

CARTERS INC  
Form 10-Q  
October 27, 2016

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF  
1934 FOR THE QUARTERLY PERIOD ENDED OCTOBER 1, 2016 OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934 FOR THE TRANSITION PERIOD FROM \_\_\_\_\_  
TO \_\_\_\_\_

Commission file number:

001-31829

CARTER'S, INC.

(Exact name of Registrant as specified in its charter)

Delaware 13-3912933

(state or other jurisdiction of (I.R.S. Employer Identification No.)  
incorporation or organization)

Phipps Tower

3438 Peachtree Road NE, Suite 1800

Atlanta, Georgia 30326

(Address of principal executive offices, including zip code)

(678) 791-1000

(Registrant's telephone number, including area code)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes (X) No ( )

Indicate by check mark whether the Registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit and post such files). Yes (X) No ( )

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definition of "large accelerated filer, accelerated filer, and smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one)

Large Accelerated Filer (X) Accelerated Filer ( ) Non-Accelerated Filer ( ) Smaller Reporting Company ( )

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).  
Yes (X) No ( )

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

|  | Outstanding<br>Shares at<br>October 21,<br>2016 |
|--|---|
| Common Stock                             |   |
| Common stock, par value \$0.01 per share | 49,370,980                                      |



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PART I - FINANCIAL INFORMATION  
ITEM 1. FINANCIAL STATEMENTS  
CARTER'S, INC.  
CONDENSED CONSOLIDATED BALANCE SHEETS  
(dollars in thousands, except per share data)  
(unaudited)

|  | October 1,<br>2016 | January 2,<br>2016 | October 3,<br>2015 |
|--|--------------------|--------------------|--------------------|
| <b>ASSETS</b>  |                    |                    |                    |
| Current assets:  |                    |                    |                    |
| Cash and cash equivalents  | \$ 140,626         | \$ 381,209         | \$ 288,260         |
| Accounts receivable, net   | 271,207            | 207,570            | 246,565            |
| Finished goods inventories   | 552,726            | 469,934            | 511,520            |
| Prepaid expenses and other current assets  | 43,155             | 37,815             | 36,414             |
| Deferred income taxes  | 37,600             | 34,080             | 34,895             |
| Total current assets   | 1,045,314          | 1,130,608          | 1,117,654          |
| Property, plant, and equipment, net of accumulated depreciation of \$333,660, \$290,636, and \$276,230, respectively   | 388,440            | 371,704            | 361,305            |
| Tradenames, net  | 308,973            | 310,848            | 311,842            |
| Goodwill   | 176,956            | 174,874            | 176,633            |
| Other assets   | 18,022             | 15,620             | 14,940             |
| Total assets   | \$ 1,937,705       | \$ 2,003,654       | \$ 1,982,374       |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>  |                    |                    |                    |
| Current liabilities:   |                    |                    |                    |
| Accounts payable   | \$ 155,223         | \$ 157,648         | \$ 173,594         |
| Other current liabilities  | 126,922            | 105,070            | 105,199            |
| Total current liabilities  | 282,145            | 262,718            | 278,793            |
| Long-term debt, net  | 580,613            | 578,972            | 579,612            |
| Deferred income taxes  | 129,278            | 128,838            | 119,499            |
| Other long-term liabilities  | 169,535            | 158,075            | 161,527            |
| Total liabilities  | \$ 1,161,571       | \$ 1,128,603       | \$ 1,139,431       |
| Commitments and contingencies - Note 13  |                    |                    |                    |
| Stockholders' equity:  |                    |                    |                    |
| Preferred stock; par value \$.01 per share; 100,000 shares authorized; none issued or outstanding at October 1, 2016, January 2, 2016, and October 3, 2015   | —                  | —                  | —                  |
| Common stock, voting; par value \$.01 per share; 150,000,000 shares authorized; 49,625,609, 51,764,309, and 52,076,784 shares issued and outstanding at October 1, 2016, January 2, 2016 and October 3, 2015, respectively | 496                | 518                | 521                |
| Additional paid-in capital   | —                  | —                  | —                  |
| Accumulated other comprehensive loss   | (31,889 )          | (36,367 )          | (33,480 )          |
| Retained earnings  | 807,527            | 910,900            | 875,902            |
| Total stockholders' equity   | 776,134            | 875,051            | 842,943            |
| Total liabilities and stockholders' equity   | \$ 1,937,705       | \$ 2,003,654       | \$ 1,982,374       |

See accompanying notes to the unaudited condensed consolidated financial statements.

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

|                    | Fiscal quarter ended |                 | Three fiscal quarters ended |                 |
|--------------------|----------------------|-----------------|-----------------------------|-----------------|
|                    | October 1, 2016      | October 3, 2015 | October 1, 2016             | October 3, 2015 |
| Net sales          | \$901,425            | \$ 849,806      | \$2,264,981                 | \$2,147,335     |
| Cost of goods sold | 525,879              | 502,267         | 1,296,324                   | 1,252,849       |
| Gross profit       | 375,546              | 347,539         | 968,657                     | 894,486         |