefits for job-related illness or injury, (vi) for any right of indemnification that the Executive has pursuant to the Articles of Incorporation or By-Laws of the Company, or (vii) to challenge the validity of this Agreement under the Older Workers Benefit Protection Act ("OWBPA").

(e) The Executive further understands that nothing in this Agreement prevents you from filing a charge or complaint with or from participating in an investigation or proceeding conducted by the Equal Employment Opportunity Commission ("EEOC"), National Labor Relations Board ("NLRB"), the U.S. Securities and Exchange Commission ("SEC"), or any other federal, state or local agency charged with the enforcement of any employment or securities laws, although by signing this Agreement Executive is waiving her right to individual relief from the Company based on claims asserted in such a charge or complaint, regardless of whether she or another party has filed it.

(f) This Agreement, including the release of claims set forth above, creates legally binding obligations, and the Company therefore advises the Executive to consult an attorney before signing this Agreement. By signing this Agreement, the Executive gives the Company assurance that the Executive has signed it voluntarily and with a full understanding of its terms; that the Executive has had sufficient opportunity, before signing this Agreement, to consider its terms and to consult with an attorney, if the Executive wished to do so, or to consult with any other person of her choosing; and that, in signing this Agreement, the Executive has not relied on any promises or representations, express or implied, that are not set forth expressly in this Agreement.

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10. **Conditions for Receiving Severance.** The Executive agrees and acknowledges that she has maintained, and shall maintain, complete compliance with all of the following representations, warranties, and conditions in order to be eligible to receive the severance pay and benefits described in Sections 2(b) through 2(f). In the event the Executive intentionally fails to fulfill any of the following material representations, warranties, or conditions, as determined by the Company in its discretion, the Company shall, with notice to the Executive, cease payment of all severance pay and benefits hereunder, and shall likewise be entitled to the immediate forfeiture and recapture of all severance pay and benefits paid to the Executive prior to its discovery of the same. The Executive shall use the dispute resolution provision in Section 22 to challenge any determination by the Company made pursuant to this Section. The Executive represents and warrants that:

(a) At all times during the pendency of her employment, the Executive represents that she complied with all state and federal laws, and conducted herself with the highest degree of fidelity to the Company, committing no acts of bribery, corruption, theft, embezzlement, misappropriation, insider trading, or other forms of substantial misconduct contrary to the interests of the Company. Executive further represents that she is unaware of any acts of other Company employees or agents in violation of the Company's *Code of Ethics*, any state or federal laws or acts of bribery, corruption, theft, embezzlement, misappropriation, insider trading or other forms of misconduct contrary to the interests of the Company.

(b) At all times during the pendency of her employment, the Executive complied with each of her obligations under Paragraphs 8, 9 and10 of the Employment Agreement with respect to Confidential Information, Work Product, and Non-Competition and Non-Solicitation, respectively.

(c) The Executive's obligations herein and pursuant to Paragraphs 8, 9 and 10 of the Employment Agreement shall continue in full force and effect from the date hereof, and that the Executive's full compliance with such obligations shall be a condition to the Executive's eligibility to accept this Agreement and to receive or retain its benefits (excluding only those payments to be provided in accordance with Section 2(a) herein) and to the performance of the Company hereunder. Additionally, the Executive agrees that her obligations under Paragraph 10 of the Employment Agreement shall continue for the Severance Pay Period covered in Section 2(b) of this Agreement.

(d) Except as otherwise provided in Section 2(f) herein, the Executive shall or has returned to the Company all Confidential Information (as defined below), work product, and all other Company property, on or before the Separation Date, including, but not limited to, keys, credit cards, documents, records, identification cards, office equipment, portable computers, mobile telephones, pagers, hand held electronic devices, and parking cards. Company has received, deleted and returned to Executive for her personal use a cell phone and iPad.

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11. **Confidentiality**.

(a) Executive, pursuant to Paragraph 8 of the Employment Agreement, has not and shall not disclose any information of the Company or its subsidiaries that is not generally known by others or previously acquired by Executive prior to her employment, including but not limited to: (1) the development, research, testing, manufacturing, marketing and financial activities of the Company or any of its affiliate entities, (2) the products and services offered by the Company or any of its affiliate entities, (3) the costs, sources of supply and financial information, performance, and strategic plans of the Company or any affiliate entities, (4) the identity and special needs of the customers of the Company and its affiliated entities, (5) the people and organizations with whom the Company and its affiliate entities have business relationship and the nature and substance of those relationships, and (6) trade secrets and other proprietary information (collectively, "Confidential Information"). Executive acknowledges and agrees that the Confidential Information is the sole and exclusive property of the Company and that she has not and shall not use any Confidential Information for her own benefit. Executive agrees that the aforementioned restrictions shall remain applicable for a period of three years after her Separation Date.

(b) Confidential Information shall not include information obtainable thru internet searches, online data bases, or subscription services. Executive shall not share specific information about the Company's pricing, strategies, or profitability except to the extent such information is generally known from her employment prior to Carter's.

(c) Executive agrees to keep the existence and terms of this Agreement confidential, except for disclosures necessary to enforce this Agreement, or disclosures made to her attorney, tax advisor, or members of her immediate family, provided that all persons to whom permissible disclosures are made agree not to disclose the same to others.

Mutual Non-Disparagement. Executive and the Company, pursuant to Paragraph 10 of the Employment Agreement, will not make, directly or indirectly, to any person or entity including, but not limited to, present or former employees of the Company and/or the press, any disparaging oral or written statements about the other, their employees and customers, or Executive's employment with or separation from employment with the Company, or intentionally do anything which damages the Executive or the Company and/or their services, reputation, financial status, or business relationships. This Section shall not prevent Executive from testifying truthfully under oath pursuant to a valid and enforceable subpoena, court order and/or similar process from a judicial, arbitral, administrative or regulatory body of competent jurisdiction, or from participating in a government proceeding or investigation as stated above in Sections 7 and 9.

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12. **Voluntary Agreement**. The Executive acknowledges that:

(a) The Executive has read this entire document, and she fully understands it. The Executive understands its legal and binding effect. The Executive is acting voluntarily and of her own free will in executing this Agreement.

(b) The benefits the Company is providing the Executive in return for signing this Agreement are in addition to anything of value to which she is already entitled. Specifically, the Executive acknowledges that she is not otherwise entitled to the benefits of this severance agreement from the Company.

(c) The Executive has had the opportunity to seek, and the Executive was advised in writing to seek, legal counsel prior to signing this Agreement.

(d) The severance pay set forth in Sections 2(b) through 2(f) of this Agreement provides valid and sufficient consideration for his undertakings in this Agreement, including the release of claims in Section 9, and her obligations under Paragraphs 8,9, and 10 of the Employment Agreement with respect to Confidential Information, Work Product, and Non-Solicitation.

(e) This Agreement will be void if the Executive does not sign it within the 53 days, she has been given to consider it, or if she revokes it as provided below.

(f) The Executive has been given at least 53 days to consider the terms of this Agreement before signing it. If the Executive signs this Agreement before the full 53-day consideration period expires, she is knowingly and voluntarily waiving the remainder of the 53-day consideration period. The Executive has not been asked by the Company to shorten her time to consider whether to sign this Agreement. The Company has not threatened to withdraw or alter the benefits due the Executive prior to the expiration of the 53-day consideration period. The Company has not promised or provided different terms to the Executive for signing this Agreement prior to the expiration of the 53-day consideration period.

(g) The Executive agrees with the Company that changes to this Agreement, whether material or immaterial, do not restart the running of the 53-day consideration period.

The Executive has (a) received all compensation due his as a result of services performed for the Company; (b) reported to the Company any and all work-related injuries incurred by her during her employment with the Company; (c) been properly provided any leave of absence because of her or a family member's health condition and has not been subjected to any improper treatment, conduct, or actions due to a request for or taking such leave, and (d) previously disclosed any potential violations of the Company's *Code of Ethics*.

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13. **Revocation**.

(a) The Executive understands that if she signs this Agreement, she can change her mind and revoke it within seven (7) days after signing it by returning it with a written revocation notice to Jill Wilson, Senior Vice President of Human Resources and Talent Development, 3438 Peachtree Road, Suite 1800, Atlanta, Georgia 30326, Phone: (678) 399-4466. The Executive understands that this Agreement will not be effective until after this seven-day period has expired ("Revocation Period"), and she will receive no benefits before the eighth day after she signs this Agreement. The Executive understands and agrees that she will begin receiving severance as indicated above in Section 2.

(b) If Executive decides to revoke, her written revocation notice should clearly state that "I hereby revoke my agreement to the Agreement that I signed on [date]." The Executive should type or print his name so the Company knows who she is, and the Executive must sign her name to the notice. The Executive understands that, to revoke this Agreement, she must deliver the signed revocation notice to Jill Wilson. To be effective, the notice of revocation must be sent to Jill Wilson no later than the seventh day after the Executive has signed the Agreement.

14. **Binding Agreement**.

(a) The Executive understands that following the seven-day Revocation Period, this Agreement will be final and binding. The Executive promises that she will not pursue any claim that she has settled by this Agreement. If the Executive breaks this promise, the Executive agrees to pay all of the Company's costs and expenses (including reasonable attorneys' fees) related to the defense of any claims. This paragraph does not apply to claims that the Executive may have under the OWBPA and the Age Discrimination in Employment Act of 1967 ("ADEA"). Such claims are covered by the next paragraph.

(b) Although the Executive is releasing claims that she may have under the OWBPA and the ADEA, the Executive understands that she may challenge the knowing and voluntary nature of this Agreement under the OWBPA and the ADEA before a court, the EEOC, the NLRB, or any other federal, state or local agency charged with the enforcement of any employment laws. The Executive understands, however, that if she pursues a claim against the Company under the OWBPA and/or the ADEA, a court has the discretion to determine whether the Company is entitled to restitution, recoupment, or set off (hereinafter "Reduction") against a monetary award obtained by the Executive in the court proceeding. A reduction never can exceed the amount the Executive recovers, or the severance she received for signing this Agreement, whichever is less. The Executive also recognizes that the Company may be entitled to recover costs and attorneys' fees incurred by the Company as specifically authorized under applicable law.

(c) Executive further understands that nothing in this Agreement generally prevents her from filing a charge or complaint with or from participating in an investigation or proceeding conducted by the EEOC, NLRB, or any other federal, state or

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local agency charged with the enforcement of any employment laws, although by signing this Agreement the Executive is waiving her right to individual relief based on claims asserted in such a charge or complaint.

15. **No Admission of Liability**. This Agreement is not an admission by the Released Parties of any liability or wrongdoing or a violation of any statute, regulation, duty, law, contract, right, or order. The Released Parties disclaim any liability the Executive or any other person for any alleged violation of any statute, regulation, duty, law, contract or order.

16. **Entire Agreement**. This Agreement constitutes the complete and total agreement between the Company and the Executive with respect to issues addressed in this Agreement. However, the Executive agrees this Agreement will not in any way affect, modify, or nullify any agreement(s) she may have entered into with the Company that obligates her to refrain from competitive activity, to protect the Company's confidential information, and/or refrain from soliciting the Company's employees after her employment is terminated, and that any such obligations contained in those agreement(s) remain in full force and effect. Specifically, those paragraphs of the Employment Agreement that survive have been incorporated by reference.

17. **No Reliance**. The Executive represents that in signing this Agreement, she is not relying on any other agreements or representations not fully expressed in this document.

18. **Modification**. This Agreement shall not be modified, altered, or discharged except by written agreement signed by an authorized Company representative and the Executive.

19. **Headings**. The headings in this document are for reference only and shall not in any way affect the meaning of this Agreement.

20. **Use of this Agreement in Subsequent Proceedings**. The Executive further agrees that this Agreement may be used as evidence in a subsequent proceeding in which the Company or the Executive alleges a breach of this Agreement or as a complete defense to any lawsuit or claim. Other than this exception, or disclosure to the EEOC or NLRB or any other federal, state, or local agency charged with the enforcement of any employment laws, as provided in Section 9 above, the Executive agrees he will not offer or introduce this Agreement as evidence in any administrative proceeding, arbitration, or lawsuit.

21. **Enforcement**. It is understood and agreed that if, at any time, a violation of any term of this Agreement is asserted by any party hereto, that said party shall have the right to seek specific performance of that term and/or any other necessary and proper relief, including but not limited to damages, from any federal or state court of competent jurisdiction within the State of Georgia. The failure of either party to insist upon strict adherence to any term of this Agreement shall not be considered a waiver of that term or of any other term of this Agreement, and shall not deprive that party of the right to later insist upon strict adherence to that term or any other term of the Agreement.

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22. **Severability**. The Executive agrees that should any part of this Agreement be found to be void or unenforceable by a court of competent jurisdiction, that determination will not affect the remainder of this Agreement.

23. **Governing Law/Venue**. This Agreement shall be governed and construed in accordance with the laws of the State of Georgia and any applicable federal laws. All disputes relating to this Agreement shall be resolved exclusively in the state or federal courts of Georgia, to whose jurisdiction the parties hereto expressly consent.

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THE UNDERSIGNED HEREBY AFFIRM THAT HE HAS CAREFULLY READ THE FOREGOING SEPARATION AGREEMENT, KNOWS THE CONTENTS THEREOF, AND SIGNS THE SAME OF HIS IS OWN FREE ACT.

This Agreement may be executed in one or more counterparts.

Carter's, Inc. and The William Carter Company

By: Jill Wilson
Jill Wilson (Aug 27, 2025 11:58:25 EDT)
Name: Jill Wilson
Title: SVP Human Resources & Talent Development

Date: 08/27/2025

I, Kendra Krugman, hereby accept the severance pay and benefits upon the terms and conditions set forth in this Agreement.

By:
Kendra Krugman (Aug 26, 2025 09:01:06 MDT)
Name: Kendra Krugman

Date: 08/26/2025

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Exhibit 31.1

CERTIFICATION

I, Douglas C. Palladini, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Carter's, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

October 27, 2025

/s/ DOUGLAS C. PALLADINI

Douglas C. Palladini

Chief Executive Officer & President

Exhibit 31.2

CERTIFICATION

I, Richard F. Westenberger, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Carter's, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

October 27, 2025

/s/ RICHARD F. WESTENBERGER

Richard F. Westenberger
Chief Financial Officer & Chief Operating Officer

Exhibit 32

CERTIFICATION

Each of the undersigned in the capacity indicated hereby certifies that, to his knowledge, this Report on Form 10-Q for the fiscal quarter ended September 27, 2025 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, and the information contained in this Report fairly presents, in all material respects, the financial condition and results of operations of Carter's, Inc.

October 27, 2025 /s/ DOUGLAS C. PALLADINI

Douglas C. Palladini
Chief Executive Officer & President

October 27, 2025 /s/ RICHARD F. WESTENBERGER

Richard F. Westenberger
Chief Financial Officer & Chief Operating Officer

The foregoing certifications are being furnished solely pursuant to 18 U.S.C. § 1350 and are not being filed as part of the Report on Form 10-Q or as a separate disclosure document.