



carter's

**Third Quarter 2023 Results
&
Business Update**

October 27, 2023

Third Quarter 2023 Results

(GAAP Basis)



\$ in millions, except EPS

	Q3 2023	<i>% of Sales</i>	Q3 2022	<i>% of Sales</i>	Change
Net sales	\$792		\$819		(3%)
Gross profit	376	47.5%	371	45.3%	2%
Royalty income	6	0.7%	7	0.9%	(21%)
SG&A	289	36.5%	286	35.0%	1%
Operating income	93	11.8%	92	11.2%	2%
Interest expense and other, net	8	1.0%	11	1.3%	(25%)
Income before taxes	85	10.8%	81	9.9%	6%
Income tax provision	19		16		21%
Net income	\$66	8.4%	\$65	7.9%	2%
Diluted EPS	\$1.78		\$1.67		7%
Weighted average shares outstanding	36		38		(5%)
EBITDA ¹	\$109	13.8%	\$107	13.1%	1%

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

Q3 Year-to-Date 2023 Results

(GAAP Basis)



	\$ in millions, except EPS				Change
	Q3 YTD 2023	% of Sales	Q3 YTD 2022	% of Sales	
Net sales	\$2,088		\$2,301		(9%)
Gross profit	978	46.8%	1,057	45.9%	(7%)
Royalty income	17	0.8%	20	0.9%	(19%)
SG&A	807	38.7%	808	35.1%	–
Operating income	187	9.0%	270	11.7%	(31%)
Interest expense and other, net	23	1.1%	33	1.5%	(31%)
Loss on extinguishment of debt	-		20	0.9%	(100%)
Income before taxes	164	7.9%	216	9.4%	(24%)
Income tax provision	38		46		(17%)
Net income	\$126	6.0%	\$170	7.4%	(26%)
Diluted EPS	\$3.36		\$4.26		(21%)
Weighted average shares outstanding	37		39		(6%)
EBITDA ¹	\$236	11.3%	\$298	12.9%	(21%)

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

Non-GAAP Adjustments¹



\$ in millions, except EPS

		Third Quarter									
		2023					2022				
		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)		\$93	11.8%	\$85	\$66	\$1.78	\$92	11.2%	\$81	\$65	\$1.67
Organizational restructuring		3		3	2	0.06	-		-	-	-
Total adjustments		3		3	2	0.06	-		-	-	-
As adjusted		\$96	12.2%	\$88	\$68	\$1.84	\$92	11.2%	\$81	\$65	\$1.67

		First Three Quarters									
		2023					2022				
		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)		\$187	9.0%	\$164	\$126	\$3.36	\$270	11.7%	\$216	\$170	\$4.26
Organizational restructuring		4		4	3	0.09	-		-	-	-
Loss on extinguishment of debt		-		-	-	-	-		20	15	0.38
Total adjustments		4		4	3	0.09	-		20	15	0.38
As adjusted		\$192	9.2%	\$169	\$129	\$3.45	\$270	11.7%	\$236	\$185	\$4.64

¹ Certain metrics presented on an adjusted basis, a non-GAAP presentation; see reconciliation to GAAP in Supplemental Information.

Note: Results may not be additive due to rounding.

We Achieved Our Q3 Sales and Earnings Objectives

(Adjusted Basis¹)



\$ in millions, except EPS

	Q3 Results	Guidance ²
Net Sales	\$792	\$770 - \$790
U.S. Retail Comparable Sales	Down 10%	Down high-single digits
U.S. Wholesale	Up 4%	Down low-single digits
International	Down 4%	Comparable
Operating Income	\$96	\$80 - \$85
<i>Operating Margin</i>	<i>12.2%</i>	<i>10.4% - 10.8%</i>
Diluted EPS	\$1.84	\$1.45 - \$1.55

¹ Operating income, operating margin and diluted EPS presented on an adjusted basis, a non-GAAP presentation; see reconciliation to GAAP in Supplemental Information.

² Guidance provided on Q2 2023 earnings call on 7/28/2023.

Third Quarter 2023 Performance

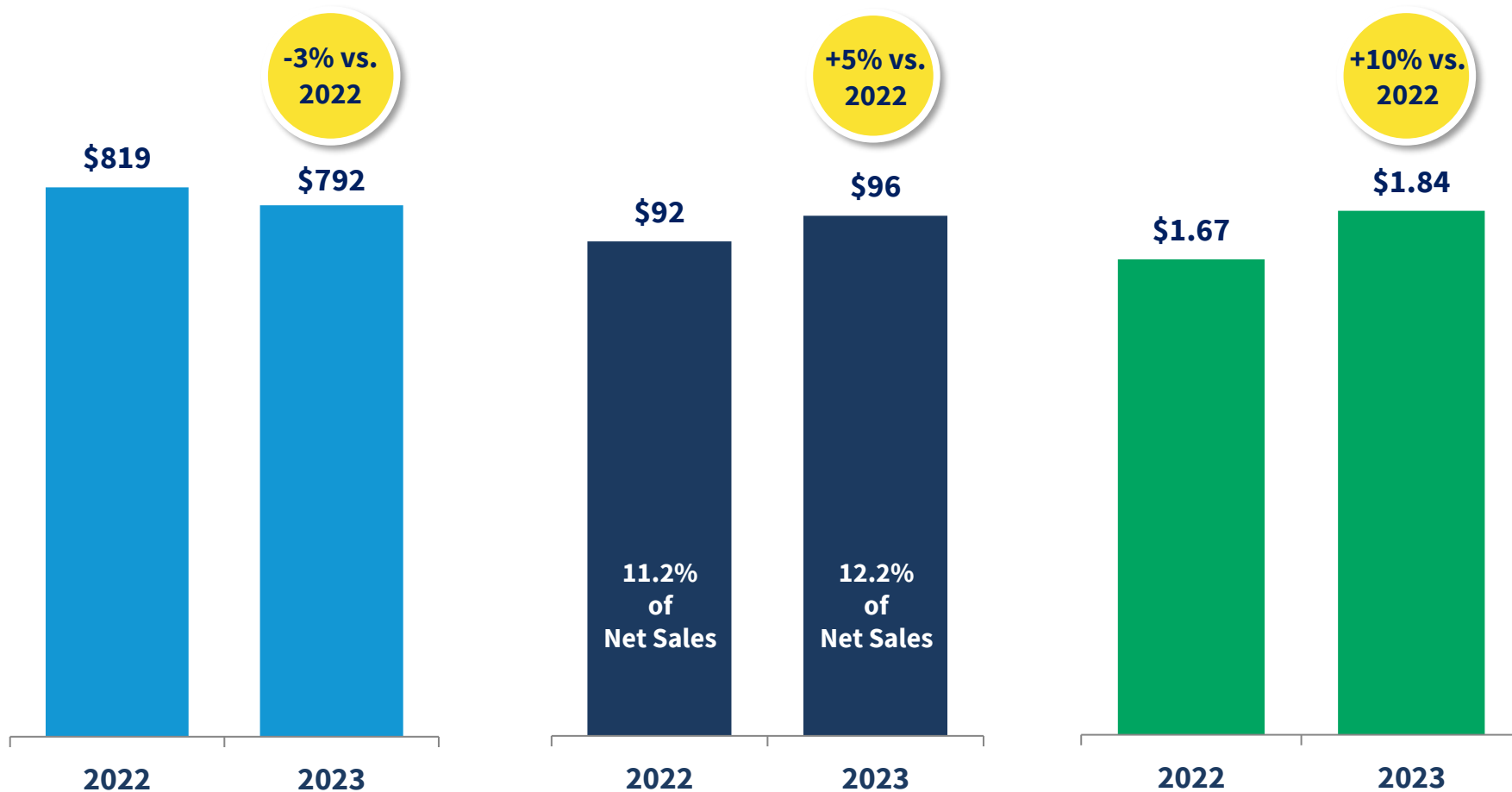


\$ in millions, except EPS

Net Sales

Adjusted Operating Income¹ (Adjusted Operating Margin)

Adjusted Diluted EPS¹



¹ Non-GAAP measure; see reconciliation to GAAP in Supplemental Information.

Q3 Year-to-Date 2023 Performance

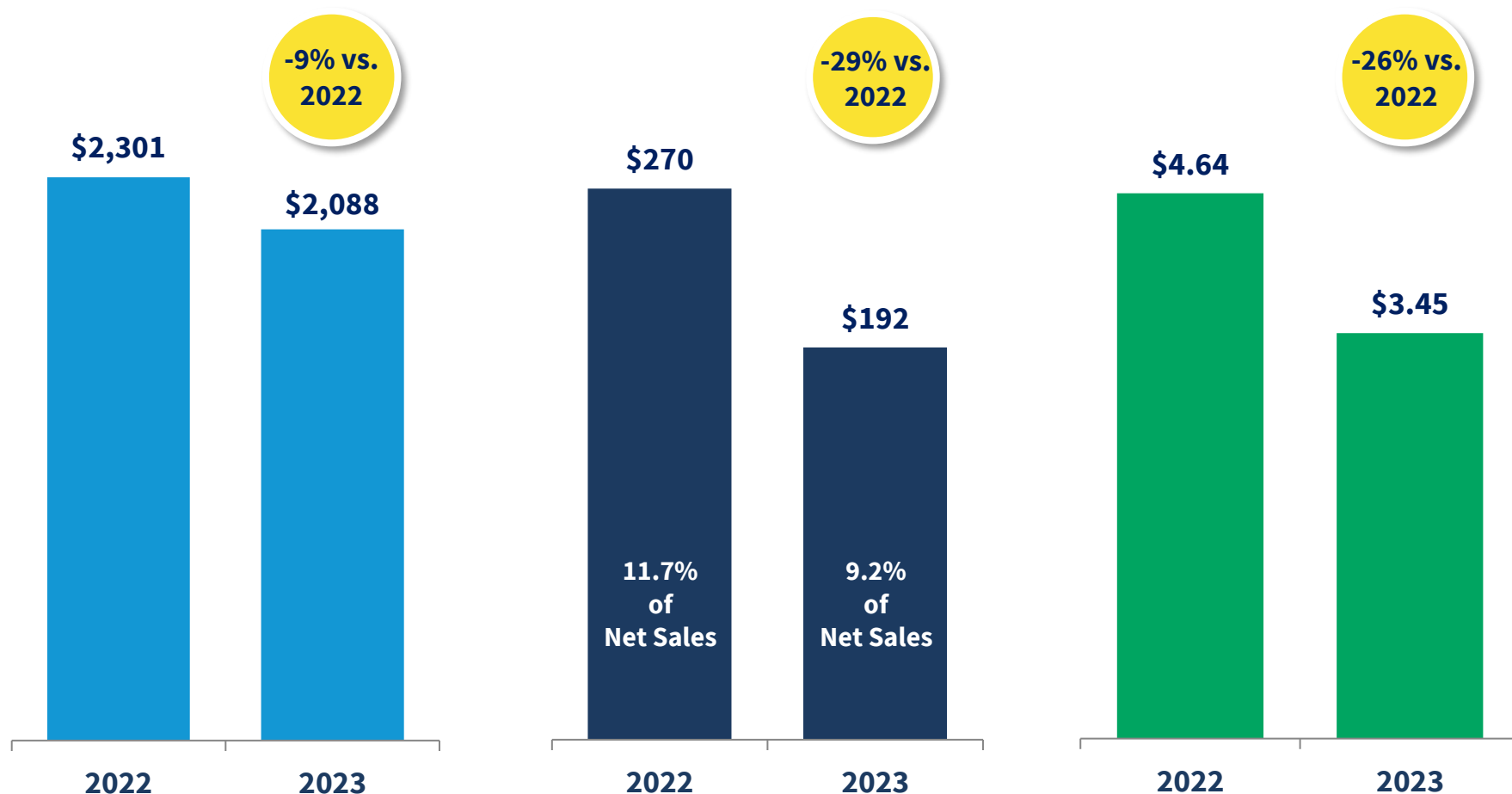


\$ in millions, except EPS

Net Sales

Adjusted Operating Income¹ (Adjusted Operating Margin)

Adjusted Diluted EPS¹



¹ Non-GAAP measure; see reconciliation to GAAP in Supplemental Information.

Third Quarter 2023 Adjusted Results¹



\$ in millions, except EPS

	Q3 2023	<i>% of Sales</i>	Q3 2022	<i>% of Sales</i>	Change
Net sales	\$792		\$819		(3%)
Gross profit	376	47.5%	371	45.3%	2%
Royalty income	6	0.7%	7	0.9%	(21%)
Adjusted SG&A	286	36.1%	286	35.0%	–
Adjusted operating income	96	12.2%	92	11.2%	5%
Interest expense and other, net	8	1.0%	11	1.3%	(25%)
Adjusted income before taxes	88	11.1%	81	9.9%	9%
Adjusted provision for income taxes	20		16		25%
Adjusted net income	\$68	8.6%	\$65	7.9%	5%
Adjusted diluted EPS	\$1.84		\$1.67		10%
Weighted average shares outstanding	36		38		(5%)
Adjusted EBITDA	\$112	14.1%	\$107	13.1%	4%

¹ Certain metrics presented on an adjusted basis, a non-GAAP presentation; see reconciliation to GAAP in Supplemental Information.

Note: Results may not be additive due to rounding.

Third Quarter Year-to-Date 2023 Adjusted Results¹



\$ in millions, except EPS

	Q3 YTD 2023	<i>% of Sales</i>	Q3 YTD 2022	<i>% of Sales</i>	Change
Net sales	\$2,088		\$2,301		(9%)
Gross profit	978	46.8%	1,057	45.9%	(7%)
Royalty income	17	0.8%	20	0.9%	(19%)
Adjusted SG&A	803	38.4%	808	35.1%	(1%)
Adjusted operating income	192	9.2%	270	11.7%	(29%)
Interest expense and other, net	23	1.1%	33	1.5%	(31%)
Adjusted income before taxes	169	8.1%	236	10.3%	(29%)
Adjusted provision for income taxes	39		51		(23%)
Adjusted net income	\$129	6.2%	\$185	8.0%	(30%)
Adjusted diluted EPS	\$3.45		\$4.64		(26%)
Weighted average shares outstanding	37		39		(6%)
Adjusted EBITDA	\$241	11.5%	\$318	13.8%	(24%)

¹ Certain metrics presented on an adjusted basis, a non-GAAP presentation; see reconciliation to GAAP in Supplemental Information.

Note: Results may not be additive due to rounding.

\$ in millions

Balance Sheet (Q3 End)

	2023	2022
Cash	\$169	\$122
Accounts receivable	241	266
Inventory	621	899
Accounts payable	222	318
Long-term debt, net	567	736
Operating lease liabilities	563	586

- **Strong liquidity: \$945 million¹**
- **Inventory down 31%**
 - Q4 inventories planned lower vs. LY
 - Lower pack & hold inventories (\$44 million vs. \$103 million Q3 2022)
- **Accounts payable reflects lower inventory-related purchases**
- **Improved operating cash flow enabled \$170 million reduction in borrowings**

Cash Flow (Q3 Year-to-Date)

	2023	2022
Operating cash flow	\$206	(\$217)
Capital expenditures	(42)	(27)
Free cash flow ²	\$163	(\$244)
	2023	2022
Share repurchases	\$67	\$ 242
Dividends	85	90
Total	\$152	\$331

- **Raising full year outlook for operating cash flow to >\$350 million (>\$300 million previously)**
- **Operating cash flow improvement reflects favorable changes in working capital, primarily lower inventories**
- **\$152 million returned to shareholders through share repurchases and dividends**

¹ Comprised of \$169 million cash and cash equivalents plus \$776 million undrawn availability on revolving credit facility. ² Non-GAAP measure.



Business Segment Performance

Third Quarter 2023 Adjusted Segment Performance



\$ in millions

	Net Sales			Adjusted Operating Income ¹			Adjusted Operating Margin ¹	
	Q3 2023	Q3 2022	\$ Change	Q3 2023	Q3 2022	\$ Change	Q3 2023	Q3 2022
U.S. Retail	\$375	\$408	(\$33)	\$49	\$58	(\$9)	13.0%	14.1%
U.S. Wholesale	300	288	12	66	40	26	22.0%	13.9%
International	117	122	(5)	14	17	(3)	11.7%	14.0%
Total before corporate expenses	792	819	(27)	128	115	14	16.2%	14.0%
Corporate expenses				(32)	(23)	(9)	(4.1%)	(2.8%)
Total	\$792	\$819	(\$27)	\$96	\$92	\$5	12.2%	11.2%

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

Third Quarter 2023 Segment Performance



U.S. Retail

- **Net sales: -8%**
 - Macro factors adversely affected traffic
 - Sales trends slowed in September as record warm temperatures weighed on demand for cooler weather apparel
- **Comparable sales: -10%**
 - Lower traffic
 - Better price realization
 - Higher avg. transaction value
- **Adjusted operating margin 13.0% (vs. 14.1% LY)¹**
 - Achieved profit forecast
 - Higher product costs offset by improved price realization
 - Lower transportation costs
 - Expense deleverage

U.S. Wholesale

- **Net sales: +4%**
 - Higher than planned seasonal product demand
 - Nearly all brands contributed to growth
 - Improved replenishment product demand
 - Lower cancellations driven by better on-time shipments
- **Adjusted operating margin 22.0% (vs. 13.9% LY)¹**
 - Lower transportation costs (including non-repeating DC transition expense LY)
 - Lower inventory charges
 - Improved pricing
 - Expense leverage

International

- **Net sales: -4%**
 - Growth in Mexico
 - Warm weather late in quarter reduced demand for cooler weather apparel in Canada
 - Lower wholesale shipments (largely timing related)
- **Net sales constant currency: -5%**
- **Adjusted operating margin 11.7% (vs. 14.0% LY)¹**
 - Better price realization
 - Lower transportation costs
 - Expense deleverage
 - Higher product costs

¹ Non-GAAP measure; see reconciliation to GAAP in Supplemental Information.

Q3 Year-to-Date 2023 Adjusted Segment Performance



\$ in millions

	Net Sales			Adjusted Operating Income ¹			Adjusted Operating Margin ¹	
	Q3 YTD 2023	Q3 YTD 2022	\$ Change	Q3 YTD 2023	Q3 YTD 2022	\$ Change	Q3 YTD 2023	Q3 YTD 2022
U.S. Retail	\$1,022	\$1,154	(\$132)	\$103	\$163	(\$60)	10.1%	14.2%
U.S. Wholesale	767	820	(53)	147	134	13	19.2%	16.4%
International	299	327	(29)	23	40	(16)	7.9%	12.1%
Total before corporate expenses	2,088	2,301	(213)	274	337	(63)	13.1%	14.6%
Corporate expenses				(82)	(67)	(15)	(3.9%)	(2.9%)
Total	\$2,088	\$2,301	(\$213)	\$192	\$270	(\$78)	9.2%	11.7%

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

New Carter's *Love Every Moment* Campaign



SOCIAL & ONLINE VIDEO

DIRECT MAIL

IN STORE

DIGITAL



little planet

Little Planet

Continues Accelerated Growth

- Eco-friendly, accessible premium brand
- Continued door expansion and new category launches
- Expanded global distribution

carter's



amazon

★ macy's

♥ babylist

INTRODUCING

THE
PurelySoft™
COLLECTION

- Soft and silky feel
- Eco-friendly fabric
- Online and in 200 doors;
planned expansion in 2024



“I was sold the second I touched them.
Lightweight and super soft.”

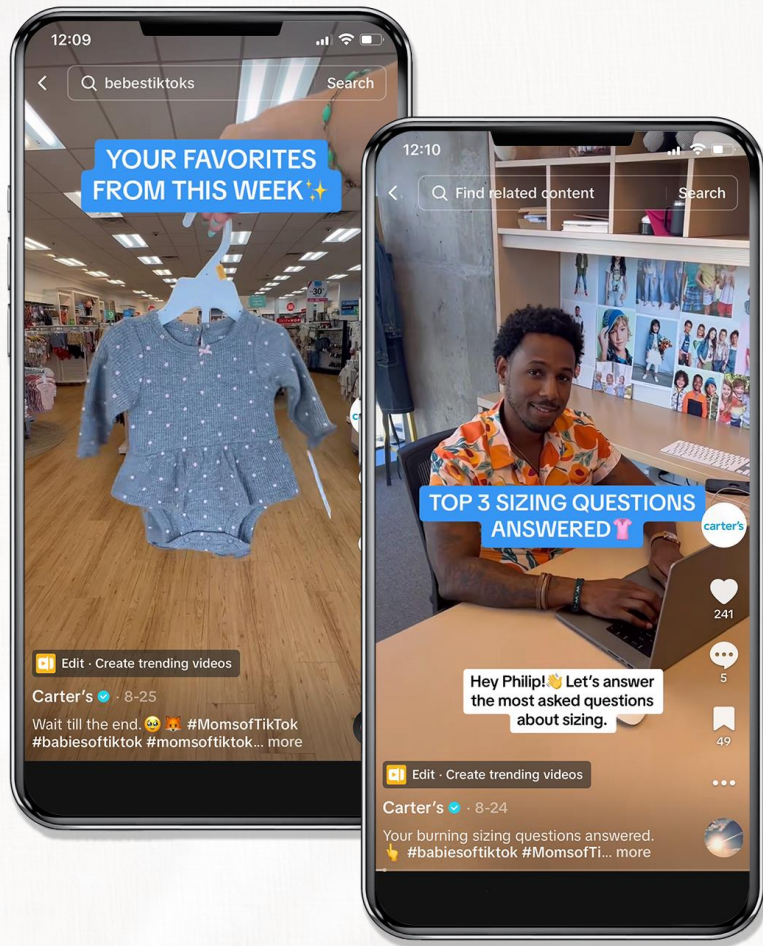
-Colorado parent

Improving the Store Experience in Young Children's Apparel

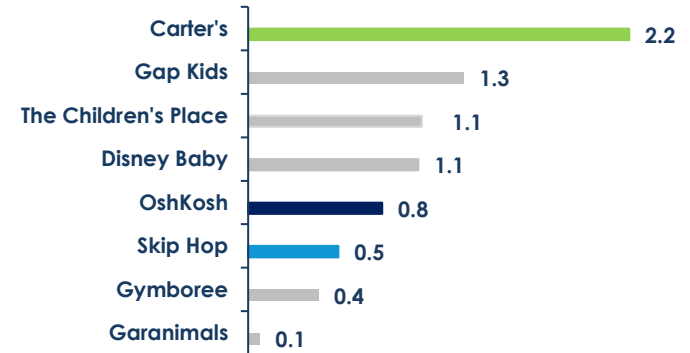
- Created separate baby / toddler and kid experiences
- Testing multiple format types and brand presentations
- Leveraging learnings in new store openings and remodels



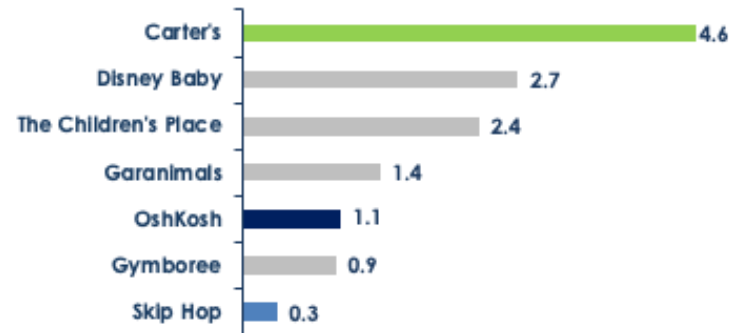
Carter's Leads the Category in Social Followers on TikTok, Instagram and Facebook¹



TOTAL INSTAGRAM FOLLOWERS *in millions*



TOTAL FACEBOOK LIKES *in millions*



¹ Source: Instagram, Facebook, and TikTok (10.11.23). Peer set includes Carter's, Gap Kids, Disney Baby, The Children's Place, OshKosh B'gosh, Skip Hop, Gymboree, Stride Rite, Garanimals & Janie and Jack

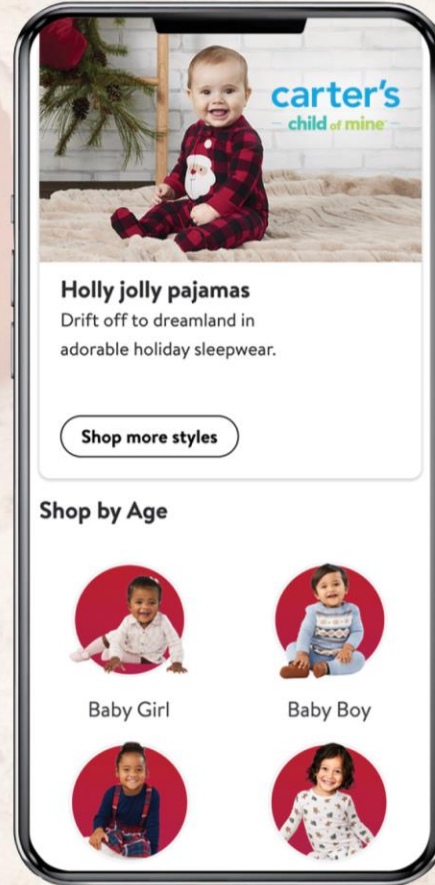


New Holiday Fashion Just One You





Our Holiday Offerings at Walmart



carter's
— child of mine —

Picture perfect looks

Make memories with your mini-me in dressy styles.

[Shop now](#)

Walmart ✨





Kicking Off the Holiday Season with Amazon Simple Joys

simplejoys
by carter's

season's snuggles

shop pjs

available at
amazon

11:20 5G 90

Kids' and Baby Fashion from Amazon Brands

Shop Prime Big Deal Days fashion deals

prime Department Brand Price So

Simple Joys by Carter's Unisex Babies' Hoodie... ★★★★★ 28,586 Prime Big Deal -27% \$16 ⁰⁰	Simple Joys by Carter's Toddlers and Baby Boy... ★★★★★ 47,522 Prime Big Deal -28% \$18 ⁰⁰

Search Amazon.com



2023 Outlook



Sales

- **Strength of product offerings**
- **Expecting improving trend in consumer demand (delayed arrival of cooler weather)**
- **Improved on-time deliveries (significant port congestion in 2022)**
- **Better level and mix of inventories**
- **Contribution from new stores**

Earnings

- **Contribution from new high-margin stores**
- **Closure of low-margin stores**
- **Conservative inventory commitments & better sell-throughs**
- **Improved price realization**
- **Lower ocean freight rates**
- **Lower share count**

- **Outlook assumes:**
 - Improvement in consumer demand trend relative to Q3
 - Continued cautious inventory commitments by wholesale customers
 - Gross margin expansion, reflecting improved pricing and lower ocean freight rates
 - Lower SG&A
 - Higher effective tax rate and fewer shares outstanding
- **Net sales: ~\$862 – \$877 million** (\$912 million Q4 2022)
 - U.S. Retail: down mid to high single-digits
 - U.S. Wholesale: down high single-digits (shift in previously-planned shipments from Q4 to Q3)
 - International: up double-digits
- **Adjusted operating income: ~\$133 – \$143 million** (\$119 million Q4 2022)
- **Adjusted diluted EPS: ~\$2.50 – \$2.72** (\$2.29 Q3 2022)



¹ See reconciliations to GAAP in Supplemental Information. Forward-looking adjusted operating income and adjusted diluted EPS have not been reconciled to their most directly comparable GAAP measures – see page 37.

Forecasting an Improving Trend in the Second Half



<i>\$ in millions</i>	First Half	Second Half	Year
Net Sales (vs. 2022)			
U.S. Retail	(13%)	Down MSD to HSD	Down HSD to LDD
U.S. Wholesale	(12%)	Down LSD	Down HSD
International	(11%)	Up LSD	Down LSD
Consolidated Net Sales	(13%)	(4%)	(8%)
Adjusted Operating Income¹ (vs. 2022)	(46%)	+9% to +14%	(14%) to (16%)
<i>Adjusted Operating Margin¹</i>	<i>7.4%</i>	<i>13.9% to 14.4%</i>	<i>11.0% to 11.3%</i>

Note: LSD = low single-digits; MSD = mid single-digits; HSD = high single-digits, LDD = low double-digits.

¹ Operating income and operating margin presented on an adjusted basis, a non-GAAP presentation; see reconciliation to GAAP in Supplemental Information.

Fiscal Year 2023 Objectives

- **Net sales: ~\$2.950 to \$2.965 billion**
((\$3.21 billion FY 2022))
 - U.S. Retail: down high single-digits to low double-digits
 - U.S. Wholesale: down high single-digits
 - International: down low single-digits
- **Adjusted operating income: ~\$325 to \$335 million** (\$388 million FY 2022)
- **Adjusted diluted EPS: ~\$5.95 to \$6.15**
((\$6.90 FY 2022))
- **Operating cash flow: >\$350 million**
((\$88 million FY 2022))
- **CapEx: ~\$65 million**
((\$40 million FY 2022))



¹ See reconciliations to GAAP in Supplemental Information. The Company's forecast for fiscal year 2023 excludes charges of approximately \$4.4 million related to organizational restructuring. Forward-looking adjusted operating income and adjusted diluted EPS have not been reconciled to their most directly comparable GAAP measures – see page 37.

Thank You!



SKIP*HOP®



Third Quarter 2023 Reconciliation of Adjusted Net Income Allocable to Common Shareholders



	Fiscal Quarter Ended	
	September 30, 2023	October 1, 2022
Weighted-average number of common and common equivalent shares outstanding:		
Basic number of common shares outstanding	36,438,403	38,222,151
Dilutive effect of equity awards	3,881	23,222
Diluted number of common and common equivalent shares outstanding	<u>36,442,284</u>	<u>38,245,373</u>

	Fiscal Quarter Ended			
	As reported on a GAAP Basis		As adjusted (a)	
	September 30, 2023	October 1, 2022	September 30, 2023	October 1, 2022
<i>\$ in thousands, except EPS</i>				
Basic net income per common share:				
Net income	\$66,127	\$64,957	\$68,362	\$64,957
Income allocated to participating securities	(1,267)	(1,013)	(1,311)	(1,013)
Net income available to common shareholders	<u>\$64,860</u>	<u>\$63,944</u>	<u>\$67,051</u>	<u>\$63,944</u>
Basic net income per common share	\$1.78	\$1.67	\$1.84	\$1.67
Diluted net income per common share:				
Net income	\$66,127	\$64,957	\$68,362	\$64,957
Income allocated to participating securities	(1,267)	(1,012)	(1,311)	(1,012)
Net income available to common shareholders	<u>\$64,860</u>	<u>\$63,945</u>	<u>\$67,051</u>	<u>\$63,945</u>
Diluted net income per common share	\$1.78	\$1.67	\$1.84	\$1.67

(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 the Supplemental Information. The Company has excluded \$2.2 million in after-tax expenses from these results for the fiscal quarter ended September 30, 2023.

Q3 Year to Date 2023 Reconciliation of Adjusted Net Income Allocable to Common Shareholders



Three Fiscal Quarters Ended

	September 30, 2023	October 1, 2022
Weighted-average number of common and common equivalent shares outstanding:		
Basic number of common shares outstanding	36,789,140	39,279,293
Dilutive effect of equity awards	3,781	34,835
Diluted number of common and common equivalent shares outstanding	36,792,921	39,314,128

Weighted-average number of common and common equivalent shares outstanding:

Basic number of common shares outstanding

Dilutive effect of equity awards

Diluted number of common and common equivalent shares outstanding

Three Fiscal Quarters Ended

	As reported on a GAAP Basis		As adjusted (a)	
	September 30, 2023	October 1, 2022	September 30, 2023	October 1, 2022
<i>\$ in thousands, except EPS</i>				
Basic net income per common share:				
Net income	\$125,990	\$169,859	\$129,406	\$185,010
Income allocated to participating securities	(2,254)	(2,478)	(2,319)	(2,711)
Net income available to common shareholders	\$123,736	\$167,381	\$127,087	\$182,299
Basic net income per common share	\$3.36	\$4.26	\$3.45	\$4.64
Diluted net income per common share:				
Net income	\$125,990	\$169,859	\$129,406	\$185,010
Income allocated to participating securities	(2,254)	(2,477)	(2,318)	(2,710)
Net income available to common shareholders	\$123,736	\$167,382	\$127,088	\$182,300
Diluted net income per common share	\$3.36	\$4.26	\$3.45	\$4.64

(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 the Supplemental Information. The Company has excluded \$3.4 million and \$15.2 million in after-tax expenses from these results for the three fiscal quarters ended September 30, 2023, and October 1, 2022, respectively.

Note: Results may not be additive due to rounding.

Reconciliation of Adjusted to Reported Earnings¹



\$ in millions, except EPS

								Segment Reporting							
	SG&A	% of net sales	Operating Income	% of net sales	Income Taxes	Net Income	Diluted EPS	U.S. Retail Operating Income	% of segment net sales	U.S. Wholesale Operating Income	% of segment net sales	International Operating Income	% of segment net sales	Corporate Operating Expenses	% of total net sales
Third Quarter of Fiscal 2023															
As reported (GAAP)	\$288.7	36.5%	\$93.4	11.8%	\$19.2	\$66.1	\$1.78	\$48.0	12.8%	\$65.7	21.9%	\$13.4	11.5%	(\$33.6)	(4.2%)
Organizational restructuring (b)	(2.9)		2.9		0.7	2.2	0.06	0.6		0.4		0.3		1.5	
As adjusted (a)	\$285.8	36.1%	\$96.3	12.2%	\$19.9	\$68.4	\$1.84	\$48.6	13.0%	\$66.1	22.0%	\$13.7	11.7%	(\$32.1)	(4.1%)
								Segment Reporting							
	SG&A	% of net sales	Operating Income	% of net sales	Income Taxes	Net Income	Diluted EPS	U.S. Retail Operating Income	% of segment net sales	U.S. Wholesale Operating Income	% of segment net sales	International Operating Income	% of segment net sales	Corporate Operating Expenses	% of total net sales
First Half of Fiscal 2023															
As reported (GAAP)	\$518.3	40.0%	\$93.9	7.2%	\$19.1	\$59.9	\$1.59	\$55.2	8.5%	\$81.3	17.4%	\$9.8	5.4%	(\$52.4)	(4.0%)
Organizational restructuring (b)	(1.5)		1.5		0.4	1.2	0.03	(0.6)		(0.4)		-		2.5	
As adjusted (a)	\$516.8	39.9%	\$95.5	7.4%	\$19.4	\$61.0	\$1.62	\$54.6	8.4%	\$81.0	17.3%	\$9.8	5.4%	(\$49.8)	(3.8%)
								Segment Reporting							
	SG&A	% of net sales	Operating Income	% of net sales	Income Taxes	Net Income	Diluted EPS	U.S. Retail Operating Income	% of segment net sales	U.S. Wholesale Operating Income	% of segment net sales	International Operating Income	% of segment net sales	Corporate Operating Expenses	% of total net sales
First Three Quarters of Fiscal 2023															
As reported (GAAP)	\$807.0	38.7%	\$187.3	9.0%	\$38.3	\$126.0	\$3.36	\$103.1	10.1%	\$147.0	19.2%	\$23.2	7.8%	(\$86.0)	(4.1%)
Organizational restructuring (b)	(4.4)		4.4		1.0	3.4	0.09	-		0.1		0.3		4.1	
As adjusted (a)	\$802.6	38.4%	\$191.8	9.2%	\$39.3	\$129.4	\$3.45	\$103.1	10.1%	\$147.1	19.2%	\$23.5	7.9%	(\$81.9)	(3.9%)
								Segment Reporting							
	SG&A	% of net sales	Operating Income	% of net sales	Income Taxes	Net Income	Diluted EPS	U.S. Retail Operating Income	% of segment net sales	U.S. Wholesale Operating Income	% of segment net sales	International Operating Income	% of segment net sales	Corporate Operating Expenses	% of total net sales
First Three Quarters of Fiscal 2022															
As reported (GAAP)	\$807.5	35.1%	\$269.6	11.7%	\$46.4	\$169.9	\$4.26	\$163.3	14.2%	\$134.1	16.4%	\$39.7	12.1%	(\$67.4)	(2.9%)
Loss on extinguishment of debt (c)	-		-		4.8	15.2	0.38	-		-		-		-	
As adjusted (a)	\$807.5	35.1%	\$269.6	11.7%	\$51.2	\$185.0	\$4.64	\$163.3	14.2%	\$134.1	16.4%	\$39.7	12.1%	(\$67.4)	(2.9%)

¹No adjustments were made to Q3 fiscal 2022 GAAP financial measures.

Note: Results may not be additive due to rounding.

Reconciliation of Adjusted to Reported Earnings

(Continued)



\$ in millions, except EPS

Fourth Quarter of Fiscal 2022	SG&A	% of net sales	Operating Income	% of net sales	Income			Segment Reporting							
					Tax Provision	Net Income	Diluted EPS	U.S. Retail Operating Income	% of segment net sales	U.S. Wholesale Operating Income	% of segment net sales	International Operating Income	% of segment net sales	Corporate Operating Expenses	% of total net sales
As reported (GAAP)	\$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 (d)	-		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%)

Fiscal Year 2022	SG&A	% of net sales	Operating Income	% of net sales	Income			Segment Reporting							
					Tax Provision	Net Income	Diluted EPS	U.S. Retail Operating Income	% of segment net sales	U.S. Wholesale Operating Income	% of segment net sales	International Operating Income	% of segment net sales	Corporate Operating Expenses	% of total net sales
As reported (GAAP)	\$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 (d)	-		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%)

- (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 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) Net expenses related to organizational restructuring and related corporate office lease amendment actions.
- (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) Related to the write-down of the *Skip Hop* tradename asset.

¹No adjustments were made to Q3 fiscal 2022 GAAP financial measures.

Note: Results may not be additive due to rounding.

Reconciliation of Net Income to Adjusted EBITDA



\$ in millions

	Fiscal Quarter Ended		Three Fiscal Quarters Ended		Four Fiscal
	September 30, 2023	October 1, 2022	September 30, 2023	October 1, 2022	Quarters Ended September 30, 2023
Net income	\$66.1	\$65.0	\$126.0	\$169.9	\$206.2
Interest expense	8.6	9.7	26.3	33.5	35.6
Interest income	(1.1)	(0.3)	(2.8)	(0.9)	(3.2)
Tax expense	19.2	15.9	38.3	46.4	58.6
Depreciation and amortization	16.0	17.1	48.6	48.8	65.0
EBITDA	\$109.0	\$107.4	\$236.4	\$297.7	\$362.2
Adjustments to EBITDA					
Organizational restructuring (a)	\$2.9	\$ -	\$4.4	\$ -	\$4.4
Loss on extinguishment of debt (b)	-	-	-	19.9	-
Intangible asset impairment (c)	-	-	-	-	9.0
Total adjustments	\$2.9	\$ -	\$4.4	\$19.9	\$13.4
Adjusted EBITDA	\$111.8	\$107.4	\$240.9	\$317.7	\$375.7

- (a) Net expensed related to organizational restructuring and related corporate office lease amendment actions.
- (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) Related to the write-down of the *Skip Hop* tradename asset.

Constant Currency Reconciliation



\$ in millions

	Fiscal Quarter Ended					
	Reported Net Sales September 30, 2023	Impact of Foreign Currency Translation	Constant- Currency Net Sales September 30, 2023	Reported Net Sales October 1, 2022	Reported Net Sales % Change	Constant- Currency Net Sales % Change
Consolidated net sales	\$791.7	\$1.2	\$790.5	\$818.6	(3.3%)	(3.4%)
International segment net sales	\$116.5	\$1.2	\$115.4	\$122.0	(4.5%)	(5.4%)

	Three Fiscal Quarters Ended					
	Reported Net Sales September 30, 2023	Impact of Foreign Currency Translation	Constant- Currency Net Sales September 30, 2023	Reported Net Sales October 1, 2022	Reported Net Sales % Change	Constant- Currency Net Sales % Change
Consolidated net sales	\$2,087.7	(\$2.2)	\$2,089.9	\$2,300.6	(9.3%)	(9.2%)
International segment net sales	\$298.6	(\$2.2)	\$300.7	\$327.2	(8.7%)	(8.1%)

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

	U.S.	Canada	Mexico	Total
Store count at October 1, 2022	741	185	44	970
Openings	19	2	6	27
Closings	(3)	-	(1)	(4)
Store count at December 31, 2022	757	187	49	993
Openings	23	3	12	38
Closings	(12)	(2)	(8)	(22)
Store count at September 30, 2023	768	188	53	1,009
<i>Balance of year forecast</i>				
Openings	25	1	1	27
Closings	-	(1)	-	(1)
Estimated store count at December 30, 2023	793	188	54	1,035

Statements contained in this presentation 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 press release. These risks and uncertainties include, but are not limited to, the factors disclosed in Part I, Item 1A. “Risk Factors” of the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2022, and otherwise in our reports and filings with the Securities and Exchange Commission, as well as the following factors: the continuing effects of the novel coronavirus (COVID-19) pandemic; 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; 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; risks related to geopolitical conflict, including ongoing geopolitical challenges between the United States and China, the ongoing hostilities in Ukraine and Israel, acts of terrorism, mass casualty events, social unrest, civil disturbance or disobedience; risks related to a shutdown of the U.S. government; financial difficulties for one or more of our major customers; an overall decrease in consumer spending, including, but not limited to, decreases in birth rates; our products not being accepted in the marketplace and our failure to manage our inventory; 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 and our inability to successfully increase prices to offset these increased costs; 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; changes in our tax obligations, including additional customs, duties or tariffs; fluctuations in foreign currency exchange rates; risks associated with corporate responsibility issues; our ability to achieve our forecasted financial results for the fiscal year; our continued ability to declare and pay a dividend and conduct share repurchases in future periods; our planned opening and closing of stores during the fiscal year; and other risks detailed in the Company’s periodic reports as filed in accordance with the Securities Exchange Act of 1934, as amended. 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.