



Carter's (NYSE: CRI)

Team: F

12 Month Target : \$41.44

February 28, 2025, Close: \$41.28

carter's®

SELL

0.39% upside



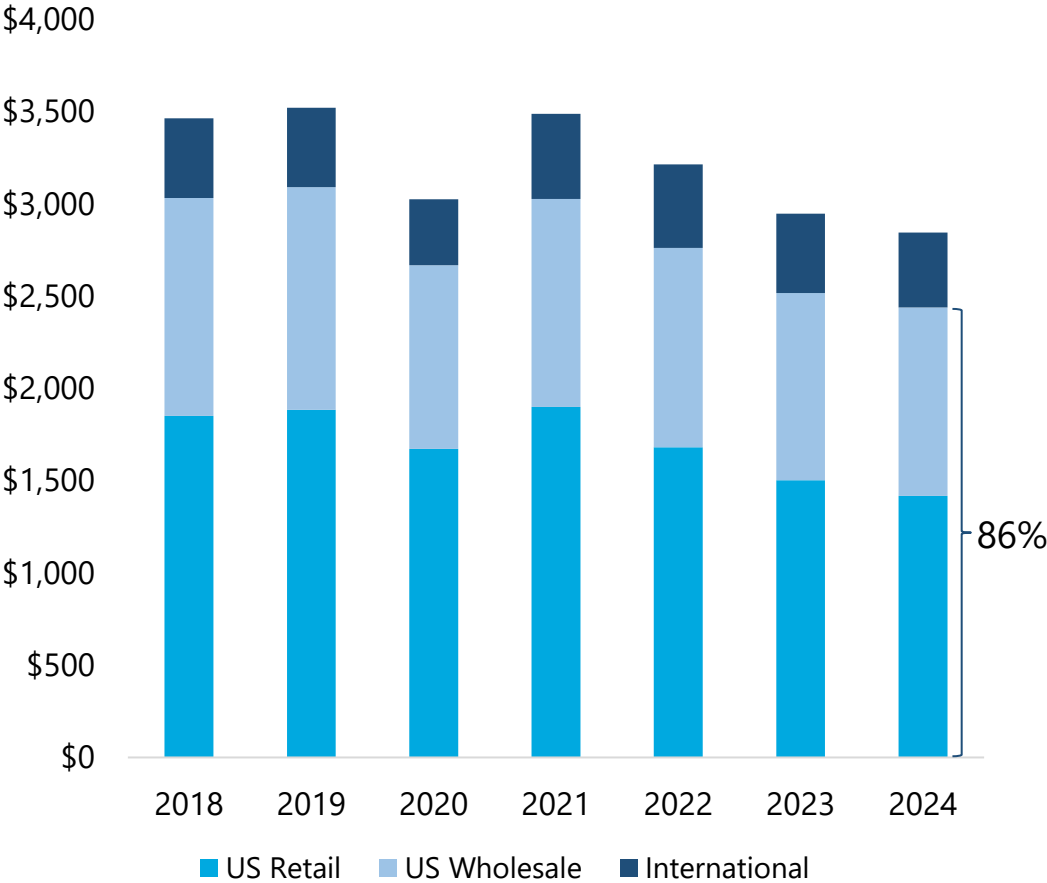
Business and Industry Overview



Carter's is Highly concentrated in Domestic Markets

85% of CRI's revenue can be attributed to domestic sales

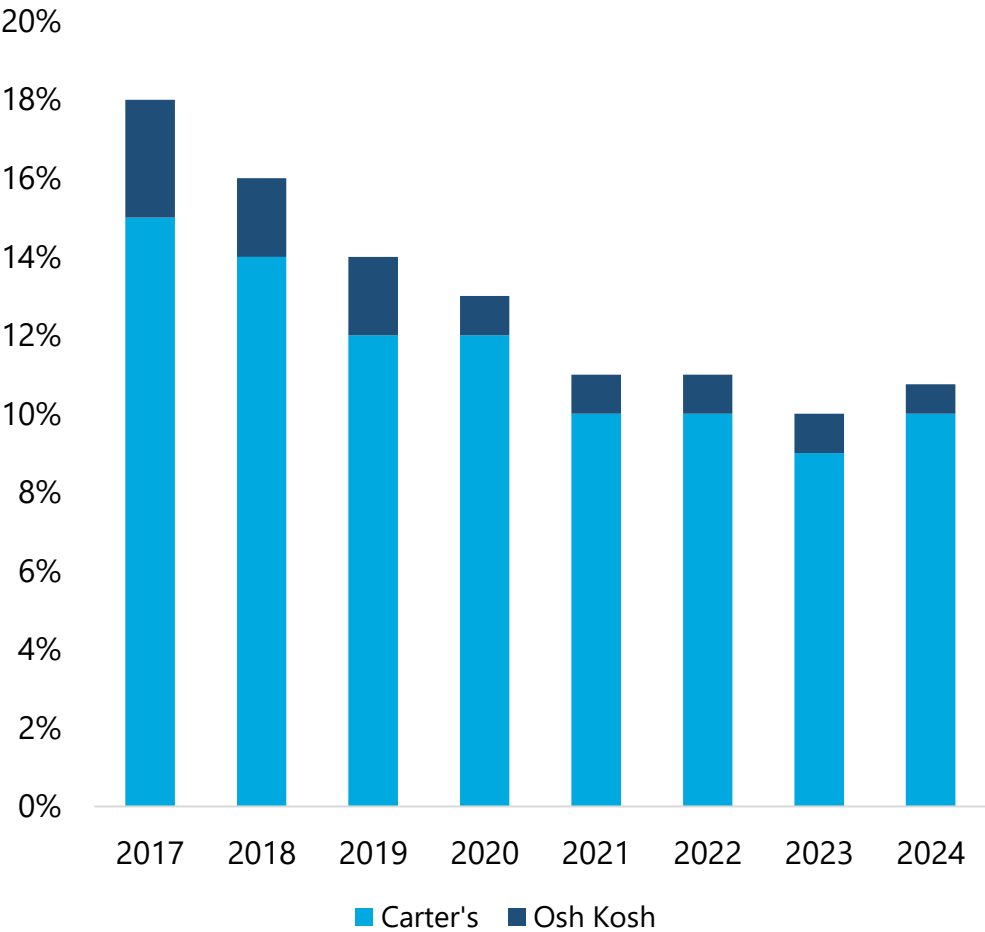
Revenue by Operating Segment (\$MM)



Source: Carter's 10k Filing

...and their market share in the U.S. has seen significant dilution in recent years

Ages 0-10 Market Share % in US



Source: Carter's 10k Filing





Carter’s has Underperformed Both the Market and its Competitors



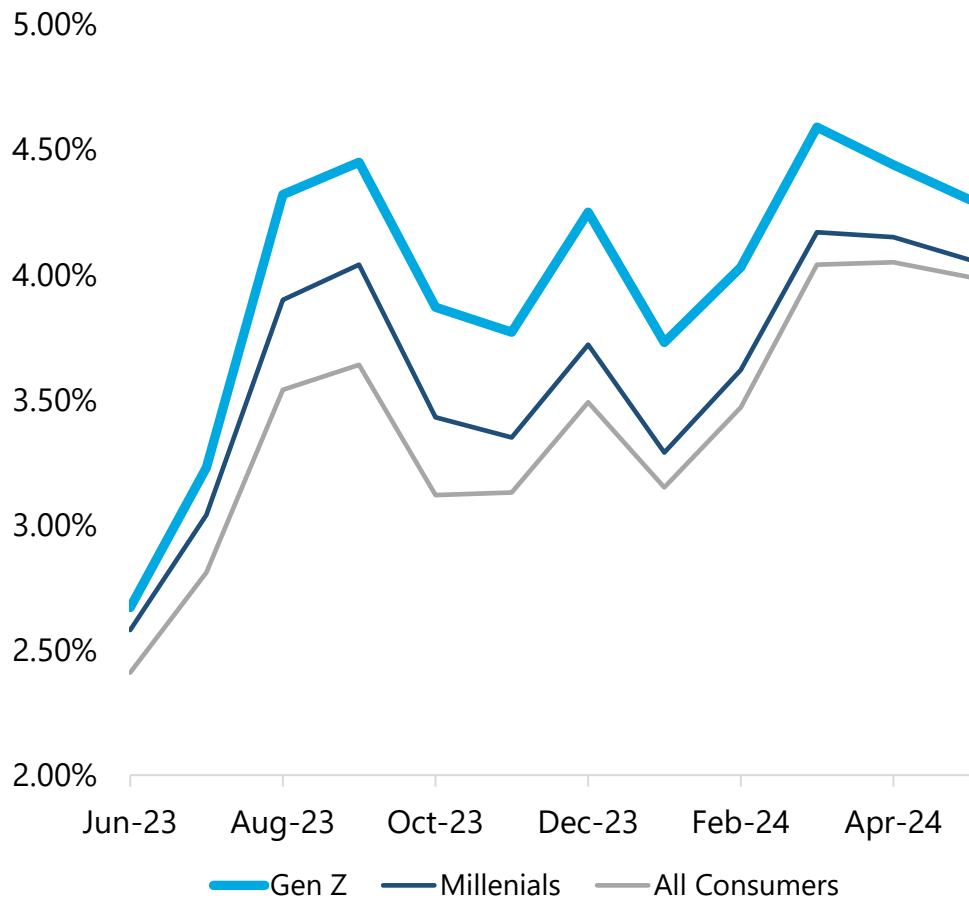


Industry Headwinds Domestically

Effects of inflation magnified among CRI’s target customer base. This was confirmed in interviews with regular Carter’s consumers.

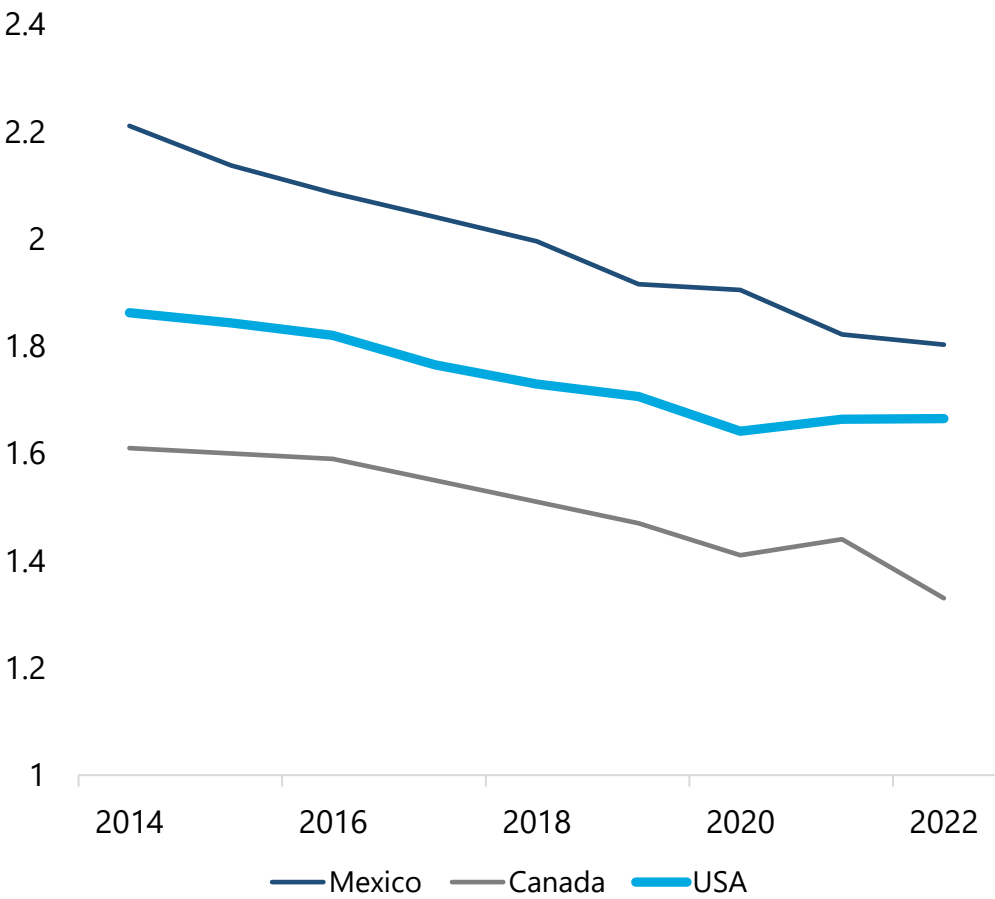
...and declining fertility rates have reduced overall market for baby apparel

Inflation Rate by Generation



Source: Bureau of Labor Statistics

Fertility Rate



Source: FRED





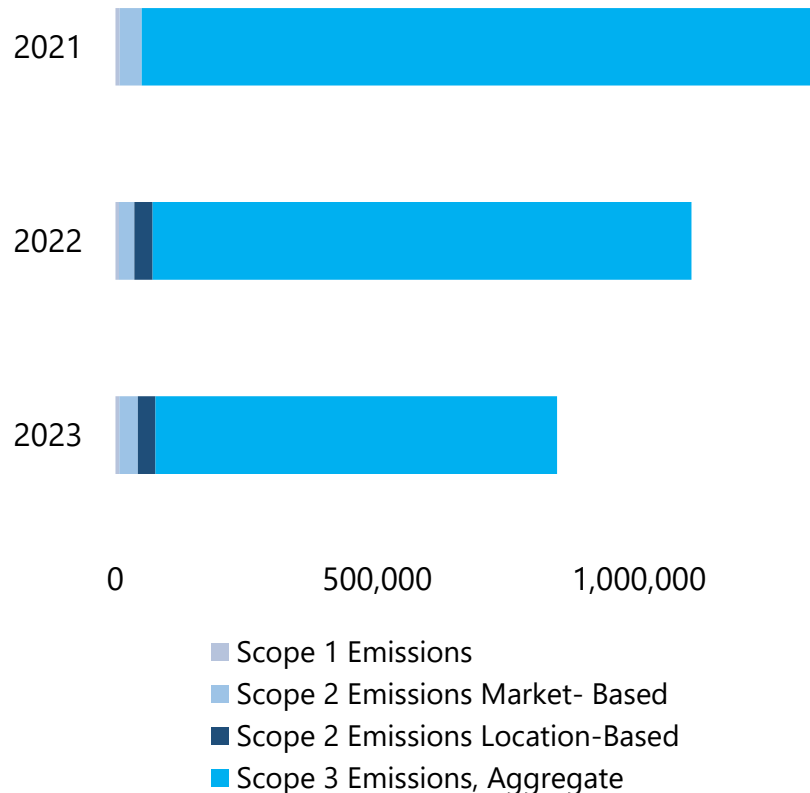
Environmental, Social and Governance

Poor Supply Chain and Emissions Management

The language in supplier emissions agreements carry significant leeway limiting their overall impact

... and their lack of supplier relationships subjects Carter's to volatile supplier pricing and daily spot prices as well as limiting their leverage in negotiating supplier emissions agreements

Carter's Aggregate Emissions (Tons of Co2)



Source: Carter's 10k Filing



Sid Mookerji
Retail Industry Expert

Founder, Silver Spirit Global
and Silicon Road Ventures

Team F: "CRI boasts about their strong supply chain and supplier relationships, yet they don't have any long-term contracts with suppliers, transporters, or third-party logistics companies. Is this in line with industry trends?"



Mookerji: "That is not usual, usually retailers have relationships which are longer term... relationships with transporters are important otherwise you don't have predictability of merchandise ending up with the consumer in a timely manner."



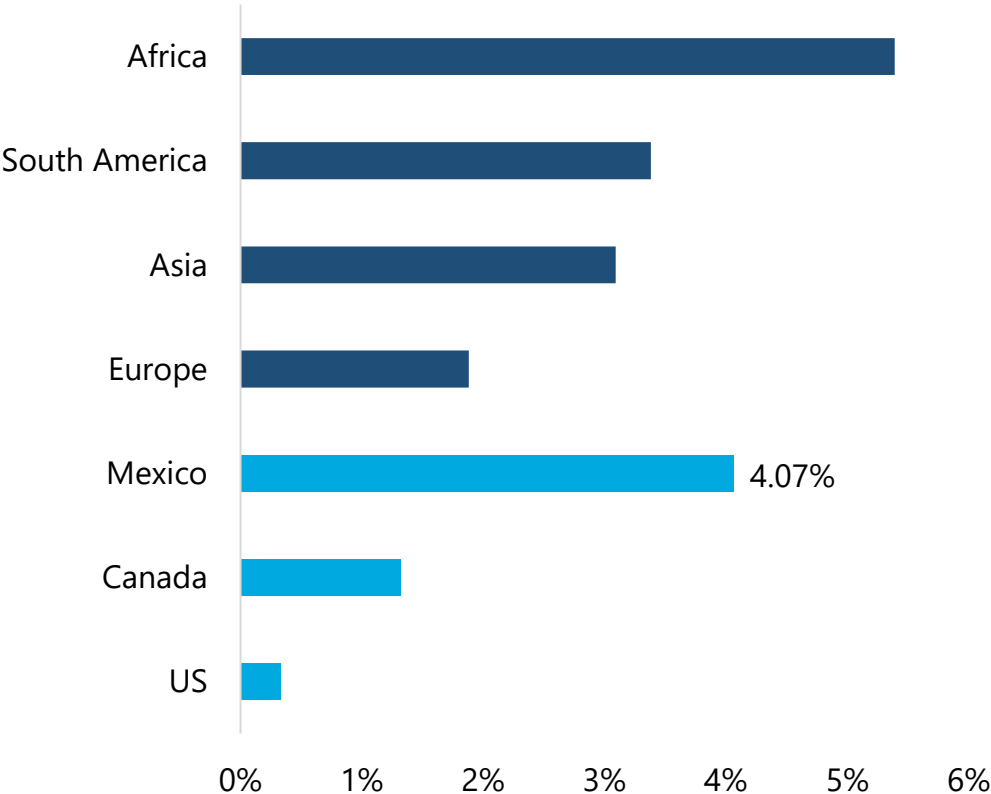


Strategic Misalignment Between Management and Shareholders

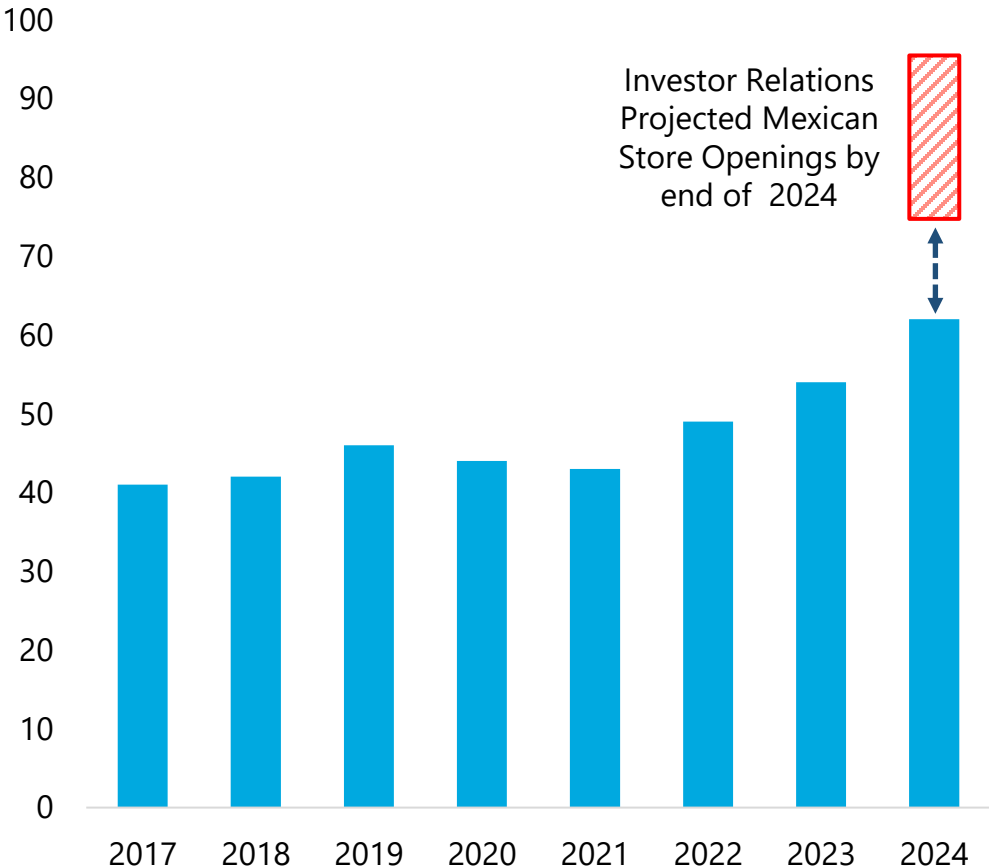
Significant opportunities abroad however CRI has failed to capitalize

...and stated plans to expand in Mexico have not materialized

2025-2029 Projected Industry Revenue CAGR



Actual Vs. Projected Stores in Mexico



Source: Statista

Source: Q3 2024 Investor Relations Call



Strategic Misalignment Between Management and Shareholders



Richard F. Westenberger

Interim Chief Executive Officer

Senior Executive Vice President

Chief Financial Officer

Chief Operating Officer





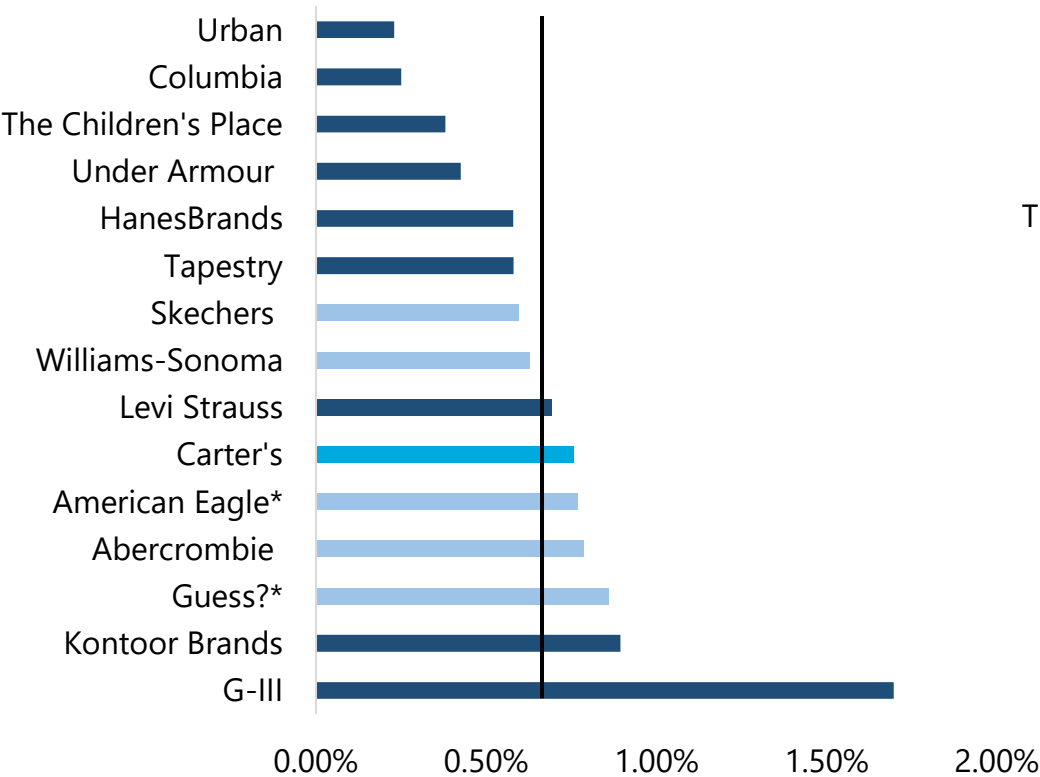
Management Compensation and Strategic Misalignment

Carter’s executive compensation in terms of revenue is above average compared to its chosen group peers

...but our competitor group gives a better representation of how much Carter’s compensation is above the average

Carter's Peer Group Executive Compensation as a Percent of Revenue

Group Peers Average: 0.67%

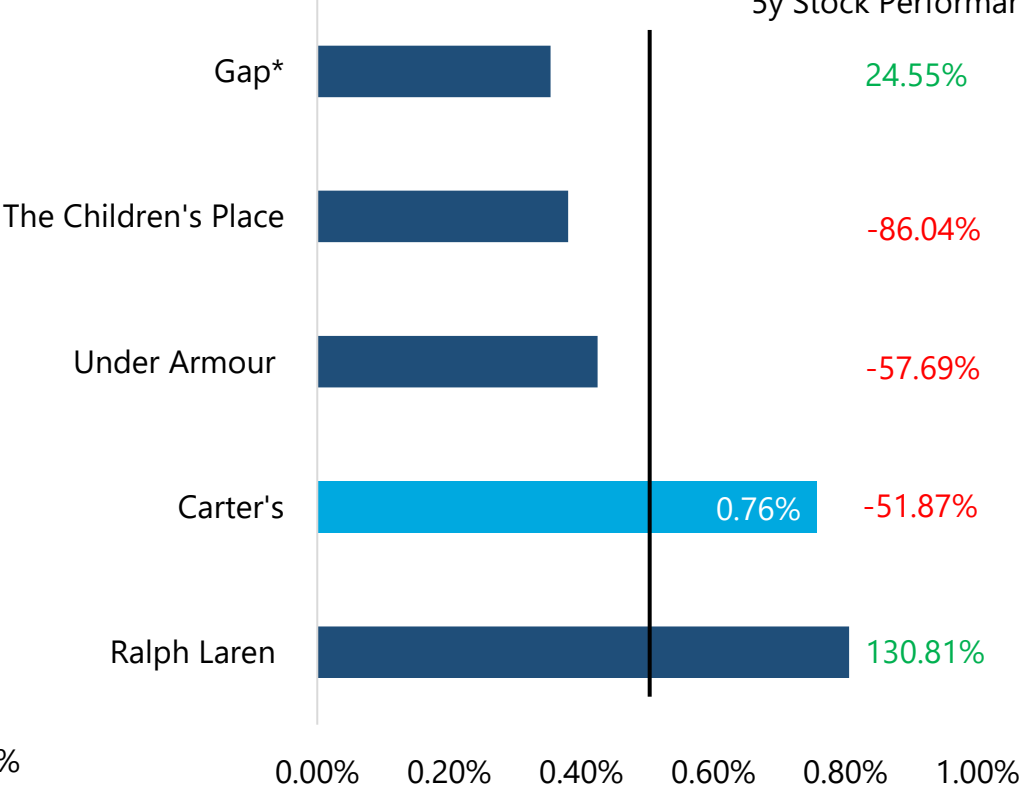


Source: Proxy Statements Filings

Carter's Competitors Executive Compensation as a Percent of Revenue

Comps Average: 0.49%

5y Stock Performance:



Source: Proxy Statements Filings





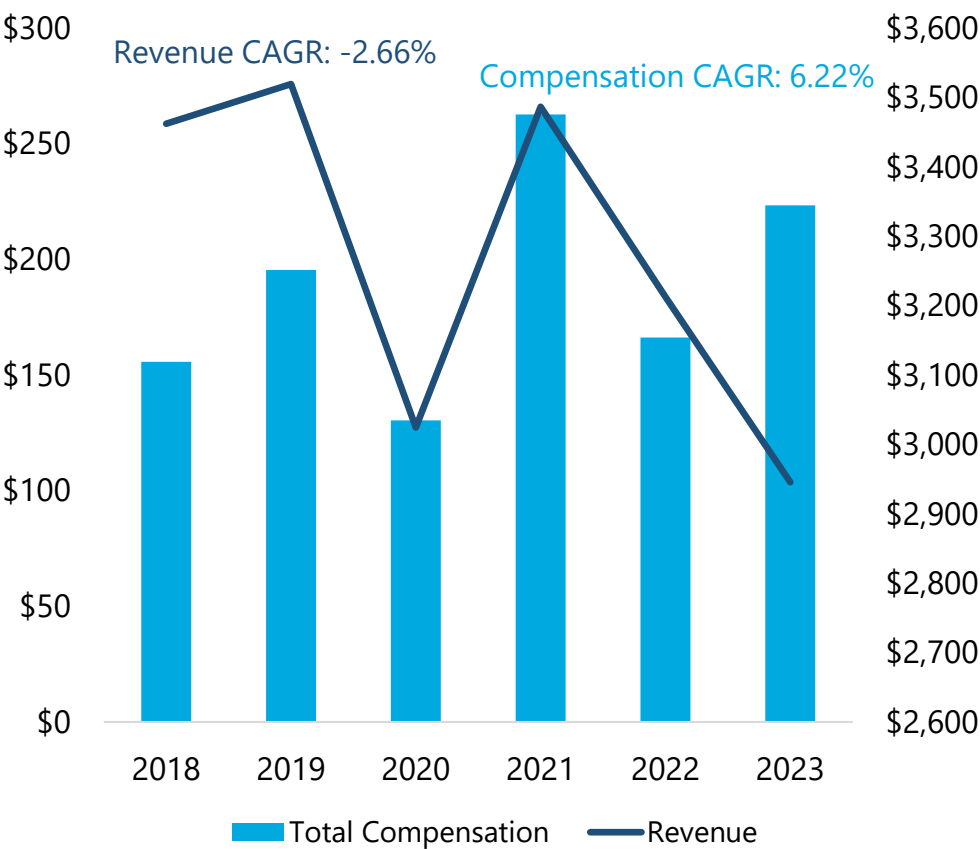
Financial Analysis



Agency Conflict has Compromised Carter’s Financials

Adjusting executive compensation to their competitors average would have increased 2024 EPS by \$0.17

Carter’s Executive Compensation vs Revenue



Source: Carter’s Proxy Statements Filings

	2024 Results		2024 Adjusted to Executive Compensation	Difference
OPM Margin %	9.47%	-->	9.75%	0.28%
Net Income	\$186.97	-->	\$193.27	\$6.30
Net Income %	6.61%	-->	6.83%	0.22%
Diluted EPS	5.14	-->	5.31	\$0.17

Source: Carter’s Proxy Statements Filings



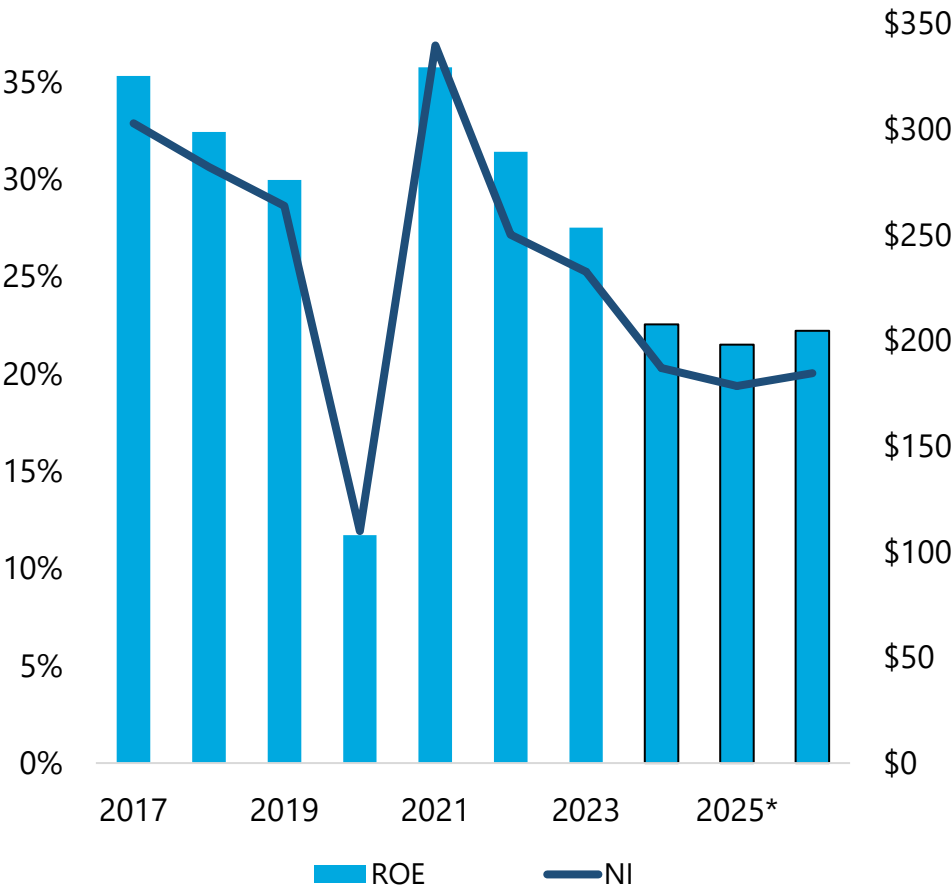


Potentially Unsustainable DPS and Share Repurchases

CRI had a squeeze in net income and return on equity

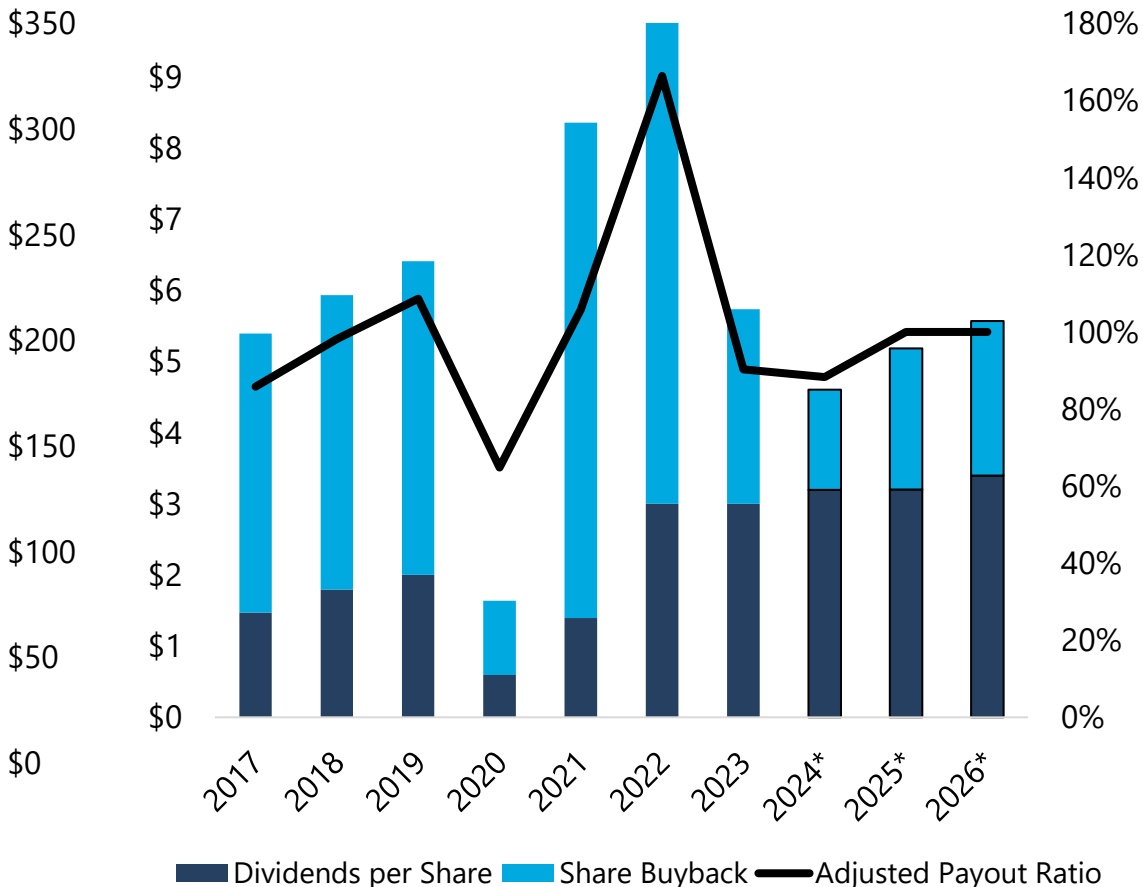
With this reduced NIM, this threatens outflow to shareholders

Carter's Net Income vs ROE Trend



Source: Carter's 10k Filings & Earnings Model

Outflow to Shareholders



Source: Carter's 10k Filings & Earnings Model

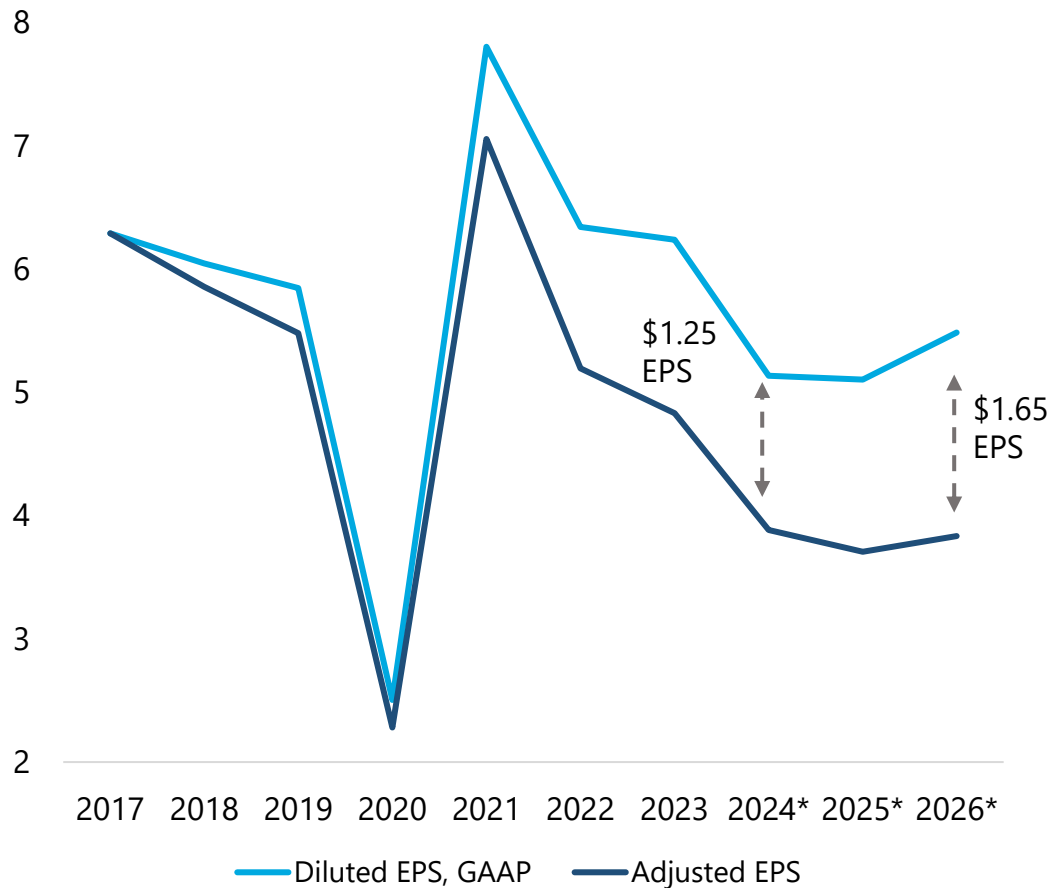


EBIT/Int. Exp. has been Decreasing, While D/E is Projected to Increase

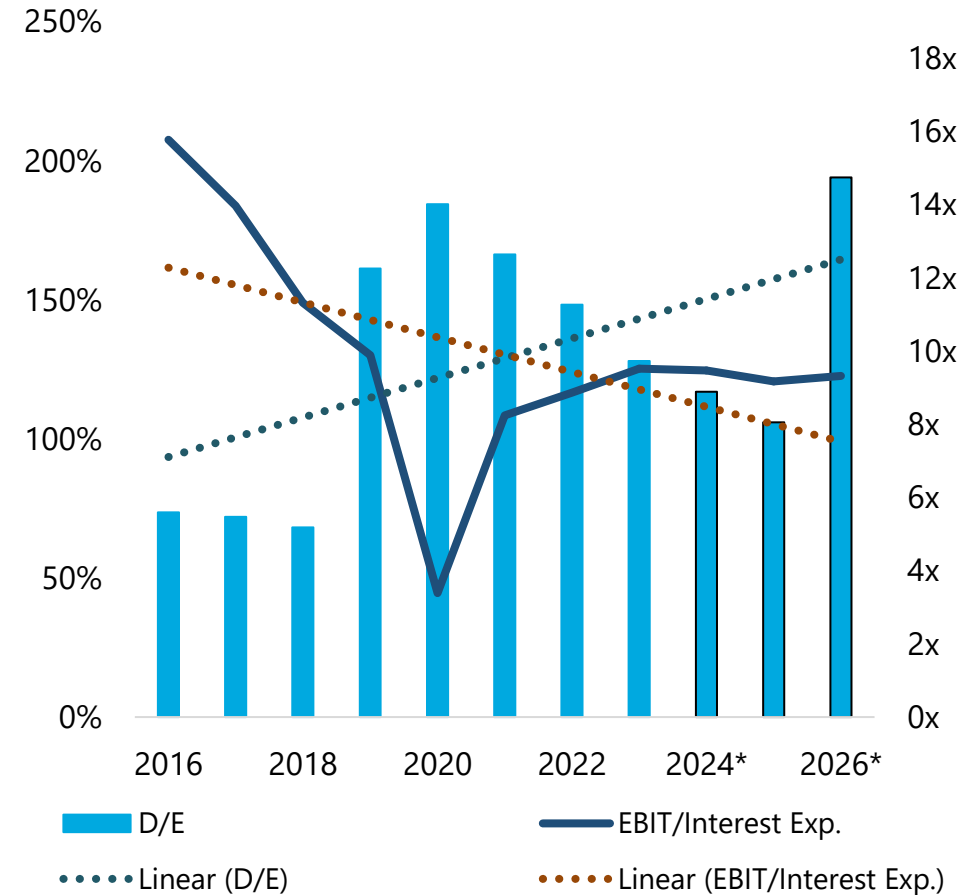
CRI EPS is largely boosted by inorganic growth, due to share buybacks

Even though this money could be better invested in solvency management

Adjusted EPS vs Current EPS



D/E vs EBIT/Interest



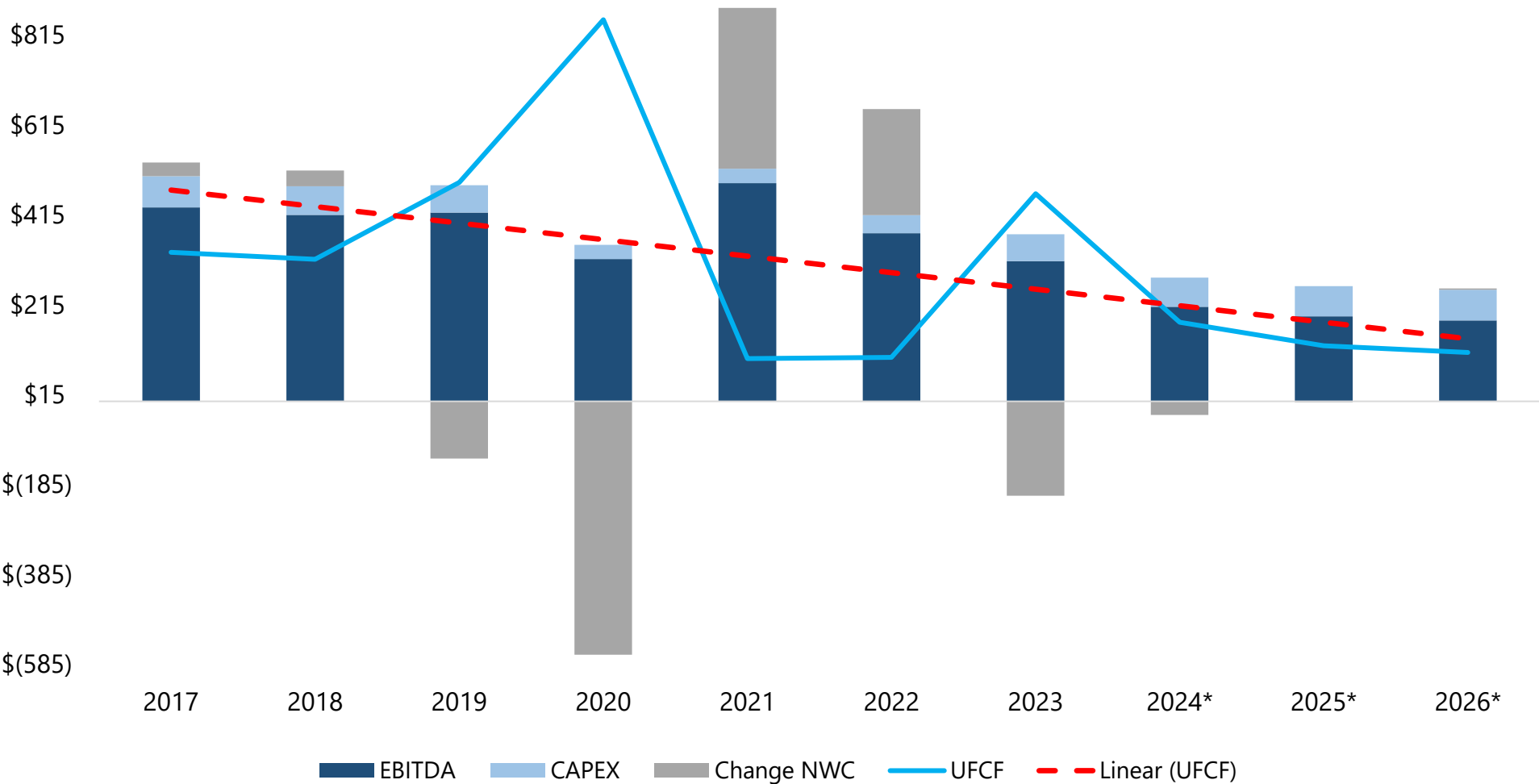


Valuations



Dwindling Unlevered Free Cash as EBITDA Decreases and CAPEX Increases

Unlevered Free Cash Flow Composition



Source: Bloomberg & DCF Valuation



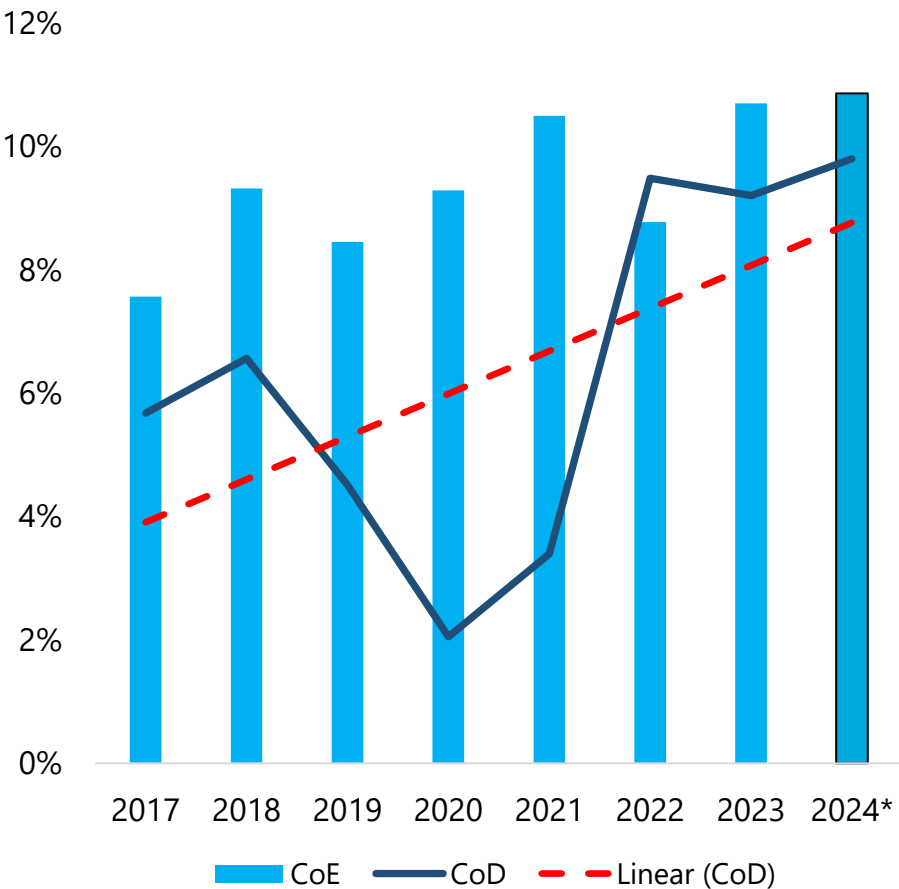


Carter's is Experiencing Increased Costs of Capital

Cost of equity and Cost of debt continue to rise, driving up WACC

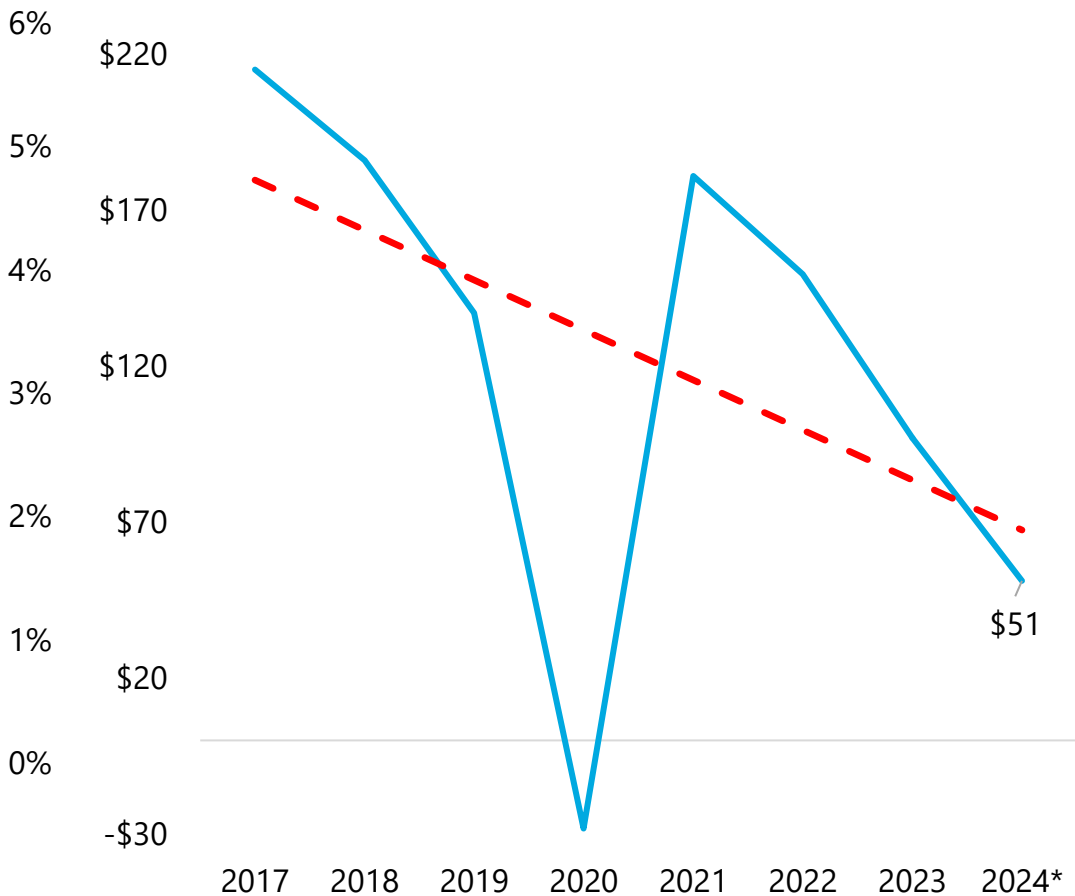
While ROIC has continued to decline

CRI: CoE vs CoD



Source: Bloomberg

CRI: EVA Spread



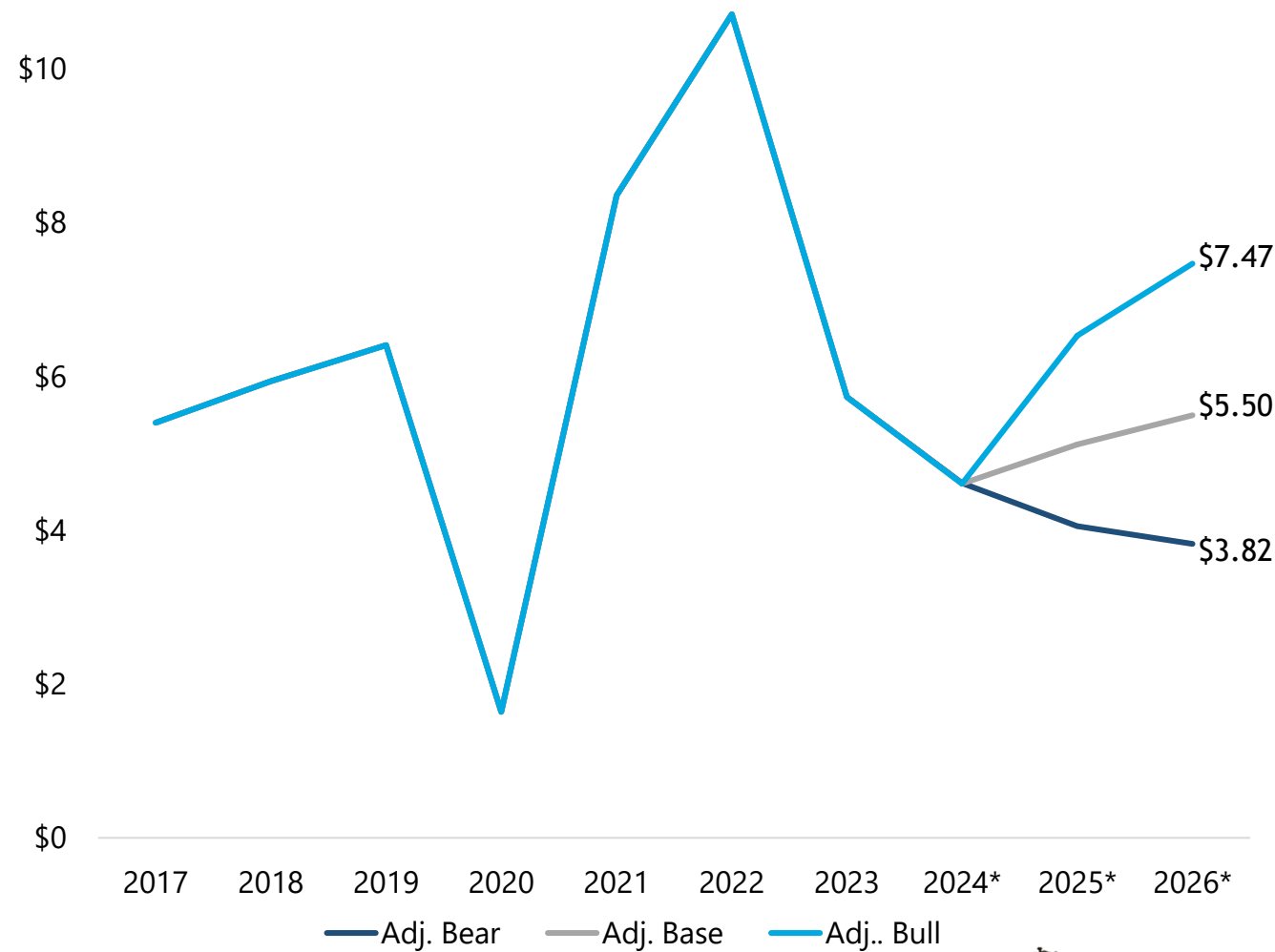
Source: Bloomberg



Dividend Discount Model



Adjusted DDM (DPS+ Share Repurchases)



Discount Rate	
Rf	4.53%
Rm	5.00%
Beta	1.264
ROR(Cost of Equity)	10.85%

DDM Calculations		
Case	Intrinsic Value	Growth Rate
Bear	\$73.77	3.04%
Base	\$47.68	2.34%
Bull	\$28.98	0.00%

Source: DDM Valuation



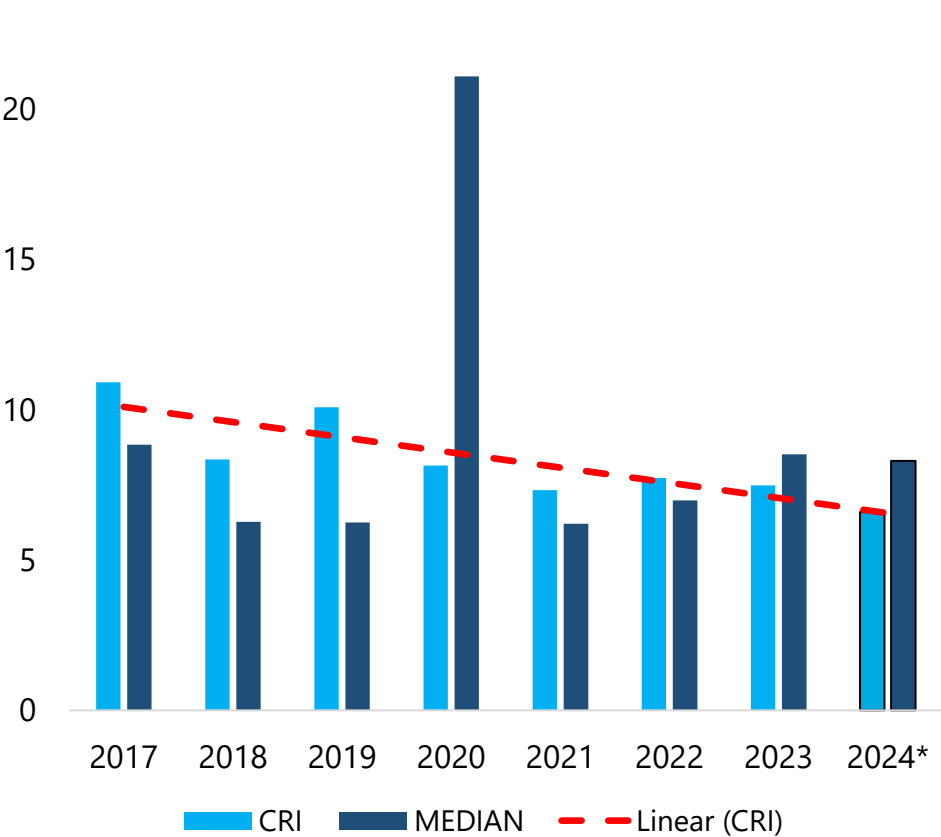


Is Carter's Trading at a Premium Compared to its Peers?

Carter's declining EV/EBITDA is a sign of fundamental deterioration

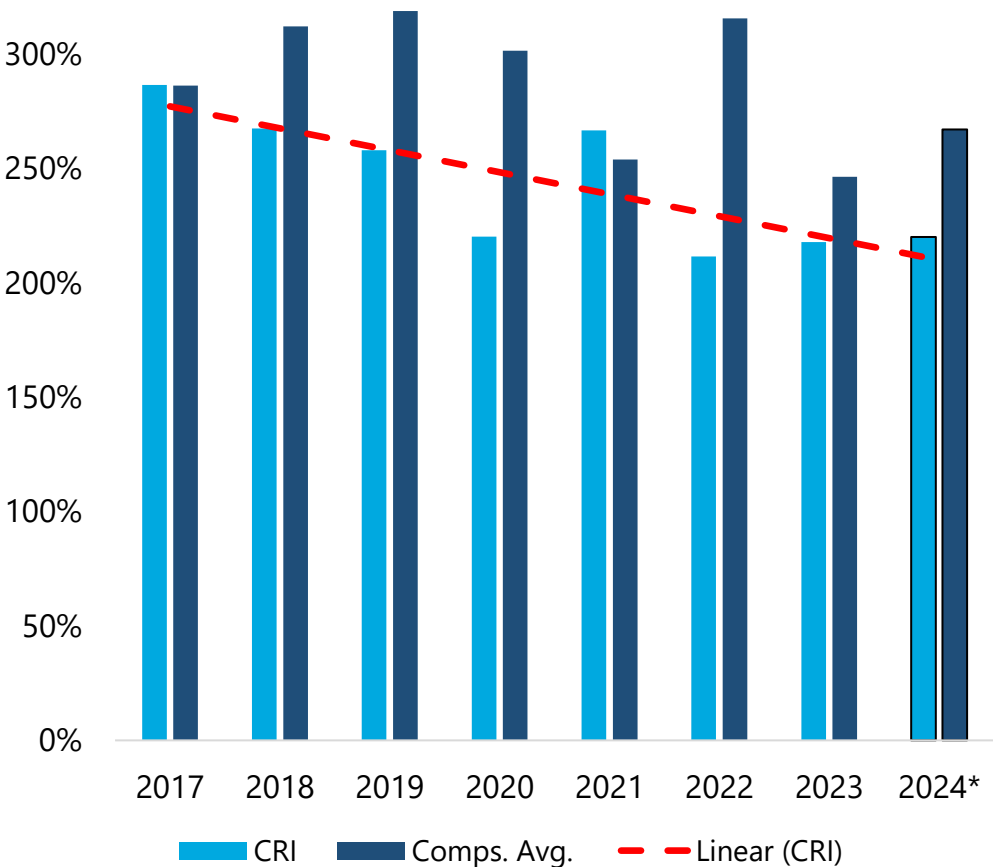
Similarly, the declining return on inventory is a sign of deterioration

CRI vs Median Competitors
EV/EBITDA



Source: Bloomberg

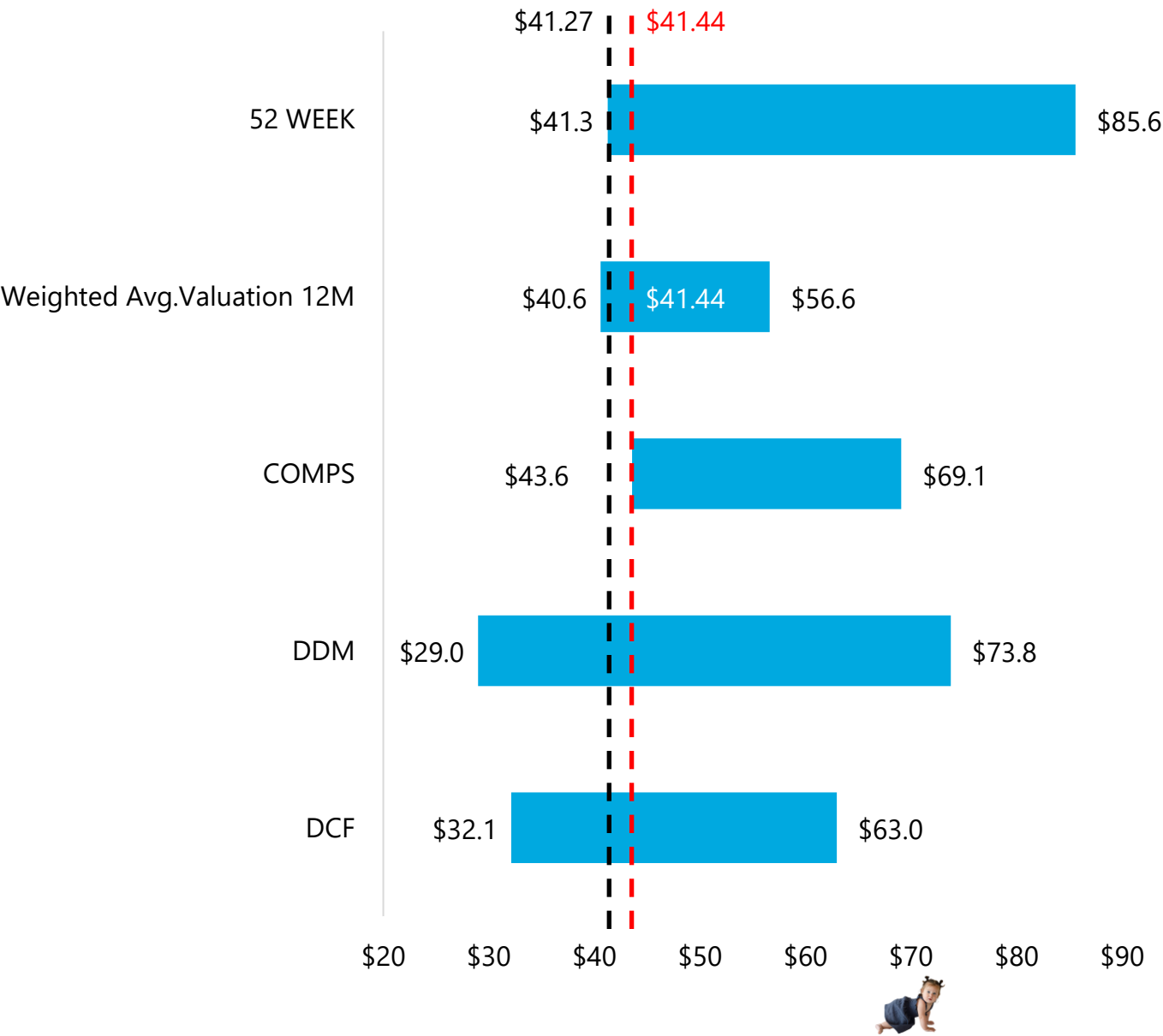
CRI vs Competitors GMROI (Avg.)



Source: Bloomberg



Summary Valuations



Summary of Valuations	
DCF	\$42.01
DDM	\$40.57
CCA	\$43.53
1 yr. Price. Target	\$41.44
Price As of (1/24/25)	\$41.27

% Upside 0.39%

DCF:50%, DDM:45%, CCA:5%

Trading Multiples	Carter's Inc.	Comps. Median
P/E	7.89x	4.6x
P/S	0.64x	0.6x
EV/EBITDA	3.02x	4.1x



Risks



Upside Risks to our Sell Recommendation

Carter's Risk Matrix					
Impact	High				
			Returning Value		
	Medium		Valuation Risks		
		Lean Operations, Inventory Management	Store Openings and Closings	Product Mix Improvement	
	Low		Consumer Spending		
	Low	Medium			High
	Probability				

We have identified two key risks:

- 1

Returning Value: Carter’s has extensive share repurchase and dividend payment programs
- 2

Product Mix Improvement: May drive growth and increase margins

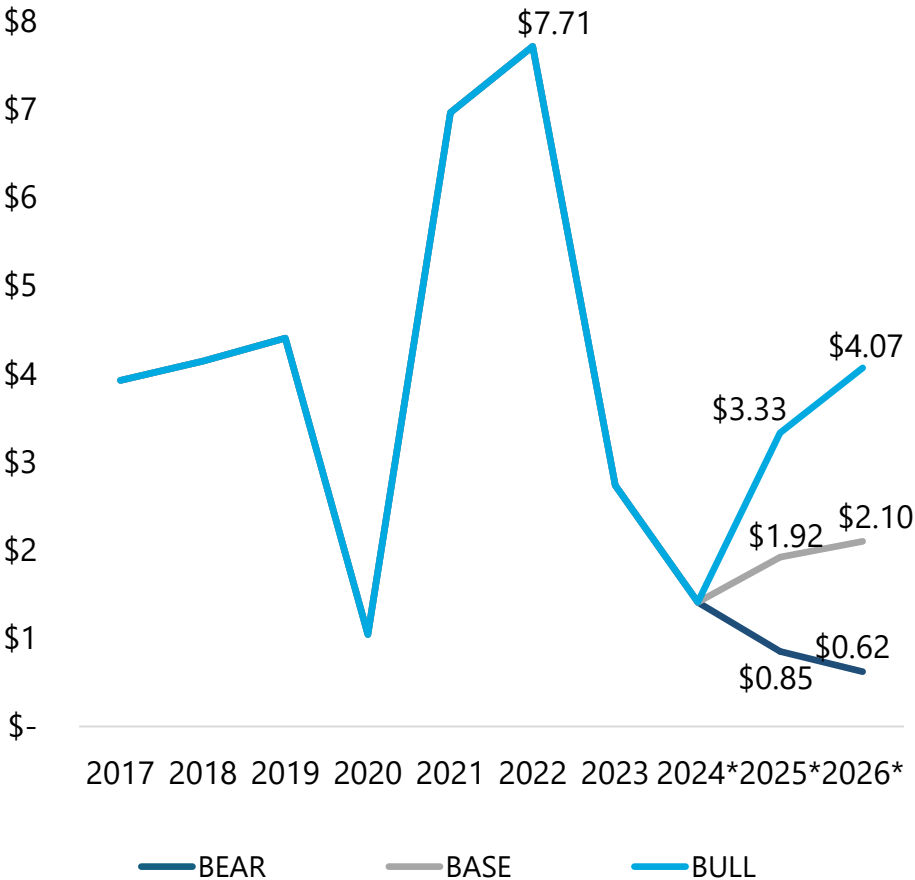




Value Return to Shareholders May Drive an Upside

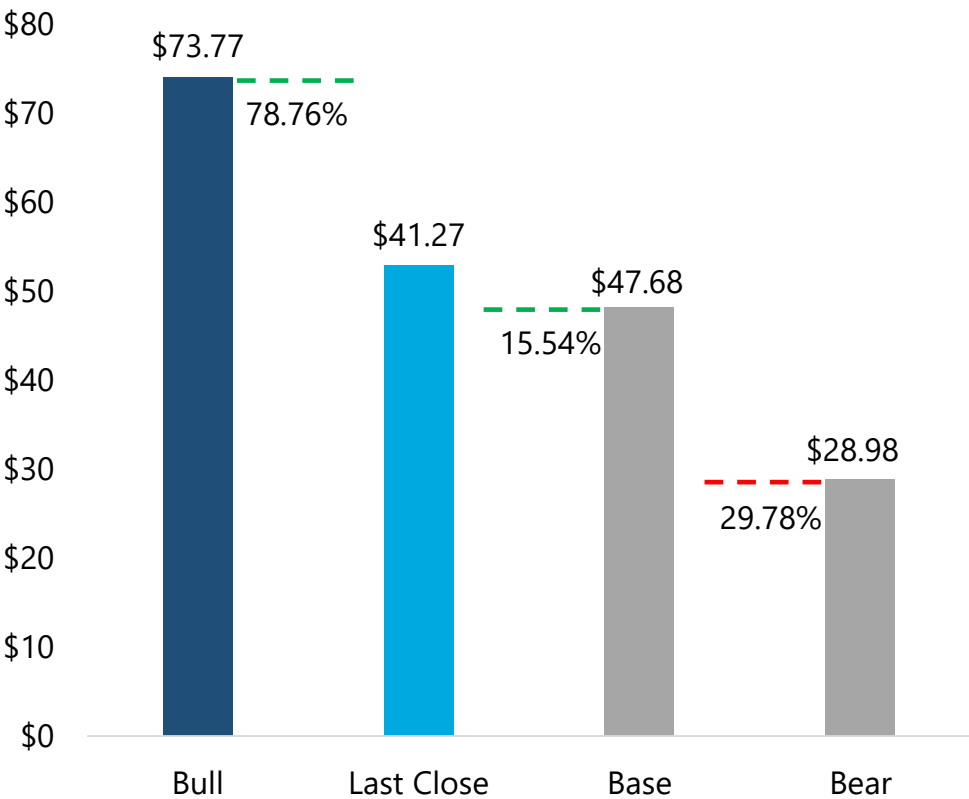
We project CRI’s dividends to remain relatively level given historical trends, however, given declining net income and free cash flow levels, share repurchases may prove unsustainable

Share Buybacks Per Share Forecast



Source: Earnings Model

Weighted Average DDM Intrinsic Values



Source: DDM Valuation



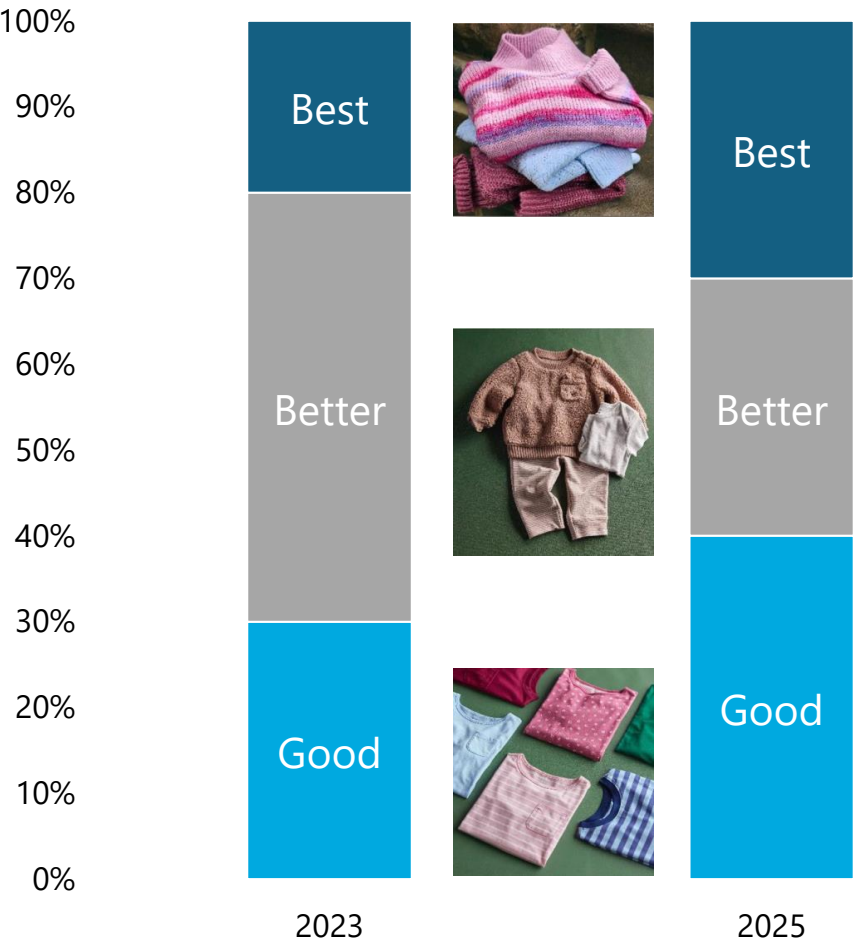


Product Mix Improvement May Drive an Upside

Product mix improvement will drive margin increases

...however, these increases will likely be offset by decreased clothing prices and the near conclusion of their pack and hold inventory system

Product Mix Improvement



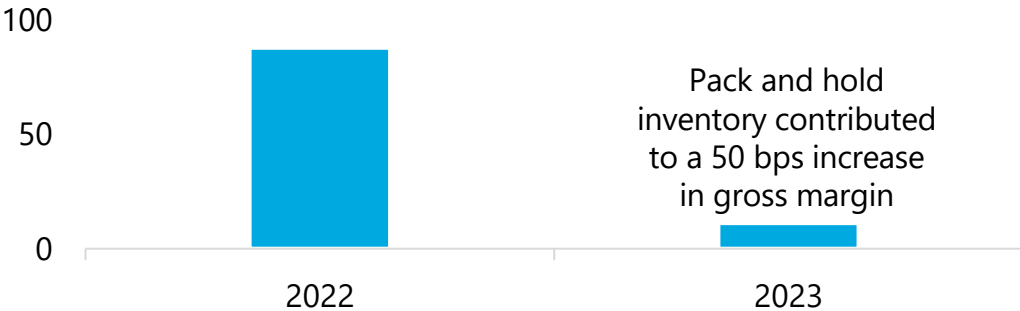
Source: Q3 2024 Investor Relations Presentation

2025 Clothing Prices



Source: Q3 2024 Investor Relations Presentation

Pack and Hold Inventory Levels (\$MM)



Source: Carter's 10k Filing



Carter's Needs a Return to its Former Glory

- 1** Poor Industry Performance
- 2** Board of Directors: Management Overcompensation and Strategic Misalignment
- 3** Inorganic EPS Growth
- 4** Unsustainable Share Repurchases



Recommendation

SELL

Target Price

\$41.44





Appendix

APPENDIX:**1. DCF/ cashflow**

- I. DCF bear case with weights
- II. DCF Base case with weights
- III. DCF bull case with weight
- IV. CRI: UFCF bear composition
- V. CRI: UFCF bull composition
- VI. CAPEX/EBITDA (BASE)
- VII. Cash conversion (CRI vs Comps)
- VIII. CRI vs Comps (WACC)
- IX. CRI: Free Cash Flow Yield & EV vs FCF
- X. CRI vs Competitors EV/EBITDA
- XI. Change in Net Working Cap
- XII. CRI vs Comps P/S
- XIII. WACC Assumptions
- XIV. CRI D/E vs median
- XV. Beta regression
- XVI. CRI: DCF Summary
- XVII. FCF to DPS

2. DDM/ DPS and Share Buybacks

- I. DDM Bear case with Weights
- II. DDM Base Case with weights
- III. DDM bull case with weights
- IV. RL, GAP AND NIKE Payout vs Yld.
- V. Plowback and Adjusted Plowback (no reinvestment)
- VI. Yield vs Adj. Payout (CRI)
- VII. DDM sensitivity
- VIII. CRI: DDM Summary

4. Financial Statement analysis

- I. Bear Profoma
- II. Carter's Bear Case Dividends & EPS
- III. Base Profoma
- IV. Carter's Base Case Dividends & EPS
- V. Bull Profoma
- VI. Carter's Bull Case Dividends & EPS
- VII. CRI: Financial Analysis Summary
- VIII. Metrics Table
- IX. CRI: Debt Schedule & Bond Px.
- X. CRI: Debt Schedule breakdown
- XI. CA,CL,WC
- XII. Capex to Revenue
- XIII. Financial Position and Solvency of Carter's
- XIV. P/E and Adj. P/E & EPS & Adj. EPS
- XV. CRI EPS Forecast
- XVI. Share Buyback Table

5. Comparable Companies analysis

- I. Summary Comps Model

6. Macro economic/ ESG

- I. Revenue by Geographic Region (\$MM)
- II. Headline CPI
- III. Cotton Commodity Price
- IV. PCE As % of GDP
- V. CRI: ESG Scores
- VI. Carter's DART Rate and Accident Record Over Time
- VII. Gender Composition
- VIII. Shares Held By Institution (%)
- IX. Metric Tons Consumed by Carter's by Type of Textile
- X. Board of Directors
- XI. Leadership Team
- XII. Quick Ratio
- XIII. Containerized Freight Risk

PRESENTATION:**1. Business Overview**

- I. Revenue by Operating Segment (\$MM)
- II. Ages 0-10 Market Shares in the U.S.

2. Industry Overview

- I. CRI vs Index
- II. Inflation Rate and fertility rate

3. ESG

- I. Poor Supply Chain and Emissions Management (Sid M.)
- II. Strategic Misalignment
- III. Richard Westenberger
- IV. Management Compensation and Strategic Misalignment

3. Financial Analysis

- I. Agency Conflict (Adjusted Net Income)
- II. Potentially Unsustainable DPS and Share Repurchases
- II. EBIT/Int. Exp. & D/E is projected to increase

4. Valuations

- I. UFCF composition
- II. EVA & CoE & CoD
- III. DDM
- IV. EV/EBITDA and GMROI
- V. Football Field

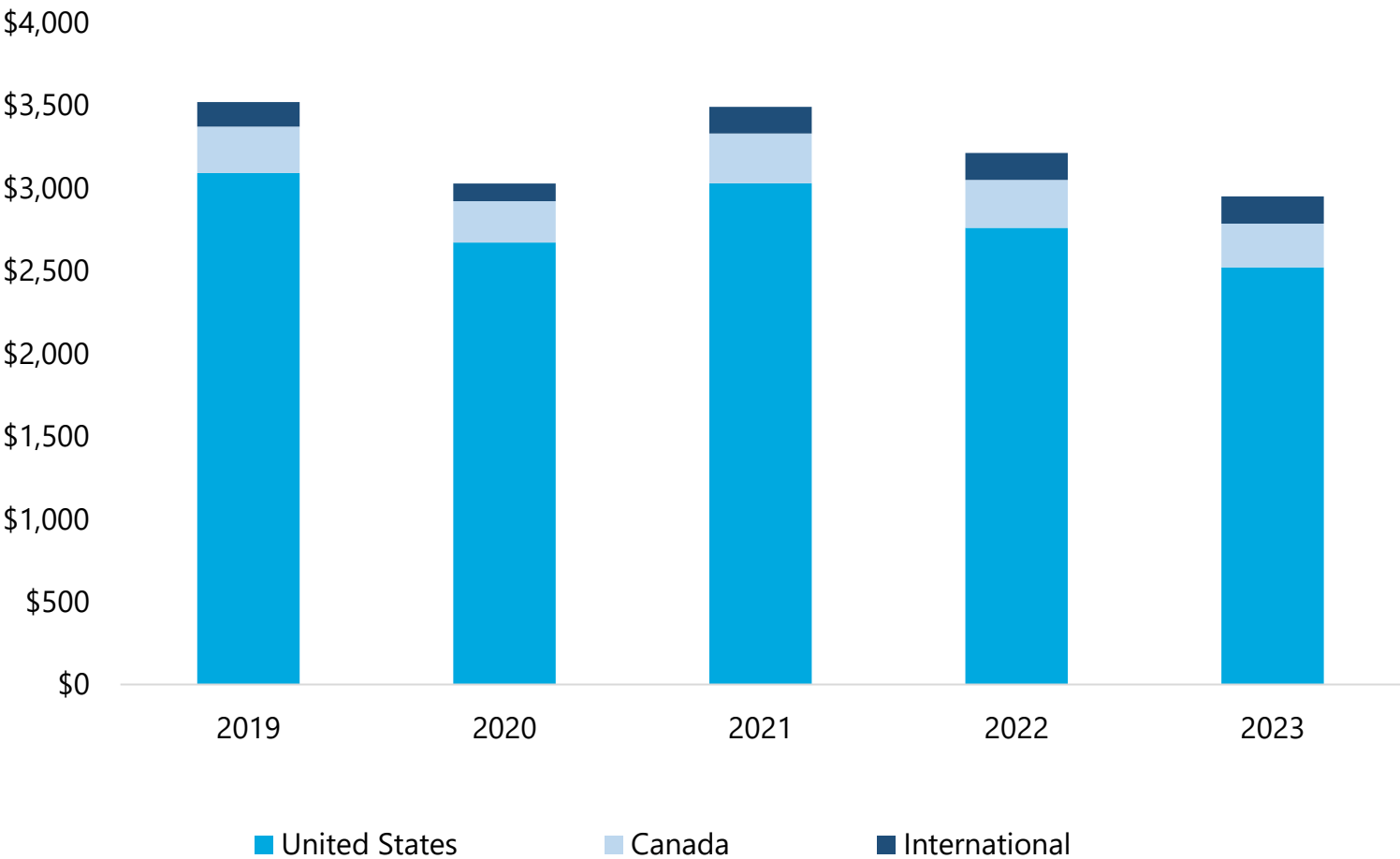
5. Risk

- I. Risk Matrix
- II. Share-buyback risk
- III. Margin improvement

6. Recommendation



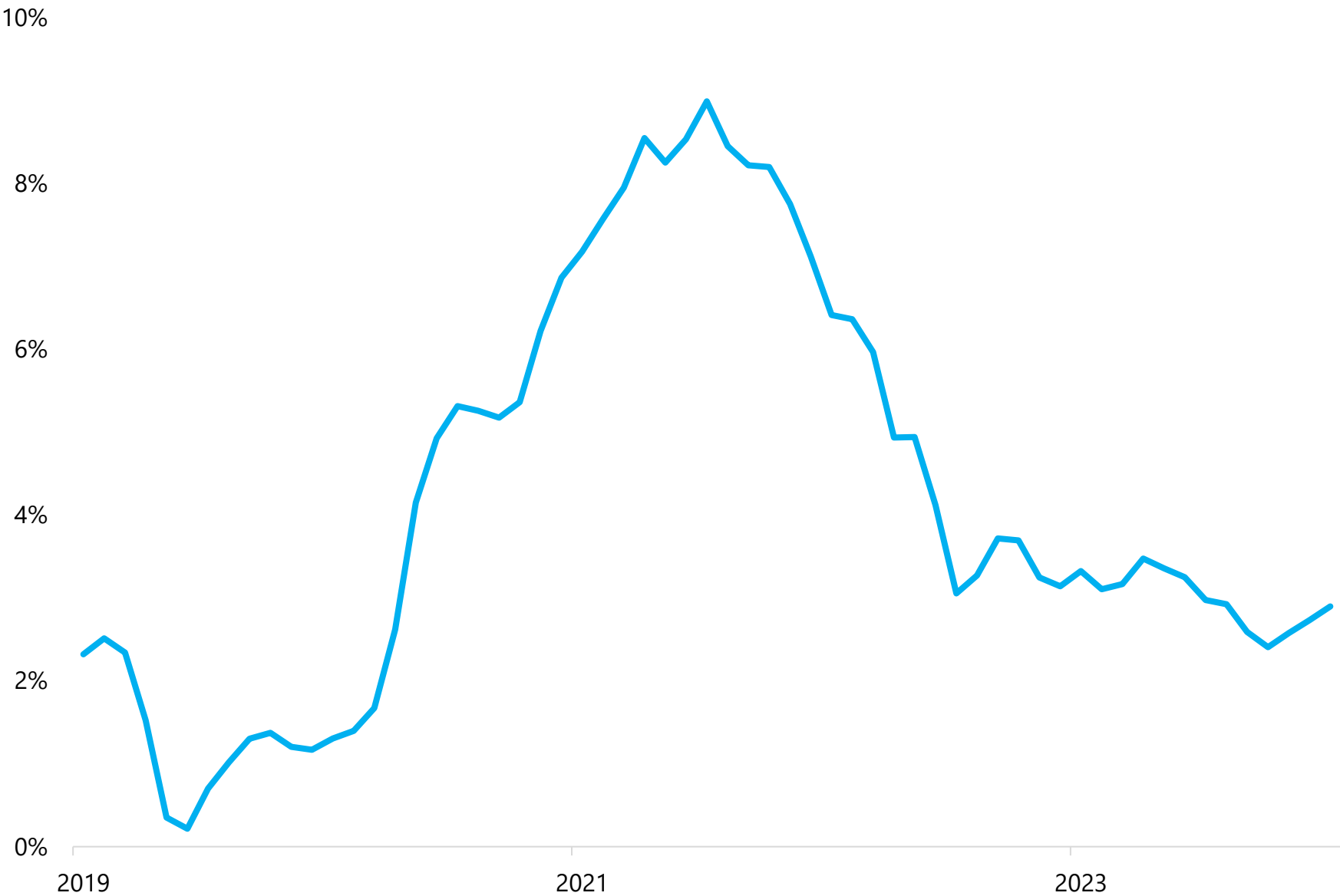
Revenue by Geographic Region (\$MM)



Source: Carter's 10k Filing

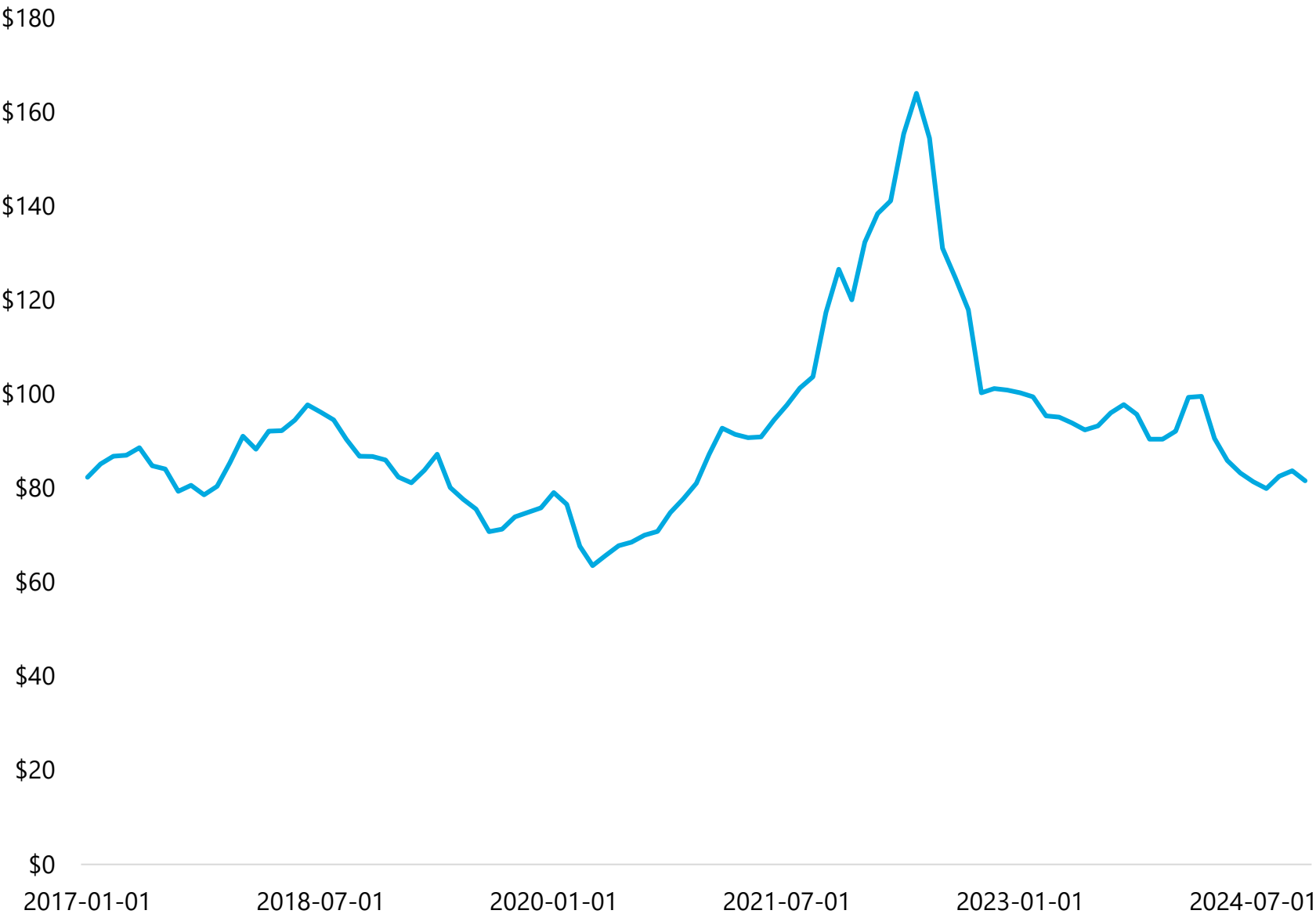


Headline CPI



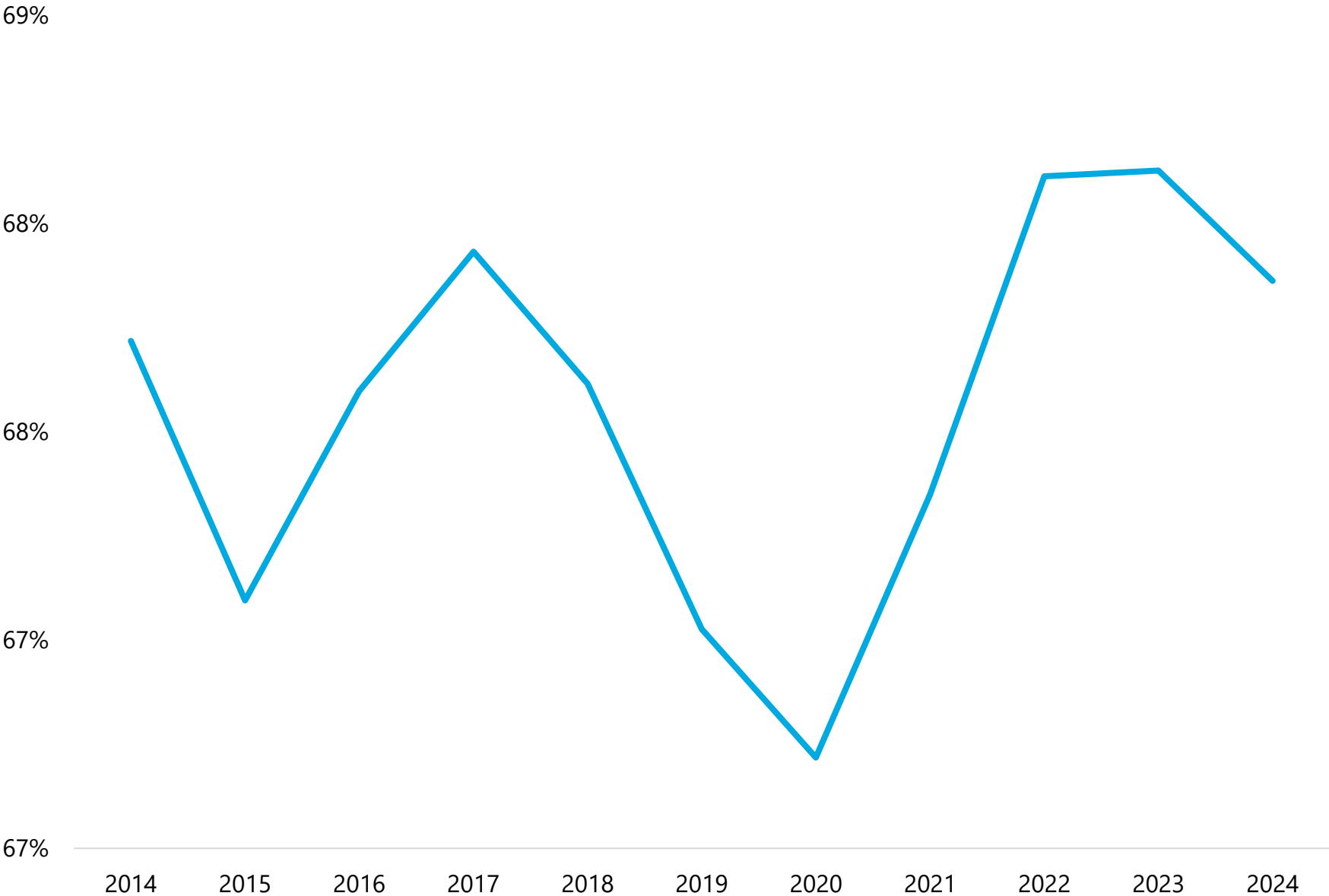


Cotton Commodity Price





PCE As % of GDP

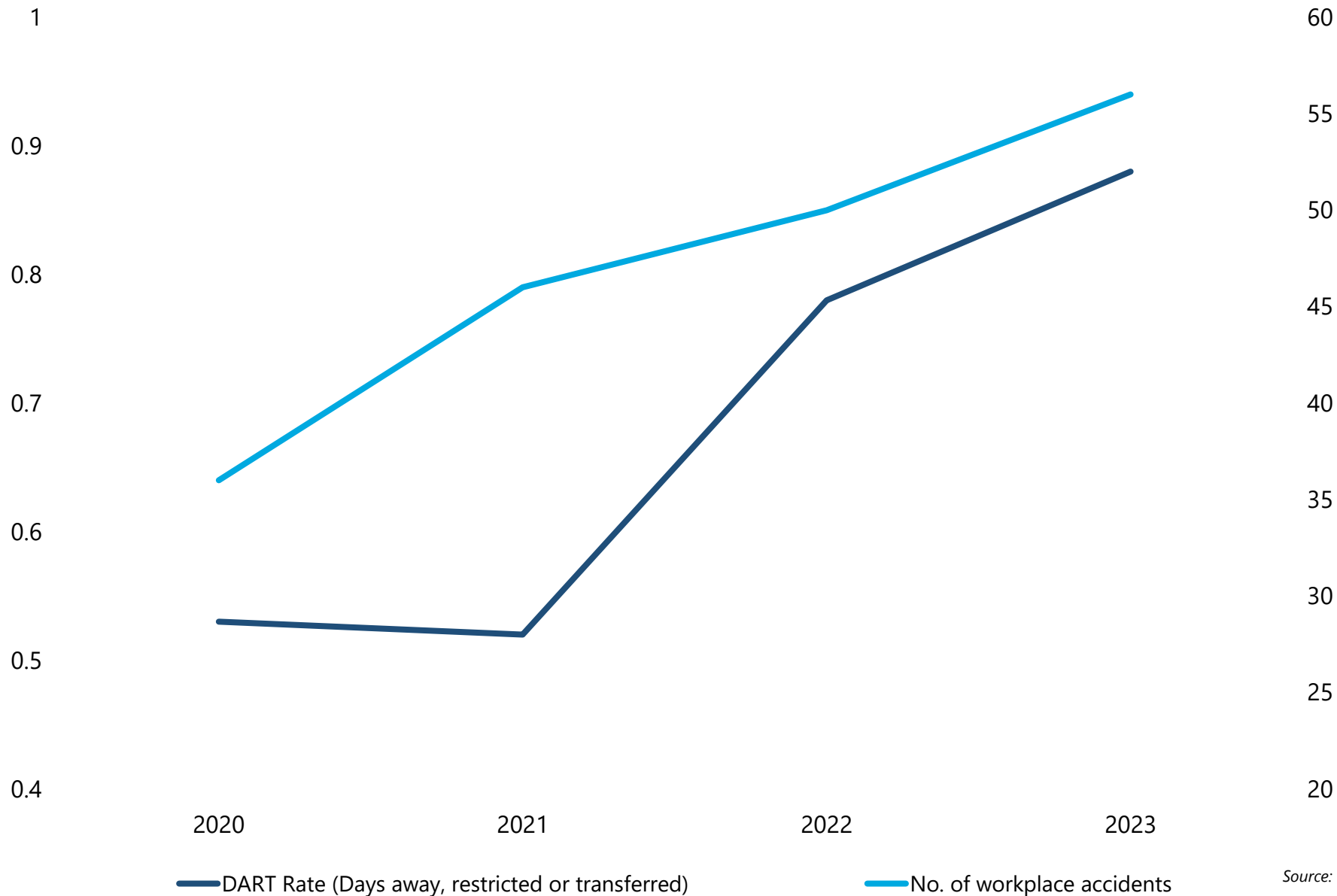




Carter's ESG	3.59
Environmental	Score
Environment Supply Chain Mgt	0.59
GHG Emissions	4.31
Social	Score
Social Supply Chain Mgt	3.00
Data Sec. & Cust. Privacy	3.00
Product Quality Mgt	3.00
Marketing & Labeling	3.00
Governance	Score
Board Composition	6.82
Executive	7.40
Shareholder Rights	8.20
Audit	8.63



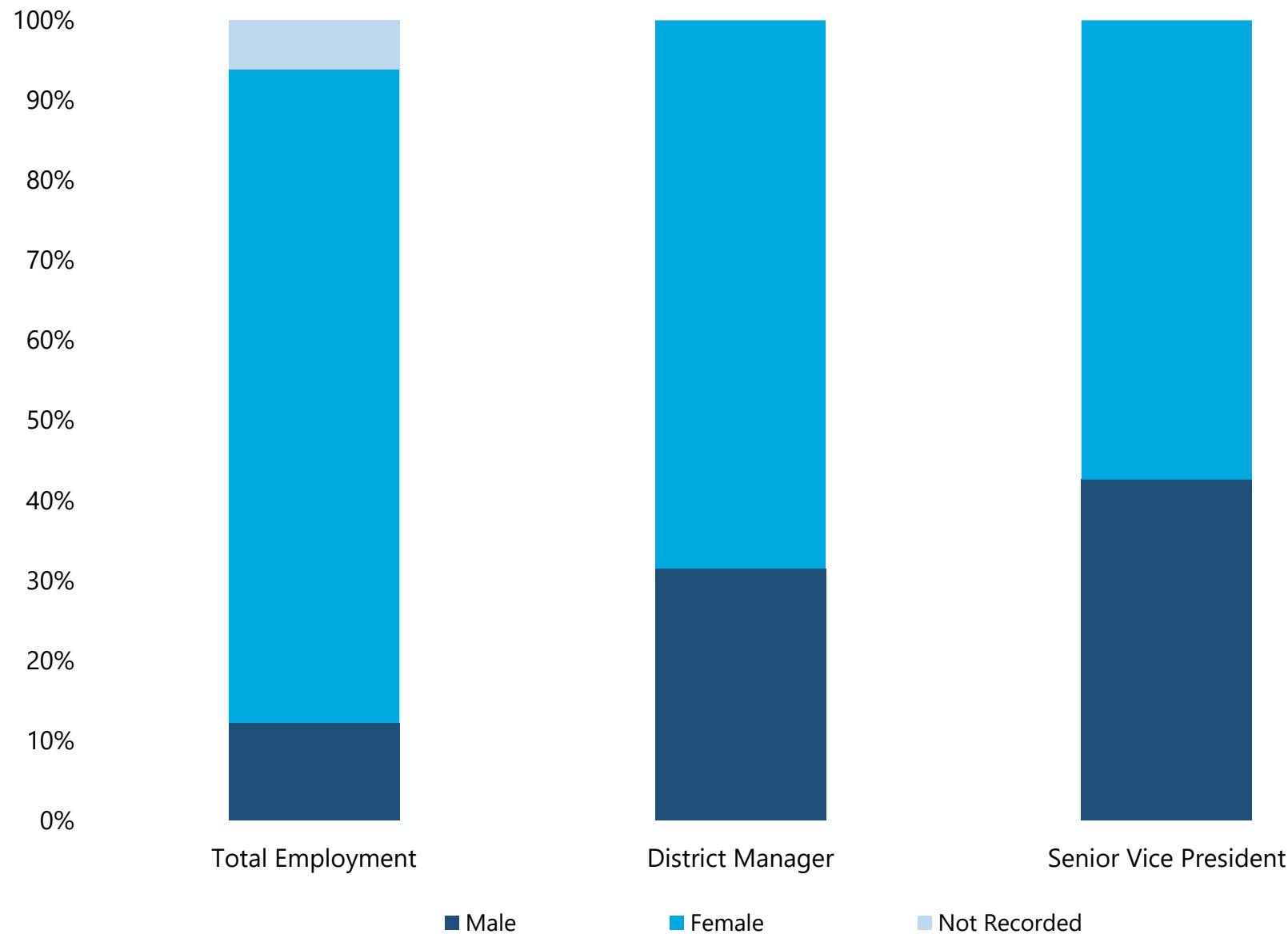
Carter's DART Rate and Accident Record Over Time



Source: Carter's 10k Filing

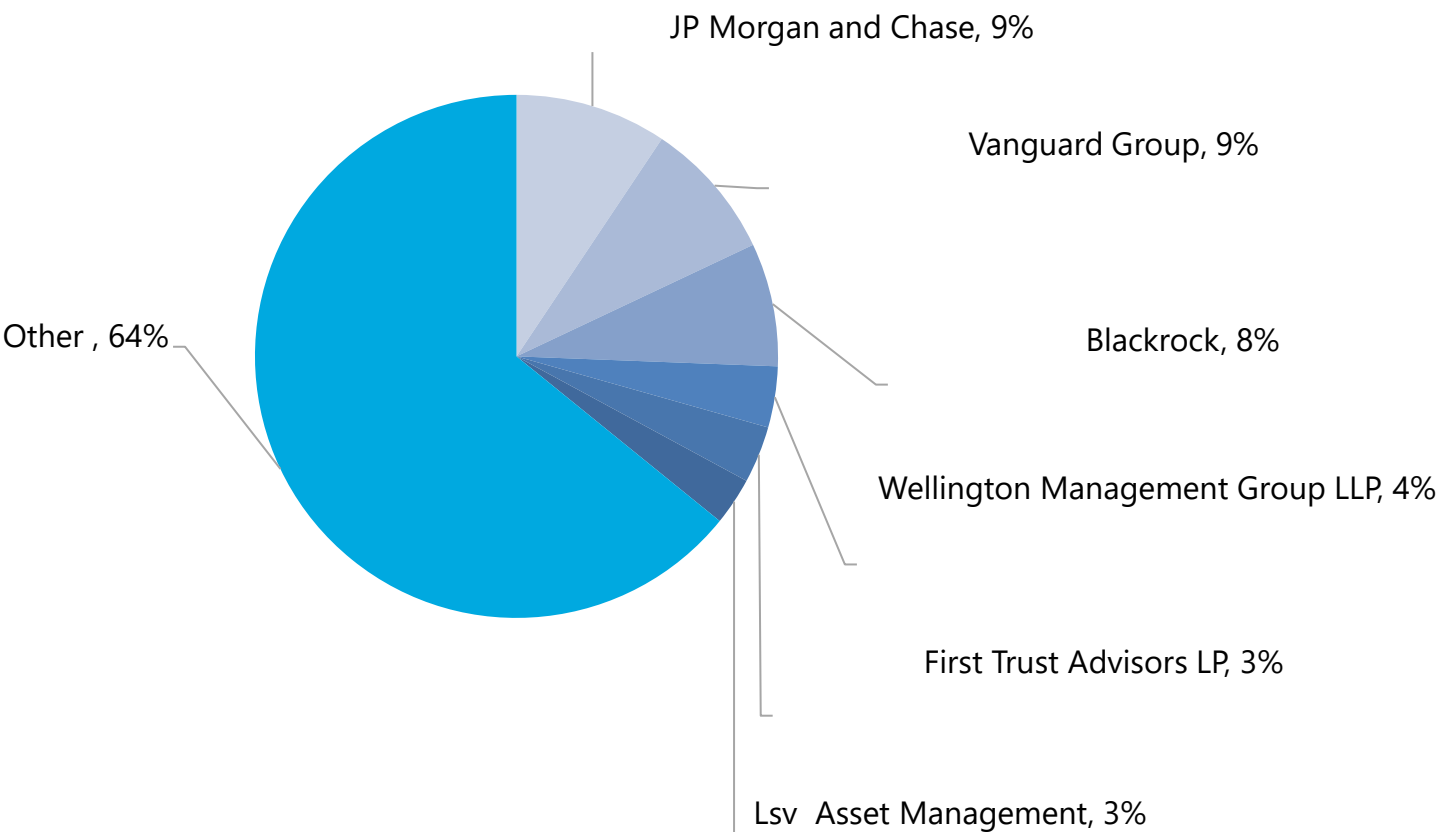


Gender Composition



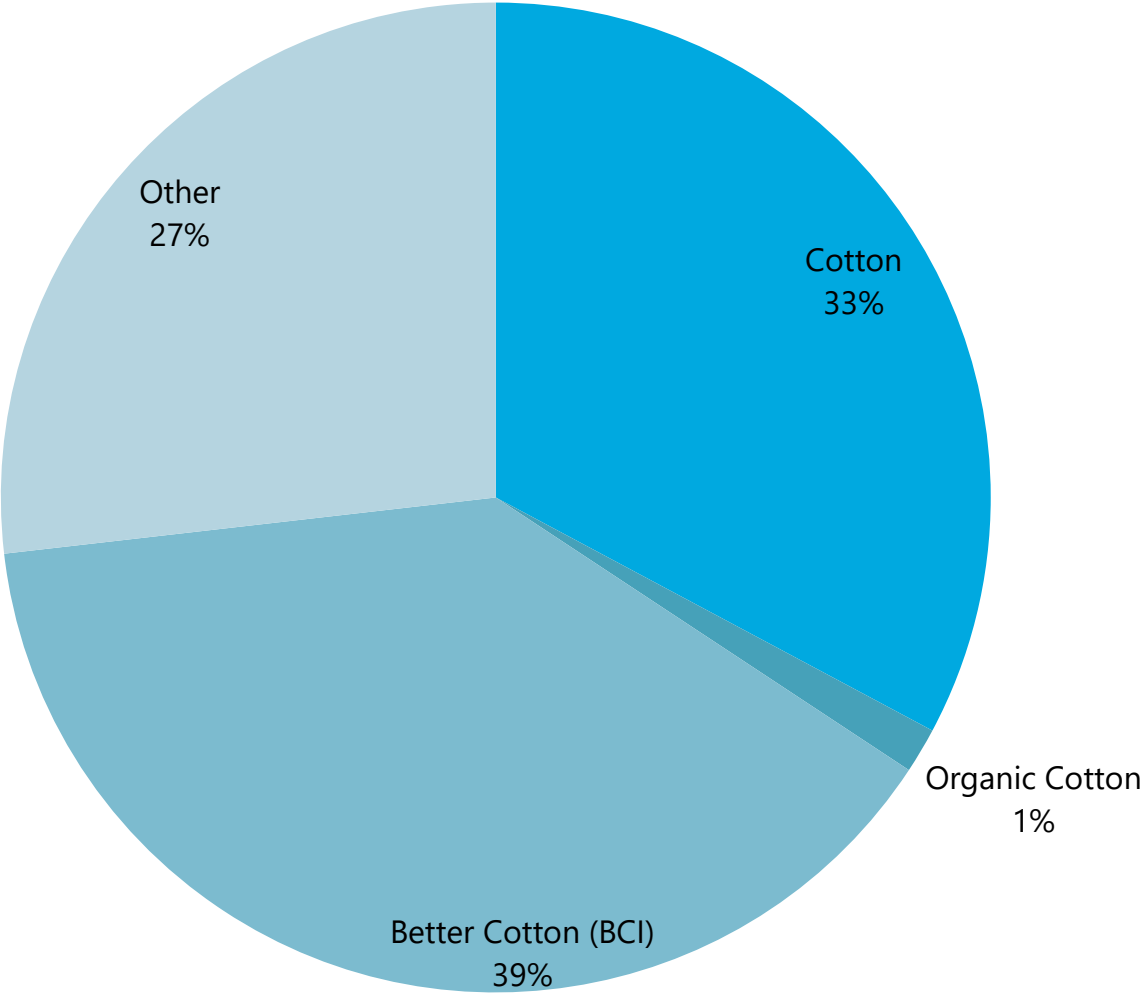


Shares Held By Institution (%)





Metric Tons Consumed by Carter's by Type of Textile



Source: Carter's 10k Filing

ESG Appendix: Board of Directors



William J. Montgoris
Non-Executive Chairman of
the Board, The Bear Stearns
Companies, Inc.



Rochester Anderson, Jr.
Group Chief Human
Resources Officer, Emory
Healthcare



Jeffrey H. Black
Former Senior Partner and
Vice Chairman, Deloitte LLP



Hali Borenstein
Chief Executive Officer,
Reformation LLC



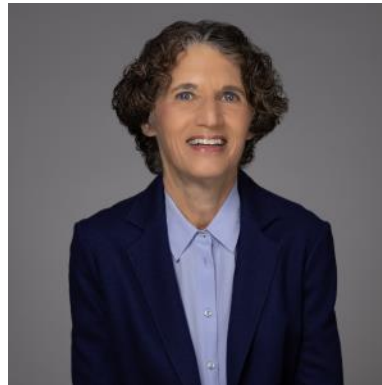
Luis A. Borgen
Former Chief Financial
Officer, athenahealth, Inc.



Jevin S. Eagle
Professor of the Practice,
Strategy and Innovation,
Executive Director of Social
Impact Initiatives,
Boston University
Questrom School of
Business



Mark P. Hipp
Former Vice President &
General Manager, Hewlett
Packard Enterprise
Company



Stacey S. Rauch
Senior Partner Emeritus,
McKinsey & Company



Gretchen W. Schar
Former Executive Vice
President, Chief Financial
and Administrative Officer
of Arbonne International
LLC



Stephanie P. Stahl
Former Global Marketing &
Strategy Officer, Coach, Inc.



Richard F. Westenberger
Interim Chief Executive
Officer, Senior Executive
Vice President, Chief
Financial Officer & Chief
Operating Officer



Kendra D. Krugman
Senior Executive Vice
President, Chief Creative &
Growth Officer



Julie A. D'Emilio
Executive Vice President,
Global Sales



Jeffrey M. Jenkins
Executive Vice President,
Global Marketing



Allison Peterson
Executive Vice President,
Chief Retail & Digital
Officer



Antonio D. Robinson
Senior Vice President,
General Counsel &
Secretary, Corporate Social
Responsibility & Chief
Compliance Officer



Raghu Sagi
Executive Vice President,
Chief Information &
Technology Officer



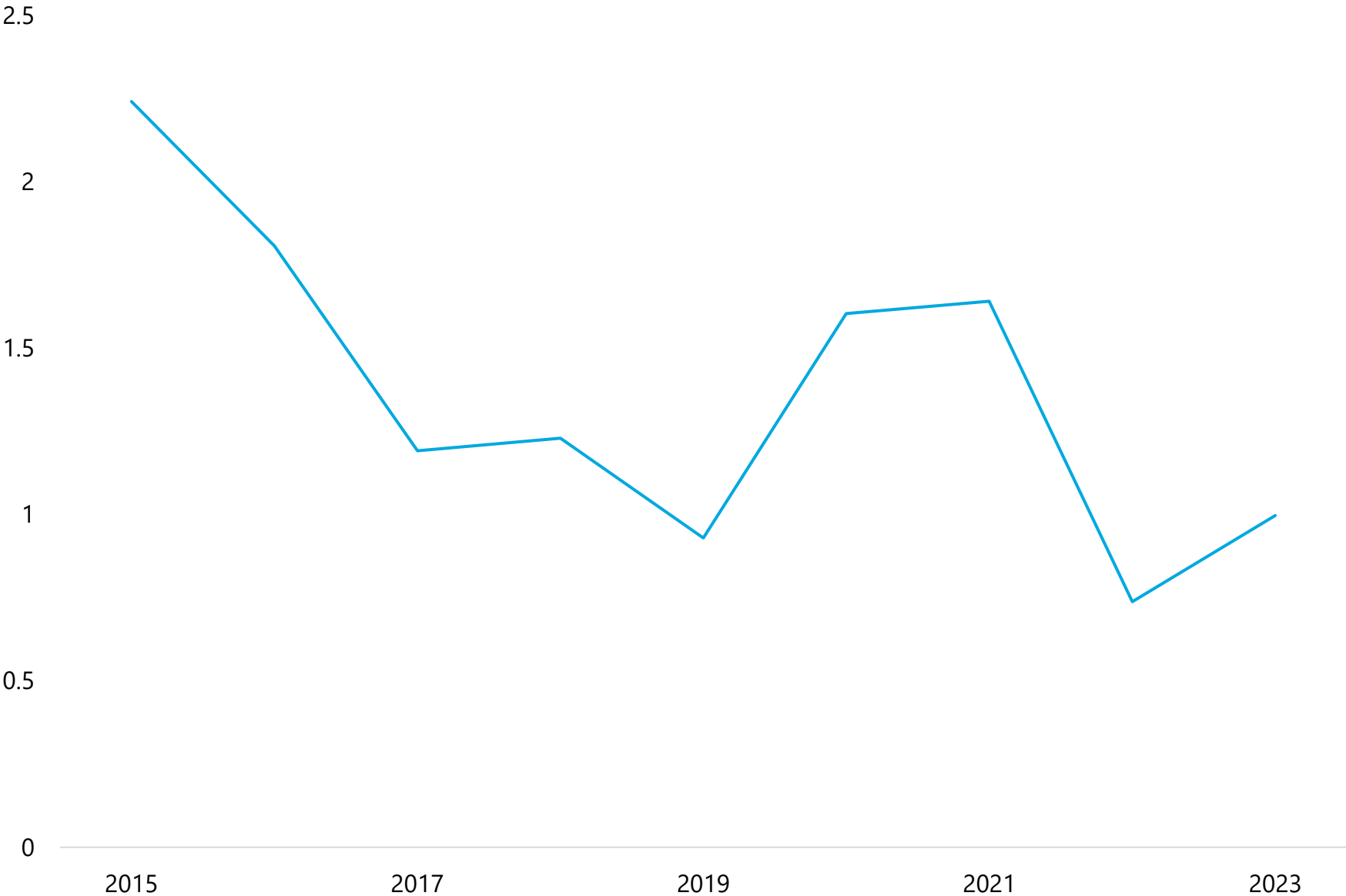
Karen G. Smith
Executive Vice President,
Supply Chain



Jill A. Wilson
Senior Vice President,
Human Resources & Talent
Development



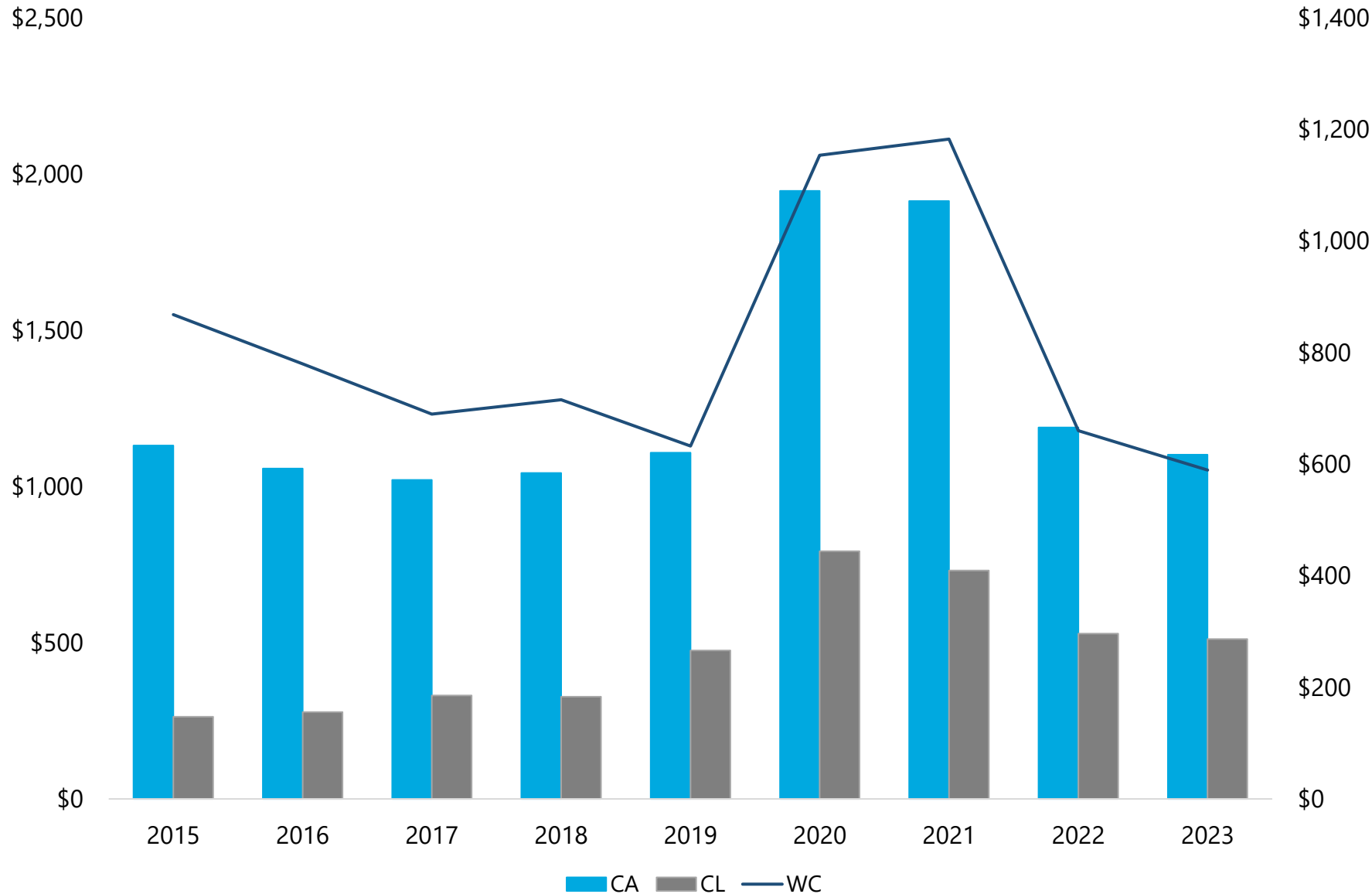
Quick Ratio



Source: Bloomberg

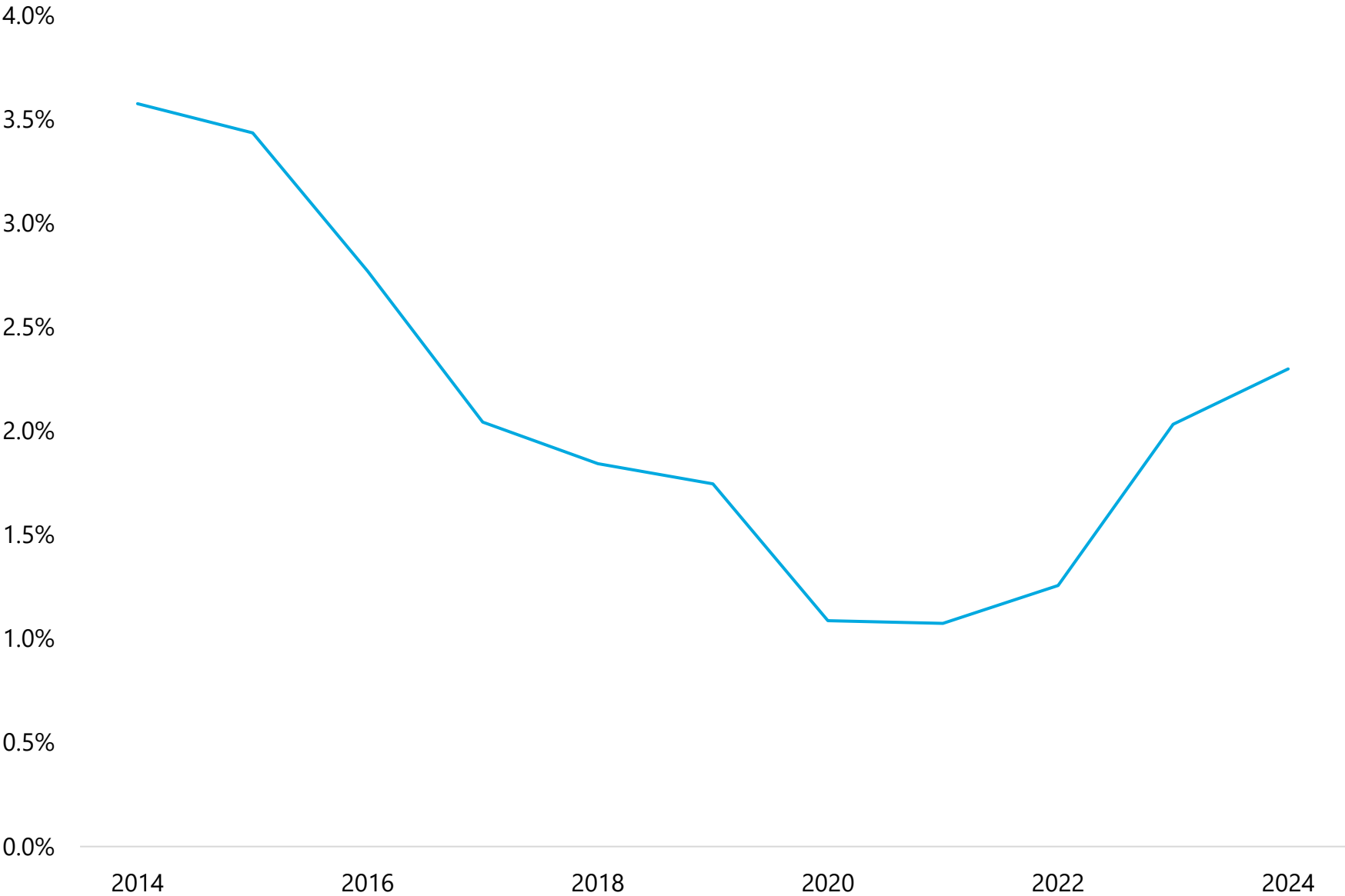


Current Asset, Current Liability and Working Capital





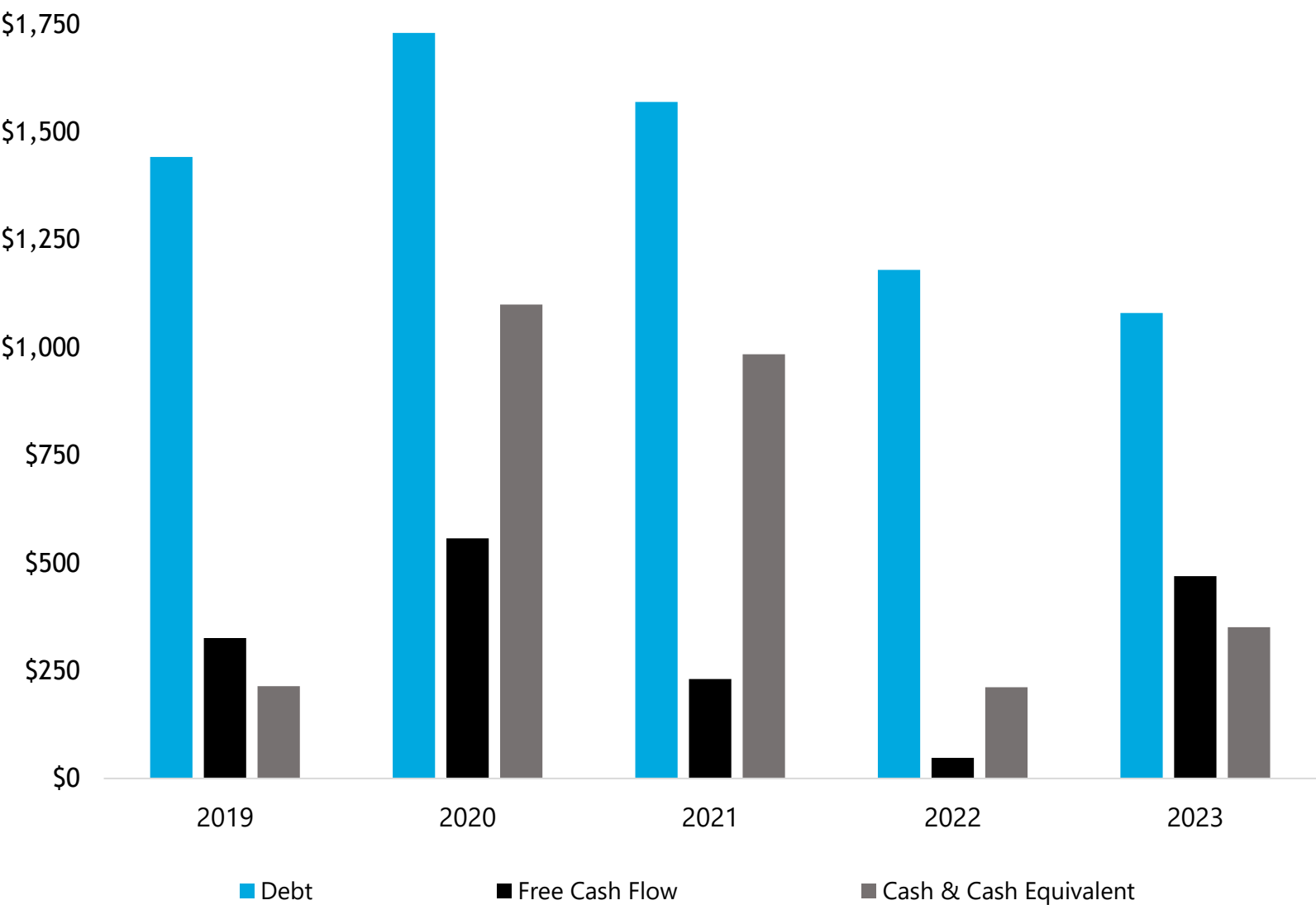
Capex to Revenue



Source: Bloomberg

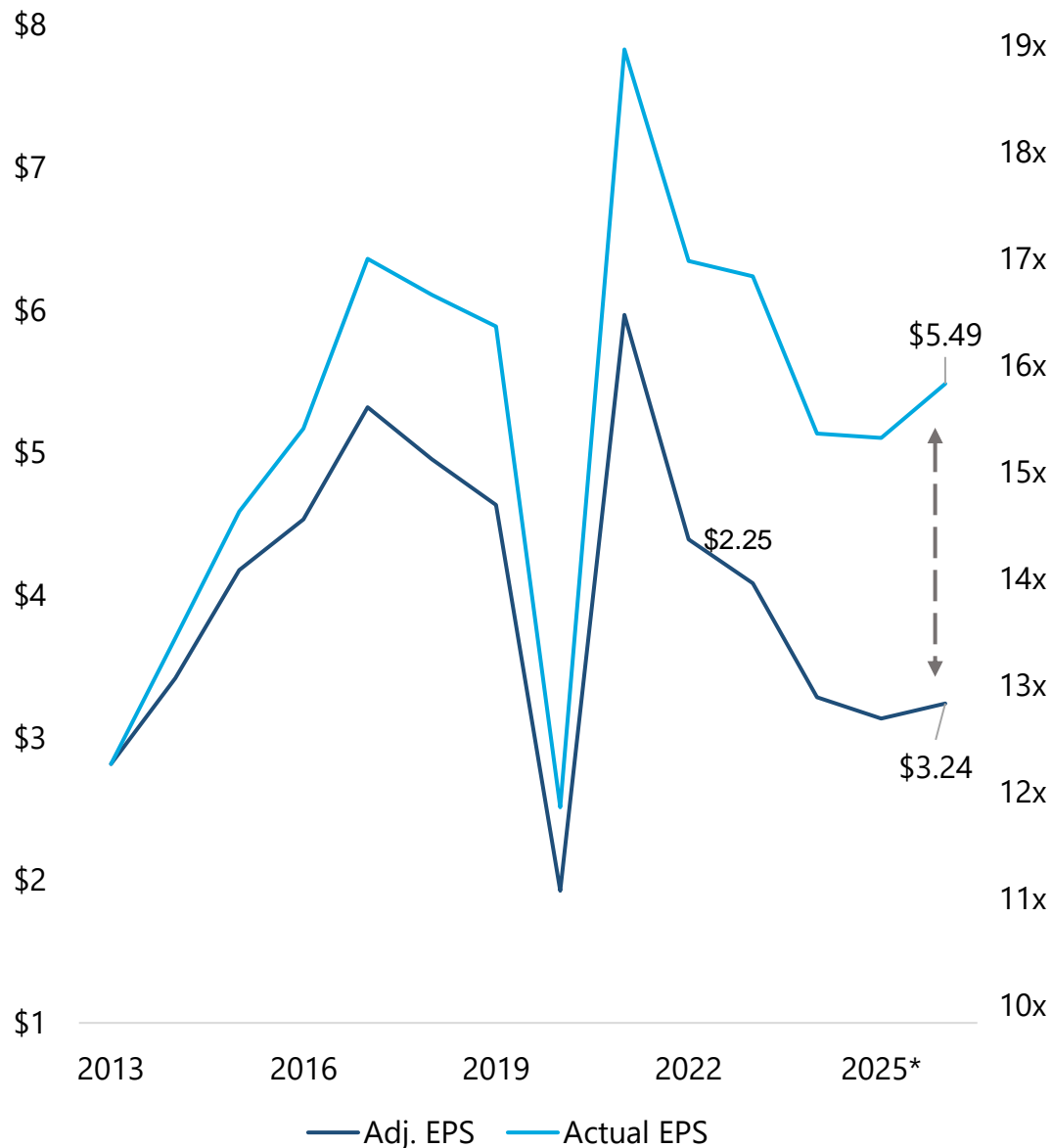


Financial Position and Solvency of Carter's



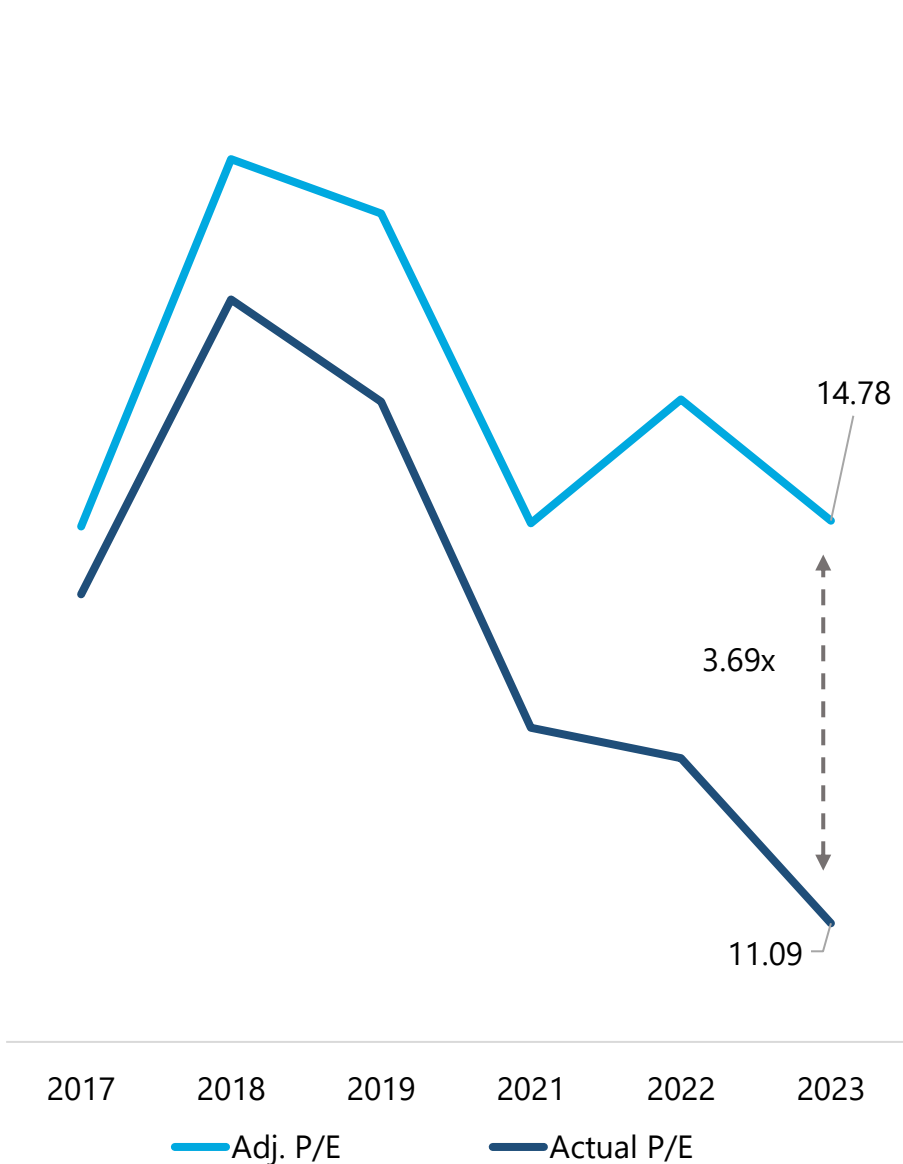


Actual EPS vs EPS Adj. for Repurchases



Source: Earnings Model

Adjusted P/E vs Actual P/E



Source: Bloomberg



CRI EPS Forecast



Source: Earnings Model

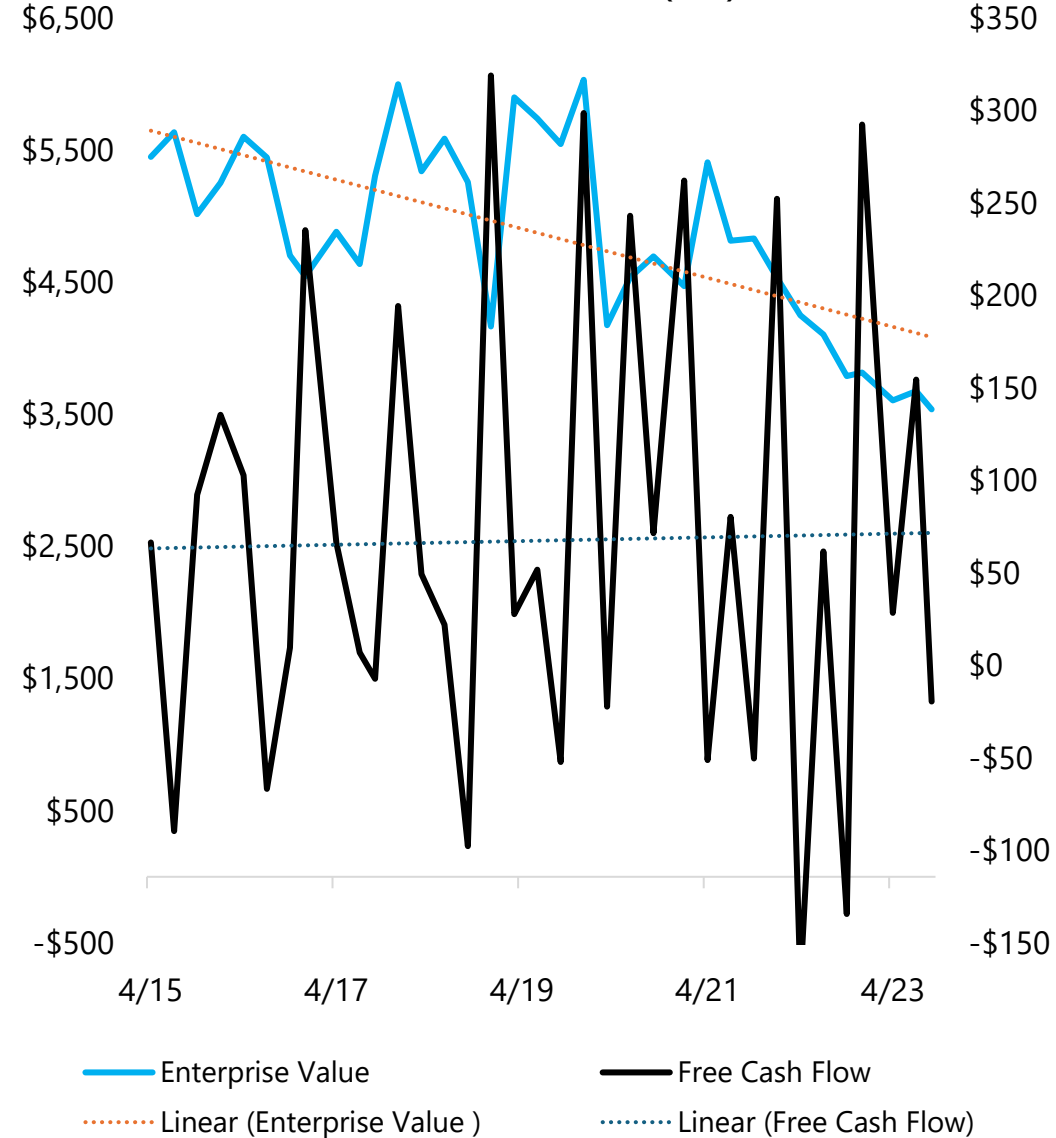


CRI: Free Cash Flow Yield



Source: Bloomberg

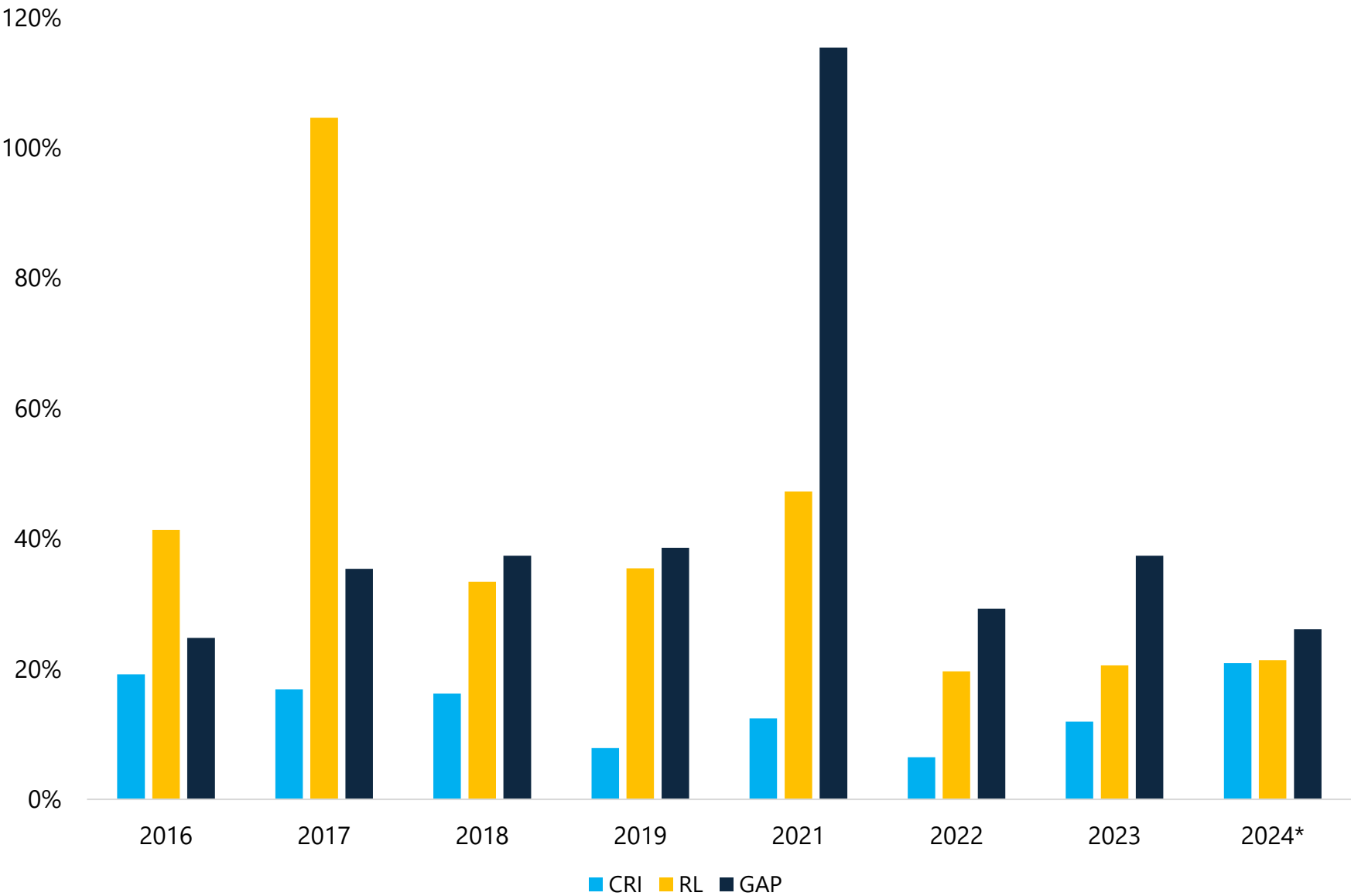
CRI: EV v/s FCF (\$B)



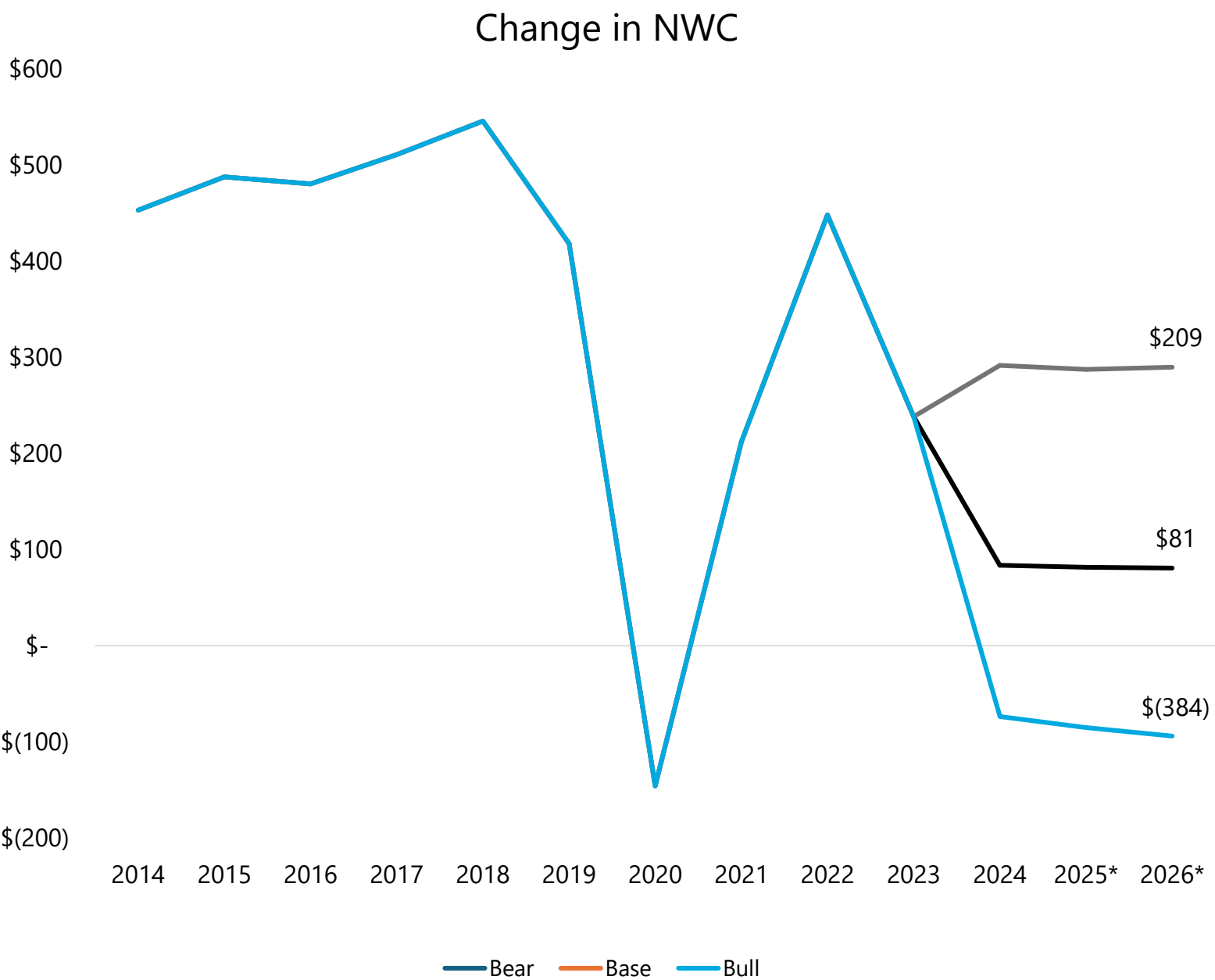
Source: Bloomberg



CRI vs Competitors EV/EBITDA

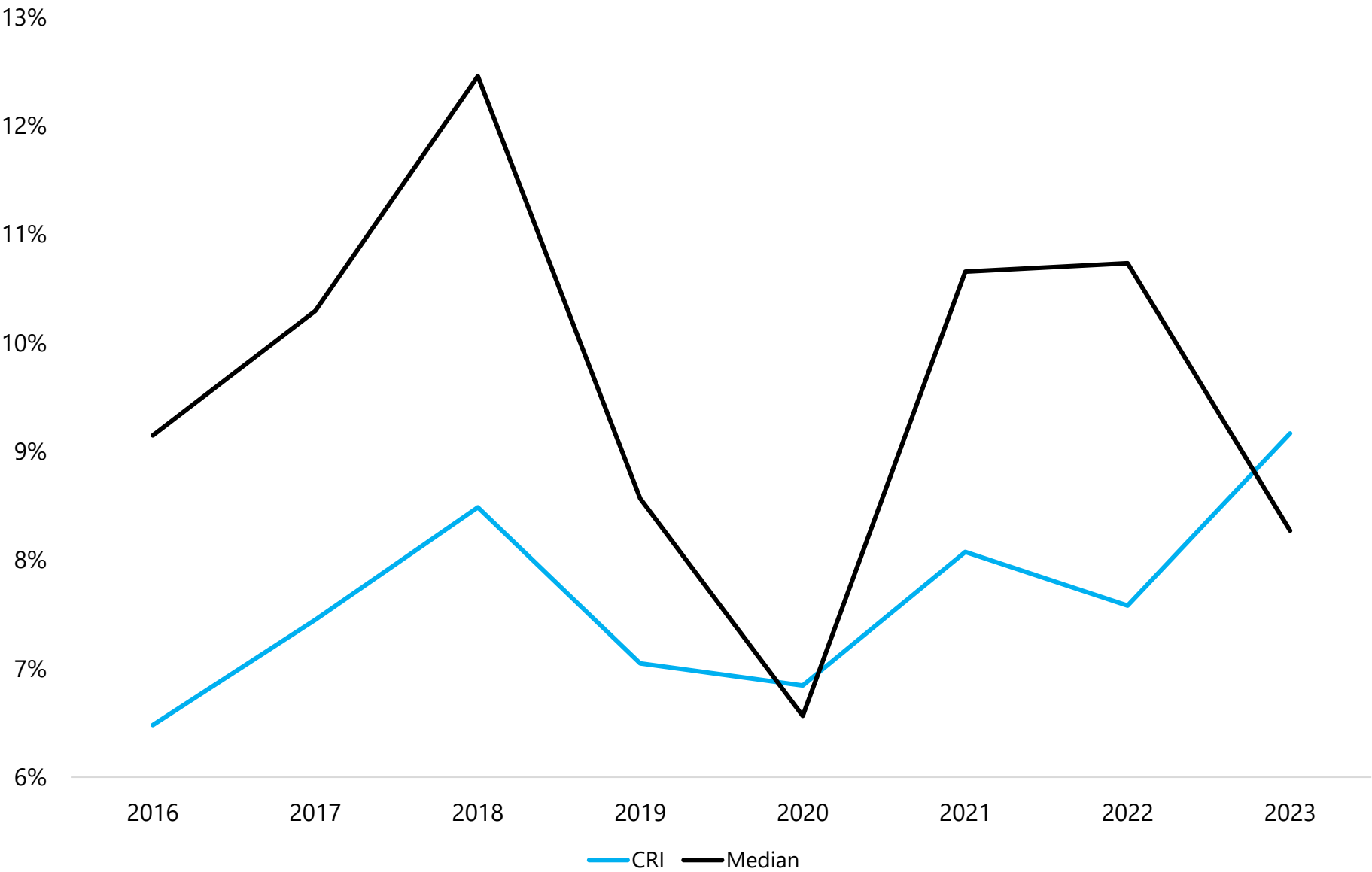


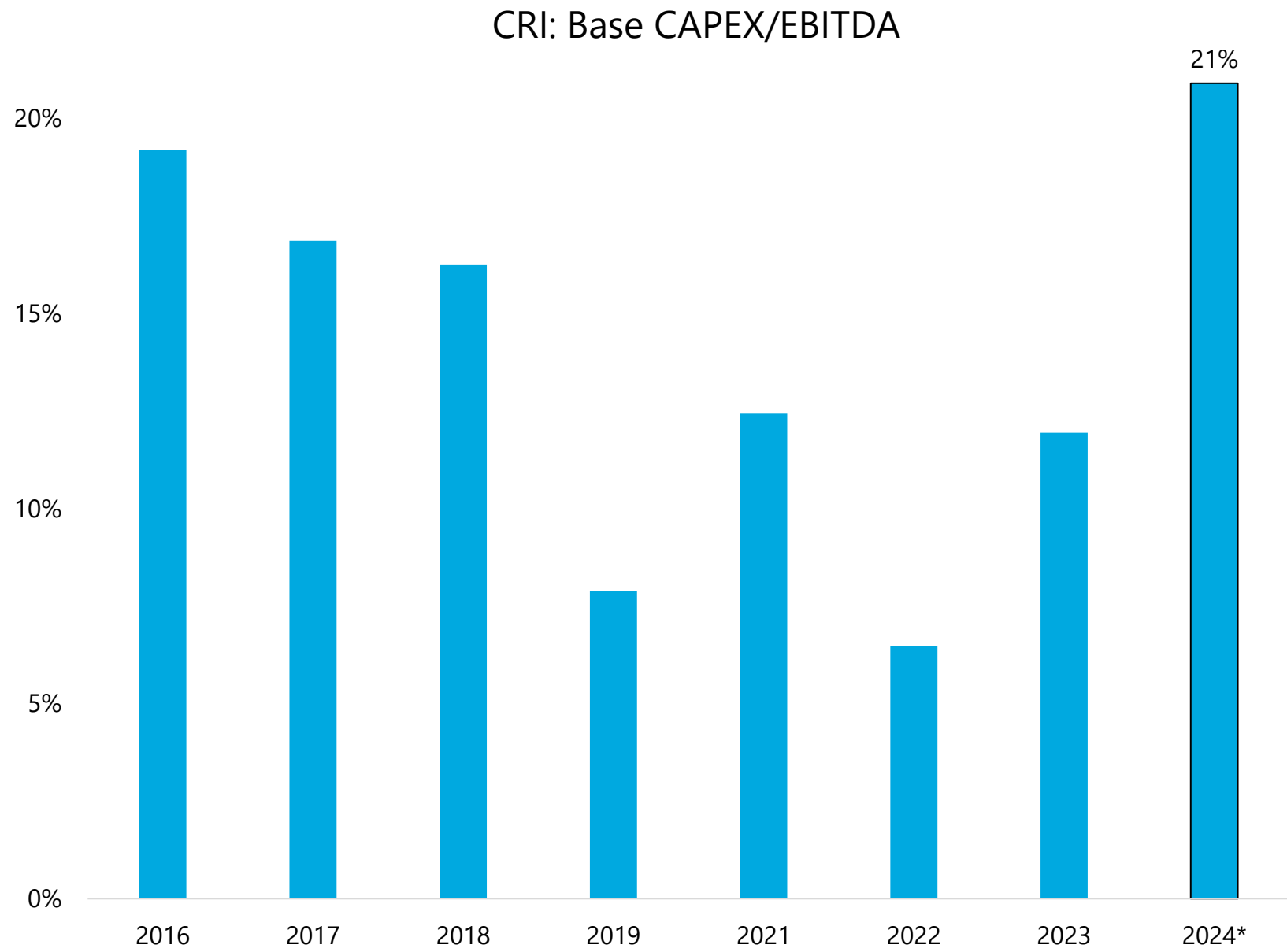
Source: Bloomberg





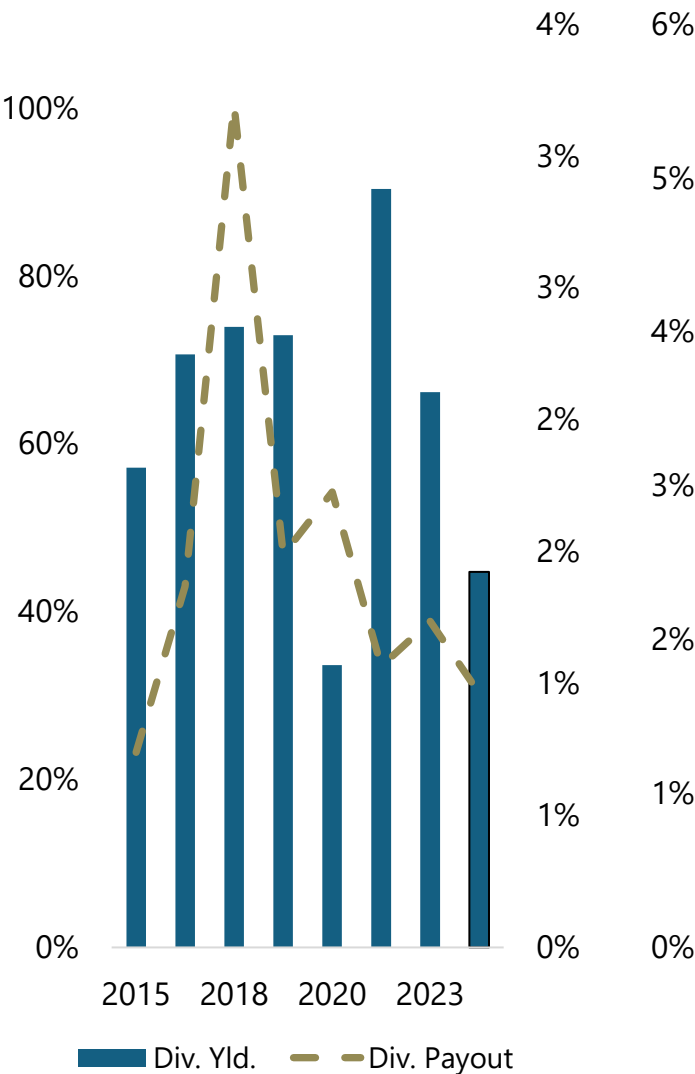
CRI vs Competitor's Median WACC





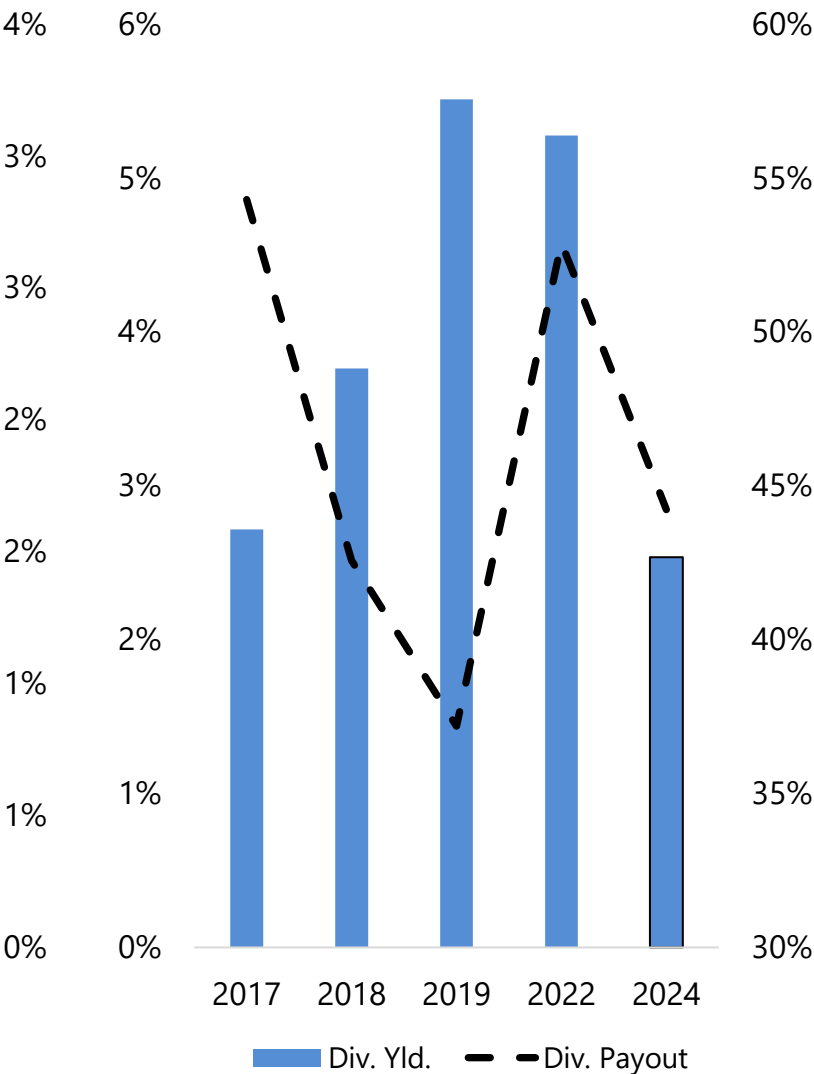


RL: Div. Payout % vs Div. Yld.



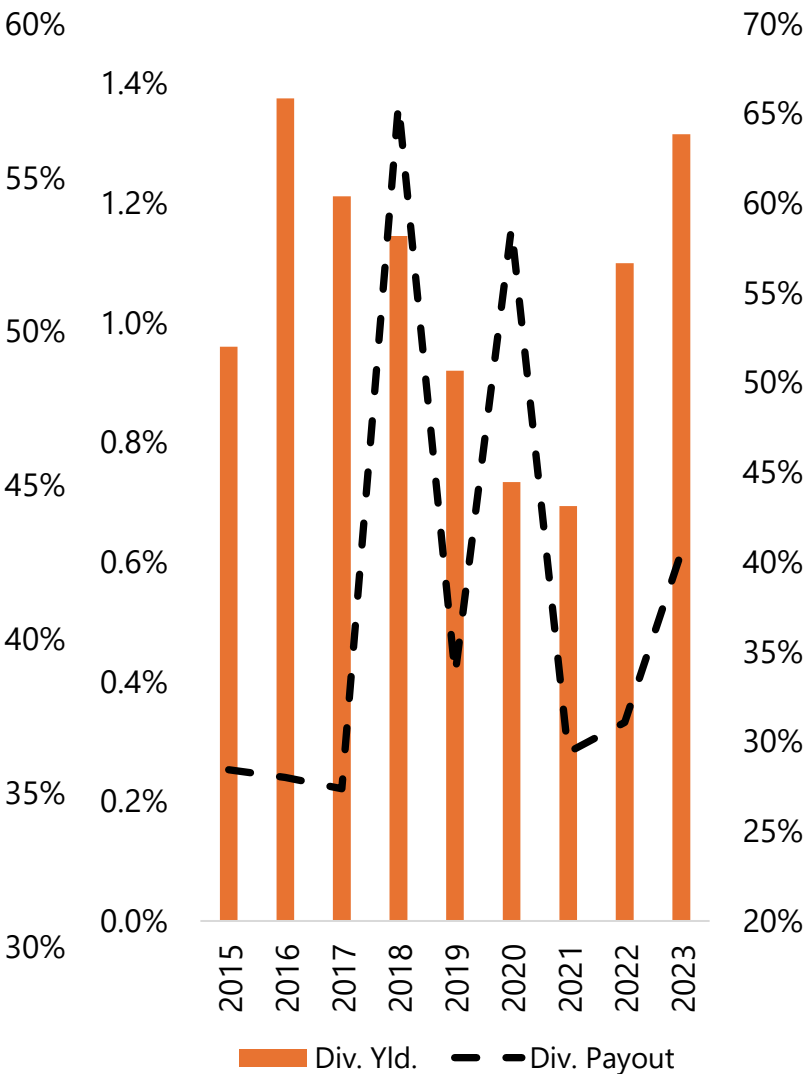
Source: Bloomberg

GAP: Div. payout % vs Div. Yld.



Source: Bloomberg

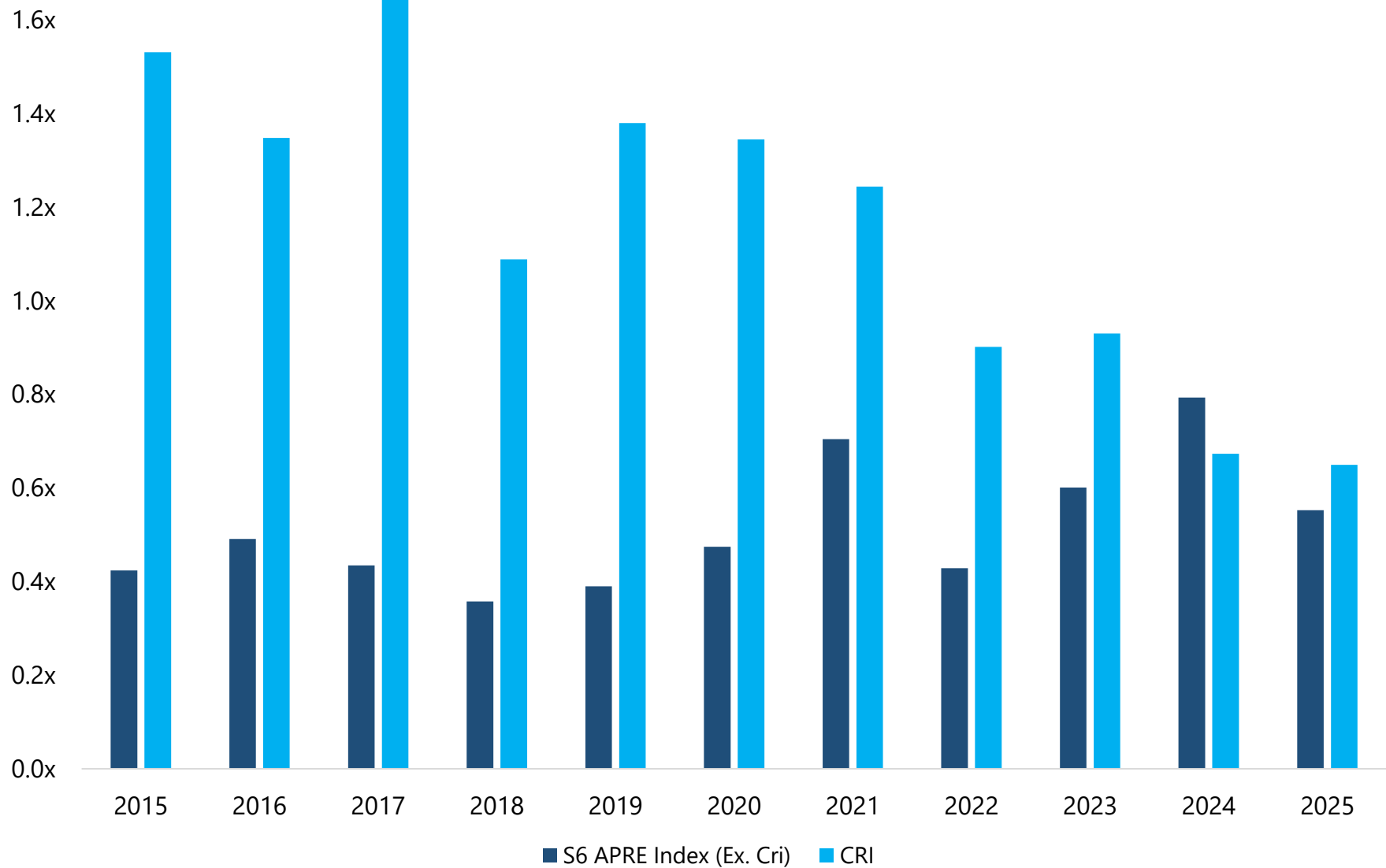
NIKE: Div. payout % vs Div. Yld.

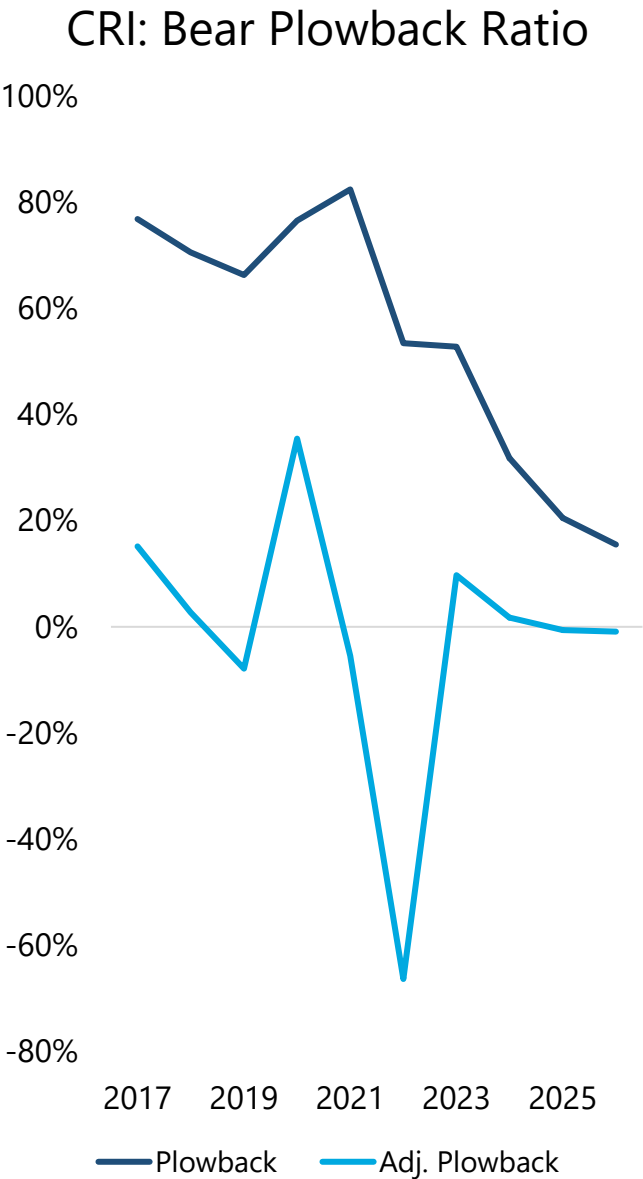


Source: Bloomberg

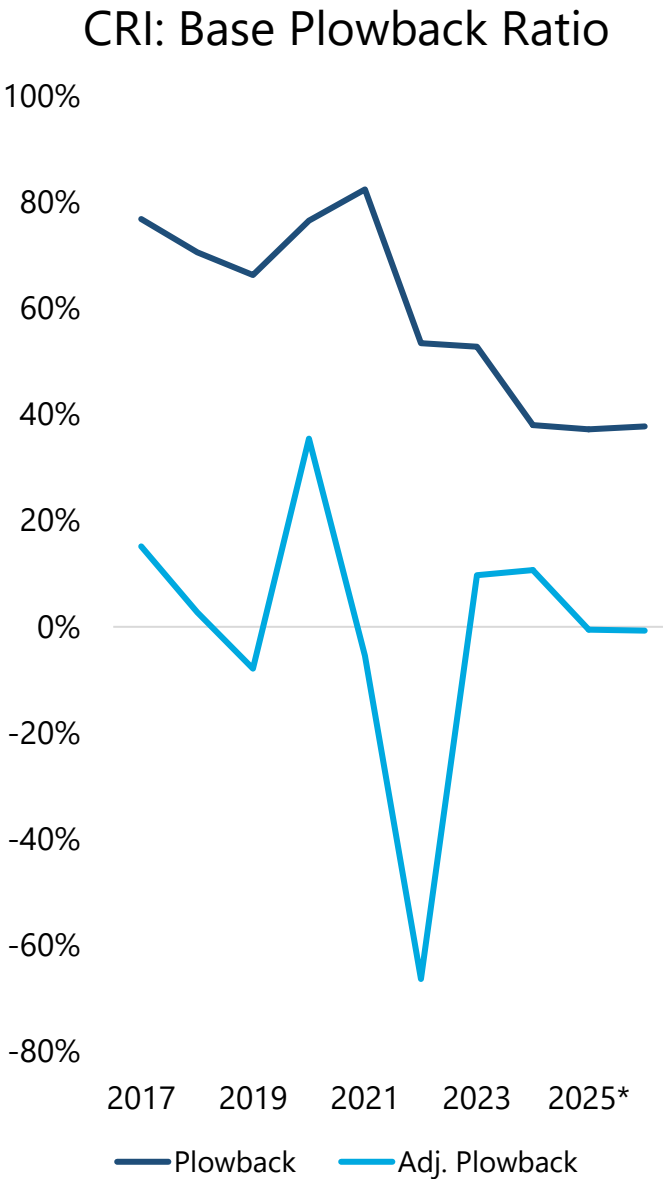


CRI vs S6 APRE Index P/S

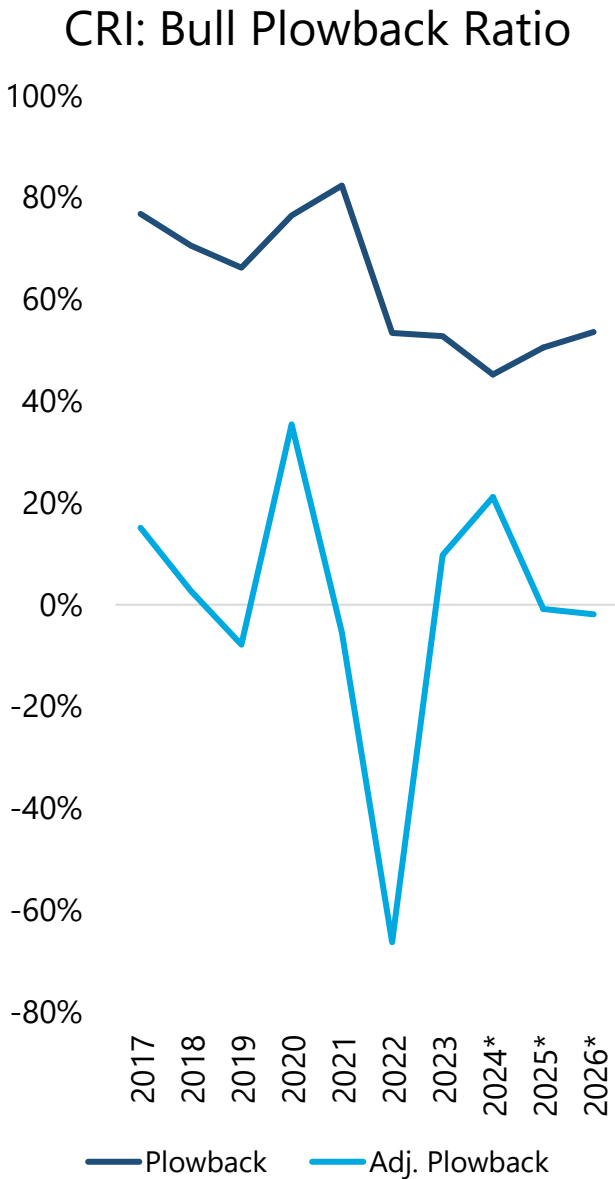




Source: Bloomberg



Source: Bloomberg



Source: Bloomberg



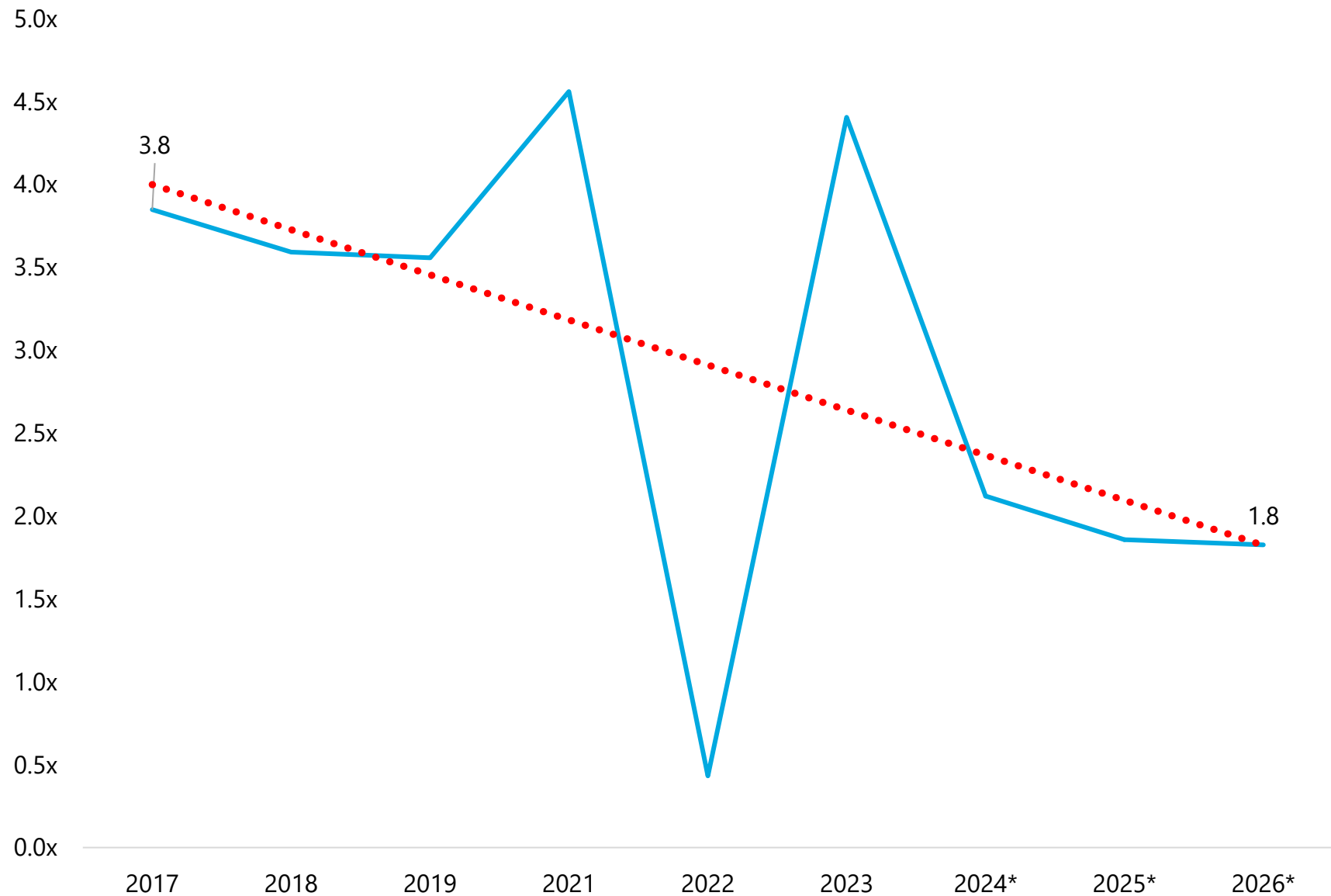
Discounted Cashflow Model Summary									
Bear	Terminal Growth (TG)	\$33.70	80%	\$26.96	\$32.09	30%	\$9.63	\$46.60	50%
	EXIT	\$25.62	20%	\$5.12					
Base	TG	\$51.69	80%	\$41.35	\$48.78	50%	\$24.39		
	EXIT	\$37.14	20%	\$7.43					
Bull	TG	\$66.64	80%	\$53.31	\$62.93	20%	\$12.59		
	EXIT	\$48.11	20%	\$9.62					



Dividend Discount Model Summary									
BEAR	Intrinsic Value 0 Growth	\$24.85	30%	\$7.46	\$28.85	30%	\$8.66	\$47.56	30%
	IV 0 Growth Adj. DPS	\$30.57	70%	\$21.40					
BASE	IV Base DPS	\$34.85	30%	\$10.45	\$48.20	50%	\$24.10		
	IV Adj. DPS	\$53.93	70%	\$37.75					
BULL	IV Bull DPS	\$57.32	30%	\$17.20	\$74.01	20%	\$14.80		
	IV Adj. DPS	\$81.16	70%	\$56.81					



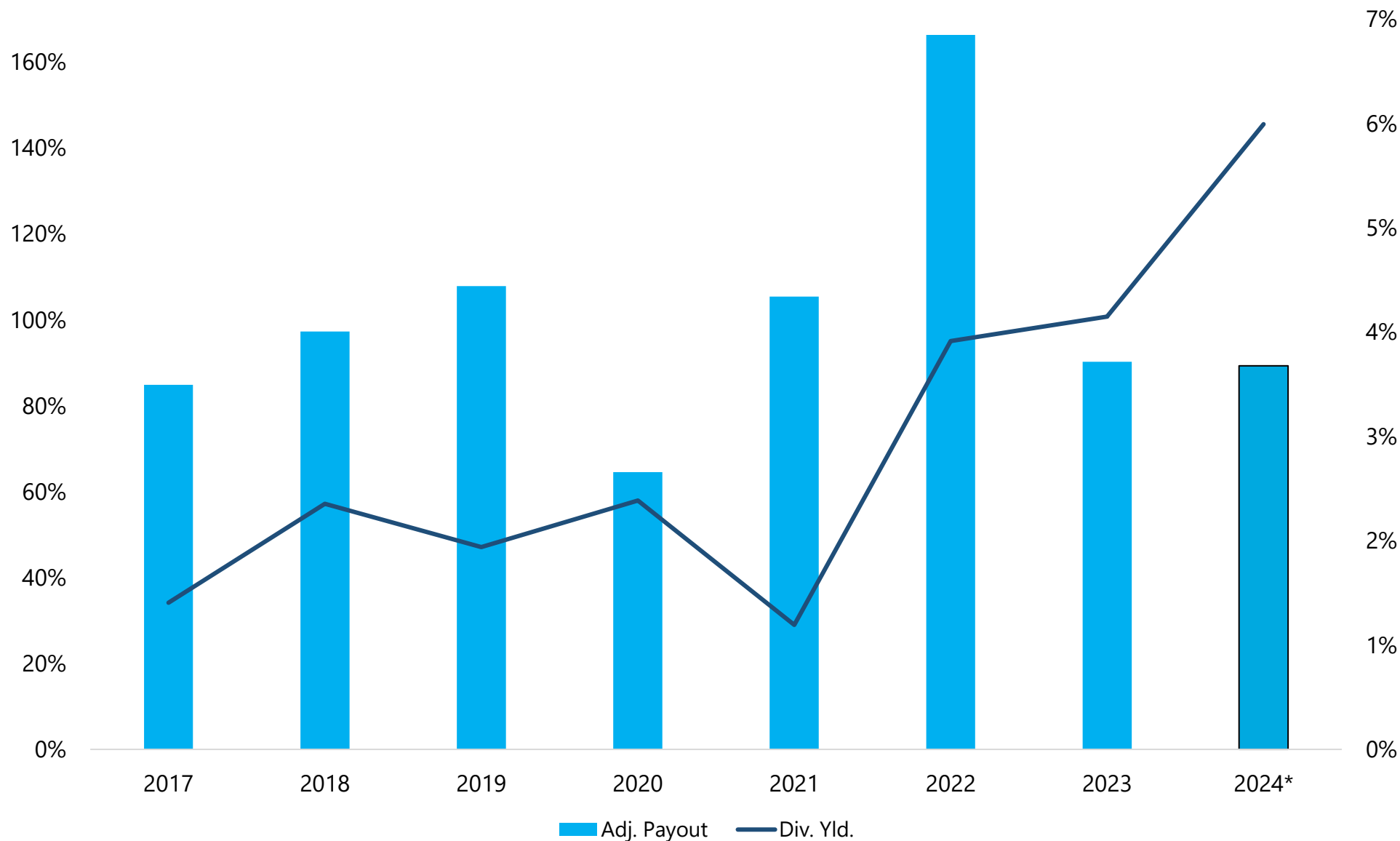
CRI: Free Cashflow per share to DPS



Source: DCF Valuation



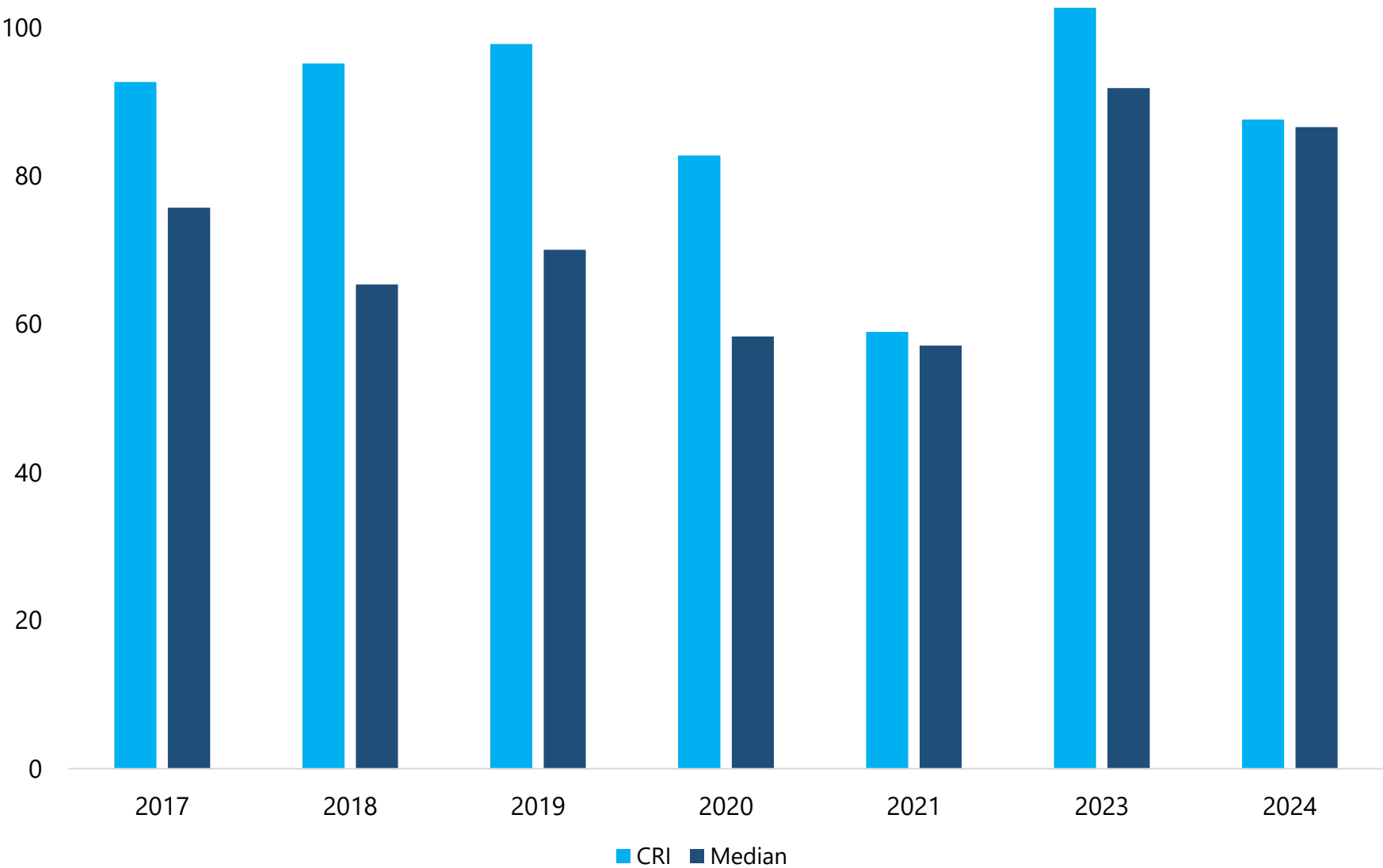
CRI: Adj. Payout % vs Div. Yld.



Source: Earnings Model



Cash Conversion Cycle: CRI vs Comps Median



Carter's Bear Case Pro Forma



Bear Case (in million of \$)	Carter's Working Earnings Model							Forecast	
	2018	2019	2020	2021	2022	2023	2024E	2025E	2026E
Sales & Services Revenue	\$3,462	\$3,519	\$3,024	\$3,486	\$3,213	\$2,946	\$2,788	\$2,718	\$2,691
Cost of Goods & Services	\$1,961	\$2,013	\$1,711	\$1,824	\$1,740	\$1,550	\$1,465	\$1,427	\$1,411
Gross Profit	\$1,501	\$1,507	\$1,313	\$1,662	\$1,472	\$1,396	\$1,323	\$1,291	\$1,280
Gross Profit Margin %	43.4%	42.8%	43.4%	47.7%	45.8%	47.4%	47.5%	47.5%	47.6%
Other Operating Income	\$39	-	-	-	-	-	-	-	-
Operating Expenses	\$1,132	\$1,105	\$1,042	\$1,161	\$1,084	\$1,076	\$1,077	\$1,079	\$1,080
Selling, General & Admin	\$1,144	\$1,141	\$1,106	\$1,194	\$1,110	\$1,094	\$1,100	\$1,101	\$1,102
Other Operating Expense	-\$12	-\$36	-\$63	-\$32	-\$26	-\$18	-\$23	-\$22	-\$22
Operating Income (Loss)	\$408	\$401	\$271	\$501	\$389	\$320	\$246	\$213	\$200
Operating Margin %	11.8%	11.4%	9.0%	14.4%	12.1%	10.9%	8.8%	7.8%	7.4%
Non-Operating (Income) Loss	\$36	\$36	\$55	\$61	\$45	\$23	\$28	\$27	\$27
Interest Expense, Net	\$34	\$36	\$55	\$59	\$42	\$29	\$26	\$26	\$25
Other Non-Op (Income) Loss	\$1	\$0	\$0	\$2	\$4	-\$6	\$2	\$2	\$2
Pretax Income (Loss), Adjusted	\$373	\$365	\$216	\$440	\$344	\$296	\$218	\$185	\$173
Abnormal Losses (Gains)	\$17	\$37	\$81	\$2	\$27	-\$6	\$3	\$3	\$3
Pretax Income (Loss), GAAP	\$356	\$328	\$135	\$438	\$317	\$302	\$215	\$183	\$170
% Effective Tax Rate	20.8%	19.6%	18.7%	22.5%	21.1%	23.1%	21.0%	21.0%	21.0%
Income Tax Expense (Benefit)	\$74	\$64	\$25	\$99	\$67	\$70	\$45	\$38	\$36
Net Income, GAAP	\$282	\$264	\$110	\$340	\$250	\$233	\$170	\$144	\$134
Net Profit Margin %	8.1%	7.5%	3.6%	9.7%	7.8%	7.9%	6.1%	5.3%	5.0%

Carter's Bear Case Dividends & EPS



(in million of \$)	2018	2019	2020	2021	2022	2023	2024E	2025E	2026E
Dividend Paid	\$84	\$90	\$26	\$60	\$117	\$110	\$115	\$112	\$111
Payout Ratio %	29.7%	34.0%	23.6%	17.7%	46.6%	47.2%	67.5%	77.8%	82.3%
Dividends per Share	1.79	2.00	0.60	1.40	3.00	3.00	3.20	3.20	3.20
YoY % Growth	21.8%	11.7%	-70.2%	133.8%	114.9%	0.1%	6.7%	-0.1%	0.1%
Share Buyback	\$193	\$197	\$45	\$299	\$300	\$100	\$51	\$32	\$24
YoY % Growth	2.1%	2.0%	-77.0%	561.4%	0.1%	-66.6%	-49.5%	-36.4%	-25.7%
Number of Shares Repurchased	1,879,529	2,107,472	474,684	2,967,619	3,747,187	1,446,269	736,114	753,917	560,257
Average Price	\$102.70	\$93.43	\$95.34	\$100.87	\$79.97	\$69.17	\$68.61	\$42.58	\$42.58
Outflow to Shareholder	\$277	\$287	\$71	\$359	\$416	\$210	\$165	\$144	\$134
Adjusted Payout Ratio	98.1%	108.6%	64.8%	105.8%	166.5%	90.3%	97.2%	100.0%	100.0%
Diluted Weighted Avg Shares	46.65	44.71	43.41	43.00	38.85	36.59	35.86	35.10	34.54
Diluted EPS, GAAP	6.00	5.85	2.50	7.80	6.34	6.24	4.66	4.03	3.81
YoY % Growth	-3.8%	-2.6%	-57.2%	211.6%	-18.7%	-1.6%	-25.2%	-13.5%	-5.5%

Carter's Base Case Pro Forma



Base Case (in million of \$)	2018	Carter's Earnings Model						Forecast	
		2019	2020	2021	2022	2023	2024E	2025E	2026E
Sales & Services Revenue	\$3,462	\$3,519	\$3,024	\$3,486	\$3,213	\$2,946	\$2,828	\$2,799	\$2,841
Cost of Goods & Services	\$1,961	\$2,013	\$1,711	\$1,824	\$1,740	\$1,550	\$1,485	\$1,463	\$1,478
Gross Profit	\$1,501	\$1,507	\$1,313	\$1,662	\$1,472	\$1,396	\$1,343	\$1,337	\$1,364
Gross Profit Margin %	43.4%	42.8%	43.4%	47.7%	45.8%	47.4%	47.5%	47.8%	48.0%
Other Operating Income	\$39	-	-	-	-	-	-	-	-
Operating Expenses	\$1,132	\$1,105	\$1,042	\$1,161	\$1,084	\$1,076	\$1,075	\$1,080	\$1,099
Selling, General & Admin	\$1,144	\$1,141	\$1,106	\$1,194	\$1,110	\$1,094	\$1,099	\$1,103	\$1,122
Other Operating Expense	-\$12	-\$36	-\$63	-\$32	-\$26	-\$18	-\$23	-\$23	-\$23
Operating Income (Loss)	\$408	\$401	\$271	\$501	\$389	\$320	\$268	\$257	\$265
Operating Margin %	11.8%	11.4%	9.0%	14.4%	12.1%	10.9%	9.5%	9.2%	9.3%
Non-Operating (Income) Loss	\$36	\$36	\$55	\$61	\$45	\$23	\$28	\$28	\$28
Interest Expense, Net	\$34	\$36	\$55	\$59	\$42	\$29	\$27	\$26	\$27
Other Non-Op (Income) Loss	\$1	\$0	\$0	\$2	\$4	-\$6	\$2	\$2	\$2
Pretax Income (Loss), Adjusted	\$373	\$365	\$216	\$440	\$344	\$296	\$240	\$229	\$236
Abnormal Losses (Gains)	\$17	\$37	\$81	\$2	\$27	-\$6	\$3	\$3	\$3
Pretax Income (Loss), GAAP	\$356	\$328	\$135	\$438	\$317	\$302	\$237	\$226	\$234
% Effective Tax Rate	20.8%	19.6%	18.7%	22.5%	21.1%	23.1%	21.0%	21.0%	21.0%
Income Tax Expense (Benefit)	\$74	\$64	\$25	\$99	\$67	\$70	\$50	\$47	\$49
Net Income, GAAP	\$282	\$264	\$110	\$340	\$250	\$233	\$187	\$178	\$185
Net Profit Margin %	8.1%	7.5%	3.6%	9.7%	7.8%	7.9%	6.5%	6.3%	6.4%

Carter's Base Case Dividends & EPS



(in million of \$)	2018	2019	2020	2021	2022	2023	2024E	2025E	2026E
Dividend Paid	\$84	\$90	\$26	\$60	\$117	\$110	\$115	\$110	\$113
Payout Ratio %	29.7%	34.0%	23.6%	17.7%	46.6%	47.2%	62.0%	62.5%	61.8%
Dividends per Share	1.80	2.00	0.60	1.40	3.00	3.00	3.20	3.20	3.40
YoY % Growth	21.9%	11.6%	-70.2%	133.9%	114.9%	0.1%	6.6%	0.1%	6.1%
Share Buyback	\$193	\$197	\$45	\$299	\$300	\$100	\$51	\$68	\$72
YoY % Growth	2.1%	2.0%	-77.0%	561.4%	0.1%	-66.6%	-49.5%	35.2%	5.4%
Number of Shares Repurchased	1,879,529	2,107,472	474,684	2,967,619	3,747,187	1,446,269	736,104	1,394,165	1,468,652
Average Price	\$102.70	\$93.43	\$95.34	\$100.87	\$79.97	\$69.17	\$68.61	\$47.47	\$47.47
Outflow to Shareholder	\$277	\$287	\$71	\$359	\$416	\$210	\$165	\$178	\$185
Adjusted Payout Ratio %	98.1%	108.6%	64.8%	105.8%	166.5%	90.3%	88.3%	100.0%	100.0%
Diluted Weighted Avg Shares	46.60	44.71	43.41	43.00	38.85	36.59	35.85	34.46	33.21
Diluted EPS, GAAP	6.05	5.90	2.53	7.90	6.44	6.35	5.14	5.10	5.48
YoY % Growth	-3.9%	-2.5%	-57.1%	212.2%	-18.5%	-1.3%	-17.7%	-0.6%	7.4%

Carter's Bull Case Pro Forma



Bull Case (in million of \$)	Carter's Working Earnings Model							Forecast	
	2018	2019	2020	2021	2022	2023	2024E	2025E	2026E
Sales & Services Revenue	\$3,462	\$3,519	\$3,024	\$3,486	\$3,213	\$2,946	\$2,872	\$2,929	\$3,017
Cost of Goods & Services	\$1,961	\$2,013	\$1,711	\$1,824	\$1,740	\$1,550	\$1,502	\$1,523	\$1,560
Gross Profit	\$1,501	\$1,507	\$1,313	\$1,662	\$1,472	\$1,396	\$1,370	\$1,406	\$1,457
Gross Profit Margin %	43.4%	42.8%	43.4%	47.7%	45.8%	47.4%	47.7%	48.0%	48.3%
Other Operating Income	\$39	-	-	-	-	-	-	-	-
Operating Expenses	\$1,132	\$1,105	\$1,042	\$1,161	\$1,084	\$1,076	\$1,071	\$1,094	\$1,128
Selling, General & Admin	\$1,144	\$1,141	\$1,106	\$1,194	\$1,110	\$1,094	\$1,094	\$1,118	\$1,153
Other Operating Expense	-\$12	-\$36	-\$63	-\$32	-\$26	-\$18	-\$24	-\$24	-\$25
Operating Income (Loss)	\$408	\$401	\$271	\$501	\$389	\$320	\$299	\$313	\$329
Operating Margin %	11.8%	11.4%	9.0%	14.4%	12.1%	10.9%	10.4%	10.7%	10.9%
Non-Operating (Income) Loss	\$36	\$36	\$55	\$61	\$45	\$23	\$30	\$30	\$31
Interest Expense, Net	\$34	\$36	\$55	\$59	\$42	\$29	\$27	\$28	\$28
Other Non-Op (Income) Loss	\$1	\$0	\$0	\$2	\$4	-\$6	\$3	\$3	\$3
Pretax Income (Loss), Adjusted	\$373	\$365	\$216	\$440	\$344	\$296	\$270	\$282	\$298
Abnormal Losses (Gains)	\$17	\$37	\$81	\$2	\$27	-\$6	\$3	\$3	\$3
Pretax Income (Loss), GAAP	\$356	\$328	\$135	\$438	\$317	\$302	\$267	\$279	\$295
% Effective Tax Rate	20.76%	19.57%	18.67%	22.50%	21.06%	23.06%	21.00%	21.00%	21.00%
Income Tax Expense (Benefit)	\$74	\$64	\$25	\$99	\$67	\$70	\$56	\$59	\$62
Net Income, GAAP	\$282	\$264	\$110	\$340	\$250	\$233	\$211	\$221	\$233
Net Profit Margin %	8.1%	7.5%	3.6%	9.7%	7.8%	7.9%	7.3%	7.5%	7.7%

Carter's Bull Case Dividends & EPS



(in million of \$)	2018	2019	2020	2021	2022	2023	2024E	2025E	2026E
Dividend Paid	\$84	\$90	\$26	\$60	\$117	\$110	\$115	\$108	\$105
Payout Ratio %	29.7%	34.0%	23.6%	17.7%	46.6%	47.2%	54.5%	48.8%	45.3%
Dividends per Share	1.79	2.00	0.60	1.40	3.00	3.00	3.20	3.20	3.40
YoY % Growth	21.8%	11.7%	-70.2%	133.8%	114.9%	0.1%	6.8%	-0.1%	6.2%
Share Buyback	\$193	\$197	\$45	\$299	\$300	\$100	\$51	\$113	\$128
YoY % Growth	2.3%	1.9%	-77.0%	561.4%	0.1%	-66.6%	-49.5%	123.8%	12.9%
Number of Shares Repurchased	1,879,529	2,107,472	474,684	2,967,619	3,747,187	1,446,269	736,094	2,265,126	2,557,711
Average Price	\$102.70	\$93.43	\$95.34	\$100.87	\$79.97	\$69.17	\$68.61	\$49.90	\$49.90
Outflow to Shareholder	\$277	\$287	\$71	\$359	\$416	\$210	\$165	\$221	\$233
Adjusted Payout Ratio	98.2%	108.6%	64.8%	105.8%	166.5%	90.2%	78.5%	100.0%	100.0%
Diluted Weighted Avg Shares	46.65	44.71	43.41	43.00	38.85	36.59	35.86	33.59	31.03
Diluted EPS, GAAP	6.00	5.85	2.50	7.80	6.34	6.24	5.80	6.48	7.41
YoY % Growth	-3.8%	-2.6%	-57.2%	211.6%	-18.7%	-1.6%	-7.0%	11.7%	14.4%

Carter's Financial Analysis Summary

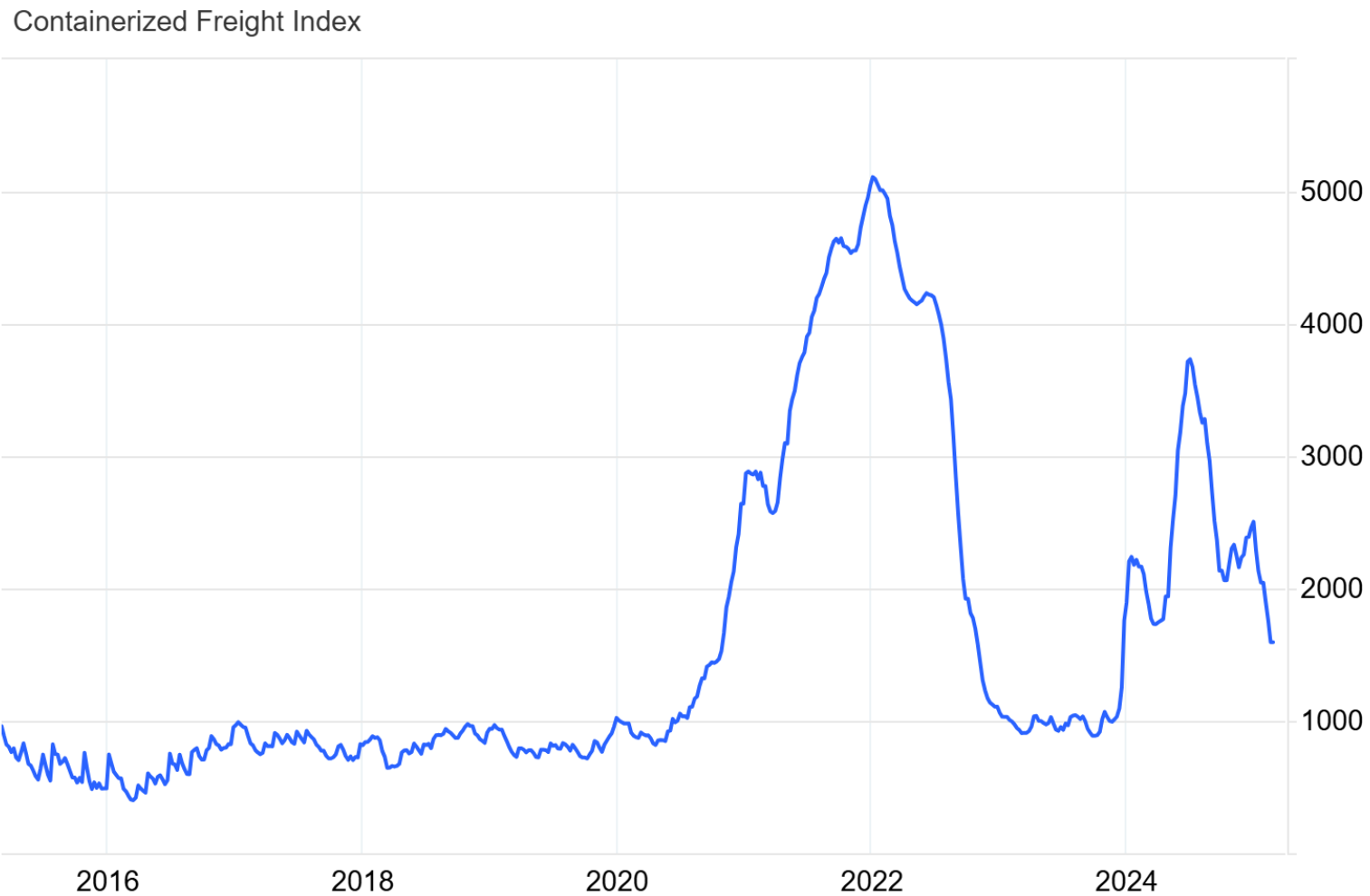


(In million of \$)	2018	2019	2020	2021	2022	2023	2024E	2025E	2026E
Operating Revenue	\$3,462	\$3,519	\$3,024	\$3,486	\$3,213	\$2,946	\$2,828	\$2,799	\$2,841
YoY Growth	1.8%	1.6%	-14.1%	15.3%	-7.9%	-8.3%	-4.0%	-1.0%	1.5%
Operating Income	\$408	\$401	\$271	\$501	\$389	\$320	\$268	\$257	\$265
YoY Growth	-8.6%	-1.7%	-32.5%	84.8%	-22.4%	-17.7%	-16.3%	-4.1%	3.2%
Operating Margin	11.8%	11.4%	9.0%	14.4%	12.1%	10.9%	9.5%	9.2%	9.3%
Diluted EPS	6.05	5.90	2.53	7.90	6.44	6.35	5.16	5.12	5.50
YoY Growth	-3.9%	-2.5%	-57.1%	212.2%	-18.5%	-1.3%	-18.8%	-0.7%	7.3%
Net Margin	8.1%	7.5%	3.6%	9.7%	7.8%	7.9%	6.5%	6.3%	6.4%
DPS	1.80	2.00	0.60	1.40	3.00	3.00	3.20	3.20	3.40
YoY Growth	21.9%	11.6%	-70.2%	133.9%	114.9%	0.1%	6.6%	0.1%	6.1%
Payout Ratio	29.7%	34.0%	23.6%	17.7%	46.6%	47.2%	62.0%	62.5%	61.8%
Adjusted Payout Ratio	98%	109%	65%	106%	166%	90%	89%	100%	100%

Metrics Table



Name	Mkt Cap (\$M)	P/E	Fwd P/E	Beta (YTD)	Beta (7y)	ROE	PM	Inv. Turn.	GMROII	Quick Ratio	SSS	Sales/Emp.	D/E	Dvd Yld	Dvd P/O	Cash Conversion Cycle	FCF Yld
Median	2847.1	13.0	10.5	1.08	1.38	24.5%	7.2%	2.5	262.7	1.0	1.0%	191,002	119.0%	2.9%	17.3%	107.5	7.3%
Carter's	1,529.6	9.4	10.1	2.37	1.00	21.4%	7.2%	2.9	262.7	1.2	-	185,283	132.3%	7.5%	46.8%	87.7	12.6%
Ralph Lauren	16,810.4	19.9	20.1	1.67	1.17	27.6%	13.9%	2.2	460.8	1.2	12.0%	448,067	105.7%	1.2%	17.3%	114.6	7.3%
Children's Place	188.9	-	6.1	0.03	1.58	-	5.2%	2.1	92.6	0.1	-17.1%	191,002	-	-	-	137.2	-67.6%
Gap	8,609.7	9.6	10.5	0.91	1.50	29.4%	7.1%	3.8	267.1	0.7	1.0%	175,164	174.4%	2.9%	20.6%	-	14.3%
Under Armour	2,847.1	16.3	17.4	1.08	1.38	-6.1%	0.1%	2.5	228.9	1.0	-	770,524	65.8%	-	-	100.5	-4.2%



source: tradingeconomics.com

Share Buyback Table

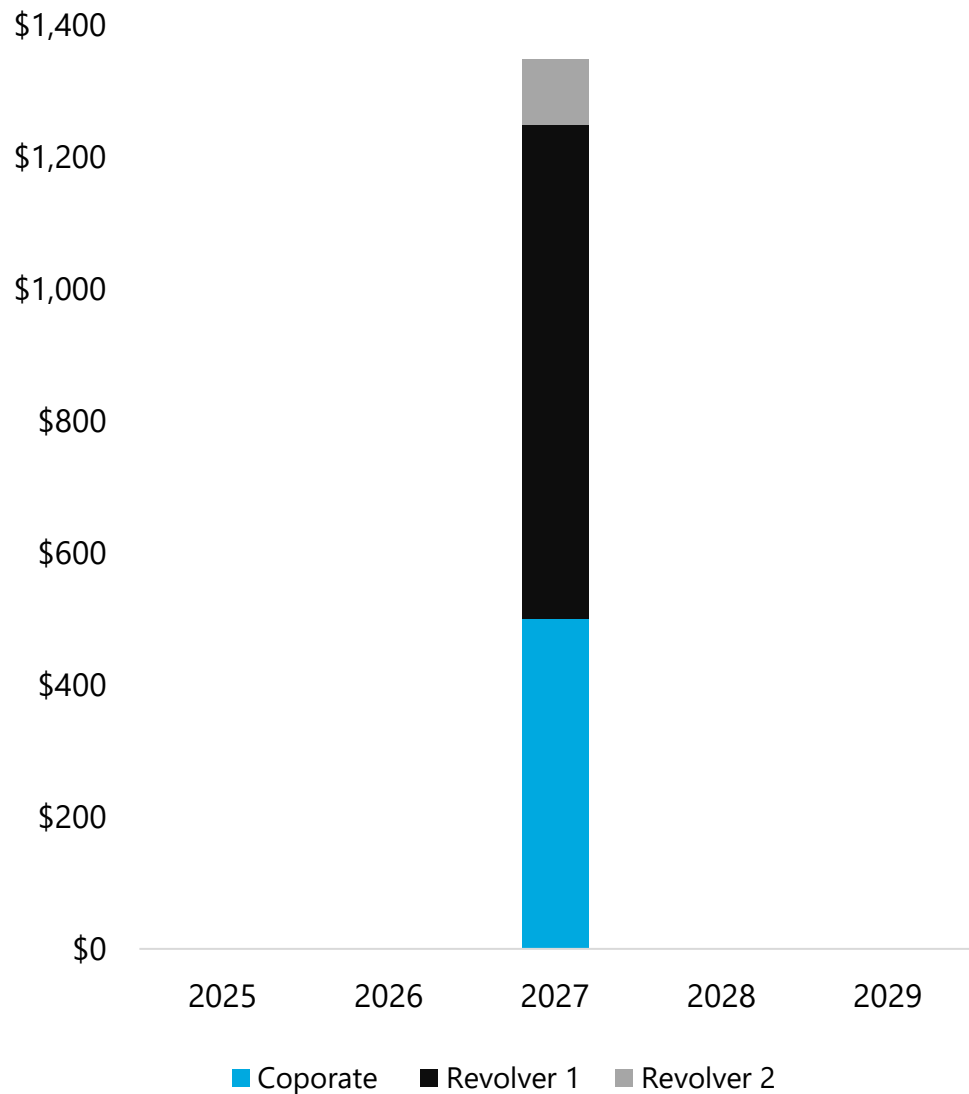


	2017	2018	2019	2020	2021	2022	2023	2024*	2025*	2026*
Share Buyback (M)	\$188.76	\$193.03	\$196.90	\$45.26	\$299.34	\$299.66	\$100.04	\$50.50	\$68.27	\$71.96
Number of Shares Repurchased	2,103,401	1,879,529	2,107,472	474,684	2,967,619	3,747,187	1,446,269	736,102	1,438,098	1,515,938
Average Price	\$89.74	\$102.70	\$93.43	\$95.34	\$100.87	\$79.97	\$69.17	\$68.61	\$47.47	\$47.47
Diluted Weighted Avg Shares (M)	48.15	46.65	44.71	43.41	43.00	38.85	36.59	35.86	34.42	33.13

Source: Earnings Model



CRI: Debt Schedule



Source: Bloomberg

CRI: Corporate Bond Price History



Source: Bloomberg

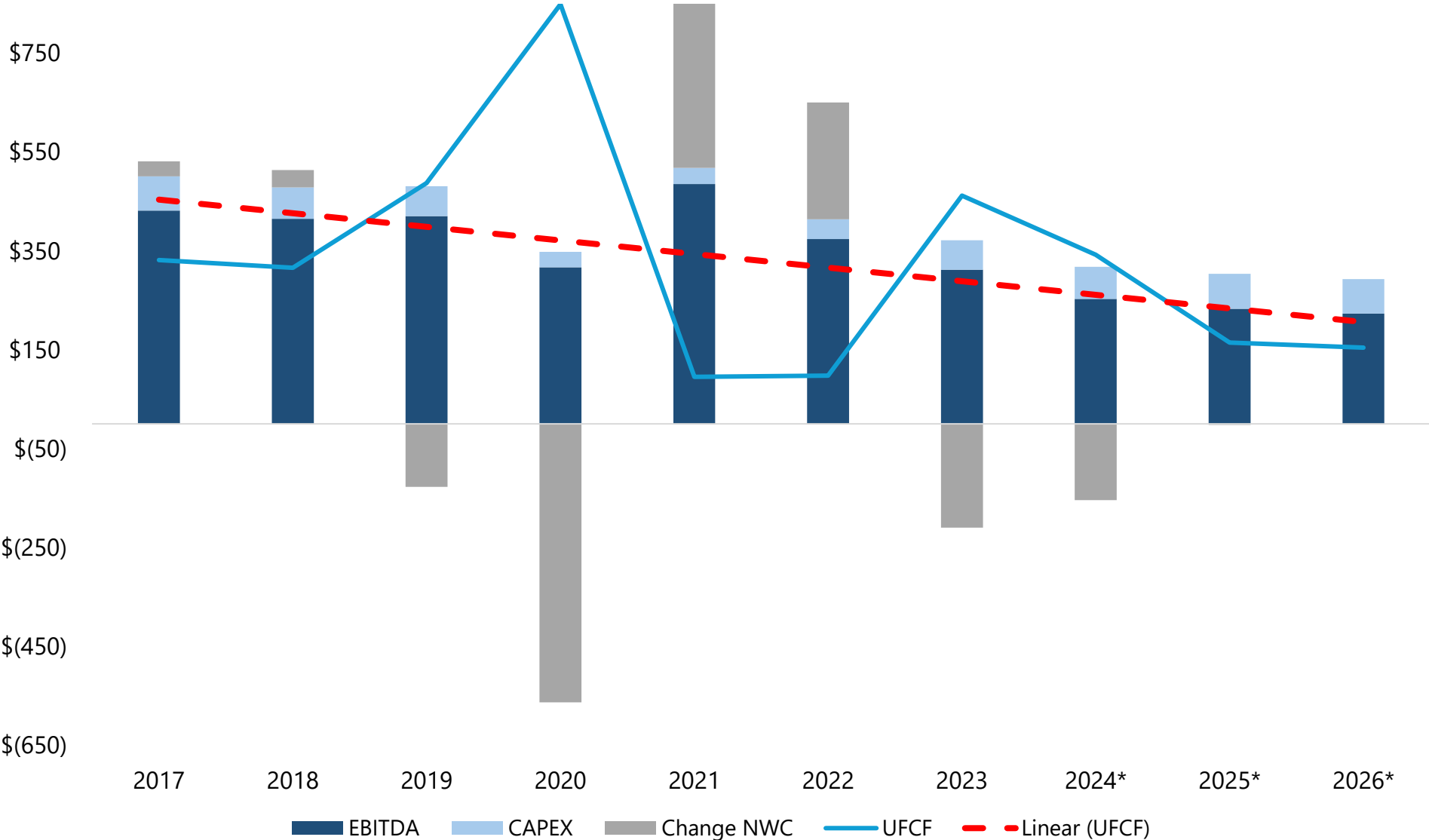
Debt Schedule Breakdown - Appendix



Debt Type	Size (\$M)	Issued	Maturity	Type	Fixed coupon Rate	Rating	Purpose	Issuer	Covenants
Revolver 1	\$750	10/15/2010	4/12/2027	Sr. Sec.	5.63%	Moody's (Ba1)	Refinance/ WC	JPM	N/A
Revolver 2	\$100	12/22/2011	4/12/2027	Sr. Sec.	5.63%	Moody's (Ba1)	Refinance/ WC	JPM	N/A
Corporates (Pvt. Placement)	\$500	3/14/2019	3/15/2027	Sr. Un.Sc.	5.63%	Moody's (Ba2), S&p (BB+)	-	CRI	Yes

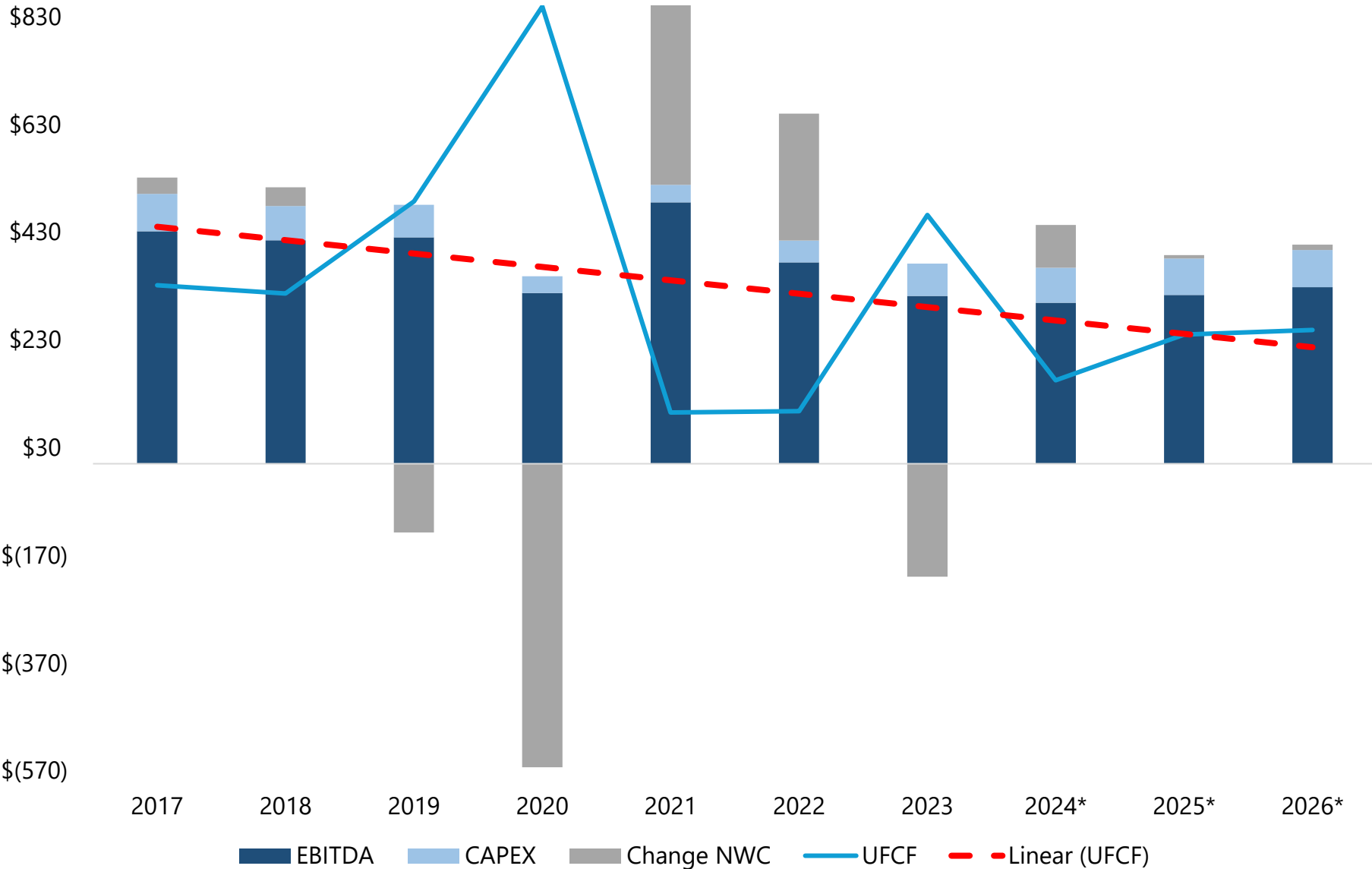


CRI: Bear composition of UFCF





CRI: Bull Composition of UFCF



Appendix Valuations:

DDM Sensitivity Analysis



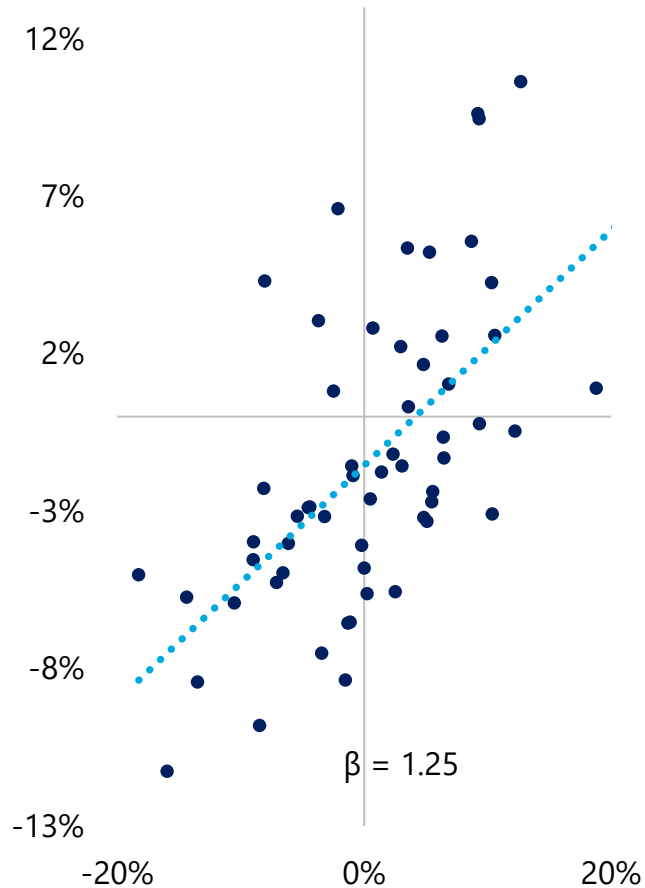
		Growth Rate		
Cost of Equity	\$49.65	0.00%	2.34%	3.04%
	8.9%	\$51.194	\$65.361	\$71.803
	9.9%	\$45.789	\$56.446	\$61.045
	10.9%	\$41.404	\$49.654	\$53.073
	11.9%	\$37.779	\$44.315	\$46.937
	12.9%	\$34.734	\$40.011	\$42.072

Investor's Foresee Higher Risk

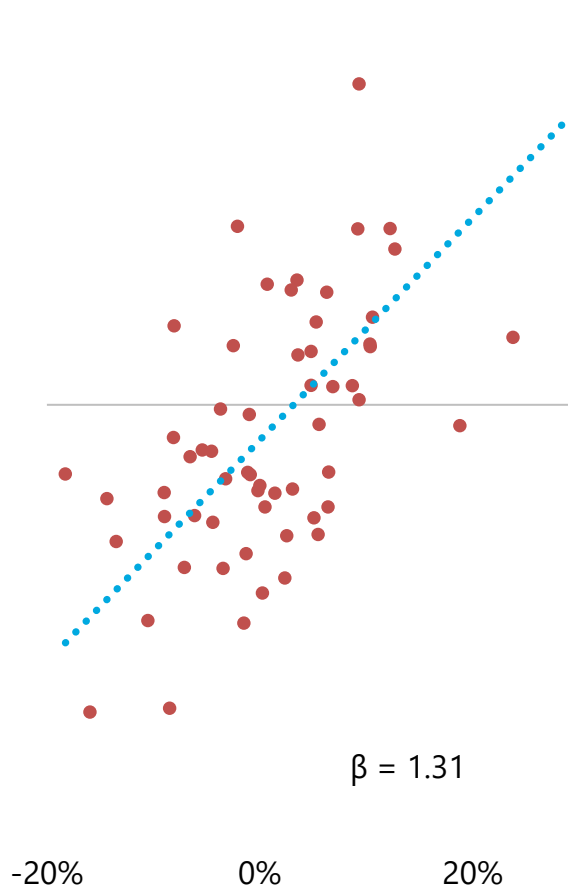


A weighted average beta based on Carter's geographic revenue breakdown

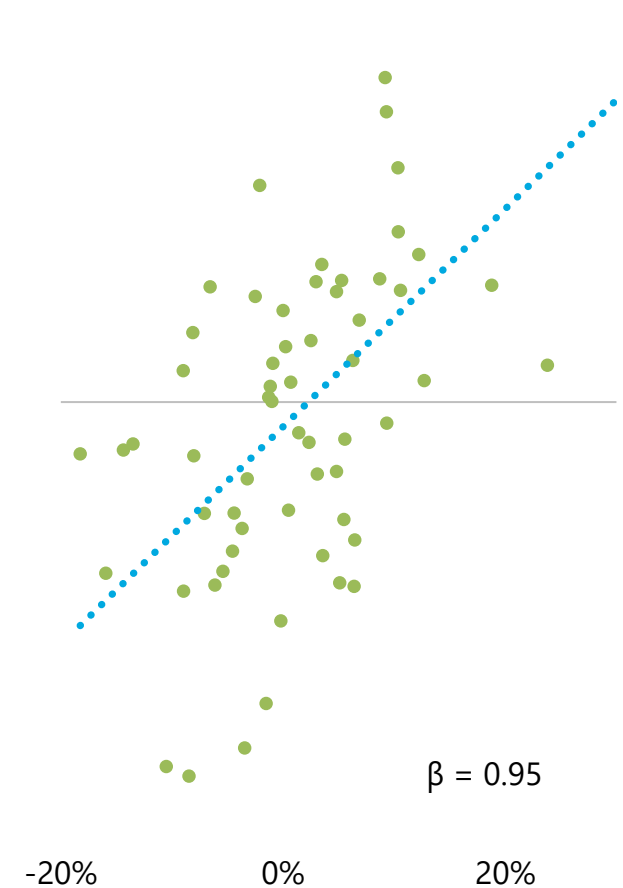
Revenue Break Down: 85%
CRI vs SP500 (USA)



Revenue Break Down: 10%
CRI vs TSX (CND)



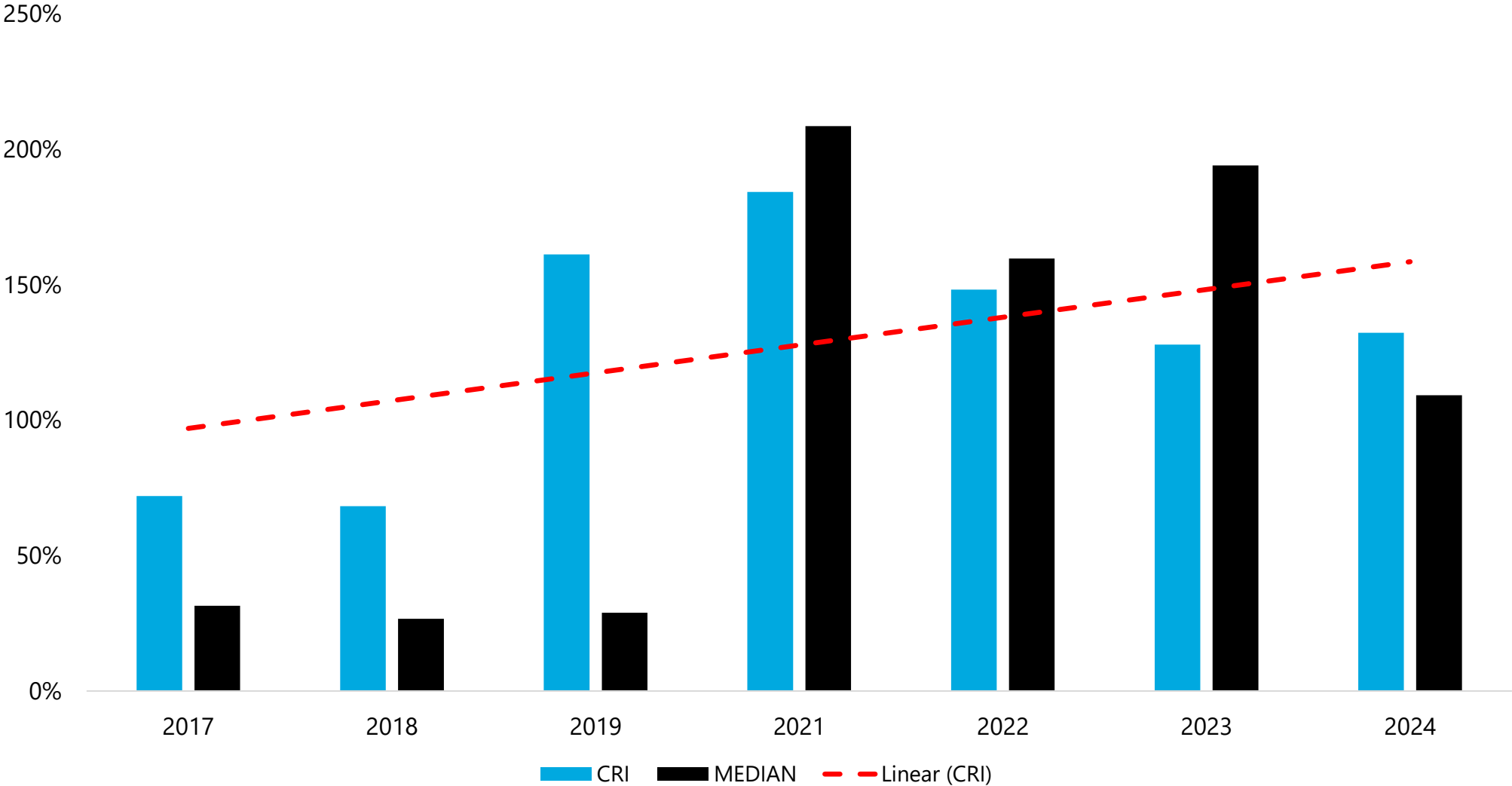
Revenue Break Down: 5%
CRI vs IPC (MEX)



Appendix Valuations:
CRI D/E vs Median



Carters D/E vs Comps Median



Appendix Valuations:

WACC Assumptions



Cost of Debt	
Pre-tax cost of debt	6.25%
Effective tax rate	22%
After-tax cost of debt	4.90%

Cost of Equity	
Risk free rate	4.54%
Market Risk Premium	5.00%
Beta	1.264
Cost of Equity	10.86%

WACC	
MV Equity	\$ 1,940
MV Debt	\$ 2,100
Firm Value	\$ 4,040
Cost of Equity	10.86%
Cost of Debt	4.90%
% Debt	51.98%
% Equity	48.02%
WACC	7.76%
Terminal growth rate	2.30%

Bear Case DCF



Unlevered Free Cash Flow Assumptions

	2022	2023	2024	2025	2026
EBIT	\$388.50	\$319.80	\$245.90	\$212.57	\$199.68
TAX RATE	21.1%	23.1%	21.0%	21.0%	21.0%
D&A	\$67.23	\$65.73	\$58.73	\$65.19	\$65.46
Change in NWC	\$249.83	(\$209.86)	(\$154.53)	(\$2.09)	(\$0.82)
CAPEX	\$40.36	\$59.86	\$65.00	\$70.68	\$69.97
UFCF	\$83.71	\$461.76	\$342.51	\$164.54	\$154.06
PVF	0.928	0.861	0.799	0.742	0.688
PV of UFCF	\$77.69	\$397.65	\$273.71	\$122.02	\$106.02

Net Working Capital (NWC)

Year	Net CA	Net CL	Net WC	CHANGE
2017	\$839.18	\$328.62	\$510.55	
2018	\$872.88	\$327.42	\$545.46	\$34.91
2019	\$893.45	\$475.50	\$417.95	-\$127.51
2020	\$843.70	\$989.53	-\$145.83	-\$563.78
2021	\$915.43	\$717.23	\$198.20	\$344.03
2022	\$976.97	\$528.95	\$448.02	\$249.83
2023	\$750.03	\$511.86	\$238.17	-\$209.86
2024	\$613.36	\$529.72	\$83.64	-\$154.53
2025	\$598.03	\$516.48	\$81.55	-\$2.09
2026	\$592.05	\$511.31	\$80.73	-\$0.82

TERMINAL GROWTH

Terminal Value	\$2,886
PV (of TV)	\$1,986
Enterprise Value	\$2,963
MV of Debt	\$2,100
Cash	\$351
Equity Value	\$1,215
# Shares Out.	\$36
Intrinsic Value	\$34
Current Share Px.	\$41
% UPSIDE/DOWNSIDE	-18%

EXIT MULTIPLE

EXIT MULTIPLE	9.29x
Terminal Value	\$2,463
PV(of TV)	\$1,695
Enterprise Value	\$2,672
MV of Debt	\$2,100
Cash	\$351
Equity Value	\$923
# Shares Out.	36
Intrinsic Value	\$ 25.6
Current Share Px.	\$ 41.27
%UPSIDE/DOWNSIDE	-38%

Summary

Method	Share Px.	weighting
T.G rate	\$33.73	80%
Exit Multiple	\$25.64	20%
Weighted Avg. I/V	\$32.11	
% up/dopwn	-22%	

Base Case DCF



Base Model Unlevered Free Cash Flow Assumptions					
	2022	2023	2024	2025	2026
EBIT	\$389	\$320	\$268	\$257	\$265
TAX RATE	21.1%	23.1%	21.0%	21.0%	21.0%
D&A	\$67	\$66	\$66	\$67	\$68
Change in NWC	\$250	(\$210)	(\$30)	(\$2)	\$3
CAPEX	\$40.36	\$59.86	\$65	\$67	\$68
UFCF	\$84	\$461.76	\$243	\$204	\$205
PVF	0.928	0.861	0.799	0.742	0.688
PV	\$78	\$398	\$194	\$151	\$141

Net Working Capital (NWC)				
Year	CA	CL	WC	CHANGE
2017	\$839	\$329	\$511	
2018	\$873	\$327	\$545	\$35
2019	\$893	\$476	\$418	(\$128)
2020	\$844	\$990	-\$146	(\$564)
2021	\$915	\$717	\$198	\$344
2022	\$977	\$529	\$448	\$250
2023	\$750	\$512	\$238	(\$210)
2024	\$731	\$523	\$208	(\$30)
2025	\$724	\$518	\$206	(\$2)
2026	\$735	\$526	\$209	\$3

TERMINAL GROWTH	
Terminal Value	\$3,849
PV (of TV)	\$2,649
Enterprise Value	\$3,612
MV of Debt	\$2,100
Cash	\$351
Equity Value	\$1,863
# Shares Out.	36
Intrinsic Value	\$52
Current Share Px.	\$41
% UPSIDE/DOWNSIDE	25%

EXIT MULTIPLE	
EXIT MULTIPLE	9.29
Terminal Value	\$3,088
PV(of TV)	\$2,125
Enterprise Value	\$3,087
MV of Debt	\$2,100
Cash	\$351
Equity Value	\$1,339
# Shares Out.	36.01
Intrinsic Value	\$37
Current Share Px.	\$41
%UPSIDE/DOWNSIDE	-10%

Summary		
Method	Share Px.	weighting
T.G rate	\$51.73	80%
Exit Multiple	\$37.17	20%
weighted avg. I/V		\$48.82
% up/dopwn		18.30%

Bull Case DCF



Bull Model Unlevered Free Cashflow Assumptions					
	2022	2023	2024	2025	2026
EBIT	\$389	\$320	\$299	\$313	\$329
TAX RATE	21.1%	23.1%	21.0%	21.0%	21.0%
D&A	\$65	\$64	\$63	\$67	\$67
Change in NWC	\$250	(\$210)	\$79	\$6	\$10
CAPEX	\$40.36	\$60	\$65	\$67	\$69.4
UFCF	\$82	\$460	\$155	\$240	\$249
PVF	0.928	0.861	0.799	0.742	0.688
PV	\$76	\$396	\$124	\$178	\$171

Net Working Capital (NWC)				
Year	CA	CL	WC	CHANGE
2017	\$839	\$329	\$511	
2018	\$873	\$327	\$545	\$34.91
2019	\$893	\$476	\$418	(\$127.51)
2020	\$844	\$990	-\$146	(\$563.78)
2021	\$915	\$717	\$198	\$344.03
2022	\$977	\$529	\$448	\$249.83
2023	\$750	\$512	\$238	(\$209.86)
2024	\$742	\$425	\$317	\$79.17
2025	\$757	\$434	\$324	\$6.35
2026	\$780	\$447	\$333	\$9.71

TERMINAL GROWTH	
Terminal Value	\$4,658
PV (of TV)	\$3,206
Enterprise Value	\$4,150
MV of Debt	\$2,100
Cash	\$351
Equity Value	\$2,402
# Shares Out.	36
Intrinsic Value	\$67
Current Share Px.	\$41
% UPSIDE/DOWNSIDE	62%

EXIT MULTIPLE	
EXIT MULTIPLE	9.29
Terminal Value	\$3,088
PV(of TV)	\$2,125
Enterprise Value	\$3,087
MV of Debt	\$2,100
Cash	\$351
Equity Value	\$1,339
# Shares Out.	36.01
Intrinsic Value	\$37
Current Share Px.	\$41
%UPSIDE/DOWNSIDE	-10%

Summary		
Method	Share Px.	weighting
T.G rate	\$51.73	80%
Exit Multiple	\$37.17	20%
weighted avg.		\$48.82
% up/dopwn		18.30%

Appendix Valuations:

Comparable Companies Analysis



Companies	Last Close Price
Carter's (CR)	\$41
Ralph Lauren (RL)	\$271
The Children's Place (PLCE)	\$8
The Gap (GAP)	\$23
Under Armour (UAA)	\$7

Metric	Multiple	Relative Value
P/E	4.88x	\$31
P/S	0.55x	\$44
P/B	2.31x	\$53
P/UFCF	14.17x	\$189
EV/REV	0.40x	\$10
EV/EBITDA	3.70x	\$17
EV/UFCF	12.0x	\$140
Relative Value		\$43.56
Current Px.		\$41.27
% Downside/upside		6%

Appendix Valuations:

Bear DDM



Years	EPS	DPS	Share Buy Backs	Adj. DPS	Payout %	Adj. Payout
2017	\$6.36	\$1.47	\$3.92	\$5.40	23%	85%
2018	\$6.10	\$1.80	\$4.14	\$5.94	29%	97%
2019	\$5.94	\$2.00	\$4.40	\$6.41	34%	108%
2020	\$2.54	\$0.60	\$1.04	\$1.64	23%	65%
2021	\$7.93	\$1.40	\$6.96	\$8.36	18%	105%
2022	\$6.44	\$3.00	\$7.71	\$10.71	47%	166%
2023	\$6.35	\$3.00	\$2.73	\$5.73	47%	90%
2024	\$4.69	\$3.20	\$1.41	\$4.61	68%	98%
2025	\$4.03	\$3.20	\$0.85	\$4.05	80%	101%
2026	\$3.79	\$3.20	\$0.62	\$3.82	85%	101%

Unsustainable dividend post 2026				
Year	DPS	PV	DPS	PV
DPS (2024)	\$3.20	\$2.89	\$4.61	\$4.16
DPS(2025)	\$3.20	\$2.61	\$4.05	\$3.30
DPS (2026)	\$3.20	\$2.35	\$3.82	\$2.81
DPS(2027) {0 GROWTH}	\$3.20		\$3.82	
TV	\$29.50	\$7.85	\$35.23	
sum of DPS PV			\$10.27	
PV TV	\$17.63		\$21.05	
PX	\$25.48		\$31.32	

Appendix Valuations:

Base DDM



Years	EPS	DPS	Share Buy Backs	Adj. DPS	Payout %	Adj. Payout
2017	\$6.36	\$1.47	\$3.92	\$5.4	23.2%	84.9%
2018	\$6.10	\$1.80	\$4.14	\$5.9	29.4%	97.3%
2019	\$5.94	\$2.00	\$4.40	\$6.4	33.7%	107.9%
2020	\$2.54	\$0.60	\$1.04	\$1.6	23.5%	64.6%
2021	\$7.93	\$1.40	\$6.96	\$8.4	17.6%	105.4%
2022	\$6.44	\$3.00	\$7.71	\$10.7	46.6%	166.3%
2023	\$6.35	\$3.00	\$2.73	\$5.7	47.2%	90.3%
2024*	\$5.16	\$3.20	\$1.41	\$4.6	62.0%	89.3%
2025*	\$5.09	\$3.20	\$1.92	\$5.1	62.8%	100.5%
2026*	\$5.46	\$3.40	\$2.10	\$5.5	62.3%	100.7%

Moderate growth dividend post 2026					
Year	DPS	PV	DPS	PV	
D1 (2024)	\$ 4.61	\$ 4.16	\$ 3.20	\$ 2.75	
D2 (2025)	\$ 5.12	\$ 4.16	\$ 3.20	\$ 2.66	
D3 (2026)	\$ 5.50	\$ 4.04	\$ 3.40	\$ 2.76	
	\$ 5.62	\$ 3.73	\$ 3.48	\$ 3.27	
TV	\$ 66.10	\$ 39.49	\$ 40.85	\$ 24.41	
Price (I/V)		\$ 55.57		\$ 35.85	

Appendix Valuations:

Bull DDM



Years	EPS	DPS	Share Buy Backs	Adj. DPS	Payout %	Adj. Payout %
2017	\$6.36	\$1.47	\$3.92	\$5.40	23%	85%
2018	\$6.10	\$1.80	\$4.14	\$5.94	29%	97%
2019	\$5.94	\$2.00	\$4.40	\$6.41	34%	108%
2020	\$2.54	\$0.60	\$1.04	\$1.64	23%	65%
2021	\$7.93	\$1.40	\$6.96	\$8.36	18%	105%
2022	\$6.44	\$3.00	\$7.71	\$10.71	47%	166%
2023	\$6.35	\$3.00	\$2.73	\$5.73	47%	90%
2024	\$5.85	\$3.20	\$1.41	\$4.61	55%	79%
2025	\$6.48	\$3.20	\$3.33	\$6.53	49%	101%
2026	\$7.33	\$3.40	\$4.07	\$7.47	46%	102%

High growth dividend post 2026				
	Adj.DPS	PV	DPS	PV
D1	\$4.61	\$4.16	\$3.20	\$2.89
D2	\$6.53	\$5.32	\$3.20	\$2.61
D3	\$7.47	\$5.48	\$3.40	\$2.50
D(n+1)	\$8.28	\$5.48	\$3.77	\$2.50
TV	\$106.01	\$63.34	\$48.28	\$48.28
Sum of DPS PV		\$20.44		\$10.49
Price (I/V)		\$83.78		\$58.76