

## **carter's® (CRI) 2Q17 Results: Beats Estimates, Driven by Retail and International Businesses**

**Figure 1. Carter's 2Q17 Key Metrics**

	2Q17	2Q16	YoY Change
Revenues (USD Mil.)	\$692.1	\$639.5	8.2%
Gross Margin	43.8%	44.1%	(28) bps
SG&A/Sales	36.1%	35.7%	42 bps
Operating Margin	9.3%	9.9%	(57) bps
Adjusted EPS (USD)	\$0.78	\$0.71	9.9%

Source: Company reports/FGRT

- **Carter's reported 2Q17 revenue of \$692.1 million, up 8.2% year over year, beating the consensus estimate of \$681.1 million.**
- **Adjusted EPS was \$0.78, up 9.9% year over year and above the consensus estimate of \$0.70. The upside was driven by the retail and international businesses as well as by the contribution from the Skip Hop brand, which was acquired earlier this year.**
- **The company reaffirmed its EPS guidance for the full fiscal year; Carter's expects net sales growth of 4%–6% and adjusted diluted EPS growth of 8%–10%.**

### **2Q17 Results**

Revenue growth for Carter's in 2Q17 was driven by the retail and international businesses as well as by the contribution from the Skip Hop brand, which was acquired in February 2017. Net sales increased by \$52.6 million year over year, to \$692.1 million. On a constant-currency basis, consolidated net sales increased by 8.6% year over year.

At the beginning of fiscal 2017, the company combined its Carter's Retail and OshKosh Retail segments into a single US Retail operating segment, and its Carter's Wholesale and OshKosh Wholesale segments into a single US Wholesale operating segment. The company's reportable segments are now US Retail, US Wholesale, and International.

The Carter's Retail segment reported sales of \$391.8 million in 2Q17, up 11.1% from the same quarter last year. US Retail comparable sales increased by 6.0%, which includes comparable store sales growth of 0.4% and comparable e-commerce sales growth of 27.6%.

In the Carter's Wholesale segment, sales increased by 1.2%, to \$217.7 million, reflecting the benefit of the Skip Hop acquisition and partially offsetting a decrease in demand for OshKosh and Carter's products.

The OshKosh International segment's sales increased by 15.4% year over year, to \$82.6 million. The growth reflected the benefit of the Skip Hop acquisition and also growth in Canada and China, and was partially offset by decreased wholesale demand.

In the quarter, the company opened 11 stores in the US and closed three stores.



## FLASH REPORT

**Outlook**

For 3Q17, Carter's expects net sales to increase by approximately 5% year over year (\$45 million), to \$946.1 million, which is below the consensus estimate of \$960 million. The company expects adjusted earnings per diluted share for 3Q17 to be roughly in line with the \$1.61 recorded in 3Q16.

For FY17, the company reaffirmed its revenue guidance of 4%–6% growth, implying a range of \$3.3–\$3.4 billion, compared with the consensus estimate of \$3.38 billion. The company estimates its adjusted earnings per diluted share will increase by approximately 8%–10%, implying a range of \$5.55–\$5.65 versus the consensus estimate of \$5.62.



FLASH REPORT

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**Deborah Weinswig, CPA**

Managing Director  
FGRT  
New York: 917.655.6790  
Hong Kong: 852.6119.1779  
China: 86.186.1420.3016  
deborahweinswig@fung1937.com

**Erin Schmidt**  
Research Associate

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**Hong Kong:**  
8th Floor, LiFung Tower  
888 Cheung Sha Wan Road, Kowloon  
Hong Kong  
Tel: 852 2300 4406

**London:**  
242–246 Marylebone Road  
London, NW1 6JQ  
United Kingdom  
Tel: 44 (0)20 7616 8988

**New York:**  
1359 Broadway, 18th Floor  
New York, NY 10018  
Tel: 646 839 7017

**[FungGlobalRetailTech.com](http://FungGlobalRetailTech.com)**