

CARTERS INC  
Form 10-Q  
April 30, 2009

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

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FORM 10-Q

- QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF  
THE SECURITIES EXCHANGE ACT OF 1934 FOR THE  
QUARTERLY PERIOD ENDED APRIL 4, 2009 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	(I.R.S. Employer
jurisdiction of	Identification No.)
incorporation or	
organization)	

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)

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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  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

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this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit and post such files). Yes [ ] No [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 definition of “accelerated filer, large 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 ( ) No (X)

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 April 30, 2009
Common stock, par value \$0.01 per share	56,690,740

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## PART I – FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS

CARTER'S, INC.  
CONDENSED CONSOLIDATED BALANCE SHEETS  
(dollars in thousands, except for share data)  
(unaudited)

	April 4, 2009	January 3, 2009
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 186,834	\$ 162,349
Accounts receivable, net	112,931	106,060
Finished goods inventories, net	153,941	203,486
Prepaid expenses and other current assets	13,974	13,214
Deferred income taxes	28,597	27,982
<b>Total current assets</b>	<b>496,277</b>	<b>513,091</b>
Property, plant, and equipment, net	84,809	86,229
Tradenames	305,733	305,733
Cost in excess of fair value of net assets acquired	136,570	136,570
Deferred debt issuance costs, net	3,314	3,598
Licensing agreements, net	4,346	5,260
Other assets	469	576
<b>Total assets</b>	<b>\$ 1,031,518</b>	<b>\$ 1,051,057</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Current maturities of long-term debt	\$ 3,503	\$ 3,503
Accounts payable	42,915	79,011
Other current liabilities	56,211	57,613
<b>Total current liabilities</b>	<b>102,629</b>	<b>140,127</b>
	<b>333,648</b>	<b>334,523</b>

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Long-term debt		
Deferred income taxes	107,928	108,989
Other long-term liabilities	41,411	40,822
Total liabilities	585,616	624,461
Commitments and contingencies		
Stockholders' equity:		
Preferred stock; par value \$.01 per share; 100,000 shares authorized; none issued or outstanding at April 4, 2009 and January 3, 2009	--	--
Common stock, voting; par value \$.01 per share; 150,000,000 shares authorized; 56,677,490 and 56,352,111 shares issued and outstanding at April 4, 2009 and January 3, 2009, respectively	567	563
Additional paid-in capital	214,441	211,767
Accumulated other comprehensive loss	(7,058)	(7,318)
Retained earnings	237,952	221,584
Total stockholders' equity	445,902	426,596
Total liabilities and stockholders' equity	\$ 1,031,518	\$ 1,051,057

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)

	For the three-month periods ended	
	April 4, 2009	March 29, 2008
Net sales	\$ 356,787	\$ 329,972
Cost of goods sold	229,440	225,057
Gross profit	127,347	104,915
Selling, general, and administrative expenses	99,130	92,276
Workforce reduction and facility closure costs (Note 10)	8,420	--
Royalty income	(8,762)	(7,914)
Operating income	28,559	20,553
Interest expense, net	3,175	4,520
Income before income taxes	25,384	16,033
Provision for income taxes	9,016	4,474
Net income	\$ 16,368	\$ 11,559
Basic net income per common share	\$ 0.29	\$ 0.20
Diluted net income per common share	\$ 0.28	\$ 0.19
Basic weighted-average number of shares outstanding	55,958,825	57,215,027
Diluted weighted-average number of shares outstanding	57,749,815	59,306,222

See accompanying notes to the unaudited condensed consolidated financial statements

CARTER'S, INC.  
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
(dollars in thousands)  
(unaudited)

	For the three-month periods ended	
	April 4, 2009	March 29, 2008
Cash flows from operating activities:		
Net income	\$ 16,368	\$ 11,559
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	8,395	7,007
Amortization of debt issuance costs	284	280
Non-cash stock-based compensation expense	1,874	1,586
Income tax benefit from exercised stock options	(778)	(40)
Non-cash asset impairment charges (Note 10)	2,962	--
Deferred income taxes	(1,665)	669
Effect of changes in operating assets and liabilities:		
Accounts receivable	(6,871)	(8,794)
Inventories	49,545	51,262
Prepaid expenses and other assets	(760)	(1,564)
Accounts payable and other liabilities	(36,002)	(33,031)
Net cash provided by operating activities	33,352	28,934
Cash flows from investing activities:		
Capital expenditures	(8,959)	(2,485)
Net cash used in investing activities	(8,959)	(2,485)
Cash flows from financing activities:		
Payments on term loan	(875)	--
Share repurchase	--	(10,020)
Income tax benefit from exercised stock options	778	40
Proceeds from exercise of stock options	189	65
Net cash provided by (used in) financing activities	92	(9,915)

Net increase in cash and cash equivalents	24,485	16,534
Cash and cash equivalents, beginning of period	162,349	49,012
Cash and cash equivalents, end of period	\$ 186,834	\$ 65,546

See accompanying notes to the unaudited condensed consolidated financial statements



CARTER'S, INC.  
 CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY  
 (dollars in thousands, except for share data)  
 (unaudited)

	Common stock	Additional paid-in capital	Accumulated other comprehensive income (loss)	Retained earnings	Total stockholders' equity
Balance at January 3, 2009	\$ 563	\$ 211,767	\$ (7,318)	\$ 221,584	\$ 426,596
Exercise of stock options (147,154 shares)					