

CARTERS INC
Form 10-Q
October 24, 2013

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 SEPTEMBER 28, 2013 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 incorporation or organization)

(I.R.S. Employer Identification No.)

The Proscenium

1170 Peachtree Street NE, Suite 900

Atlanta, Georgia 30309

(Address of principal executive offices, including zip code)

(404) 745-2700

(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.

Common Stock

Outstanding Shares at October 18, 2013

Common stock, par value \$0.01 per share

54,525,894

CARTER'S, INC.
INDEX

	Page
<u>Part I. Financial Information</u>	
Item 1	
<u>Financial Statements</u>	
<u>Unaudited Condensed Consolidated Balance Sheets as of September 28, 2013, December 29, 2012, and September 29, 2012</u>	<u>1</u>
Unaudited Condensed Consolidated Statements of Operations for the fiscal quarter and three fiscal quarters ended September 28, 2013 and September 29, 2012	<u>2</u>
Unaudited Condensed Consolidated Statements of Comprehensive Income for the fiscal quarter and three fiscal quarters ended September 28, 2013 and September 29, 2012	<u>3</u>
Unaudited Condensed Consolidated Statement of Changes in Stockholders' Equity for the three fiscal quarters ended September 28, 2013	<u>4</u>
Unaudited Condensed Consolidated Statements of Cash Flows for the three fiscal quarters ended September 28, 2013 and September 29, 2012	<u>5</u>
<u>Notes to the Unaudited Condensed Consolidated Financial Statements</u>	<u>6</u>
Item 2	
<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>19</u>
Item 3	
<u>Quantitative and Qualitative Disclosures about Market Risk</u>	<u>30</u>
Item 4	
<u>Controls and Procedures</u>	<u>30</u>
<u>Part II. Other Information</u>	
Item 1	
<u>Legal Proceedings</u>	<u>31</u>
Item 1A	
<u>Risk Factors</u>	<u>31</u>
Item 2	
<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>41</u>
Item 3	
Defaults upon Senior Securities	<u>42</u>
Item 4	
<u>Mine Safety Disclosures</u>	<u>42</u>
Item 5	
<u>Other Information</u>	<u>42</u>
Item 6	
<u>Exhibits</u>	<u>42</u>
<u>Signatures</u>	<u>43</u>
<u>Certifications</u>	

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

	September 28, 2013	December 29, 2012	September 29, 2012
ASSETS			
Current assets:			
Cash and cash equivalents	\$201,819	\$382,236	\$254,321
Accounts receivable, net	245,610	168,046	200,156
Finished goods inventories, net	440,446	349,530	375,102
Prepaid expenses and other current assets	22,872	22,216	16,913
Deferred income taxes	33,456	35,675	29,984
Total current assets	944,203	957,703	876,476
Property, plant, and equipment, net	256,225	170,110	153,330
Goodwill	188,006	189,749	190,470
Tradenames and other intangibles, net	336,596	306,072	306,172
Deferred debt issuance costs, net	7,961	2,878	3,074
Other assets	4,566	3,597	3,268
Total assets	\$1,737,557	\$1,630,109	\$1,532,790
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities:			
Accounts payable	\$158,600	\$149,625	\$115,005
Other current liabilities	85,107	94,610	89,158
Total current liabilities	243,707	244,235	204,163
Long-term debt	586,000	186,000	186,000
Deferred income taxes	110,708	114,341	113,280
Other long-term liabilities	138,219	100,054	95,905
Total liabilities	\$1,078,634	\$644,630	\$599,348
Commitments and contingencies			
Stockholders' equity:			
Preferred stock; par value \$.01 per share; 100,000 shares authorized; none issued or outstanding at September 28, 2013, December 29, 2012, and September 29, 2012, respectively	—	—	—
Common stock, voting; par value \$.01 per share; 150,000,000 shares authorized; 54,542,594, 59,126,639, and 59,035,891 shares issued and outstanding at September 28, 2013, December 29, 2012, and September 29, 2012, respectively	545	591	590
Additional paid-in capital	—	250,276	244,861
Accumulated other comprehensive loss	(13,531)	(11,205)	(9,134)
Retained earnings	671,909	745,817	697,125
Total stockholders' equity	658,923	985,479	933,442
Total liabilities and stockholders' equity	\$1,737,557	\$1,630,109	\$1,532,790

See accompanying notes to the unaudited condensed consolidated financial statements.

CARTER'S, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(dollars in thousands, except per share data)

(unaudited)

	Fiscal quarter ended		Three fiscal quarters ended	
	September 28, 2013	September 29, 2012	September 28, 2013	September 29, 2012
Net sales	\$760,173	\$668,657		