



**carter's, inc.**

**Fourth Quarter Fiscal Year 2020 Results & Business Update**

February 26, 2021

# Fourth Quarter Results (GAAP Basis)



\$ in millions, except EPS

	<b>Q4 2020</b> (14 weeks)	% of Sales	<b>Q4 2019</b> (13 weeks)	% of Sales	<b>Increase / (Decrease)</b>
Net sales	\$990		\$1,101		(10%)
Gross profit	466	47.1%	467	42.5%	-
Royalty income	6	0.6%	7	0.7%	(13%)
SG&A	338	34.2%	312	28.3%	8%
Operating income	134	13.5%	163	14.8%	(18%)
Interest, net	15	1.5%	9	0.8%	78%
Other income	(2)	(0.2%)	(1)	(0.1%)	235%
Income before taxes	121	12.2%	155	14.1%	(22%)
Income tax provision	22		30		(26%)
Net income	\$99	10.0%	\$125	11.4%	(21%)
<b>Diluted EPS</b>	<b>\$2.26</b>		<b>\$2.82</b>		<b>(20%)</b>
Weighted average shares outstanding	43		44		(1%)
EBITDA <sup>1</sup>	\$160	16.2%	\$189	17.1%	(15%)

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

# Fiscal Year Results (GAAP Basis)



\$ in millions, except EPS

	<b>Fiscal 2020</b> (53 weeks)	<i>% of Sales</i>	<b>Fiscal 2019</b> (52 weeks)	<i>% of Sales</i>	<b>Increase / (Decrease)</b>
Net sales	\$3,024		\$3,519		(14%)
Gross profit	1,313	43.4%	1,509	42.9%	(13%)
Royalty income	26	0.9%	35	1.0%	(24%)
SG&A	1,106	36.6%	1,141	32.4%	(3%)
Goodwill impairment	18	0.6%	-	-	N/M
Intangible asset impairment	27	0.9%	31	0.9%	(14%)
Operating income	190	6.3%	372	10.6%	(49%)
Loss on extinguishment of debt	-	-	8	0.2%	(100%)
Interest and other, net	55	1.8%	36	1.0%	52%
Income before taxes	135	4.5%	328	9.3%	(59%)
Income tax provision	25		64		(61%)
Net income	\$110	3.6%	\$264	7.5%	(58%)
<b>Diluted EPS</b>	<b>\$2.50</b>		<b>\$5.85</b>		<b>(57%)</b>
Weighted average shares outstanding	43		45		(3%)
EBITDA <sup>1</sup>	\$284	9.4%	\$460	13.1%	(38%)

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

# Non-GAAP Adjustments (Q4, Fiscal Year)



\$ in millions, except EPS

	Fourth Fiscal Quarter					
	2020 (14 weeks)			2019 (13 weeks)		
	Operating Income	% Net Sales	Diluted EPS	Operating Income	% Net Sales	Diluted EPS
<b>As reported (GAAP)</b>	<b>\$ 133.9</b>	<b>13.5%</b>	<b>\$ 2.26</b>	<b>\$ 162.8</b>	<b>14.8%</b>	<b>\$ 2.82</b>
Restructuring costs	7.9		0.14	-		-
COVID-19 expenses	2.5		0.04	-		-
Store lease impairments	1.2		0.02	-		-
Customer bankruptcy recovery	-		-	(0.6)		(0.01)
Total adjustments	11.6		0.20	(0.6)		(0.01)
<b>As adjusted</b>	<b>\$ 145.5</b>	<b>14.7%</b>	<b>\$ 2.46</b>	<b>\$ 162.2</b>	<b>14.7%</b>	<b>\$ 2.81</b>

	Fiscal Year					
	2020 (53 weeks)			2019 (52 weeks)		
	Operating Income	% Net Sales	Diluted EPS	Operating Income	% Net Sales	Diluted EPS
<b>As reported (GAAP)</b>	<b>\$ 189.9</b>	<b>6.3%</b>	<b>\$ 2.50</b>	<b>\$ 371.9</b>	<b>10.6%</b>	<b>\$ 5.85</b>
Intangible asset impairment	26.5		0.46	30.8		0.52
Goodwill impairment	17.7		0.40	-		-
COVID-19 expenses	21.4		0.37	-		-
Restructuring costs	16.6		0.29	1.6		0.03
Store lease impairments	7.6		0.13	-		-
Debt extinguishment loss	-		-	-		0.13
Customer bankruptcy recovery	-		-	(0.6)		(0.01)
Store restructuring	-		-	(0.7)		(0.01)
China business model change	-		-	(2.1)		(0.05)
Total adjustments	89.9		1.65	29.1		0.61
<b>As adjusted</b>	<b>\$ 279.8</b>	<b>9.3%</b>	<b>\$ 4.16</b>	<b>\$ 401.0</b>	<b>11.4%</b>	<b>\$ 6.46</b>

Note: Results may not be additive due to rounding. Please see the appendix for further information about these non-GAAP adjustments and reconciliation to GAAP.

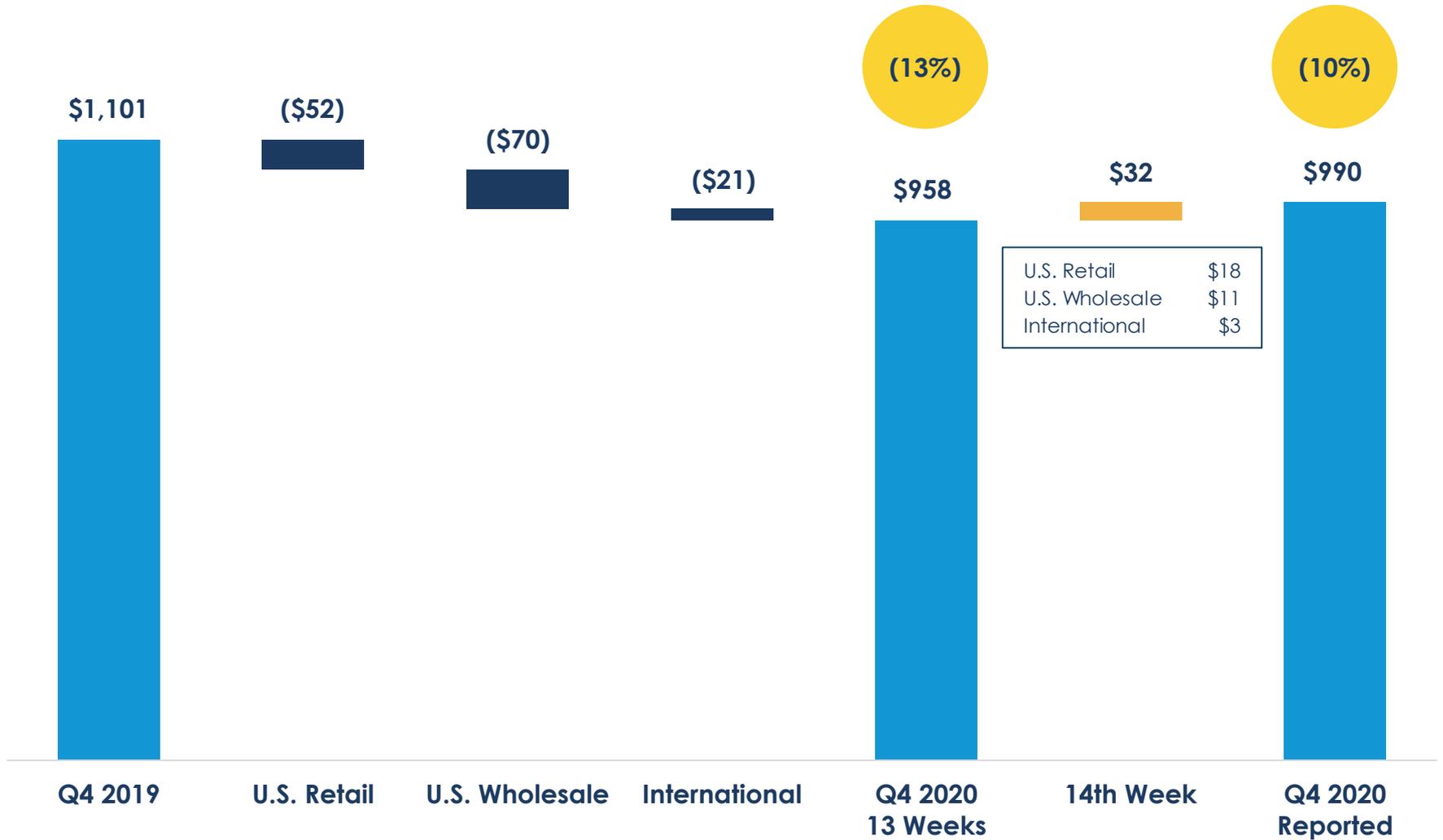
- 
- **Strong finish to the year – achieved our sales and earnings objectives**
  - **U.S. eCommerce comparable sales +16%; Canada +47%**
  - **Continued growth in omnichannel sales**
  - **U.S. sales of exclusive brands to Target, Walmart, and Amazon +13%**
  - **Record quarterly gross margin (47.1%; +460 bps vs. LY)**
  - **Strong adjusted operating margin of 14.7%<sup>1</sup>**
  - **Record level of annual cash flow from operations**
  - **Record liquidity: \$1.8 billion**

<sup>1</sup> See reconciliation to GAAP in appendix.

# Fourth Quarter Net Sales



\$ in millions



# Fourth Quarter Adjusted Results<sup>1</sup>



\$ in millions, except EPS

	<b>Q4 2020</b> (14 weeks)	% of Sales	<b>Q4 2019</b> (13 weeks)	% of Sales	<b>Increase / (Decrease)</b>
Net sales	\$990		\$1,101		(10%)
Gross profit	466	47.1%	467	42.5%	-
Royalty income	6	0.6%	7	0.7%	(13%)
Adjusted SG&A	327	33.0%	313	28.4%	5%
Adjusted operating income	145	14.7%	162	14.7%	(10%)
Interest, net	15	1.5%	9	0.8%	78%
Other income	(2)	(0.2%)	(1)	(0.1%)	235%
Adjusted income before taxes	133	13.4%	154	14.0%	(14%)
Adjusted income tax provision	25		30		(17%)
Adjusted net income	\$108	10.9%	\$125	11.3%	(14%)
<b>Adjusted diluted EPS</b>	<b>\$2.46</b>		<b>\$2.81</b>		<b>(12%)</b>
Weighted average shares outstanding	43		44		(1%)
Adjusted EBITDA	\$172	17.4%	\$188	17.1%	(9%)

<sup>1</sup> 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

## Year End Balance Sheet

	2020	2019
Cash	\$1,102	\$214
Accounts receivable	187	251
Inventory	599	594
Accounts payable	472	184
Long-term debt	990	595
Operating lease liabilities	740	825

## Fiscal Year Cash Flow

	2020	2019
Operating cash flow	\$590	\$387
Capital expenditures	(33)	(61)
Free cash flow <sup>1</sup>	\$557	\$326

- **Strong liquidity at Q4 end: ~\$1.8B**
  - \$1.1B cash on hand
  - \$745M available under revolving credit facility
- **Net inventory +1% vs. LY**
  - Reflects strong inventory management, improved sell-through
  - Continued progress reducing excess inventory
- **Accounts receivable / Accounts payable**
  - Accounts receivable -26% vs. LY
  - Accounts payable increase driven by extension of vendor payment terms and rent deferrals
- **Debt**
  - Increase vs. LY reflects Q2 issuance of \$500M Senior Notes partially offset by lower revolver borrowings
- **Record operating cash flow and free cash flow**
  - Reflects rent deferrals, extended vendor payment terms, spend management, and lower earnings

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

# Fiscal Year Adjusted Results<sup>1</sup>



\$ in millions, except EPS

	<b>Fiscal 2020</b> (53 weeks)	<i>% of Sales</i>	<b>Fiscal 2019</b> (52 weeks)	<i>% of Sales</i>	<b>Increase / (Decrease)</b>
Net sales	\$3,024		\$3,519		(14%)
Adjusted gross profit	1,313	43.4%	1,506	42.8%	(13%)
Royalty income	26	0.9%	35	1.0%	(24%)
Adjusted SG&A	1,060	35.0%	1,140	32.4%	(7%)
Adjusted operating income	280	9.3%	401	11.4%	(30%)
Interest and other, net	55	1.8%	36	1.0%	52%
Adjusted income before taxes	225	7.4%	365	10.4%	(38%)
Adjusted income tax provision	42		73		(42%)
Adjusted net income	\$183	6.0%	\$292	8.3%	(37%)
Adjusted diluted EPS	\$4.16		\$6.46		(36%)
Weighted average shares outstanding	43		45		(3%)
Adjusted EBITDA	\$373	12.3%	\$497	14.1%	(25%)

<sup>1</sup> 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.

# Meaningful Second Half Recovery in 2020

(First Half / Second Half Adjusted Results<sup>1</sup>)



vs. Prior Year

	First Half	Second Half
<b>Net sales</b>	(21%)	(9%)
<b>Adj. gross margin</b>	-350 bps	+320 bps
<b>Adj. operating income</b>	(88%)	(4%)
<b>Adj. operating margin</b>	-710 bps	+80 bps

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

# Business Segment Results



# Fourth Quarter Adjusted Business Segment Performance<sup>1</sup>



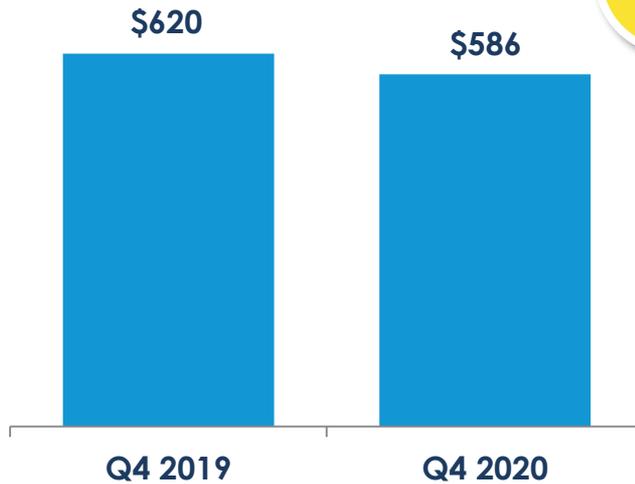
\$ in millions

	Net Sales			Adjusted Operating Income			Adjusted Operating Margin	
	2020	2019	Variance	2020	2019	Variance	2020	2019
	(14 weeks)	(13 weeks)		(14 weeks)	(13 weeks)			
<b>U.S. Retail</b>	<b>\$586</b>	<b>\$620</b>	<b>(\$34)</b>	<b>\$112</b>	<b>\$101</b>	<b>\$11</b>	<b>19.1%</b>	<b>16.3%</b>
<b>U.S. Wholesale</b>	<b>290</b>	<b>349</b>	<b>(59)</b>	<b>54</b>	<b>67</b>	<b>(13)</b>	<b>18.6%</b>	<b>19.2%</b>
<b>International</b>	<b>114</b>	<b>132</b>	<b>(18)</b>	<b>15</b>	<b>21</b>	<b>(6)</b>	<b>13.3%</b>	<b>16.2%</b>
Total before corporate expenses	990	1,101	(111)	181	189	(8)	18.3%	17.2%
<b>Corporate expenses</b>				<b>(36)</b>	<b>(27)</b>	<b>(8)</b>	<b>(3.6%)</b>	<b>(2.5%)</b>
<b>Total</b>	<b>\$990</b>	<b>\$1,101</b>	<b>(\$111)</b>	<b>\$145</b>	<b>\$162</b>	<b>(\$17)</b>	<b>14.7%</b>	<b>14.7%</b>

<sup>1</sup> 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.

\$ in millions

## Segment Net Sales



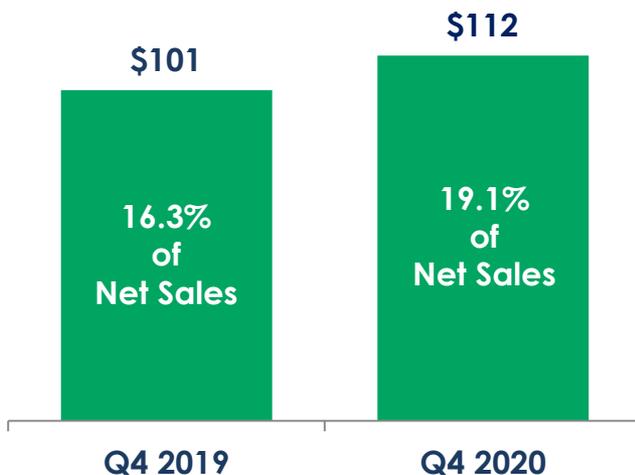
**Total Sales (6%)**

## Q4 Recap

- **Net sales -6% vs. LY**

- Comp sales -9%
  - Strong eCommerce performance; sales +16%
  - Stores sales lower driven by decline in traffic
  - Demand from international customers meaningfully lower online & in stores
- eCommerce penetration 45% vs. 36% LY
- Sales adversely affected by inventory position (level & mix) and global pandemic

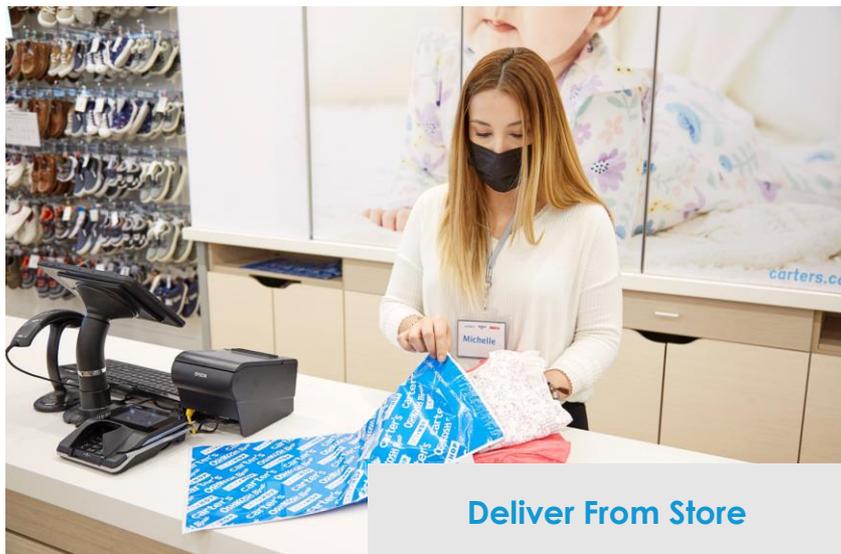
## Segment Adj. Operating Income<sup>1</sup>



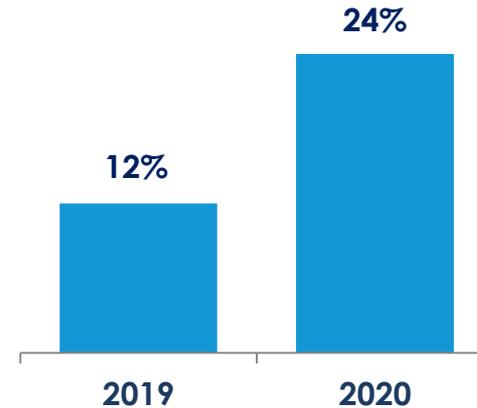
- **Meaningful profit improvement**

- Adj. segment income +10%
- Adj. margin +280 bps; reflects:
  - Improved price realization, lower product costs and lower inventory provisions
  - Investments in eCommerce speed, mobile app & website enhancements and timing of compensation provisions (partial restoration)

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



## Q4 Omnichannel Demand<sup>1</sup> (% eCommerce orders)



- **Better customer experience**

- Same Day Pickup (BOPIS), Deliver From Store options improve speed to consumer

- **Attractive economics**

- Omnichannel fulfillment options provide higher margins vs. Ship to Home eCommerce transactions
- Deliver From Store option further optimizes inventory across our retail footprint

- **Traffic driver to our stores**

- Ship to Store (BOSS) and Same Day Pickup services drove 1.7 million store visits in fiscal 2020

<sup>1</sup> Includes buy online, ship to store (BOSS); buy online, pickup in store (or curbside pickup) (BOPIS); deliver from store.



Hello, 2020.

4,462,799 views • 26 Oct 2020



Video link: <https://youtu.be/liuiD7540Lo>

## Hello Optimism Brand Campaign

- **Most viewed digital campaign in brand history**
- **Highest campaign sentiment in brand history**
- **Most shared campaign in brand history**



- *Carter's* – 1st childrenswear brand with over **2 million** Instagram followers<sup>1</sup>
- CRI brands earned **72%** of all social media engagement among peers in Q4<sup>2</sup>
- Over **4 billion** earned media impressions in Q4

<sup>1</sup> Source: Instagram as of 2/22/21. Peer set includes Carter's, OshKosh B'gosh, The Children's Place, Gymboree, Hanna Andersson, Janie and Jack, and Gap Kids.

<sup>2</sup> Third party engagement scoring Oct. – Dec. 2020. Peer set includes Carter's, OshKosh B'gosh, The Children's Place, Gymboree, Hanna Andersson, Janie and Jack, and Gap Kids.



**SANTA'S COMING EARLY**  
Enter each day, now through October 30, to win a personalized video gram direct from the North Pole (100 chances a day!)

From Santa with  
carter's x cameo

Partnered with **Cameo** to deliver first-of-its-kind virtual Santa experience  
**193M+ media impressions**

Leslie Odom, Jr.



Whitney Port

**“Wonderful Weeks of Giveaways”**  
**500K entries and 1B+ media impressions**  
**Most successful sweepstakes in Carter’s brand history**

# HBCU Collection + Black History Month Celebration

**carter's**

romper

Carter's New Collection  
For Kids & Babies  
Celebrates HBCUs



**WE ♥ HBCUs**

We're celebrating the legacy of **Historically Black Colleges and Universities** with stories from our own proud alumni and a collection of HBCU styles for kids to inspire the next generation.

FAMU GRAMBLING STATE HOWARD MOREHOUSE SPELMAN NORTH CAROLINA A&T

**Zaida**  
Lead Business Analyst - Carter's  
What does it mean to you to be an HBCU alumna?  
"Becoming a FAMU alumna was one of the proudest moments of my life because I was able to continue a family legacy and tradition."

**Florida A&M University**  
Est. 1887 | Tallahassee, FL | Mascot: Rattlers

FREE SHIPPING ON \$35+ Order Online, Pick Up Today.

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BABY GIRL BABY BOY TODDLER GIRL TODDLER BOY

**BLACK HISTORY MONTH**

We've partnered with our friends at **Sister's Uptown Bookstore** to showcase books for kids that celebrate the unique voices, achievements and legacy of the African-American community — and inspire the next generation of young thinkers, creators and leaders.

**THE YOUNGEST MARCHES**  
Cyndie Levinson author  
Vanessa Brantley-Newton illustrator

**THE BOOK ITCH**  
Vanessa Michaux Nelson author  
K. Gregory Christie illustrator

**LITTLE LEGENDS**  
Vashli Harrison author & illustrator

**LITTLE LEADERS**  
Vashli Harrison author & illustrator

Join us each Wednesday in February for **virtual storytime** on Carter's RTV, where our special guests will read aloud from 1 of 4 book sets. Learn each week.

FOLLOW US    SHOP BOOKS

**Learn more about SISTER'S UPTOWN BOOKSTORE**



Hi everyone, my name is Tony Robinson.

**carter's**

**Black History Month Storytime Ep. 1**

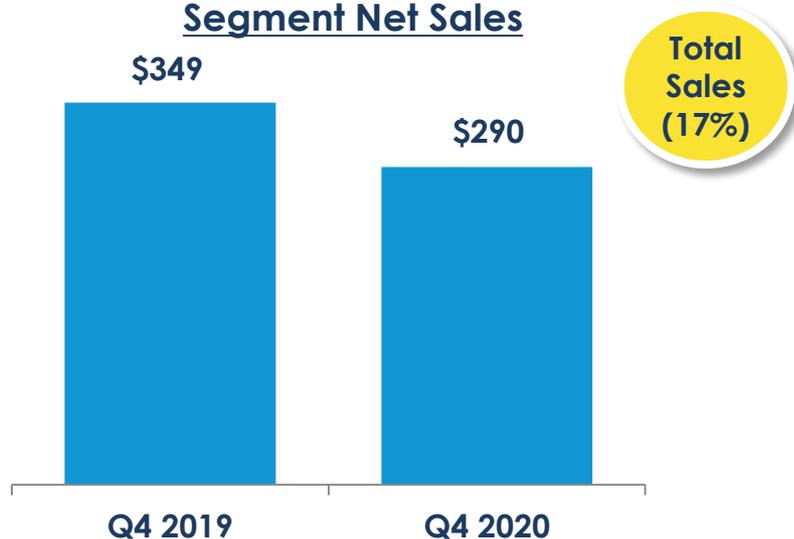
Join us for our first episode of Black History Month Storytime in partnership with @sistersuptown Bookstore. This week, Tony Robinson, the Senior Vice President of Corporate Social Responsibility, is reading an excerpt from Little Legends: Exceptional Men in Black History. This book was written and illustrated by @vashliharrison and is read with permission from @littlebrownyoungreaders. #blackhistorymonth #storytime #bookreading

8,866 views  
4 DAYS AGO

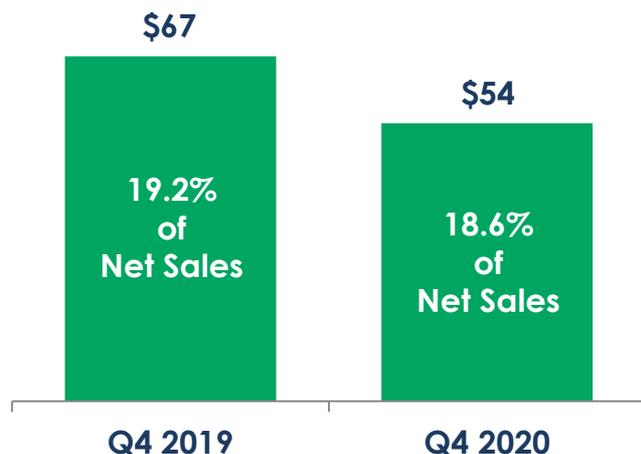
Add a comment... Post

\$ in millions

## Segment Net Sales



## Segment Adj. Operating Income<sup>1</sup>



## Q4 Recap

- **Net sales -17% vs. LY**
  - Largely achieved sales plan despite pandemic-related disruptions
    - Proactive inventory curtailment
    - Delayed inventory receipts
  - Strong demand for exclusive brands at Target, Walmart & Amazon; +13% vs. LY
  - Online demand for our brands through wholesale customers +36% vs. LY
  - Lower *Carter's* brand sales, reflecting our decision to curtail fall/winter receipts
  - Lower sales to off-price retailers
- **Segment profitability**
  - Adjusted margin 18.6% vs. 19.2% LY; performance reflects:
    - Increased investment in marketing and timing of compensation provisions
    - Lower inventory provisions and bad debt expense

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

# KOHL'S



just one you.  
made by  
**carter's**





Pickup & delivery Walmart.com

Walmart

child of mine

Account My Items

**W+** NEW! Free shipping with no order min. Restrictions apply. [Learn more](#)

**child of mine**  
made by **carter's**

Everyday essentials & outfit sets,  
in sizes preemie-5T.

Clothing, Shoes & Accessories | Shop by brand Women Men Kids & Baby Jewelry & Watches Luggage & Travel Savings New Year New You Valentine's Day Gift Guide



**simple joys**  
by carter's

Baby clothes are as easy to love, as they are simple to buy! From bodysuits to sleep and accessories, we've got everything you need and love for baby!



simple joys by carter's

HOME 2-WAY ZIP SLEEP AND PLAY BABY BOY BABY GIRL BABY NEUTRAL TODDLER BOY TODDLER GIRL BOY PAJAMAS MORE

Following

**baby+**  
preemie - 24m

baby boy

baby girl

baby neutral

**SLEEP AND PLAY**  
**2-way zipper**  
2-way zipper zips up from the feet to keep baby warm + snuggly during diaper changes

**toddler+**  
2t - 5t

toddler boy

toddler girl

swim 3m - 5t

**pajamas + more**  
newborn - 8

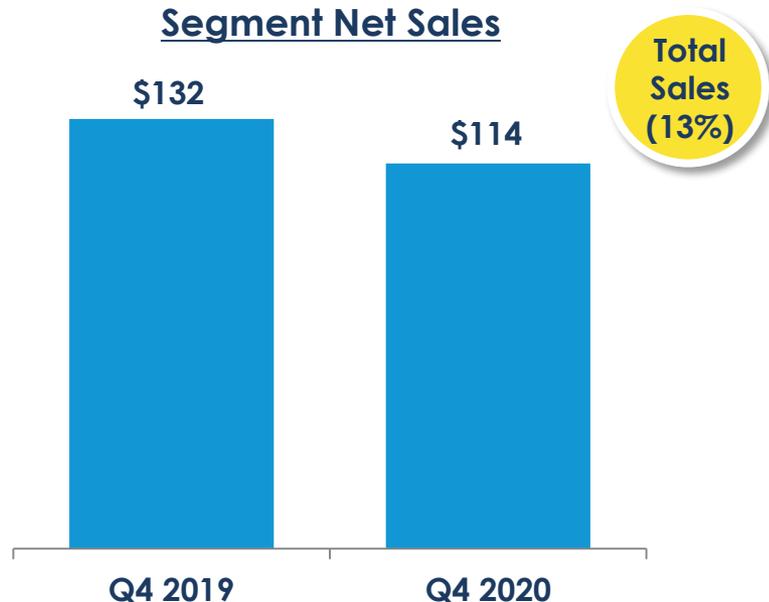
boys pajamas

girls pajamas

shoes + accessories

\$ in millions

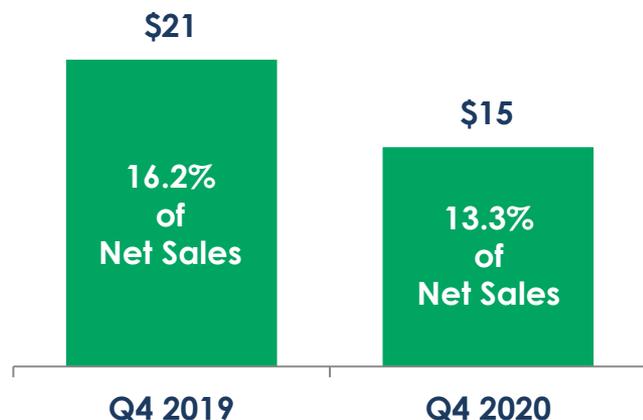
## Segment Net Sales



## Q4 Recap

- **Net sales: -13% vs. LY**
  - **Canada**
    - Retail comp -10%: strong eCommerce performance (+47%); lower store traffic
    - Significant COVID-19 related store closures
  - **Mexico**
    - Strong eCommerce growth offset by pandemic-related store closures in December
  - **International Partners**
    - Lower sales due to global pandemic
- **Segment profitability**
  - Performance reflects:
    - Store deleverage, eCommerce investments, and timing of compensation provisions
    - Lower inventory provisions

## Segment Adj. Operating Income<sup>1</sup>



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

# Long-Term Outlook



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

carter's

## Key Strengths & Competitive Advantages

- **#1 market share in North America**
- **Strong portfolio of brands, including two of the best known and trusted names in young children's apparel**
- **Attractive product space**
  - Essential core products; less discretionary purchase
  - Affordable price points
  - Less fashion risk than adult apparel
- **Successful multi-channel business model with broad distribution**
  - Highly productive retail stores
  - Leading eCommerce platform in young children's apparel
  - Strong omnichannel capabilities
  - Established, long-term relationships with the largest retailers in North America
  - Owned operations in Canada & Mexico
  - Profitable international wholesale business
- **Strong balance sheet with substantial liquidity**
- **Long track record of strong operating margins and cash flow generation**

carter's

**OSHKOSH**  
*B'gosh*

**SKIP\*HOP**

**child**  
**of mine**  
made by  
**carter's**

**just**  
**one**  
**you**  
made by  
**carter's**

**simplejoys**  
by **carter's**

**little planet**  
by **carter's**

<b>Mission &amp; Vision</b>	<p style="text-align: center;"><b><u>Mission</u></b></p> <p>To serve the needs of all families with young children</p>	<p style="text-align: center;"><b><u>Vision</u></b></p> <p>To be the world's favorite brands in young children's apparel and related products</p>
<b>Strategic Pillars</b>	<ul style="list-style-type: none"> <li>• Lead in eCommerce</li> <li>• Win in Baby</li> <li>• Age Up</li> <li>• Expand Globally</li> </ul>	
<b>Five Year Growth Objectives</b>  <b>(2020 – 2025)</b> <b>(Adjusted Basis)</b>	<p style="text-align: center;"><b><u>5-Year CAGR</u></b></p> <p><b>Net sales</b>                      <b>Mid single-digit</b></p> <p><b>Operating income</b>        <b>Low double-digit</b></p> <p><b>EPS</b>                              <b>Mid-teens</b></p>	<p style="text-align: center;"><b><u>Comments</u></b></p> <ul style="list-style-type: none"> <li>• Growth in all segments</li> <li>• Gross margin expansion &amp; spending leverage</li> <li>• Meaningful improvement in operating margin</li> <li>• Benefit of debt reduction &amp; share repurchases</li> </ul>
<b>Capital Allocation Priorities</b>	<ul style="list-style-type: none"> <li>• Expect to generate \$1.7B in operating cash flow (cumulative 2021 – 2025)</li> <li>• Priorities:             <ol style="list-style-type: none"> <li>1. Invest in growth strategies</li> <li>2. Reduce debt</li> <li>3. Evaluate M&amp;A opportunities</li> <li>4. Return excess capital to shareholders</li> </ol> </li> </ul>	

## Sales Drivers

- **Continued compelling assortments**
  - Focus on casual dressing & sleepwear
  - *Little Planet* (eco-friendly)
  - Larger sizes / 'Age Up'
- **U.S. Wholesale growth**
  - Exclusive brands with Target, Walmart & Amazon
  - Core *Carter's* brand demand recovery
  - Support customers' eCommerce growth objectives
  - *Skip Hop*
- **U.S. Retail growth driven by eCommerce / omnichannel**
  - Industry leading website
  - New mobile app
  - Greater omnichannel penetration
  - Consumer personalization
  - Strengthened loyalty program
- **International growth**
  - Canada eCommerce / omnichannel
  - Mexico market development (stores, eCommerce)
  - Global expansion with Amazon

## Earnings Drivers

**Gross Margin Expansion**

- **Strength of product offering**
- **Improved price realization**
  - Improved marketing & promotional effectiveness
  - Inventory productivity
- **Better product costing disciplines**

**Improved Profit Contribution**

- **Fewer, better, more profitable stores**
- **Increasing mix of eCommerce sales**
- **Carter's credit card**
- ***Skip Hop*, *OshKosh* brands**

**Productivity & Efficiency**

- **Marketing effectiveness**
- **Stronger indirect procurement capabilities**
- **Organizational efficiencies**
- **Store labor optimization**

**Other**

- **Debt paydown**
- **Share repurchase**

## 2021 Outlook



## Fiscal Year 2021

- **Focused on improving profitability**
- **Net sales: growth of ~5%**
  - Growth in all segments
  - Plan to close ~115 stores in the U.S.
- **Operating margin expansion**
- **Adjusted diluted EPS: growth of ~10% (vs. \$4.16 in 2020)<sup>1</sup>**
- **Annual sales and earnings growth heavily weighted to the first half**
- **Higher interest expense due to senior note issuance in 2020**
- **Effective tax rate ~23% (vs. ~19% in fiscal '20)**
- **Operating cash flow: ~\$130 – \$150 million**
  - Improved earnings offset by repayment of deferred rents & revision of vendor payment terms
- **CapEx: ~\$55 million**

## Q1 2021

- **Net sales: comparable to LY**
- **Significant improvement in profitability**
  - Adjusted operating income: approximately \$30 million (vs. loss of \$26 million LY)<sup>1</sup>
  - Adjusted diluted EPS: approximately \$0.25 (vs. loss of \$0.81 LY)<sup>1</sup>
- **Outlook reflects:**
  - Lingering effects of the global pandemic
  - Adverse effects of transportation delays / late arriving product
  - Gross margin expansion; spending comparable to LY
  - Higher interest expense

<sup>1</sup> See reconciliation to GAAP in appendix.



Thank you!

# Appendix



# Q4 Reconciliation of Net Income Allocable to Common Shareholders



	Fiscal Quarter Ended	
	January 2, 2021	December 28, 2019
Weighted-average number of common and common equivalent shares outstanding:		
Basic number of common shares outstanding	43,284,847	43,688,514
Dilutive effect of equity awards	143,789	318,434
Diluted number of common and common equivalent shares outstanding	<u>43,428,636</u>	<u>44,006,948</u>

	Fiscal Quarter Ended			
	As reported on a GAAP Basis		As adjusted (a)	
	January 2, 2021	December 28, 2019	January 2, 2021	December 28, 2019
<i>\$ in thousands, except EPS</i>				
Basic net income per common share:				
Net income	\$99,014	\$125,147	\$107,850	\$124,725
Income allocated to participating securities	(1,011)	(1,219)	(1,101)	(1,215)
Net income available to common shareholders	<u>\$98,003</u>	<u>\$123,928</u>	<u>\$106,749</u>	<u>\$123,511</u>
Basic net income per common share	\$2.26	\$2.84	\$2.47	\$2.83
Diluted net income per common share:				
Net income	\$99,014	\$125,147	\$107,850	\$124,725
Income allocated to participating securities	(1,007)	(1,212)	(1,097)	(1,208)
Net income available to common shareholders	<u>\$98,007</u>	<u>\$123,935</u>	<u>\$106,753</u>	<u>\$123,517</u>
Diluted net income per common share	\$2.26	\$2.82	\$2.46	\$2.81

(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 \$8.8 million and \$0.4 million in after-tax expenses (benefit) from these results for the fiscal quarters ended January 2, 2021 and December 28, 2019, respectively.

# Fiscal Year Reconciliation of Net Income Allocable to Common Shareholders



	Four Fiscal Quarters Ended	
	January 2, 2021	December 28, 2019
Weighted-average number of common and common equivalent shares outstanding:		
Basic number of common shares outstanding	43,242,967	44,402,438
Dilutive effect of equity awards	164,754	305,514
Diluted number of common and common equivalent shares outstanding	43,407,721	44,707,952

	Four Fiscal Quarters Ended			
	As reported on a GAAP Basis		As adjusted (a)	
	January 2, 2021	December 28, 2019	January 2, 2021	December 28, 2019
<i>\$ in thousands, except EPS</i>				
Basic net income per common share:				
Net income	\$109,717	\$263,802	\$182,550	\$291,663
Income allocated to participating securities	(1,118)	(2,430)	(1,877)	(2,696)
Net income available to common shareholders	\$108,599	\$261,372	\$180,673	\$288,967
Basic net income per common share	\$2.51	\$5.89	\$4.18	\$6.51
Diluted net income per common share:				
Net income	\$109,717	\$263,802	\$182,550	\$291,663
Income allocated to participating securities	(1,115)	(2,419)	(1,871)	(2,683)
Net income available to common shareholders	\$108,602	\$261,383	\$180,679	\$288,980
Diluted net income per common share	\$2.50	\$5.85	\$4.16	\$6.46

(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 \$72.8 million and \$27.9 million in after-tax expenses from these results for the four fiscal quarters ended January 2, 2021 and December, 2019, respectively.

# Fiscal Year Adjusted Business Segment Performance<sup>1</sup>



\$ in millions

	Net Sales			Adjusted Operating Income			Adjusted Operating Margin	
	2020 (53 weeks)	2019 (52 weeks)	Variance	2020 (53 weeks)	2019 (52 weeks)	Variance	2020	2019
<b>U.S. Retail</b>	\$1,672	\$1,884	(\$213)	\$183	\$226	(\$43)	10.9%	12.0%
<b>U.S. Wholesale</b>	996	1,206	(210)	161	231	(70)	16.2%	19.2%
<b>International</b>	357	429	(73)	25	45	(20)	7.1%	10.5%
Total before corporate expenses	3,024	3,519	(495)	370	503	(133)	12.2%	14.3%
<b>Corporate expenses</b>				(90)	(102)	12	(3.0%)	(2.9%)
<b>Total</b>	<b>\$3,024</b>	<b>\$3,519</b>	<b>(\$495)</b>	<b>\$280</b>	<b>\$401</b>	<b>(\$121)</b>	<b>9.3%</b>	<b>11.4%</b>

<sup>1</sup> 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.

# Reconciliation of Reported to Adjusted Earnings



\$ in millions, except EPS

Fourth Quarter of Fiscal 2020	Gross Profit	% of net sales	SG&A	% of net sales	Operating Income	% of net sales	Income Taxes	Net Income	Diluted EPS	Segment Reporting							
										U.S. Retail Operating Income	% of segment net sales	U.S. Wholesale Operating Income	% of segment net sales	International Operating Income	% of segment net sales	Corporate Operating Expenses	% of total net sales
<b>As reported (GAAP)</b>	<b>\$465.9</b>	<b>47.1%</b>	<b>\$338.4</b>	<b>34.2%</b>	<b>\$133.9</b>	<b>13.5%</b>	<b>\$21.9</b>	<b>\$99.0</b>	<b>\$2.26</b>	<b>\$107.9</b>	<b>18.4%</b>	<b>\$52.3</b>	<b>18.0%</b>	<b>\$14.6</b>	<b>12.8%</b>	<b>(\$40.9)</b>	<b>(4.1%)</b>
Restructuring costs (b)	-		(7.9)		7.9		1.9	6.0	0.14	1.6		0.5		0.3		5.4	
COVID-19 expenses (c)	-		(2.5)		2.5		0.6	1.9	0.04	1.3		1.1		0.2		-	
Retail store operating leases and other long-lived asset impairments, net of gain (d)	-		(1.2)		1.2		0.3	0.9	0.02	1.1		-		0.1		-	
<b>As adjusted (a)</b>	<b>\$465.9</b>	<b>47.1%</b>	<b>\$326.8</b>	<b>33.0%</b>	<b>\$145.5</b>	<b>14.7%</b>	<b>\$24.7</b>	<b>\$107.8</b>	<b>\$2.46</b>	<b>\$111.9</b>	<b>19.1%</b>	<b>\$53.9</b>	<b>18.6%</b>	<b>\$15.2</b>	<b>13.3%</b>	<b>(\$35.5)</b>	<b>(3.6%)</b>

Fiscal 2020	Gross Profit	% of net sales	SG&A	% of net sales	Operating Income	% of net sales	Income Taxes	Net Income	Diluted EPS	Segment Reporting							
										U.S. Retail Operating Income	% of segment net sales	U.S. Wholesale Operating Income	% of segment net sales	International Operating Income	% of segment net sales	Corporate Operating Expenses	% of total net sales
<b>As reported (GAAP)</b>	<b>\$1,313.4</b>	<b>43.4%</b>	<b>\$1,105.6</b>	<b>36.6%</b>	<b>\$189.9</b>	<b>6.3%</b>	<b>\$25.3</b>	<b>\$109.7</b>	<b>\$2.50</b>	<b>\$146.8</b>	<b>8.8%</b>	<b>\$141.5</b>	<b>14.2%</b>	<b>(\$1.2)</b>	<b>(0.3%)</b>	<b>(\$97.2)</b>	<b>(3.2%)</b>
Intangible asset impairment (e)	-		-		26.5		6.3	20.2	0.46	14.1		8.4		4.1		-	
Goodwill impairment (f)	-		-		17.7		-	17.7	0.40	-		-		17.7		-	
COVID-19 expenses (c)	-		(21.4)		21.4		5.2	16.2	0.37	9.6		9.6		2.2		-	
Restructuring costs (b)	-		(16.6)		16.6		3.8	12.9	0.29	5.0		2.0		2.2		7.4	
Retail store operating leases and other long-lived asset impairments, net of gain (d)	-		(7.6)		7.6		1.8	5.8	0.13	7.4		-		0.3		-	
<b>As adjusted (a)</b>	<b>\$1,313.4</b>	<b>43.4%</b>	<b>\$1,060.0</b>	<b>35.0%</b>	<b>\$279.8</b>	<b>9.3%</b>	<b>\$42.3</b>	<b>\$182.5</b>	<b>\$4.16</b>	<b>\$182.9</b>	<b>10.9%</b>	<b>\$161.4</b>	<b>16.2%</b>	<b>\$25.2</b>	<b>7.1%</b>	<b>(\$89.7)</b>	<b>(3.0%)</b>

Fourth Quarter of Fiscal 2019	Gross Profit	% of net sales	SG&A	% of net sales	Operating Income	% of net sales	Income Taxes	Net Income	Diluted EPS	Segment Reporting							
										U.S. Retail Operating Income	% of segment net sales	U.S. Wholesale Operating Income	% of segment net sales	International Operating Income	% of segment net sales	Corporate Operating Expenses	% of total net sales
<b>As reported (GAAP)</b>	<b>\$467.5</b>	<b>42.5%</b>	<b>\$312.0</b>	<b>28.3%</b>	<b>\$162.8</b>	<b>14.8%</b>	<b>\$29.7</b>	<b>\$125.1</b>	<b>\$2.82</b>	<b>\$101.3</b>	<b>16.3%</b>	<b>\$67.4</b>	<b>19.3%</b>	<b>\$21.3</b>	<b>16.2%</b>	<b>(\$27.2)</b>	<b>(2.5%)</b>
Customer bankruptcy recovery (g)	-		0.6		(0.6)		(0.1)	(0.4)	(0.01)	-		(0.6)		-		-	
<b>As adjusted (a)</b>	<b>\$467.5</b>	<b>42.5%</b>	<b>\$312.5</b>	<b>28.4%</b>	<b>\$162.2</b>	<b>14.7%</b>	<b>\$29.6</b>	<b>\$124.7</b>	<b>\$2.81</b>	<b>\$101.3</b>	<b>16.3%</b>	<b>\$66.8</b>	<b>19.2%</b>	<b>\$21.3</b>	<b>16.2%</b>	<b>(\$27.2)</b>	<b>(2.5%)</b>

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
<b>As reported (GAAP)</b>	<b>\$1,508.5</b>	<b>42.9%</b>	<b>\$1,140.5</b>	<b>32.4%</b>	<b>\$371.9</b>	<b>10.6%</b>	<b>\$64.1</b>	<b>\$263.8</b>	<b>\$5.85</b>	<b>\$225.9</b>	<b>12.0%</b>	<b>\$212.6</b>	<b>17.6%</b>	<b>\$36.7</b>	<b>8.5%</b>	<b>(\$103.2)</b>	<b>(2.9%)</b>
Intangible asset impairment (e)	-		-		30.8		7.1	23.7	0.52	1.2		19.1		10.5		-	
Debt extinguishment loss (h)	-		-		-		1.8	6.0	0.13	-		-		-		-	
Restructuring costs (b)	-		(1.6)		1.6		0.4	1.3	0.03	-		-		-		1.6	
Customer bankruptcy recovery (g)	-		0.6		(0.6)		(0.1)	(0.4)	(0.01)	-		(0.6)		-		-	
Store restructuring (i)	-		0.7		(0.7)		(0.2)	(0.6)	(0.01)	(0.7)		-		-		-	
China business model change (j)	(2.1)		-		(2.1)		-	(2.1)	(0.05)	-		-		(2.1)		-	
<b>As adjusted (a)</b>	<b>\$1,506.5</b>	<b>42.8%</b>	<b>\$1,140.1</b>	<b>32.4%</b>	<b>\$401.0</b>	<b>11.4%</b>	<b>\$73.2</b>	<b>\$291.7</b>	<b>\$6.46</b>	<b>\$226.4</b>	<b>12.0%</b>	<b>\$231.1</b>	<b>19.2%</b>	<b>\$45.0</b>	<b>10.5%</b>	<b>(\$101.6)</b>	<b>(2.9%)</b>

Note: Results may not be additive due to rounding.

# Reconciliation of Reported to Adjusted Earnings (Continued)



\$ in millions, except EPS

First Half 2020	Gross Profit	% of net sales	SG&A	% of net sales	Operating (Loss) Income	% of net sales	Income Taxes	Net Income	Diluted EPS	Segment Reporting							
										U.S. Retail Operating Income	% of segment net sales	U.S. Wholesale Operating Income	% of segment net sales	International Operating Income	% of segment net sales	Corporate Operating Expenses	% of total net sales
<b>As reported (GAAP)</b>	<b>\$463.8</b>	<b>39.7%</b>	<b>\$488.0</b>	<b>41.7%</b>	<b>(\$57.5)</b>	<b>(4.9%)</b>	<b>(\$15.7)</b>	<b>(\$70.5)</b>	<b>(\$1.64)</b>	<b>(\$8.7)</b>	<b>(1.4%)</b>	<b>\$23.4</b>	<b>5.8%</b>	<b>(\$33.2)</b>	<b>(25.8%)</b>	<b>(\$39.1)</b>	<b>(3.3%)</b>
Intangible asset impairment (e)	-	-	-	-	26.5	-	6.3	20.2	0.47	14.1	-	8.4	-	4.1	-	-	-
Goodwill impairment (f)	-	-	-	-	17.7	-	-	17.7	0.41	-	-	-	-	17.7	-	-	-
COVID-19 expenses (c)	-	-	(15.7)	-	15.7	-	3.7	12.0	0.28	6.6	-	7.1	-	2.0	-	-	-
Restructuring costs (b)	-	-	(7.4)	-	7.4	-	1.7	5.6	0.13	3.0	-	1.3	-	1.4	-	1.6	-
Retail store operating leases and other long-lived asset impairments (d)	-	-	(5.0)	-	5.0	-	1.2	3.8	0.09	5.0	-	-	-	-	-	-	-
<b>As adjusted (a)</b>	<b>\$463.8</b>	<b>39.7%</b>	<b>\$459.9</b>	<b>39.3%</b>	<b>\$14.8</b>	<b>1.3%</b>	<b>(\$2.7)</b>	<b>(\$11.2)</b>	<b>(\$0.26)</b>	<b>\$20.0</b>	<b>3.1%</b>	<b>\$40.3</b>	<b>10.0%</b>	<b>(\$8.0)</b>	<b>(6.2%)</b>	<b>(\$37.5)</b>	<b>(3.2%)</b>

First Half 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
<b>As reported (GAAP)</b>	<b>\$638.9</b>	<b>43.3%</b>	<b>\$531.8</b>	<b>36.0%</b>	<b>\$125.2</b>	<b>8.5%</b>	<b>\$21.1</b>	<b>\$78.4</b>	<b>\$1.72</b>	<b>\$75.1</b>	<b>9.4%</b>	<b>\$90.8</b>	<b>18.0%</b>	<b>\$9.2</b>	<b>5.4%</b>	<b>(\$49.9)</b>	<b>(3.4%)</b>
Debt extinguishment loss (h)	-	-	-	-	-	-	1.8	6.0	0.13	-	-	-	-	-	-	-	-
Restructuring costs (b)	-	-	(1.6)	-	1.6	-	0.4	1.3	0.03	-	-	-	-	-	-	1.6	-
Store restructuring costs (i)	-	-	0.7	-	(0.7)	-	(0.2)	(0.6)	(0.01)	(0.7)	-	-	-	-	-	-	-
China business model change (j)	(2.1)	-	-	-	(2.1)	-	-	(2.1)	(0.05)	-	-	-	(2.1)	-	-	-	-
<b>As adjusted (a)</b>	<b>\$636.8</b>	<b>43.2%</b>	<b>\$530.9</b>	<b>36.0%</b>	<b>\$124.1</b>	<b>8.4%</b>	<b>\$23.1</b>	<b>\$83.0</b>	<b>\$1.82</b>	<b>\$74.4</b>	<b>9.3%</b>	<b>\$90.8</b>	<b>18.0%</b>	<b>\$7.1</b>	<b>4.2%</b>	<b>(\$48.2)</b>	<b>(3.3%)</b>

Second Half 2020	Gross Profit	% of net sales	SG&A	% of net sales	Operating Income	% of net sales	Income Taxes	Net Income	Segment Reporting							
									U.S. Retail Operating Income	% of segment net sales	U.S. Wholesale Operating Income	% of segment net sales	International Operating Income	% of segment net sales	Corporate Operating Expenses	% of total net sales
<b>As reported (GAAP)</b>	<b>\$849.7</b>	<b>45.8%</b>	<b>\$617.6</b>	<b>33.3%</b>	<b>\$247.4</b>	<b>13.3%</b>	<b>\$40.9</b>	<b>\$180.3</b>	<b>\$155.5</b>	<b>15.0%</b>	<b>\$118.0</b>	<b>19.9%</b>	<b>\$32.0</b>	<b>14.0%</b>	<b>(\$58.1)</b>	<b>(3.1%)</b>
Restructuring costs (b)	-	-	(9.1)	-	9.1	-	2.0	7.1	2.0	-	0.6	-	0.6	-	5.8	-
COVID-19 expenses (c)	-	-	(5.9)	-	5.9	-	1.4	4.4	2.9	-	2.5	-	0.5	-	-	-
Retail store operating leases and other long-lived asset impairments, net of gain (d)	-	-	(2.6)	-	2.6	-	0.6	2.0	2.5	-	-	-	0.1	-	-	-
<b>As adjusted (a)</b>	<b>\$849.7</b>	<b>45.8%</b>	<b>\$600.0</b>	<b>32.3%</b>	<b>\$265.0</b>	<b>14.3%</b>	<b>\$45.0</b>	<b>\$193.8</b>	<b>\$162.9</b>	<b>15.7%</b>	<b>\$121.1</b>	<b>20.5%</b>	<b>\$33.2</b>	<b>14.6%</b>	<b>(\$52.3)</b>	<b>(2.8%)</b>

Second Half 2019	Gross Profit	% of net sales	SG&A	% of net sales	Operating Income	% of net sales	Income Taxes	Net Income	Segment Reporting							
									U.S. Retail Operating Income	% of segment net sales	U.S. Wholesale Operating Income	% of segment net sales	International Operating Income	% of segment net sales	Corporate Operating Expenses	% of total net sales
<b>As reported (GAAP)</b>	<b>\$869.7</b>	<b>42.6%</b>	<b>\$608.7</b>	<b>29.8%</b>	<b>\$246.6</b>	<b>12.1%</b>	<b>\$43.1</b>	<b>\$185.4</b>	<b>\$150.8</b>	<b>13.9%</b>	<b>\$121.8</b>	<b>17.4%</b>	<b>\$27.4</b>	<b>10.6%</b>	<b>(\$53.3)</b>	<b>(2.6%)</b>
Intangible asset impairment (e)	-	-	-	-	30.8	-	7.1	23.7	1.2	-	19.1	-	10.5	-	-	-
Customer bankruptcy recovery (g)	-	-	0.6	-	(0.6)	-	(0.1)	(0.4)	-	-	(0.6)	-	-	-	-	-
<b>As adjusted (a)</b>	<b>\$869.7</b>	<b>42.6%</b>	<b>\$609.3</b>	<b>29.8%</b>	<b>\$276.9</b>	<b>13.5%</b>	<b>\$50.1</b>	<b>\$208.7</b>	<b>\$152.0</b>	<b>14.0%</b>	<b>\$140.3</b>	<b>20.0%</b>	<b>\$37.9</b>	<b>14.7%</b>	<b>(\$53.3)</b>	<b>(2.6%)</b>

Note: Results may not be additive due to rounding.

# Reconciliation of Reported to Adjusted Earnings (Continued)



\$ in millions, except EPS

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

- (a) In addition to the results provided in this presentation in accordance with GAAP, the Company has provided adjusted, non-GAAP financial measurements that present 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 presentation 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 lease exit, severance and related costs resulting from restructuring actions (not related to COVID-19).
- (c) Net expenses incurred due to the COVID-19 pandemic, including incremental employee-related costs, costs associated with additional protective equipment and cleaning supplies, restructuring costs, and a payroll tax benefit.
- (d) Impairments include an immaterial gain on the remeasurement of retail store operating leases.
- (e) Intangible impairment charges related to the *OshKosh* and *Skip Hop* tradename assets.
- (f) Goodwill impairment charge recorded in the International segment.
- (g) Related to the Toys "R" Us bankruptcy.
- (h) 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.
- (i) Reversal of retail store restructuring costs previously recorded during the third quarter of fiscal 2017.
- (j) Benefit related to the sale of inventory previously reserved in China.

# Reconciliation of Net Income to Adjusted EBITDA



\$ in millions

	Fiscal Quarter Ended		Four Fiscal Quarters Ended	
	January 2, 2021	December 28, 2019	January 2, 2021	December 28, 2019
Net income	\$ 99.0	\$ 125.1	\$ 109.7	\$ 263.8
Interest expense	15.5	8.9	56.1	37.6
Interest income	(0.3)	(0.4)	(1.5)	(1.3)
Tax expense	21.9	29.7	25.3	64.1
Depreciation and amortization	24.2	25.1	94.0	96.0
<b>EBITDA</b>	<b>\$ 160.4</b>	<b>\$ 188.6</b>	<b>\$ 283.5</b>	<b>\$ 460.2</b>
<b>Adjustments to EBITDA</b>				
Intangible asset impairment (a)	\$ -	\$ -	\$ 26.5	\$ 30.8
COVID-19 expenses (b)	2.5	-	21.4	-
Goodwill impairment (c)	-	-	17.7	-
Restructuring costs (d)	7.7	-	16.2	1.6
Retail store operating leases and other long-lived asset impairments, net of gain (e)	1.2	-	7.6	-
Debt extinguishment loss (f)	-	-	-	7.8
Customer bankruptcy charges, net (g)	-	(0.6)	-	(0.6)
Store restructuring costs (h)	-	-	-	(0.7)
China business model change (i)	-	-	-	(2.1)
<b>Adjusted EBITDA</b>	<b>\$ 171.8</b>	<b>\$ 188.0</b>	<b>\$ 373.0</b>	<b>\$ 497.1</b>

(a) Related to the write-down of the *OshKosh* and *Skip Hop* tradename assets.

(b) Net expenses incurred due to the COVID-19 pandemic.

(c) Goodwill impairment charge recorded in the International segment.

(d) Certain lease exit, severance and related costs resulting from restructuring actions (not related to COVID-19). Amounts for fiscal quarter and fiscal year ended January 2, 2021 exclude \$0.2 million and \$0.5 million of depreciation expense that is included in the corresponding depreciation and amortization line item, respectively.

(e) Impairments include an immaterial gain on the remeasurement of retail store operating leases.

(f) 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.

(g) Recovery related to the Toys "R" Us bankruptcy.

(h) Reversal of retail store restructuring costs previously recorded during the third quarter of fiscal 2017.

(i) Benefit related to the sale of inventory previously reserved in China.

Note: Results may not be additive due to rounding.

# Constant Currency Reconciliation



\$ in millions

	Fiscal Quarter Ended					
	Reported Net Sales January 2, 2021	Impact of Foreign Currency Translation	Constant-Currency Net Sales January 2, 2021	Reported Net Sales December 28, 2019	Reported Net Sales % Change	Constant-Currency Net Sales % Change
<b>Consolidated net sales</b>	\$989.9	\$0.0	\$989.9	\$1,100.5	(10.1%)	(10.1%)
<b>International segment net sales</b>	\$114.1	\$0.0	\$114.0	\$131.7	(13.4%)	(13.4%)

	Four Fiscal Quarters Ended					
	Reported Net Sales January 2, 2021	Impact of Foreign Currency Translation	Constant-Currency Net Sales January 2, 2021	Reported Net Sales December 28, 2019	Reported Net Sales % Change	Constant-Currency Net Sales % Change
<b>Consolidated net sales</b>	\$3,024.3	(\$4.7)	\$3,029.0	\$3,519.3	(14.1%)	(13.9%)
<b>International segment net sales</b>	\$356.6	(\$4.7)	\$361.3	\$429.5	(17.0%)	(15.9%)

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

# Store Count



	<u>U.S. Retail</u>	<u>Canada</u>	<u>Mexico</u>	<u>Total International</u>	<u>Total Consolidated</u>
<b>Store count at December 28, 2019</b>	<b>862</b>	<b>201</b>	<b>46</b>	<b>247</b>	<b>1,109</b>
Openings	16	-	2	2	18
Closings	(14)	(8)	(4)	(12)	(26)
<b>Store count at January 2, 2021</b>	<b>864</b>	<b>193</b>	<b>44</b>	<b>237</b>	<b>1,101</b>

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This presentation contains forward-looking statements within the meaning of the federal securities laws relating to our future performance, including statements with respect to the potential effects of the COVID-19 pandemic and the Company's future outlook, earnings, liquidity, strategy, and investments. Such statements are based on current expectations only, and are subject to certain risks, uncertainties, and assumptions. Should one or more of these risks or uncertainties materialize or not materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those anticipated, estimated, or projected. Certain of the risks and uncertainties that could cause actual results and performance to differ materially are described in the Company's most recently filed Annual Report on Form 10-K and other reports filed with the Securities and Exchange Commission from time to time under the headings "Risk Factors." Included among those risks are those related to: the effects of the 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.