

CARTER'S, INC.
CONSOLIDATED BALANCE SHEETS
(dollars in thousands, except for share data)

	<u>December 28, 2019</u>	<u>December 29, 2018</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 214,311	\$ 170,077
Accounts receivable, net	251,005	258,259
Finished goods inventories, net	593,987	574,226
Prepaid expenses and other current assets	48,454	40,396
Total current assets	1,107,757	1,042,958
Property, plant, and equipment, net	320,168	350,437
Operating lease assets	687,024	—
Tradenames, net	334,642	365,692
Goodwill	229,026	227,101
Customer relationships, net	41,126	44,511
Other assets	33,374	28,159
Total assets	<u>\$2,753,117</u>	<u>\$2,058,858</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 183,641	\$ 199,076
Current operating lease liabilities	160,228	—
Other current liabilities	131,631	128,345
Total current liabilities	475,500	327,421
Long-term debt, net	594,672	593,264
Deferred income taxes	74,370	87,347
Long-term operating lease liabilities	664,372	—
Other long-term liabilities	64,073	181,393
Total liabilities	\$1,872,987	\$1,189,425
Commitments and contingencies—Note 18		
Stockholders' equity:		
Preferred stock; par value \$.01 per share; 100,000 shares authorized; none issued or outstanding at December 28, 2019 and December 29, 2018	\$ —	\$ —
Common stock, voting; par value \$.01 per share; 150,000,000 shares authorized; 43,963,103 and 45,629,014 shares issued and outstanding at December 28, 2019 and December 29, 2018, respectively	440	456
Accumulated other comprehensive loss	(35,634)	(40,839)
Retained earnings	915,324	909,816
Total stockholders' equity	880,130	869,433
Total liabilities and stockholders' equity	<u>\$2,753,117</u>	<u>\$2,058,858</u>

See accompanying notes to the consolidated financial statements.

CARTER'S, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(dollars in thousands, except per share data)

	For the fiscal year ended		
	December 28, 2019	December 29, 2018	December 30, 2017
Net sales	\$3,519,286	\$3,462,269	\$3,400,504
Cost of goods sold	2,010,736	1,964,786	1,917,150
Gross profit	1,508,550	1,497,483	1,483,354
Royalty income, net	34,637	38,930	43,181
Selling, general, and administrative expenses	1,140,515	1,144,980	1,106,928
Intangible asset impairment	30,800	—	—
Operating income	371,872	391,433	419,607
Interest expense	37,617	34,569	30,044
Interest income	(1,303)	(527)	(345)
Other (income) expense, net	(217)	1,416	(1,164)
Loss on extinguishment of debt	7,823	—	—
Income before income taxes	327,952	355,975	391,072
Provision for income taxes	64,150	73,907	88,224
Net income	<u>\$ 263,802</u>	<u>\$ 282,068</u>	<u>\$ 302,848</u>
Basic net income per common share	\$ 5.89	\$ 6.06	\$ 6.31
Diluted net income per common share	\$ 5.85	\$ 6.00	\$ 6.24
Dividend declared and paid per common share	\$ 2.00	\$ 1.80	\$ 1.48

Form 10-K

See accompanying notes to the consolidated financial statements.

CARTER'S, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(dollars in thousands)

	For the fiscal year ended		
	December 28, 2019	December 29, 2018	December 30, 2017
Cash flows from operating activities:			
Net income	\$ 263,802	\$ 282,068	\$ 302,848
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation of property, plant, and equipment	92,207	85,936	81,796
Amortization of intangible assets	3,747	3,717	2,616
Intangible asset impairment	30,800	—	—
Adjustment and accretion of contingent considerations	—	—	(3,600)
Amortization of debt issuance costs	1,437	1,746	1,572
Stock-based compensation expense	16,529	14,673	17,549
Unrealized foreign currency exchange (gain) loss, net	(564)	271	(624)
(Recoveries of) provisions for doubtful accounts receivable from customers	(220)	15,801	4,663
Loss on disposal of property, plant, and equipment, net of recoveries	452	995	1,572
Loss on extinguishment of debt	7,823	—	—
Deferred income taxes	(13,300)	(1,018)	(54,936)
Effect of changes in operating assets and liabilities, net of acquisitions:			
Accounts receivable	8,121	(34,448)	(22,709)
Finished goods inventories	(16,683)	(30,646)	(20,922)
Prepaid expenses and other assets	(699,036)	12,121	(21,791)
Accounts payable and other liabilities	692,100	4,982	41,587
Net cash provided by operating activities	\$ 387,215	\$ 356,198	\$ 329,621
Cash flows from investing activities:			
Capital expenditures	\$ (61,419)	\$ (63,783)	\$ (69,473)
Acquisitions of businesses, net of cash acquired	—	96	(158,457)
Disposals and recoveries from property, plant, and equipment	749	380	15
Net cash used in investing activities	\$ (60,670)	\$ (63,307)	\$ (227,915)
Cash flows from financing activities:			
Proceeds from senior notes due 2027	\$ 500,000	\$ —	\$ —
Payment of senior notes due 2021	(400,000)	—	—
Premiums paid to extinguish debt	(5,252)	—	—
Payments of debt issuance costs	(5,793)	(968)	(2,119)
Borrowings under secured revolving credit facility	265,000	290,000	200,000
Payments on secured revolving credit facility	(361,000)	(315,000)	(163,965)
Repurchases of common stock	(196,910)	(193,028)	(188,762)
Dividends paid	(89,591)	(83,717)	(70,914)
Withholdings of taxes from vesting of restricted stock	(4,328)	(6,830)	(5,753)
Proceeds from exercises of stock options	14,490	10,597	8,438
Net cash used in financing activities	\$ (283,384)	\$ (298,946)	\$ (223,075)
Net effect of exchange rate changes on cash and cash equivalents	1,073	(2,362)	505
Net increase (decrease) in cash and cash equivalents	\$ 44,234	\$ (8,417)	\$ (120,864)
Cash and cash equivalents, beginning of fiscal year	170,077	178,494	299,358
Cash and cash equivalents, end of fiscal year	\$ 214,311	\$ 170,077	\$ 178,494

See accompanying notes to the consolidated financial statements.