

**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 **June 28, 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
(State or other jurisdiction of
incorporation or organization)

13-3912933
(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

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 July 18, 2025, there were 36,432,176 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)

	June 28, 2025	December 28, 2024	June 29, 2024
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 338,183	\$ 412,926	\$ 316,646
Accounts receivable, net of allowance for credit losses of \$6,340, \$5,663, and \$4,895, respectively	140,352	194,834	132,360
Finished goods inventories, net of inventory reserves of \$10,284, \$8,257, and \$13,844, respectively	619,074	502,332	599,295
Prepaid expenses and other current assets	60,612	32,580	54,085
Total current assets	1,158,221	1,142,672	1,102,386
Property, plant, and equipment, net of accumulated depreciation of \$598,575, \$602,670, and \$640,751, respectively	188,177	180,956	181,659
Operating lease assets	571,303	577,133	509,168
Tradenames, net	268,777	268,008	298,097
Goodwill	209,016	206,875	209,086
Customer relationships, net	21,854	23,543	25,386
Other assets	38,204	33,980	29,735
Total assets	\$ 2,455,552	\$ 2,433,167	\$ 2,355,517
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Accounts payable	\$ 306,399	\$ 248,200	\$ 313,796
Current operating lease liabilities	124,002	130,564	128,952
Other current liabilities	95,270	130,052	84,895
Total current liabilities	525,671	508,816	527,643
Long-term debt, net	498,531	498,127	497,735
Deferred income taxes	42,290	38,210	48,910
Long-term operating lease liabilities	501,804	501,503	436,575
Other long-term liabilities	33,354	31,949	32,904
Total liabilities	\$ 1,601,650	\$ 1,578,605	\$ 1,543,767
Commitments and contingencies - Note 14			
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; 36,467,071, 36,041,995, and 36,280,056 shares issued and outstanding, respectively	365	360	363
Additional paid-in capital	14,460	3,856	—
Accumulated other comprehensive loss	(32,817)	(43,678)	(32,814)
Retained earnings	871,894	894,024	844,201
Total shareholders' equity	853,902	854,562	811,750
Total liabilities and shareholders' equity	\$ 2,455,552	\$ 2,433,167	\$ 2,355,517

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		Two fiscal quarters ended	
	June 28, 2025	June 29, 2024	June 28, 2025	June 29, 2024
Net sales	\$ 585,313	\$ 564,434	\$ 1,215,139	\$ 1,225,926
Cost of goods sold	303,553	281,497	642,289	627,799
Gross profit	281,760	282,937	572,850	598,127
Royalty income, net	3,249	4,004	8,580	9,220
Selling, general, and administrative expenses	280,965	247,489	551,284	512,859
Operating income	4,044	39,452	30,146	94,488
Interest expense	7,857	7,870	15,676	15,775
Interest income	(4,292)	(3,186)	(7,434)	(6,274)
Other (income) expense, net	(1,224)	404	(1,148)	678
Income before income taxes	1,703	34,364	23,052	84,309
Income tax provision	1,257	6,725	7,067	18,637
Net income	\$ 446	\$ 27,639	\$ 15,985	\$ 65,672
Basic net income per common share	\$ 0.01	\$ 0.76	\$ 0.43	\$ 1.80
Diluted net income per common share	\$ 0.01	\$ 0.76	\$ 0.43	\$ 1.80
Dividend declared and paid per common share	\$ 0.25	\$ 0.80	\$ 1.05	\$ 1.60

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		Two fiscal quarters ended	
	June 28, 2025	June 29, 2024	June 28, 2025	June 29, 2024
Net income	\$ 446	\$ 27,639	\$ 15,985	\$ 65,672
Other comprehensive income:				
Foreign currency translation adjustments	10,249	(7,147)	10,861	(8,899)
Comprehensive income	<u>\$ 10,695</u>	<u>\$ 20,492</u>	<u>\$ 26,846</u>	<u>\$ 56,773</u>

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	<u>36,237,114</u>	<u>\$ 362</u>	<u>\$ 9,385</u>	<u>\$ (43,066)</u>	<u>\$ 880,564</u>	<u>\$ 847,245</u>
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	<u>36,467,071</u>	<u>\$ 365</u>	<u>\$ 14,460</u>	<u>\$ (32,817)</u>	<u>\$ 871,894</u>	<u>\$ 853,902</u>

	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	<u>36,600,032</u>	<u>\$ 366</u>	<u>\$ —</u>	<u>\$ (25,667)</u>	<u>\$ 866,654</u>	<u>\$ 841,353</u>
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	<u>36,280,056</u>	<u>\$ 363</u>	<u>\$ —</u>	<u>\$ (32,814)</u>	<u>\$ 844,201</u>	<u>\$ 811,750</u>

See accompanying notes to the unaudited condensed consolidated financial statements.

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

	Two fiscal quarters ended	
	June 28, 2025	June 29, 2024
Cash flows from operating activities:		
Net income	\$ 15,985	\$ 65,672
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Depreciation of property, plant, and equipment	24,967	27,386
Amortization of intangible assets	1,846	1,858
Provision for excess and obsolete inventory, net	1,853	4,986
(Gain) loss on disposal of property, plant and equipment	(4)	87
Amortization of debt issuance costs	832	809
Stock-based compensation expense	14,941	9,290
Unrealized foreign currency exchange (gain) loss, net	(799)	109
Provision for doubtful accounts receivable from customers	1,182	285
Unrealized gain on investments	(474)	(1,081)
Deferred income taxes expense	3,549	7,153
Effect of changes in operating assets and liabilities:		
Accounts receivable	54,068	50,516
Finished goods inventories	(114,014)	(70,802)
Prepaid expenses and other assets	(30,218)	(24,320)
Accounts payable and other liabilities	17,948	19,743
Net cash (used in) provided by operating activities	<u>\$ (8,338)</u>	<u>\$ 91,691</u>
Cash flows from investing activities:		
Capital expenditures	\$ (26,546)	\$ (24,315)
Net cash used in investing activities	<u>\$ (26,546)</u>	<u>\$ (24,315)</u>
Cash flows from financing activities:		
Dividends paid	\$ (38,115)	\$ (58,510)
Repurchases of common stock	—	(33,778)
Withholdings from vesting of restricted stock	(4,332)	(7,436)
Proceeds from exercises of stock options	—	367
Other	(370)	—
Net cash used in financing activities	<u>\$ (42,817)</u>	<u>\$ (99,357)</u>
Net effect of exchange rate changes on cash and cash equivalents	2,958	(2,586)
Net decrease in cash and cash equivalents	\$ (74,743)	\$ (34,567)
Cash and cash equivalents, beginning of period	412,926	351,213
Cash and cash equivalents, end of period	<u>\$ 338,183</u>	<u>\$ 316,646</u>

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 wholesale distribution to leading department stores, national chains, and specialty retailers domestically and internationally and for sale in the Company’s retail stores and eCommerce sites that market its brand name merchandise and other licensed products manufactured by other companies.

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 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 June 28, 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 June 28, 2025 and June 29, 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.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

Goodwill

The goodwill impairment assessment 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.

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.

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:

<i>(dollars in thousands)</i>	Fiscal quarter ended June 28, 2025			
	<u>U.S. Retail</u>	<u>U.S. Wholesale</u>	<u>International</u>	<u>Total</u>
Direct-to-consumer	\$ 299,549	\$ —	\$ 60,619	\$ 360,168
Wholesale channel	—	192,998	32,147	225,145
	<u>\$ 299,549</u>	<u>\$ 192,998</u>	<u>\$ 92,766</u>	<u>\$ 585,313</u>
Royalty income, net	\$ 407	\$ 2,119	\$ 723	\$ 3,249

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

<i>(dollars in thousands)</i>	Two fiscal quarters ended June 28, 2025			
	<u>U.S. Retail</u>	<u>U.S. Wholesale</u>	<u>International</u>	<u>Total</u>
Direct-to-consumer	\$ 593,980	\$ —	\$ 114,442	\$ 708,422
Wholesale channel	—	443,094	63,623	506,717
	<u>\$ 593,980</u>	<u>\$ 443,094</u>	<u>\$ 178,065</u>	<u>\$ 1,215,139</u>
Royalty income, net	\$ 1,926	\$ 5,441	\$ 1,213	\$ 8,580

<i>(dollars in thousands)</i>	Fiscal quarter ended June 29, 2024			
	<u>U.S. Retail</u>	<u>U.S. Wholesale</u>	<u>International</u>	<u>Total</u>
Direct-to-consumer	\$ 290,249	\$ —	\$ 54,349	\$ 344,598
Wholesale channel	—	192,911	26,925	219,836
	<u>\$ 290,249</u>	<u>\$ 192,911</u>	<u>\$ 81,274</u>	<u>\$ 564,434</u>
Royalty income, net	\$ 558	\$ 2,484	\$ 962	\$ 4,004

<i>(dollars in thousands)</i>	Two fiscal quarters ended June 29, 2024			
	<u>U.S. Retail</u>	<u>U.S. Wholesale</u>	<u>International</u>	<u>Total</u>
Direct-to-consumer	\$ 597,890	\$ —	\$ 109,411	\$ 707,301
Wholesale channel	—	457,042	61,583	518,625
	<u>\$ 597,890</u>	<u>\$ 457,042</u>	<u>\$ 170,994</u>	<u>\$ 1,225,926</u>
Royalty income, net	\$ 2,042	\$ 5,843	\$ 1,335	\$ 9,220

Accounts Receivable from Customers and Licensees

The components of Accounts receivable, net were as follows:

<i>(dollars in thousands)</i>	<u>June 28, 2025</u>	<u>December 28, 2024</u>	<u>June 29, 2024</u>
Trade receivables from wholesale customers, net	\$ 138,164	\$ 187,715	\$ 127,583
Royalties receivable	3,802	3,728	3,799
Other receivables	7,479	13,444	10,857
Total gross receivables	\$ 149,445	\$ 204,887	\$ 142,239
Less: Wholesale accounts receivable reserves ⁽¹⁾⁽²⁾	(9,093)	(10,053)	(9,879)
Accounts receivable, net	<u>\$ 140,352</u>	<u>\$ 194,834</u>	<u>\$ 132,360</u>

(1) Includes allowance for chargebacks of \$2.8 million, \$4.4 million, and \$5.0 million for the periods ended June 28, 2025, December 28, 2024, and June 29, 2024, respectively.

(2) Includes allowance for credit losses of \$6.3 million, \$5.7 million, and \$4.9 million for the periods ended June 28, 2025, December 28, 2024, and June 29, 2024, respectively.

Contract Assets and Liabilities

The Company's contract assets are not material.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

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:

<i>(dollars in thousands)</i>	June 28, 2025	December 28, 2024	June 29, 2024
Contract liabilities - current:			
Unredeemed gift cards ⁽¹⁾	\$ 24,998	\$ 25,043	\$ 24,484
Unredeemed customer loyalty rewards	1,587	2,552	1,832
Carter's credit card - upfront bonus ⁽²⁾	357	714	714
Total contract liabilities - current⁽³⁾	\$ 26,942	\$ 28,309	\$ 27,030
Contract liabilities - non-current⁽⁴⁾	\$ —	\$ —	\$ 357
Total contract liabilities	\$ 26,942	\$ 28,309	\$ 27,387

- (1) During the second quarters of fiscal 2025 and fiscal 2024, the Company recognized revenue of \$1.9 million and \$2.0 million related to the gift card liability balance that existed at March 29, 2025 and March 30, 2024, respectively. Additionally, during the first two quarters of fiscal 2025 and fiscal 2024, the Company recognized revenue of \$5.5 million and \$5.7 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 June 28, 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 June 29, 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:

<i>(dollars in thousands)</i>	June 28, 2025	December 28, 2024	June 29, 2024
Unredeemed gift cards	\$ 24,998	\$ 25,043	\$ 24,484
Accrued employee benefits	15,130	20,824	11,546
Accrued salaries and wages	12,333	12,345	11,940
Accrued taxes	5,538	14,455	7,671
Accrued bonuses and incentive compensation ^(*)	7,435	2,757	2,418
Income taxes payable	4,759	13,820	—
Other	25,077	40,808	26,836
Other current liabilities	\$ 95,270	\$ 130,052	\$ 84,895

- (*) Increase as of June 28, 2025 relates to higher planned attainment of financial targets relative to the prior periods.

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 June 28, 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 consolidated condensed balance sheets. As of June 28, 2025, December 28, 2024, and June 29, 2024, amounts under the SCF program included in Accounts payable were \$27.6 million, \$19.0 million, and \$31.9 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:

<i>(dollars in thousands)</i>	June 28, 2025	December 28, 2024	June 29, 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	(1,469)	(1,873)	(2,265)
Senior notes, net	\$ 498,531	\$ 498,127	\$ 497,735
Secured revolving credit facility	—	—	—
Long-term debt, net	\$ 498,531	\$ 498,127	\$ 497,735

Secured Revolving Credit Facility

As of June 28, 2025, December 28, 2024, and June 29, 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 June 28, 2025, December 28, 2024, and June 29, 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 June 28, 2025, the borrowing rate for an adjusted term Secured Overnight Financing Rate (“SOFR”) loan would have been 5.54%, which includes a leverage-based adjustment of 1.125%.

As of June 28, 2025, the Company was in compliance with its financial and other covenants under the secured revolving credit facility.

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		Two fiscal quarters ended	
	June 28, 2025	June 29, 2024	June 28, 2025	June 29, 2024
Number of shares repurchased ⁽¹⁾	—	354,093	—	461,888
Aggregate cost of shares repurchased <i>(dollars in thousands)</i> ⁽²⁾	\$ —	\$ 24,778	\$ —	\$ 33,778
Average price per share ⁽²⁾	\$ —	\$ 69.98	\$ —	\$ 73.13

(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 excludes excise tax on share repurchases.

The Company did not repurchase and retire shares in open market transactions in the second quarter and first two quarters of fiscal 2025. The total aggregate remaining capacity under outstanding repurchase authorizations as of June 28, 2025 was \$599.0 million, based on settled repurchase transactions. The share repurchase authorizations have no expiration date.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

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 and second quarters of fiscal 2025, the Board of Directors declared, and the Company paid, a cash dividend per common share of \$0.80 and \$0.25, respectively (for an aggregate cash dividend per common share of \$1.05 for the first two quarters of fiscal 2025). Additionally, in each of the first two 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 \$1.60 for the first two 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:

<i>(dollars in thousands)</i>	Fiscal quarter ended		Two fiscal quarters ended	
	June 28, 2025	June 29, 2024	June 28, 2025	June 29, 2024
Restricted stock:				
Time-based awards ⁽¹⁾	\$ 3,268	\$ 3,670	\$ 12,341	\$ 8,431
Performance-based awards ⁽²⁾	149	(1,379)	431	(1,048)
Market-based awards	171	229	569	307
Stock awards	1,600	1,600	1,600	1,600
Total	<u>\$ 5,188</u>	<u>\$ 4,120</u>	<u>\$ 14,941</u>	<u>\$ 9,290</u>

- (1) Increase in the first two 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 second quarter and first two 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:

<i>(dollars in thousands)</i>	June 28, 2025	December 28, 2024	June 29, 2024
Cumulative foreign currency translation adjustments	\$ (28,861)	\$ (39,722)	\$ (27,132)
Pension and post-retirement obligations ^(*)	(3,956)	(3,956)	(5,682)
Total accumulated other comprehensive loss	<u>\$ (32,817)</u>	<u>\$ (43,678)</u>	<u>\$ (32,814)</u>

(*) Net of income taxes of \$1.2 million, \$1.2 million, and \$1.8 million for the periods ended June 28, 2025, December 28, 2024, and June 29, 2024, respectively.

During the first two quarters of both fiscal 2025 and fiscal 2024, no amounts were reclassified from Accumulated other comprehensive loss to the condensed consolidated statement of operations.

NOTE 10 – FAIR VALUE MEASUREMENTS

Investments

In support of the Company’s employee deferred compensation 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 \$20.0 million, \$19.5 million, and \$18.4 million at June 28, 2025, December 28, 2024, and June 29, 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 \$0.1 million and \$0.5 million for the second quarter and the first two quarters of fiscal 2025, respectively. Gains on the investments in marketable securities were \$0.5 million and \$1.1 million for the second quarter and the first two quarters of fiscal 2024, respectively. These amounts are included in Other (income) expense, net on the Company’s condensed consolidated statement of operations.

Borrowings

As of June 28, 2025, the Company had no outstanding borrowings under its secured revolving credit facility.

The fair value of the Company’s senior notes was \$497.4 million, \$494.4 million, and \$491.3 million at June 28, 2025, December 28, 2024, and June 29, 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.

The goodwill impairment assessment 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.

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.

NOTE 11 – INCOME TAXES

The Company's effective income tax rate was 73.8% for the second fiscal quarter ended June 28, 2025, compared to 19.6% for the second fiscal quarter ended June 29, 2024. The increase in the effective tax rate was driven by the lower income before income taxes in the second quarter of fiscal 2025, incremental tax expense of \$0.9 million related to expiring stock-based compensation, and incremental tax expense of \$0.5 million related to 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 second quarter of fiscal 2024.

The Company's effective income tax rate was 30.7% for the first two fiscal quarters ended June 28, 2025, compared to 22.1% for the first two fiscal quarters ended June 29, 2024. The increase in the effective tax rate was driven by the lower income before income taxes in the first two quarters of fiscal 2025, incremental tax expense of \$1.8 million related to expiring stock-based compensation, and incremental tax expense of \$0.5 million related to 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 two quarters of fiscal 2024.

As of June 28, 2025, the Company had gross unrecognized income tax benefits of \$8.6 million, of which \$5.9 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.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

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		Two fiscal quarters ended	
	June 28, 2025	June 29, 2024	June 28, 2025	June 29, 2024
Weighted-average number of common and common equivalent shares outstanding:				
Basic number of common shares outstanding	35,409,988	35,688,755	35,361,039	35,774,748
Dilutive effect of equity awards	—	135	605	1,692
Diluted number of common and common equivalent shares outstanding	<u>35,409,988</u>	<u>35,688,890</u>	<u>35,361,644</u>	<u>35,776,440</u>
Earnings per share:				
<i>(dollars in thousands, except per share data)</i>				
Basic net income per common share:				
Net income	\$ 446	\$ 27,639	\$ 15,985	\$ 65,672
Income allocated to participating securities	(231)	(523)	(866)	(1,218)
Net income available to common shareholders	<u>\$ 215</u>	<u>\$ 27,116</u>	<u>\$ 15,119</u>	<u>\$ 64,454</u>
Basic net income per common share	\$ 0.01	\$ 0.76	\$ 0.43	\$ 1.80
Diluted net income per common share:				
Net income	\$ 446	\$ 27,639	\$ 15,985	\$ 65,672
Income allocated to participating securities	(231)	(523)	(866)	(1,218)
Net income available to common shareholders	<u>\$ 215</u>	<u>\$ 27,116</u>	<u>\$ 15,119</u>	<u>\$ 64,454</u>
Diluted net income per common share	\$ 0.01	\$ 0.76	\$ 0.43	\$ 1.80
Anti-dilutive awards excluded from diluted earnings per share computation ^(*)	269,133	424,161	316,202	438,632

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

NOTE 13 – SEGMENT INFORMATION

The Company has identified 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 and eCommerce websites. 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 second quarter and two fiscal quarters ended June 29, 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.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

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:

<i>(dollars in thousands)</i>	Fiscal quarter ended June 28, 2025			
	U.S. Retail	U.S. Wholesale	International	Total
Net sales	\$ 299,549	\$ 192,998	\$ 92,766	\$ 585,313
Cost of goods sold	116,495	138,068	48,990	303,553
Selling expenses ⁽¹⁾	127,246	2,420	26,227	155,893
Distribution expenses ⁽²⁾	18,210	15,184	5,022	38,416
Other segment items ⁽³⁾	33,830	10,264	8,920	53,014
Segment operating income	\$ 3,768	\$ 27,062	\$ 3,607	\$ 34,437

- (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.

<i>(dollars in thousands)</i>	Two fiscal quarters ended June 28, 2025			
	U.S. Retail	U.S. Wholesale	International	Total
Net sales	\$ 593,980	\$ 443,094	\$ 178,065	\$ 1,215,139
Cost of goods sold	237,144	308,676	96,469	642,289
Selling expenses	248,768	4,810	50,481	304,059
Distribution expenses	37,460	30,411	11,138	79,009
Other segment items	64,532	16,825	16,586	97,943
Segment operating income	\$ 6,076	\$ 82,372	\$ 3,391	\$ 91,839

<i>(dollars in thousands)</i>	Fiscal quarter ended June 29, 2024			
	U.S. Retail	U.S. Wholesale	International	Total
Net sales	\$ 290,249	\$ 192,911	\$ 81,274	\$ 564,434
Cost of goods sold	106,893	134,805	39,799	281,497
Selling expenses	114,246	2,326	24,220	140,792
Distribution expenses	18,313	13,418	5,180	36,911
Other segment items	32,719	6,155	6,518	45,392
Segment operating income	\$ 18,078	\$ 36,207	\$ 5,557	\$ 59,842

<i>(dollars in thousands)</i>	Two fiscal quarters ended June 29, 2024			
	U.S. Retail	U.S. Wholesale	International	Total
Net sales	\$ 597,890	\$ 457,042	\$ 170,994	\$ 1,225,926
Cost of goods sold	230,416	311,743	85,640	627,799
Selling expenses	229,266	5,338	50,828	285,432
Distribution expenses	38,358	28,296	10,723	77,377
Other segment items	67,478	12,130	16,059	95,667
Segment operating income	\$ 32,372	\$ 99,535	\$ 7,744	\$ 139,651

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

	Fiscal quarter ended		Two fiscal quarters ended	
	June 28, 2025	June 29, 2024	June 28, 2025	June 29, 2024
Total segment operating income	\$ 34,437	\$ 59,842	\$ 91,839	\$ 139,651
Items not included in segment operating income:				
Unallocated corporate expenses ⁽¹⁾	(22,687)	(20,390)	(44,699)	(45,163)
Operating model improvement costs ⁽²⁾	(6,638)	—	(9,800)	—
Leadership transition costs ⁽³⁾	(1,068)	—	(7,194)	—
Consolidated operating income	\$ 4,044	\$ 39,452	\$ 30,146	\$ 94,488
Interest expense	7,857	7,870	15,676	15,775
Interest income	(4,292)	(3,186)	(7,434)	(6,274)
Other (income) expense, net	(1,224)	404	(1,148)	678
Income before income taxes	\$ 1,703	\$ 34,364	\$ 23,052	\$ 84,309

- (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.

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		Two fiscal quarters ended	
	June 28, 2025	June 29, 2024	June 28, 2025	June 29, 2024
U.S. Wholesale	\$ 2,182	\$ 2,094	\$ 4,359	\$ 4,418
U.S. Retail	8,459	8,921	16,759	17,865
International	2,472	2,831	4,794	5,827
Unallocated corporate	446	563	901	1,134
Total	\$ 13,559	\$ 14,409	\$ 26,813	\$ 29,244

NOTE 14 – 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 June 28, 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

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

to public health crises; 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; 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 the largest branded marketer of young children's apparel in North America. We own two of the most highly recognized and trusted brand names in the children's apparel market, *Carter's* and *OshKosh B'gosh* (or "*OshKosh*"). We also own *Skip Hop*, a leading young children's lifestyle brand, *Little Planet*, a brand focused on organic fabrics and sustainable materials, *Otter Avenue*, a toddler-focused apparel brand, and exclusive *Carter's* brands developed for Amazon, Target, and Walmart.

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, and wholesale distribution channels, as well as omni-channel capabilities in the United States and Canada, enables

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

us to reach a broad range of consumers around the world. As of June 28, 2025, our channels included 1,065 company-owned 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 June 28, 2025 and June 29, 2024 each included 13 weeks.

Segments

We have identified 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 and eCommerce websites. 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 two fiscal quarters ended June 29, 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 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.

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

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

Operating Model Improvement

During the first quarter of 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 a number of opportunities to improve the focus and appeal of our product offerings in order 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. At the same time, we remain focused on disciplined cost management and plan to pursue additional productivity initiatives across the business.

Operating model improvement costs, primarily related to third-party consulting fees, were \$6.6 million and \$9.8 million for the fiscal quarter and two fiscal quarters ended June 28, 2025, respectively. These costs were included in SG&A expenses in our condensed consolidated statement of operations. We anticipate incurring additional costs of approximately \$4 million to \$5 million for the remainder of fiscal 2025.

Dividend Update

In the second quarter 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 possibility the Company may incur significantly higher product costs as the result of the new proposed 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 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.

While these recently announced tariffs did not have a material impact on the Company's financial results during the second quarter of fiscal 2025, we expect incremental tariffs related to imports from China, Vietnam, Indonesia, and other countries to negatively impact our pre-tax income by approximately \$35 million in the second half of fiscal 2025. On an annualized gross basis, the Company estimates to incur additional costs of approximately \$125 million to \$150 million related to these incremental tariffs. The Company is pursuing actions to mitigate the impact, which include, but are not limited to, pricing of our products, product configurations, inventory management, country of origin mix, and sharing the costs of incremental tariffs with our vendor partners. 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.

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

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.

Second Fiscal Quarter 2025 Financial Highlights

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

- Consolidated net sales increased \$20.9 million, or 3.7%, to \$585.3 million, driven by higher unit volumes in U.S. Retail, increased traffic and demand in Mexico and Canada, and the timing of shipments to our international wholesale partners.
 - U.S. Retail comparable net sales increased 2.2%, driven by improved conversion rates and higher units per transaction, resulting in increased units sold. Additionally, we saw an improvement in traffic trends in the second quarter. We believe this reflects the positive impact of our selected investments in pricing, compelling product offerings, and the timing of the Easter holiday.
 - Canada comparable net sales increased 7.6%, driven by improved traffic, higher conversion rates in stores, and higher units per transaction, which resulted in increased units sold. We believe this reflects the strength of our competitive positioning in the Canadian market.
- Consolidated gross profit decreased \$1.2 million, or 0.4%, to \$281.8 million, and consolidated gross margin decreased 200 bps to 48.1%, due to factors that include lower average product selling prices per unit as a result of selective investments in pricing and higher sales to off-price wholesale channel customers.
- Consolidated SG&A expenses increased \$33.5 million, or 13.5%, to \$281.0 million. SG&A as a percentage of consolidated net sales ("SG&A rate") increased 420 bps to 48.0%, driven by factors that include costs related to operating model improvements and leadership transition, investments in new and remodeled retail stores, and increased performance-based compensation.
- Consolidated operating income decreased \$35.4 million, or 89.7%, to \$4.0 million and adjusted consolidated operating income, a non-GAAP financial measure, decreased \$27.7 million, or 70.2%, to \$11.8 million. Operating margin decreased 630 bps to 0.7%, and adjusted operating margin decreased 500 bps to 2.0%, driven by the factors discussed in detail below.
- Consolidated net income decreased \$27.2 million, or 98.4%, to \$0.4 million, driven by the factors discussed in detail below.
- Diluted net income per common share decreased \$0.75, or 98.7%, to \$0.01, and adjusted diluted net income per common share decreased \$0.59, or 77.6%, to \$0.17.
- During the first two quarters of fiscal 2025, we opened 14 stores and closed 9 stores in the United States. We remain focused on improving the productivity of our existing U.S. Retail store fleet, including through the remodeling of existing store locations and closing underperforming stores as leases expire. Our new store comparable sales continue to outperform our overall fleet comparable sales, and we stay committed to selectively opening new stores in high-traffic, impactful locations. Additionally, we plan to focus on enhancing the in-store shopping experience, including through the implementation of a new fleet segmentation strategy beginning in fiscal 2026, to provide a better customer experience and to drive brand loyalty.
- As a result of our strong financial position and available liquidity, we returned \$9.1 million in cash dividends to our shareholders in the second quarter of fiscal 2025.

RESULTS OF OPERATIONS

SECOND FISCAL QUARTER ENDED JUNE 28, 2025 COMPARED TO SECOND FISCAL QUARTER ENDED JUNE 29, 2024

The following table summarizes our results of operations.

<i>(dollars in thousands, except per share data)</i>	Fiscal quarter ended		\$ Change	% / bps Change
	June 28, 2025	June 29, 2024		
Consolidated net sales	\$ 585,313	\$ 564,434	\$ 20,879	3.7 %
Cost of goods sold	303,553	281,497	22,056	7.8 %
Gross profit	281,760	282,937	(1,177)	(0.4)%
<i>Gross profit as % of consolidated net sales</i>	48.1 %	50.1 %		(200) bps
Royalty income, net	3,249	4,004	(755)	(18.9)%
<i>Royalty income as % of consolidated net sales</i>	0.6 %	0.7 %		(10) bps
Selling, general, and administrative expenses	280,965	247,489	33,476	13.5 %
<i>SG&A expenses as % of consolidated net sales</i>	48.0 %	43.8 %		420 bps
Operating income	4,044	39,452	(35,408)	(89.7)%
<i>Operating income as % of consolidated net sales</i>	0.7 %	7.0 %		(630) bps
Interest expense	7,857	7,870	(13)	(0.2)%
Interest income	(4,292)	(3,186)	(1,106)	34.7 %
Other (income) expense, net	(1,224)	404	(1,628)	nm
Income before income taxes	1,703	34,364	(32,661)	(95.0)%
Income tax provision	1,257	6,725	(5,468)	(81.3)%
<i>Effective tax rate^(*)</i>	73.8 %	19.6 %		nm
Net income	\$ 446	\$ 27,639	\$ (27,193)	(98.4)%
Basic net income per common share	\$ 0.01	\$ 0.76	\$ (0.75)	(98.7)%
Diluted net income per common share	\$ 0.01	\$ 0.76	\$ (0.75)	(98.7)%
Dividend declared and paid per common share	\$ 0.25	\$ 0.80	\$ (0.55)	(68.8)%

(*) 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 increased \$20.9 million, or 3.7%, to \$585.3 million. The increase in net sales was driven by higher unit volumes in U.S. Retail, increased traffic and demand in Mexico and Canada, the timing of the Easter holiday, and the timing of shipments to our international wholesale partners. These increases were partially offset by lower average product selling prices per unit, driven by investments in pricing, and the unfavorable impact of foreign currency exchange rates due to a stronger U.S. dollar compared to the second quarter of fiscal 2024.

Units sold increased by a high-single digit percentage and average product selling prices per unit decreased by a mid-single digit percentage. Changes in foreign currency exchange rates used for translation had an unfavorable effect on our consolidated net sales of \$3.1 million.

Gross Profit and Gross Margin

Consolidated gross profit decreased \$1.2 million, or 0.4%, to \$281.8 million and consolidated gross margin decreased 200 bps to 48.1%. The decrease in consolidated gross profit and gross margin was driven by lower average product selling prices per unit and increased sales to our off-price wholesale channel customers, partially offset by decreased inventory provisions driven by improved utilization of excess inventory.

Selling, General, and Administrative Expenses

Consolidated SG&A expenses increased \$33.5 million, or 13.5%, to \$281.0 million and increased as a percentage of consolidated net sales by 420 bps to 48.0%. This increase in SG&A rate was driven by costs associated with operating model improvements and leadership transition, higher performance-based compensation expense, increased distribution expense related to higher volumes shipped and increased third-party logistics costs, and continued investments in new and remodeled

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

retail stores. Performance-based compensation expense, as a percentage of net sales, increased 130 bps, due to a higher projected attainment of annual incentive objectives relative to the prior period.

Operating Income

Consolidated operating income decreased \$35.4 million, or 89.7%, to \$4.0 million and decreased as a percentage of net sales by 630 bps to 0.7%, primarily due to the factors previously discussed.

Interest Income

Consolidated interest income increased \$1.1 million to \$4.3 million due to increased cash balances during the period and interest recognized on federal tax refunds.

Other (Income) Expense, Net

Consolidated other income was \$1.2 million in the second quarter of fiscal 2025 compared to consolidated other expense of \$0.4 million in the second quarter of fiscal 2024. The change was driven by favorable changes in foreign currency exchange rates during the quarter.

Income Taxes

Consolidated income tax provision decreased \$5.5 million, or 81.3%, to \$1.3 million and the effective tax rate increased to 73.8%. The increase in the effective tax rate is driven by the lower level of income before income taxes in the second quarter of fiscal 2025 quarter, incremental tax expense of \$0.9 million related to expiring stock-based compensation, and incremental tax expense of \$0.5 million related to 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 second quarter of fiscal 2024.

Net Income

Consolidated net income decreased \$27.2 million, or 98.4%, to \$0.4 million, primarily due to the factors previously discussed.

ITEM 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)
Results by Segment - Second Quarter of Fiscal 2025 compared to Second Quarter of Fiscal 2024

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

<i>(dollars in thousands)</i>	Fiscal quarter ended					
	June 28, 2025	% of consolidated net sales	June 29, 2024	% of consolidated net sales	\$ Change	% Change
Net sales:						
U.S. Retail	\$ 299,549	51.2 %	\$ 290,249	51.4 %	\$ 9,300	3.2 %
U.S. Wholesale	192,998	33.0 %	192,911	34.2 %	87	— %
International	92,766	15.8 %	81,274	14.4 %	11,492	14.1 %
Consolidated net sales	<u>\$ 585,313</u>	<u>100.0 %</u>	<u>\$ 564,434</u>	<u>100.0 %</u>	<u>\$ 20,879</u>	<u>3.7 %</u>
Segment operating income⁽¹⁾:		Segment operating margin		Segment operating margin		
U.S. Retail	\$ 3,768	1.3 %	\$ 18,078	6.2 %	\$ (14,310)	(79.2)%
U.S. Wholesale	27,062	14.0 %	36,207	18.8 %	(9,145)	(25.3)%
International	3,607	3.9 %	5,557	6.8 %	(1,950)	(35.1)%
Total segment operating income	<u>\$ 34,437</u>	<u>5.9 %</u>	<u>\$ 59,842</u>	<u>10.6 %</u>	<u>\$ (25,405)</u>	<u>(42.5)%</u>
Items not included in segment operating income:		Consolidated operating margin		Consolidated operating margin		
Unallocated corporate expenses	\$ (22,687)	n/a	\$ (20,390)	n/a	\$ (2,297)	11.3 %
Operating model improvement costs ⁽²⁾	(6,638)	n/a	—	n/a	n/a	n/a
Leadership transition costs ⁽³⁾	(1,068)	n/a	—	n/a	n/a	n/a
Consolidated operating income	<u>4,044</u>	<u>0.7 %</u>	<u>39,452</u>	<u>7.0 %</u>	<u>\$ (27,702)</u>	<u>(70.2)%</u>

(1) Segment operating income for the fiscal quarter ended June 29, 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.

U.S. Retail

U.S. Retail segment net sales increased \$9.3 million, or 3.2%, to \$299.5 million. The increase in net sales was driven by improved conversion rates and higher units per transaction, resulting in a high-single digit percentage increase in units sold. We believe this reflects the positive impact of our selective investments in pricing and the timing of the Easter holiday. Other contributing factors to the increase in net sales include sales contribution of our new retail stores and growth with our core baby assortment. These factors were partially offset by a low-single digit percentage decrease to average product selling prices per unit due to selective investments in our pricing and product mix, as well as lower demand for other product offerings, including our kid-sized assortment.

Comparable net sales, including retail store and eCommerce, increased 2.2% primarily driven by the factors mentioned above. As of June 28, 2025, we operated 809 retail stores in the U.S. compared to 804 as of December 28, 2024, and 789 as of June 29, 2024.

U.S. Retail segment operating income decreased \$14.3 million, or 79.2%, to \$3.8 million, primarily due to a decrease in gross profit of \$0.3 million and an increase in SG&A expenses of \$13.9 million. Segment operating margin decreased 490 bps to 1.3%, primarily driven by a 210 bps decrease in gross margin and a 290 bps increase in SG&A rate. The decrease in gross margin was driven by decreased average product selling prices per unit mentioned above and product mix. The increase in SG&A rate was driven by continued investments in new and remodeled retail stores and higher performance-based compensation expense.

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

U.S. Wholesale

U.S. Wholesale segment net sales increased \$0.1 million to \$193.0 million, driven by increased sales to our off-price wholesale channel customers and increased demand for our *Skip Hop* and *Little Planet* brands. These factors were offset by a low-single digit decrease in sales of our exclusive *Carter's* brands, lower demand for seasonal product with department stores, and decreased average product selling prices per unit. Units sold increased by a mid-single digit percentage. Average product selling prices per unit decreased by a mid-single digit percentage driven by selective investments in pricing and channel mix.

U.S. Wholesale segment operating income decreased \$9.1 million, or 25.3%, to \$27.1 million, primarily due to a decrease in gross profit of \$3.2 million and an increase in SG&A expenses of \$5.6 million. Segment operating margin decreased 480 bps to 14.0%, driven by a 160 bps decrease in gross margin and a 290 bps increase in SG&A rate. The decrease in gross margin was driven by decreased average product selling prices per unit sold and increased sales to low-margin off-price wholesale channel customers, partially offset by decreased inventory provisions driven by improved utilization of excess inventory. The increase in the SG&A rate was driven by increased distribution expense related to higher volumes shipped and higher third-party logistics, increased performance-based compensation expense, and increased bad debt expense.

International

International segment net sales increased \$11.5 million, or 14.1%, to \$92.8 million, driven by stronger traffic in Canada and Mexico and the timing of shipments to our international wholesale partners. Canadian comparable net sales, including retail stores and eCommerce, increased 7.6%, driven by improved traffic, higher conversion rates in stores, and higher units per transaction, resulting in increased units sold. We believe this reflects the strength of our competitive positioning in the Canadian market, the timing of the Easter holiday, and strong demand for our seasonal product. International segment units sold increased by a mid-teen digit percentage.

These factors were partially offset by decreased average product selling prices per unit. Average product selling prices per unit decreased by a low-single digit percentage, due to the unfavorable impact of foreign currency exchange rates. Changes in foreign currency exchange rates used for translation had a \$3.1 million unfavorable effect on International segment net sales.

As of June 28, 2025, we operated 192 stores and 64 stores in Canada and Mexico, respectively. As of December 28, 2024, we operated 191 and 62 stores in Canada and Mexico, respectively. As of June 29, 2024, we operated 186 and 52 stores in Canada and Mexico, respectively.

International segment operating income decreased \$2.0 million, or 35.1%, to \$3.6 million, primarily due to an increase in SG&A expenses of \$4.0 million, partially offset by an increase in gross profit of \$2.3 million. Segment operating margin decreased 290 bps to 3.9%, driven by a 380 bps decrease in gross margin, partially offset by a 130 bps decrease in the SG&A rate. The decrease in gross margin was due to decreased average product selling prices per unit and higher average cost per unit sold. Average cost per unit sold increased by a high-single digit percentage due to higher product input costs. The decrease in the SG&A rate was driven by fixed cost leverage on increased net sales, partially offset by increased performance-based compensation expense, retail store rent, retail store employee costs and bad debt expense.

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 \$2.3 million, or 11.3%, to \$22.7 million. Unallocated corporate expenses, as a percentage of consolidated net sales, increased 30 bps to 3.9% driven by increased performance-based compensation expense and higher recruiting costs.

ITEM 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)
TWO FISCAL QUARTERS ENDED JUNE 28, 2025 COMPARED TO TWO FISCAL QUARTERS ENDED JUNE 29, 2024

The following table summarizes our results of operations.

<i>(dollars in thousands, except per share data)</i>	Two fiscal quarters ended		\$ Change	% / bps Change
	June 28, 2025	June 29, 2024		
Consolidated net sales	\$ 1,215,139	\$ 1,225,926	\$ (10,787)	(0.9)%
Cost of goods sold	642,289	627,799	14,490	2.3 %
Gross profit	572,850	598,127	(25,277)	(4.2)%
<i>Gross profit as % of consolidated net sales</i>	47.1 %	48.8 %		(170) bps
Royalty income, net	8,580	9,220	(640)	(6.9)%
<i>Royalty income, net as % of consolidated net sales</i>	0.7 %	0.8 %		(10) bps
Selling, general, and administrative expenses	551,284	512,859	38,425	7.5 %
<i>SG&A expenses as % of consolidated net sales</i>	45.4 %	41.8 %		360 bps
Operating income	30,146	94,488	(64,342)	(68.1)%
<i>Operating income as % of consolidated net sales</i>	2.5 %	7.7 %		(520) bps
Interest expense	15,676	15,775	(99)	(0.6)%
Interest income	(7,434)	(6,274)	(1,160)	18.5 %
Other (income) expense, net	(1,148)	678	(1,826)	nm
Income before income taxes	23,052	84,309	(61,257)	(72.7)%
Income tax provision	7,067	18,637	(11,570)	(62.1)%
<i>Effective tax rate^(*)</i>	30.7 %	22.1 %		860 bps
Net income	\$ 15,985	\$ 65,672	\$ (49,687)	(75.7)%
Basic net income per common share	\$ 0.43	\$ 1.80	\$ (1.37)	(76.1)%
Diluted net income per common share	\$ 0.43	\$ 1.80	\$ (1.37)	(76.1)%
Dividend declared and paid per common share	\$ 1.05	\$ 1.60	\$ (0.55)	(34.4)%

(*) 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 \$10.8 million, or 0.9%, to \$1.22 billion. The decrease in net sales was driven by lower demand for our exclusive *Carter’s* brands, decreased average product selling prices per unit driven by selective investments in pricing, reduced traffic in U.S. Retail, and the unfavorable impact of foreign currency exchange rates due to a stronger U.S. dollar compared to the first two quarters of fiscal 2024. These decreases were partially offset by increased units per transaction driven by our selective investments in pricing, increased sales to off-price wholesale channel customers, and increased demand in Canada and from our international wholesale partners.

Average product selling prices per unit decreased by a mid-single digit percentage and 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 \$9.5 million.

Gross Profit and Gross Margin

Consolidated gross profit decreased \$25.3 million, or 4.2%, to \$572.9 million and consolidated gross margin decreased 170 bps to 47.1%. The decrease in consolidated gross profit and gross margin was driven by decreased net sales, lower average product selling prices per unit, 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.

Selling, General, and Administrative Expenses

Consolidated SG&A expenses increased \$38.4 million, or 7.5%, to \$551.3 million and increased as a percentage of consolidated net sales by 360 bps to 45.4%. This increase in SG&A rate was driven by fixed cost deleverage on decreased sales, costs related to operating model improvements and leadership transition, increased performance-based compensation expense, increased distribution costs due to increased units shipped and higher third-party logistics costs, investments in new and

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

remodeled retail stores, and higher recruiting costs. Performance-based compensation expense as a percentage of net sales increased 50 bps, due to a higher projected attainment of annual incentive objectives relative to the prior period.

Operating Income

Consolidated operating income decreased \$64.3 million, or 68.1%, to \$30.1 million and decreased as a percentage of net sales by 520 bps to 2.5%, primarily due to the factors previously discussed.

Interest Income

Consolidated interest income increased \$1.2 million to \$7.4 million, due to increased cash balances during the period and interest recognized on federal tax refunds.

Other (Income) Expense, Net

Consolidated other income was \$1.1 million in the first two quarters of fiscal 2025 compared to consolidated other expense of \$0.7 million in the first two quarters of fiscal 2024. The change was driven by favorable changes in foreign currency exchange rates during the period.

Income Taxes

Consolidated income tax provision decreased \$11.6 million, or 62.1%, to \$7.1 million and the effective tax rate increased 860 bps to 30.7%. The increase in the effective tax rate was driven by the lower income before income taxes in the first two quarters of fiscal 2025, incremental tax expense of \$1.8 million related to expiring stock-based compensation, and incremental tax expense of \$0.5 million related to 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 quarters of fiscal 2024.

Net Income

Consolidated net income decreased \$49.7 million, or 75.7%, to \$16.0 million, primarily due to the factors previously discussed.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)
Results by Segment - First Two Quarters of Fiscal 2025 compared to First Two Quarters of Fiscal 2024

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

<i>(dollars in thousands)</i>	Two fiscal quarters ended					
	June 28, 2025	% of consolidated net sales	June 29, 2024	% of consolidated net sales	\$ Change	% Change
Net sales:						
U.S. Retail	\$ 593,980	48.9 %	\$ 597,890	48.8 %	\$ (3,910)	(0.7)%
U.S. Wholesale	443,094	36.5 %	457,042	37.3 %	(13,948)	(3.1)%
International	178,065	14.6 %	170,994	13.9 %	7,071	4.1 %
Consolidated net sales	<u>\$ 1,215,139</u>	<u>100.0 %</u>	<u>\$ 1,225,926</u>	<u>100.0 %</u>	<u>\$ (10,787)</u>	<u>(0.9)%</u>
Segment operating income⁽¹⁾:		Segment operating margin		Segment operating margin		
U.S. Retail	\$ 6,076	1.0 %	\$ 32,372	5.4 %	\$ (26,296)	(81.2)%
U.S. Wholesale	82,372	18.6 %	99,535	21.8 %	(17,163)	(17.2)%
International	3,391	1.9 %	7,744	4.5 %	(4,353)	(56.2)%
Total segment operating income	<u>\$ 91,839</u>	<u>7.6 %</u>	<u>\$ 139,651</u>	<u>11.4 %</u>	<u>\$ (47,812)</u>	<u>(34.2)%</u>
Items not included in segment operating income:		Consolidated operating margin		Consolidated operating margin		
Unallocated corporate expenses	\$ (44,699)	n/a	\$ (45,163)	n/a	\$ (464)	(1.0)%
Operating model improvement costs ⁽²⁾	(9,800)	n/a	—	n/a	n/a	n/a
Leadership transition costs ⁽³⁾	(7,194)	n/a	—	n/a	n/a	n/a
Consolidated operating income	<u>\$ 30,146</u>	<u>2.5 %</u>	<u>\$ 94,488</u>	<u>7.7 %</u>	<u>\$ (64,342)</u>	<u>(68.1)%</u>

(1) Segment operating income for the two fiscal quarters ended June 29, 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.

U.S. Retail

U.S. Retail segment net sales decreased \$3.9 million, or 0.7%, to \$594.0 million. The decrease in net sales was driven by lower average product selling prices per unit, decreased traffic in our retail stores, and lower demand for our kid-sized assortment. These factors were partially offset by sales contribution of our new retail stores and growth in our baby size products. Decreased traffic was partially offset by increased conversion rates and unit per transactions in both our stores and eCommerce channels. As a result, units sold increased by a mid-single digit percentage, reflecting the positive impact of our selective investments in pricing.

Average product selling prices per unit decreased by a mid-single digit percentage due to selective investments in our pricing and product mix. Comparable net sales, including retail store and eCommerce, decreased 1.6% driven by the factors mentioned above.

U.S. Retail segment operating income decreased \$26.3 million, or 81.2%, to \$6.1 million, primarily due to a decrease in gross profit of \$10.6 million and an increase in SG&A expenses of \$15.5 million. Segment operating margin decreased 440 bps to 1.0%, driven by a 140 bps decrease in gross margin and a 300 bps increase in the SG&A rate. The decrease in gross margin was driven by decreased average product selling prices per unit 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 fixed cost deleverage on lower net sales.

U.S. Wholesale

U.S. Wholesale segment net sales decreased \$13.9 million, or 3.1%, to \$443.1 million, driven by a high-single digit decrease in sales of our exclusive *Carter's* brands, decreased demand with department stores, and decreased average product selling prices per unit. These factors were partially offset by increased sales to our off-price wholesale channel customers and increased

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

demand for our *Skip Hop* brand. Average product selling prices per unit decreased by a mid-single digit percentage. Units sold increased by a low-single digit percentage.

U.S. Wholesale segment operating income decreased \$17.2 million, or 17.2%, to \$82.4 million, primarily due to a decrease in gross profit of \$10.9 million and a increase in SG&A expenses of \$5.9 million. Segment operating margin decreased 320 bps to 18.6%. The drivers of the decrease in operating margin were a 150 bps decrease in gross margin and a 170 bps increase in SG&A rate. The decrease in gross margin was driven by decreased average product selling prices per unit sold and channel mix, partially offset by decreased inventory provisions driven by improved utilization of excess inventory. The increase in the SG&A rate was driven by increased distribution and performance-based compensation costs, as well as fixed cost deleverage on decreased sales.

International

International segment net sales increased \$7.1 million, or 4.1%, to \$178.1 million, driven by stronger traffic in Canada and Mexico and improved demand with our international wholesale partners. Canadian comparable net sales, including retail stores and eCommerce, increased 5.1% driven by an increase in traffic, higher conversion rates in stores, and higher units per transaction, resulting in increased units sold. We believe this reflects the positive impacts of our selective investments in pricing, the strength of our competitive positioning in the Canadian market, and the Canadian sales tax holiday. International segment units sold increased by a low-double digit percentage.

These factors were partially offset by decreased average product selling prices per unit. Average product selling prices per unit decreased by a mid-single digit percentage, due to the unfavorable impact of foreign currency exchange rates. Changes in foreign currency exchange rates used for translation had a \$9.5 million unfavorable effect on International segment net sales.

International segment operating income decreased \$4.4 million, or 56.2%, to \$3.4 million, primarily due to a decrease in gross profit of \$3.8 million and an increase in SG&A expenses of \$0.5 million. Segment operating margin decreased 260 bps to 1.9%, driven by a 410 bps decrease in gross margin, partially offset by a 160 bps decrease in the SG&A rate. The decrease in gross margin was due to decreased average product selling prices per unit and increased average cost per unit sold. Average cost per unit sold increased by a low-single digit percentage due to higher product input costs. The decrease in the SG&A rate was driven by fixed cost leverage on increased net sales, partially offset by increased performance-based compensation, increased retail store rent, and retail store employee costs.

Unallocated Corporate Expenses

Unallocated corporate expenses decreased \$0.5 million, or 1.0%, to \$44.7 million and unallocated corporate expenses, as a percentage of consolidated net sales, was consistent at 3.7%.

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.

ITEM 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

<i>(dollars in millions, except earnings per share)</i>	Fiscal quarter ended									
	June 28, 2025					June 29, 2024				
	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)	\$ 4.0	0.7 %	\$ 1.3	\$ 0.4	\$ 0.01	\$ 39.5	7.0 %	\$ 6.7	\$ 27.6	\$ 0.76
Operating model improvement costs ⁽¹⁾	6.6		1.6	5.0	0.14	—		—	—	—
Leadership transition costs ⁽²⁾	1.1		0.3	0.8	0.02	—		—	—	—
As adjusted	<u>\$ 11.8</u>	<u>2.0 %</u>	<u>\$ 3.1</u>	<u>\$ 6.3</u>	<u>\$ 0.17</u>	<u>\$ 39.5</u>	<u>7.0 %</u>	<u>\$ 6.7</u>	<u>\$ 27.6</u>	<u>\$ 0.76</u>

(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.

Note: Results may not be additive due to rounding.

<i>(dollars in millions, except earnings per share)</i>	Two fiscal quarters ended									
	June 28, 2025					June 29, 2024				
	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)	\$ 30.1	2.5 %	\$ 7.1	\$ 16.0	\$ 0.43	\$ 94.5	7.7 %	\$ 18.6	\$ 65.7	\$ 1.80
Operating model improvement costs ⁽¹⁾	9.8		2.4	7.4	0.21	—		—	—	—
Leadership transition costs ⁽²⁾	7.2		0.6	6.6	0.18	—		—	—	—
As adjusted	<u>\$ 47.1</u>	<u>3.9 %</u>	<u>\$ 10.0</u>	<u>\$ 30.1</u>	<u>\$ 0.83</u>	<u>\$ 94.5</u>	<u>7.7 %</u>	<u>\$ 18.6</u>	<u>\$ 65.7</u>	<u>\$ 1.80</u>

(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.

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 June 28, 2025, we had \$338.2 million of cash and cash equivalents held at major financial institutions, including \$63.5 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 June 28, 2025 were \$140.4 million compared to \$132.4 million at June 29, 2024 and \$194.8 million at December 28, 2024. The increase of \$8.0 million, or 6.0%, at June 28, 2025 compared to June 29, 2024 primarily reflects the timing of wholesale customer shipments. Due to the seasonal nature of our operations, the net accounts receivable balance at June 28, 2025 is not comparable to the net accounts receivable balance at December 28, 2024.

Inventories at June 28, 2025 were \$619.1 million compared to \$599.3 million at June 29, 2024 and \$502.3 million at December 28, 2024. The increase of \$19.8 million, or 3.3%, at June 28, 2025 compared to June 29, 2024 was driven by incremental tariffs imposed on products imported into the United States, partially offset by decreased days of supply. Due to the seasonal nature of our operations, the inventory balance at June 28, 2025 is not comparable to the inventories balance at December 28, 2024.

Operating lease assets at June 28, 2025 were \$571.3 million compared to \$509.2 million at June 29, 2024 and \$577.1 million at December 28, 2024. The increase of \$62.1 million or 12.2%, at June 28, 2025 compared to June 29, 2024 was driven by the renewal of one of our distribution centers in Georgia, the renewal of a contract with a third-party logistic provider in California for warehousing and distribution purposes, and investments in our retail store fleet.

Cash Flow***Net Cash (Used in) Provided by Operating Activities***

Net cash used in operating activities was \$8.3 million for the first two quarters of fiscal 2025 compared to net cash provided by operating activities of \$91.7 million in the first two 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, including operating model improvement costs, as well as 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 \$26.5 million for the first two quarters of fiscal 2025 compared to \$24.3 million in the first two quarters of fiscal 2024. The increase in net cash used in investing activities was driven by increased capital expenditures. Capital expenditures in the first two quarters of fiscal 2025 was driven by U.S. and international retail store openings and remodels and investments in our distribution facilities.

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

We plan to invest \$65.0 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 \$42.8 million in the first two quarters of fiscal 2025 compared to \$99.4 million in the first two 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 two quarters of fiscal 2024 that did not reoccur in the first two 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 two quarters of fiscal 2025. In the first two quarters of fiscal 2024, we repurchased and retired 461,888 shares in open market transactions for \$33.8 million, at an average price of \$73.13 per share.

The total remaining capacity under outstanding repurchase authorizations as of June 28, 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 and second quarters of fiscal 2025, the Board of Directors declared, and the Company paid, a cash dividend per common share of \$0.80 and \$0.25, respectively (for an aggregate cash dividend per common share of \$1.05 for the first two quarters of fiscal 2025). Additionally, in each of the first two 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 \$1.60 for the first two 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 June 28, 2025, December 28, 2024, and June 29, 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 two quarters of fiscal 2025 or fiscal 2024.

As of June 28, 2025, December 28, 2024, and June 29, 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 June 28, 2025, the borrowing rate for an adjusted term Secured Overnight Financing Rate ("SOFR") loan would have been 5.54%, which includes a leverage-based adjustment of 1.125%.

As of June 28, 2025, the Company was in compliance with its financial and other covenants under the secured revolving credit facility.

Senior Notes

As of June 28, 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 June 28, 2025 is reported net of \$1.5 million of unamortized issuance-related debt costs.

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.

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 38%.

The assessment indicated that the fair value of assets for the U.S. Retail reporting unit and the Canada reporting unit exceeded its carrying values by approximately 17% and 12%, respectively. Sensitivity tests on the U.S. Retail and Canada reporting units showed that a 100 basis point increase in the discount rates, 50 basis point decrease in the long-term revenue growth rate, 250 basis point decrease in annual revenue growth rates, or a 50 bps decrease in annual operating margins would not change the conclusion and would not result in an impairment charge.

Additionally, the assessment indicated that the fair value of assets for the Other International reporting unit exceeded its carrying value by approximately 6%. Sensitivity tests on the Other International reporting unit showed that a 50 basis point decrease in the long-term growth rate would not change the conclusion and would not result in an impairment charge. However, a 50 basis point decrease in annual operating margins or a 250 basis point decrease in annual revenue growth rates would each indicate a goodwill impairment charge of approximately \$5 million, and a 100 basis point increase in the discount rates would indicate a goodwill impairment charge of approximately \$10 million ascribed to the Other International reporting unit.

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

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).

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 second quarter of fiscal 2025, compared to the second quarter of fiscal 2024, had a \$3.1 million unfavorable effect on our consolidated net sales. Changes in foreign currency exchange rates used for translation in the first two quarters of fiscal 2025, compared to the first two quarters of fiscal 2024, had a \$9.5 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).

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 June 28, 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 June 28, 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 June 28, 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 June 28, 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 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. 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, pricing of our products, product configurations, inventory management, country of origin mix, and sharing the costs of incremental tariffs with our vendor partners. 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 second 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⁾
March 30, 2025 through April 26, 2025	—	\$ —	—	\$ 598,966,271
April 27, 2025 through May 24, 2025	3,233	\$ 34.17	—	\$ 598,966,271
May 25, 2025 through June 28, 2025	—	\$ —	—	\$ 598,966,271
Total	<u>3,233</u>		<u>—</u>	

- (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 April 27, 2025 and May 24, 2025.
- (2) The Company did not repurchase shares in open market transactions during the second 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 June 28, 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	
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.

July 25, 2025

/s/ DOUGLAS C. PALLADINI

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

July 25, 2025

/s/ RICHARD F. WESTENBERGER

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

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.

July 25, 2025

/s/ DOUGLAS C. PALLADINI

Douglas C. Palladini

Chief Executive Officer & President

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.

July 25, 2025

/s/ RICHARD F. WESTENBERGER

Richard F. Westenberger

Chief Financial Officer & Chief Operating Officer

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 June 28, 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.

July 25, 2025 /s/ DOUGLAS C. PALLADINI
Douglas C. Palladini
Chief Executive Officer & President

July 25, 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.