



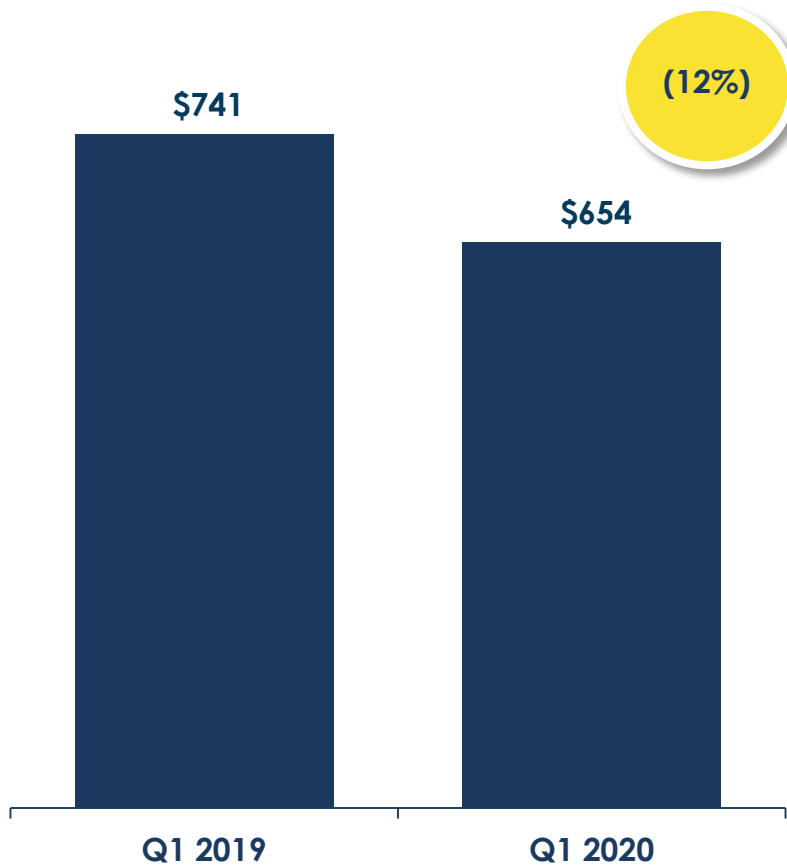
carter's, inc.

First Quarter 2020 Results & Business Update

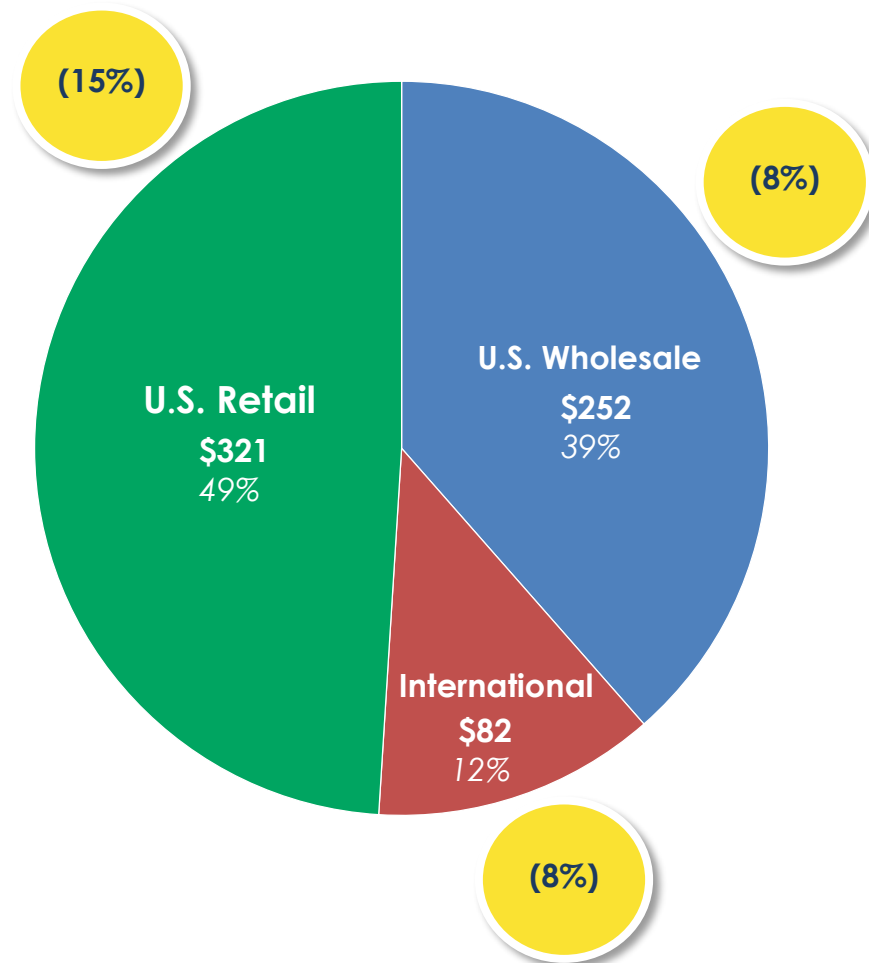
May 5, 2020

\$ in millions

Consolidated Net Sales



Q1 2020 Net Sales: \$654



Note: Results may not be additive due to rounding.

Q1 2020 Results – Charges and Notable Items



| Item | Pre-Tax Amount (\$M) | Cash / Non-Cash | Treated as Non-GAAP Adjustment? |
|---|----------------------|-----------------------|---------------------------------|
| Organizational Restructuring (pre-COVID-19) | \$4 | Cash | Yes |
| COVID-19 Expenses | \$4 | Cash | Yes |
| Inventory Provisions | \$49 | Non-Cash ¹ | No |
| Bad Debt Provisions | \$4 | Non-Cash | No |
| Intangible Asset Impairments: | | | |
| – OshKosh Tradename | \$16 | Non-Cash | Yes |
| – Skip Hop Tradename | \$11 | Non-Cash | Yes |
| – International Goodwill | \$18 | Non-Cash | Yes |

¹Up to \$15 million estimated future cash impact.

First Quarter 2020 Results (GAAP Basis)



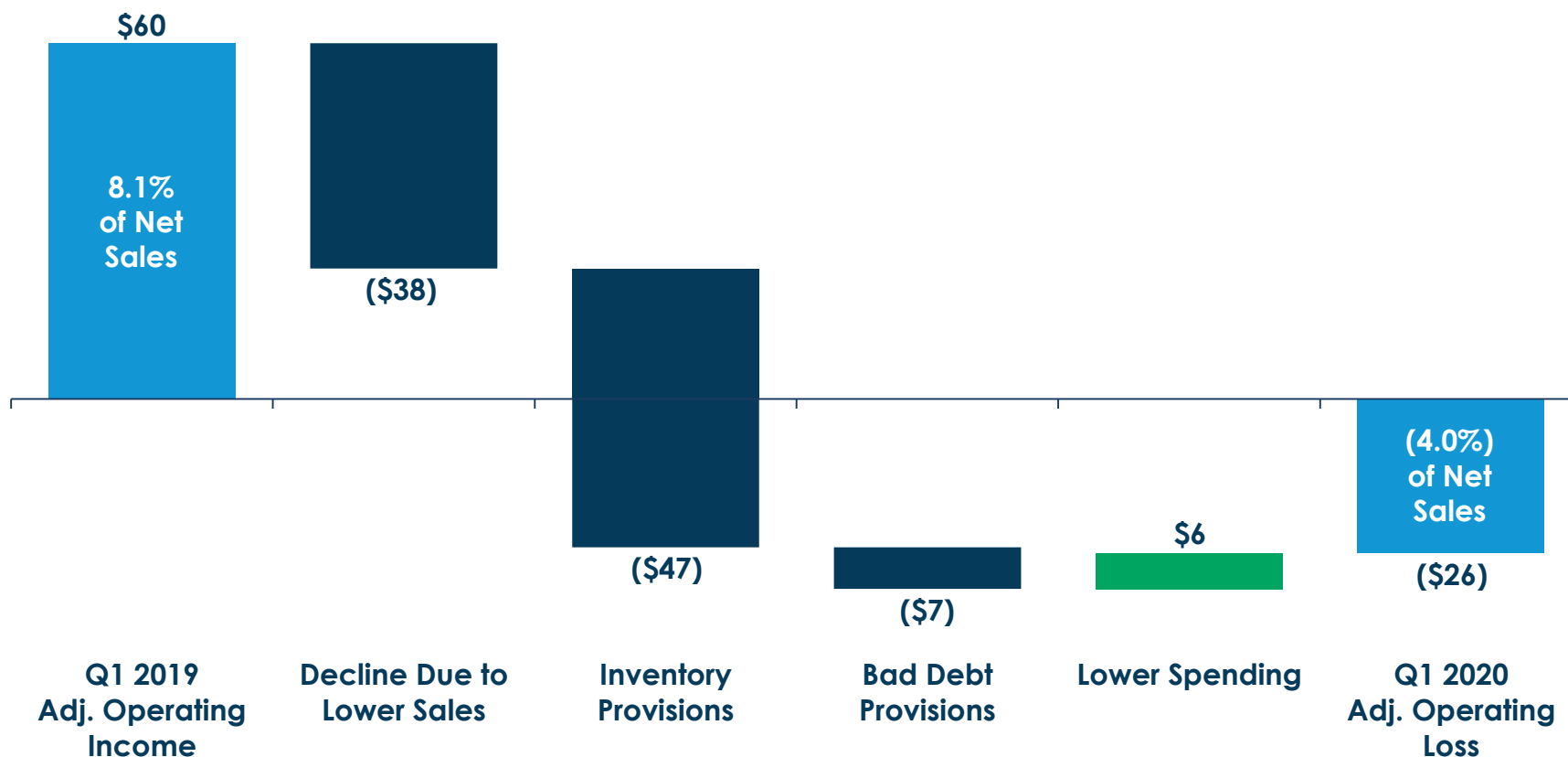
\$ in millions, except EPS

| | Q1 2020 | <i>% of Sales</i> | Q1 2019 | <i>% of Sales</i> | Increase / (Decrease) |
|-------------------------------------|--------------------|-----------------------|--------------------|-----------------------|----------------------------------|
| Net sales | \$654 | | \$741 | | (12%) |
| Gross profit | 228 | 34.9% | 316 | 42.6% | (28%) |
| Royalty income | 7 | 1.1% | 9 | 1.2% | (14%) |
| SG&A | 270 | 41.2% | 264 | 35.6% | 2% |
| Goodwill impairment | 18 | 2.7% | - | - % | N/M |
| Intangible asset impairment | 27 | 4.0% | - | - % | N/M |
| Operating (loss) income | (78) | (12.0%) | 61 | 8.2% | N/M |
| Net interest and other | 9 | 1.3% | 17 | 2.3% | (50%) |
| Loss on foreign currency | 4 | 0.7% | - | - % | N/M |
| (Loss) income before taxes | (92) | (14.0%) | 44 | 5.9% | N/M |
| Income taxes (benefit) provision | (13) | | 9 | | N/M |
| Net (loss) income | (\$79) | (12.0%) | \$34 | 4.7% | N/M |
| Diluted (loss) earnings per share | (\$1.82) | | \$0.75 | | N/M |
| Weighted average shares outstanding | 43 | | 45 | | (4%) |
| EBITDA ¹ | (\$60) | (9.2%) | \$77 | 10.4% | N/M |

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

\$ in millions

Q1 Adjusted Operating Income (Loss)



¹ Results are presented on an adjusted basis, a non-GAAP presentation; see reconciliation to GAAP in appendix.
 Note: Inventory and bad debt provisions reflect year over year variances, refer to page 3 for total Q1 2020 charges.

First Quarter Adjusted Results¹



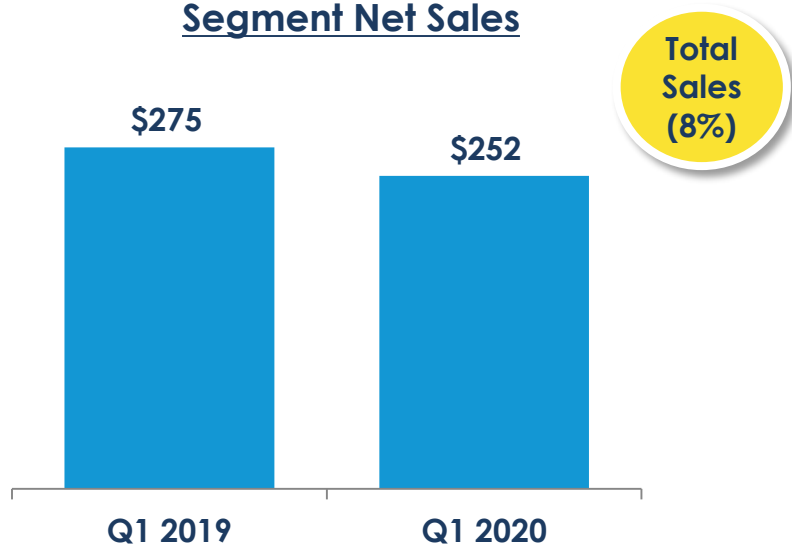
\$ in millions, except EPS

| | Q1 2020 | <i>% of Sales</i> | Q1 2019 | <i>% of Sales</i> | Increase / (Decrease) |
|--|--------------------|-----------------------|--------------------|-----------------------|----------------------------------|
| Net sales | \$654 | | \$741 | | (12%) |
| Adjusted gross profit | 228 | 34.9% | 314 | 42.3% | (27%) |
| Royalty income | 7 | 1.1% | 9 | 1.2% | (14%) |
| Adjusted SG&A | 262 | 40.0% | 262 | 35.4% | – % |
| Adjusted operating (loss) income | (26) | (4.0%) | 60 | 8.1% | N/M |
| Net interest and other | 9 | 1.3% | 10 | 1.3% | (8%) |
| Loss on foreign currency | 4 | 0.7% | - | – % | N/M |
| Adjusted (loss) income before tax | (40) | (6.0%) | 51 | 6.9% | N/M |
| Adjusted income tax (benefit) provision | (5) | | 12 | | N/M |
| Adjusted net (loss) income | (\$35) | (5.3%) | \$40 | 5.3% | N/M |
| Adjusted diluted (loss) earnings per share | (\$0.81) | | \$0.87 | | N/M |
| Weighted average shares outstanding | 43 | | 45 | | (4%) |
| Adjusted EBITDA | (\$8) | (1.2%) | \$84 | 11.3% | N/M |

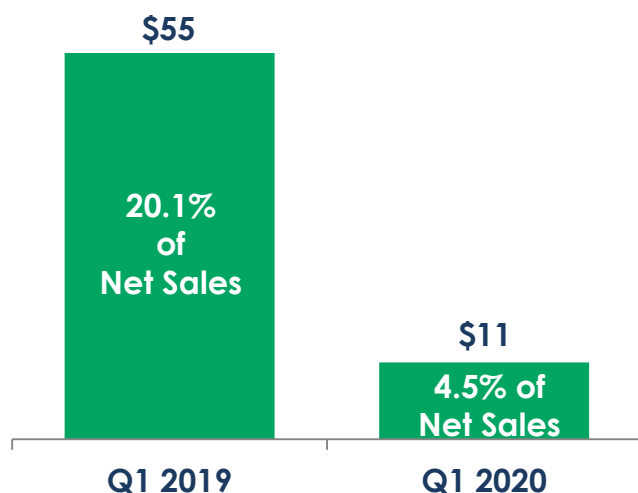
¹ Results are presented on an adjusted basis, a non-GAAP presentation; see reconciliation to GAAP in appendix.
Note: Results may not be additive due to rounding.

\$ in millions

Segment Net Sales



Segment Adj. Operating Income¹



Q1 Highlights

- **Net sales (8%) vs. LY**
 - Performance through February consistent with plan, offset by suspended shipments to stores that closed in mid-March in response to the pandemic
 - Strong online sales² in Q1, +15% vs. LY; continuing into Q2, QTD +108% vs. LY
- **Continued strong demand for Exclusive Brands**
 - Sold through the largest retailers of young children's apparel
- **Decline in profitability driven by lower sales and higher provisions for inventory and bad debt**

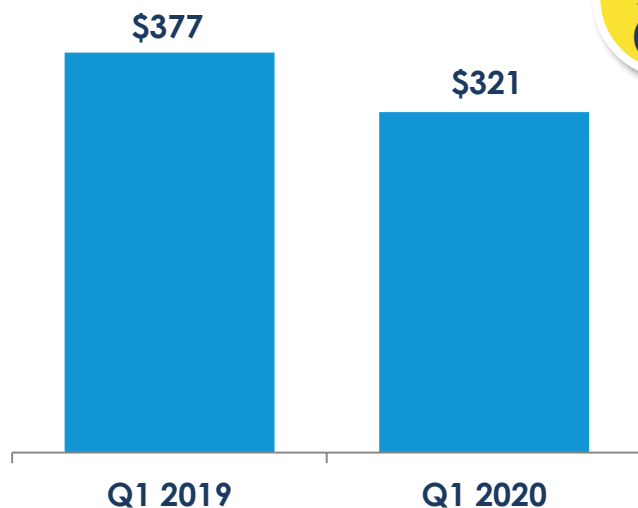
¹ Results are presented on an adjusted basis, a non-GAAP presentation; see reconciliation to GAAP in appendix.

² Represents eCommerce sales made by our major U.S. wholesale customers, as reported by those customers to us. QTD results through 5/2/2020.

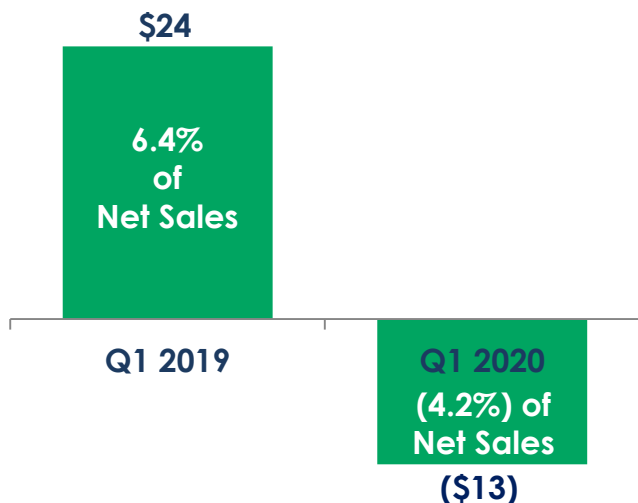
\$ in millions

Segment Net Sales

Total Sales (15%)



Segment Adj. Operating Income (Loss)¹



Q1 Highlights

- **U.S. Retail sales (15%) to LY**
 - Sales largely consistent with plan through mid-March, when COVID-19 began to impact traffic to our stores
 - Stores began closing mid-March; all stores closed on March 19
 - Q1 eCommerce demand² in line with plan, with shipment of some orders shifted to Q2 due to COVID-19 related delays at DC
- **Strong eCommerce demand² in Q2: +64% QTD**
 - Safety measures in DC and higher volume have temporarily slowed delivery times to customers
 - Utilizing additional DC and store fulfillment capabilities to increase capacity
- **Segment loss reflects deleverage from loss of sales due to store closures and higher inventory charges**

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

² Represents eCommerce orders placed on our websites (i.e., demand and not sales). QTD results through 5/2/2020.

Strong eCommerce Demand for Our Brands



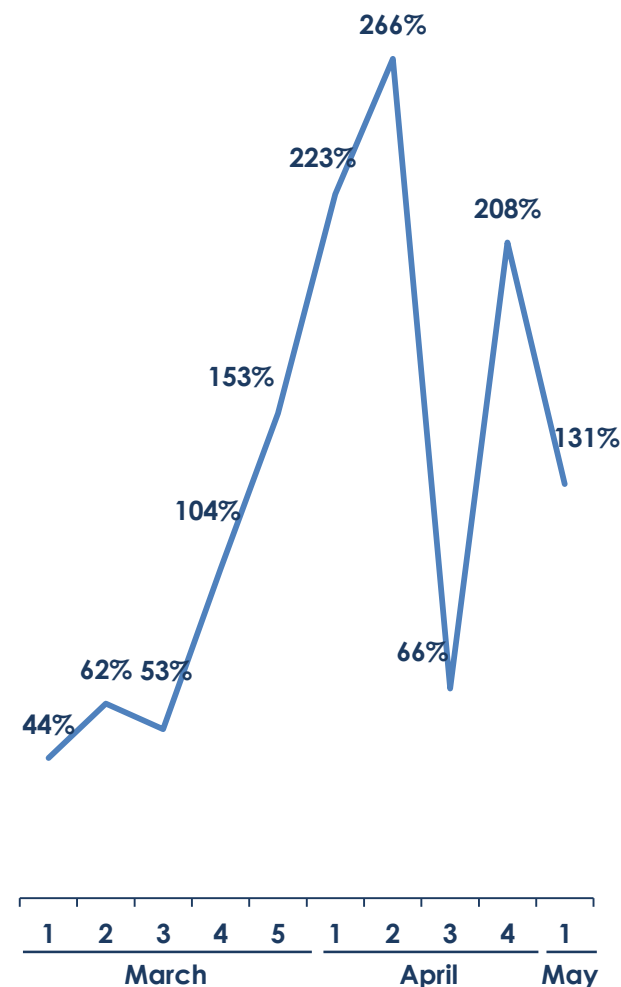
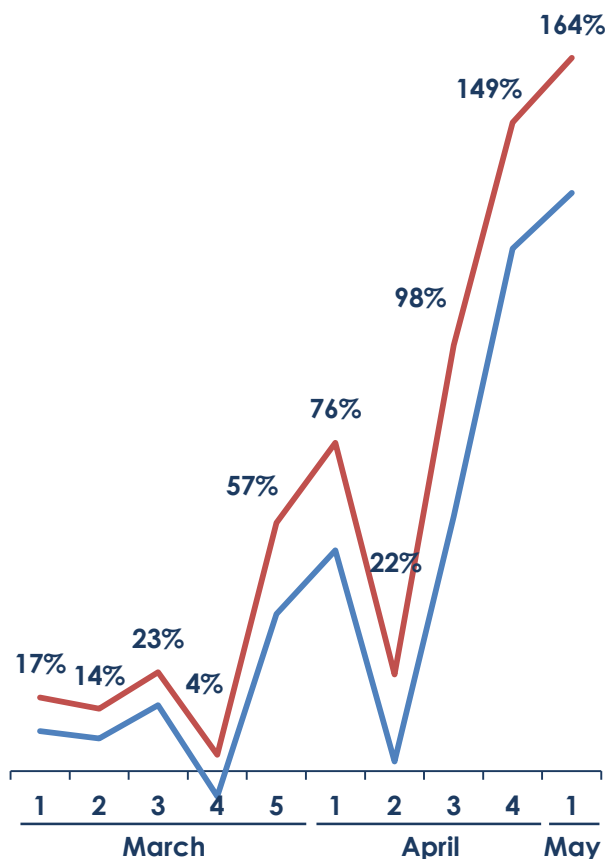
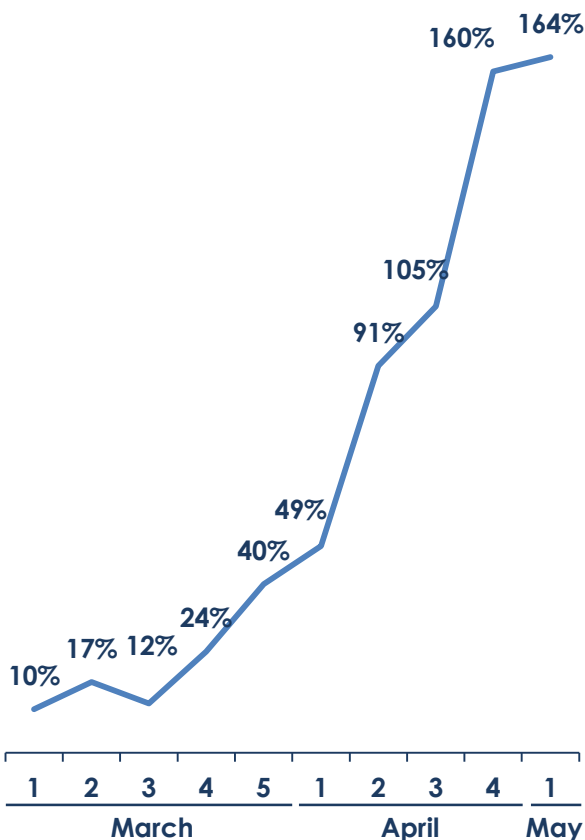
Weekly \$ Change vs. LY

U.S. Wholesale eCommerce¹

U.S. Retail eCommerce²

Canada Retail eCommerce²

— Total Site
— Domestic Customers



¹ Represents eCommerce sales made by our major U.S. wholesale customers, as reported by those customers to us.

² Represents eCommerce orders placed on our websites (i.e., demand and not sales). Domestic versus non-domestic orders based on IP address.

Carter's Brands Own the #1 Share of Children's Apparel Online



carter's
Baby Girl Baby Boy Toddler Girl Toddler Boy Girl Boy Shoes Baby Gifts

[Join Rewarding Moments® and earn points!](#)

Keeping our Carter's family at heart: Our [latest updates](#) on COVID-19



[BABY GIRL](#)
[BABY BOY](#)
[TODDLER GIRL](#)
[TODDLER BOY](#)
[GIRL](#)
[BOY](#)





+ ✎ 📌 🌟

Invite

at home with the littles

16 sections · 383 Pins · 105,908 followers

Make the most of more time monkeying around with your littles... We'll share our favorite activities and resources right here. Plus, exclusive activities from our Carter's | OshKosh | Skip Hop family!

[Add dates](#)

Your Pins
More ideas

printable fun

learning made fun

let's get crafty

life with kids blog

for the babies

bedtime stories

B'GOSH, BINGO!

| | | | |
|--------------------------|-------------------|---------------------------|-----------------------|
| give a sibling high five | cook or bake | play a game | read a book |
| make the bed | sing a silly song | get a little sunshine | learn a new yoga pose |
| color a picture | share a picture | draw your favorite animal | give hugs |
| tell a funny joke | facetime family | clean up toys | build a pillow fort |

TODAY'S TIP!

From at-home stretches to bike rides... let's get moving!

Ways to Stay Active At Home Kids

Due to the COVID-19 (coronavirus) outbreak, families are suddenly cooped up at home together in order of the virus.

READ ON

carter's

B'GOSH, GET MOVING!

Grab your pint-sized yoga mats and water bottles! We're pinning some of our favorite ways to keep #oshkoshkids moving at home.



**Declaring May
“The Month of Mom”**

**CAMP
OSH KOSH
B'gosh.**



**Survive the Summer with
“Virtual” Camp OshKosh**

Our Frontline Heroes Wear Scrubs



northsidehosp



carter's • Following



carter's We are proud to support our hometown superheroes @northsidehosp. ❤️ 🙌 #NICU #laboranddelivery #repost

Thank you to @carter's for donating these adorable bodysuits to our tiniest patients! All our health care workers are superheroes, and community support like this has never been more important! Thank you to all our community donors—see updated list at link in bio.

4h



hilarydionne ❤️ 🙌



3h 1 like Reply



Liked by 21,667 others

4 HOURS AGO

Add a comment...

Post

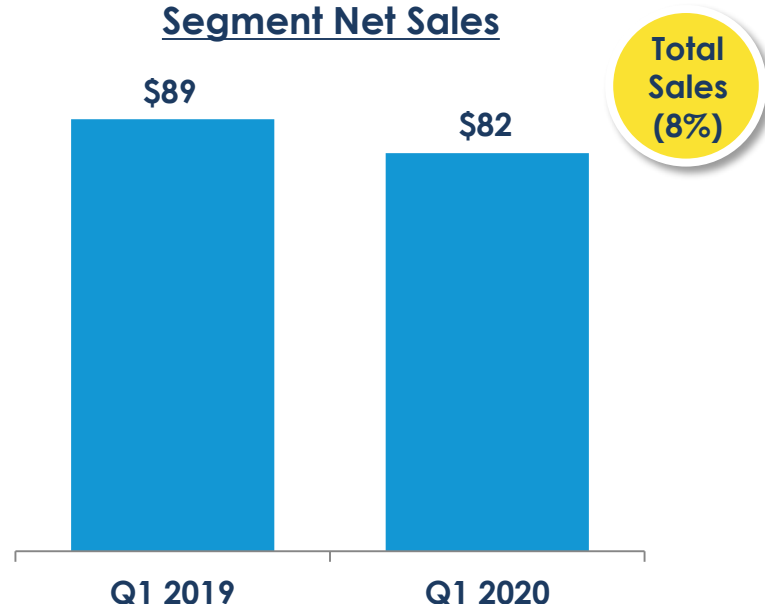
#InThisTogether drove over 15M impressions



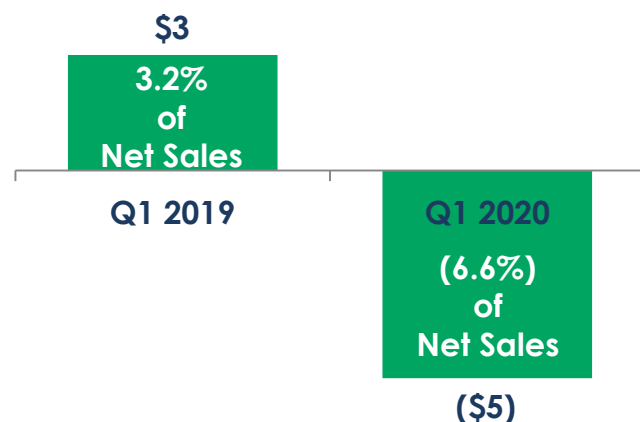
Link to video:
<https://youtu.be/8-wUVjy8110>

\$ in millions

Segment Net Sales



Segment Adj. Operating Income (Loss)¹



Q1 Highlights

- **Net sales: (8%) vs. LY**
 - Reflects store closures in Canada and Mexico as a result of COVID-19 safety concerns
 - Delayed wholesale shipments in markets outside North America due to COVID-19, stronger U.S. dollar, and lower oil prices
- **Canada**
 - Total sales: (7%)
 - Strong eCommerce growth in Q1: +30%; Q2 demand² +161% QTD
- **Mexico**
 - Growth in all channels
 - New, larger format, co-branded retail stores exceeding expectations
- **Adjusted operating margin (6.6%) vs. 3.2% LY**
 - Reflects deleverage from loss of sales due to store closures and inventory and bad debt charges

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

² Represents eCommerce orders placed on our websites (i.e., demand and not sales). QTD results through 5/2/2020.

\$ in millions

Q1 Balance Sheet

| | 2020 | 2019 |
|-----------------------------|-------|-------|
| Cash | \$759 | \$160 |
| Accounts Receivable | 222 | 239 |
| Inventory | 566 | 520 |
| Accounts Payable | 187 | 108 |
| Long-Term Debt | 1,239 | 625 |
| Operating Lease Liabilities | 809 | 844 |

Debt

| | Q1 2020 |
|-----------------------------|----------------|
| Revolving Credit Facility | \$744 |
| Senior Notes | 495 |
| Total Long-Term Debt | \$1,239 |

Accounts Receivable

- Receivable quality is high
- Increased provision for troubled retailers

Inventory

- Strong actions taken to reduce forward inventory commitments over balance of the year
- Reserves established for excess inventory
- Plans in place to carryover a portion of Spring / Summer product not shipped this year

Accounts Payable

- Strong emphasis on liquidity preservation
- Extending payment terms
 - Product suppliers
 - Landlords (stores & offices)
 - Indirect goods and service vendors

Actions to Date Improved 2020 Liquidity by Over \$1 Billion

- **Drew down substantially all of our \$750 million credit facility in March**
- **Significant reduction of planned inventory commitments**
- **Extension of payment terms with suppliers, vendors, and landlords**
- **Suspension of share repurchases and dividends**
- **Reduction in planned capital expenditures by ~50% vs. LY**
- **Reduced balance of year compensation expenses by ~\$100 million**
 - Furlough of retail stores and office based staff
 - Temporary salary reductions and reduction in Board compensation
 - Suspension of merit increases, incentive compensation and 401 (k) matching contributions
- **Other reductions in discretionary spending**

Significant Financial Flexibility

- **We have successfully amended our revolving credit facility**
 - Covenant waivers in place through end of FY2020
 - Relaxed covenants through FY2021
- **Exploring additional financing to further bolster our liquidity**
 - Experienced issuer in high yield market
 - Significant demand for past CRI debt offerings

Our forecasts indicate we have sufficient liquidity to manage through the disruption caused by COVID-19 and thereafter

- **Expect COVID-19 to have a material impact on:**
 - Net Sales
 - Profitability
 - Cash Flow
- **Not providing financial guidance today**
- **Forecasting gradual recovery in the balance of 2020 and into next year**
- **Planning re-opening of some stores beginning in May**
 - Safety of customers and employees will remain our primary focus
 - Following CDC, state, and shopping center guidelines for reopening



Market Share

- **#1 market share in North America**
- **Carter's brand has more than twice the share of nearest competitor**

Brand Strength

- **We own two of the best known and trusted names in young children's apparel**

Attractive Product Space

- **Less discretionary purchase; essential core products**
- **Affordable price points (average consumer prices below \$10)**
- **Less fashion risk than adult apparel categories**

Successful Multi-Channel Business Model

- **Retail**
 - Highly productive retail stores
 - Leading eCommerce platform in young children's apparel
- **Wholesale**
 - Established, long-term relationships with the largest retailers in North America
 - Customer base increasingly concentrated with fewer, larger, and more financially stable retailers
- **International**
 - Owned operations in Canada, Mexico
 - Profitable international wholesale business
 - Emerging opportunities: Brazil, India, and China

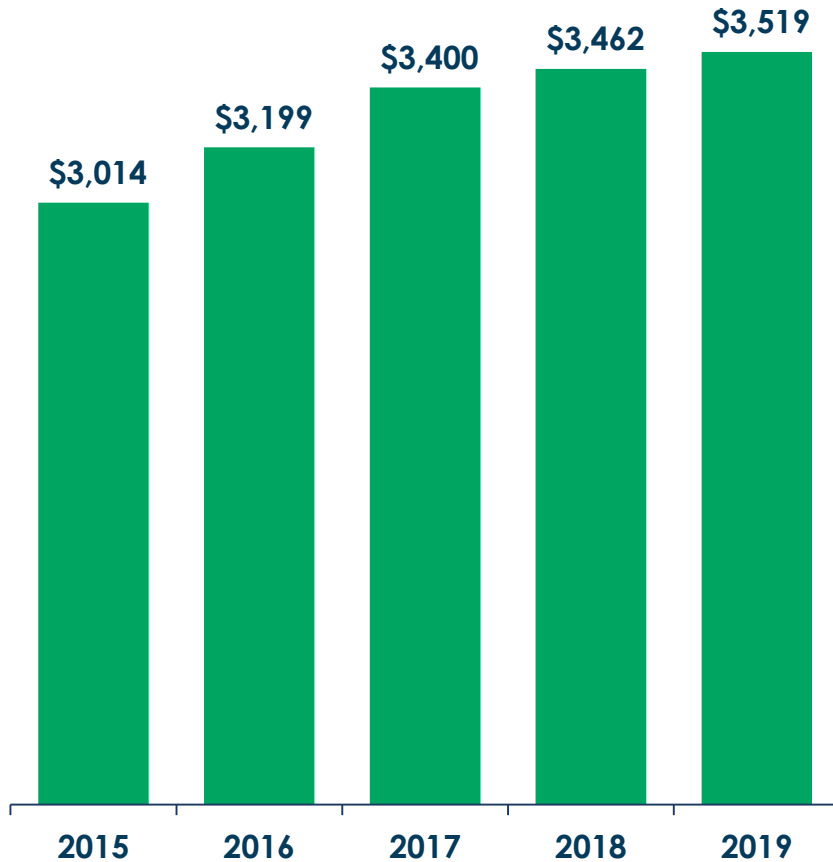
A Business Known for its Consistency and Growth



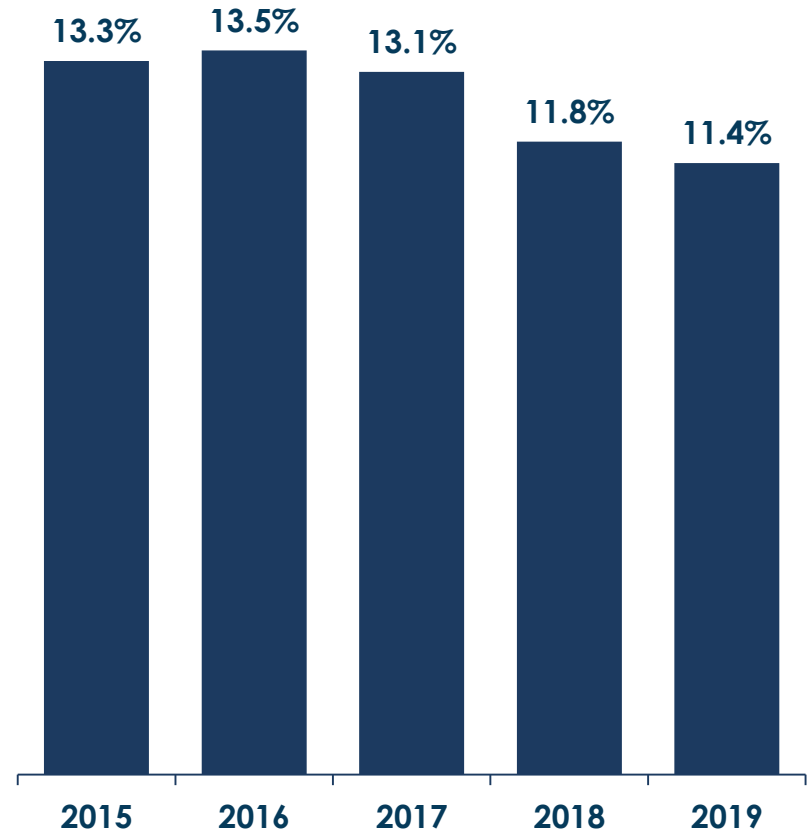
\$ in millions

Net Sales

31st
consecutive
year of
growth



Adjusted Operating Income % to Net Sales



Disruption in children's apparel market due to closures at Toys "R" Us & Bon-Ton

Strong Record of Cash Flow Generation

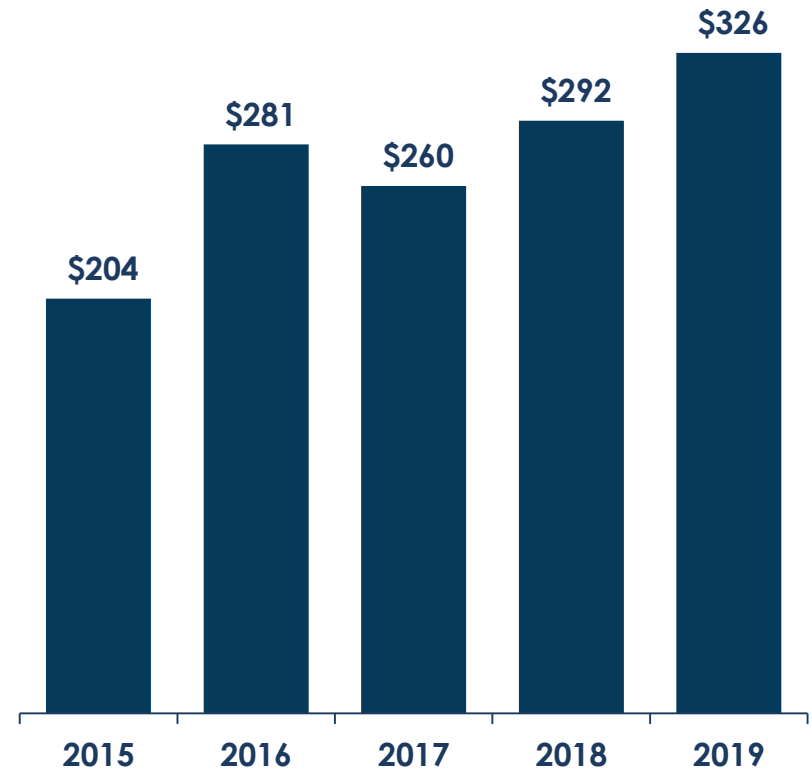


\$ in millions

Operating Cash Flow



Free Cash Flow¹



¹ Non-GAAP measure defined as operating cash flow less capital expenditures; see reconciliation in appendix.

Experienced Leadership Team



| Name | Title | Years With Carter's | Previous Experience |
|-------------------------|---|---------------------|--|
| Michael D. Casey | Chairman & Chief Executive Officer | 27 | Price Waterhouse (11 years) |
| Brian J. Lynch | President | 15 | The Walt Disney Company (9 years); Hanesbrands |
| Richard F. Westenberger | Executive Vice President & Chief Financial Officer | 11 | Hewitt Associates (3 years); Sears (10 years) |
| Julie A. D'Emilio | Executive Vice President, Wholesale | 13 | Calvin Klein Jeans; Liz Claiborne; London Fog Industries; Jones Apparel Group |
| Kendra D. Krugman | Executive Vice President, Merchandising and Design | 12 | Gap; French Connection Group |
| Peter R. Smith | Executive Vice President, Supply Chain | 4 | VF Corporation (9 years); Phillips-Van Heusen Corporation; London Fog Industries |
| Patrick Q. Moore | Executive Vice President, North American Retail | 3 | YP Holdings; McKinsey & Company |
| Jeffrey M. Jenkins | Executive Vice President, Global Marketing | 1 | CKE Restaurants Holdings (Carl's Jr. and Hardee's); Whole Foods, Yum! Brands |
| Jill A. Wilson | Senior Vice President, Human Resources & Talent Development | 11 | Macy's (20 years) |
| Scott F. Duggan | Senior Vice President, Legal & Corporate Affairs, General Counsel & Secretary | 1 | The Fresh Market; Goodwin Procter LLP |
| Antonio D. Robinson | Senior Vice President, Corporate Social Responsibility | 10 | Little Mendelson P.C. |
| Benjamin L. Pivar | Senior Vice President & Chief Information Officer | 5 | Capgemini (12 years) |

Thank you!





Appendix

First Quarter 2020 Adjusted Business Segment Performance¹



\$ in millions

| | Net Sales | | | Adjusted Operating Income (Loss) | | | Adjusted Operating Margin | |
|---------------------------------|--------------|--------------|---------------|----------------------------------|-------------|---------------|---------------------------|-------------|
| | 2020 | 2019 | \$ Growth | 2020 | 2019 | \$ Growth | 2020 | 2019 |
| U.S. Retail (a) | \$321 | \$377 | (\$56) | (\$13) | \$24 | (\$37) | (4.2%) | 6.4% |
| U.S. Wholesale | 252 | 275 | (23) | 11 | 55 | (44) | 4.5% | 20.1% |
| International (b) | 82 | 89 | (7) | (5) | 3 | (8) | (6.6%) | 3.2% |
| Total before corporate expenses | 654 | 741 | (87) | (7) | 82 | (90) | (1.1%) | 11.1% |
| Corporate expenses | | | | (19) | (22) | 3 | (2.9%) | (3.0%) |
| Total | \$654 | \$741 | (\$87) | (\$26) | \$60 | (\$87) | (4.0%) | 8.1% |

(a) Results include U.S. stores and eCommerce.

(b) Results include international stores, eCommerce, and wholesale.

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

Note: Results may not be additive due to rounding.

First Quarter Reconciliation of Net (Loss) Income Allocable to Common Shareholders



| | Fiscal Quarter Ended | |
|---|----------------------|-------------------|
| | March 28, 2020 | March 30, 2019 |
| Weighted-average number of common and common equivalent shares outstanding: | | |
| Basic number of common shares outstanding | 43,355,635 | 45,070,796 |
| Dilutive effect of equity awards | - | 300,239 |
| Diluted number of common and common equivalent shares outstanding | <u>43,355,635</u> | <u>45,371,035</u> |

| | Fiscal Quarter Ended | | | |
|--|-----------------------------|------------------|--------------------|------------------|
| | As reported on a GAAP Basis | | As adjusted (a) | |
| | March 28, 2020 | March 30, 2019 | March 28, 2020 | March 30, 2019 |
| <i>\$ in thousands, except EPS</i> | | | | |
| Basic net income (loss) per common share: | | | | |
| Net (loss) income | \$ (78,694) | \$ 34,466 | \$ (34,762) | \$ 39,623 |
| Income allocated to participating securities | (254) | (291) | (254) | (337) |
| Net (loss) income available to common shareholders | <u>\$ (78,948)</u> | <u>\$ 34,175</u> | <u>\$ (35,016)</u> | <u>\$ 39,286</u> |
| Basic net (loss) income per common share | \$ (1.82) | \$ 0.76 | \$ (0.81) | \$ 0.87 |
| Diluted net income (loss) per common share: | | | | |
| Net (loss) income | \$ (78,694) | \$ 34,466 | \$ (34,762) | \$ 39,623 |
| Income allocated to participating securities | (254) | (291) | (254) | (336) |
| Net (loss) income available to common shareholders | <u>\$ (78,948)</u> | <u>\$ 34,175</u> | <u>\$ (35,016)</u> | <u>\$ 39,287</u> |
| Diluted net (loss) income per common share | \$ (1.82) | \$ 0.75 | \$ (0.81) | \$ 0.87 |

(a) In addition to the results provided in this earnings release in accordance with GAAP, the Company has provided adjusted, non-GAAP financial measurements that present per share data excluding the adjustments discussed in following slides. The Company has excluded \$43.9 million and \$5.2 million in after-tax expenses from these results for the fiscal quarters ended March 28, 2020 and March 30, 2019, respectively.

First Quarter 2020 Reconciliation of Reported to Adjusted Earnings



\$ in millions, except EPS

| First Quarter of Fiscal 2020 | Gross Profit | % of net sales | SG&A | % of net sales | Operating Income (Loss) | % of net sales | Income Taxes | Net Income (Loss) | Diluted EPS | Segment Reporting | | | | | | | |
|--------------------------------------|----------------|----------------|----------------|----------------|-------------------------|----------------|-----------------|-------------------|-----------------|-------------------------------------|------------------------|--|------------------------|---------------------------------------|------------------------|------------------------------|----------------------|
| | | | | | | | | | | U.S. Retail Operating Income (Loss) | % of segment net sales | U.S. Wholesale Operating Income (Loss) | % of segment net sales | International Operating Income (Loss) | % of segment net sales | Corporate Operating Expenses | % of total net sales |
| As reported (GAAP) | \$228.3 | 34.9% | \$269.9 | 41.2% | (\$78.5) | (12.0%) | (\$13.0) | (\$78.7) | (\$1.82) | (\$32.4) | (10.1%) | \$2.2 | 0.9% | (\$27.7) | (33.9%) | (\$20.6) | (3.2%) |
| Organization restructuring costs (b) | - | | (3.9) | | 3.9 | | 0.9 | 3.0 | 0.07 | 1.5 | | 0.6 | | 0.3 | | 1.6 | |
| Goodwill impairment (c) | - | | - | | 17.7 | | - | 17.7 | 0.40 | - | | - | | 17.7 | | - | |
| Intangible asset impairment (d) | - | | - | | 26.5 | | 6.3 | 20.2 | 0.46 | 14.1 | | 8.4 | | 4.1 | | - | |
| COVID-19 expenses (e) | - | | (4.0) | | 4.0 | | 1.0 | 3.0 | 0.07 | 3.5 | | 0.3 | | 0.3 | | - | |
| As adjusted (a) | \$228.3 | 34.9% | \$261.9 | 40.0% | (\$26.3) | (4.0%) | (\$4.8) | (\$34.8) | (\$0.81) | (\$13.4) | (4.2%) | \$11.4 | 4.5% | (\$5.4) | (6.6%) | (\$19.1) | (2.9%) |

- (a) In addition to the results provided in this earnings release in accordance with GAAP, the Company has provided adjusted, non-GAAP financial measurements that present gross margin, SG&A, operating income, net income, and net income on a diluted share basis excluding the adjustments discussed above. The Company believes these adjustments provide a meaningful comparison of the Company's results and afford investors a view of what management considers to be the Company's core performance. The adjusted, non-GAAP financial measurements included in this earnings release should not be considered as an alternative to net income or as any other measurement of performance derived in accordance with GAAP. The adjusted, non-GAAP financial measurements are presented for informational purposes only and are not necessarily indicative of the Company's future condition or results of operations.
- (b) Certain severance and related costs resulting from organizational restructurings (not related to COVID-19).
- (c) Goodwill impairment charge recorded in the International segment.
- (d) Intangible impairment charges related to the *Skip Hop* and *OshKosh* tradename assets.
- (e) Expenses incurred due to the COVID-19 pandemic.

First Quarter 2019 Reconciliation of Reported to Adjusted Earnings



\$ in millions, except EPS

| First Quarter of Fiscal 2019 | Gross Profit | % of net sales | SG&A | % of net sales | Operating Income | % of net sales | Income Taxes | Net Income | Diluted EPS | Segment Reporting | | | | | | | |
|------------------------------|----------------|----------------|----------------|----------------|------------------|----------------|---------------|---------------|---------------|------------------------------|------------------------|---------------------------------|------------------------|--------------------------------|------------------------|------------------------------|----------------------|
| | | | | | | | | | | U.S. Retail Operating Income | % of segment net sales | U.S. Wholesale Operating Income | % of segment net sales | International Operating Income | % of segment net sales | Corporate Operating Expenses | % of total net sales |
| As reported (GAAP) | \$315.9 | 42.6% | \$263.7 | 35.6% | \$60.8 | 8.2% | \$9.3 | \$34.5 | \$0.75 | \$23.9 | 6.4% | \$55.5 | 20.1% | \$5.0 | 5.6% | (\$23.6) | (3.2%) |
| Corporate severance (b) | - | | (1.6) | | 1.6 | | 0.4 | 1.3 | 0.03 | - | | - | | - | | 1.6 | |
| Debt refinancing (c) | - | | - | | - | | 1.8 | 6.0 | 0.13 | - | | - | | - | | - | |
| China restructuring (d) | (2.1) | | - | | (2.1) | | - | (2.1) | (0.05) | - | | - | | (2.1) | | - | |
| As adjusted (a) | \$313.8 | 42.3% | \$262.0 | 35.4% | \$60.3 | 8.1% | \$11.5 | \$39.6 | \$0.87 | \$23.9 | 6.4% | \$55.5 | 20.1% | \$2.9 | 3.2% | (\$22.0) | (3.0%) |

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

Reconciliation of Net Income to Adjusted EBITDA



\$ in millions

| | Fiscal Quarter Ended | | Four Fiscal Quarters Ended |
|---------------------------------|----------------------|----------------|----------------------------|
| | March 28, 2020 | March 30, 2019 | March 28, 2020 |
| Net income | (\$78.7) | \$34.5 | \$150.6 |
| Interest expense | 8.9 | 9.6 | 36.9 |
| Interest income | (0.5) | (0.2) | (1.5) |
| Tax expense | (13.0) | 9.3 | 41.9 |
| Depreciation and amortization | 23.4 | 23.6 | 95.8 |
| EBITDA | (\$59.9) | \$76.7 | \$323.6 |
| Adjustments to EBITDA | | | |
| Productivity costs (a) | \$3.9 | \$1.6 | \$3.9 |
| Goodwill impairment (b) | 17.7 | - | 17.7 |
| Intangible asset impairment (c) | 26.5 | - | 57.3 |
| COVID-19 (d) | 4.0 | - | 4.0 |
| Debt refinancing (e) | - | 7.8 | - |
| China restructuring (f) | - | (2.1) | - |
| Customer bankruptcy charges (g) | - | - | (0.6) |
| Store restructuring costs (h) | - | - | (0.7) |
| Adjusted EBITDA | (\$7.8) | \$84.1 | \$405.2 |

- (a) Certain severance and related costs resulting from organizational restructurings (not related to COVID-19).
- (b) Goodwill impairment charge recorded in the International segment.
- (c) Intangible impairment charges related to the *Skip Hop* and *OshKosh* tradename assets.
- (d) Expenses incurred due to the COVID-19 pandemic.
- (e) Related to the redemption of the \$400 million aggregate principal amount of senior notes due 2021 in March 2019 that were previously issued by a wholly-owned subsidiary of the Company.
- (f) Net costs associated with transitioning to a full licensing model in China.
- (g) Related to the Toys "R" Us bankruptcy.
- (h) Fiscal year ended December 28, 2019 includes a reversal of retail store restructuring costs previously recorded during the third quarter of fiscal 2017.

Note: Results may not be additive due to rounding.

Constant Currency Reconciliation



\$ in millions

| | Fiscal Quarter Ended | | | | | |
|--|--------------------------------|------------------------------------|--------------------------------|--------------------------------|-----------------------------------|-----------------------------------|
| | Net Sales March 28, 2020 | Foreign Currency Translation | Net Sales March 28, 2020 | Net Sales March 30, 2019 | Reported Net Sales % Change | Currency Net Sales % Change |
| Consolidated net sales | \$654.5 | (\$0.7) | \$655.2 | \$741.1 | (11.7%) | (11.6%) |
| International segment net sales | \$81.6 | (\$0.7) | \$82.3 | \$88.6 | (7.9%) | (7.1%) |

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

Free Cash Flow



\$ in millions

| | <u>FY2015</u> | <u>FY2016</u> | <u>FY2017</u> | <u>FY2018</u> | <u>FY2019</u> |
|----------------------------|---------------|---------------|---------------|---------------|---------------|
| Operating Cash Flow | \$ 308 | \$ 369 | \$ 330 | \$ 356 | \$ 387 |
| Less: Capital Expenditures | (103) | (89) | (69) | (64) | (62) |
| Free Cash Flow | \$ 204 | \$ 281 | \$ 260 | \$ 292 | \$ 326 |

Store Count Data



| | <u>Single-brand</u> | <u>Dual-brand</u> | | <u>Total U.S. Retail</u> | <u>Dual-brand</u> | <u>Mexico</u> ¹ | <u>Total International</u> | <u>Total Consolidated Retail Stores</u> |
|--------------------------------------|--------------------------------|---------------------------------|-------------------------------|--------------------------|---------------------------------|----------------------------|----------------------------|---|
| | <u>U.S. Stand-alone Format</u> | <u>U.S. Side-by-Side Format</u> | <u>U.S. Co-branded Format</u> | | <u>Canada Co-branded Format</u> | | | |
| Store count at March 30, 2019 | 517 | 160 | 157 | 834 | 187 | 42 | 229 | 1,063 |
| Openings | 2 | - | 40 | 42 | 14 | 4 | 18 | 60 |
| Closings | (14) | (1) | (1) | (16) | (3) | (3) | (6) | (22) |
| Conversions to dual-brand formats | (29) | - | 29 | - | - | - | - | - |
| Store count at March 28, 2020 | 476 | 159 | 225 | 860 | 198 | 43 | 241 | 1,101 |

¹ Includes single brand and co-branded formats.

This presentation contains forward-looking statements within the meaning of the federal securities laws relating to our future performance, including statements with respect to liquidity, store closures, and cost reduction strategies. Such statements are based on current expectations only, and are subject to certain risks, uncertainties, and assumptions. Should one or more of these risks or uncertainties materialize or not materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those anticipated, estimated, or projected. Certain of the risks and uncertainties that could cause actual results and performance to differ materially are described in the Company's most recently filed Annual Report on Form 10-K and other reports filed with the Securities and Exchange Commission from time to time under the headings "Risk Factors". Included among those risks are those related to: the effects of the current coronavirus outbreak; financial difficulties for one or more of our major customers; an overall decrease in consumer spending; our products not being accepted in the marketplace; increased competition in the market place; diminished value of our brands; the failure to protect our intellectual property; the failure to comply with applicable quality standards or regulations; unseasonable or extreme weather conditions; pending and threatened lawsuits; a breach of our information technology systems and the loss of personal data; increased margin pressures, including increased cost of materials and labor; our foreign sourcing arrangements; disruptions in our supply chain; the management and expansion of our business domestically and internationally; the acquisition and integration of other brands and businesses; and changes in our tax obligations, including additional customs duties or tariffs. The Company does not undertake any obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.