

A photograph of two young children sitting on a light-colored, textured blanket outdoors. The child on the left is a young girl with dark hair, wearing a white sleeveless dress with a small floral pattern and green sandals. She is looking to the left with her hand near her mouth. The child on the right is a young boy with light brown hair, wearing a white short-sleeved button-down shirt and tan pants. He is also looking to the left. The background is a soft-focus outdoor setting with tall grasses and warm, golden light, suggesting a sunset or sunrise. The overall mood is peaceful and natural.

carter's[®]

**Fourth Quarter /
Fiscal Year 2022 Results
& Business Update**

February 24, 2023

Fourth Quarter 2022 Results

(GAAP Basis)



\$ in millions, except EPS

	Q4 2022	<i>% of Sales</i>	Q4 2021	<i>% of Sales</i>	Change
Net sales	\$912		\$1,062		(14%)
Gross profit	416	45.6%	493	46.4%	(16%)
Royalty income	5	0.6%	6	0.6%	(11%)
SG&A	302	33.2%	361	34.0%	(16%)
Intangible asset impairment	9	1.0%	-		N/M
Operating income	110	12.0%	138	13.0%	(21%)
Interest and other, net	9	1.0%	15	1.4%	(37%)
Income before taxes	100	11.0%	123	11.6%	(19%)
Income tax provision	20		26		(23%)
Net income	\$80	8.8%	\$97	9.1%	(17%)
Diluted EPS	\$2.11		\$2.31		(9%)
Weighted-average shares outstanding	37		41		(10%)
EBITDA ¹	\$126	13.8%	\$164	15.4%	(23%)

¹ Non-GAAP measure; see reconciliation to GAAP in appendix.

Note: Results may not be additive due to rounding.

Fiscal Year 2022 Results

(GAAP Basis)



	\$ in millions, except EPS				
	Fiscal 2022	<i>% of Sales</i>	Fiscal 2021	<i>% of Sales</i>	Change
Net sales	\$3,213		\$3,486		(8%)
Gross profit	1,472	45.8%	1,662	47.7%	(11%)
Royalty income	26	0.8%	29	0.8%	(10%)
SG&A	1,110	34.6%	1,194	34.2%	(7%)
Intangible asset impairment	9	0.3%	-		N/M
Operating income	379	11.8%	497	14.3%	(24%)
Interest and other, net	42	1.3%	59	1.7%	(28%)
Loss on extinguishment of debt	20	0.6%	-		N/M
Income before taxes	317	9.9%	438	12.6%	(28%)
Income tax provision	67		99		(32%)
Net income	\$250	7.8%	\$340	9.7%	(26%)
Diluted EPS	\$6.34		\$7.81		(19%)
Weighted-average shares outstanding	39		43		(10%)
EBITDA ¹	\$424	13.2%	\$592	17.0%	(28%)

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

Non-GAAP Adjustments¹



\$ in millions, except EPS

	Fourth Quarter									
	2022					2021				
	Operating Income	% Net Sales	Pre-Tax Income	Net Income	Diluted EPS	Operating Income	% Net Sales	Pre-Tax Income	Net Income	Diluted EPS
As reported (GAAP)	\$109.5	12.0%	\$100.5	\$80.2	\$2.11	\$138.0	13.0%	\$123.5	\$97.0	\$2.31
Intangible asset impairment	9.0		9.0	6.9	0.18	-		-	-	-
COVID-19 expenses	-		-	-	-	0.4		0.4	0.3	0.01
Restructuring benefit	-		-	-	-	(0.1)		(0.1)	(0.1)	-
Store lease impairment benefit	-		-	-	-	(0.4)		(0.4)	(0.3)	(0.01)
Total adjustments	9.0		9.0	6.9	0.18	(0.1)		(0.1)	(0.1)	-
As adjusted	\$118.5	13.0%	\$109.5	\$87.0	\$2.29	\$137.9	13.0%	\$123.4	\$96.9	\$2.31

	Fiscal Year									
	2022					2021				
	Operating Income	% Net Sales	Pre-Tax Income	Net Income	Diluted EPS	Operating Income	% Net Sales	Pre-Tax Income	Net Income	Diluted EPS
As reported (GAAP)	\$379.2	11.8%	\$316.7	\$250.0	\$6.34	\$497.1	14.3%	\$438.3	\$339.7	\$7.81
Loss on extinguishment of debt	-		19.9	15.2	0.38	-		-	-	-
Intangible asset impairment	9.0		9.0	6.9	0.17	-		-	-	-
COVID-19 expenses	-		-	-	-	3.9		3.9	3.0	0.07
Restructuring costs	-		-	-	-	2.4		2.4	1.8	0.04
Store lease impairment benefit	-		-	-	-	(2.6)		(2.6)	(2.0)	(0.05)
Total adjustments	9.0		28.9	22.0	0.56	3.7		3.7	2.8	0.06
As adjusted	\$388.2	12.1%	\$345.7	\$272.0	\$6.90	\$500.8	14.4%	\$442.0	\$342.5	\$7.87

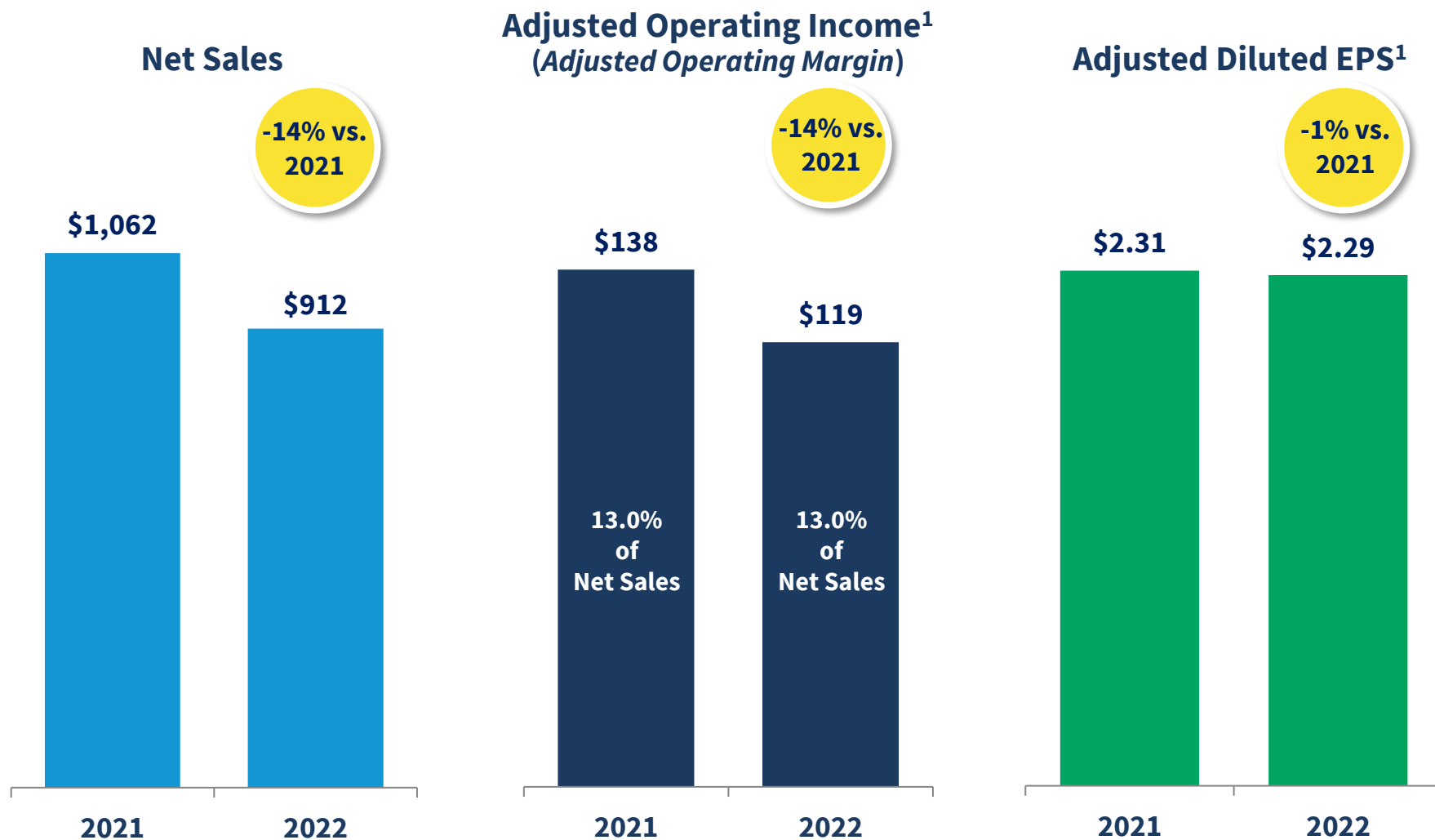
¹ Certain measures are presented on an adjusted basis, a non-GAAP presentation; see reconciliation to GAAP in appendix.

Note: Results may not be additive due to rounding.

Fourth Quarter 2022 Performance



\$ in millions, except EPS



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

We Achieved Guidance Provided in October

(Adjusted Basis)



\$ in millions, except EPS

		Guidance ¹	Actual Results
Q4 2022 ²	Net Sales	\$845 - \$885	\$912
	Operating Income	\$85 - \$115	\$119
	<i>Operating Margin</i>	10.1% - 13.0%	13.0%
	Diluted EPS	\$1.40 - \$2.00	\$2.29
Fiscal 2022	Operating Cash Flow	\$40 - \$50	\$88

¹ Guidance provided on Q3 2022 earnings call on 10/28/22.

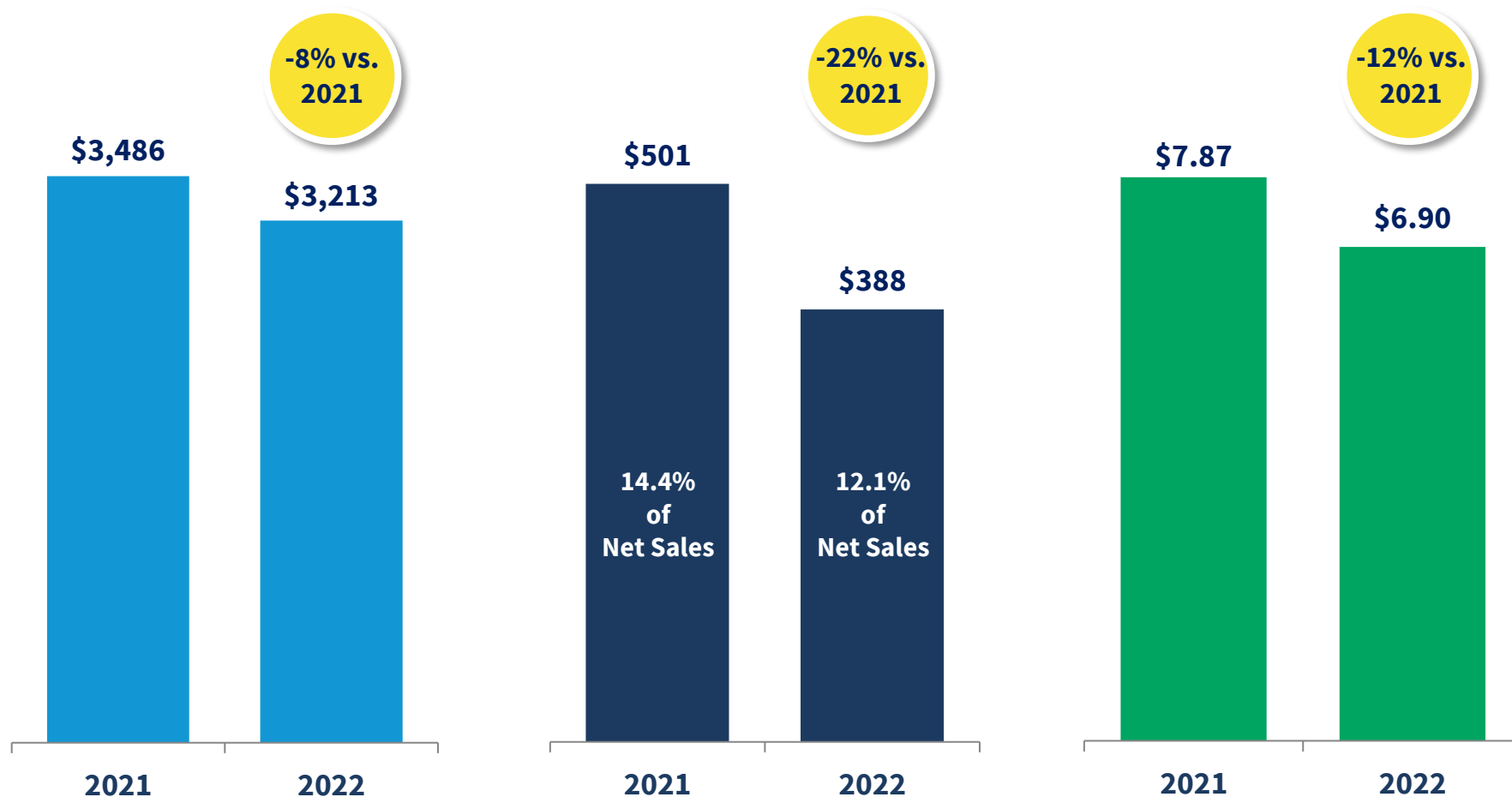
² Operating income, operating margin and diluted EPS presented on an adjusted basis, a non-GAAP presentation; see reconciliation to GAAP in appendix.

\$ in millions, except EPS

Net Sales

Adjusted Operating Income¹ (Adjusted Operating Margin)

Adjusted Diluted EPS¹



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

Fourth Quarter 2022 Adjusted Results¹



\$ in millions, except EPS

	Q4 2022	<i>% of Sales</i>	Q4 2021	<i>% of Sales</i>	Change
Net sales	\$912		\$1,062		(14%)
Gross profit	416	45.6%	493	46.4%	(16%)
Royalty income	5	0.6%	6	0.6%	(11%)
Adjusted SG&A	302	33.2%	361	34.0%	(16%)
Adjusted operating income	119	13.0%	138	13.0%	(14%)
Interest and other, net	9	1.0%	15	1.4%	(37%)
Adjusted income before taxes	109	12.0%	123	11.6%	(11%)
Adjusted provision for income taxes	22		26		(15%)
Adjusted net income	\$87	9.5%	\$97	9.1%	(10%)
Adjusted diluted EPS	\$2.29		\$2.31		(1%)
Weighted-average shares outstanding	37		41		(10%)
Adjusted EBITDA	\$135	14.8%	\$164	15.4%	(18%)

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

Note: Results may not be additive due to rounding.

Fiscal Year 2022 Adjusted Results¹



\$ in millions, except EPS

	Fiscal 2022	<i>% of Sales</i>	Fiscal 2021	<i>% of Sales</i>	Change
Net sales	\$3,213		\$3,486		(8%)
Gross profit	1,472	45.8%	1,662	47.7%	(11%)
Royalty income	26	0.8%	29	0.8%	(10%)
Adjusted SG&A	1,110	34.6%	1,190	34.1%	(7%)
Adjusted operating income	388	12.1%	501	14.4%	(22%)
Interest and other, net	42	1.3%	59	1.7%	(28%)
Adjusted income before taxes	346	10.8%	442	12.7%	(22%)
Adjusted provision for income taxes	74		100		(26%)
Adjusted net income	\$272	8.5%	\$342	9.8%	(21%)
Adjusted diluted EPS	\$6.90		\$7.87		(12%)
Weighted-average shares outstanding	39		43		(10%)
Adjusted EBITDA	\$452	14.1%	\$594	17.0%	(24%)

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

Note: Results may not be additive due to rounding.

Balance Sheet & Cash Flow



\$ in millions

Balance Sheet (Year End)

	2022	2021
Cash	\$212	\$984
Accounts receivable	199	231
Inventory	745	648
Accounts payable	264	407
Long-term debt	617	991
Operating lease liabilities	564	576

- **Strong liquidity: \$938 million²**
- **Lower cash balance vs. 2021 due to:**
 - Retirement of \$500M pandemic-related financing in Q2 2022
 - \$300 million in share repurchases
- **Inventory** – see next page
- **Accounts payable reflects timing of inventory payments**

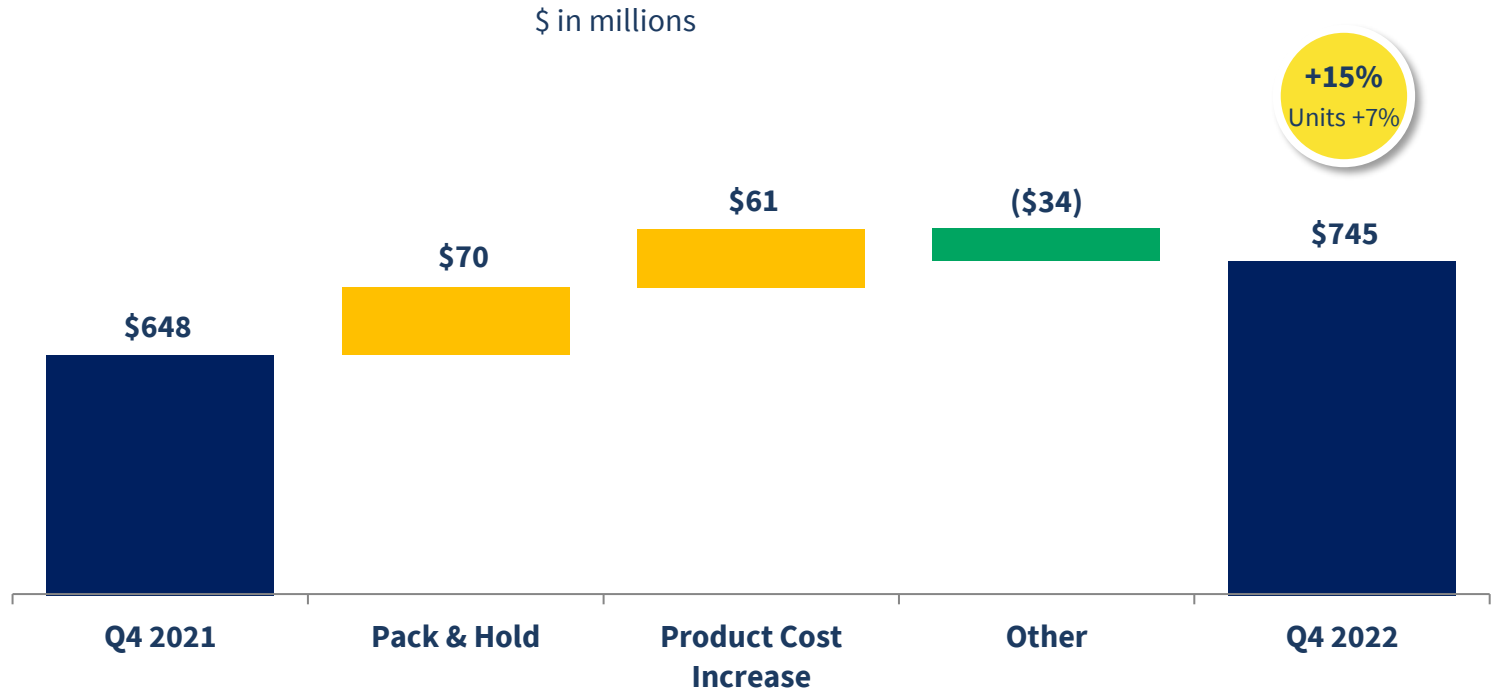
Cash Flow (Fiscal Year)

	2022	2021
Operating cash flow	\$88	\$268
Capital expenditures	(40)	(37)
Free cash flow ¹	\$48	\$231
	2022	2021
Share repurchases	\$300	\$299
Dividends	118	60
Total	\$418	\$359

- **Operating cash flow reflects lower earnings, growth in inventory, and timing of vendor payments**
- **Forecasting improved operating cash flow in FY 2023 as we sell through pack & hold inventory: >\$300 million**
- **\$418 million returned to shareholders in FY 2022**
 - \$300 million share repurchases (9% of shares outstanding as of the beginning of FY 2022)
 - \$118 million dividends (\$0.75 / share quarterly)

¹ Non-GAAP measure. ² Comprised of \$211.7 million cash and cash equivalents plus \$726.5 million undrawn availability on revolving credit facility.

Q4 Net Inventory vs. LY



Focus of Inventory Management

- **Quality of inventory is strong**
 - Less prior season carry over; better mix of new products
- **Focused on maximizing return on inventory investment**
 - Executing pack & hold strategy to sell through inventory profitably in 2023
 - Continuing to prioritize our retail channels to liquidate excess inventory
- **Inventory levels expected to decline year-over-year throughout 2023**

Business Segment Performance



Fourth Quarter Adjusted Segment Performance

(2022 vs. 2021)



\$ in millions

Maintained strong operating margin of 13.0% in a challenging environment; double-digit operating margin in all segments

	Net Sales			Adjusted Operating Income ¹			Adjusted Operating Margin ¹	
	2022	2021	\$ Change	2022	2021	\$ Change	2022	2021
U.S. Retail	\$526	\$603	(\$76)	\$90	\$117	(\$28)	17.0%	19.5%
U.S. Wholesale	261	317	(57)	33	45	(12)	12.7%	14.1%
International	125	142	(17)	20	22	(2)	16.0%	15.7%
Total before corporate expenses	912	1,062	(150)	143	184	(42)	15.7%	17.4%
Corporate expenses				(24)	(47)	22	(2.7%)	(4.4%)
Total	\$912	\$1,062	(\$150)	\$119	\$138	(\$19)	13.0%	13.0%

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

Note: Results may not be additive due to rounding.

Fiscal Year Adjusted Segment Performance

(2022 vs. 2021)



\$ in millions

Achieved double-digit operating margin on a consolidated basis and in all segments in 2022

	Net Sales			Adjusted Operating Income ¹			Adjusted Operating Margin ¹	
	2022	2021	\$ Change	2022	2021	\$ Change	2022	2021
U.S. Retail	\$1,680	\$1,899	(\$219)	\$253	\$367	(\$114)	15.0%	19.3%
U.S. Wholesale	1,080	1,126	(46)	167	197	(30)	15.5%	17.5%
International	452	461	(9)	60	66	(7)	13.2%	14.4%
Total before corporate expenses	3,213	3,486	(274)	480	630	(151)	14.9%	18.1%
Corporate expenses				(92)	(130)	38	(2.9%)	(3.7%)
Total	\$3,213	\$3,486	(\$274)	\$388	\$501	(\$113)	12.1%	14.4%

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

Note: Results may not be additive due to rounding.

Fourth Quarter Segment Performance

(2022 vs. 2021)



U.S. Retail

- **Net sales: -13%**
 - Inflation continued to weigh on consumer demand
- **Comparable sales: -13%**
 - Better price realization
 - Lower traffic
 - Lower units per transaction
- **Adjusted operating margin 17.0% (-250 bps vs. LY)¹**
 - Higher product & transportation costs
 - Expense deleverage
 - Better price realization
 - Lower performance-based compensation

U.S. Wholesale

- **Net sales: -18%**
 - Demand impacted by transportation delays; cancellations higher than historical levels
 - Lower replenishment demand
- **Adjusted operating margin 12.7% (-140 bps vs. LY)¹**
 - Higher product & transportation costs
 - Expense deleverage
 - Better price realization
 - Lower air freight costs
 - Lower performance-based compensation

International

- **Net sales: -12%**
 - Lower demand in Canada and wholesale ex-North America
 - Double digit growth in Mexico
- **Net sales constant currency: -8%**
- **Adjusted operating margin 16.0% (+30 bps vs. LY)¹**
 - Better price realization
 - Lower performance-based compensation
 - Higher product & transportation costs
 - Expense deleverage

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



- Carter's new eco-friendly brand
- Accessible premium price point
- Planning strong growth in 2023
 - Global distribution expansion
 - Broader product offering

*In less than 2 years,
Little Planet has
become a
**top 3 organic and
sustainable
children's clothing
brand in the U.S.**¹*

little planet®

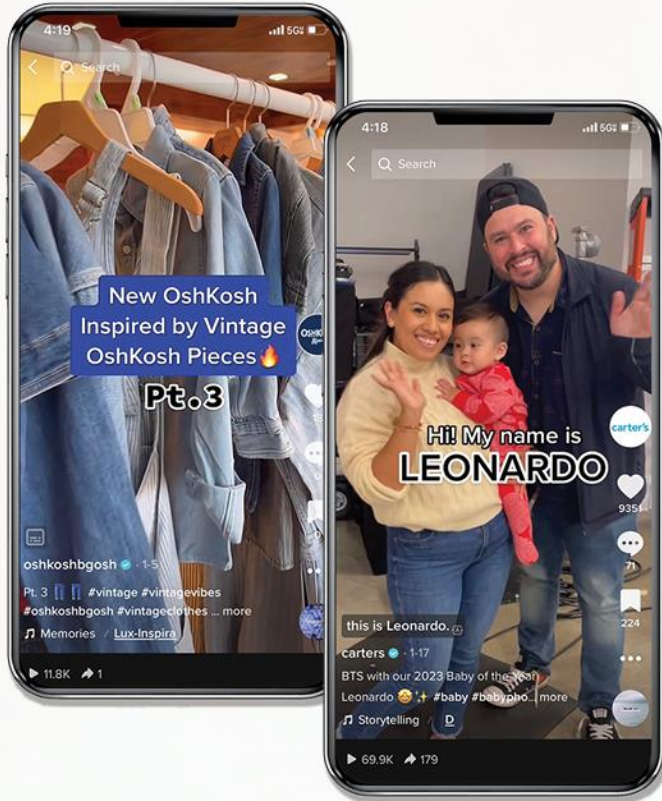
Partnership With
Hilary Duff
'Chief Mom Officer'



hilary duff 

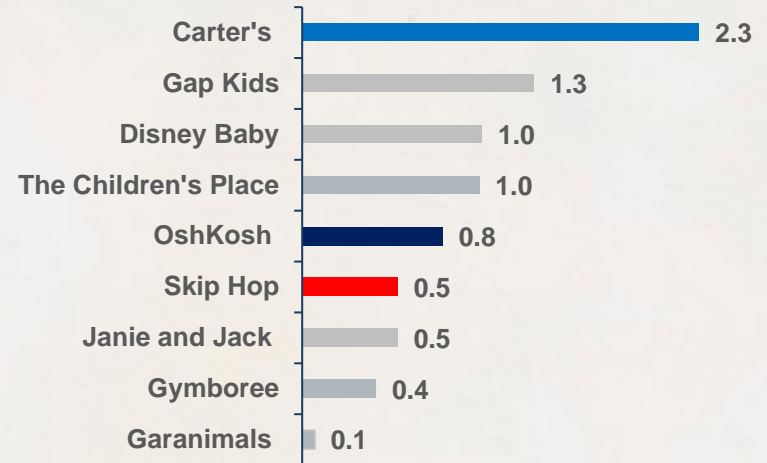
SPRING 2023 COLLECTION

Carter's Continues to Lead Children's Apparel in Social Media¹

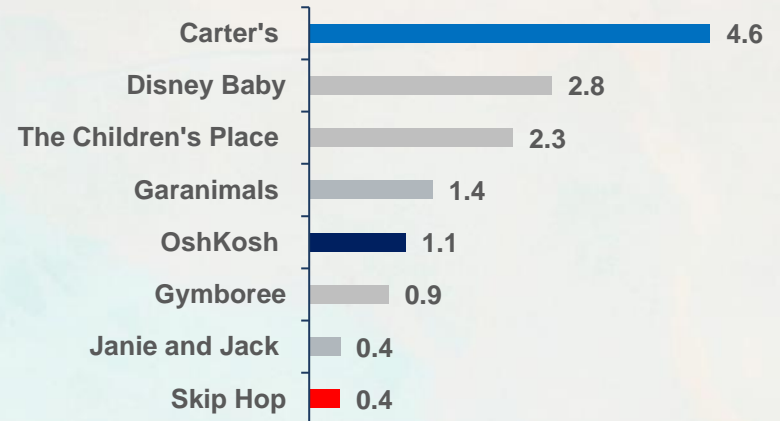


TOTAL INSTAGRAM FOLLOWERS

In millions



TOTAL FACEBOOK FOLLOWERS



CRI BRANDS LEAD CHILDREN'S APPAREL IN TIKTOK FOLLOWERS, VIEWS AND ENGAGEMENT²

¹ Source: Instagram, Facebook, and TikTok (1/24/23). ² Source: TikTok, January - December 2022.

Peer set includes Carter's, Disney Baby, Gap Kids, Garanimals, Gymboree, Janie and Jack, OshKosh B'gosh, Skip Hop, and The Children's Place.

ADWEEK

Baby Clothing Company Carter's Bets on Big Game Baby Making

Celebration time!
See you in
9 months.



carter's
BornAChamp.com

OUTFRONT



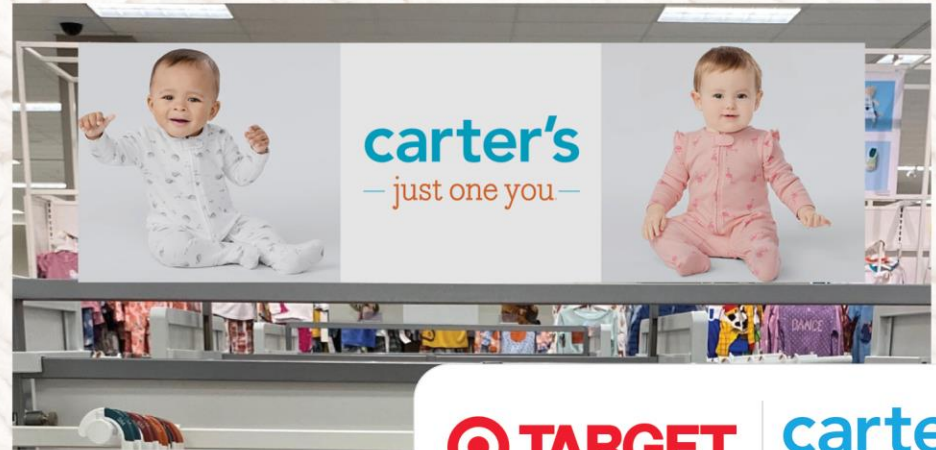
Easter Style for the **Family**

Family Matching Pajamas For Every Holiday

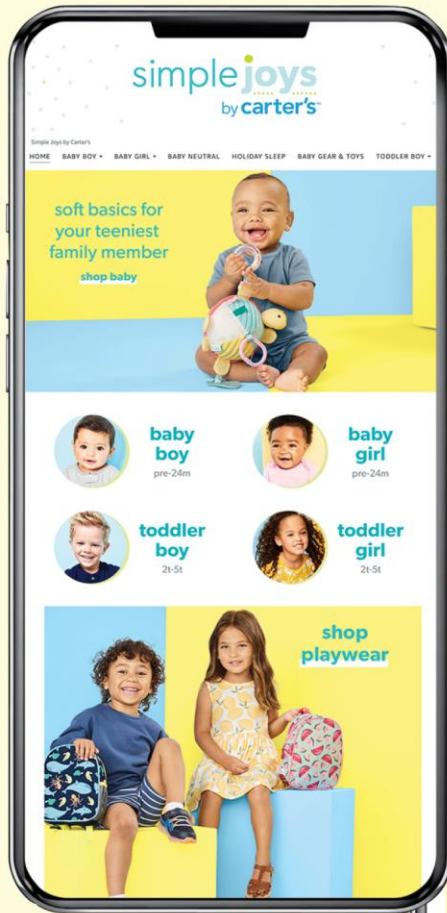




New Impactful Brand Marketing at Target and Walmart



Spring on Amazon



New Baby Gear
& Toys Expansion



amazon | simple joys
by carter's™

2023 Outlook



Our Focus on Productivity, Earnings & Cash Flow

- **Profitably sell through Pack & Hold inventory**
- **Forecast demand and inventory commitments conservatively**
- **Improve price realization**
- **Negotiate lower product costs and ocean freight rates**
- **Close low-margin stores; open high-margin stores**
- **Consolidate office space to support hybrid work model**

Continue Investments for Long-Term Growth

- **Strengthen product offerings**
- **Open new stores in North America (70)**
- **Strengthen eCommerce and omni-channel capabilities**
- **Improve pricing and personalization capabilities**
- **Expand *Little Planet* product offering and distribution**

Full Year Key Assumptions

- **Near term, inflation and rising interest rates expected to weigh on consumer demand**
- **Wholesale customers approaching 2023 inventory commitments cautiously**
- **Gross margin expansion, driven by improved price realization and lower costs**
- **Comparable SG&A**
- **Higher interest expense and effective tax rate**
- **Continued return of capital initiatives**

Trends Expected to Improve

- **Inflation moderating; improving consumer demand trend**
- **Improved price realization**
- **Contribution of new stores**
- **Less challenging prior year comparisons**
- **Improved on-time shipping performance**
- **Lower order cancellations**
- **Improved replenishment trends**
- **Favorable trends in product costs and ocean freight rates**
- **Lower inventory-related costs**

Fiscal Year 2023 Objectives

- **Net sales: ~\$3 billion**
 - U.S. Retail: down mid single-digits
 - U.S. Wholesale: down ~10%
 - International: comparable
- **Adjusted operating income: ~\$350 million**
 - vs. \$388 million in fiscal 2022
- **Adjusted diluted EPS: ~\$6.15**
 - vs. \$6.90 in fiscal 2022
- **Operating cash flow: >\$300 million**
- **CapEx: ~\$75 million**



¹ See fiscal 2022 reconciliations to GAAP in Appendix. The Company's forecast for fiscal year 2023 excludes anticipated charges of approximately \$5 million to \$7 million related to organizational restructurings and office space consolidation. Forward-looking adjusted operating income and adjusted diluted EPS have not been reconciled to their most directly comparable GAAP measures – see page 38.

Q1
2023

- **Net sales: ~\$630 – \$650 million**
 - U.S. Retail comps down 10% to 15%
 - Wholesale customers planning Q1 cautiously (U.S. Wholesale sales down 20% to 25%)
 - International sales down mid-teens
- **Adjusted operating income: ~\$30 – \$40 million**
 - vs. \$103 million Q1 2022
- **Adjusted diluted EPS: ~\$0.35 – \$0.55**
 - vs. \$1.66 Q1 2022
- **Outlook reflects:**
 - Improved gross margin, reflecting better price realization and channel mix
 - SG&A rate deleverage on lower sales
 - Lower interest expense
 - Comparable effective tax rate
 - Lower average number of shares outstanding



¹ No adjustments were made to Q1 fiscal 2022 GAAP financial measures. The Company's forecast for the first quarter of fiscal 2023 excludes anticipated charges of approximately \$5 million to \$7 million related to organizational restructurings and office space consolidation. Forward-looking adjusted operating income and adjusted diluted EPS have not been reconciled to their most directly comparable GAAP measures – see page 38.

Thank You!



Appendix



Fourth Quarter Reconciliation of Adjusted Net Income Allocable to Common Shareholders



	Fiscal Quarter Ended	
	December 31, 2022	January 1, 2022
Weighted-average number of common and common equivalent shares outstanding:		
Basic number of common shares outstanding	37,453,066	41,335,042
Dilutive effect of equity awards	11,001	136,992
Diluted number of common and common equivalent shares outstanding	<u>37,464,067</u>	<u>41,472,034</u>

	Fiscal Quarter Ended			
	As reported on a GAAP Basis		As adjusted (a)	
	December 31, 2022	January 1, 2022	December 31, 2022	January 1, 2022
<i>\$ in thousands, except EPS</i>				
Basic net income per common share:				
Net income	\$80,179	\$96,973	\$87,039	\$96,896
Income allocated to participating securities	(1,251)	(1,203)	(1,362)	(1,201)
Net income available to common shareholders	<u>\$78,928</u>	<u>\$95,770</u>	<u>\$85,677</u>	<u>\$95,695</u>
Basic net income per common share	\$2.11	\$2.32	\$2.29	\$2.32
Diluted net income per common share:				
Net income	\$80,179	\$96,973	\$87,039	\$96,896
Income allocated to participating securities	(1,251)	(1,200)	(1,362)	(1,198)
Net income available to common shareholders	<u>\$78,928</u>	<u>\$95,773</u>	<u>\$85,677</u>	<u>\$95,698</u>
Diluted net income per common share	\$2.11	\$2.31	\$2.29	\$2.31

(a) In addition to the results provided in this presentation in accordance with GAAP, the Company has provided adjusted, non-GAAP financial measurements that present per share data excluding the adjustments discussed in following slides. The Company has excluded approximately \$6.9 million and \$(0.1) million in after-tax expenses (benefits) for the fiscal quarters ended December 31, 2022 and January 1, 2022, respectively.

Note: Results may not be additive due to rounding.

Fiscal Year Reconciliation of Adjusted Net Income Allocable to Common Shareholders



	Fiscal Year Ended	
	December 31, 2022	January 1, 2022
Weighted-average number of common and common equivalent shares outstanding:		
Basic number of common shares outstanding	38,822,737	42,853,009
Dilutive effect of equity awards	27,908	149,619
Diluted number of common and common equivalent shares outstanding	<u>38,850,645</u>	<u>43,002,628</u>

<i>\$ in thousands, except EPS</i>	Fiscal Year Ended			
	As reported on a GAAP Basis		As adjusted (a)	
	December 31, 2022	January 1, 2022	December 31, 2022	January 1, 2022
Basic net income per common share:				
Net income	\$250,038	\$339,748	\$272,049	\$342,475
Income allocated to participating securities	(3,714)	(4,113)	(4,056)	(4,147)
Net income available to common shareholders	<u>\$246,324</u>	<u>\$335,635</u>	<u>\$267,993</u>	<u>\$338,328</u>
Basic net income per common share	\$6.34	\$7.83	\$6.90	\$7.90
Diluted net income per common share:				
Net income	\$250,038	\$339,748	\$272,049	\$342,475
Income allocated to participating securities	(3,712)	(4,102)	(4,055)	(4,135)
Net income available to common shareholders	<u>\$246,326</u>	<u>\$335,646</u>	<u>\$267,994</u>	<u>\$338,340</u>
Diluted net income per common share	\$6.34	\$7.81	\$6.90	\$7.87

(a) In addition to the results provided in this presentation in accordance with GAAP, the Company has provided adjusted, non-GAAP financial measurements that present per share data excluding the adjustments discussed in following slides. The Company has excluded \$22.0 million and \$2.7 million in after-tax expenses from these results for the fiscal years ended December 31, 2022 and January 1, 2022, respectively.

Reconciliation of Adjusted to Reported Earnings¹



\$ in millions, except EPS

								Segment Reporting							
								U.S. Retail	% of	U.S. Wholesale	% of	International	% of	Corporate	% of
Fourth Quarter of Fiscal 2022	SG&A	% of	Operating	% of	Income	Net	Diluted	Operating	segment	Operating	segment	Operating	segment	Operating	total
		net sales	Income	net sales	Tax	Income	EPS	Income	net sales	Income	net sales	Income	net sales	Expenses	net sales
As reported (GAAP)	\$302.5	33.2%	\$109.5	12.0%	\$20.3	\$80.2	\$2.11	\$89.2	16.9%	\$27.6	10.6%	\$17.0	13.6%	(\$24.2)	(2.7%)
Intangible asset impairment (b)	-		9.0		2.1	6.9	0.18	0.4		5.6		3.0		-	
As adjusted (a)	\$302.5	33.2%	\$118.5	13.0%	\$22.4	\$87.0	\$2.29	\$89.6	17.0%	\$33.2	12.7%	\$20.0	16.0%	(\$24.2)	(2.7%)

								Segment Reporting							
								U.S. Retail	% of	U.S. Wholesale	% of	International	% of	Corporate	% of
Fiscal Year 2022	SG&A	% of	Operating	% of	Income	Net	Diluted	Operating	segment	Operating	segment	Operating	segment	Operating	total
		net sales	Income	net sales	Tax	Income	EPS	Income	net sales	Income	net sales	Income	net sales	Expenses	net sales
As reported (GAAP)	\$1,110.0	34.6%	\$379.2	11.8%	\$66.7	\$250.0	\$6.34	\$252.5	15.0%	\$161.7	15.0%	\$56.6	12.5%	(\$91.6)	(2.9%)
Loss on extinguishment of debt (c)	-		-		4.8	15.2	0.38	-		-		-		-	
Intangible asset impairment (b)	-		9.0		2.1	6.9	0.17	0.4		5.6		3.0		-	
As adjusted (a)	\$1,110.0	34.6%	\$388.2	12.1%	\$73.6	\$272.0	\$6.90	\$252.9	15.0%	\$167.2	15.5%	\$59.7	13.2%	(\$91.6)	(2.9%)

								Segment Reporting							
								U.S. Retail	% of	U.S. Wholesale	% of	International	% of	Corporate	% of
Fourth Quarter of Fiscal 2021	SG&A	% of	Operating	% of	Income	Net	Diluted	Operating	segment	Operating	segment	Operating	segment	Operating	total
		net sales	Income	net sales	Tax	Income	EPS	Income	net sales	Income	net sales	Income	net sales	Expenses	net sales
As reported (GAAP)	\$361.0	34.0%	\$138.0	13.0%	\$26.5	\$97.0	\$2.31	\$117.5	19.5%	\$44.6	14.1%	\$22.3	15.7%	(\$46.5)	(4.4%)
COVID-19 expenses (d)	(\$0.4)		\$0.4		\$0.1	\$0.3	\$0.01	\$0.2		\$0.2		-		-	
Restructuring costs (e)	0.1		(0.1)		-	(0.1)	-	-		-		-		(0.1)	
Retail store operating leases and other long-lived asset impairments, net of gain	0.4		(0.4)		(0.1)	(0.3)	(0.01)	(0.4)		-		-		-	
As adjusted (a)	\$361.1	34.0%	\$137.9	13.0%	\$26.5	\$96.9	\$2.31	\$117.3	19.5%	\$44.8	14.1%	\$22.3	15.7%	(\$46.6)	(4.4%)

								Segment Reporting							
								U.S. Retail	% of	U.S. Wholesale	% of	International	% of	Corporate	% of
Fiscal Year 2021	SG&A	% of	Operating	% of	Income	Net	Diluted	Operating	segment	Operating	segment	Operating	segment	Operating	total
		net sales	Income	net sales	Tax	Income	EPS	Income	net sales	Income	net sales	Income	net sales	Expenses	net sales
As reported (GAAP)	\$1,193.9	34.2%	\$497.1	14.3%	\$98.5	\$339.7	\$7.81	\$368.2	19.4%	\$195.4	17.3%	\$63.8	13.8%	(\$130.3)	(3.7%)
COVID-19 expenses (d)	(3.9)		3.9		1.0	3.0	0.07	2.0		1.7		0.2		-	
Restructuring costs (e)	(2.4)		2.4		0.6	1.8	0.04	(0.6)		0.1		2.3		0.7	
Retail store operating leases and other long-lived asset impairments, net of gain	2.6		(2.6)		(0.6)	(2.0)	(0.05)	(2.6)		-		-		-	
As adjusted (a) (f)	\$1,190.2	34.1%	\$500.8	14.4%	\$99.5	\$342.5	\$7.87	\$367.0	19.3%	\$197.1	17.5%	\$66.4	14.4%	(\$129.7)	(3.7%)

¹No adjustments were made to Q1 fiscal 2022 GAAP financial measures.

Note: Results may not be additive due to rounding.

Reconciliation of Adjusted to Reported Earnings

(Continued)



-
- (a) In addition to the results provided in this earnings release in accordance with GAAP, the Company has provided adjusted, non-GAAP financial measurements that present gross profit, SG&A, operating income, income tax, net income, and net income on a diluted share basis excluding the adjustments discussed above. The Company believes these adjustments provide a meaningful comparison of the Company's results and afford investors a view of what management considers to be the Company's core performance. The adjusted, non-GAAP financial measurements included in this earnings release should not be considered as an alternative to net income or as any other measurement of performance derived in accordance with GAAP. The adjusted, non-GAAP financial measurements are presented for informational purposes only and are not necessarily indicative of the Company's future condition or results of operations.
 - (b) Related to the write-down of the *Skip Hop* tradename asset.
 - (c) Related to the redemption of the \$500 million aggregate principal amount of senior notes due 2025 in April 2022 that were previously issued by a wholly-owned subsidiary of the Company.
 - (d) Net expenses incurred due to the COVID-19 pandemic, including incremental employee-related costs, costs associated with additional protective equipment and cleaning supplies, restructuring costs, and a payroll tax benefit.
 - (e) Certain lease exit, severance and related costs resulting from restructuring actions (not related to COVID-19).
 - (f) Adjusted results exclude a customer bankruptcy recovery of \$38,000.

Reconciliation of Net Income to Adjusted EBITDA



\$ in millions

	Fiscal Quarter Ended		Fiscal Year Ended	
	December 31, 2022	January 1, 2022	December 31, 2022	January 1, 2022
Net income	\$80.2	\$97.0	\$250.0	\$339.7
Interest expense	9.3	14.5	42.8	60.3
Interest income	(0.4)	(0.3)	(1.3)	(1.1)
Tax expense	20.3	26.5	66.7	98.5
Depreciation and amortization	16.5	26.0	65.3	94.1
EBITDA	\$125.8	\$163.6	\$423.5	\$591.6
Adjustments to EBITDA				
Intangible asset impairment (a)	\$9.0	\$ -	\$9.0	\$ -
Loss on extinguishment of debt (b)	-	-	19.9	-
COVID-19 expenses (c)	-	0.4	-	3.9
Restructuring costs (d)	-	(0.1)	-	1.2
Store lease impairment benefit	-	(0.4)	-	(2.6)
Total adjustments	\$9.0	(\$0.1)	\$28.9	\$2.5
Adjusted EBITDA (e)	\$134.8	\$163.5	\$452.5	\$594.1

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

(b) Related to the redemption of the \$500 million aggregate principal amount of senior notes due 2025 in April 2022 that were previously issued by a wholly-owned subsidiary of the Company.

(c) Expenses incurred due to the COVID-19 pandemic.

(d) Certain lease exit, severance and related costs resulting from restructuring actions (not related to COVID-19). Amount for the fiscal year ended January 1, 2022 excludes \$1.2 million of depreciation expense included in the corresponding depreciation and amortization line item.

(e) Adjusted EBITDA for the fiscal year ended January 1, 2022 excludes a customer bankruptcy recovery of \$38,000.

Constant Currency Reconciliation



\$ in millions

	Fiscal Quarter Ended					
	Reported Net Sales December 31, 2022	Impact of Foreign Currency Translation	Constant-Currency Net Sales December 31, 2022	Reported Net Sales January 1, 2022	Reported Net Sales % Change	Constant-Currency Net Sales % Change
Consolidated net sales	\$912.1	(\$5.8)	\$917.9	\$1,062.1	(14.1%)	(13.6%)
International segment net sales	\$124.9	(\$5.8)	\$130.7	\$142.0	(12.0%)	(7.9%)

	Fiscal Year Ended					
	Reported Net Sales December 31, 2022	Impact of Foreign Currency Translation	Constant-Currency Net Sales December 31, 2022	Reported Net Sales January 1, 2022	Reported Net Sales % Change	Constant-Currency Net Sales % Change
Consolidated net sales	\$3,212.7	(\$11.2)	\$3,223.9	\$3,486.4	(7.9%)	(7.5%)
International segment net sales	\$452.1	(\$11.2)	\$463.3	\$460.8	(1.9%)	0.6%

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

	<u>U.S.</u>	<u>Canada</u>	<u>Mexico</u>	<u>Total</u>
Store count at January 1, 2022	751	186	43	980
Openings	25	2	12	39
Closings	(19)	(1)	(6)	(26)
Store count at December 31, 2022	757	187	49	993
<i>2023 Forecast</i>				
Openings	53	5	12	70
Closings	(9)	(5)	(8)	(22)
Estimated store count at December 30, 2023	801	187	53	1,041

This presentation contains forward-looking statements within the meaning of the federal securities laws relating to our future results and performance, including statements with respect to the potential effects of macroeconomic conditions, the COVID-19 pandemic, inflationary pressures, the impact of supply chain delays, and the Company's future outlook, financial results, liquidity, strategy, financings, and investments. Such statements are based on current expectations only, and are subject to certain risks, uncertainties, and assumptions. Should one or more of these risks or uncertainties materialize or not materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those anticipated, estimated, or projected. Certain of the risks and uncertainties that could cause actual results and performance to differ materially are described in the Company's most recently filed Annual Report on Form 10-K and other reports filed with the Securities and Exchange Commission from time to time under the headings "Risk Factors." Included among those risks are those related to: the effects of the COVID-19 pandemic and macroeconomic factors, including inflationary pressures; financial difficulties for one or more of our major customers; an overall decrease in consumer spending; our products not being accepted in the marketplace; increased competition in the market place; diminished value of our brands; the failure to protect our intellectual property; the failure to comply with applicable quality standards or regulations; unseasonable or extreme weather conditions; pending and threatened lawsuits; a breach of our information technology systems and the loss of personal data; increased margin pressures, including increased cost of materials and labor; our foreign sourcing arrangements; disruptions in our supply chain, including increased transportation and freight costs; the management and expansion of our business domestically and internationally; the acquisition and integration of other brands and businesses; and changes in our tax obligations, including additional customs, duties or tariffs. The Company does not undertake any obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.

We have not reconciled forward-looking adjusted operating income or adjusted diluted earnings per share to their most directly comparable GAAP measures because we cannot predict with reasonable certainty the ultimate outcome of certain components of such reconciliations that are not within our control including due to factors described above, or others that may arise, without unreasonable effort. For these reasons, we are unable to assess the probable significance of the unavailable information, which could materially impact the amount of future operating income or diluted EPS, the most directly comparable GAAP metrics to adjusted operating income and adjusted diluted earnings per share, respectively.