

CARTERS INC
Form 10-K
February 23, 2017

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

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
 FOR THE FISCAL YEAR ENDED DECEMBER 31, 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)

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:

Title of each class	Name of each Exchange on which Registered
Carter's, Inc.'s common stock par value \$0.01 per share	New York Stock Exchange

SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT:

None

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
Yes (X) No ()

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes () No (X)

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 ()

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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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. (X)

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 definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

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 () No (X)

The approximate aggregate market value of the voting stock held by non-affiliates of the Registrant as of July 1, 2016 (the last business day of our most recently completed second quarter) was \$5,220,125,196.

There were 48,600,818 shares of Carter's, Inc. common stock with a par value of \$0.01 per share outstanding as of the close of business on February 17, 2017.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the definitive proxy statement to be filed with the Securities and Exchange Commission pursuant to Regulation 14A relating to the Annual Meeting of shareholders of Carter's, Inc., scheduled to be held on May 17, 2017, will be incorporated by reference in Part III of this Form 10-K. Carter's, Inc. intends to file such proxy statement with the Securities and Exchange Commission not later than 120 days after its fiscal year ended December 31, 2016.

CARTER’S, INC.
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FOR FISCAL YEAR ENDED DECEMBER 31, 2016

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This Annual Report on Form 10-K contains certain forward-looking statements regarding future circumstances. Forward-looking statements provide current expectations of future events based on certain assumptions and include any statement that does not directly relate to any historical or current fact. Forward-looking statements can also be identified by words such as "anticipates," "believes," "estimates," "expects," "intends," "plans," "predicts," and similar terms. These forward-looking statements are based upon current expectations and assumptions of the Company and are subject to various risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements including, but not limited to, those discussed in the subsection entitled "Risk Factors" under Part I, Item 1A of this Annual Report on Form 10-K. Actual results, events, and performance may differ significantly from the results discussed in the forward-looking statements. Readers of this Annual Report on Form 10-K are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. Except for any ongoing obligations to disclose material information as required by federal securities laws, the Company does not have any intention or obligation to update forward-looking statements after the filing of this Annual Report on Form 10-K. The inclusion of any statement in this Annual Report on Form 10-K does not constitute an admission by the Company or any other person that the events or circumstances described in such statement are material.

PART I

Our market share data is based on information provided by the NPD Group, Inc ("NPD"). Unless otherwise indicated, references to market share in this Annual Report on Form 10-K are expressed as a percentage of total retail sales of the stated market. The baby and young children's apparel market includes apparel products for ages zero to seven. NPD data is based upon Consumer Panel Track SM (consumer-reported sales) calibrated with selected retailers' point of sale data. Please note that NPD revised its Consumer Tracker methodology, effective with the most recent data release for annual 2016 and restated annual 2015 data. NPD data cited in prior Annual Reports on Form 10-K are based on an alternate methodology no longer employed by NPD and are not comparable to current year presentation.

The NPD market share data presented is based on NPD's definition of the baby and playclothes categories, which are different from the Company's definitions of these categories. The data presented is based upon The NPD Group/Consumer Tracking Service for Children's Apparel in the United States ("U.S.") and represents the twelve month period ending December 31, 2016.

Unless the context indicates otherwise, in this filing on Form 10-K, "Carter's," the "Company," "we," "us," "its," and "our" refers to Carter's, Inc. and its wholly owned subsidiaries.

Our fiscal year ends on the Saturday, in December or January nearest the last day of December, resulting in an additional week of results every five or six years. Fiscal 2016, which ended on December 31, 2016, and fiscal 2015, which ended on January 2, 2016, both contained 52 weeks. Fiscal 2014, which ended on January 3, 2015, contained 53 weeks.

ITEM 1. BUSINESS

OVERVIEW

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We are the largest branded marketer in the U.S. and Canada of apparel exclusively for babies and young children. We own two of the most highly recognized and most trusted brand names in the children's apparel industry, Carter's and OshKosh B'gosh (or "OshKosh").

Established in 1865, our Carter's brand is recognized and trusted by consumers for high-quality apparel for children sizes newborn to eight and accessories.

Established in 1895, OshKosh is a well-known brand, trusted by consumers for apparel for children sizes newborn to 14, with a focus on playclothes for toddlers and young children, and accessories.

We believe our brands provide a complementary product offering and aesthetic, and are each uniquely positioned in the marketplace. In the \$20.7 billion baby and young children's apparel market ages zero to seven in the U.S., our Carter's brand has the #1 position with a 14.9% market share and our OshKosh brand has a 2.9% market share.

We market high-quality products at an attractive value proposition for consumers, and offer multiple product categories, including baby, sleepwear, playclothes, and related accessories. Our multi-channel international business model - retail stores, online and wholesale - enables us to reach a broad range of consumers around the world. As of December 31, 2016, our channels included approximately 18,000 wholesale locations (including department stores, national chain stores, specialty stores and discount retailers), 792 stores in the U.S., 164 stores in Canada, and our U.S. and Canadian websites (including www.carters.com), all in addition to our other international wholesale, licensing, and online channels.

We have extensive experience in the young children's apparel market and focus on delivering products that satisfy our consumers' needs. Our long-term growth strategy is focused on:

- providing the best value and experience in young children's apparel;
- extending the reach of our brands by improving the convenience of shopping for our brands and by strengthening our international operations; and
- improving profitability by strengthening distribution and direct-sourcing capabilities, as well as inventory management disciplines.

For fiscal 2016 and all comparative fiscal periods presented within this Annual Report on Form 10-K, our business was managed and evaluated through five segments: Carter's Retail, Carter's Wholesale, OshKosh Retail, OshKosh Wholesale, and International. Our Carter's Retail and OshKosh Retail segments consist of income from sales of products in the United States, including Carter's and OshKosh products, through our Carter's and OshKosh retail and online stores, respectively. Similarly, our Carter's Wholesale and OshKosh Wholesale segments consist of income from sales in the United States of Carter's and OshKosh products, respectively, through our wholesale partners. Finally, our International segment consists of income from sales of Carter's and OshKosh products through retail and online stores outside the United States, primarily through our retail and online stores in Canada and stores operated by our international partners, as well as sales to our international wholesale partners. Additional financial and geographical information about our segments is contained in Item 8 - "Financial Statements and Supplementary Data", under Note 13 - "Segment Information" to the accompanying consolidated financial statements. Beginning in 2017, to align with changes in how our executive team currently views and manages the business, we combined our two U.S. retail and two U.S. wholesale segments. Our new segments will be U.S. Retail, U.S. Wholesale, and International. Additional information is contained in Item 8 - "Financial Statements and Supplementary Data", under Note 21 - "Subsequent Events" to the accompanying consolidated financial statements.

Our Brands

Carter's

Under our Carter's brand, we design, source, and market products primarily for sizes newborn to eight. Our focus is on essential, high-volume apparel products for babies and young children. Such products include bodysuits, multi-piece knit sets, pajamas, bibs, blankets, outerwear, shoes, swimwear, playwear, and fashion accessories. We believe that a majority of our products are consumer essentials and are therefore less affected by changes in fashion trends and economic cycles.

Carter's is the leading brand in the baby category in the U.S.. In fiscal 2016, our multi-channel business model enabled our Carter's brand to maintain its leading market share in the U.S. of approximately 25.0% for the baby market ages zero to two, which represented nearly five times the market share of the next largest brand.

In fiscal 2016, we sold 355 million units of Carter's and related exclusive-brand products in the U.S. through our retail and wholesale channels, an increase of approximately 3.8% from fiscal 2015.

OshKosh

Under our OshKosh brand, we design, source, and market young children's apparel and high-quality playclothes primarily for children in sizes newborn to 14. Our OshKosh branded products primarily include denim, overalls, t-shirts, fleece, and other playclothes. Our OshKosh brand is generally positioned towards an older segment relative to the Carter's brand, and at slightly

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higher average prices than our Carter's brand. We believe our OshKosh brand has significant brand name recognition, which consumers associate with high-quality, durable, and authentic playclothes for young children.

We believe our OshKosh brand represents a significant opportunity for us to increase our market share in the playclothes category as the young children's playclothes market in the U.S. is highly fragmented. For fiscal 2016, this market was nearly four times the size of the baby and sleepwear markets combined. We strive to grow this business by strengthening our product offerings, improving product value, reducing product complexity, and leveraging our strong customer relationships and global supply chain expertise.

In fiscal 2016, we sold 52 million units of OshKosh products in the U.S. through our retail and wholesale channels, an increase of approximately 6.1% from fiscal 2015.

Brand and Product Development

We have cross-functional product teams focused on the development of both our Carter's and our OshKosh brands and products. These teams are skilled and experienced in identifying and developing high-volume, high-value products. Each team includes members from merchandising, art, design, sourcing, product development, and planning. These teams follow a disciplined approach to fabric usage, color selection, and productivity. We also license our brand names to other companies to create a broad collection of lifestyle products, including bedding, hosiery, shoes, room décor, furniture, diaper bags, and toys. The licensing team directs the use of our designs, art, and selling strategies to all licensees.

We believe this disciplined approach to product design results in a compelling product offering to consumers, reduces our exposure to short-term fashion trends, and supports efficient operations. We conduct consumer research as part of our product development process.

Brand Positioning

Our vision is to be the leader in baby and young children's apparel and to consistently provide high-quality products at a compelling value to consumers. We employ a disciplined merchandising strategy that identifies and focuses on essential products. We believe that we have strengthened our brands' image with the consumer by differentiating our products through fabric improvements, new artistic applications, and new packaging and presentation strategies. We also attempt to differentiate our products through in-store fixturing, branding and signage packages, and advertising. We have invested in display fixtures at major wholesale customers that present our products on their floors in a compelling manner intended to enhance brand and product presentation. We also strive to provide our wholesale customers with a consistent, high-level of service, including delivering and replenishing products on time to fulfill customer needs. Our retail stores and websites focus on the customer experience through store and website design, visual aesthetics, clear product presentation, and experienced customer service.

Our Products

Carter's brands

Baby

Carter's brand baby products include bodysuits, pants, dresses, multi-piece sets, blankets, layette essentials, bibs, booties, sleep and play, one-piece rompers and jumpers, which are also sold in multiple compelling configurations. In fiscal 2016, we generated approximately \$1.1 billion in net sales of these products in the U.S., representing 34.3% of our consolidated net sales.

We sell a complete range of baby products for newborns, primarily made of cotton. We attribute our leading market position to our brand strength, unique colors, distinctive prints, commitment to quality, and ability to manage our dedicated floor space for our wholesale customers. Our marketing programs are targeted toward experienced mothers, first-time mothers, and gift-givers. Our little baby basics™ product line, the largest component of our baby business,

provides parents with essential products and accessories, including value-focused multi-piece sets. Our Little Collections® product line consists of coordinated baby items designed for first-time mothers and gift-givers.

Playclothes

Carter's brand playclothes products include knit and woven apparel, primarily in cotton, for everyday use in sizes newborn to eight. In fiscal 2016, we generated \$719.7 million in net sales from the sale of these products in the U.S., representing 22.5% of our consolidated net sales.

We continue to focus on building our Carter's brand in the playclothes market by developing a base of essential, high-volume products that utilize unique, special, or must-have print designs and innovative artistic applications. Our aggregate fiscal 2016 Carter's brand playclothes market share in the U.S. was approximately 13.5% in the \$14.3 billion department store, national chain, outlet, specialty store, and off-price sales channels, which represents two times the market share of the next largest brand.

Sleepwear

Carter's brand sleepwear products include a full range of pajamas in cotton, fleece and poly-jersey, primarily in sizes 12 months to eight. In fiscal 2016, we generated \$356.5 million in net sales from the sale of these products in the U.S., representing 11.1% of our consolidated net sales.

Our Carter's brand is the leading brand of sleepwear for babies and young children within the department store, national chain, outlet, specialty store, and off-price sales channels in the U.S. In fiscal 2016, in these channels, our Carter's sleepwear brand market share was approximately 31.8%, which represents nearly eight times the market share of the next largest brand. As with our baby product line, we differentiate our sleepwear products by offering high-volume, high-quality, high-value products with distinctive designs and art.

Other Products

Our other product offerings include bedding, outerwear, swimwear, footwear, socks, diaper bags, gift sets, toys, and hair accessories. In fiscal 2016, we generated \$209.3 million in net sales from the sale of these other products in the U.S., representing 6.6% of our consolidated net sales.

Additionally, we license our Carter's, Child of Mine, Just One You, and Precious Firsts brands to partners to expand our product offerings. We had 12 licensees in the U.S. as of December 31, 2016. These licensing partners develop and sell products through our multiple sales channels, while leveraging our brand strength, customer relationships, and designs. Licensed products provide our customers and consumers with a range of lifestyle products that complement and expand upon our baby and young children's apparel offerings. Our license agreements require strict adherence to our quality and compliance standards and provide for a multi-step product approval process. We work in conjunction with our licensing partners in the development of their products to ensure that they fit within our brand vision of high-quality products at attractive values to the consumer. In addition, we work closely with our wholesale customers and our licensees to gain dedicated floor space for licensed product categories. In fiscal 2016, our Carter's brand generated \$25.1 million in domestic royalty income from these licensees.

OshKosh brands

Playclothes

Our OshKosh brand is best known for its playclothes products. OshKosh brand playclothes products include denim apparel products with multiple wash treatments and coordinating garments, overalls, woven bottoms, knit tops, bodysuits, and playclothes products for everyday use in sizes newborn to 14. In fiscal 2016, we generated \$346.3 million in net sales of OshKosh brand playclothes products in the U.S., representing 10.8% of our consolidated net sales. Our fiscal 2016 OshKosh brand playclothes market share in the U.S. was approximately 3.3% of the \$14.3 billion young children's playclothes market.

Other Products

The remainder of our OshKosh brand product offering includes baby, sleepwear, outerwear, footwear, hosiery, and accessories. In fiscal 2016, we generated \$105.7 million in net sales of these other products in our OshKosh retail stores and online, which represented 3.4% of our consolidated net sales.

Additionally, we partner with a number of domestic licensees to extend the reach of our OshKosh brand. As of December 31, 2016, we had six licensees selling apparel and accessories. Our largest OshKosh licensing agreement is

with Target. All Genuine Kids from OshKosh products sold by Target are sold pursuant to this licensing agreement. Our licensed products provide our customers and consumers with a range of OshKosh products including outerwear, underwear, swimwear, socks, shoes, and accessories. In fiscal 2016, we earned approximately \$13.9 million in domestic royalty income from our OshKosh brands.

Our Sales Channels

We sell our Carter's and OshKosh branded products through multiple channels - brick-and-mortar stores, online, and wholesale - both in the U.S. and internationally.

U.S. Carter's and OshKosh Retail

Our U.S. retail stores are generally located in high-traffic strip shopping centers in or near major cities or outlet centers that are generally located within 20 to 30 minutes of densely-populated areas. We believe our brand strength and our assortment of products, often localized for climate differences, have made our retail stores a destination for consumers who shop for young children's apparel and accessories.

We operate retail stores in three different formats: Carter's stand-alone stores, OshKosh stand-alone stores, and stores in our dual-branded format. Our dual-branded format includes "side-by-side" locations and "co-branded" locations. The dual-branded format allows customers to shop for both the Carter's and OshKosh brands in a single location. "Side-by-side" locations, which are located only in the U.S., consist of adjacent retail stores for our Carter's and OshKosh brands that are connected and counted as a single dual-branded format location. "Co-branded" locations consist of a single retail store that offers products from our Carter's and Oshkosh brands and are also counted as a single dual-branded format location.

As of December 31, 2016, we operated 495 Carter's stand-alone retail stores in the U.S. These stores carry a complete assortment of baby and young children's apparel, accessories, and gift items. Our stores average approximately 4,400 square feet per location and are distinguished by an easy, consumer-friendly shopping environment.

As of December 31, 2016, we operated 138 OshKosh stand-alone retail stores in the U.S. These stores carry a wide assortment of young children's apparel, accessories, and gift items, and average approximately 4,000 square feet per location.

As of December 31, 2016, we operated 140 "side-by-side" locations in the U.S.

Our "co-branded" stores in the U.S. average approximately 5,000 square feet per location, are slightly larger than our single-brand retail stores in the U.S., and offer a similar product assortment. As of December 31, 2016, we operated 19 "co-branded" stores in the U.S.

We assess all potential new retail store locations based on demographic factors, retail adjacencies, and population density, as part of a real estate selection process.

We also sell our products through our U.S. websites at www.carters.com, www.oshkoshbgosh.com, and www.oshkosh.com. Each online store offers a full assortment of products from each of our brands.

In fiscal 2016, our U.S. Carter's and OshKosh retail net sales were \$1.3 billion and \$402.3 million, representing 39.2% and 12.6% of our consolidated net sales, respectively.

U.S. Carter's and OshKosh Wholesale

Our Carter's brand wholesale customers in the U.S. include major retailers, such as, in alphabetical order, Costco, JCPenney, Kohl's, Macy's, and Toys "R" Us. Additionally, we sell our Child of Mine brand at Walmart and our Just One You and Precious Firsts brands at Target. In fiscal 2016, our U.S. Carter's wholesale net sales were \$1.1 billion, representing 35.3% of our consolidated net sales.

Our OshKosh brand wholesale customers in the U.S. include major retailers, such as, in alphabetical order, Costco, JCPenney, Kohl's, and Toys "R" Us. We also have a licensing agreement with Target Corporation ("Target") through which Target sells products under our Genuine Kids from OshKosh brand. In fiscal 2016, our U.S. OshKosh wholesale net sales were \$49.7 million, representing 1.6% of our consolidated net sales.

We collaboratively plan store assortments with our wholesale customers. We intend to drive continued growth with our wholesale customers through our focus on managing our key accounts' business through replenishment, product mix, brand presentation, marketing, and frequent meetings with the senior management of our major wholesale customers.

International

Our International segment includes company-operated retail stores and online websites, wholesale operations, and royalty income from our international licensees. In fiscal 2016, our international net sales were \$364.7 million,

representing 11.3% of our consolidated net sales.

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As of December 31, 2016, we operated 164 “co-branded” Carter’s and OshKosh retail stores in Canada and our online store at www.cartersoshkosh.ca. Additionally, we reach consumers in approximately 60 countries through wholesale and licensing relationships and in over 100 countries through our websites.

As of December 31, 2016, we partnered with 34 licensees to sell the Carter’s and OshKosh brands internationally. In fiscal 2016, our international licensees generated Carter’s brand retail sales of \$26.8 million, on which we earned \$1.9 million in royalty income, and our OshKosh international licensees generated retail sales of \$25.9 million, on which we earned approximately \$1.9 million in royalty income.

Our Customer and Marketing Strategy

Our marketing is predominately focused on driving brand preference and engagement with millennial customers. As such, we continue to strengthen and evolve our digital programs to keep our brands in front of the consumer. Our multi-channel approach allows the customer to experience the brand as a seamless shopping experience in the channel of their choice. Our investments in marketing, our loyalty program, and new technologies are focused on new customer acquisition, developing stronger connections with our existing customers, and extending their relationship with our brands. Our goal is to have the most top-of-mind, preferred brands in the young children's market and to connect with a diverse, digitally-savvy customer.

In addition, during fiscal 2015, we launched our Rewarding Moments® loyalty and rewards program in the U.S. to drive customer traffic, sales, and brand loyalty. This program is integrated across our retail stores and online businesses. During fiscal 2016, our retail sales were predominantly made to customers who are members of Rewarding Moments®.

Our Global Sourcing Network

We source our garments from an international network of suppliers, primarily from Asia and Central America. Prior to placing production, and on a recurring basis, we conduct assessments of political, social, economic, trade, labor and intellectual property protection conditions in the countries in which we source our products.

We regularly assess the manufacturing facilities we use through periodic on-site facility inspections, including the use of independent monitors to supplement our internal staff. We integrate review data and performance results into our sourcing decisions and suggest improvements as a result. Our vendor code of conduct covers employment practices, such as wages and benefits, working hours, health and safety, working age, and discriminatory practices, as well as environmental, ethical and other legal matters.

Additionally, we are a certified and validated member of the United States Customs and Border Protection's Customs-Trade Partnership Against Terrorism ("C-TPAT") program. We expect all of our suppliers shipping to the United States to adhere to our C-TPAT requirements, including standards relating to facility security, procedural security, personnel security, cargo security and the overall protection of the supply chain. In the event a supplier does not comply with our C-TPAT requirements, or if we determine that the supplier will be unable to correct a deficiency, we may terminate our business relationship with the supplier.

We believe that our sourcing arrangements are sufficient to meet our current operating requirements and provide capacity for growth.

Our Global Distribution Network

Domestically, we operate two distribution centers in Georgia: our approximately 1.1 million square-foot multi-channel facility in Braselton and our facility in Stockbridge. We also outsource distribution activities to a third-party logistics provider in California. Our distribution center activities include receiving finished goods from our vendors, inspecting those products, preparing them for retail and wholesale presentation, and shipping them to our customers and to our own stores.

Internationally, we operate or outsource our distribution activities to third-party logistics providers in Canada and China to support our international wholesale customers, eCommerce operations, and Canadian retail store network.
Competition

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The baby and young children's apparel market is highly competitive. Competition is generally based upon product quality, brand name recognition, price, selection, service, and convenience. Both branded and private label manufacturers aggressively compete in the baby and young children's apparel market. Our primary competitors in the wholesale channel include private label product offerings, and, in alphabetical order, Disney, Garanimals and Gerber. Our primary competitors in the retail channel include, in alphabetical order, Disney, Gap, Gymboree, Old Navy, and The Children's Place. Most retailers, including our wholesale customers, have significant private label product offerings that compete with our products. Because of the highly-fragmented nature of the industry, we also compete with many small manufacturers and retailers. We believe that the strength of our Carter's, OshKosh, and related brand names, combined with our breadth of product offerings, distribution footprint and operational expertise, position us well against these competitors.

Seasonality

We experience seasonal fluctuations in our sales and profitability due to the timing of certain holidays and key retail shopping periods, which generally have resulted in lower sales and gross profit in the first half of our fiscal year versus the second half of the year. Accordingly, our results of operations during the first half of the year may not be indicative of the results we expect for the full fiscal year.

Governmental Regulation and Environmental Matters

Our products are subject to regulation of and regulatory standards with respect to quality and safety set by various governmental authorities around the world, including in the United States, Canada, and China. Our operations also are subject to various international trade agreements and regulations. While we believe that we are in compliance in all material respects with all applicable governmental regulations, current governmental regulations may change or become more stringent or unforeseen events may occur, any of which could have a material adverse effect on our financial position or results of operations.

We are also subject to various federal, state, local and foreign laws and regulations that govern our activities, operations and products that may have adverse environmental and health and safety effects, including laws and regulations relating to generating emissions, water discharge, waste, product and packaging content and workplace safety. Noncompliance with these laws and regulations may result in substantial monetary penalties and criminal sanctions.

Our Trademarks and Copyrights

We own many trademarks and copyrights, including Carter's®, OshKosh®, OshKosh B'gosh®, Genuine Kids®, Child of Mine®, Just One You®, Simple Joys®, Precious Firsts®, Little Collections®, little baby basics™, Rewarding Moments®, and Count on Carter's®, many of which